Business Relations in an International Perspective

- A Comparison of Communication and Trust in Buyer-Supplier Relationships

Bachelor dissertation
FEC 685, January 2004
International business
Department of Business Administration & Economics

Authors: Ulrika ngtsson
Carina Persson
Carina Welin
Tutors: Christer Ekelund
Viveca Fjelkner
Acknowledgements

With this dissertation we conclude three and a half years of international business studies at Kristianstad Business School. We are grateful for all the knowledge and experience that we have received during these years.

We would like to dedicate our special thanks to Christer Ekelund for his support. His valuable comments and personal engagement have encouraged us throughout our work. We would also like to thank Viveca Fjelkner for all her help in guiding us through the English language.

Furthermore, we would like to thank all the respondents for their participation. Without them this dissertation would have been impossible. A special thanks to the companies that we visited and which participated in the interviews.

Kristianstad, January 2004

Ulrika Bengtsson  Carina Persson  Carina Welin
Abstract

Communication is a prerequisite for companies to engage in different relations. Communication represents an important factor in building trust between actors, which in turn will determine the possibility to develop and maintain favourable business relationships. We believe that there are differences in how the communication is carried out depending on if the relations are domestic or foreign. The purpose of this dissertation was to find empirical signs of differences and similarities in the communication and in the level of trust between the buyer and its domestic and foreign supplier respectively. We also wanted to see if there were any connections between the differences and similarities in the elements of communication and the level of trust in the buyer’s relationship with the suppliers. We developed six hypotheses and chose to test them on Swedish companies within the pharmaceutical industry. The result of the first research question showed some differences in the elements of communication but in all there were more similarities. Regarding the level of trust, there were no differences. After evaluating our second research question we concluded that even if there were some differences in the elements of communication it did not seem to affect the level of trust, regardless whether the supplier was Swedish or foreign. We draw the conclusion that there is a possibility that different communication elements have the ability to compensate each other. That is, communication does not exist of several elements working in isolation; instead it is a gathering of elements working as an entirety.

Keywords: communication, trust, buyer-supplier relationship, international relations
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1 Introduction

To be able to engage in different relationships, companies as well as individuals must communicate. However, we believe that there are differences in how the communication is carried out depending on if the relations are domestic or foreign. An awareness of possible differences should make it easier for buyers and suppliers to actively decide the best way to communicate, and most certainly enhance the chances of building favourable relationships between them.

1.1 Background

As in the case of individuals, no company can ever survive in isolation. A company forms part of different relations and interacts with customers, suppliers and competitors. To be able to engage in different relations, companies as well as individuals must communicate in order to share knowledge, thoughts and values with other actors. Consequently, without communication a company will be isolated and left with little, if any, chance to survive in the business world.

Our interest in business networks and relationships was developed during our third year at Kristianstad Business School when we made an educational visit to one of the most famous telecommunication companies in Sweden. We then got insight in how relationship marketing is applied and how the outcomes of business networks and relationships can benefit a company. It was also clear that to be able to develop and maintain these relationships, good communication was of major importance.

As we decided to write our dissertation within the field of business networks and relationships we started out by reading literature about business networks. A network is defined as “a structure where a number of nodes are related to each other by specific threads” (Ford, Gadde, Håkansson & Snehota, 2003, 18). The threads can be seen as the relationships between the companies. The threads as well as the nodes have their own particular meaning in the business network. However, the network does not consist of
individual and isolated transactions. Rather, it is the result of complex interactions within and between companies over time. A company’s specific relationship will depend on all other relationships that the company has, and on what has happened in these relationships in the past. It will also depend on what happens elsewhere in the network.

Hence, to conduct a complete research of business networks and relationships it would be necessary to look at an entire network with all its related nodes and threads. This is a major task that requires resources, which we do not have. As a result, our dissertation will focus on business relationships, and more specifically on buyer-supplier relationships and the communication within the relationships. Even if a single relationship says very little about the network, it is the relationship that makes up the network, and it is therefore a platform of interaction that companies engage in (Ford et al., 2003).

1.2 Defining Relationships

Ford et al. (2003, 38) define relationships as “the pattern of interactions and the mutual conditioning of behaviours over time between a company and a customer, a supplier or another organisation”. Time is considered to be the defining characteristic of a relationship. The past, as well as the future, affects the current behaviour in a relationship. Furthermore, experiences, expectations and promises are features that motivate interaction within the relationship.

A relationship that exists between two actors does not mean that a particular type of interactions will always occur, or always should occur. Relationships exist in all the different forms and shapes that interaction can take. There does not exist a “standard relationship”. Every relationship is unique in its content, its activity, in how it evolves, in how it affects the actors involved and in what it requires from them in order to produce benefits for them (Ford et al., 2003).

When we talk about business relationships in the following we mean business relationships as those defined above.
1.3 The Role of Communication

As already mentioned, communication is necessary to avoid isolation. Zineldin and Jonsson (2001) argue that it is the “factory” of human society. Behind every company there are, in one way or another, individuals. Thus, communication is the “factory” that makes these people involve and engage in relations on behalf of the company. In this way the company shares knowledge with others that it can benefit from, now or in the future. However, shared knowledge may also reveal differences in views and interests of the actors. This can lead to conflicts, which can only be solved through communication between the actors.

A more detailed explanation of communication will be presented further on in the dissertation. In this section, our intention was only to briefly point out the major role of communication in society, and in particular in business relationships. Because as Ford et al. (2003, 40) state: “…without communication no substantial relationship can ever develop.”

1.4 Research Problem

Companies that do business today are often involved in contacts and relations worldwide. Globalisation has increased connections all over the world and technological development has made it easier to communicate across geographical boundaries. That is, the technical preconditions for communication are almost the same all over the world. From our own previous experience we have got the impression that there are differences in the communication depending on whether the relations are domestic or foreign. Furthermore, if any differences are found, what are the connections to the level of trust in the relationship? An awareness of possible differences, as well as similarities, could make it easier for buyers and suppliers to actively decide the best way to communicate, and most certainly enhance the chances of building favourable relationships between them. Therefore, we would like to conduct a research on this subject.

Our dissertation will hopefully shed light on the importance of communication in the business relationship between the buyer and the
supplier. Communication represents an important factor in building trust between actors, which in turn will determine the possibility to develop and maintain favourable business relationships.

1.4.1 Research Questions
- What are the differences and similarities in the elements of communication, and what are the differences and similarities in the level of trust between the buyer and its domestic and foreign suppliers respectively?
- Do the differences and similarities in the elements of communication have any connections to the level of trust in the buyer’s relationship with its domestic and foreign suppliers respectively?

1.4.2 Purpose
The purpose of this dissertation is to find empirical signs of differences and similarities in the elements of communication and in the level of trust between the buyer and its domestic and foreign suppliers respectively. From the theoretical framework on business relationships we will develop hypotheses. To test these hypotheses we will conduct a survey, which will be statistically analysed. An attempt to evaluate the communication’s connections to the level of trust in the buyer-supplier relationship will also be made.

