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# Supplier Relationship Management in China and Taiwan

A case study with Bufab to identify the main criteria for a healthy supplier buyer relationship

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## Abstract

**Background:** Supply chain relations go far beyond simple transactions of money and goods. Today, with a low depth of added value in most companies, and low prices in China and Taiwan, sourcing in these countries is very common. Managing the relationship with these suppliers to increase the performance of the whole supply chain is crucial. We identified the cultural dimensions of trust, power, communication and time as most influential for the supplier buyer relationship and structure our paper accordingly.

**Purpose:** Investigate the connection between supplier relationship management (SRM) and culture. We investigated which cultural factors in Taiwan and China may hinder a relationship with a foreign buyer and what factors are drivers for a healthy relationship.

**Method:** We conducted a case study with the company Bufab and their suppliers in China and Taiwan. After a literature review, we interviewed nine representatives from Bufab, ten suppliers and one Taiwanese professor knowledgeable in the topic. Further, we did a survey with Taiwanese and Chinese suppliers and added a European reference group to distinguish particularities. We analyzed the findings using content analysis.

**Conclusion:** We identified that the dimensions of trust, power, communication and time are most relevant for the supplier-buyer relationship. The results show that these dimensions have a significant impact on the business relationship between a local Chinese or Taiwanese company and a foreign buyer. Managing these differences can provide the buying company with a competitive advantage.

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# 1 Introduction

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*History provides ample evidence for the crucial importance of large-scale cooperation. Victory almost invariably went to those who cooperated better. Not only in struggles between Homo sapiens and other animals, but also in conflicts between different human groups (Harari, 2017, p. 154).*

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## 1.1 Background

Sourcing can be described as large-scale cooperation between companies, and is a vital part of Supply Chain Management (SCM). It is the starting point of the value creation of a product and, as a matter of fact, sourcing accounts for a major part of the operative spend of a company. Depending on the type of company, sourcing can count for more than 80% of the total spend (Helmold & Terry, 2017). However, sourcing has increased even more in importance over the last decades, for example with the emerging of production-models based on just-in-time (JIT) production and total quality management (TQM) (Schiele, Horn, & Vos, 2011). The importance of sourcing increased also as a result of specialization and the consequent process of outsourcing as companies generally tend to decrease their depth of added value and source more (Hemmert, Kim, Kim, & Cho, 2016). Additionally, globalization and an inter-connected (business) world foster the importance of sourcing, since companies seek for further opportunities of value creation along their supply chains and thus consider suppliers from all over the world (Parniangtong, 2016). All this contributes to the importance of sourcing when looking at supply and value chains of today's companies.

When it comes to global sourcing, the Chinese and Taiwanese markets have been the most flourishing markets for sourcing over the last couple of decades and still are the most important markets for the sourcing for almost all kind of products (Hindson & O'Driscoll, 2006). Due to the size and diversity of the Asian continent, sourcing in China and/or Taiwan is an option for nearly all kinds of trading and manufacturing companies (Hindson & O'Driscoll, 2006). The main driver for sourcing in China and/or Taiwan definitely was and still is the unbeaten production costs for labor-intensive manufacturing processes. However, there is a cultural gap between Western companies and Chinese or

Taiwanese suppliers, which can undermine and damage the supplier relationship (Z. Zhang & Zhang, 2013). Despite logistical challenges, long lead times and the cultural gap, many Western companies source in China or Taiwan due to the significantly cheaper labor (Hindson & O'Driscoll, 2006). The cultural gap in the context of supplier relationship management can arise from several cultural dimensions and divide both parties. This cultural gap has just been addressed recently in research (Wiengarten, Gimenez, Fynes, & Ferdows, 2015). Differences in the dimensions of trust, the way people communicate or the adherence to hierarchical set ups within and between organizations can create a culture gap (Z. Zhang & Zhang, 2013).

In order to bridge the cultural gap, supplier relationship management became an important tool. In the past, companies tended to look downstream their supply chain to identify new sources of value creation, however, because options for downstream value creation are becoming scarce, companies started to look upstream, at suppliers as new sources for value creation (O'Brien, 2014). While suppliers usually represented cost centers in the past, which were managed with the primary goal of negotiating the best prices, many companies realized the potential and benefits of establishing good relationships with their suppliers and improve competitiveness (Parniangtong, 2016). Consequently, relationship with Chinese and Taiwanese supplier results in the urgent need to manage the cultural dimensions. This is important, because the performance of the supplier affects the whole supply chain including the end-customer and shall consequently be seen as an essential part of the supply chain management (Gorton et al., 2015). Since the relationship between the buyer and the supplier has influence on the performance of the whole supply chain, a good and functional relationship is crucial for the establishment of a highly-efficient supply chain. Optimally, this aspect should already be considered during the selection of a supplier (Kannan & Tan, 2002). Consequently, some relationships were based on superficial criteria and short-term oriented because a price can quickly change and thus, the single selection criteria of the purchasing price might not favor the most beneficial supplier when aiming for long-term, collaborative relationships. Today, other factors are becoming more and more relevant such as the commitment of a supplier, the quality of products and the speed of shipments (Talluri & Sarkis, 2002). Parniangtong (2016) suggests to rather focus on the total delivered value than on the purchase price and to apply a collaborative approach when dealing with suppliers, instead of overseeing them.

## 1.2 Problem Discussion

As mentioned above, the relationship between suppliers and buyers are of crucial importance for successful supply chain operations, from the OEM until the final customer (Ireland & Webb, 2007). Supply chains are comparable to an orchestra with many different parties where each of the parties needs to fulfil its particular purpose in order to provide the desired outcome. Consequently, the orchestra of suppliers, sub-suppliers and other involved parties needs to be harmonized (Narver & Slater, 1990). Today's competition takes place on a global supply chain level instead of having direct competition between companies. Nowadays, supply chains are huge networks, which require inter-entity cooperation (O'Brien, 2014). The measurement of site-centric metrics does no longer provide an indication for good performance, but rather the "whole picture" including the selection and consideration of external metrics and thus, the whole network provides a reasonable insight (Basu & Wright, 2008). The relationships between the independent entities, which can be described as links, are crucial to the performance of the whole supply chain (Miocevic & Crnjak-Karanovic, 2012). Therefore, each link of the chain needs to function, since every malfunction of a link affects the performance of the whole chain (Ireland & Webb, 2007). Consequently, the relationship between the entities are sensitive and need to be managed in a carefully and mutually beneficial way. Those relations can be described as intangible assets and are formed over years of collaboration. However, some relationships are worth more than others and thus, some entities are preferred over others (Ireland & Webb, 2007; Ivens, Pardo, Salle, & Cova, 2009). As stated in the previous section, a culture gap can disturb these links between companies and lead to inefficiencies. Consequently, many western companies want to bridge this cultural gap in order to improve the relationship and become a more attractive buyer to suppliers in China and Taiwan. Differences in national cultures have a great impact on these relationships (Durach, Glasen, & Straube, 2017), but only recently attracted attention from scholars (Busse, Kach, & Wagner, 2017; Wiengarten et al., 2015).

## 1.3 Purpose and Research Question

The purpose of this thesis is to investigate and understand cultural aspects of relationship management with Chinese & Taiwanese suppliers. We contribute with a recommendation on how to bridge the culture gap. Our research shows how to establish healthy relationships with Chinese and Taiwanese suppliers. Healthy relationships are built on

trust and focus on sustainable and mutual beneficial collaboration between buyer and supplier (Ireland & Webb, 2007).

In order to fulfil this purpose, we formulated two research questions. The first step is to identify the differences between suppliers in Far East and a Swedish buyer. Thus, the first research question is:

> **RQ 1:** What culture-based aspects in China and Taiwan may hinder a relationship with a Swedish buyer?

The second part of fulfilling the purpose is to identify criteria which foster a healthy relationship between the buying firm and its Chinese or Taiwanese suppliers. Subsequently, the second research question is:

> **RQ 2:** What are the main drivers for a healthy relationship between a Swedish buyer firm and its Taiwanese and Chinese suppliers?

To answer these research questions, we will conduct a case study with the company Bufab.

### 1.4 Scope and Delimitations

The Scope of this thesis regarding the first research question is that we will limit the research to suppliers situated in China and Taiwan. The reason for that is that our Swedish case company has its main supplier base in these two countries.

This limitation also limits the answer to the second research question. We will carry out several interviews with suppliers and the case company Bufab. Thus, some findings may particularly apply to Bufab and a generalization of some results may not be given.

### 1.5 Outline

We will start with a literature review of the state of the art research regarding the buyer-supplier relationships and cultural and regional differences of Chinese and Taiwanese suppliers. This will include the roles of trust, power, communication and time in the relationship, as well as their influence on the performance of the buyer, the supplier and the whole supply chain.

Subsequently, we will present the applied methodology in this thesis and reason our choices. The next chapter will contain the empirical part with the results of the interviews. In the discussion, we will put our findings into perspective with the existing literature.

# 2 Literature Review

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*In this chapter, we provide the theoretical frame for our thesis. Firstly, we introduce general characteristics for supplier-buyer relationships such as how to classify supplies and the role of performance. Second, we show characteristics that are different in the Chinese and Taiwanese business context and derive cultural dimensions from the theory that are most important within the context of SRM.*

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## 2.1 Supplier Relationship Management

The supplier-buyer relationship has gotten more attention in the literature recently with the realization that the relationship influences the performance of the buyer and the supplier and with that, the performance of the whole supply chain (Miocevic & Crnjak-Karanovic, 2012). Hence, the relationship with suppliers can benefit the whole supply chain and are seen as an intangible asset. Some of the relationships are more important than others and can be described as key (Ivens et al., 2009). That acknowledgment leads to the understanding, that the supplier relationship management is of strategic importance and requires a managerial framework in order to monitor the relationship with key suppliers (Miocevic & Crnjak-Karanovic, 2012). The first step in this process is to analyze the performance of each supplier in order to identify those suppliers that are of strategic importance. The relationship management differs to a great extend for each supplier according to the overall importance of that supplier (O'Brien, 2014).

To establish healthy relationships is certainly more important with supplier of strategic importance. The term *healthy relationship* is vague and the meaning may differ depending on the point of view. The word healthy implies that the relationship is long lasting and sustainable (Ireland & Webb, 2007). A relationship is long lasting when both parties have common goals, interact in harmony and are important to each other Trust and power have been identified as key determinants of a healthy relationship. For a healthy relationship, trust and power must co-exist in a balanced way for it to contribute positively to the performance (Ireland & Webb, 2007). Both, trust and power, can function as a coordination mechanism in a relationship by providing clarity over responsibilities and enhancing the predictability of the partner's behavior (Bachmann, 2001).

### 2.1.1 Classification of Suppliers

Most companies have a very wide range of suppliers that they have some kind of relationship with. Most relationships are of a transactional character, while some go deeper. That means, that some relationships are worth more than the others to the buyer (Ivens et al., 2009). Distinguishing these relationships into different categories makes sense, because different relationships require different treatment. Along a scale, suppliers can be classified as transactional suppliers, important suppliers and strategic suppliers (O'Brien, 2014). Suppliers can be classified into these categories by evaluating their capability and their willingness (Rezaei & Ortt, 2012; Rezaei, Wang, & Tavasszy, 2015). Their capability derives from their current performance in terms of many different measurements (e.g. delivery, price, environmental performance, reliability, lead time, quality, process capability). These measurements vary from each case depending on the importance to the buying firm (Giannakis, 2007). The willingness refers to the supplier's willingness to adapt, develop and cooperate. This can be measured by reviewing the supplier's commitment to the long-term relationship, their ethical standards, the honesty and quality of communication and their commitment to improving the product itself and/or the process (Rezaei et al., 2015).

However, Cox (2003) adds the idea that the scarcity of resources also plays an important role when evaluating the importance of a supplier. A supplier may be very willing and capable. But if the resource that supplier has to offer is not scarce but widely available, switching suppliers becomes very easy. Hence, if the resource is of no strategical importance (not scarce) to the buyer, the supplier remains unimportant.

Since we establish criteria for a healthy relationship between a buyer and supplier, we mainly focus on the strategic and important suppliers. That is because transactional suppliers are very exchangeable for the buyer. Thus, the buyer has little interest of committing to a long-term relationship with such a supplier. Managing a transactional supplier is uncritical because the relationship is mainly based on the transactions with little focus on the trust and power aspects of that relationship. Strategic suppliers on the other side are of such an importance to the buyer, that the buyer has a great interest in establishing a healthy relationship (O'Brien, 2014).

### 2.1.2 The Role of Performance

In the past, big buying firms scanned markets for cheap purchasing prices as their main criteria for selection. The trend now is to evaluate the whole performance of a supplier in terms of quality (Schuh, 2014), trust and commitment to the relationship (Han, Wilson, & Dant, 1993), the power relation (Terpend & Ashenbaum, 2012), resilience to disruptions (Hosseini & Barker, 2016) and the logistical service (Talluri & Sarkis, 2002). Subsequently, the performance of the supplier depends on a broad variety of factors. Only if the supplier is highly committed to the relationship, the supplier's perception of the collaboration has a positive influence on the supplier's overall performance (Prahinski & Benton, 2004). Measuring the performance of the supplier becomes of strategic importance considering the vast amount of suppliers that most companies have. The purpose of measuring the performance of a supplier is to identify gaps between the targeted performance and the reality. The consequence of such a gap depends on the strategic importance of the specific supplier, but in the long run, that gap also negatively influences the strategic importance of the supplier. On the other hand, the consequence of bad performance of a transactional supplier may be, that the buyer switches to another, more reliable supplier. That is because the switching costs of transactional suppliers are fairly low and there are plenty of substitute suppliers in the market (O'Brien, 2014).

If the performance of important or strategic suppliers is not sufficient, the switching costs are much higher. The reason for this is that the collaboration between these suppliers is closer with a higher degree of integration and idiosyncratic investments due to a longer relationship. Consequently, finding an alternative supplier in the market is much more difficult (Friedl & Wagner, 2012). Hence, the buying firm will try to support the supplier to improve the performance. But persistent bad performance weakens the position of a supplier and motivates the buying firm to decrease the strategic relevance of that specific supplier (Friedl & Wagner, 2012).

To conclude, the performance of a supplier is an important criterion for the supplier classification. The performance is nowadays evaluated by looking at a broad array of performance indicators. We chose to work with the dimension of power and trust in the cultural context, because they are highly relevant in the context of supplier relationships with Taiwanese and Chinese suppliers. From the performance factors, trust and power are

the ones that are influenced the most by different cultures (Xie, Li, Su, & Teo, 2010; Z. Zhang & Zhang, 2013).

## 2.2 Cultural Context of Supplier-Buyer Relationships

The establishment of supplier-buyer relationships can be briefly categorized by the general characteristics mentioned in the previous section, which give an indication whether the relationship is healthy or struggling. However, when establishing supplier-buyer relationships between two parties with different backgrounds and values, additional factors besides financial performance determine a successful relationship. This is where the cultural dimension needs to be taken into consideration. That is because the cultural dimensions influence the behavior, which in turn has an impact on the financial performance, power relation and trust (Z. Zhang & Zhang, 2013). The impact of culture on the relationship between suppliers from China and Taiwan and Western buyers has been largely neglected by scholars (Xie et al., 2010). The following sub-section aims at defining culture for the purpose of this paper, examining the relevance of culture today and in the context of business, as well as defining ways how to measure cultural differences.

### 2.2.1 What is Culture?

Before trying to understand where the differences between domestic and global management cultures and approaches lie, one must understand the many different ways in which culture is influencing and determining the life of people around the world. Generally, it can be said, that a culture defines itself on three different levels, which can be further categorized into visible and invisible, respectively above or below the surface of culture. Hanley (1999) uses the metaphor of an iceberg by arguing that culture is like *an iceberg sticking out of the ocean* (p. 3), while the visible tip unveils just a tiny fraction of a culture and most of it is hidden under the surface. The first level, which is visible, includes artifacts and creations. Here, architecture or the way people dress in a specific society can be used as examples. On the second level values such as strategies, goals or philosophies are settled, which are not always directly visible, however may become apparent in time. The third and deepest level involves beliefs, feelings and perceptions. These certainly go below the visible surface of culture and thus, are invisible for people outside a certain society. The three levels combined together, form a culture and thus cultures can have many different features on each of the levels (Schein, 1984).

All cultures have differences and similarities, and particularly distinguish themselves through the way which was chosen to find a solution to a certain problem (Trompenaars & Hampden-Turner, 2012). Therefore, we will start with the definition of culture, as it became clear, that scholars in this field have very different understandings of what culture is. Adler and Gundersen, (2008) offer a rather simple definition of culture, by describing it as a way of life influenced by behavioral patterns which are transferred by members of the society. Compared to other definitions of culture it seems to miss out some essential parts. The definition of culture as a way of life is not directly supported by the scholars Maanen and Laurent (1993). However, they also see it as a major part of life, by stating, that the cultural indoctrination begins as birth and is evolving from there on trough all kinds of stimulus (gestures, tones, colors, smells etc.) while we are being raised, until the day one dies.

Herbig and Kramer (1992) argue that different cultures result in different perceptions of the world, e.g. in the way we show emotions, define goals, or motivate ourselves. Moran's (2014) definition of culture supports that notion, by stating that culture "gives people a sense of who they are, of belonging of how they should behave and what they should be doing" (p. 10). He describes culture as a problem-solving toolset, which helps people of a society to cope with their problems in a particular environment. It allows people to create a distinctive reality around themselves (Moran et al., 2014). Other scholars generally seem to have a consensus that culture is an essential part of our life, which determines our actions in day to day life to a large extent and thus there is a close connection between culture and the *way we do things* (Adler & Gundersen, 2008; Herbig & Kramer, 1992; Maanen & Laurent, 1993). Unlike the definitions above, Salomon (2016) uses a broader definition. He highlights the highly complex nature of culture, which has roots in many different fields, as it is influenced by politics, history, economy, geography, society, education, technology, linguistic and religion. Nevertheless, he highlights social, linguistic, and religious factors as the most influential. In line with the general definitions by scholars mentioned above, the definition of culture as a tool-set for behaving correctly in a certain environment, which is determined through values and believes, will be applied. The factors and their importance for cultural behavior patterns will be identified at a later stage.

### 2.2.2 Relevance of Culture

The aforementioned importance for (multinational) organizations to look out for possibilities of value creations around the globe, implies that they need to face and deal with different cultures in order to find suitable supplier or partner for their business. Yoshida (2002) goes so far, as to say that going global is a criterion for survival in the interconnected world of today, otherwise extinction due to lack of competitiveness is likely. The fact, that everything is connected and thus practices from one entity has influence on the other and vice versa, suggests that cultures also interconnect and thus mix in one way or the other.

Surprisingly, even in today's highly interconnected and open world, the lines between different cultures around the world can still be drawn relatively clear. Unlike other institutions in nowadays ever-changing world, which dissolve relatively quickly when new stimuli question the current state and eventually trigger change, cultures are more or less resistant to change. Salomon (2016) highlights, that cultural institutions are more stable than e.g. political or economic institutions and change over generations rather than in a period of years. Another scholar supports this and writes, that the recent removal of physical barriers e.g. through technologies or possibilities to travel, does not mean, that the philosophical and cultural barriers dissolve as easily. As a matter of fact, they seem to be little influenced by the rapid changes of the environment (June Ock Yum, 1988). It can be concluded, that today, there still is an urgent need of flexibility in order to respond and react positively to practices which significantly differ from the ones in the home country (Moran et al., 2014).

### 2.2.3 Business and Culture

Culture affects business and the following paragraph aims at identifying the differences in business management among different cultures and the ways in which culture is influencing organizations and their practices. Generally, management means making decision which affect the whole organization, its divisions, and, due to todays close relation of business and culture, also the society (Adler & Gundersen, 2008). In short, culture has to be considered when doing business in a multinational environment. Hofstede (1984) concluded, on basis of his impressive empirical data analysis, that *organizations are cultural-bounded*.

As described above, the lines between cultural behavioral patterns are still surprisingly clear. This requires parties which interact for the purpose of doing business to be aware of the actual differences, in order to behave appropriately. The scholars Herbig and Kramer (1992) argue, that doing business in a cross-cultural context results in an exceptional rise of complexity and thus the party visiting the other needs to be aware of the local practices. Literature describes several examples where people missed to bridge the cultural gap, which not seldom results in the failure of a business meeting (Herbig & Kramer, 1992; Reeder, 1987; Ricks, 2006; Salomon, 2016). Thus, intercultural experience is needed in order to become more broad minded and tolerant for culture "uniqueness" (Moran et al., 2014, p. 28). Herbig and Kramer (1992) go even further by arguing, that in order to understand the other party fully, one would have to *see through the other parties eye* (p. 287). The described importance of cultural sensitivity and its consideration is highly important. As an example, Helmold and Terry (2017) mention that neglecting certain factors in most parts of the Asian culture, results in the creation of situations where the other party "loses face". Which in turn is likely to result in the failure of a business meeting (Ricks, 2006).

Scholars describe this challenge for international managers as a dilemma referred to as "glocalization" (Featherstone, Lash, & Robertson, 1995). It derives from the effort of multinational organizations to standardize the organizational structure, systems and processes in subsidiaries around the world. However, at the same time managers need to pay attention to the local characteristics e.g. of the market, the political or the cultural system, what is also applicable when it comes to supplier-buyer relationships. Consequently, the balance between the two dimensions of (global) consistency and (local) flexibility and adoption, is decisive for the corporate success in a multinational environment (Fang, Tung, Berg, & Nematshahi, 2017; Trompenaars & Hampden-Turner, 2012).

