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Industrial Marketing Management 35 (2006) 156 – 165

INDUSTRIAL MARKETING MANAGEMENT

The impact of cultural differences in U.S. business-to-business export marketing channel strategic alliances

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Received 2 December 2003; received in revised form 6 February 2005; accepted 1 March 2005
Available online 12 May 2005

Abstract

Given slower growth and fierce competition in the domestic market, combined with increasing opportunities in many overseas markets, more and more U.S. companies are going international. While many doing so may initially use a direct exporting approach that relies on foreign channel members to distribute the product in the host country, over time, strategic alliances among distribution partners may form based on trust, commitment, and cooperation. For these alliances to succeed, the partners' perceptions of these variables need to be congruent so that expectations on each side of the dyad are reasonably similar. However, what happens when the cultural backgrounds of each channel partner are substantially different? This study empirically examines whether cultural differences do affect trust, commitment, and cooperation in international marketing channel alliances between U.S. exporters and their foreign distribution partners. Based on the survey responses from 149 U.S. exporters with marketing alliances abroad, cultural differences do affect trust, commitment, and cooperation. The greater the cultural differences between channel partners, the lower the levels of trust, commitment, and cooperation. Managerial implications are discussed, and study limitations are identified.

Keywords: Export; Marketing channels; Strategic alliances; Trust; Cooperation; Commitment

1. Introduction

In the first decade of the 21st century, the U.S. economy is experiencing slower growth in domestic markets and fierce foreign competition. Entering foreign markets is no longer just something to think about, but rather an action that must be taken without delay by more and more U.S. companies.

Many firms that enter international markets use a direct exporting approach that relies on overseas channel members taking products manufactured for the home U.S. market and making them available to final customers in the foreign countries to which they are exported. The use of such overseas distributors as an entry strategy for international marketing is usually quicker, less risky, and less capital-intensive than setting up joint ventures or establishing international subsidiaries to manufacture the products in foreign markets. On the other hand, using foreign distributors poses a formidable channel management challenge: the U.S. exporter needs to turn foreign distributor channel participants, who are essentially strangers, into partners willing to cooperate enthusiastically in promoting and distributing the U.S. manufacturer's products. Consequently, the foreign manufacturer must not only develop an inter-organizational channel structure for reaching final

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0019-8501/$ - see front matter © 2005 Elsevier Inc. All rights reserved.
doi:10.1016/j.indmarman.2005.03.002

customers in overseas markets, but must build *strategic alliances* with these channel members as well. According to Webster (1992), strategic alliances require that channel partners share the same long-term strategic goals as well as commitment of capital and management resources. Building and managing these strategic alliances can be a difficult task. In the context of marketing channels, even though a written agreement may be signed by each channel partner, strategic alliances are usually not legally defined entities governed by state, national, or international laws. Rather, the real foundation underlying the relationship is based on trust, commitment, and cooperation between the parties. To work together successfully, the channel partners have to believe each other (trust), be willing to assist each other on a regular rather than on an ad hoc basis (commitment), and work together to achieve their goals (cooperate). Thus, the creation, nurturing, and sustaining of strategic alliances in international export channels must be based on substantial degrees of trust, commitment, and cooperation on the part of *all* channel members.

Given that such strategic alliances are based on trust, commitment, and cooperation, the channel partners' perceptions of these attributes need to be congruent so that the expectations on each side of the dyad will be reasonably similar. For example, both sides of the dyad would need to perceive essentially the same long-term strategic goals and share similar views about what each is expected to contribute in terms of capital and management resources (Webster, 1992). When both channel partners in a strategic alliance come from the same cultural background, such consistency in expectations should be a matter of course because each would most likely share the same culturally defined norms of what constitutes trust, commitment, and cooperation. But what happens when the cultural backgrounds of each channel partner are different, as is often the case when exporters use foreign distributors with very different backgrounds? In the context of strategic alliances in international business-to-business export channels, this is a common occurrence.

The purpose of this paper is to examine empirically whether cultural difference affect trust, commitment, and cooperation in international business-to-business export channels between U.S. exporters and their foreign distributors.

2. Background

Partners in a strategic alliance cooperate to achieve long-term goals that each firm alone could not easily attain (Mohr & Spekman, 1994). While all strategic alliances in marketing channels require trust, commitment, and cooperation, this is especially the case when the strategic alliance is cross-national. Due to different cultural environments, exporters may lack sufficient knowledge about the market and turn to a local distributor to act as an alliance partner to bridge the cultural gap. Additionally, in some countries, cultural values may differ and personal connections may outweigh profit maximization in the conduct of business (Johnson, Sakano, & Onzo, 1990).

Despite globalization, such cultural differences have not disappeared. In a study spanning three decades, Barkema and Vereulen (1997) found that cultural values have been surprisingly stable over time. Yet, despite the importance of this behavioral issue, most research works on international strategic alliances have focused primarily on designing and implementing the structure of the alliance (see Parkhe, 1993 for a review) rather than addressing the ongoing management of the relationship. The latter reflects the fact that researchers usually have easier access to information coming from senior management, who give more attention to negotiating and signing the initial agreement than from lower-level managers usually responsible for the agreement's day-to-day implementation.

However, a number of studies of international strategic alliances exist where behavioral dimensions are considered to be important to the maintenance of international partnerships (Aulakh, Kotabe, & Sahay, 1996; Beamish & Banks, 1987; Madhok, 1995). These studies primarily focus on the role of trust in the partnership, especially on its role as a substitute for the hierarchical control that is feasible in ownership-based relationships. For example, Aulakh et al. (1996) developed a model of the antecedents of trust and performance in international manufacturer–foreign distributor and licensor–foreign licensee relationships. They argue that the role of trust and its underlying dynamics may vary in international strategic alliances due to the cultural environment that surrounds the partnership. Their findings imply that cultural differences affect the dynamics of partnerships in different countries and that management should be aware of these differences.

Johnson, Cullen, Sakano, and Takenouchi (1996) also posited the potential effect of cultural difference and similarity on the success of international strategic alliances. However, they examined similarity at the organizational level. That is, they focused on similarity in firm size, product lines, and goals and objectives. For cultural sensitivity, they examined the extent to which managers understand and adapt to differences in their partner firm's culture. Findings support the development of cultural sensitivity and the provision of cross-cultural preparation when entering international alliances.

3. Trust

Trust has been defined as the willingness to rely on an exchange partner in whom one has confidence (Ganesan, 1994; Moorman, Zaltman, & Deshpande, 1992; Skarmeas & Katsikeas, 2001). Specifically, Ganesan (1994) proposed that the definition of trust should consist of two components: (1) credibility, which refers to the extent to which a