1.5 Limitations
The scope of this dissertation is limited to include the relationship between Swedish buying companies and their Swedish and foreign suppliers. The pharmaceutical industry was chosen as a setting for the research. Several factors may contribute to the level of trust in a business relationship. However, this dissertation focuses only on communication. Due to geographical closeness, limited time and financial resources we have chosen to include only Swedish buying companies within the above mentioned industry. A further discussion of the chosen industry will be presented in chapter 4. Since the research was conducted from the buyer’s perspective, the views and opinions of the suppliers were not considered here.
1.6 Outline of the Dissertation
To conclude this chapter we here present the outline of the rest of the dissertation.

Chapter 2  We will in this chapter present the method chosen. Different research approaches and research philosophies will be discussed, as well as the theory and the empirical strategy.

Chapter 3  We will in this chapter present our theoretical framework. The Interaction Approach will be introduced. Theories about trust, commitment and communication will be presented as well as a presentation of the applied model and the hypotheses.

Chapter 4  We will in this chapter present the empirical method. The research strategy explaining our approach in answering the research question will be described. The population as well as the questionnaire will be discussed. The chapter concludes with a discussion on the reliability and validity of the study.

Chapter 5  We will in this chapter present the results of our study, including acceptances or rejections of the hypotheses. The two research questions of our dissertation will also be answered.

Chapter 6  We will in this chapter present our conclusions. Implications for organisations and suggestions for further research will also be discussed. The chapter concludes with some reflections of our work.

1.7 Summary
To be able to engage in different relationships companies must communicate. Communication represents an important factor in building trust between actors, which in turn will determine the possibility to develop and maintain favourable business relationships. We believe that there are differences in how the communication is carried out depending on if the
relations are domestic or foreign. The purpose of this dissertation is to find empirical signs of differences and similarities in the elements of communication and in the level of trust between the buyer and its domestic and foreign suppliers respectively. Furthermore, an attempt to evaluate the communication’s connections to the level of trust in the buyer-supplier relationship will also be made.
2 Method

As stated before, the purpose of this dissertation is to find empirical signs of differences and similarities in the elements of communication and in the level of trust between the buyer and its domestic and foreign suppliers respectively. An attempt to evaluate the communication’s connections to the level of trust in the buyer-supplier relationship will also be made. In this chapter the method chosen to reach this purpose will be presented. Different research approaches and research philosophies will be discussed. The theory and empirical strategy will be briefly introduced. Finally, research validity and reliability will be generally discussed.

2.1 Research Approach

The method applied to achieve the purpose of this dissertation was to start with an exploratory study, i.e. a study of already existing literature. It would not have been appropriate to overlook the wealth of literature in this field. The intention was to continue with a field study to be able to describe the differences and similarities in how the buyer communicates with its domestic and foreign suppliers. Ending up in an explanatory study we evaluated and explained the communication’s connections to the level of trust in a relationship. This implies a deductive research approach, which is an approach that starts in the theory. Some other characteristics of this approach are the development of hypotheses, which should be operationalised and tested, and the collection of a sufficient size of quantitative data. Furthermore, the aim of the deductive approach is to generalise, and the researchers should be independent of what is being studied.

An alternative would have been an inductive approach where theory is built and the developed theory would be an outcome of the collected data. Further, with an inductive approach the researcher is not so concerned with the need to generalise, instead the aim is to gain a thorough understanding of the research context and the researchers are a part of the research process. This dissertation aims at describing the communication and finding connections to the level of trust that are general for at least the population chosen. This will
be done by the development of hypotheses, which will be empirically tested. In addition, an evaluation of the results will be done to find causal relationships between different elements of communication and relationship trust. So for these reasons and the fact that there exists a wealth of literature, the deductive approach was the most suitable for this dissertation (Saunders, Lewis & Thornhill, 2003).

2.2 Research Philosophy
There are different ways of thinking of the development of knowledge, e.g. positivism, interpretivism and realism. A positivistic research philosophy is when the researcher is an objective viewer who can draw general conclusions of the social reality. To have an interpretivistic philosophy is to be critical to the positivistic philosophy because interpretivistic researchers believe that the social world is so complex that no general conclusions could be drawn. A researcher has a realistic philosophy when reality and the social forces affecting people are believed to be independent of human thoughts and their beliefs (Saunders et al., 2003).

In reality research rarely falls into only one philosophy, but is instead a mixture between two or more philosophies (Saunders et al., 2003). This dissertation is based on the positivistic philosophy because we believe that we are able to draw general conclusions on the studied social reality. But there is also a touch of realism as we are of the opinion that there are social forces affecting people and influencing their behaviours.

2.3 Choice of Theory
The literature review started with the study of the network theory where two main perspectives can be seen: the economic and the sociological (Ford, 2002; Granovetter, 1990). These two perspectives are combined in the Interaction Approach developed by the IMP Group (1982). The Interaction Approach is an attempt to explain and understand business markets and the ongoing relationships in the network. The review continued with the study of literature on relationships and especially the buyer-supplier relationship (e.g. Brennan & Turnbull, 1999; Easton, 1992; Ford, 2002; Ford et al., 2003). The
concepts of trust and commitment were the next areas to be studied. These concepts are widely accepted as important in the role of building valuable business relationships (e.g. Blois, 1998; Ford, 2002; Ford et al., 2003; Morgan & Hunt, 1994; Zineldin & Jonsson, 2001). We also studied the role of communication, and especially in connection with trust and commitment (e.g. Ford et al., 2003; Mohr & Nevin, 1990; Rosengren, 2000; Zineldin & Jonsson, 2001). Among these the model of Mohr and Nevin was used to define different communication elements, which represent communication strategy. The communication elements were also used to develop our hypotheses.

Finally, we studied different models on business relationships. These models were the model of Cannon and Perreault (1999), the Interaction Approach by the IMP Group (1982), and the Key Mediating Variable (KMV) model by Morgan and Hunt (1994). The KMV model was found to be the most appropriate model for our further research, since it clearly combines communication with trust and shows that trust is dependent on effective communication.

2.4 Empirical Strategy
The empirical research strategy chosen for this dissertation will be more closely examined in chapter 4, but here the overall strategy will be presented.

To meet the purpose of this dissertation, data had to be collected and analysed. Collected data can be of two kinds, secondary or primary. Secondary data are data already collected for another purpose, by other researchers, organisations or companies, which could be reanalysed. Primary data are new data collected especially for the purpose of a certain research and can be collected by e.g. observations, interviews or questionnaires (Saunders et al., 2003). We did not find any secondary data that were fit for the purpose of this dissertation. Therefore, we wanted to collect primary data in order to describe the present situation in a cross-sectional study. Contrary to a cross-sectional study a longitudinal study examines the change and development over time. We found that a cross-sectional study was the most
appropriate way since we wanted to examine the present situation in the relationships between buyer and seller.