In order to mention aspects in which culture affects the business, two examples will be given at this stage and differences will be further examined in section 2.3. First, the importance of the status in society e.g. a title can be of high importance for one party (status-oriented), while the other party is not concerned about it at all (egalitarian-approach) (Adler & Gundersen, 2008; Herbig & Kramer, 1992; Moran, Abramson, Moran, & Harris, 2014; Reeder, 1987). Secondly, importance of personal relationships

can create a large gap between interacting parties e.g. a strong bound between the decision makers can be of significant importance for one side but decrepitly for the other (Guirdham, 2009; June Ock Yum, 1988). The two examples are minor parts of the highly complex nature and relationship of culture and business. Often in practice, invisible forces of culture operate a corrupting process, taking apart the basis of centrally developed methods and processes, which do simply not work locally (Trompenaars & Hampden-Turner, 2012).

To conclude, the connection between business and culture is close and the disregard of certain cultural practices in the context of global business practices are likely to result in an undesirable outcome. Furthermore, it is important to be aware of even finer differences, such as local practices and, if possible, implement and consider on an international level.

### 2.3 Dimensions of Culture

After the definition of culture and its relevance, this part aims at determining the dimensions on which the different cultures can be evaluated. Since there is no universal set of cultural dimensions (Javidan & House, 2001), the dimensions used in this paper will be identified in the following part. While conducting the literature review, the previous work on cultural dimensions by Hofstede (1984) seems ubiquitous. Hofstede (1984) corroborated by the work of Maanen & Laurent (1993) and conducted his research on cultural differences in over 60 countries (Adler & Gundersen, 2008). He divided culture into five work-related dimensions, which are namely:

- Individualism vs. Collectivism
- Power distance
- Uncertainty avoidance
- Masculinity
- Confucian dynamism

However, after further reviewing the literature, the dimensions which date from 1980s, seem to be dated and thus not completely relevant any longer.

Fang et. al (2017) and Guangrong, (1998) indicate that Hofstede's (1984) dimensions are a pre-globalization and pre-internet phenomenon and thus irrelevant to a large extent. Considering the impact of globalization and especially of technology advances in the past

decades, the static evaluation, through dimensions dating from the 1970s, of dynamic cultural development seems indeed inadequate.

Furthermore, the scholars Taras, Kirkman, & Steel (2010) argue, that the multidimensional model of Hofstede is not fully considering the complex phenomenon of culture, since the focus on cultural values, is one-sided and ignores other aspects of culture. Another aspect mentioned by Mead & Andrews (2009) highlights a weakness of Hofstede's study due to the fact that he conducted the study at the multinational company IBM which is operating in the business of information-technology. Consequently, the study cannot be scaled to cover all different aspects of different countries and their cultures, as it is reasonable to assume, that the participants of the study were, to some degree "biased" by the company's global culture and strategy.

Regardless of the criticism and weaknesses mentioned above, it can be said that Hofstede's work on the cultural dimensions is useful for the prediction of people's behavior in routine situations (Hofstedes Model, 2015). In turn, this means that the dimensions used by Hofstede require adoptions in order to be relevant when comparing today's cultures, especially in the context of supplier relationship management and thus for the purpose of this paper.

After reviewing the work on culture and particularly the developed dimensions of the scholars Hofstede (1984), Meyer (2014), Trompenaars & Hampden-Turner (2012) as well as Schwartz (1992), it becomes clear that the dimensions developed by each of them exhibit interdependencies and similarities to some degree.

However, they differ in terms of the in-depth analysis of certain areas/dimensions. While Hofstede (1984) focusses on broader aspects of cultures using five distinct dimensions to describe cultural differences. Schwartz (1992) goes even further by categorizing seven values into three value dimensions. There is no doubt that both scholars were pioneers and provided essential findings in the field of cultural differences, but regardless of the relevancy of both findings, we argue, that these dimensions are overly simplistic when analyzing cultural differences on a supplier-buyer relationship level. Consequently, the work of Hofstede and Schwartz can be seen as a basis for categorization of the different dimensions, but are not directly relevant for the purpose of this paper. The research of Meyer (2014) and Trompenaars and Hampden-Turner (2012) provide better insights to the cultural dimensions, what makes it more applicable for the purpose of this paper.

The reasons for this are twofold, first both scholars use more dimensions to describe and examine cultural differences. Meyer (2014) is applying eight dimensions, while Trompenaars & Hampden-Turner (2012) use seven dimensions to compare cultures on a more granular level than Hofstede and Schwartz. As an example the dimension of power distance used by Hofstede seems to be split by Meyer in the dimensions of leading (egalitarian vs. hierarchical), deciding (consensual vs. top down) since both dimensions are influencing Hofstede's (1984) dimension of power distance and vice versa. Arguably the line cannot be drawn clearly e.g. deciding is also part of the individualism vs. collectivism dimension, however the interdependencies are noticeable, with the difference that the finer dimension provide a more applicable foundation.

Secondly, the focus of the dimensions Meyer (2014) and Trompenaars and Hampden-Turner (2012) defined lies more on business interactions. Although Hofstede's (1984) dimensions are "work-related", the dimensions do not provide clear insights on work-related differences, but seem a rather generic and above the surface of business related differences. In contrast to Hofstede (1984) and Schwartz (1992), the research of the three scholars is focusing primarily on relationship related cultural differences. Out of Meyer's (2014) eight dimensions, seven can be directly connected to buyer-supplier relationships, or at least are influencing a relationship. Trompenaars and Hampden-Turner (2012) divide their dimensions in three categories, which are relationships with people derived from Parsons (2013), attitudes with regard to time and attitudes with regard to the environment. While the latter ones both are each one dimensions, five dimensions are used for relationships. We argue, that Hofstede's (1984) and Schwartz' (1992) dimensions certainly consider relationships as a significant part of their dimensions. The difference, however, is that the impact of certain characteristics, which are important for relationships, tend to become indistinct.

On the one hand, one can only assume, that masculinity, or the power distance Hofstede (1984) defined are influencing the way relationships are build. On the other hand, Meyer (2014) and Trompenaars & Hampden-Turner (2012), with the clearly more distinct dimensions, provide applicable insights in the way relationships are built. Last but not least, the previously mentioned aspect of timeliness is supporting the application of the dimensions of Meyer (2014) and Trompenaars & Hampden-Turner (2012). Due to the fact that the dimensions where developed recently, issues related to dated data and

analysis are less likely to have a negative impact on our analysis. For the following examination of the dimensions, findings from all 15 dimensions are used, in order to draw conclusions regarding cultural differences within the topic of this paper.

The dimension which Meyer (2014), as well as Trompenaars & Hampden-Turner (2012) defined are illustrated in Figure 1.

| Dimensions by Meyer | Dimensions by Trompenaars and Hampden-Turner |
|---|---|
| 1. Communicating<br>Low-context vs. High-context | 1. Universalism vs. Particularism |
| 2. Evaluating<br>Direct negative feedback vs. Indirect negative feedback | 2. Individualism vs. Communitarianism |
| 3. Persuading<br>Principle-first vs. Application-first | 3. Neutral vs. Affective |
| 4. Leading<br>Egalitarian vs. Hierachical | 4. Specific vs. Diffuse |
| 5. Deciding<br>Consensual vs. Top-Down | 5. Achievement vs. Ascription |
| 6. Trusting<br>Task-based vs. Relationship-based | 6. Attitudes with regard to Time |
| 7. Disagreeing<br>Confrontational vs. Avoids confirmation | 7. Attitudes with regard to the Environment |
| 8. Scheduling<br>Linear-time vs. Flexible time | |

*Figure 1: Comparing Cultural Dimensions (own illustration)*

To sum it up, scholars have different approaches on how to identify cultural differences through the dimensions they applied. These dimensions mainly differ in the level of depth used to examine the cultures, but also regarding the angle from which they approach. In order to reach the goal of our thesis, the timely and relationship-focused dimensions of Meyer (2014) and Trompenaars & Hampden-Turner (2012) will be further applied. The aim of these dimensions is to derive questions concerning the supplier-buyer relationship between the countries examined in our paper. We chose to continue working with the dimensions of trust, power, communication and time. This selection is based on preliminary discussions with representatives from Bufab Taiwan and Sweden. We initially also included the evaluating dimension, but we cut it out after our findings suggested that this is not a relevant dimension when it comes to business relationships between buyer and supplier. In the literature, these cultural dimensions have not been investigated together. The time perception has not been investigated in terms of its influence on business relationships at all.

### 2.3.1 The Dimension of Trust in Supplier-Buyer Relationships

The importance of trust as a coordination mechanism between buyer and supplier has been recognized by many researchers (Han et al., 1993; Ireland & Webb, 2007; Terpend & Ashenbaum, 2012). We consider trust as one major pillar of the relationship between supplier and buyer, because it influences their relationship to a great extent. Various scholars have proven a positive correlation between trust and performance (Gattiker, Huang, & Schwarz, 2007; Humphrey, 2000; Xie et al., 2010; C. Zhang, Viswanathan, & Henke, 2011). Some even go so far as to argue that whole economies perform better due to a high-trust culture (Humphrey, 2000). Hence, our attitude towards trust is, that is anchored in our culture. Some cultures, such as the German or Swedish culture, can be described as a high-trust culture, which is facilitated by rules and regulations that are widely accepted whilst other countries have low-trust cultures such as China and Taiwan (Humphrey, 2000). The question emerges how companies from a high-trust culture can trust a company from a low-trust culture. For that reason, the aspect of trust is of high relevance for this thesis.

Generally, trust can be described as a mechanism, where a firm accepts its vulnerability towards another firm trusting that the other firm would not take advantage of that vulnerability by showing goodwill (Hemmert et al., 2016). But there are many different types of trust that we need to distinguish from. There is calculative trust at the formation of a strategic relationship, then cognition-based trust at the implementation phase and last affection-based trust (Child, 2000).

Meyer (2014) defines these trust forms as task-based or relationship-based, while Trompenaars and Hampden-Turner (2012) use specific and diffuse relationships to describe the difference. Cognition-based trust is elusive and depends on the firm's prediction that the other firm will not behave opportunistically in an unpredicted situation. It forms and strengthens in long term relationships and is based on reciprocation (Ireland & Webb, 2007). In the beginning of a new relationship, only basic calculative trust exists in the contract, the competence, and adherence to common rules. But the contract between the two companies can impossibly cover every situation. If a contingency occurs, one partner in the relationship has the choice between opportunistic behaviors or to act like a fair partner. If the latter occurs, and this behavioral pattern is reciprocated, both partners will trust in the goodwill of each other, thus form goodwill trust (Ireland & Webb, 2007).

It comes down to the predictability of the behavior of the trustee. The trustor needs to search for evidence that makes the trustee predictable, so that the trustor can estimate that a non-opportunistic behavior would be unlikely. After a longer relationship, cognitive trust comes to exist. The partners can sufficiently predict each other's actions have shared meaning and shared values. These shared meanings (also: shared rules) are important, because it enhances the predictability of the behavior of the other organization (Humphrey, 2000).

Affection-based trust on the other side is formed when the partner genuinely care about each other's well-being (Gattiker et al., 2007). Its formation requires extensive interpersonal involvement and care for each other, meaning that it is formed only in long-term relationship between buyers and suppliers (Child, 2000). The relation between affection-based and cognition-based trust has been investigated and Xie, Li, Su, & Teo (2010) found a positive correlation between the development of cognition-based and affection-based trust. Hence, the formation of either form of trust will support the other. Trust goes both ways and the trust from the supplier to the buyer is arguably more important because the buyer usually has more power since he can switch suppliers. And for the more powerful partner in a relationship, it is easy to show trust (Hemmert et al., 2016). Gattiker et al. (2007) found in their empirical research, that face-to-face negotiations yield higher trust on the side of the supplier. In case of complicated matters, e-mail negotiations in junction with personal negotiations yielded the most trust. The reason behind that is, that the face-to-face component of the negotiation yields performance enhancing affection-based trust while the e-mail negotiation provides clarity and more structure. With e-mails, complicated matters can easily be forwarded and are written down.

In the context of affection and cognition-based trust, formal contracts have a great influence on the development of trust. Generally, contracts govern or coordinate a relationship between two business parties. Contracts provide both parties with information about which behavior is expected of each party and which sanctions are planned in case of negligence. This means that both parties can better calculate the risks and opportunities of the relationship. Hence, contracts have the potential to foster calculative trust, which is a part of cognition-based trust (Lumineau, 2017). Further, contracts have been found to positively impact the relationship in time of environmental

uncertainty. In that case, contracts reduce the environmental uncertainty and thus foster the cognition-based trust (X. Zhang & Hu, 2011). One could now argue that in China, contracts would replace the relationship-based nature of business, but Zhang and Hu (2011) found a positive correlation between trust and contracts. They concluded, that contracts enable trusting and personal long-term relationships, because they reduce the uncertainty that hampers the formation of trust.

Gattiker et al. (2007) conclude, that personal contact is crucial for the development of trust. Consequently, boundary spanners, who bridge the gaps between organizations (also: purchasing agents), take an immensely important role. They represent the organization against other organizations (C. Zhang et al., 2011). These boundary spanners build up interpersonal trust with the suppliers which is why their capabilities are so important. Zhang et al. (2011) argue that interpersonal trust and inter-organizational trust influence each other. According to their study, the professional knowledge and the ability of the boundary spanner to reach a compromise positively influences the interpersonal trust the supplier has in the purchasing agent. The quality of the strategic communication however influences the inter-organizational trust between buyer and supplier. Besides, if the boundary spanner can demonstrate extensive professional knowledge, expert power is formed, which is known to also have a positive effect on the performance (Frazier & Rody, 1991). To illustrate the role of a boundary spanner, Figure 2 provides an example of how the boundary spanner builds interpersonal trust.

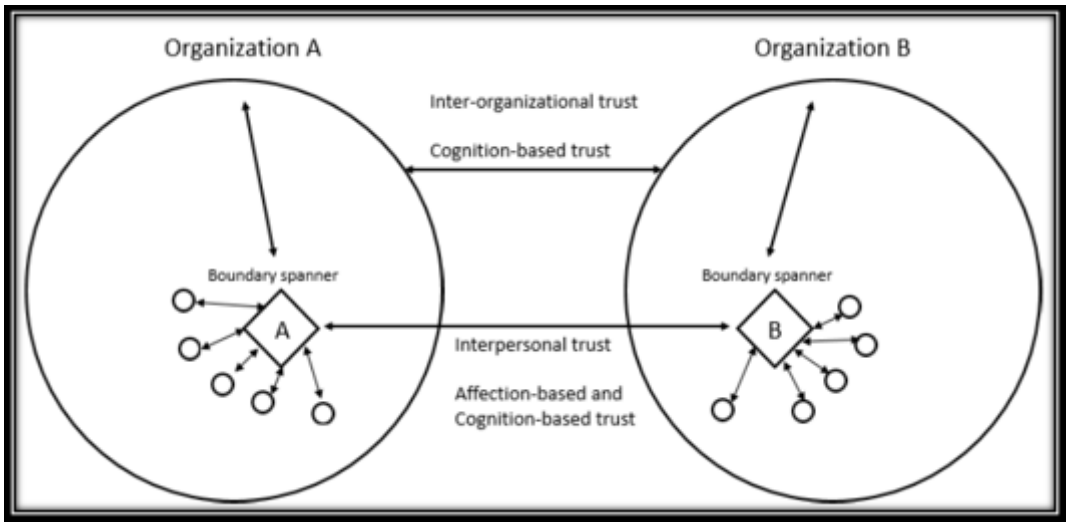


*Figure 2: The Role of Interpersonal vs. Inter-Organizational Trust*

Following the logic that trust is being build when the partners trust each other and can predict or calculate the actions of the other, trust between different cultures would be formed harder than trust between two organizations close to each other (Xie et al., 2010). That is, firstly, because cognition-based trust is based on how good the companies can predict the others behavior and a cultural closeness would benefit the predictability. On the other hand, companies from high-trust cultures may actively mistrust companies from low-trust cultures. China would be such a low-trust culture, due to the lack of shared meanings, rules and guidelines (Humphrey, 2000). The trust in the culture of China is ambiguous. In smaller social entities, such as the family, trust is an important factor. Nationwide, the country can be described as a low-trust culture (Child, 2000). There are several reasons for that assessment. Firstly, despite reformation efforts, the property laws are still weak in China. Second, the political situation for companies is uncertain. Laws are issued centrally, but enforced locally. Locally, they can be interpreted and leave room for negotiation and corruption. Officials do as they please and leave a high level of uncertainty for the companies. Further, the historical political situation was very unstable with consequences of exploitations (Child, 2000; Humphrey, 2000; Xie et al., 2010).

Growing trust in this hostile environment is most certainly a challenge (Humphrey, 2000). When forming trust in China and Taiwan, some cultural particularities need to be kept in mind and can be used. The, in the Chinese and Taiwanese society predominant, concept of *guānxi*, which translates into relationship, is one of these particularities. Guānxi describes the Chinese and Taiwanese logic of business, where personal relationships are highly valued, in contrast to the rather impersonal business environment in Western countries (Durach et al., 2017). Hence, Chinese and Taiwanese suppliers strive for long lasting relationships even before they enter a business relationship together while in the Western countries, having aligned interests is a sufficient criteria for bonding (Tsang, 1998). Tsang (1998) even goes so far to say that a good guānxi is a precondition of successful business in China and Taiwan. On the other hand, he mentions that guānxi can lead to corruption. Western companies need to make sure not to cross the boundary between an informal exchange of favors and corruption.

Another principle is the concept of *renqing* which means to reciprocate and refers to the duty to foster and maintain the relationship (Giannakis, Doran, & Chen, 2012). This implies that Swedish companies should open a Chinese or Taiwanese office when dealing

with Chinese or Taiwanese suppliers in order to nurture personal relationships. Further, the supplier should be provided with some kind of favors from time to time. Their reaction to these favors need to be observed closely. Their reciprocate behavior can be taken as a factor to consider when choosing strategic partners.

To conclude, trust can be based on affection or cognition, while both generally positively influence each other. There are several stages of trust that a relationship goes through. There is trust between organizations and between people, which is why the skills of the boundary spanners are so important. The personal relationship is key especially when dealing with suppliers from China and Taiwan. In order to form deeper levels of trust, buyer firms need to culturally adapt and incorporate the concepts of guānxi and renqing.

### 2.3.2 The Dimension of Power in Supplier-Buyer Relationships

As mentioned above, the dimensions of leading and deciding are connected to the dimension of power. These dimensions seem to differ a lot when comparing the country of Sweden with China, respectively Taiwan. While Sweden is settled on the extreme of egalitarian approach when it comes to the way people are lead, organizations in China and Taiwan apply a hierarchical approach when comes to leading. Sweden has a low score in the power distance, while Taiwan and China have a very high score (Hofstede, 1984; Schweitzer & Alexander, 2015; Trompenaars & Hampden-Turner, 2012). An egalitarian approach is given, when the distance between the superior and his or her subordinates is low. That results in flat hierarchies, where communication is not bound to hierarchical levels and the general organizational structure is flat. In a hierarchical culture on the other hand, the distance is high, and consequently, status is important when it comes to interactions between members of different hierarchical levels. In a culture with a high power distance, issues are communicated to the next highest level and then forwarded (level-by-level) until the level is reached where the decision is made. On the other hand, in a culture with low power distance an issue can be communicated directly, skipping several hierarchical levels and thus, directly reaching the level where the decision is made (Meyer, 2014; Moran et al., 2014; Salomon, 2016; Trompenaars & Hampden-Turner, 2012).

By looking at the history several hundred years ago, the origins for the significantly different approaches of leading and deciding can be partly explained. In Sweden the mighty Vikings, usually imagined as tall, muscular, bearded men, were precursors of

today's democracies. The Vikings were astonishingly egalitarian regarding the way the society was lead and decisions were made. The Vikings put high importance to consensus and each member of the society had an equally strong voice. As an example, an envoy sent by the Prince of Franks to negotiate terms with the Vikings, returned puzzled from his journey, stating that he did not know to whom to talk, as everyone said his or she is a chief (Meyer, 2014).

In comparison, in the Asian culture and here especially China, is largely influenced by the philosopher Confucius. In the Confucianism, the focus lies in the question on how to achieve societal order and harmony. Confucius suggested a system of interdependent relationships, which can be seen a hierarchical guide to achieve structure. The lower levels give obedience to the higher levels and the higher levels are obliged to protect the lower levels. This structural system is called *wu lun* and can be placed on the other end of the spectrum of power distance index (Guirdham, 2009; June Ock Yum, 1988; Meyer, 2014; Smyth & Vicziany, 2008). This of course is an oversimplification of the highly complex evolution of leading and deciding and its underlying hierarchical structure over several hundred years. However, it gives an indication when comparing Sweden to China and Taiwan, and we argue, that the roots lie there.

The adherence to hierarchies and the need for guidance within social groups has been discussed before. Our main interest is the power dimension of the relationship between these social groups respectively a Swedish company and a Chinese/Taiwanese supplier. For that, we shall begin with the basic theory of power and show the implications of the power dynamics between buyer and supplier with cultural differences.

