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Is collectivism a liability? The impact of culture on organizational trust and customer orientation: a seven-nation study

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Abstract

For firms competing in the global marketplace, sustainable competitive advantages can be developed through building capabilities in one or more of three processes: internal, external, or spanning [J. Mark. 58 (1994) 37]. This paper addresses the question: "To what extent does a firm's national culture affect its ability to develop any of these capabilities, particularly those needed to develop strong relationships with external partners?" Focusing on individualism/collectivism, we examine differences in the level of four measures that reflect capabilities in these processes: (1) a firm's internal climate of trust, (2) a firm's trust for external partners, (3) customer orientation, and (4) the propensity to trust of individuals from the firm. Hypotheses are introduced and tested using data from bank managers of six Asian nations and two U.S. states. Results show that U.S. managers generally show higher levels of trust and customer orientation than Asian managers.

Keywords: Trust; Organizational trust; Customer orientation; Collectivism/individualism

1. Introduction

Marketers, particularly those engaged in global marketing, increasingly recognize the importance of relationships with a host of exchange partners: both external and internal (Morgan and Hunt, 1994). Schultz (2001) argues for a "marketing triad," in which marketers, customers, and employees all work together to create value for each other. Kotler (2000, p. 22) stresses integrated marketing requiring both external marketing, directed at people outside the company, and internal marketing: the task of hiring, training, and motivating able employees who want to serve customers well. In Zeithaml et al.'s (1990) service quality gap model, perceived quality is a function of both the accuracy of the marketer's understanding of customer expectations and the organization's (employees) performance in delivering the service. Day (1994) emphasizes the importance of both external (outside-in) and internal (inside-out) processes in the delivery of value and the development of positions of advantage.

Global competitiveness, therefore, requires vision and execution both externally and internally. Managers and employees must be customer oriented and capable of building trusting relationships with external partners. Internally, value delivery is enhanced by a climate of trust. An important question for marketers and nations is to what extent culture influences an organization's external and internal capabilities. Do some cultures foster an internal environment where trust prevails? Are some more trusting of external partners and more capable of developing a customer orientation?

This paper examines the role of culture in fostering trust and a customer orientation. We focus on the influence of individualism/collectivism (Hofstede, 1980), then propose hypotheses regarding national differences in the level of four measures: organizational members' propensity to trust, internal and external organizational trust, and customer orientation. Hypotheses are tested using data from midlevel bank managers from the U.S. and six Asian nations.

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2. Measures of internal and external capabilities

According to Day (1994), strategic advantage is built on assets and capabilities. Assets are resource endowments a business has accumulated or is blessed with. One asset (or liability) may be the dominant culture of an organization's home market, which could influence a firm's ability to develop the necessary capabilities. Day (1994) identifies three classes of firm capabilities: (1) outside-in, or external capabilities such as market sensing, customer linking, and channel bonding; (2) inside-out, or internal capabilities such as cost control, integrated logistics, and human resources management; and (3) spanning, or integrating capabilities such as customer order fulfillment, purchasing, and customer service delivery.

We focus on four variables that reflect these capabilities: (1) internal organizational trust, a measure of the internal climate of an organization; (2) external trust and (3) customer orientation, measures of external orientations and capabilities; and (4) the propensities to trust of individuals within the organization, which influence an organization's ability to effectively implement all three processes of value formation: outside-in, inside-out, and spanning processes.

2.1. Internal trust

Shockley-Zalabak et al. (2000) define organizational trust, which we refer to as internal trust, as "positive expectations individuals have about the intent and behaviors of multiple organizational members based on organizational roles, relationships, experiences, and interdependencies." Internal trust refers to the climate of trust within an organization. A climate of trust enhances teamwork, leadership, goal setting, performance appraisal, and employee satisfaction and commitment (Shockley-Zalabak et al., 2000; Jones and George, 1998; McAllister, 1995; Laschinger et al., 2001). Shockley-Zalabak et al. (2000) conclude that organizations with high levels of trust will be more successful, adaptive, and innovative than organizations with low levels of trust or pervasive distrust.

2.2. External trust

External trust refers to the trust an organization has for external partners such as customers, suppliers, and joint venture partners. External trust can exist between partner firms (Inkpen and Currall, 1998; Madhok, 1995). At the same time, trust between organizations is largely dependent on managers and boundary role persons who interact with each other (Inkpen and Currall, 1998). External trust has been shown to enhance manufacturer–retailer relationships (Kumar, 1996), marketing channels (Andaleeb, 1996), joint venture partnerships (Inkpen and Currall, 1998), and international cooperative alliances (Johnson et al., 1996).

2.3. Customer orientation

Customer orientation refers to the extent to which an organization and the individuals within an organization focus their efforts on understanding and satisfying customers (Saxe and Weitz, 1982). Customer orientation promotes a provider/client relationship characterized by trust, cooperation, and lack of conflict, and fosters internal trust and employee commitment (Siguaw et al., 1994).

2.4. Propensity to trust

Contributing to organizational-level trust is the propensity to trust of the organization's individuals. Organizations comprised of individuals with generally high propensities to trust should be more capable of developing an internal climate of trust and building trusting relationships with external organizations.

3. Culture's influence on internal and external processes

Internal and external trust, customer orientation, and organization members' propensities to trust all contribute to processes that deliver value and strengthen relationships. Of particular interest is whether national culture influences the likelihood that firms will be strong in these areas. If so, firms from countries with cultures most likely to foster trust and customer orientation will have a competitive advantage. We are particularly interested in whether there is something inherent in individualist and collectivist cultures that may influence these variables.

3.1. Individualism/collectivism and trust

Individualism/collectivism describes the relationship between the individual and the prevailing collectivity in a given society. Individualism implies a loosely knit social framework in which people are supposed to take care of themselves and their immediate families only, while collectivism is characterized by a tight social framework in which people distinguish between in-groups and out-groups; they expect their in-group to look after them, and in exchange they feel they owe absolute loyalty to it (Hofstede, 1980, p. 45).

Much of the literature implies a strong positive relationship between trust and collectivism, and a negative relationship between trust and individualism. The following comments from Doney et al. (1998) typify the tone of the literature: "The likelihood that collectivists will engage in opportunistic behavior is low, because people hold group values and beliefs and seek collective interests," "self-serving behavior is unlikely for collectivists because people are not motivated by self-interest," and "an individualist orientation provides scant evidence that a target will act in the trustor's best interest." Sullivan and Peterson (1982)