Further, secondary and primary data could be divided into quantitative and qualitative data. There are distinct differences between these two types of data. To be able to analyse the collected data in a meaningful way, these differences are necessary to understand. Quantitative data derive their meaning from numbers. The collected data are numerical and standardised and the analysis is conducted using statistics and diagrams. Qualitative data base their meaning in what is expressed in words. The collected data are not standardised and require classification into categories and the analysis is conducted using conceptualisation (Saunders et al. 2003). The data collected for the purpose of this research are quantitative, since we intend to collect numerical data, analyse them statistically and present them using statistics and diagrams.

The quality of primary data could be questioned, but the researchers have control over how the data have been collected so that it could be fully evaluated and accounted for. To collect primary data a survey is often used; other options could be an experiment or a case study. In a survey large quantities of data can be collected, for example by using a questionnaire. A survey is useful if financial and time resources are limited as they were in this case. This strategy is also appropriate when the research has a deductive approach and the collected data should be generalised (Saunders et al., 2003). Thus, for the purpose of this dissertation, primary quantitative data were collected in a survey, using initial semi-structured interviews and then for the main part, self-administered questionnaires.

2.5 Criticism

Instead of a special section for the criticism of theories and methods we have chosen to present the criticism continuously throughout the dissertation.
2.6 Reliability and Validity

When deciding how the research should be conducted in order to get the answers needed and to minimise the threats to the credibility of the research findings, two important aspects have to be dealt with: validity and reliability.

*Validity* is defined as to what degree the findings really measure what they are aimed at measuring and if the findings are what they appear to be about (Lekvall & Wahlbin, 1993; Saunders et al., 2003). There are different kinds of validity, e.g. face validity and content validity.

*Reliability* is about how well the research method yields the same results on other occasions and if other researchers could reach similar results. Reliability is also concerned with whether the conclusions are presented in a way which makes it possible to understand how sense was made from the raw data (Saunders et al., 2003).

As stated above, high validity and reliability in a research is crucial for the credibility of the whole work. It is essential to be aware of the threats to validity and reliability and what steps could be taken to reduce these threats. A further discussion on the steps taken to reduce the threats to this study will be presented in chapter 4.

2.7 Summary

The purpose of this research will be reached by applying a deductive approach, which includes a review of the theories that exist on relationships, trust, commitment and communication. From the theory, hypotheses will be developed and empirically tested. This will be done by a quantitative data collection using a self-administered questionnaire.
3 Theoretical Framework

We will here present the theory within the field of business relationships, which have been used as a starting point in our research. The Interaction Approach, which is considered to be the most important contribution to relationship thinking and application, will be briefly introduced. Basic theory about trust, commitment and communication will also be presented. Several models consider the communication as an obvious factor in business relationships. A presentation of our applied models will be made, as well as a presentation of our hypotheses.

3.1 Relationship Perspectives

Literature in the field of business relationships and networks presents different views on the reasons why companies engage in long-lasting relationships. Two main views have emerged in the area: the economic perspective and the sociological perspective (Ford, 2002; Granovetter, 1990).

3.1.1 An Economic Perspective

The traditional economic perspective has its roots in consumer marketing, especially marketing of fast-moving, non-durable goods. Here the marketing mix, i.e. the 4Ps - product, price, promotion and place - is considered to be the “weapon” for marketers to use in order to influence consumers. The consumers are passive actors, who have to choose to respond, or not to respond, on the active seller’s marketing activities. Each customer is considered to be part of a relatively homogeneous market, or segment within the market, and to be individually insignificant. Thus, it is a matter of the seller’s marketing action to get the customer to react in order to buy the product in question (Ford, 2002).

3.1.2 A Sociological Perspective

The sociological perspective adds the social participation of people to the economic action in order to explain the network and its relationships. Actors can be seen to have different motives when engaging in relationships. Granovetter (1990) argues that actors have economic as well as non-
economic motives, such as sociability, approval, status and power. The actions to achieve these economic and non-economic goals are in turn influenced by the networks of relationships in which the companies are embedded. A reason why actors can achieve non-economic goals is that these goals will follow in the course of their economic activity and this activity occurs in networks of personal relations. Granovetter states that since economic activity is a large part for the actors involved in the networks, non-economic motives and goals will follow as well. People actively try to avoid economic and non-economic motives to be separated. Thus, economic action and motives are embedded in networks of personal relations among the actors in the network, and only in networks of ongoing social relations motives like sociability, approval, prestige, and power are achievable.

3.2 The Interaction Approach
In order to fully understand the network and the ongoing relationships it is necessary to combine the economic and the sociological perspective. This is done in different theories and models that take the interaction approach as a starting point. The interaction approach (IMP Group, 1982) was developed to try to explain and understand business markets. The interaction approach is not a theory since it describes individual situations, even if it does so in a very complex manner. Also, it does not live up to the criteria of law-like generalisations required by theory (Hunt, 1983; cited by Donaldson & O'Toole, 2002). However, the interaction approach is considered to be the most important contribution to relationship thinking and application (Donaldson & O'Toole, 2002).

The interaction approach argues that the customer’s role in business markets is not that of a passive actor who waits for the seller’s offers. Instead, the customers seek out suitable suppliers and assess them before they do business with them. The business markets consist of customers who are different in size, requirements, and they may also be bigger than their suppliers. The customers can demand the supplier to adjust to the requirements necessary to the customer. Products are not always standard products but can be modified and also specially designed for a particular customer. These businesses
require involvement from many people in the companies, not just people from purchasing, sales and marketing departments, but also people from, e.g. technical, product and finance departments. As a result, the exchange process between buyer and seller involves and occupies several people from the entire organisation. In sum, the exchange process in the business market is a matter of interaction rather than action and reaction (Turnbull, Ford & Cunningham, 1996).

3.3 Relationships in Networks
The rapid changing conditions facing companies today in form of enhanced globalisation and rapid technological development has continued to create a need for networks and relationships among companies. By building long-lasting relationships with important actors, companies will be better suited to the dynamic contemporary environment. As Kogut, Shan and Walker (1990) state, this includes the make-or-cooperate decision, which compares the network model as opposed to an abstract market. The same argument can be found in Williamson’s transaction cost economies where he discusses the important decision companies have to make in deciding to keep strategic important activities inside the company or to let somebody else outside the company perform them (Williamson, 1985; cited by Donaldson & O’Toole, 2002).

Through the accumulation of developed ties and bonds between companies a cooperative network is created, which offers opportunities for the individual company. Every relationship is linked to other relationships in the network and therefore, no relationships can be understood in isolation (Ford et al., 2003). Thus, in order to understand what goes on inside a relationship it is necessary to try to understand the network of which it forms part (Ford, 2002).