The study of power in a social context began with Dahl's (1957) definition that individuals have power over each other if they can influence each other’s behavior so that the other does something he/she would otherwise not have done. Shortly after, the sources of power were defined by French and Raven (1957). They distinguish between coercive power, reward power, legitimate power, referent power and finally expert power.

| Source of power | Group | Explanation |
|---|---|---|
| Coercive power | Mediating | A has coercive power over B if B perceives A as capable of punishing B for not showing the desired behavior. |
| Reward power | Mediating | A has reward power over B if B expects that A can give B a reward for the desired behavior. |
| Legitimate power | Mediating/Non-mediating | A has legitimate power over B if B sees A in the rightful position to command behavior to B |
| Referent power | Non-mediating | A has referent power over B if B identifies with A |
| Expert power | Non-mediating | A has expert power over B if B perceives A as particularly knowledgeable (an expert) in a specific area and thus trusts in the judgment of A |

*Table 1: Definition of Sources of Power after French and Raven (1959)*

These sources of power have been thoroughly discussed in the literature while some authors add some sources or amend the existing ones (Johnson, Sakano, Cote, & Onzo, 1993), however, for the purpose of this thesis, we will work with these definitions. The sources of power can be grouped into two distinct classes, according to how the power is exercised: the mediating and the non-mediating forms of power (Maloni & Benton, 2000). The mediating power is exercised in a more direct way, such as coercive or reward power. The referent and expert power as non-mediating powers on the other hand are exercised in an indirect way. They do not require any action and simply exist (see Table 1).

These powers have been researched regarding their impact on the relationship between a buyer and a supplier. In a relationship, power and trust work as coordination mechanisms and they need to be balanced (Ireland & Webb, 2007). If the buyer accumulates too much power, the relationship becomes fragile and the suppliers trust may erupt which may make them reluctant to invest in such a relationship, with the consequence of decreasing performance (Gorton et al., 2015). Thus, high power asymmetry can hurt the relationship

and the overall performance of the supply chain. While most researchers agree that mediating power negatively correlates with the buyer-supplier relationship (Frazier & Rody, 1991; Gorton et al., 2015; Maloni & Benton, 2000; Terpend & Ashenbaum, 2012), non-mediating power seems to have a positive impact on the relationship (Frazier & Rody, 1991; Ireland & Webb, 2007; Maloni & Benton, 2000; Terpend & Ashenbaum, 2012). Expert and referent power leads to increased commitment of the supplier, higher levels of trust between the partners, improved cooperation, better conflict resolution and less conflicts overall (Maloni & Benton, 2000). In contrast, Wilkinson (1981) argues that both mediating and non-mediating power influences the amount of conflicts experienced in a relationship to the same extend.

The link between power and the cultural dimension has found little attention in the literature. In China and Taiwan, personal relationships have a very high importance and the harmony in these relationships is highly valued (Z. Zhang & Zhang, 2013). Hence, the actors are reluctant to assert mediating power over their relationships because it could harm the harmony. The implication for an international buyer is, to preferably restrain from any usage of mediating forms of power.

To conclude, Sweden and China & Taiwan have big cultural differences when it comes to how power is distributed, how hierarchies are structured and how decisions are made. These inner-hierarchical particularities are also reflected on the relationship between companies of these different cultures.

### 2.3.3 The Dimension of Communication in Supplier-Buyer Relationships

Communication is important in almost any context of human interaction and essential for the exchange of information. This exchange can be conducted in significantly contrasting ways among cultures. The message is, in most of the cases, delivered via spoken, written or body language. Within these and other possibilities of communicating, nonetheless, misunderstandings are likely to occur when people with distinctive cultural backgrounds communicate. Furthermore, besides issues related to the understanding of information, communicational issue can also arise from the way how the information is exchanged (June Ock Yum, 1988; Meyer, 2014; Salomon, 2016; Schweitzer & Alexander, 2015; Trompenaars & Hampden-Turner, 2012).

Meyer (2014) argues that the main difference between cross-cultural communications is described on a scale from low-context to high-context. Low-context communication can be described as a direct and clear way of communication, where the intention and purpose of the message is highlighted. Western cultures, including Sweden, generally tend to communicate as literally and specifically, as possible. High-context communication is indirect and layered and often requires a transmission of the initial message e.g. according to the context of a conversation. By contrast, Eastern cultures, including China and Taiwan, tend to address an issue implicitly, resulting in the need of the recipient to "read between the lines" (Meyer, 2014, p. 31). Trompenaars and Hampden-Turner (2012) examine this issue partly through their dimension of Neutral vs. Affective (communication), as misunderstandings in cross-cultural communication are likely to arise from differences in this dimension. Arguably, the dimension includes a broader spectrum when applied on communication. The reason for this is, that expressed emotions play a major role in terms of communication, while Meyer (2014) is more specific with her dimension for cross-cultural communication and seems to pay less attention to expressed emotions. Again, the roots for the communication with a low-, respectively a high context seem to lie in the historic development of languages. Meyer (2014) suggests, that Asian languages, have a relatively high amount of words which can be interpreted in several ways, depending on the context and the way they are applied. In comparison, most languages of the Western world (excluding French), usually have many different words for the same meaning.

Interestingly, there is a direct connection to the previously described dimension of trust. Most Western organizations prefer to exchange information in a written format, e.g. Emails are often send out in order to summarize the content discussed on the phone or in a personal meeting. By contrast, Asian cultures prefer to stick to the traditional way of oral communication. This in practice, can affect the trust in a supplier-buyer relationship. While it is a sign of professionalism and transparency in most of the low-context cultures, this could be considered as distrustful in a high-context culture. Thus, having a significant impact and importance for the trust relation (Meyer, 2014).

Henceforth, the communication between a supplier from China or Taiwan and a buyer from Sweden can result in totally different understanding of the initially exchanged information. As an example, when negotiating with a Chinese supplier, awareness of the

high-context communication may help a Swedish buyer to understand the intention of his counterpart. An additional example could be the misunderstanding of a request send by a Swedish buyer, expecting a simple yes/no answer. Whereas the answer of the Taiwanese supplier is likely to be long and does not directly answer the original question or, is at least not perceived to do (Schweitzer & Alexander, 2015).

Another important factor in the context of communication, is the possible impact of digitalization on communication today. The reason for this is, that the internet has changed the way companies are procuring from their suppliers and consequently communicating with them. Instead of using traditional channels of communication such as Face-to-Face, Email or Telephone negotiation, digital tools provide the supplier the needed information requested by the customer. Besides the many advantages of new tools such as supplier portals, external data interchange (EDI) or electronic requests for quotation (e-RFQ), scholars argue, that there are also significant drawbacks when introducing these digital solutions of procurement. The two main advantages can be described as reduction in purchase prices or an optimized procurement process (Gattiker et al., 2007).

However, softer, negative impacts on the relationship with the supplier need to be considered as well, since the impact can be hazardous for the relationship. Handfield and Straight (2003) argue, that the new channels of communication can cause strained supplier relationships and in turn affect the supplier's performance. Also, many scholars refer to the impact of trust when applying new tools and thus channels of communication in the supplier-buyer-relationship and as mentioned above, the connection to and impact on trust is an important aspect of communication (Beall, 2003; Emiliani & Stec, 2004; Handfield & Straight, 2003). Furthermore, Gattiker et al. (2007) observed, that richness of information exchanged is directly impacting trust. He argues, that richer media (solutions, which enable a broader exchange of information) are facilitating trust-building between parties in a better way than leaner media. Especially, by considering the importance of personalism in supplier-buyer-relationships with Chinese and Taiwanese supplier mentioned earlier and the fact that the digital solutions are likely to reduce the personal contact, companies should consider carefully how and when to implement digital tools for supplier management.

To sum up, communicational issues are likely to arise in a cross-cultural context and certainly need to be considered when establishing and maintaining a supplier-buyer relationship. The main differences lie in the way information is exchanged and thus it is important to be aware of the distinctive ways different parties are communicating. Especially in relationships where trust is essential, the negative effects of digital communication need to be balanced out by increased personal communication.

### 2.3.4 The Dimension of Time Perception in Supplier-Buyer Relationships

Another important dimension we identified when reviewing the literature is the dimension of the perception of time. Trompenaars and Hampden-Turner (2012) highlight several examples with cultural differences related to attitudes towards time. The differentiation made by these scholars is generally regarding the way time is viewed on a spectrum of past, present and future. On the one hand, in many Western cultures, such as the Swedish, time is viewed on a straight (time) line. Here, the sequence of various events determines if an action takes place right now, took place in the past, or is going to take place in the future. Consequently, the past is "left behind" at certain points and present and future is substituting previous achievements. In general, Asian cultures, including the cultures of China and Taiwan, tend to see time rather as a circle, combining present, past and future. This results in a significant higher sense of the past, but less attention to the future (Trompenaars & Hampden-Turner, 2012). Schweitzer and Alexander (2015) corroborate this statement, by mentioning the extreme importance of the past for Chinese people. Consequently, achievements of the past play a highly important role and future possibilities e.g. expected business growth, is highly depended on previous operations. In comparison, the Swedish approach to time, is less focused on the past as people tend to plan with the future and its arising opportunities and constraints. A prosperous outlook of the future might suffice to close a deal. This is a major difference between Sweden and China / Taiwan (Meyer, 2014).

Another aspect regarding the time is the way in which time is perceived. Scholars argue that the main difference here lies in the societal approach to time. Simplified, cultural relations to time can be distinguished between monochronic and polychronic. A culture with a monochronic approach to time, sees time as tangible and static, while a culture with a polychronic approach views time intangible and dynamic (Meyer, 2014; Schweitzer & Alexander, 2015). Meyer (2014) examines differences among cultures

based on a scale of scheduling, where time can be linear (monochronic) or flexible (polychronic). Meaning that the elasticity of the time e.g. when scheduling a meeting or referring to a deadline can significantly differ across cultural boarders. Linear-time management is applying an incremental way of working, where on task is finished before the other, interference-free. Flexible-time management implies a fluid manner, where tasks are changed, interruptions accepted and the agenda is changed as new possibilities open up (Meyer, 2014; Schweitzer & Alexander, 2015).

Consequently, cultures with a linear relation to time emphasize organization over flexibility, while cultures with a flexible relation to time prefer adaptability and flexibility over organization (Meyer, 2014).

Both aspects with regard to time explained above, have an influence on the expected results when working. Here the Swedish culture is process oriented, resulting in the sequential closing of activities one after the other in the order they occurred. In comparison, the Chinese and Taiwanese culture is rather outcome oriented. Meaning that achievement is important, regardless of the sequential order in relation to time (June Ock Yum, 1988).

As observed in previous sub-section, the differences are based on historic factors (e.g. start of the industrialization era, or the general economic development over the last century, as time became more important), which determine the way people live their daily life's or interact. Based on this, the positions on the scheduling scale is affected by the perception of time as "fixed and reliable vs. dynamic and unpredictable" in daily life (Meyer, 2014, p. 226).

## 2.4 Summary of Cultural Dimensions and Hypothesis

After reviewing the literature concerning cultural factors in the context of supplier-buyer relationships, the dimensions explained and discussed in the previous sections are most relevant for supplier-buyer relationships. The reason we chose these dimensions, is that significant differences between Sweden and China / Taiwan within the dimensions were unveiled. Thus, the dimensions summarized below in Figure 3 are considered to have a lasting impact on the supplier-buyer relationship. For each of the dimensions the major differences of the theoretical findings are shortly explained.

| Cultural Dimension | Theoretical Findings |
|---|---|
| Power | • Extreme egalitarian approach (Sweden) vs. hierarchical approach (China/Taiwan)<br>• Non-mediating forms of power foster performance<br>• Exercising mediating forms of power have a negative impact on performance |
| Trust | • High importance of interpersonal trust in Taiwan and China<br>• Relative higher importance of cognition-based trust in Sweden<br>• Boundary spanners can help to overcome trust issues |
| Communication | • Chinese and Taiwanese communicate with a high-context<br>• Swedes communicate with a low-context<br>• The way of communication can have direct impact on trust |
| Time | • Chinese and Taiwanese see the past as more important than the future<br>• Swedes emphasize future-orientation and pay less attention to the past<br>• Swedes apply a monochronic approach in regard to time, with fixed and reliable schedules<br>• Chinese and Taiwanese apply a polychronic approach in regard to time, with flexible and dynamic schedules |

*Figure 3: Summary of Cultural Dimensions*

To provide an overview of the different scales in the dimensions considered in this paper, we created Figure 4. Based on the findings of Meyer (2014); Schweitzer & Alexander (2015) and Trompenaars & Hampden-Turner (2012), it illustrates the assorted characteristics of China, Taiwan and Sweden within the dimensions. While China and Taiwan are often considered cultural very similar, we are aware of the fact that there are certain differences. We will point out these differences in the empirical part, because the literature mostly does not distinguish between China and Taiwan. As described above China and Taiwan are quite alike along the cultural dimensions. The biggest differences, according to the literature reviewed, lies in the dimension of power, because Taiwanese tend to be a bit less bound to a hierarchical style of leading and top-down decision making. Nevertheless, the differences between Sweden and China/Taiwan, become especially clear, as Sweden is almost always located on the other extreme of the scale.

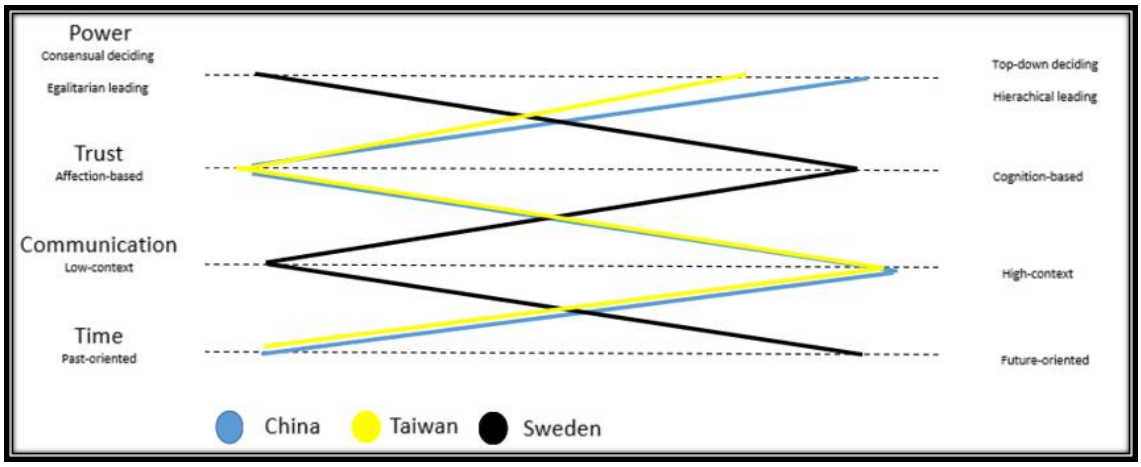


*Figure 4: Illustration of Cultural Differences*

Here the importance of cultural relativity when comparing different cultures on the scales needs to be mentioned and considered. All interdependencies are relative to the cultural perspective and the angle from which they are looked at. In this case the perspective is the Swedish and all differences unveiled in the theoretical part are relative strong or weak to this perspective. Meaning, that the finding that China is a high-context country when it comes to communication is relative to the Swedish way of communicating. When e.g. comparing China to Japan (which scores slightly higher on a high-context scale) China would be a culture considered to apply a rather low-context approach.

We derived the following hypothesis from the existing literature. We answer these questions on the basis of our survey. Trust and communication are overrepresented in these hypotheses and some dimension are not included in the hypothesis at all. The missing dimensions are less tangible and are better suited to be investigated in the qualitative part of this thesis. The dimensions of trust, power and communication are fairly tangible and can also be tested in a survey with suppliers in China and Taiwan. Before formulating the questions for that survey, we formulated hypotheses based on what we learned during the literature review.

Hypotheses:

I. The aspect of interpersonal trust has a very high relevance for Taiwanese and/or Chinese suppliers
II. Taiwanese and Chinese suppliers identify less with Bufab and their values than European suppliers

III. Those suppliers who don't identify with Bufab and their values will show decreased trust
IV. Chinese and Taiwanese suppliers prefer affection-based trust over cognition-based trust, even in the beginning of the relationship
V. Communication between the Chinese and Taiwanese supplier and the Swedish buyer lacks clearness
VI. Taiwanese and Chinese suppliers prefer informal communication methods over formal communication methods

These hypotheses are tested in the analysis part and are then compared with the qualitative data that we gathered during the in-depth interview with Chinese and Taiwanese suppliers.

# 3 Research Methodology

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*This chapter provides the necessary insights into the chosen methods of this research in order to fully understand the argumentation. We firstly introduce the general methodology of the thesis and subsequently show the different methods that we chose including the logic of reasoning.*

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## 3.1 Methodology

The research methodology of this thesis is a case study. That means that we look in-depth into the supplier-buyer relationships of only one company (Bufab). It is mostly an instrumental case study, which means that we can generalize the finding, but it also has an expressive character with company and supplier specific aspects that cannot be transferred to other cases. Case studies have been scrutinized as inaccurate and not fulfilling the criteria of statistical validity that allows a generalization. On the other hand, case studies provide a great opportunity to study phenomena in depth and create understanding that would otherwise not be achieved (Easterby-Smith et al., 2015). Because culture as an influencer of relationship is a rather intangible topic, in-depth interviews are required in order to understand and make sense of this topic. A case study gives us that opportunity.

Because we combine quantitative and qualitative methodology, our method of choice is the mixed method while the quantitative part supports the more important qualitative part. Both methodologies require a very different approach. Hence, it is inherently important to be clear about the goals of methodology and the structure. We use the "partnership" approach (Easterby-Smith et al., 2015, p. 282), where the quantitative part complements the qualitative part. With the quantitative part, we can cover a wider range of suppliers and test the hypotheses. At the same time, we can make use of a European reference group against which we measure the results of the Chinese and Taiwanese supplier. That way, we can see which results are particularly based on culture, and which are the same among different cultures. The qualitative part creates a more detailed understanding and reasoning behind discovered phenomena. While the sample size is much smaller, we gain new insights by leaving the boundaries of the narrow survey. The qualitative data from

the suppliers was mostly collected during a ten day field trip to Taiwan and China, where one of us was conducting interviews with Taiwanese and Chinese suppliers.

## 3.2 Deductive Reasoning

For this thesis, our argumentation mostly follows the logic of deduction. Deductive reasoning implies to start with the general and come to the specific. It starts with a general theoretical background, followed by hypotheses, which are derived from the theoretical background. Then, these hypotheses are tested in real life observations and either verified of falsified (Easterby-Smith et al., 2015). Hence, we started with the literature review and formulated several hypotheses based on the theoretical findings. We then created a quantitative survey, to test these hypotheses and verify or falsify them based on the results.

This approach helps to fulfill our research purpose, as the extensive body of literature that has been reviewed, is applied in the case of Bufab and their supplier relationships. Whereas, the quantitative part only verifies and falsifies the hypotheses, the qualitative part adds new aspects to this thesis. While all our findings derive from the literature, they also add to the literature especially in the dimension of time, which has received little attention by scholars.

## 3.3 Methods

In this section, we will elaborate on the chosen methods and motivate our choice. Firstly, we conduct a literature review that shows the available research regarding the factors influencing a relationship between Chinese or Taiwanese and a Western buyer. Subsequently, we conducted interviews and sent out a survey to suppliers. After that, we analyzed the content and compared it with the literature.

### 3.3.1 Literature Review

Before we conducted our literature review, we researched the topic of buyer-supplier relationship and cultural particularities in China and Taiwan in order to get an overview and a general understanding for the topic. Firstly, we used key-words and the Jönköping University library for our research. Further, we identified and used often cited articles by applying the snowballing-approach. The advantage of that approach is, that it does not limit the search results to articles with the key-word in the title. Key-words are not

consistently used throughout the titles of every article. Hence, a key-word search alone would be misleading (Easterby-Smith et al., 2015).

We mainly searched in the "Primo" search engine of the JU-library. Further, we used web-of-science to conduct more refined searches for literature. The following key-words have been used (examples): "Culture & relationship & supplier"; "Supplier relationship management"; "'Supplier relationship management'& culture"; "'Supplier relationship management' & China"; "Cultural dimensions"; "power in supply chain management"; Trust in Supply Chain Management".

The literature review is the basis of our thesis and has been incrementally refined throughout the whole process. Furthermore, it has been supportive to define the questions of the survey, as well as for the questionnaire of the face-to-face interviews that we conduct.

### 3.3.2 Sampling

The sampling method has to be described in two different steps, because the sampling method is slightly different for each part. However, for both parts, we used the purposive sampling method. That means, that we chose our participants according to criteria that we established earlier.

Because the questions were specific for Bufab, only Bufab's suppliers could be asked to answer the survey. Further, we wanted respondents from Europe, in order to put our results into perspective. This proved to be helpful, because it made it possible to see which results are particular for China or Taiwan and which are rather universal. However, we only sent the survey to those suppliers, who have had a relationship with Bufab for over a year and are of importance to Bufab, which limited the pool of potential respondents significantly. We targeted >100 suppliers in Europe and >200 suppliers in China and Taiwan. We received 153 responses, of which 37 were not complete. We only used the 116 completed answers, which implies statistical limitations. The low number of respondents simply means, that the results of the quantitative survey alone are not representative.

For the qualitative part, we conducted interviews from three different perspectives. Firstly, we interviewed nine employees of Bufab who have had substantial contact with Chinese and Taiwanese suppliers, such as purchasers and the strategic sourcing manager.