Since a network is nothing without its relationships it is a primary concern to understand the relationships of a company. As stated by Easton (1992, 126): “...relationships among firms are the sine qua non of an industrial network approach”. Relationships are important since they determine the properties of
a network. It is a major task to conduct a research of a whole network and this is out of the scope of this dissertation. Therefore, this dissertation will focus on one kind of relationship: the buyer-supplier relationship from the buyer’s perspective.

3.4 The Need of Different Relationships

Even if there are advantages for companies who engage in long-lasting relationships, it is neither appropriate nor necessary for every company or market. Some companies only want the timely exchange of the product or the service with a minimum of bother. Moreover, since close relationships are resource demanding not every relationship is worth the effort. The fact that relationships may constitute a competitive advantage is because they are so difficult to manage. Not every company can or should try to manage these kinds of relationships (Day, 2000).

Day states that there are different kinds of relationships. In every market relationship there is an exchange process where value is given and received. Even in the most simple and brief relationship each actor gives something in return for a payment or a benefit of greater value. Day uses “the Relationship Spectrum” to illustrate the different kinds of relationships, see figure 3.1.

At one end of the spectrum there are relationships characterised by transactional exchanges. These kinds of relationships include anonymous encounters, as well as series of ongoing transactions where the actors involved focus only on timely exchanges of standard products at competitive prices. The relationship is based on the negotiation of terms and conditions and both actors experience the exchange as a zero-sum game.
On the other side of the relationship spectrum there are collaborative exchanges characterised by complete collaboration and integration. This includes very close information exchange between the actors, social and process connections, and mutual commitment due to expectations of long-run benefits.

Between transactional and collaborative exchanges there are value-adding exchanges where the focus of the selling company shifts from getting customers to keeping customers. The selling company concentrates on developing a deep understanding of their customers needs and requirements, adjusting their offering to the customers’ needs as close as possible, and giving the customers as many reasons as possible to stick with the supplier.

In sum, it is important to be aware of the different kinds of relationships that exist. A relationship that is favourable and functions well in one market or for a certain company may not be appropriate in other situations. As mentioned in chapter one, there is no such thing as a standard relationship. Rather, each relationship must be developed and adjusted in consideration of its setting.

3.5 The Buyer - Supplier Relationship
Ford et al. (2003) argue that supplier relationships are one of the most important assets of a company. One reason is that the cost of purchased goods and services make out the major part of the total costs for most companies.
By outsourcing, companies have been able to specialise and in that way benefit from economies of scale, which has lead to improved efficiency.

This of course leads to larger quantity of the same kind of purchased goods and services by a single company. But even more important is that companies do not just buy a product any longer. Instead they turn to their suppliers to solve other issues such as design and development, advertising and technical know-how and skills. The need for technical knowledge and skills offered by the supplier has become important to the buying company since they often need an increasing number of different technologies to handle their core activities and it is a major cost to develop each necessary technology by themselves (Ford et al., 2003).

Another reason that suppliers have become increasingly important is the interfaces between the companies. This does not only consider technical development. Many companies also depend on their suppliers to handle the goods throughout its entire operational life. Other reasons are concepts and techniques like JIT (just-in-time) and TQM (total-quality-management). An active participation of the supplier is required in order for the buyer to use and benefit from these techniques (Ford et al., 2003).

Consequently, the supplier’s role for the buying customer has gained increased importance. From the fact that more outsourcing is used it is easy to believe that the amount of suppliers of a buying company will increase. However, this is not the case. Instead, companies have minimised the number of suppliers. This is a result of increased cooperation between buyer and suppliers in technical development, which requires close, long-term relations. Cooperation is resource demanding and therefore companies have reduced the number of suppliers with which they cooperate. Individual suppliers have become more important and relationships with them are valuable assets for the buying company (Ford et al., 2003). Thus, the relationship between buyer and supplier in a business network is a valuable asset and, as we see it, a natural starting point in our research.
3.6 Commitment and Trust

In the existing literature of business relationships the concepts commitment and trust are widely discussed (e.g. Ford et al., 2003; Morgan & Hunt, 1994; Zineldin & Jonsson, 2001). There seems to be an overall agreement about the importance and supremacy of both concepts in their role in building valuable business relationships. Morgan and Hunt (1994) present commitment and trust as key mediating variables since they encourage actors to:

- make investments in the relationship,
- resist taking advantage of alternatives which provide short-term benefits,
- not behave opportunistically to the other actor in the relationship.

Both commitment and trust present in the relationship will promote efficiency, productivity, and effectiveness. The following section presents an overview of the main ideas about commitment and trust in the literature. This is not claimed to be a complete and exhaustive presentation of all the views and ideas about commitment and trust. Instead, it is a presentation of the main arguments that we find relevant and useful to this research.

3.6.1 Commitment

Commitment has been defined as a desire to maintain a relationship. In other words, the relationship is considered to be worth working for in order to ensure that it continues for a long time (Blois, 1998; Morgan & Hunt, 1994). Commitment is considered to lead to long-term mutual benefits for the actors involved in the relationship. Contrary to, lack of commitment will result in trying to gain short-term advantages. Commitment is also important since it is a way to earn trust of the other actor and to be able to expect similar commitment in return from that actor. Commitment may develop as a result of collaborative relationships between two companies. That is, the history of the relationship and its previous success will determine the degree of commitment (Ford et al., 2003; Zineldin & Jonsson, 2001).

3.6.2 Trust

To define trust Zineldin and Jonsson (2001, 5) have cited Rotter (1967):

“Trust is a generalized expectancy held by an individual or an organization
that the word of another individual or organization can be relied on”. This definition is similar to the one presented by Morgan and Hunt (1994) in which they see trust as a measure of one actor’s confidence in the other actor’s reliability and integrity.

Blois (1998) also defines trust as an acceptance of vulnerability to another actor’s possible, but not expected ill will (or lack of good will). Morgan and Hunt (1994, 24) have cited several other authors’ explanations and definitions of trust. For example, Berry stresses that “trust is the basis for loyalty”; Schurr and Ozanne find trust to be central in mutual problem solving and in constructive conversations, and Spekman considers trust to be “the cornerstone of the strategic partnership.” Trust is a cornerstone in relationship building since actors value relationships characterised by trust very high and thus, will desire to commit themselves to this type of relationships.

Trust, as well as commitment, can be built only on actions, rather than promises. Different types of actions that will generate trust and commitment are adaptation, communication, bonds, degree of cooperation, length of the relationship, and quality (Zineldin & Jonsson, 2001). Regarding adaptations, Ford et al. (2003) mean that this is the way in which a company shows that it can be trusted to respond to another actor’s requirements. Brennan and Turnbull (1999) conclude that adaptations within a buyer-supplier relationship tend to increase the levels of trust and commitment to the relationship. Contrary to, the absence of trust, as well as commitment, will seriously damage the relationship. As an example the effect on communication can be mentioned. If trust and commitment are absent, information actions taken by one actor in order to influence another actor may be viewed suspiciously or incorrectly (Zineldin & Jonsson, 2001).

3.7 Communication
Communication derives from the Latin verb communicare, which means “to share”, “to make common”. Thus, when we communicate we make things common. In this way we increase our shared knowledge, our “common
sense”, which is the basic precondition for all society. Shared knowledge may also include knowledge about conflicting views and interests. It may, therefore, sometimes lead to conflict rather than to community. On the other hand, conflicting actors also need to communicate with each other. Communication takes place between units of rather different size and complexity. It may occur between and within individuals, groups, organisations, social classes, nations, countries, and regions of the world (Rosengren, 2000). When communication is effective, it results in the formation of actor bonds between the individuals involved, based on their mutual learning, trust and commitment (Ford et al., 2003). Zineldin and Jonsson (2001) argue that communication, and interaction, is the essence of any relationship. Further on, it is communication, in one form or another, which links people and companies together. As mentioned in chapter one, it is the “factory” of human society. Due to the aim of this dissertation we will only handle the issue of communication between companies in business relationships.

3.8 Applied Models
As have been shown there is an important connection between communication, and trust and commitment in building business relationships. Several models consider the communication as an obvious factor in business relationships. We have studied the model by Cannon and Perreault (1999), the Interaction Approach by the IMP Group (1982), the Key Mediating Variable (KMV) model by Morgan and Hunt (1994), and the model on communication strategies by Mohr and Nevin (1990). From these models we found that the KMV model most clearly shows how communication positively influences trust. Further on, the model by Mohr and Nevin relate different communication facets to the nature of the exchange relationship. Considering the purpose of this dissertation we found these two models most suitable as a starting point for our research. In the following section we will shortly present the model by Mohr and Nevin and the KMV model in their entirety.
3.9 Communication Strategy and Channel Conditions

Mohr and Nevin (1990) present a theoretical model in order to understand the communication in marketing channels. According to this model communication strategy regulate the impact of channel conditions on channel outcomes like coordination, satisfaction, commitment and performance. When communication strategy matches the channel conditions, channel outcomes will be improved in comparison with the outcomes when a communication strategy mismatches channel conditions. In the following section we will briefly present the model by Mohr and Nevin.

3.9.1 Communication Strategy

Mohr and Nevin present communication strategy as four (five) communication facets, i.e. frequency, (duration), content, modality and direction. These facets are a summary of relevant findings from both channels and organisational communication research.

In the model the authors present frequency and duration as one facet. In order to better fit the purpose of our research we will present and use these two facets separately. Both frequency and duration refer to the amount of communication between actors. Frequency can be defined as how often communication is carried out between the actors involved. Duration, on the other hand, can be defined as how much time is spent on each occasion of communication.

Content is defined as the message that is transmitted, or what is said. Communication content can be analysed by asking the actors in a relation what their perceptions of the content are (Frazier & Summers, 1984; cited by Mohr & Nevin, 1990). Morgan and Hunt (1994) use a similar definition of content in the KMV model. They consider how relevant, timely and reliable information is and use this as a measure of an actor’s perception of communication. However, this definition is related to one of the definitions presented by Mohr and Nevin, which define content as the type of influence strategy, direct or indirect, included in the exchanged information. Direct communication strategies are those used to change the behaviours of the
other actor by suggesting or requesting a specific action. Examples of direct communication content are e.g. requests, recommendations, and promises. Indirect communication is intended to change the other actor’s beliefs and attitudes about a certain problem or behaviour, i.e. no specific action is directly requested. Indirect communication content may be information exchange, where an actor uses discussions on general business issues to change the other actor’s attitude about certain behaviour.

*Modality* is defined as the method used to transmit information and can be categorised in several different ways. One way is to categorise modality as telephone, letters, face-to-face, or other modes. Mohr and Nevin also present other ways to categorise modality, e.g. formal and informal modes. Formal communication generally means communication that is carried out through written modes. However, other modes may also be considered as formal. Informal modes are more personalised, e.g. word-of-mouth contacts. These kinds of contacts may be spontaneous and can take place outside the organisation.

*Direction* refers to the vertical and horizontal movement of communication within an organisational hierarchy, i.e. in an intraorganisational context (Farace, Monge & Russell, 1977; cited by Mohr & Nevin). In an interorganisational context the focus is instead on the kind of contact between organisations. Direction is here used to describe what levels in the organisations that are involved in the communication with other relationship actors. Even if the organisational structure states the actors’ roles and tasks, authority and status may be less clear. According to the situation the manufacturer (the upstream channel member) or the reseller (the downstream channel member) may be more powerful. Mohr and Nevin describe the pattern of communication flow as “downward” and/or “upward” depending on which actor is the most powerful. The communication is said to be downward if the most powerful actors is the manufacturer and the communication flows from the manufacturer to the reseller. Conversely, if the reseller is the most powerful and communication flows up to the manufacturer the communication is upward. In the model Mohr and Nevin
use the terms “unidirectional” if communication is upward or downward, and “bidirectional” if the communication is both upward and downward.

3.9.2 Channel Conditions
Mohr and Nevin further present three different channel conditions - channel structure, channel climate, and channel power. Our survey includes factors like channel structure and channel climate, but not channel power. Therefore, we will only focus on the discussion of channel structure and channel climate presented by Mohr and Nevin.

*Channel structure* is used to describe the channel structure in terms of how exchanges between actors are carried out, i.e. the nature of the exchange relationship - relational or discrete. Relational exchange includes cooperative planning between the actors, the relationship has a long-term orientation and interdependence is high. Conversely, discrete exchanges have a short-term orientation and interdependence is low. These two characteristics are each other’s opposites and can be compared with the relationship spectrum (Day, 2000) presented earlier in section 3.4. Mohr and Nevin use the term “relational structure” to describe the relationships toward the relational end of the spectrum, and “market structure” to describe the relationships toward the discrete end of the spectrum. Furthermore, they argue that communication in relational channel structures is different in comparison to communication in market channel structures.

Communication in a relational channel structure has higher frequency, more bidirectional flows, informal modes, and indirect content. Communication in market channel structures has lower frequency, more unidirectional flows, formal modes, and direct content. The reason for this is, according to Mohr and Nevin, that actors in relational channel structures share more interdependent activities than actors in market channel structures, and because of this a higher level of communication frequency may be necessary. The actors in relational channel structures interact more since they need to share more information in order to coordinate more closely shared activities. Most likely, the interdependence causes the information to be more relevant
and therefore, communication will be more frequent. To better coordinate activities communication will flow both upward and downward, i.e. bidirectional, in relational channel structures. Furthermore, since the actors in a relational structure are more closely linked communication is presumably more informal. However, formal communication may also be used, but due to tight linkages between the actors more informal modes are generally used. The communication content also differs between the two channel structures. In relational structures actors are more willing to share benefits and problems. Therefore, influence strategies are more indirect than direct. Offering information to other actors in the relationship may be enough to encourage them to participate in programs and activities. The communication in relational structures is also more likely to reflect the aim of a further supportive climate in the relationship. Thus, indirect influence strategies are more likely to be used when actors try to develop a supporting trading atmosphere.