Three of these interviewees were living in China or Taiwan for several years already. Then, we interviewed ten suppliers to Bufab that are located in Taiwan and China. And lastly, we interviewed Professor Ivan Su from the Soochow University in Taipei, who conducted a significant amount of research in Supply Chain Management.

| **Position** | **Years in Bufab** | **Experience with Asian suppliers (years)** | **Bufab Company** | **Background** |
|---|---|---|---|---|
| Bufab Group Sourcing Manager | 5 | 20 | Bufab Sweden | Ran own company in China from 2004-2008 |
| Strategic Sourcing Manager | 1 | 29 | Bufab Sweden | Swede with broad network of Asian suppliers |
| Strategic Sourcing Manager | 1 | 28 | Bufab Sweden | Swede with broad network of Asian suppliers |
| Global Quality Development Engineer | 29 | 29 | Bufab Sweden | |
| Sourcing Manager | 4 months | 25 | Bufab China | Native Chinese with global experience |
| Managing Director | 8 | 8 | Bufab Shanghai | |
| Business Development Manager | 2 months | 27 | Bufab Taiwan | German with broad network of Taiwanese suppliers |
| Sourcing Manager | 5 | 20 | Bufab Taiwan | Native Taiwanese |
| Sourcing Manager | 6 | 7 | Bufab Germany | |

*Table 2: Interviews Bufab Representatives*

### 3.3.3 Data Collection

In this sub-section, we will provide all necessary information to the reader regarding where we got our data from.

#### *3.3.3.1 Case Company: Bufab*

As a case company, we chose the company Bufab Sweden AB (Bufab). The choice has been made because one of us has been working for that company. In collaboration with them, we defined the topic of this research to make it both academically relevant and helpful for Bufab.

Bufab is a trading company that has its main focus on the facilitation of full-service solutions as a Supply Chain Partner for its customers. Bufab offers its customers supply chain solutions related to sourcing, quality control and logistics of C-Parts (screws, nuts, washers etc.). Bufab was founded in 1977 in Värnamo, Sweden and has since then grown to a global player for the supply of C-parts and services to the manufacturing industry worldwide. Today, the Bufab Group consists of 37 wholly owned subsidiaries in 27 countries and is expected to grow further. On the one hand through an organic growth related to constantly increasing sales. On the other hand, through value-adding acquisitions of smaller, independent trading companies in favorable locations ("move with the customer"). The ambition of Bufab is to become a market leading supplier to the manufacturing industry worldwide supply of C-parts and related supply chain solutions by 2020.

In order to meet this goal, Bufab has defined a strategy based on the Best Practice guidelines of the group. To fulfil the requirements of Bufab's customer base, Bufab is growing through acquisitions with the aim of being close to the customer. Furthermore, Bufab is constantly developing and improving its supplier base.

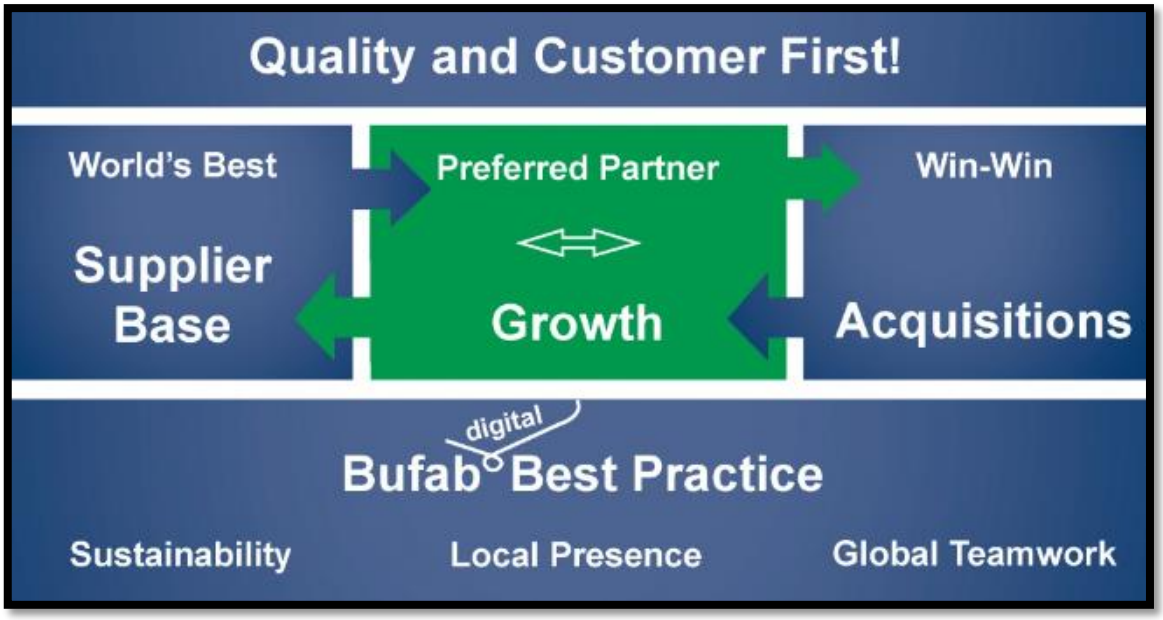


*Figure 5: Strategic Map of Bufab (Bufab.com)*

The strategy map of Bufab, as illustrated in Figure 5, highlights the importance of the supplier base when it comes to the strategic path Bufab aims for, as it clearly is a central part of the strategy. Bufab wants and needs to develop the existing supplier base, as their success is surely tied to the performance and capabilities of their supplier. However, in order to develop suppliers, the relationship with suppliers requires several basic characteristics, such as stability, mutual trust and alignment of strategy to start with a few (Friedl & Wagner, 2012). These characteristics are inevitable in order to establish a proper supplier development approach. Consequently, it is a precondition to be aware of the characteristics which define a healthy supplier-buyer relationship before beginning with supplier development on a global scale. In order to identify the driver for a healthy relationship, the research is conducted in cooperation with the company Bufab. A major part of the suppliers of the Bufab Group are situated in the Taiwan and China (see Appendix 10). Many of these suppliers are crucial to the success of Bufab. In this paper, we want to research how Bufab can improve its attractiveness towards East Asian suppliers.

#### *3.3.3.2 Interview & Survey*

The survey was offered in three languages: English and Chinese (traditional and simplified). With the English version, we targeted the suppliers in Europe. We offered both traditional and simplified Chinese, because on mainland China, mostly the

simplified Chinese is used whilst Taiwan predominantly uses the traditional Chinese. The translation was done by a native Taiwanese employee from Bufab. The translation was essential, because many suppliers in China and Taiwan struggle with English. On the other hand, a limitation of that survey is, that a translation between languages can never be perfect and questions might convey a slightly different message which might slightly influence the data of the survey. We formulated the questions in a simple way and restricted the survey to 16 questions, which would usually take four minutes to complete. We did this to maximize the number of participants who finish the survey answering all questions.

We conducted interviews from three perspectives. Firstly, we interviewed nine representatives from Bufab Sweden, Germany, Taiwan and China. The interviewees were highly experienced with Chinese and Taiwanese suppliers. Accumulated, our participants have over 190 years of experience in SRM in China/Taiwan. An overview of the interviewees, their position and experience can be seen in Table 2. The purpose was to analyze the viewpoint of Bufab and later compare it to the viewpoint of the suppliers. Second, we interviewed ten suppliers mostly in Taiwan but also in China. Of these interviews, six where held with Taiwanese suppliers and 4 with Chinese suppliers. Due to the occasion of meeting four suppliers on the biennial trade fair in Kaohsiung, Taiwan, these interviews were conducted at the fair. The other two interviews in Taiwan were conducted in local manufacturing sites, by visiting the suppliers. Due to high distances in China, all Chinese suppliers were met in the Bufab office in Shanghai. An overview of the suppliers is not provided due to the compliance of anonymity. Half of the suppliers have supplied Bufab for 15 years or longer, while the three have supplied Bufab for more than five years (and less than 15) and only two for less than five years. Lastly, we interviewed a very renowned professor from the Soochow University in Taipei, Taiwan. He is an expert within the field of Supply Chain Management. The questions asked during all the interviews can be found in appendix 1.

All interviews were conducted with a semi-structured interview with about 25 questions. Three interviews with representatives from Bufab were conducted via Skype, the rest and all supplier interviews were conducted face-to-face. Whereas most interviews were recorded, some suppliers in China and Taiwan declined to be recorded. In that case, we took extensive notes. Because of the language barrier in Taiwan and China, a local

representative from Bufab accompanied the interviews and provided translation if needed.

### 3.3.4 Method of Qualitative Analysis

For this thesis, we applied the approach of the content analysis in order to analyze our findings. The purpose of the content analysis is to find meaningful patterns in the data. The first step is to read the research question again in order to focus on the information that is relevant for answering these questions. Subsequently, the data is analyzed in the light of the research questions. By thoroughly analyzing the data, we are also able to identify if a statement from the interview is significant or if it is just a personal opinion.

In our case, we started the analysis by identifying recurrent themes in the data. We organized the themes according to the structure of our literature review (trust, power, communication and time).

We then noted down all the statements our respondents made under these themes in a table. We did this process for the perspective of Bufab and the supplier individually, because the sub-themes did not necessarily overlap. We basically summarized the opinions of each interviewee under these themes. With every theme, we could then see how many interviewees shared the same opinion and where the opinions differed. One example is the theme "contracts". We noted down each interviewees response and opinion in the theme. We could then see, that all Bufab representatives shared the same opinion, while there was more diversity in opinion in the supplier interviews.

We chose this analysis because it is a fast process that allows the researchers to analyze the data with a certain degree of freedom. It provides a very broad picture into every respondent's opinion. This way, we could draw a coherent picture of the perspective of Bufab and the perspective of the supplier.

### 3.3.5 Method of Quantitative Analysis

In order to analyze the survey, we firstly cleaned the data from responses that were incomplete or obviously incoherent. Some respondents gave the same answer to all questions and most likely did not answer truthfully. Hence, these responses were filtered out.

We limited our analysis of the survey to a univariate analysis which means that we simply show the responses of the participants grouped by region (Europe, Taiwan and China).

We conducted the univariate analysis in the tool “Tableau”. We decided to limit the analysis to this approach for two reasons: Firstly, we recognized that our empirical findings from the qualitative interviews were very promising and yielded many very interesting findings. Second, the data quality and the number of respondents of the survey was not good enough to drill down deeper in the data and still show significant results.

## 3.4 Research Quality

In order to provide the highest research quality possible, we are reflexive and transparent with all our methods. We provide the reader with the most important steps we took in this thesis and provide all information that we gathered. We are transparent in the way that we gathered that data. According to Easterby-Smith et al. (2015), these steps ensure a high research quality.

Further, the analysis needs to be systematic and thorough in order to yield valid results. That systematic approach also means to include contradicting data and showing where the results are surprising and against the expectations. Only if all the data is included in the analysis, the generated theory is valid which yields credibility to the results (Easterby-Smith et al., 2015).

### 3.4.1 Research Credibility

In this sub-section, we discuss how credible our results are or in other words, how likely they represent the truth.

Our research is heavily founded on the qualitative interviews where we incorporated three different perspectives (Buyer, Supplier and Taiwanese professor). Incorporating the different perspectives and conducting all of our interviews with foreign suppliers in a face-to-face setting provides a high credibility. In total, we conducted 20 in-depth interviews, which is a great amount of data. The amount and diversity of data provides a high credibility.

One problem with the credibility of this research is our quantitative survey. Since the respond-rate was low and many answers were not credible, the results of this survey alone would not withstand scrutiny. However, looking at the results in the context of the qualitative interviews helps to generalize some of the findings to a broader setting.

### 3.4.2 Research Transferability

This sub-section refers to how much the findings we present are generally transferable and could be reproduced by other researchers.

As this is a case study, the phenomenon under investigation is being researched by only one case, and that is the relationships of the company Bufab. However, we collected ten hours of interview material for the perspective of Bufab, ten hours for the supplier perspective and 1.5 hours from an independent professor in Taiwan familiar with the topic (Prof. Ivan Su). The questions we asked were as general as possible and most of the findings are not limited to Bufab. Those findings that are limited to Bufab are marked as such.

Our findings are related to the culture of China and Taiwan and how it affects the business relationship with a foreign buyer. In our example, it is the Swedish company Bufab. The cultural findings only apply to China and Taiwan and cannot be transferred to any other country. But our findings can be transferred to other foreign buying firms situated in other countries.

## 3.5 Research Ethics

Following ethics is important even in business studies. But unethical behavior may lead to wrong results and that might harm companies or individuals who trust in the rightfulness of the study (Easterby-Smith et al., 2015). This study for example is used by the company Bufab to improve their relationships with their suppliers in China and Taiwan. Wrong results may lead to serious repercussions for real people.

Bell and Bryman (2007) have formulated ten principles for ethical research. We declare that we follow these ten principles in order to ensure a fair treatment towards all stakeholders of this research. These ten principles include that no harm comes to participants and that the dignity of each participant is respected. Further, a fully informed consent as well as the privacy of each participant needs to be ensured. Especially relevant in our case is to declare affiliations and being honest about our research, because we work together with Bufab as our case company. At the same time, we need to avoid to mislead and report false results if the results are conflicting with the interests of Bufab.

In order to comply with these principles, we defined measures the following measures that we work with during the research of our thesis. We communicate the purpose of the

thesis towards all interviewees who provide us with empirical data. We ask the interviewees about their consent to record the interviews. We inform the interviewee that we will use the information they provide us with for this thesis and that we might quote them directly. We mention to the interviewees, that their participation is not linked to any benefits or penalties from Bufab. We highlight that the participation is voluntary. We tell the interviewees that the information they provide us with will not be used from Bufab to rate the suppliers. The sole purpose of the data is to improve the relationship between Bufab and the suppliers.

By following these measures, we ensure that this thesis lives up to the required ethical standard.

# 4 Empirical Findings

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*In this chapter, we present the findings of our empirical research in a systematic manner. Firstly, we will present the results of the interviews. There are two main perspectives that we shed light on. The perspective of Bufab and the perspective of different suppliers. Afterwards, we present the findings of our quantitative survey. We show the findings from the interviews according to the themes that we have identified in the section 2.3 (trust, power, communication and time). By showing first the Bufab and then the supplier perspective, similarities and differences become apparent. The results from the survey follow afterwards, as they support the qualitative part and are structured in a different way according to the hypotheses.*

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## 4.1 Dimension of Trust

Within the dimension of trust, six themes have been identified, these are namely: the perception of trust in the relationship, the role of contracts, the role of personal contacts (guānxi), the source of trust, and lastly, the role of (corporate) values. However, in order to illustrate the correlations between some of the themes, interdependencies are highlighted.

### 4.1.1 Bufab Perspective

Regarding the question to evaluate the relationship with their suppliers, the interviewees mostly talked about good experiences with known suppliers. But they also mentioned the low trust environment particularly in China, where one interviewee even said that some suppliers cheat where they can to maximize their profit. With that comment, he referred to new suppliers, as they tend to see the monetary value, sometimes regardless of their own production capacities. There is a clear line between suppliers in Taiwan and China. Taiwanese suppliers are ‘westernized’ as our interviewees put it. Both, Chinese and Taiwanese suppliers, have learned their way of doing business with European buyers, but Taiwanese suppliers seem to be clearly ahead. One of our interviewees was a German, who lives in Kaohsiung and works for the Bufab office there. He stated that reasons for these differences can be traced back to the educational system. In China, most people only receive basic primary and secondary school education and then start working. In

Taiwan on the other hand, the school system is similar to the European education with a large proportion that goes to universities before beginning a profession. Subsequently, as the other Bufab employees agree, it is easier for Europeans to do business with Taiwanese suppliers and the quality in Taiwan tends to be more consistent and better.

The low trust environment especially in China but also in Taiwan is also influenced by the lack of legal certainty. Contracts are "[…] only worth the value of the paper it's written on" (sourcing manager), due to the fact that it is practically impossible to take a Chinese or Taiwanese supplier to court. That makes the suppliers basically unaccountable for their actions. That lack of accountability is the ground for the low trust that Bufab has in new suppliers. The only purpose of a contract is to establish a common understanding of the business relationship. And the Chinese and Taiwanese suppliers will adhere to it as good as they can, given that they understand it. One Interviewee, however, mentioned, that contracts are differently perceived in Taiwan and China, as they are more of a "guideline, or a description of how things should be done" (business development manager) but not really a compulsory document. Thus, crucial parts in a contract should be explicitly clarified, in order to ensure a clear understanding of the requirements. An example is how logistical requirements are rather seen as recommendations. Bufab required delivery on Euro-pallets but sometimes suppliers ignored these requirements and shipped on different pallets. It is then important to explain why the delivery requirements ought to be followed and the possible impact it can have e.g. when storing the goods in the warehouse. Just because these details are regulated in a contract does not ensure that every supplier adheres to them.

The low trust in the beginning of relationships goes both ways. One interviewee who recently joined Bufab, mentioned, that Bufab is sometimes perceived as a rather not so trustworthy buyer, with little commitment to the relationships. The main reason for this is, that in the past, Bufab tended to give orders to the cheapest offer and not necessarily to the most reliable supplier in terms of delivery or quality. According to our interviewees, that has been seen as an offense which will hamper future trust-building efforts. The reason for this is the importance of loyalty and the fact that "supplier jumping" is certainly damaging the trust in the relationship.

Another recurrent theme was the personal contact between supplier and buyer. Chinese and Taiwanese suppliers cherish personal contact a lot and want to become friends with

their business partners. They want to get to know the person, they do business with, outside of the business environment. And for that deep relationship, they reward the buyer with a high-level commitment that is unmatched by European suppliers. Some Taiwanese suppliers for example refuse to sell the same item to another buyer in order to protect the buyer that they have a good relationship with. The problem with that is, that Bufab is widely unaware of these cultural particularities. A good example is the concept of guānxi (see: 2.3.1: The Dimension of Trust in Supplier-Buyer Relationships), which was mostly unknown by our interviewees. While our interviewees were experts in interacting with suppliers, they all mentioned that they doubt that other Bufab employees know about the cultural importance of guānxi when dealing with suppliers. On the other hand, guānxi can lead to corruption (Z. Zhang & Zhang, 2013). An interviewee from the local sourcing office in Taiwan referred to a different relation to the exchange of monetary treats for favors (e.g. increased purchase volume). According to that employee, taking the money in exchange for orders is less considered as corruption but simply as part of the reciprocal process of guānxi. Since that is not an uncommon business practice, Bufab introduced a very strict code of conduct in order to prevent this.

In order to improve the interpersonal trust between Bufab and their suppliers, one of our interviewees suggested the idea to use a "reverse key account management" (reverse-KAM), where one employee from Bufab would be the contact person for one or several strategic suppliers. All communication would be channeled through that employee. And one recurrent theme throughout the interviews was that Bufab needs to visit the suppliers more often in order to establish and maintain the relationship. The concept of the reverse-KAM could help to have more personal visits with suppliers and hence, foster relationships. One consequence of the focus on interpersonal trust is that each time there is fluctuation within Bufab (or the supplier), personal trust needs to be build up again with the new actor(s). One interviewee illustrated that by mentioning that he had formed interpersonal relationships with suppliers in China and Taiwan in is previous job. After starting to work for Bufab, he could use the existing guānxi for the benefit of Bufab by initiating a business relationship with a very popular supplier. Without the missing guānxi, Bufab would not have been able to establish a relationship, due to a damaged reputation of Bufab, as well as the missing personal contact.

Researchers distinguish between cognition-based trust and affection-based trust (Bachmann, 2001; Ireland & Webb, 2007). As stated above, Chinese and Taiwanese suppliers have a great need for affection-based trust (personal relationships, friendships), while Bufab's employees showed a great desire for cognition-based trust. They mentioned several times, that it is very important to "know your supplier". By that, they meant that they want to see exactly what the supplier is capable of producing. They want to know what machines the suppliers own. They want to know as good as possible how the supplier operates. This knowledge fosters the cognition-based trust of the purchaser because he knows that the supplier can produce the required quality. He does not need to rely on the confirmation of the supplier but knows exactly what they can and cannot do. The purchasers uttered that Taiwanese suppliers are more open when it comes to providing that kind of information than the Chinese suppliers.

Bufabs employees stated that there certainly are differences when it comes to corporate values. However, the differences have diminished over time. Taiwan is said to be more "westernized" in terms of corporate values, whereas China still differs more. As an example, sustainability is also becoming more relevant in China. On the other hand, one interviewee said that Europe and the United Stated of America also differ due to recent dynamics. Thus, disparities in corporate values can also be found in the so called western world and there is no clear line between "west" and "east" anymore.

To conclude, the environment in China is hostile towards trust. Taiwan is better in that regard, but also has a rather low-trust environment. On the other side, the trust is generally very high with suppliers that have collaborated with Bufab for a long time already. Bufab as a buyer has a rather bad reputation for switching suppliers often and not caring for suppliers. This hampers the establishment of relationships further. A tool to overcome this would be the suggested reverse-KAM system, where personal relationships would be fostered. Besides, Bufab would be in a better position to know the suppliers better including their capabilities.

### 4.1.2 Supplier Perspective

After reviewing the interviews which have been conducted in Taiwan and China, we found that there is a slight difference in the way the trust between Bufab and the supplier is perceived. While all suppliers said that the relationship with Bufab is generally (very) trustful, sometimes even excellent, a difference in the source of trust (affection vs.

cognition), related to the length of the relationship has been identified. Similar to the perception of the interviewees from Bufab, supplier with a long relationship with Bufab (>5 years), have a higher level of trust than suppliers with a shorter relationship.