.Channel climate may be defined as the actors’ perception of the work environment, including characteristics of the organisation and of the relationships with other actors. Climate also reflects norms, leadership, and membership structure and offers an environment for interpersonal communication. Mohr and Nevin cite Muchinsky (1977) who argues that trust is the most reliable predictor of organisational climate. Furthermore, they define climate “as the feelings of channel members about the level of trust and mutual supportiveness in the interorganizational relationship” (Anderson, Lodish & Weitz, 1987; cited by Mohr & Nevin, 42). The model by Mohr and Nevin suggests that communication will differ depending on the channel climate, i.e. the level of trust and mutual supportiveness. In channel relationships with a high degree of trust communication will be characterised by higher frequency, more bi-directional flows, informal modes, and indirect content. Conversely, in a climate with low trust and low mutual supportiveness communication will be characterised by lower frequency, more unidirectional flows, formal modes, and direct content.
Mohr and Nevin argue that when actors experience trust and supportiveness a sense of shared identity is developed. This will result in shorter duration and higher frequency due to shared knowledge and common language practice. When there is no shared identity or low trust the frequency is lower. Trust also affects the direction of communication. Relationships with a high degree of trust are characterised by more upward communication. This in combination with information that flows downward results in more bidirectional information flows. When trust is low, actors are less willing to pass information upward. Thus, the communication is generally more unidirectional. When trust is high and there is a feeling of shared identity in the relationship informal modes of communication are common. Due to a positive and supportive atmosphere actors share information more verbal by one-on-one and group meetings. The experience of informal productive conversations may encourage a further supportive atmosphere. On the contrary, the absence of trust and mutual support will lead to more formal communication modes. Regarding content, indirect strategies are more useful when the actors share common goals and trust is high. Conversely, when trust is low indirect strategies may be ineffective and direct strategies are preferred.

### 3.9.3 A Combination of Communication Strategy and Channel Conditions

According to the model by Mohr and Nevin the use of right communication strategy with regard to channel structure or channel climate will result in more favourable outcomes for the relationship. Such outcomes may be coordination, satisfaction, commitment and performance. The different combinations of communication strategy and channel structure or channel climate are showed in table 3.1. Since the channel structure power is not relevant for our survey this is excluded from the table.

The first combination consists of higher frequency, more bidirectional flows, indirect content, and more informal modes. Communication facets of these kinds are likely to exist in relational channel structures or settings of a supportive climate where trust is high. This combination is referred to as
“collaborative communication strategy”. The second combination consists of lower frequency, more unidirectional flows, direct content, and more formal modes. Communication facets of these kinds are likely to exist in market channel structures or settings of unsupportive climate where trust is low. This combination is referred to as “autonomous communication strategy”.

Table 3.1 Relationships Between Channel Conditions and the Facets of Communication (Mohr & Nevin, 1990, p 42)

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Frequency</th>
<th>Direction</th>
<th>Content</th>
<th>Modality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relational</td>
<td>Higher</td>
<td>More bi-directional</td>
<td>More indirect</td>
<td>More informal</td>
</tr>
<tr>
<td>Market</td>
<td>Lower</td>
<td>More uni-directional</td>
<td>More direct</td>
<td>More formal</td>
</tr>
<tr>
<td><strong>Climate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supportive</td>
<td>Higher</td>
<td>More bi-directional</td>
<td>More indirect</td>
<td>More informal</td>
</tr>
<tr>
<td>Unsupportive</td>
<td>Lower</td>
<td>More uni-directional</td>
<td>More direct</td>
<td>More formal</td>
</tr>
</tbody>
</table>

3.10 The KMV Model

The KMV model focuses on one actor in the business relationship and the trust and commitment of that actor. Morgan and Hunt state that trust and commitment are key concepts and place them as mediating variables between five precursors (relationship termination costs, relationship benefits, shared values, communication, and opportunistic behaviour) and five outcomes (acquiescence, propensity to leave, cooperation, functional conflict, and uncertainty), see figure 3.2.
The KMV model considers trust to be a necessary condition for relationship commitment (see also Achrol, 1991, cited by Morgan and Hunt, 1994; Ekelund, 2002; Ford et al., 2003; Zineldin & Jonsson 2001). This is shown in the model by the arrow from trust to relationship commitment. Thus, trust is a major determinant of relationship commitment. This causal relationship can be explained by the use of social exchange theory, which believes that mistrust generates mistrust and will cause a decrease of commitment in the relationship. This will lead to a shift in the transaction to a more direct short-term exchange between the actors in the relationship (McDonald, 1981; cited by Morgan & Hunt, 1994).

Figure 3.2 The Key Mediating Variable (KMV) model (Morgan & Hunt, 1994, p 22)
3.10.1 Precursors to Trust and Commitment

According to the KMV model, the five precursors all affect trust and commitment. As shown in figure 3.2, relationship termination costs and relationship benefits directly affect commitment, shared values directly affect both commitment and trust, and communication and opportunistic behaviour directly affect trust (and, through trust, commitment is indirectly affected). We will here give a short explanation to each of the five precursors.

**Relationship termination costs:** This precursor is explained as all expected losses that an actor will have if the relationship is ended. The termination costs result from the perceived lack of other potential and alternative actors, the actual costs for ending the relationship, and/or extensive switching costs. The expected termination costs will benefit an ongoing relationship. The relationship will be considered important, thus generating commitment to the relationship.

**Relationship benefits:** Actors that deliver superior benefits to the relationship will be highly valued. This will make companies commit themselves to establishing, developing, and maintaining relationships with such actors.

**Shared values:** This is explained as the extent to which actors share common beliefs in behaviours, goals and policies. When relationship actors share values they will be more committed to the relationship.

**Communication:** Communication is an important precursor to trust. It is defined as formal and informal sharing of meaningful and timely information between the relationship actors (Anderson & Narus, 1990; cited by Morgan & Hunt, 1994). Communication is also important to trust in resolving disputes and coordinating perceptions and expectations. Morgan and Hunt argue that a higher degree of trust will occur if an actor experiences past communication to be frequent and of high quality - that is, relevant, timely and reliable.

**Opportunistic behaviour:** When an actor believes that another actor engages in opportunistic behaviour it will lead to decreased trust. Since the actors do
not believe that they can trust each other any longer it will lead to less commitment to the relationship.

3.10.2 Outcomes to Trust and Commitment

The five outcomes of the KMV model are all dependent on the relationship commitment and trust, which are relationship outcomes as well. Acquiescence and propensity to leave are a direct result from relationship commitment. Cooperation results from both relationship commitment and trust, and functional conflict and uncertainty are a direct result from trust. All five outcomes are, according to Morgan and Hunt, considered to be of major importance in promoting relationship-marketing success. We here present a short description of the five outcomes of the KMV model.