The perception of the guānxi yielded some interesting results in the context of trust. As mentioned above, all suppliers were stating that the relationship with Bufab is generally trustful, which was supported by a balanced and healthy guānxi. However, two suppliers which are in frequent contact with several European Bufab sites stated they do not think that any of the contacts there is particularly aware of the concept of guānxi, nor of its importance. Matching the statements of the interviewees from Bufab, awareness of the concept of guānxi is not widely spread across Bufab.

When comparing the sources of trust, half of the suppliers, of which all have a long relationship with Bufab, said that the trust is based upon a combination of affection, and cognition. Here, the affection-based trust was said to be developed over time, as routines were established and both parties understood the preferred way of how the other party works. Whereas, the cognition-based trust, mostly established through the payment on time by Bufab, was mentioned by suppliers which had a rather short relationship with Bufab. While Taiwanese suppliers stated that affection and cognition-based trust is equally important, Chinese suppliers preferably rely on cognition-based trust, as the on-time payment was the main reason the supplier had trust in Bufab. Further, Chinese suppliers mentioned that personal relationships are also of importance when it comes to establishing trust. However, to establish trust in the beginning, the cognition-based trust seems to be more important for the Chinese than the Taiwanese suppliers.

Bufab has a more evolved set up in terms of the sourcing operations in Taiwan. Thus, we conclude that the sourcing office in Taiwan facilitates the establishment of personal long-term relationships with Taiwanese suppliers. In turn, this is positively contributing to the development of trust based upon affection. Three suppliers explicitly mentioned the excellent relationship with one of the sourcing managers in Taiwan, without whom the trust is likely to be based less upon affection.

The perceived importance of contracts within a relationship is connected to the dimension of trust. Generally, the suppliers do not require a contract to consider Bufab as trustful. Nevertheless, we identified differences between China and Taiwan. These differences are threefold:

Firstly, a desire for "contractual safety" is certainly stronger when the trust within the relationship is based on cognition. Participants who previously mentioned that affection-based trust is predominant, always stated that contracts are not needed, as they know that problems will be solved in a mutually fair way. On the one hand, the majority Taiwanese suppliers, said that there is no need for contracts, two even mentioning, that contracts are perceived as "troublesome". On the other hand, of the Chinese suppliers who rely more on cognition-based trust, 3 out of 4 interviewees said that contracts are desired or even necessary.

Second, participants mentioned the benefits of contracts when it comes to complex matters e.g. the manufacturing of special parts should be covered by a legal agreement, or the usage of a contract as a backup for price fluctuations. Also, for orders with a very high monetary value, contracts were said to be useful. Another point was, that internal fluctuation e.g. changing of position/employees and connected issues in the order handling can be backed up through contracts and are sometimes useful.

Third, the company size has an impact on the attitude towards contracts. Naturally, small local manufacturers are simply not always able and willing to commit their limited resources to a contractual binding with a major customer, as it can be a threat to the entire company. Furthermore, one participant answered that it is a requirement and part of their company policy, as they are a global company and listed on the stock market. Finally, four participants mentioned unfavorable terms in a previous contract and the high-complexity of it, which was perceived to be unnecessary and that it erodes the trust for no apparent reason.

Asking the supplier for their corporate values was a difficult topic during the interviews. It put the supplier in an uncomfortable position and no supplier pointed out differences in the values between Bufab and them. However, when asking for examples for corporate values, the values mentioned were "customer focus, quality and long-term relationship". One suppliers had specific corporate values on hand ("sustainability, consistent goal alignment and continuous improvement") and could corroborate them with examples on how the company lives up to these values. The other suppliers simply nodded and agreed that corporate values are similar. All suppliers wanted to make a good impression and admitting inconsistent corporate values would mean to "lose face". Consequently, we

assume that the corporate values differ from Sweden and are sometimes less defined but would not be mentioned by the supplier.

To summarize, the trust-level should be evaluated according to the length of the relationship and also partly based upon the size of company, as differences were unveiled. Additionally, trust is rather based upon affection in Taiwan, while Chinese suppliers are seeking cognition-based trust and have a higher need of formal security. Concerning the awareness of guānxi, some suppliers addressed flaws, which would likely lead to a deterioration of the relationship.

## 4.2 Dimension of Power

For the dimension of power, two themes have been determined: the role and impact of power and decision making process. These will be elaborated on below.

### 4.2.1 Bufab Perspective

Most of our interviewees did not consider power to be an important factor in the relationship. On the other hand, they agreed that Bufab tends to make decisions alone even if it has a great impact on the supplier. They then force the changes upon the supplier. Bufab's employees considered that approach to be normal in the industry. The alternative, that Bufab works out the details of the change with the suppliers together, was not brought up. Hence, the buyer-power of Bufab plays a role, but the effect of that on the trust between Bufab and their suppliers cannot be stated from the perspective of Bufab.

The interviewees also mentioned, that if Bufab would become bigger, they would have more purchase value and with that, more power. They could use that power to get better prices and to start a collaboration with more favorable suppliers. They also stated, that if they had a more established brand name that would be more respected, they would be more popular among the suppliers, which would open further possibilities as well. This, however, is more relevant for Taiwan than China. The reason for that is, that "China is busy with itself" (interviewee). China is a huge country with enormous growth rates that have been sustained over many years now. The result is, that there is plenty of business within China and Chinese suppliers are not necessarily dependent on foreign buyers. They certainly do not mind extra business with foreign buyers, but only under their terms. Missing out on a business opportunity is not considered as a failure in China. Taiwan, as

an island and in constant tension with mainland China, is more dependent on foreign buyers.

Further, for Chinese and Taiwanese suppliers, it is important to speak to the highest person in rank because the rank and status of a person matter to them. In their culture, hierarchies are more relevant and more respected. This plays a role in negotiations, where respect is expressed when a higher-ranking member of the organization shows up. This is more established in China than in Taiwan. Consequently, it takes much time to “rise up in the hierarchy” and to be in contact with the higher decision-makers.

To conclude, Bufab has a strong tendency to make decisions alone and force them upon the suppliers without questioning that practice. Further, Chinese and Taiwanese suppliers give hierarchies more meaning, and see it as respectful if a higher-ranking representative from the buying company comes to negotiations. At the same time, it is hard to reach the managers of a supplier without personal relationship.

### 4.2.2 Supplier Perspective

The interviewees generally did see power as an important factor for a healthy relationship, but rather than saying power is important, it become apparent, that the non-abuse of power is highly important. Power itself in terms of being an important customer due to high spend was only mentioned once. The majority of the interviewees said that power is less important than e.g. the trust or a good and clear communication.

Many of the interviewees stated that an abuse of power will damage the trust in the relationship. There was one supplier who mentioned, that Bufab behaved opportunistically and used their power while introducing a new system, which is also to be used by the supplier. Nevertheless, the perceived usage of power was connected to an insufficient information exchange and missing details about the new system, as well as the actual intention of Bufab. Because, the supplier was willing to use it, but simply missed clear communication in advance. The insufficient communication in the beginning, turned out to be perceived as a power-abuse. A participant referred to another occasion were Bufab behaved opportunistically. The frank introduction of a "code of conduct", combined with a bad way of communicating the change, caused mistrust towards Bufab. This code of conduct was to establish a new set of rules and guidelines that the suppliers had to adhere to immediately, or would be punished if not complying.

This was a one-time incident, nevertheless, both mentioned that re-occurrences would be "lethal" for the relationship.

Interviewees said, that power can be helpful in the beginning of a relationship and even though it is likely to occur after time, as e.g. purchase volume increase, trust was said to substitute the power over time. Unlike the Bufab perspective, most of the suppliers had the impression, that Bufab is taking decisions together with them. Suppliers highlighted the importance of mutual decision making in a fair and trustful way. If power is used to forcefully "convince" a supplier, this will inevitably have an impact on the trust. Interestingly, whenever problems occur, clear and honest communication seemed to be the key in the problem-solving process, while its effectiveness was often depending on the established trust, but less on power. Several interviewees mentioned, that a fair and open approach to make decisions together, in a collaborative way, is what is currently predominant and thus power is barely applied nor needed.

To conclude, power can be helpful and is important, however, the way this power is applied is crucial to the relationship. Here, we noticed no difference between the Chinese or Taiwanese suppliers. In the beginning of the relationship, purchasing value can open doors to new and attractive suppliers. However, exerting mediating forms of power over a longer period of time hinders relationships and diminishes trust.

## 4.3 Dimension of Communication

Within the dimension of communication, five themes were identified. The themes are: the media of communication, coordination of communication, digital communication, the language barrier, and the style of communication. Again, interdependencies became apparent and are highlighted.

### 4.3.1 Bufab Perspective

The aspect of communication is greatly linked to the aspect of trust. The medium people choose to communicate through is, for example, influenced by how trustworthy the recipient is and vice versa. The most dominant medium to communicate is by far email communication. Email communication is rather impersonal but offers more formality. Only sometimes the telephone is used to communicate. The telephone is far less formal as a communication medium, because what has been said usually is not recorded and cannot be directly quoted. Personal visits are done seldom due to the high distance

between Sweden and Taiwan/China. However, all our interviewees mentioned that they think that Bufab employees should make more personal visits during the year. Further, some mentioned that they can imagine to switch to informal chat tools such as WhatsApp or WeChat (as the first one is not available in China).

The communication between Bufab and their suppliers has been rated as rather uncoordinated throughout the interviews. The reason is that Bufab has acquired many subsidiaries over the past years who communicate and interact independently with their suppliers. Subsequently, suppliers sometimes receive several inquiries for the exact same item, occasionally even with different prices or other specifications. Further, the suppliers have multiple contacts with many different Bufab sites and the communication between Bufab sites has potential to improve. According to our interviewees from Bufab, for the suppliers, it feels like dealing with several independent companies that happen to have the same name. This form of communication hampers the formation of personal trust due to the lack of persistent personal contact.

Bufab is just recently trying to bring together all Bufab sites and their suppliers into one supplier portal. That portal can be used to send our orders, confirm orders or share information, for example about the order status. While some of the interviewees mentioned that this would further decrease the personal communication with the suppliers, others highlighted the positive effects. It would provide more efficiency and standardize processes and communication. At the same time, the sharing of information could foster the trust of the relationship and bring the Bufab sites together. A feature could be implemented to make sure that orders are consolidated and the communication with the suppliers goes mainly through that channel. According to Prof. Ivan Su, Bufab should try to make efforts to further standardize processes and communication because the suppliers also profits from it. He sees the decrease of personal contact less problematic because it can be compensated by more personal visits from Bufab. It greatly depends on the features and details that the portal will bring. Some feature would help, some features could damage the relationship (like internet reverse auctions).

Another communicational issue is the language barrier. The language barrier has vastly been neglected by scholars. But our interviewees had stories to tell about how the language barrier caused miss communication. One example was that many suppliers use google translate to make sense of the emails in the English language. The flaws of google

translate, however, often cause confusion. An interviewee mentioned the need to "analyze" the mails from supplier line by line to make sure, that nothing important would be missed. Hence, the supplier's lacking English skills can become an obstacle to making business particularly in China. Taiwan is more progressive in that regard. According to Prof. Ivan Su, there are many language schools that teach English. Most contacts within suppliers understand and speak sufficient English in Taiwan. While China has been providing many language schools teaching English, they still have room to improve further.

Further, the style of communication can cause discrepancies. In Europe, we communicate fairly direct, certainly with regional differences. Europeans are less afraid to say ‘no’ to something and give direct answers. By contrast, interviewees referred to the need to analyze emails from Chinese and Taiwanese suppliers due to its extensive length and "hidden" messages. Furthermore, our interviewees had several stories to tell, where the core problem was that particularly Chinese suppliers tend to agree to anything and just say ‘yes’. Taiwanese suppliers sometimes do that too, but much less. The problem is, that they sometimes agree to produce a part that they cannot produce because they lack the machines or experience for that. They are afraid to "lose their face" in front of the buyer and rather agree to it. Besides, they see the monetary benefit of new orders. ‘Losing face’ is a very big humiliation especially in China. Chinese suppliers often prevented losing their face by agreeing to things they either did not understand or they are aware they cannot live up to. This is mostly a problem with new suppliers that the purchaser has no knowledge about or has never seen, due to the long distance between China and Sweden. To tackle that communication issue, it is important to first develop some trust between the supplier and the buyer and second, to ask detailed questions about the production capabilities. Ordering a sample is of limited help. Producing a sample is inherently different from mass-producing the same part.

To wrap it up, we found several issues regarding the communication. Firstly, lean and impersonal communication media hamper the establishment of affection-based trust. Furthermore, uncoordinated communication reduce the intensity of personal contact and thus the affection-based trust. Digital and standardized communication can be useful in terms of increasing efficiency and reducing the language barrier, but needs to be

accompanied by regular personal contact. Lastly, the differences in styles of communication can lead to misunderstandings and damage the relationship.

### 4.3.2 Supplier Perspective

As described above already and mentioned in the clear majority in the interviews conducted at Bufab, communication is connected with the trust and certainly the major pillar of the trust foundation. Confirming the interviews of Bufab, communication is mainly done via mail (80%), supported by a few telephone calls and even fewer personal visits. Nevertheless, the usage of WhatsApp or WeChat was also mentioned by some suppliers, however, often with the message of an existing good personal contact at Bufab. When asked for a reason, it was said that the personal contact and consequently a high level of trust, is a necessary basis, before the rather informal communication is accepted. In this context, it was also said, that these informal chat-tools are efficient and useful when urgent issues need to be clarified and a person is expecting a timely answer.

Asking about a preferred change in the medium of communication, around half of the interviewees stated that there is no actual need to change, since the communication is good. Arguably, the main reason for this is likely to be the well-established personal contact of the local sourcing department, especially in Taiwan. A few interviewees mentioned, that personal contacts could be improved, and more frequent visits were appreciated. One supplier highlighted the missing personal visits particularly. Over the period of a three-year business relationship with a foreign Bufab branch, he mentioned that no personal visit has taken place yet and that it certainly would be appropriate to meet the person with whom there is an almost weekly contact via mail. One Taiwanese and three Chinese suppliers highlighted that WhatsApp, or respectively WeChat could be used more often for certain occasions such as reminder, or follow-ups. Surprisingly, one Chinese supplier, encouraged a greater usage of WeChat, since the company is using WeChat as the major platform of communication in China, internal as well as external.

Regarding the coordination of communication with Bufab, the interviewees, generally indicated, that communication was handled in a coordinated way and that there are known contacts which usually do not change. More than half of the interviewees, however, referred to the benefits and the desire to have a "single contact window" for communication with the Bufab Group. Interviewees stated, that the relationship over several years has enabled them to develop a mutual understanding with their contact

person at Bufab and thus straight and simple communication is applied on a frequent basis. The ability to have communication with a fixed contact person, resulting in an "ease of dealing with issues" and the generally "standardized style" of communication, enabled by the personal bound, was desired by several suppliers.

Referring to nowadays increasing digital communication e.g. through a supplier portal and the possible impacts on the relationship, suppliers who already use such a system as well as suppliers who could potentially be integrated, gave a general positive feedback. The interviewees liked that the supplier portal would ease the communication and save time when clarifying deviations in terms of quantity or time. Furthermore, the standardized way of communicating on the platform was said to unleash further savings potential. In the context of an increasing degree of digital communication in the future, two suppliers had concerns regarding the personal contact and thus regarding the relationship. The main concern mentioned was the lack of personal communication and interaction, which is partly substituted through an automated data transfer.

Considering the different styles of communication (low-context vs. high-context), several suppliers mentioned discrepancies. The suppliers referred to short and very direct answers which were perceived to be rude. Missing explanations e.g. for a declined order are less desired, as both, Chinese and Taiwanese supplier, addressed their desire to receive elaborate answers. Furthermore, the importance of clear, honest and transparent communication has been mentioned several times, as an essential part of the trust building. As an example, the way Bufab responds to inquiries was mentioned by the suppliers, stating that a missing feedback or short and impersonal answers were somewhat damaging the trust. One supplier said that, they do not receive feedback for lost biddings on orders. They would then assume a non-competitive price. This lack of feedback does not give them the opportunity to improve the offer and leaves the impression that Bufab "cares little" about their suppliers and their development. This lack of communication diminishes the trust in Bufab and could easily be overcome. Also, the way of communicating was stated by one participant, saying that some answers were very short and too direct, favoring a "more polite" answer.

When asking about previously perceived miss-communication, only a few interviewees had actual examples to provide. This generally indicates that communication issues where rare and miss understandings are rare. However, the interviewees felt very uncomfortable

criticizing Bufab and their communication. Despite, the few examples given, communicational issues were mainly related to the English language which is not always clear, most likely since both parties do not speak English as their mother tongue. Other issues were related to technical drawings which are likely to be connected to missing knowledge on one side or the other, rather than an issue of communication.

Summarizing the findings regarding the communication, the media used are generally perceived as good tools for communication. Nevertheless, a few suppliers referred to the possibility of using WhatsApp or WeChat as alternatives in certain occasions, which could make communication more efficient. Also, a funneled way of communication through a single point of contact, with whom a "personalized" way of communication would be developed is preferred by many suppliers. Digital communication yields benefit, but the personal aspect should not suffer under an automated way of communicated. Further, miscommunication seems a minor issue, mostly connected to the English language.

## 4.4 Dimension of Time

Regarding the dimension of time, three themes have been identified: Decision making in the context of time, focus on future vs. past, as well as a monochronic vs. polychronic perception of time.

### 4.4.1 Bufab Perspective

During the interviews, it became clear that the dimension of time is relevant in two different ways. Firstly, the decision-speed of Bufab has implications for the relationship and the trust, and second, the perception of time itself.

Our interviewees agreed upon the fact that Bufab decides for or against a supplier with low context and subsequently too quickly. That means, that Bufab focuses on too few aspects (such as the price) before reaching a decision. That leads to little commitment towards any supplier and at the same time raises quality concerns. Constantly switching suppliers always to the cheapest purchase price has a negative effect on the trust and commitment a supplier will develop in the relationship and has brought Bufab a bad reputation among suppliers in Taiwan and China.

On the other hand, we were told that Taiwanese and Chinese suppliers in general are focused on the past rather than the future. While ‘Western’ businesses always look at

potential business that they can make, Chinese and Taiwanese suppliers have a strong focus on what has been done. One example was, that Bufab once wanted to have some changes in the process that would have caused the supplier some effort. The supplier declined, arguing that the purchasing value for Bufab has not been enough. Bufab on the other side did just place a big order. But the suppliers only looked at what they already had completed at that time. The disagreement was based on different perceptions of time. While the Bufab representative showed the transmitted order, the supplier showed a bank-statement and said that only "money on the bank counts" (sourcing manager).

Adding to this, Chinese and Taiwanese suppliers are less fascinated by presentations that state what is possible in the future. If nothing has been done yet, they are unimpressed. Two interviewees found it helpful to always bring a considerable order when meeting with suppliers. They would then place that order on the table during the meeting and established an understanding that Bufab does not just 'talk' but follows with action. Bufab's Managing Director from Shanghai dates back these differences to the time when Chinese people were concerned with getting enough food on a day-to-day basis. Due to the rapid economic growth of the past decades, the mindset of the people did not have enough time to adjust to these new circumstances. He also confirmed the notion that Chinese businesses are set up without ambition or planning. If problems arise, they work to fix the symptoms rather than roots of problems. In the case that Bufab receives poor quality for instance, the supplier should be contacted very carefully and with as little confrontation as possible. This way, the supplier will not lose face and finding a solution to the problem is possible. To provide a reason for that, the Managing Director in Shanghai said that if you would ask a Chinese person if he/she wants to have one dollar today or three dollars tomorrow, most people would take the one dollar today, underpinning the short-sightedness mentioned above.

One example of the monochronic perception of time came from the Managing Director of Bufab Shanghai. He said that the Chinese people are very task-related and work task by task. He said it was difficult to explain to them that they are paid by the hour and cannot just go home once they finish their task.

To wrap it up, Bufab is too quick when it comes to making decisions. They choose suppliers too quickly and take too little contextual factors into consideration. Further, Chinese and Taiwanese suppliers tend to look in the past rather than the future. Long term

planning is often missing and opportunities have less meaning than completed business. This is also expressed in the tendency towards ad-hoc problem-solving.

### 4.4.2 Supplier Perspective

The majority of the interviewees answered to the question, if they have the impression that Bufab takes long time reaching decisions, with a clear "no". Still, a few suppliers answered, that Bufab tends to take long time to answer when e.g. an offer is not competitive. Often, Bufab does not respond at all, which in turn can be perceived as impolite or rude, as mentioned above. Additionally, some suppliers elaborated by mentioning they would always like an answer. The reason for this is, that suppliers would like to "see what they can do" and thus try to make the offer acceptable through a common agreement on the terms and specification.

When asked about the future expectations and development, the vast majority of the interviewees responded, that they desire and expect more business with Bufab in the future. Out of the 10 suppliers, however, only 2 had more specific examples and explained, that closer collaboration is a possible scenario. While only one supplier gave a specific example of the collaboration, suggesting an integration of product samples in Bufab sales operations. Also, the expected future vision for their own businesses was in most of the cases answered rather insufficient, many stating "growth" as their intention. This indicates, that the focus of Chinese and Taiwanese suppliers is one the current situation of a company and less concerned about the future development. Another sign for this is, that only one supplier named a specific figure the company aims to reach, as well as geographical areas to cover in the next five years.

## 4.5 Results of Survey

In this section, we present the findings from the survey that was sent out to >100 European suppliers and >200 Taiwanese and Chinese suppliers. We structure these findings according to the hypothesis from section 2.4. Generally, 80 % of the respondents have been working together with Bufab for more than five years. Those are equally distributed between Chinese, Taiwanese and European suppliers. That means, we have an abundance of data from suppliers who have a long history with Bufab but not enough data from new suppliers to make any statements about the difference between old and new suppliers.

### I. The aspect of interpersonal trust has a very high relevance for Taiwanese and/or Chinese suppliers

In the open question, where the participants were asked for suggestions for improvements regarding the relationship with Bufab, many mentioned the desire for more personal contact and personal visits. This already is a good indication that the hypothesis is true.

Further, we asked our participants to rank the aspects of trust, communication, purchasing price and power/influence regarding the relationship with Bufab. Trust is slightly more important for Chinese and Taiwanese suppliers than for European suppliers. Especially when looking at the importance of communication it is clearly visible, that communication is more important to Taiwanese /Chinese suppliers (95 % rank it number one or two). To European suppliers, the purchasing price is more important. According to the interviews, the suppliers uttered a desire for more personal communication, so that more trust can be built up. Therefore, this hypothesis is accepted.

### II. Taiwanese and Chinese suppliers identify less with Bufab and their values than European suppliers

In the survey, we asked the questions with five possible answers from disagree to agree:

- I know the values Bufab represents and how Bufab acts and functions
- I think, Bufab and we share the same values

The answers from the suppliers indicate that almost all the suppliers (84 %) either somewhat or fully agree to have the same values as Bufab. European suppliers did not differ significantly in that sense (76 % agree of somewhat agree with that statement). Hence, this hypothesis is rejected.

### III. Those suppliers who don't identify with Bufab and their values will show decreased trust

Because most people answered that they in fact do identify with Bufab, we have a lack of data when it comes to suppliers who do not feel like they share the same values. Thus, we cannot investigate this hypothesis and must leave it open for other researchers to answer it.

### IV. Chinese and Taiwanese suppliers prefer interpersonal trust over cognition-based trust, even in the beginning of the relationship

We intended to investigate this hypothesis by analyzing the desire for contractual bindings. According to the literature, Chinese and Taiwanese suppliers would prefer to do business with someone they personally trust and would not require to set up a detailed contract with their business partner, because they trust them. European suppliers on the other hand would prefer a contract to diminish the environmental uncertainty.

Our findings contradict this hypothesis. In our data, 54 % of the Taiwanese suppliers and 80 % of the Chinese suppliers somewhat or totally agree with the statement that they want to have a detailed contract with Bufab. At the same time, only 38 % of the European suppliers agree with that statement. Consequently, we have to reject this hypothesis.

We can also see in the data, that the overwhelming majority of Chinese and Taiwanese suppliers (>90 %) state that trust and communication are the two most important aspects in the relationship with Bufab. Both European and Chinese/Taiwanese suppliers state that they have a very trustful relationship with Bufab. Unfortunately, the data does not suffice to answer this hypothesis, thus, it has to be rejected.

### V. Communication between the Chinese and Taiwanese supplier and the Swedish buyer lacks clearness

We wanted to test this hypothesis by asking the participants if the communication with Bufab is always understandable and on point. The vast majority agreed that the communication is always clear. Further, no significant difference between the European reference group and China and Taiwan could be found.

Thus, the hypothesis is rejected.

### VI. Taiwanese and Chinese suppliers prefer informal communication methods over formal communication methods

In order to investigate this hypothesis, we asked the participants about the predominantly used media to communicate with Bufab. Subsequently, we asked them what media they would like to use to communicate with Bufab. We provided the following answers (multiple selections were possible): Email, Telephone/Skype, face-to-face meetings,

Chat-tool (WhatsApp, WeChat). It was no surprise to see that all participants communicate via Email. But 45 % of the participants communicate both with email and other means of communication at the same time.

Interestingly, 30 % want a change in the communication. They want more informal communication in the form of either face-to-face meetings, telephone calls, or the usage of informal chat tools (such as WhapsApp or WeChat). Hence, it can be stated, that Taiwanese and Chinese suppliers prefer the informal communication combined with formal email communication. However, the data shows that Taiwanese and Chinese suppliers want to communicate in a mix of formal and informal means of communication. The hypothesis can therefore only partly be accepted.

To conclude, the survey sometimes yields results that contradict the state of the research on the topic and contradicts in a few points our own qualitative empirical data. However, this survey has some flaws that leads to a limitation of the results. Firstly, we can see very clearly that Chinese and Taiwanese suppliers do only very seldom disagree with statements even in anonymous surveys (only 7 % of the statements were disagreed). Even statements that Chinese and Taiwanese suppliers in a face-to-face interview would reject, were mostly agreed upon in this survey. Only 13 % rejected the idea to have detailed contract with Bufab, while in face-to-face interviews, the majority rejected to set up detailed contracts with Bufab.

# 5 Analysis

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*In the previous chapters, we presented the theoretical background, and laid out the empirical findings from (1) the perspective of Bufab, (2) the perspective of Bufab's suppliers in China and Taiwan, and (3) the results from the survey filled out also by Bufab's suppliers. We add (4) the perspective of Prof. Ivan Su in this chapter. Further, we will go through the main themes (trust, power, communication and time) and provide an analysis incorporating all different perspectives including the literature.*

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## 5.1 Trust

Scholars unveiled that China and Taiwan are countries with a low-trust environment (Humphrey, 2000; Tsang, 1998; Xie et al., 2010; X. Zhang & Hu, 2011; Z. Zhang & Zhang, 2013), meaning that the trust between people or organizations is very low, while the trust within social groups (e.g. family) plays a major role. We identified that Bufab's sourcing managers indeed showed little trust in new suppliers, thinking they would betray and cut corners if given the chance. This low trust in new suppliers is certainly hindering the formation of new relationships with suppliers. However, this is more the case for China than it is for Taiwan. Yet, the suppliers in both countries show a similar pattern. New suppliers have a very strong focus on payment on time and use that to evaluate the buyer. Suppliers who worked with Bufab for a long time were very happy with the fact that Bufab always pays on time. Several scholars suggests that repeatedly showing a goodwill towards the supplier by e.g. paying on time establishes a form of cognitive trust towards the buyer (Hansen & Morrow, 2003; Hemmert et al., 2016; Humphrey, 2000; Ireland & Webb, 2007). If the supplier then reciprocates with continuous on-time deliveries in the right quality, mutual cognitive trust is established and that bond will grow over time, which in turn is a driver for a healthy relationship. That is why the older suppliers of Bufab that have collaborated over years all uttered a high trust in Bufab and vice versa. The answers from the survey prove, that older suppliers show a significantly higher trust in the goodwill of Bufab (see Appendix 8). These relationships have been through an evolution of trust. Un-trustworthy suppliers (or buyers) are switched, while trustworthy ones remain. It proves that in a low-trust environment showing trust and consistency is the most important coordinator and driver of a business relationship.

Through the data collected and in the context of this thesis, it has been confirmed, that business relationships can also be coordinated with contracts. Contracts define what each business partner has to do in order to fulfil a transaction (quality, price, material, delivery time, quantity…). They are binding for each party and provide an accountability that gives each party more certainty, due to the legally binding nature of contracts. Because of that, both parties usually can rely (or trust) on the other party to fulfil their part of the contract. This provides both parties with cognition-based trust (X. Zhang & Hu, 2011). The problem with European companies trading with Chinese or Taiwanese suppliers is, that the legal system there makes it nearly impossible to enforce contracts the way it is possible in Europe. That is why Bufab's representatives did not value contracts very much, as they said they do not provide legal certainty due to lacking accountability in the legal systems. Hence, a contract does not provide the level of cognition-based trust that it yields among European companies. Yet, contracts should still not be abolished. They accommodate another function that is important and has been mentioned by the supplier and the representatives. Contracts give clarity and list things that have been agreed upon. One of our interviewees referred to contracts as guidelines for business providing clarity over the expectations. For a contract to increase the trust between the parties, two preconditions must be fulfilled.

Firstly, both parties must comprehend the contract fully before signing it. It has been shown, that this is an issue sometimes with Chinese suppliers who sign without understanding the content. Thus, the details of the contracts should be discussed and written down together rather than the buying firm enforcing their standard contract on every supplier. Writing the contract together also positively impacts the supplier identifying much more with the content of the contract and signals a mutually respectful and trusting relationship.

Second, the relationship between both parties must be mutually trustful, because otherwise, they could not trust each other adhering to the details of the contract. That implies, that in a new relationship with a Chinese or Taiwanese supplier, a contract does not add much trust to the relationship because both parties do not yet know whether the other party will adhere to the contract.

If these preconditions are met, a contract can be beneficial if e.g. the business between the parties is complicated or if price fluctuations would impact the business greatly.

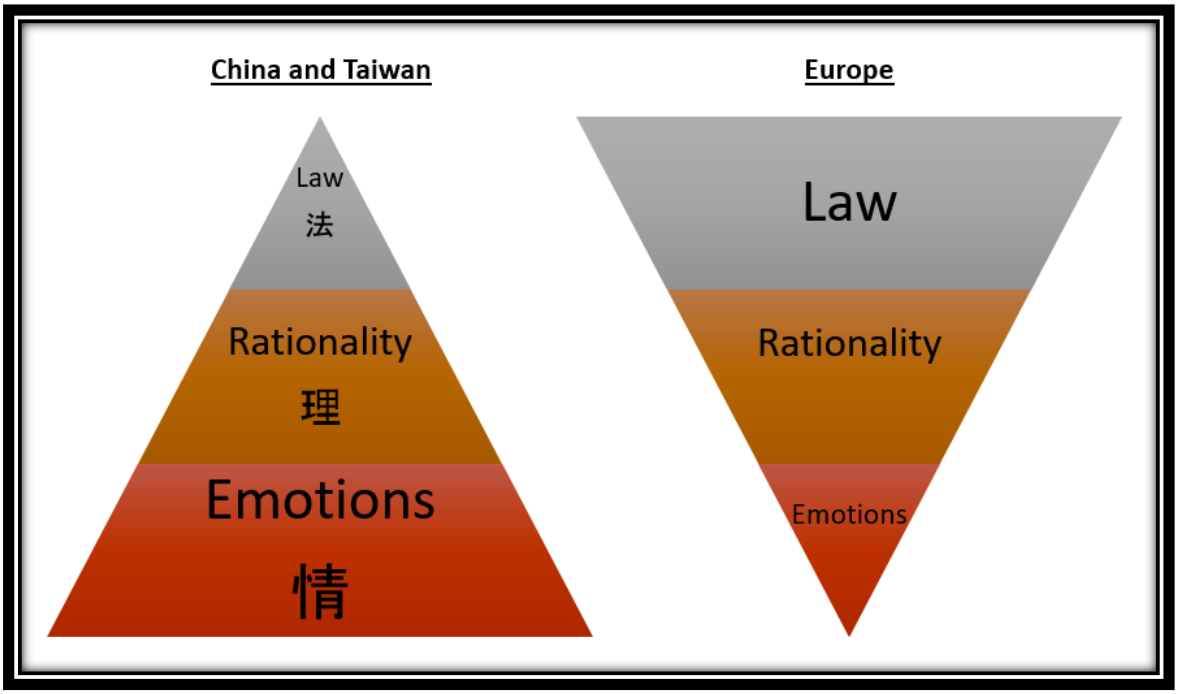


*Figure 6: Value System Comparison (based on Interview with Prof. Ivan Su)*

In theory, the trust is mostly based either on cognition (also: calculation) or affection (personal relationship) (Ireland & Webb, 2007). Some authors distinguish between different cultures and how trust affects their business relationships (Tsang, 1998; Xie et al., 2010). With the emotional bond they form with their business partners, they compensate for the lack of cognition-based trust. They consider their business partners often as friends, and friends do not betray or exploit each other. European companies have a much stronger focus on common rules and the law and emotions play only a minor role in business (Interview Prof. Ivan Su). Built on these findings, we created Figure 6: Value System Comparison (based on Interview with Prof. Ivan Su). In China and Taiwan, emotions play the biggest role, while rationality and the law play a subordinate role. In Europe, that order is reversed. This can lead to misunderstandings between these two cultures. The reversed perception and application of values come along with a vast amount of cultural traps, which potentially hinder a supplier-buyer relationship.

Our findings from both Bufab's as well as the supplier's perspective mostly confirm, that relationships with Chinese and Taiwanese suppliers are to a large extend built on personal relationships. Establishing personal relationships in China and Taiwan can therefore provide a competitive advantage. On the other hand, we heard from many suppliers that there is a great focus for objective and hard criteria such as paying on time. This shows

that while the affection-based trust is definitely crucial for business with Taiwanese and Chinese companies, cognition-based trust is also important. Sticking to one's side of the bargain and living up to promises made is absolutely crucial to maintain a trustful relationship.

As stated in sub-section 2.3.1, personal relationships are so important in China and Taiwan, that there is a particular word describing that concept: *guānxi* (Tsang, 1998; Z. Zhang & Zhang, 2013). For the suppliers, a balanced guānxi was very important for the relationship. Further, they uttered that they think that European buyers often lack understanding of the concept of guānxi. There has also been consensus among the sourcing managers from Bufab that the importance of personal relationship is underestimated within Bufab. One supplier has expressed disappointment over a local branch of Bufab, as their responses are often very short and impersonal and that they have worked with them for a while now but they never came to visit. Thus, a buying company should strategically nurture relationships with those suppliers that are of strategic importance. It has become clear, that a good personal relationship, a balanced guānxi, provides a competitive advantage for companies sourcing in China and/or Taiwan. At the same time, the buying company needs to be sure not to cross the line between a simple exchange of favors and corruption. The danger of corruption can be traced back to guānxi.

Conclusively, due to the fact that that Chinese and Taiwanese companies emphasize the personal relationship much more than their European counterparts, the lack of a personal relationship can seriously hinder a healthy supplier buyer relationship. Fulfilling the Chinese and Taiwanese need for affection-based trust is a driver for a healthy relationship. Another driver is the collaborative development of a business contract which serves as a frame and basis of a common understanding.

### 5.2 Power

In sub-section 2.3.2, we have argued that besides trust, power can also function to coordinate and govern a business relationship, while power and trust can substitute each other (Bachmann, 2001; Chicksand, 2015). The effect on the relationship depends on how the power is applied. As stated in sub-section 2.3.1, the mediating form of power (reward and coercive power) hampers the relationship while non-mediating forms of power fosters the performance of a relationship (Frazier & Rody, 1991; Maloni & Benton, 2000). According to Bufab's employees, it occurs, that Bufab makes decisions alone and forces

them upon the supplier. One example was how they are rolling out the supplier portal. Some suppliers are coerced into using this new tool. The punishment would be a loss of business. Applying the theory, it would have been better to develop the supplier portal together with the supplier and then roll it out on a voluntary basis, without applying coercive power (Chicksand, 2015). Before initiating such a project, the communication with the supplier is crucial. They should not have the feeling to be coerced into something. In this example, a buying firm could have visited the suppliers and convinced them to use it by stating the benefits for the supplier and the relationship without exerting coercive power.

Another example of the application of power is the way of allocation business to the lowest bidder by applying closed reverse auctions. Bufab uses their market power to select the supplier with the cheapest price by asking each supplier to provide their cheapest price. The unsuccessful biddings will not receive any feedback. We heard many times that the suppliers dislike this behavior very much. One supplier even went so far as to refuse to answer any request for quotations of Bufab as they consider it a waste of time. Even if Bufab would try to order from that supplier, they would refuse. It can be concluded, that the suppliers do not appreciate a foreign buyer who acts superior and seemingly does not care about them. A better approach would be to ask fewer suppliers for quotations and provide each supplier with constructive feedback. This has been explicitly formulated by suppliers in the quantitative survey in the open sections where they could enter comments and suggestions for improvements. They want to "see what they can do" in order to improve their offers, going beyond the argument of price. They want to collaborate on a deeper level with Bufab and maybe provide additional services. A suggestion from Prof. Ivan Su was to introduce shared training with the supplier e.g. to introduce new products, processes or tools and to deepen the mutual understandings.

The problem with the mediating power in China and Taiwan is, that it substitutes trust and thus can cause an imbalance between trust and power. As we stated above, trust has a very high relevance in those countries. Governing a relationship only with power is not feasible in China and Taiwan, due to the cultural principles of guānxi and renquing.

To conclude, exerting coercive power upon suppliers hinders a healthy relationship. On the other hand, the collaborative approach including the supplier's needs and wishes is a driver for a healthy relationship. Further, it hinders a healthy relationship if the suppliers

do not receive feedback for their offers. As a buyer, developing the supplier actively by engaging in the relationship with feedback and suggestions for improvement is appreciated by the supplier and thus a driver for a healthy relationship.

### 5.3 Communication

Given the fact, that the countries which are subject to this thesis are non-native English speaking countries, the first issue to arise within communication naturally is the language barrier for the involved parties. Scholars argued, that the language barrier is less of a problem than in the past, as arguably, today there are much more English speakers in the world than ever before (Bolton & Graddol, 2012). This view has also been corroborated by Prof. Ivan Su, who stated that there are many language schools in China and Taiwan teaching English.

The interviews conducted with the Bufab representatives indicated that generally, there are only few occasions, were an email is unclear. However, one representative highlighted, that many suppliers use Google Translate to understand and answer requests from Bufab and thus, one would not be able to speak to them at the phone, due to missing English skills. The impression of the representatives has been confirmed during our interviews with the suppliers. The reason for this is, that two of the interviews needed to be fully translated. Less than a quarter of the participants had actual fluent English skills. Some suppliers mentioned, that instructions for an order are not always clear. Nevertheless, given the fact that e.g. drawings and technical specifications can easily be attached, actual problems are uncommon. This indicates, that English as a language is still a barrier for communication, needs to be taken into considerations. In order to overcome communicational issues due to the language barrier, communication can be channeled through the local Bufab entities in Kaohsiung and Shanghai. Alternatively, communication can be handled with the support of digital tools e.g. the supplier portal, because communication is standardized, simplified and streamlined.

Another essential part of communication is the way a message is transferred. The literature distinguishes between high-context and low-context communication and scholars suggested, that misunderstandings are likely to occur, when e.g. someone with high-context culture interacts with someone from a low-context culture (Meyer, 2014). Indeed, several Bufab representatives were referencing to long answers, mentioning the need to and seemingly unnecessary information they receive from Chinese and Taiwanese

suppliers. On the other hand, almost half of the suppliers referred to direct and short answers which are often perceived as impolite. Going so far as to leave the suppliers with the impression that "Bufab does not care". To overcome misunderstandings related to the communicational style, foreign buying firms needs to raise awareness about the different styles of communicating a message. Only then, the importance of a feedback and a more extensive answers, than a simple "yes" or "no", can be understood.

Besides the mentioned benefits of digital and standardized communication, our findings suggest that there can also be drawbacks. While the literature mainly suggests, that digital tools are improving communication (Gattiker et al., 2007), a wider effect of digital communication on the relationship in general is barely mentioned. Having said that, Gattiker et al. (2007) argue, that richer media (phone call) used for communication, have a significant benefit when it comes to building trust, compared to leaner media. A supplier portal is certainly a lean medium with the intention to streamline all the information of the order management. The representatives of Bufab fear that such a tool would substitute most of the personal communication. Interestingly, many suppliers highlighted the improved efficiency through the usage of digital tools, but also referred to the impact on personal contacts, which would be significantly less. Many suppliers highlighting the desire of more frequent personal communication. This was also confirmed in the online survey, where around 33% mentioned a desire for more personal communication (see Appendix 4).

An approach to make use of the benefits of digital communication, while at the same time bypassing possible drawbacks, such as the impact on trust described above, could be ensured through a combination of two things. First, the substitution of current lean communication e.g. simple mails, which do not foster trust, through the even leaner digital media, which enable a more efficient communication. Second, the increase in efficiency frees up capacity that in turn should be used to foster the personal contact. That could be done through periodic personal visits and/or follow-up calls, depending on the strategic importance of the supplier. This way, Bufab could utilize the increase in efficiency to increase the trust and commitment with the supplier and thus gain a competitive advantage.

Another important aspect of communication is the coordination of it. Due to the size of Bufab and the ambition to further expand the business, the aspect of coordination when

interacting with the suppliers is highly important. Bufab representatives mentioned that there is still quite some potential for improvement in the way communication is coordinated at Bufab. When asking the suppliers, the main response was that the coordination is "not bad, but could be better" while highlighting the desire and benefits of having "one contact window". Here, the online survey supported the desire of having a centralized communication with fewer contacts, as some suppliers expressed it.

A solution to apply better coordination mechanism could be to have one contact at Bufab, who is aware of the cultural particularities and has a good relationship with the supplier already. This contact would be responsible for all the orders placed to that supplier, by the different Bufab companies. Nevertheless, unlike the boundary spanner explained in Figure 2, which serves as a good basis, it needs adjustment. According to our findings, Bufab does not need nor want a single contact within the supplier. They rather want to contact the different departments directly. The difference to Figure 2 would be, that the contact at Bufab has several contacts at the supplier, according to the nature of the problem, he or she is contacting the "right" contact at the supplier directly. This concept is also based on the cultural finding, that emotions and the personal relationship plays more important role in China and Taiwan. Overall, this would not only have a positive impact on trust due to closer personal interaction, but also on standardization of communication, through the development of routines. The slightly modified function of a boundary spanner can be seen below in Figure 7: Adjusted Boundary Spanner.