**Acquiescence:** This is defined as the degree to which an actor accepts or conforms to another actor’s requests or policies. The model states that relationship commitment positively influences acquiescence, while trust influences acquiescence only through commitment.

**Propensity to leave:** The perceived likelihood that an actor will terminate the relationship in the near future is expressed as propensity to leave. A weak commitment to the relationship will result in the risk that an actor leaves the relationship. Instability in the relationship will increase costs for all actors in the relationship, thus a stable relationship is desired.

**Cooperation:** Cooperation refers to actors that work together to achieve mutual goals. Both commitment and trust will affect the degree of cooperation. An actor committed to the relationship will cooperate because of a desire to make the relationship work. It is important to note that cooperation is not simply the absence of conflict (Frazier, 1983; cited by Morgan & Hunt, 1994). Instead, conflict can coexist, for a limited period of time, with cooperative actions.

**Functional conflict:** When disputes are resolved in a friendly way, disagreements can be defined as functional conflicts. The reason for this is
that they hinder stagnation, stimulate interest and curiosity and represent a way in which problems can be discussed and solved. Trust is considered to lead to the perception that future conflicts will be functional. Past cooperation and communication and as a result increased trust, will therefore lead to increased functionality of conflicts.

*Decision-making uncertainty:* This is the extent to which an actor has enough information to make key decisions, can predict the consequences of those decisions, and has confidence in those decisions (Achrol & Stern, 1998; cited by Morgan and Hunt, 1994). Trust is considered to decrease an actor’s decision-making uncertainty because there is confidence between the actors.

3.11 **Questioning the KMV model**

The discussion above states the importance of communication in building trust in business relationships. The KMV model places communication on an equal footing with the other four precursors to trust and commitment. According to the emphasis on the communication’s role in the existing literature we question the conclusion of the KMV model that all precursors are on an equal footing. Instead, we believe that communication may be a prerequisite for the other four precursors for trust and commitment in the model. However, we do not intend to settle the communication’s position in the KMV model, rather we aim at making clear the different elements of communication and how they are connected to the level of trust in the buyer-supplier relationship.

3.12 **Research Model and Hypotheses**

In this part we will present our hypotheses. These hypotheses were developed from our own assumptions. We base these assumptions on the KMV model, Mohr and Nevin’s theory of different communication facets, and on interviews with three different companies within the pharmaceutical industry. Even if three interviews are not enough to draw definite conclusions about the communication in the buyer-supplier relationship in the chosen industry we still think they represent a frame picture of how the communication is carried out.
Since our intention was to show how the communication is connected to the level of trust the first step is to define different elements of communication. We will use Mohr and Nevin’s different facets to represent the elements of communication in our research model (see figure 3.3) and to be able to determine differences and similarities in the communication between the buyer and its Swedish and foreign suppliers.

3.12.1 Frequency

- *Frequency*, which is defined as how often the buyer communicates with its supplier, independently of which mode is used.

Communication is carried out through different modes. These modes are therefore the source of communication frequency. Because of this, an assessment of the different modes will have to be done in order to determine the frequency. Due to the rapid technological development we assume that it is just as easy for the buying company to communicate with its Swedish supplier, as it is to communicate with its foreign supplier. This can be done by, e.g. telephone, e-mail and fax. However, we assume that resources like time and money will determine the frequency of personal meetings,
conferences and trade fairs. Therefore, we assume that the buyer will meet its Swedish supplier more frequently than the foreign supplier.

H₁: There is in all a higher frequency in the communication between the buyer and its Swedish supplier, than there is between the buyer and its foreign supplier.

3.12.2 Duration
• *Duration*, which is defined as how much time the buyer spends on each occasion of communication with its supplier.

Due to language and cultural differences we assume that the buyer spends more time on each occasion communicating with its foreign supplier. The possibilities for misunderstandings are assumed to be higher and therefore each occasion of communication will require more time in order to resolve these kinds of problems. As mentioned above, personal meetings, conferences and trade fairs are presumably less frequent between the buyer and its foreign supplier. On the other hand, we assume that when the buyer and its foreign supplier once meet, the time spent on these occasions will be longer.

H₂: The duration of communication is shorter between the buyer and its Swedish supplier, than it is between the buyer and its foreign supplier.

3.12.3 Content
• *Content*, which is defined as how relevant, timely and reliable (Morgan & Hunt, 1994) the information from the supplier is perceived by the buyer.

Business today is characterised by increased internationalisation and more common ways of doing business. This has increased the experience and the understanding of how to do business among business actors of different nationalities. Furthermore, the technological standard of today has also facilitated the way to conduct business. Together these factors have
contributed to rather equal prerequisites for information exchange regardless of where the buyer and its suppliers are located. Therefore, we assume that the buyer considers the information to be just as relevant, timely and reliable regardless of whether the supplier is Swedish or foreign.

H₃: There are no differences in the content of communication between the buyer and its Swedish and foreign suppliers.

3.12.4 Modality

• Modality, which is defined as the method used to transmit information.

Due to today’s technological standard the communication with suppliers can be carried out on equal terms no matter where they are located. Methods of communication could be telephone, fax, e-mail, personal meetings etc. These methods may not be used to the same extent, but we assume that the same methods are used regardless if the supplier is Swedish or foreign.

H₄: There are no differences in the modality of communication between the buyer and its Swedish and foreign suppliers.

3.12.5 Direction

• Direction, which is defined as what levels in the buying company are involved in the communication with the supplier.

As discussed earlier in this chapter today’s exchange process in business markets between the buyer and its suppliers usually consist of involvement by several people in the organisation. Thus, the interaction, and as a result also the communication, takes place at several levels in the organisation. In this context we intended to see if the same levels in the buying company were involved in the communication with the Swedish and the foreign suppliers. We assume that the levels involved in the communication do not depend on where the supplier is located but rather on the kind of relationship that exists between the buyer and its supplier.
H₅: There are no differences in the direction of communication between the buyer and its Swedish and foreign suppliers.

As already presented Spekman (cited by Morgan and Hunt, 1994) states that trust is the cornerstone of the strategic partnership and will lead to increased relationship commitment. The actions of the parties that are honest, responsible, fair, benevolent, competent and helpful will generate a higher degree of trust in the relationship. The action in form of communication is one of the factors that will generate trust in the relationship. We will here present our hypothesis on trust.

3.12.6 Trust
Due to higher frequency and shorter duration of communication we assume that there will be a higher degree of trust between the buyer and its Swedish supplier, than between the buyer and its foreign supplier. The facets content, modality and direction are assumed to be equal in the communication with the Swedish and foreign suppliers. However, we still believe that there in all, is a higher degree of trust between the buyer and its Swedish supplier.

H₆: There is a higher degree of trust between the buyer and its Swedish supplier, than there is between the buyer and its foreign supplier.