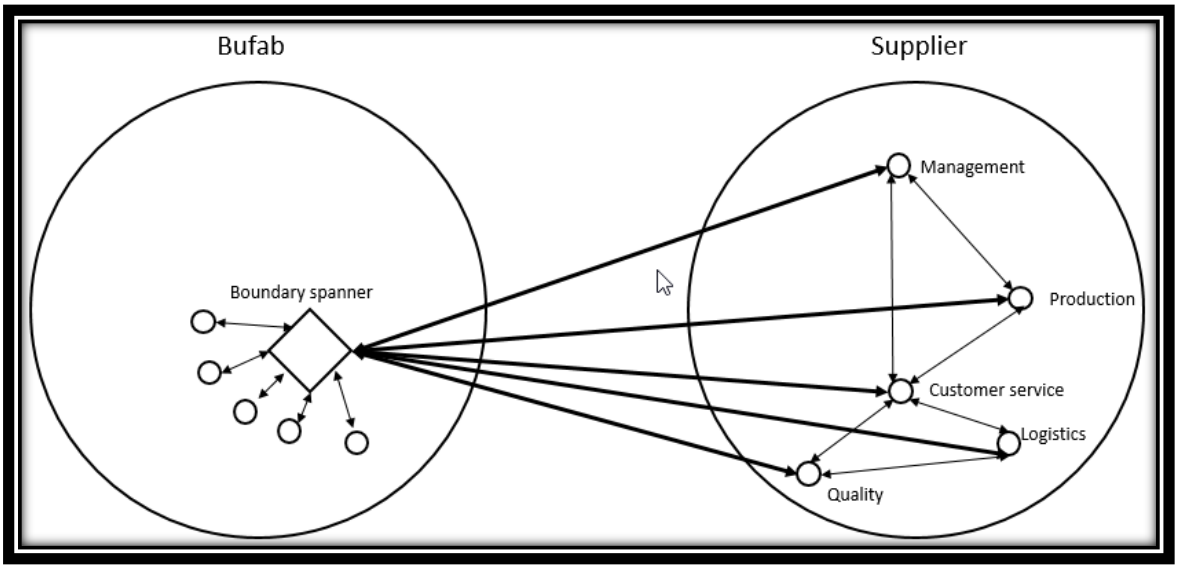


*Figure 7: Adjusted Boundary Spanner*

In Figure 7, we have one single responsible contact within Bufab who directly talks with the different functions at the supplier's site. We adjusted the boundary spanner that the theory suggested according to our findings (compare: Figure 2). The representatives from Bufab said that they want to maintain the direct contact to different functions within the supplier's organization, with the aim of maintaining and fostering efficiency. This results in e.g. direct communication with the contact of the quality department as quality issues arise, or the contact with the logistics manager if logistical issues occur. This notion is based on the fact that the silo thinking is very established in China and also in Taiwan, as confirmed by our interviews.

Moreover, the supplier desires more coordination and a more personal contact. They formulated the need for one responsible person within Bufab that they can pose all questions to, which would simplify business for the supplier. Subsequently, that person would than forward the matter internally and provide an answer. Figure 7 is our way of illustrating that. It must be noted, that the different functions illustrated on the site of the supplier are sometimes incorporated by one single person, which is often the case in smaller companies. Further, missing English language skills might require to channel communication through a limited number of persons. Conclusively, this concept of communication with the boundary spanner would also enhance the personal trust because the suppliers can build up the trust with one contact and develop a deeper relationship with that person.

Last but not least, after reviewing the literature, conducting the interviews and analyzing what was said, it became clear, that there is a very strong connection between communication and trust (Meyer, 2014). As already highlighted in several examples, such as the impact of the media in use on trust, or a possible damage on trust through neglecting a different communicational style, trust is sensitive to communicational faux pas. Furthermore, once the cognition-based trust has been proven sufficient and trust shifts towards affection, this trust is, to a large extent established and maintained through features of communication. Interestingly, the importance of communication has been emphasized further through the online survey. Here, 95% of the supplier in China and Taiwan rank communication as second or most important in the relationship with Bufab.

In a nutshell, fair, honest and coordinated communication can be seen as a driver for healthy relationships. Another driver is frequent personal contact with suppliers because

it strengthens personal ties and subsequently the level of trust. In that context, we adjusted the boundary spanner concept (see Figure 7) and tailored according to our findings. This way, it is another driver for a healthy relationship. A hinder of relationships is the language barrier, the exclusive usage of lean digital communication without personal contact as well as the negligence of communicational styles.

### 5.4 Time

The dimension of time, which has not been examined in the context of supplier-buyer relations in previous research, proved to be relevant in several ways. Admittedly, in order to holistically evaluate the impact of the perception of time on supplier-buyer relationships, we would have needed to focus more and in-depth on this issue. Nevertheless, within the previous months and particularly through the visits of Chinese and Taiwanese suppliers, differences in the perception of time were revealed. The major difference described in the literature was the significant higher relevance of the past for Chinese and Taiwanese suppliers. As described in sub-section 2.3.4, scholars suggest, that achievements in the past are clearly more important to the suppliers than a prosperous outlook in the future (Schweitzer & Alexander, 2015; Trompenaars & Hampden-Turner, 2012). The representatives of Bufab supported this notion by mentioning that "some suppliers are missing a future perspective". The explicit example of a negotiation with a supplier who only saw the actual figures on the bank account, instead of considering the already placed orders by Bufab also, affirm this. Furthermore, a strong future vision of Bufab was mentioned in contrast to less developed visions of Chinese and Taiwanese suppliers, which was also noticeable through the interviews.

Consequently, issues or smaller discrepancies related to a different perception of time can be circumvented by e.g. adjustments in the way of negotiation and a different approach to future planning. Concretely, in negotiations, it is very important to start with a proof of the intention to place an order, rather than e.g. mentioning the intention to place orders in a certain amount by the end of the year. Simply bringing a drawing with specifications of a part or, even better an order to the meeting, shows the actual willingness to start right away and thus undermines the intention to do (more) business. Chinese and Taiwanese supplier are not interested in big presentation with fancy pictures and prosperous possibilities how the business will develop. It became clear, that they certainly prefer actions over words.

Connected to this, a supplier with a need for improvement e.g. due to a quality issue, is not necessarily applying the right countermeasures to overcome the issue. (Meyer, 2014) suggested that cultures with a non-linear relation to time, like the Chinese and Taiwanese, prefer flexibility and adaptability over organization. Hence, short-term solutions are preferred over long-term stability. This was corroborated by the managing director in Shanghai, who stated that ad-hoc problem-solving is the preferred method, while efforts such as root-cause analysis and thus, future prevention are barely done. Having said that, a collaborative and mutually involving approach to problem-solving, as well as improving, is doubtlessness a more fruitful and promising approach. That implies for foreign buying firms, that they should support their suppliers whenever they sense significant problems. They should help the supplier develop in a way that the quality improves sustainably. Again, this would foster the relationship between foreign buying firms and the supplier and thus increase the level of trust in the relationship.

To conclude, the difference of time perception can hinder relationships because it leads to misunderstandings. On the one hand, Swedish buyers want the supplier to fix issues with long term solutions. On the other hand, Chinese and Taiwanese suppliers prefer hands on solutions and want to see incoming orders before they make concessions. Mutual adaption can be a driver for a healthy relationship, meaning that the supplier solves problems sustainably and the foreign buying firm supports the supplier and focuses on the past and present during negotiations.

# 6 Conclusion

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*In this chapter, we go back to the introduction of our thesis and conclude our findings and analysis in the light of our research questions. We decided to answer both research question in one text because the answers would otherwise overlap.*

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## 6.1 Contributions

> **RQ 1:** What culture-based aspects in (1) China and (2) Taiwan may hinder a relationship with a Swedish buyer?
>
> **RQ 2:** What are the main drivers for a healthy relationship between a Swedish buyer firm and its (1) Taiwanese and (2) Chinese suppliers?

Generally, we conclude that China and Taiwan are culturally similar when it comes to dealing with European suppliers. However, we identified several aspects that are sometimes slightly and sometimes significantly different.

Both Chinese and Taiwanese suppliers are very focused on personal relationships. However, Taiwan generally shows a higher commitment to relationships. This establishment of deep and long term relationships is a driver for healthy relationships. China on the other hand has a huge domestic market. This means that Chinese suppliers are less dependent on foreign buyers and sometimes show less commitment to new relationships. This isolation tendency hinders healthy relationships in the first place.

Both countries have a rather low trust environment, which increases their desire for affection-based trust. In general, the low trust environment hinders relationships and fosters mistrust. They overcome this by establishing more personal relationship and thus creating affection-based trust, whereas the cognition-based trust should not be neglected.

Another hinder of relationships is the legal uncertainty. Because of that, contracts do not provide much legal certainty but can rather be seen as guidelines for a common understanding of the business. On the other hand, a collaborative and trustful approach where the contract is worked out together, based on affection-based trust provides both parties with higher certainty. Hence, it can be seen as a driver of a healthy business.

In contrast, European buyers are less interested in personal relationships and focus more on aspects like delivery time or the cost of sourcing. Because of that, they tend to switch suppliers quicker. While this is common in Europe, it can have a severe impact on the relationship with Chinese and Taiwanese suppliers. Fast supplier switching of a foreign buying firm is a serious hinder of relationships.

Regarding the power dimension, a hinder of a healthy relationship is the usage of mediating forms of power. On the other side, non-mediating forms of power have shown to increase the performance of the relationship and are drivers for a healthy relationship. Further, involving the suppliers in important decisions and the planning has been shown to be a driver for healthy relationships.

Communication has been proven to be a very important aspect of the supplier-buyer relationship. It influences all the other dimensions directly and is key to establish and maintain healthy relationships. A hinder for a relationships has been shown to be the language barrier, the style of communication, as well as impersonal and lean communication tools. Personal communication such as phone calls or personal visits are drivers for a healthy relationship and simultaneously increase the level of trust.

Last, the perception of time impacts the business relationship as well and can be a hinder as well as a driver. Chinese and Taiwanese suppliers focus more on the past and the present rather than the future. That affects negotiations as well as their problem-solving customs. Without awareness, the different time perception is a hinder for the relationship. Nevertheless, focussing on long-term solutions and an awareness of the different relation to past, respectively future, is a driver for a healthy relationship.

## 6.2 Managerial implications

Our results yield many implications for practitioners within the four investigated dimensions.

### Trust

The personal relationships (guānxi) with Chinese and Taiwanese suppliers are very important. Visiting the strategically important suppliers on a regular basis fosters a trustful and healthy relationship and provides a competitive advantage. European buyers should be careful with new suppliers especially in China but also in Taiwan before trust is established. The sourcing managers should focus on fewer but closer relationships to

avoid pitfalls with unreliable suppliers. Suppliers should only be switched if necessary, due to a major issue and not because of minor issues such as one-time unfavorable prices. Orders should be given to strategic and trustworthy suppliers rather than just the cheapest offer on the market.

**Power**

Instead of forcing changes upon the Chinese and Taiwanese suppliers, planning should be done cooperatively. Managers should avoid exerting mediating forms of power. Instead, they should include and involve the supplier into the decision-making process. If the supplier needs to improve in a certain area, sourcing managers should try to develop the supplier by applying shared trainings or by sending experts to the supplier who can consult on the specific issue. This form of supplier development is appreciated by the supplier and would lead to a trustful and healthy relationship.

**Communication**

Our first suggestion is to implement the modified concept of the boundary spanner (see Figure 7). This concept leads to an increased personal contact and higher coordination with the supplier. And because the supplier would mainly deal with only one Bufab contact, there is potential to form affection-based trust, which has a high relevance in China and Taiwan. Additionally, the supplier portal should be further implemented to simplify and standardize the daily communication. At the same time, the supplier should be visited more often and on a regular basis.

**Time**

Regarding the results of the Chinese and Taiwanese perception of time, we recommend focusing more on the present than on the future in negotiations with the supplier. In that sense, big promises and future opportunities should not be put on the agenda. Instead, a drawing of a product would be helpful. That brings future opportunities into the present and signals to the supplier that the buyer is serious about the intention. Subsequently, the supplier will probably be more open to suggestions. Further, to counter the ad-hoc problem-solving, Bufab should engage in the problem-solving process of significant issues. This would ensure a sustainable solution to a problem, instead of facing it again after a while.

## 6.3 Limitations

The first limitation of this study regards the quantitative part of the thesis. The sample size and the data quality were not sufficient to drill deep in the data and conduct a multi-variate analysis. We only asked suppliers of Bufab to answer the survey, consequently, the pool of potential respondents has been limited. Further, we observed that the answering behavior of Chinese and Taiwanese suppliers is more agreeing and less frank than the behavior of European suppliers. On the one hand, this limits the comparability of the two groups. On the other hand, it is likely that answers are biased in a favorable way for Bufab, as they did not want Bufab to *lose face*.

Further, we as researchers were seen as a part of Bufab during the interviews. This influenced the answers of our interviewees, as they did not want to offend their customer. Thus, we assume that the answers from the suppliers were less critical than they could have been if they spoke entirely openly and freely. At the same time, the interviews in China and Taiwan were influenced by the supplier's avoidance of "losing face". That means, they did not want to openly admit flaws in their own organization. For example, no interviewee admitted to not having a corporate vision for the future, even though most of them were not able to formulate that vision.

Additionally, the language barrier played a role at least in two interviews, where during the whole interview, translation was required. Translational problems might have occurred.

Last, the time perspective was very difficult to discuss with the interviewees from China and Taiwan. Simply asking the supplier about the time perspective was not possible. With this dimension, we mostly relied on the interviews with Bufab's representatives and own observations during the interviews with the suppliers in China and Taiwan.

## 6.4 Further research

This paper provides room for further research, due to the aforementioned delimitations. As we learned in the literature review, the body of research on cultural dimension on supplier relationship management is fairly thin, especially in the context of China and Taiwan.

Firstly, the incorporated dimension of the perception of time in the context of supplier-buyer relationships can be further examined. Given the promising first insights, as well as the fact that a sophisticated examination of the perception of time requires more

resources and much more interaction in the Chinese or Taiwanese culture. One example would be the polychronic time perception in the Chinese and Taiwanese culture, which was highlighted during interviews in Taiwan and China.

Further, we found that the cultures of China and Taiwan sometimes differ. This made us question if the culture of China with 1.38 billion inhabitants has regional differences in terms of culture. For example, the inland and the coastal cities might differ culturally, which could imply different approaches in terms of supplier relationship management.

Additionally, the importance, as well as various impacts of communication have been discussed. The way communication and trust interact in a long-distance supplier-buyer relationship, has proven to highly relevant and could be subject to further research.

We hope that our thesis provides a useful frame and support for other scholars to develop this topic even further.

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# Appendix

*Appendix 1: Interview Guide*

| | | **Questions** |
|---|---|---|
| Interview with employees from Bufab | 1 | In the context of our research regarding cultural differences – can you point out examples which directly come to your mind, as you experienced it in the relationship with Chinese or Taiwanese suppliers? |
| | 2 | How do you generally perceive the relationship with Chinese/Taiwanese suppliers? Healthy (trustful, mutual dependent) or Damaged (no trust, one-sided) What are the reasons / experiences for your answer? |
| | 3 | How would you describe the trust between you and Chinese/Taiwanese suppliers? Is it rather based on affective or cognitive trust? Why? What would you like to see improved in the trust with Bufab? |
| | 4 | What is your general attitude towards contracts? (Differences in Europe and China/Taiwan e.g. legal system) Please state reasons why you want / do not want a contract |
| | 5 | How do you perceive the way Bufab takes decisions which affect both parties? In consensus with Chinese/Taiwanese suppliers or rather alone/opportunistically? Please state reasons/examples |
| | 6 | Which values are most important to your business? Where do you think are the biggest differences to Chinese/Taiwanese suppliers values? (Sustainability, Teamwork, Customer- focus) |
| | 7 | How is communication handled with Chinese/Taiwanese suppliers? Coordinated and helpful or uncoordinated and less helpful? Number of contacts within supplier |
| | 8 | Do you have an example of miscommunication with Chinese/Taiwanese suppliers? If yes, please explain and mention reasons. |
| | 9 | Do you know and understand the concept of guānxi? Do you think it is known across Bufab? Do you actively use it in the relationship with Chinese/Taiwanese suppliers? |
| | 10 | How do you predominantly communicate? (which medium) |
| | 11 | How would you like to communicate? (which medium is preferred) How is it providing better communication? |
| | 12 | When it comes to communication e.g. clarifying an issue related to an order, do you have the impression, that the message is usually clear and understandable? |
| | 13 | If there are communication issues, why do they arise? Wrong medium or person or long distance |
| | 14 | Where do you think Chinese/Taiwanese suppliers can improve in communication? E.g. inquiries, response to changes, other...Why? |

| | | |
|---|---|---|
| | 15 | Do you have the impression that Bufab takes much time when making decisions? Do you have examples? |
| | 16 | Do you have the impression, that Chinese/Taiwanese suppliers make decisions too slowly? |
| | 17 | When having a request, are you satisfied with the response rate? |
| | 18 | How do you think your relationship with Chinese/Taiwanese suppliers will develop in the future? Expectations, what are possible influential factors? |
| | 19 | Do you have a long term vision for your business? |
| | 20 | Which cultural dimensions do you see most influential on our relationship? Which least influential? Why? (Power, trust, communication and time) |
| | 21 | Do you think the efforts Bufab undertakes to digitally integrate with its suppliers (e.g. supplier portal or EDI) will help to overcome some of the communicational issues and thus further foster the relationship? |
| | 22 | What would you like to see improved at Chinese/Taiwanese suppliers? |
| | 23 | Do you have suggestions/ideas how we could improve the relationship in order overcome issue in certain areas? E.g. inter-organizational training |
| | 24 | What comments or questions do you have for me? Is there anything you would like me to explain? What would you like to tell me that you've thought about during this interview? |
| Interview with suppliers of Bufab in China/Taiwan | 1 | In the context of our research regarding cultural differences – can you point out examples which directly come to your mind, as you experienced it in the relationship with Bufab? |
| | 2 | How do you generally perceive the relationship with Bufab? Healthy (trustful, mutual dependent) or Damaged (no trust, one-sided) What are the reasons / experiences for your answer |
| | 3 | How would you describe the trust between you and Bufab? Is it rather based on affection or cognition? Why? What would you like to see improved in the trust with Bufab |
| | 4 | What is your general attitude towards contracts? Please state reasons why you want / do not want a contract.* |
| | 5 | How do you perceive the way Bufab takes decisions which are impacting you too - In consensus with you or rather alone/opportunistically? Please state reasons/examples |
| | 6 | Which values are most important to your business? Where do you think are the biggest differences to Bufab's values? (Sustainability, Teamwork, Customer-focus) |
| | 7 | How many different Bufab sites do you supply? |
| | 8 | How do you perceive the guānxi with Bufab? Is it balanced/reciprocal or rather imbalanced) |
| | 9 | How is communication handled at the different sites? Coordinated and helpful or uncoordinated and less helpful? How many contacts do you have per site? |

| | | |
|---|---|---|
| | 10 | Do you have an example of miscommunication with Bufab? If yes, please explain and mention reasons |
| | 11 | How are you communicating right now? (Which medium is predominantly used?) |
| | 12 | How would you like to communicate? (which medium is preferred) How is it providing better communication? |
| | 13 | When e.g. clarifying an issue related to an order, do you have the impression, that the message is usually clear and understandable? |
| | 14 | If there are communication issues, why do they arise? Wrong medium or person or long distance? |
| | 15 | Where do you think Bufab can improve in communication? E.g. inquiries, response to changes, other...Why?* |
| | 16 | Do you have the impression that Bufab takes much time when taking decisions? E.g. answer inquiries, making decisions regarding design changes? |
| | 17 | When having a request, are you satisfied with the response rate? |
| | 18 | Do you think that Bufab is determining too many deadlines/milestones and does not focus enough on the overall outcome? |
| | 19 | How do you think your relationship with Bufab will develop in the future? Expectations, what are possible influential factors? |
| | 20 | Do you have a long term vision for your business? |
| | 21 | Which cultural dimensions do you see most influential on our relationship? Which least influential? Why? Power, Trust, communication and time |
| | 22 | Do you think the efforts Bufab undertakes to digitally integrate with its suppliers (e.g. supplier portal or EDI) will help to overcome some of the communicational issues and thus further foster the relationship or could it have a negative impact in your opinion? |
| | 23 | What would you like to see improved at Bufab? |
| | 24 | Do you have suggestions/ideas how we could improve the relationship in order overcome issue in certain areas? E.g. inter-organizational training? |
| | 25 | What comments or questions do you have for me? Is there anything you would like me to explain? What would you like to tell me that you've thought about during this interview? |

| | | |
|---|---|---|
| Interview with Professor Ivan Su | 1 | In the context of our research regarding cultural differences – can you point out examples which directly come to mind, when you think of differences between China/Taiwan and Europe that affect relationship management? |
| | 2 | Based on the cultural differences between China/Taiwan and Europe/Sweden how are the relationships? Healthy/unhealthy – Of course there are many different cases, but can you give an indication? |
| | 3 | In China and Taiwan which form of trust - affection or cognition based trust - is primarily applied in relationships? Why? What are the main reason this |
| | 4 | What do you think of the role of boundary spanner between European and China/Taiwan companies? Helpful / Less helpful |
| | 5 | What are the main reasons for mistrust in relationships between European and Chinese/Taiwanese suppliers? |
| | 6 | Based on our previous findings, contracts are perceived differently in China/Taiwan than in Europe/Sweden. Why do you think Chinese/Taiwanese people have a rather reluctant attitude towards contracts? |
| | 7 | Do you think that the reluctance towards contracts is connected to the desire to reach close personal relationships in China/Taiwan? |
| | 8 | Where do you see the biggest differences in terms corporate values between Chinese/Taiwanese and European/Swedish companies? |
| | 9 | Do you think the differences in corporate values have a direct impact on the trust between the companies? E.g. less importance of human and environmental factors. |
| | 10 | What do you think about the relevance of guānxi in business relationships today? |
| | 11 | Do you think European/Swedish companies are generally aware of it and apply it in an appropriate manner? |
| | 12 | Do you think more personal visits from European companies could provide a competitive advantage? |
| | 13 | How crucial do you think the language barrier is? |
| | 14 | Do you have an example of miscommunication between Chinese/Taiwanese and European/Swedish? If yes, please explain and mention reasons. |
| | 15 | If there are communicational issues, what do you think are the main reason? Wrong medium or personal skills (language) or long distance /way of communication (high/low context) |
| | 16 | How do you think communication in a supplier-buyer relationship can be improved? |
| | 17 | How do you think the different perceptions of time (e.g. monochronic vs. polychronic / past vs. future orientation) are influencing supplier-buyer relationships? |

| | | |
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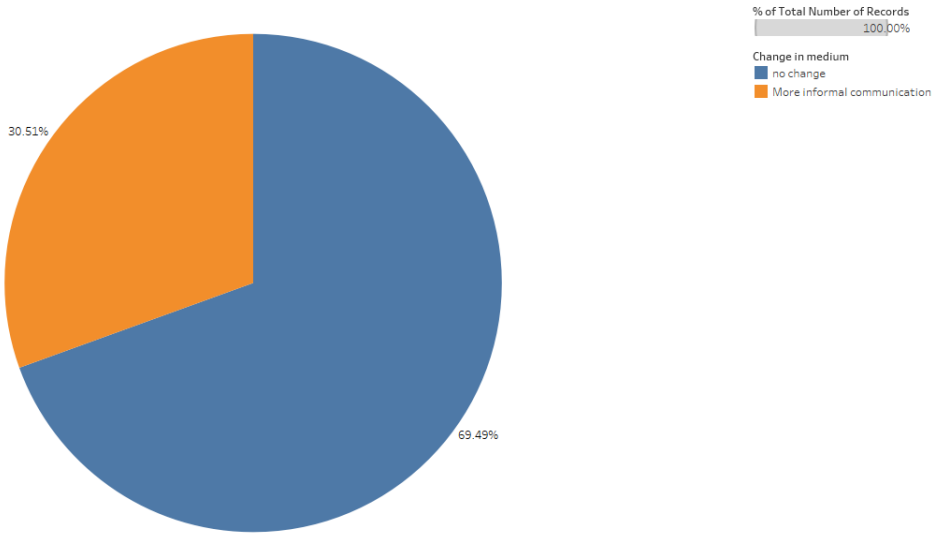
| | 18 | Do you have examples where different perceptions of time resulted in a damage of the relationship? |
| | 19 | How do you think business relationships in Asia will develop in the future? Emerging markets, expectations, what are possible influential factors? |
| | 20 | Which cultural dimensions do you see most influential on our relationship? Which least influential? Why? Power, Trust, communication and time |
| | 21 | Do you think there is another cultural- dimension which has a significant influence on the relationship between a Swedish buyer and Chinese/Taiwanese supplier? |
| | 22 | In your opinion, what are the main driver for a healthy relationship between Swedish/European buying companies and Chinese/Taiwanese supplier? |
| | 23 | What comments or questions do you have for me? Is there anything you would like me to explain? What would you like to tell me that you've thought about during this interview? |

*Appendix 2: Bufab Top Ten Sorucing Countries (spend by country)*

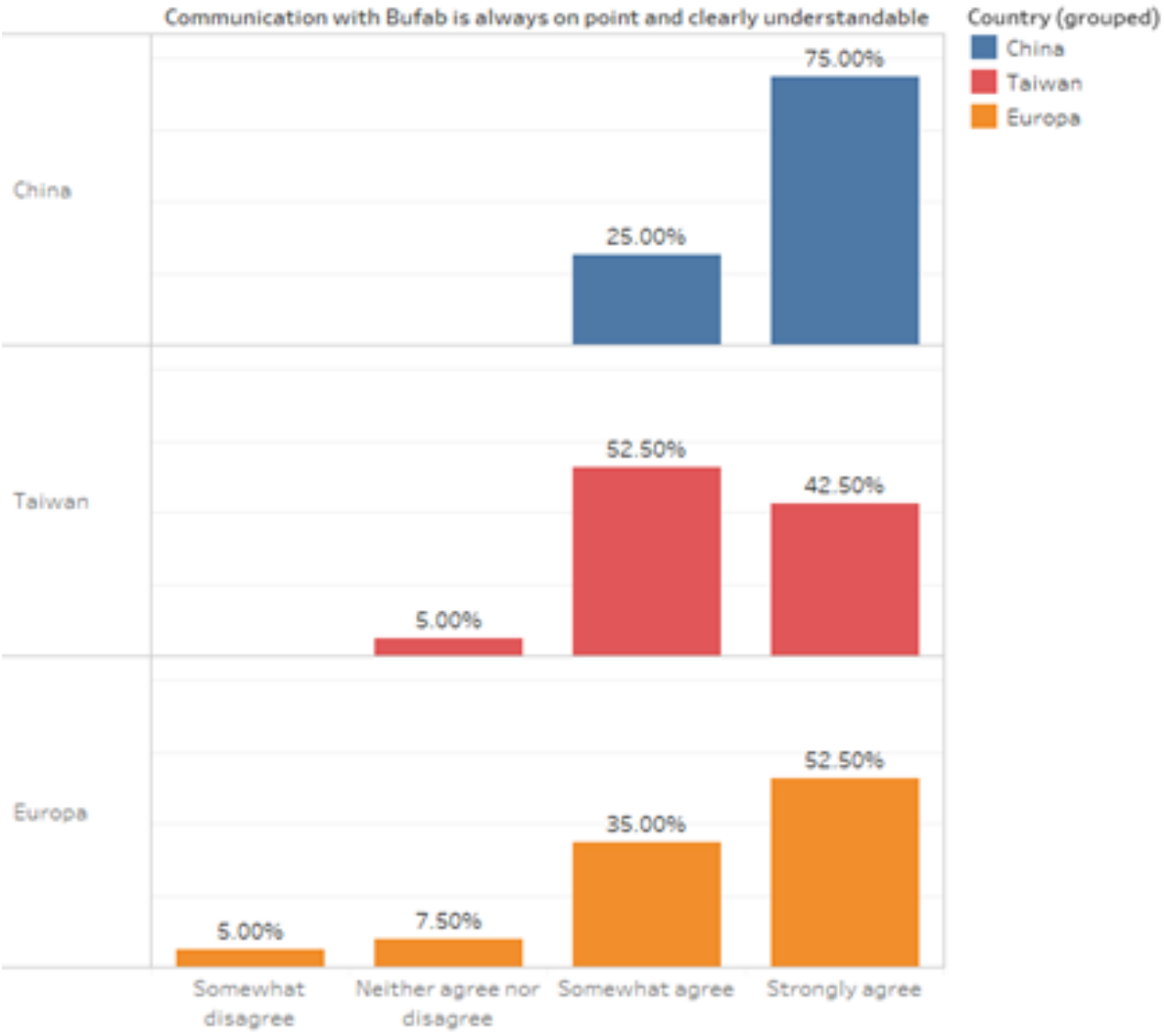
Due to confidentiality reasons, this figure cannot be shown in the published version of this thesis.

*Appendix 3: Rank of cultural dimensions according to importance*

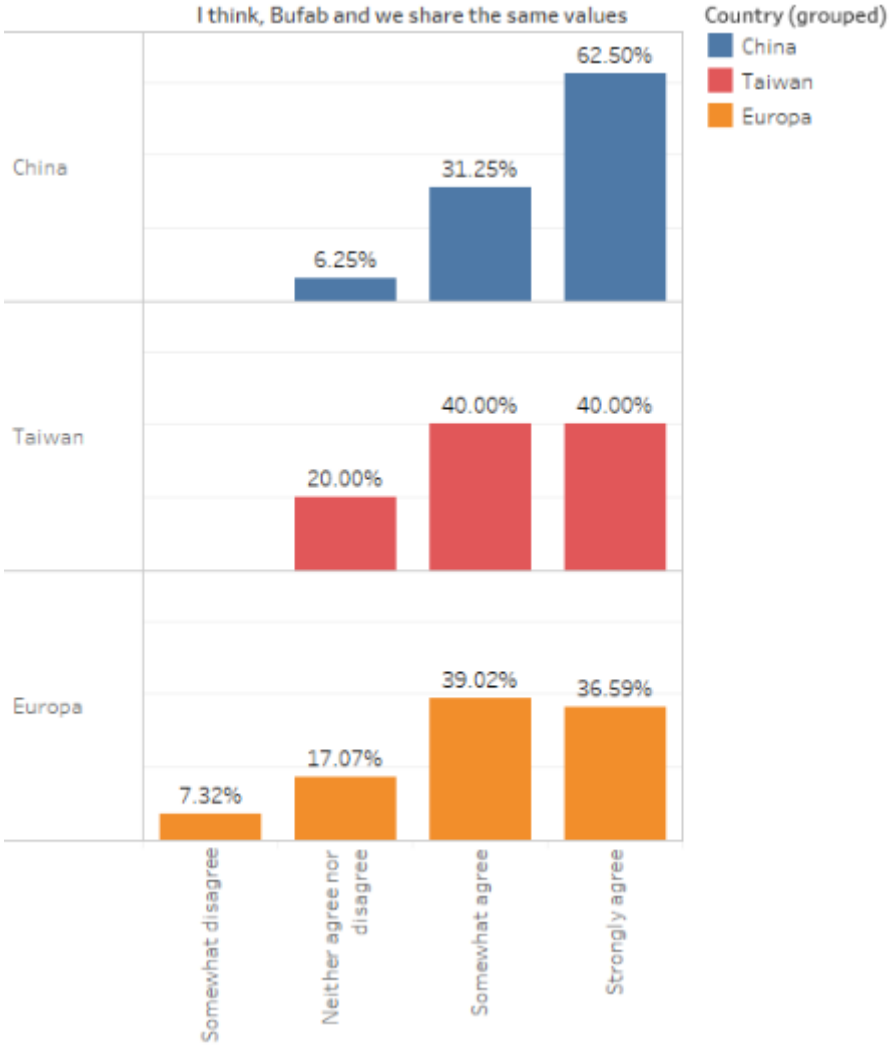
*Appendix 4: Desire for change in communication*



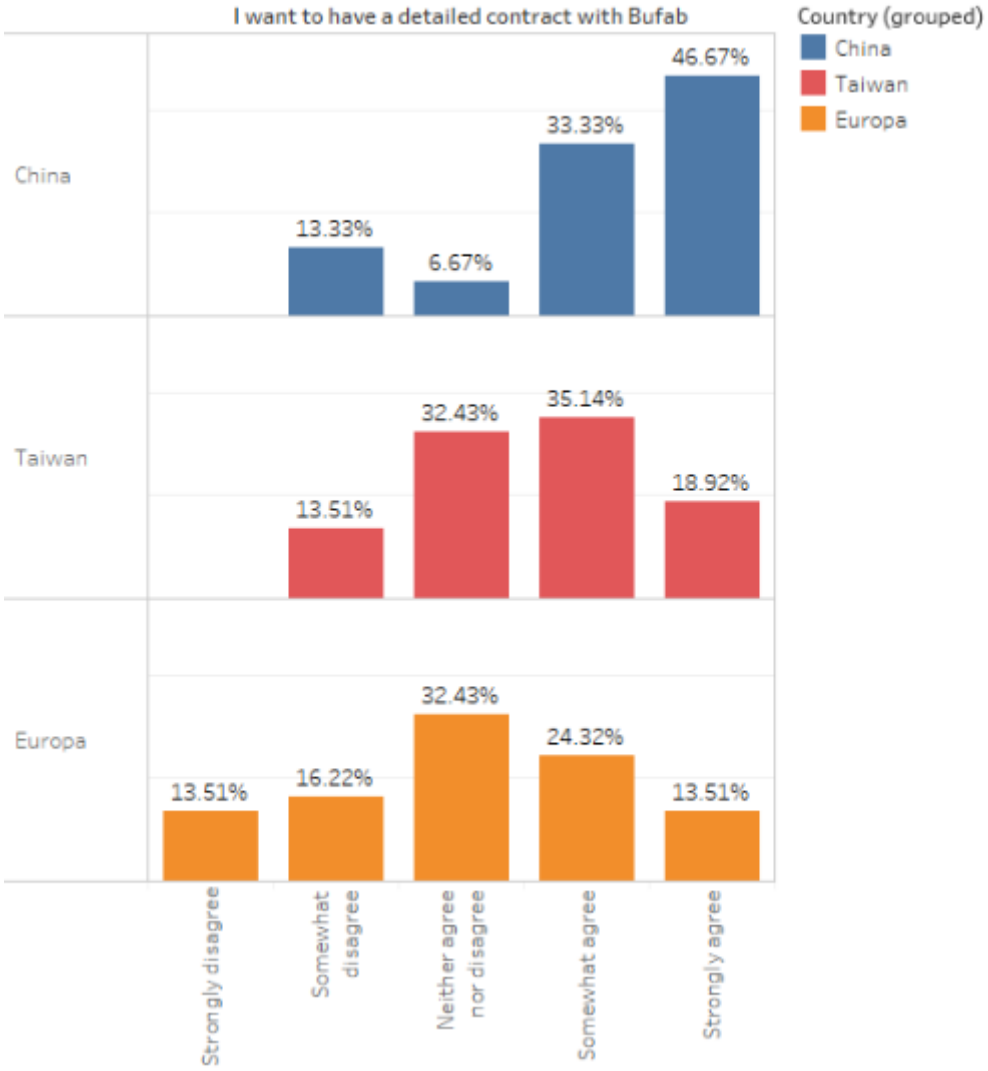
*Appendix 5: Clear communication*



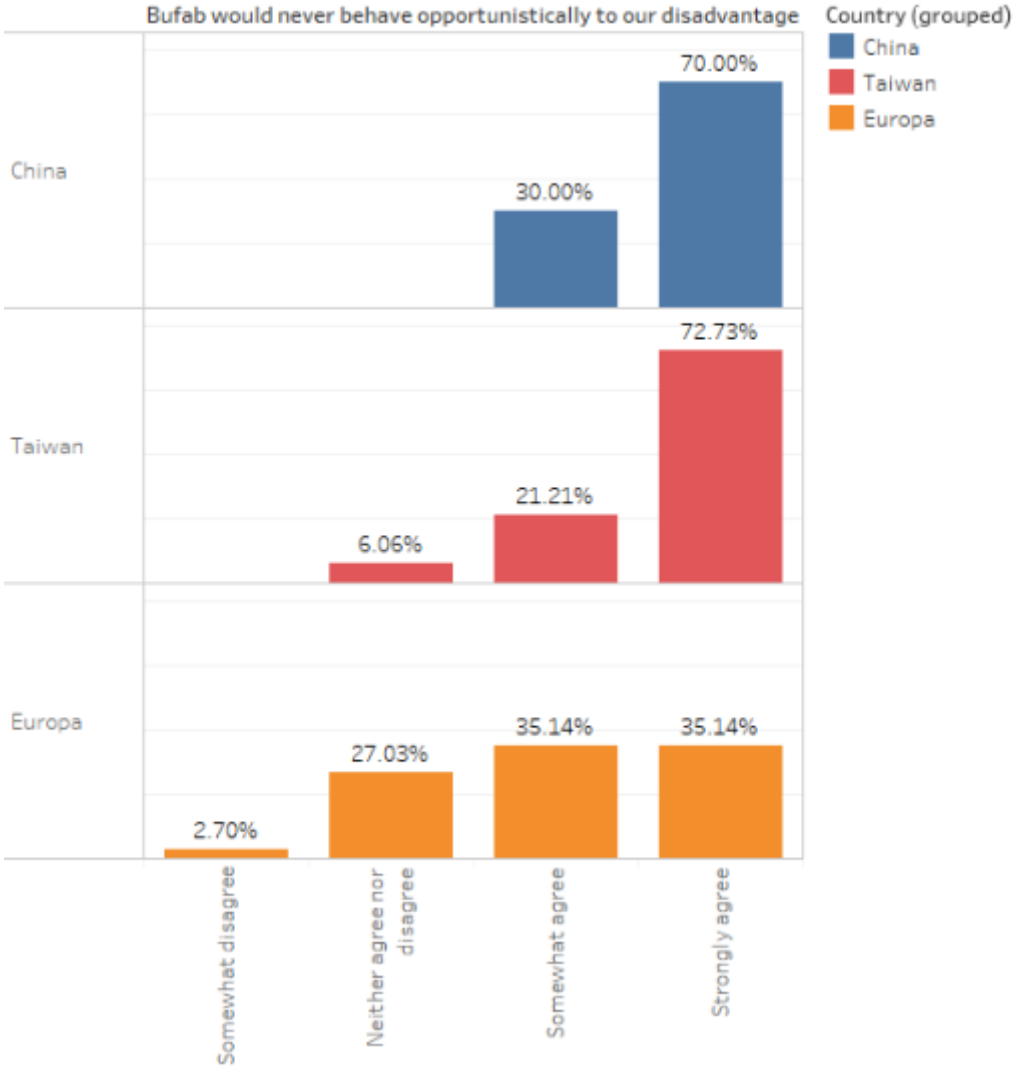
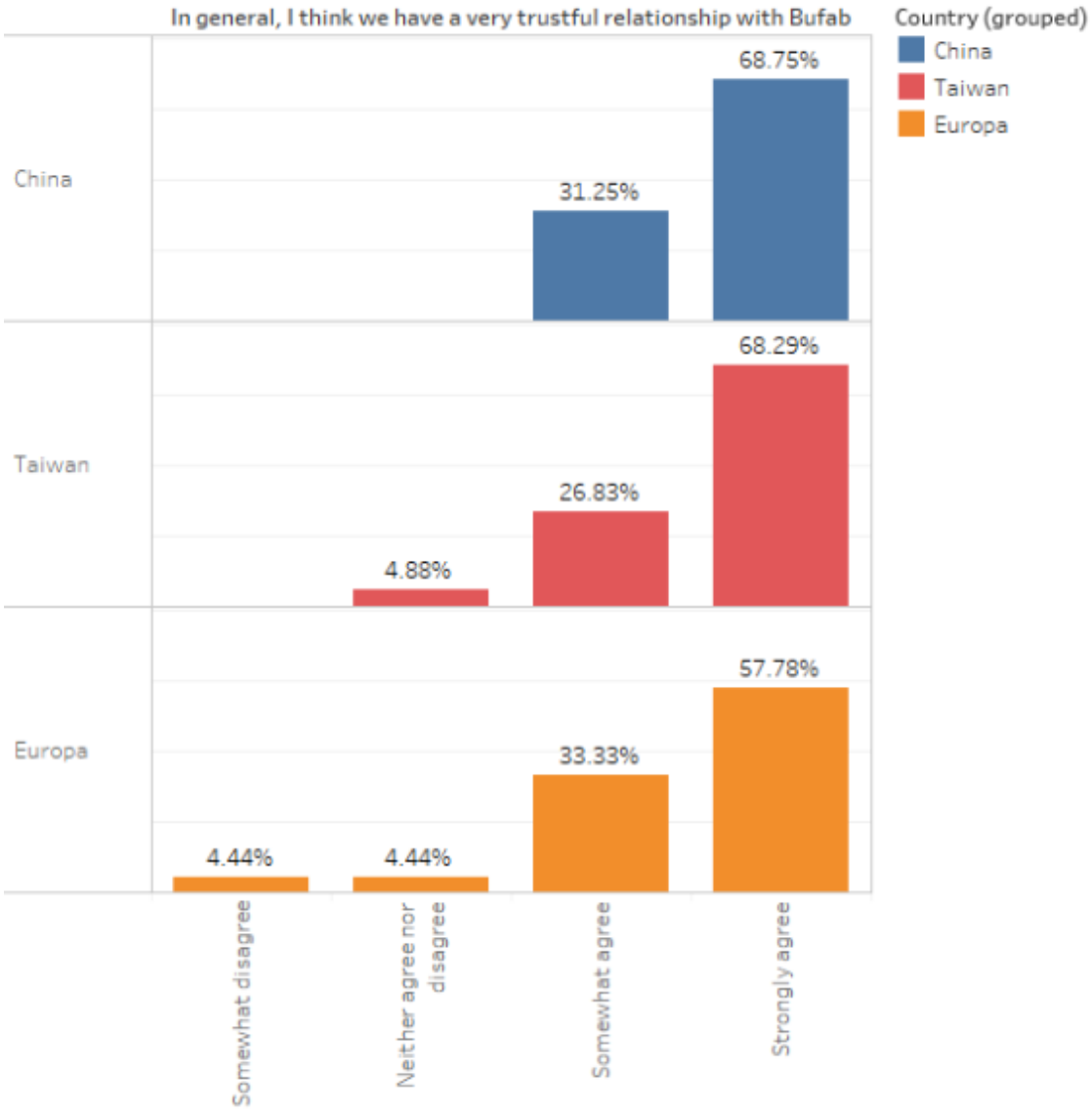
*Appendix 6: Similar values*



*Appendix 7: Desire for detailed contract*



*Appendix 8: Expected opportunistic behavior*



*Appendix 9: Perceived trust in relationship*