3.13 Summary
In this chapter the relationship theory used as a starting point to the research was presented. The dissertation focuses on one kind of relationship - the buyer-supplier relationship from the buyer’s perspective. Since our intention was to show how the communication was connected to the level of trust the first step was to define different elements of communication. For this we used Mohr and Nevin’s (1990) theory of different communication facets; frequency, duration, content, modality and direction. The KMV model by Morgan and Hunt (1994) was used to determine the connection between communication and trust. Six hypotheses were developed from the theory
and from interviews made with three different companies within the pharmaceutical industry.
4 Empirical Method

This chapter presents the empirical method used in this dissertation. The research strategy, which explains our approach in answering the research questions, is described. The population as well as the questionnaire is discussed. Further, the response rate and an analysis of the nonresponses are presented. The chapter also includes an introduction to the analysis of the material. This chapter concludes with a discussion on reliability and validity of the study.

4.1 Research Strategy

The purpose of this dissertation was to find empirical signs of differences and similarities in the communication and in the level of trust between the buyer and its domestic and foreign suppliers respectively. We also wanted to see how the communication was connected to the level of trust in the buyer-supplier relationship.

To answer our research questions we developed six hypotheses. In order to test them we chose to do a survey using questionnaires. A survey is appropriate to use when the collected data should be generalised (Saunders et al., 2003). Since we wanted large quantities of data that could be generalised, this research strategy was found to be the most suitable for our dissertation. An assumption was made that we would be able to draw general conclusions within the population chosen. At the initial stage three semi-structured interviews were made.

Another way of collecting data could have been through interviews. It would have given us a more complete analysis but due to the amount of respondents and geographical distance we found this method not practicable.

As a setting for the field study we looked for an industry, which most certainly included international relationships between buyers and suppliers. To be able to draw reliable conclusions we also wanted to use a homogenous industry. Considering this, we chose to test our hypotheses on Swedish
companies within the pharmaceutical industry. The Swedish pharmaceutical industry is rather homogenous with many small companies that have emerged from a few large multinational corporations. Together they form clusters located in two major belts in Sweden: one centred around Stockholm and Uppsala, and the other centred around Malmö/Lund and Göteborg (Bergstrand, 2002). Besides, it is also an interesting industry since it is the second fastest growing industrial sector in Sweden, and more than 90 percent of the produced pharmaceuticals are exported. Consequently this line of business is very important to Sweden (Swedish Institute, 2003). For a further presentation of the pharmaceutical industry see appendix 1.

When we chose the pharmaceutical industry we meant production of pharmaceuticals and natural health remedies. We also meant biotechnology, basic pharmaceutical products (e.g. penicillin base, antibiotic base, and pollen preparation), diagnostics, production of medical equipment and instruments, and medical and pharmaceutical research and development. To be sure that these business areas were all connected to the pharmaceutical industry we used the classification and description of the different industries in Sweden according to the National Statistics Office of Sweden (Statistiska Centralbyrå). In order to exclude any companies that were not active within the pharmaceutical industry the respondents were asked to state in the questionnaire whether or not they were active in this industry. When the questionnaires were returned we saw that many companies had answered that they were not active within the pharmaceutical industry. However, since we had asked them to state what industry they belonged to if not the pharmaceutical industry, we were still able to use the answers from the companies active in the other industries that we intended to include in the survey. Considering this, we should have been more specific in the questionnaire which industries we intended.

The questionnaire was directed to the purchasing manager because we thought that a person in this position would have the best insight and knowledge about the buyer-supplier relationships. Other employees and departments may be involved in the relationship with the suppliers but we
had to limit the survey to one person in each company. Thus, we found the purchasing manager most suitable to answer the questionnaire.

In the questionnaire we asked the respondents to answer the questions having a strategically important supplier of products, and not services, in mind. The purpose of this was to get the respondents to choose suppliers of the same kind. In that way it was possible to get comparable answers related to both Swedish and foreign suppliers. If the respondents were asked to answer the questionnaire by choosing any supplier, not necessarily a strategically important one, there could have been a greater risk of not being able to draw general conclusions and do comparisons. The buyer may not always have the opportunity to choose its suppliers. Sometimes there only exist one supplier and the buyer is forced to choose that one. The choice is made under compulsion, instead of the level of trust the buyer has to its supplier. This has though been considered when evaluating the results.

4.2 The Population
As stated before, the companies chosen for our survey were active within the pharmaceutical industry and a list of these companies was found on Företagsfakta’s homepage on the Internet. According to Företagsfakta, there were 247 pharmaceutical companies in Sweden. We found this number of companies reasonable since other sources (Bergstrand, 2002; Boklund, 2003) claim that there are over 200 pharmaceutical companies in Sweden. Out of the 247 companies we could immediately exclude 20 companies of various reasons, e.g. companies that were declared bankrupt, companies that obviously were not in the intended industry etc. The number of companies left was considered to be of manageable size and therefore no sample selection was made, i.e. the remaining part of the population was selected. By choosing such a relatively large amount of companies we thought that we could draw more accurate conclusions. We did not contact the respondents before sending the questionnaires due to the large amount of respondents and since this would be a very time consuming task. The fact that we did not contact the companies before sending out the questionnaires could result in a lower response-rate.
Since Företagsfakta is a register where companies register voluntarily the survey will be biased towards pharmaceutical companies that have chosen to register in Företagsfakta. That is, these companies that have chosen not to register are not included. However, since the registration in Företagsfakta is free of charge there is a probability that most companies have chosen to register anyway. Moreover, our sampling frame only contained companies that were registered the day we collected the list from Företagsfakta. Any company registered after that day was not included in our sampling frame.

4.3 The Questionnaire

To test the hypotheses a survey was conducted using questionnaires. A questionnaire is preferable to use when there is a large amount of respondents, when you have limited time and when the questions are of standardised character (Saunders et al., 2003).

Our first intention was to send out the questionnaires by e-mail because it would be a quick and cheap way of distributing the questionnaires. Since technical problems may occur we decided not to use this method. Instead, the questionnaires were sent by fax with a covering letter explaining the purpose of the survey and guaranteeing that all replies would be treated with confidentiality. Since the questionnaire was self-administered, each question had a clear description how it was going to be answered correctly. By sending the questionnaires by fax we could be sure that the responding company would receive the questionnaire and be able to fill it out.

Before sending the questionnaires we made one telephone interview and visited two companies. These companies were selected to represent small, medium and large sized companies. Other factors like geographical closeness and access with short notice were also considered. Our intention with these interviews was to get general background information about the pharmaceutical industry, to see how well our reasoning complied with the conditions of the industry, and to conduct a pilot test of the questionnaire. After this we revised the questionnaire by adding alternatives to some of the questions and including one more question.
The questionnaire was written in Swedish (appendix 3) since the respondents to our survey were Swedish companies. The reason for this was to make it easier for the respondent to reply and also to avoid misunderstandings, and thereby hopefully receiving a higher response rate. In order to enclose the questionnaire to our dissertation, we had to translate it into English (appendix 2). We then asked an independent person to translate the questionnaire back to Swedish. This was done to make sure that the questionnaire was interpreted and translated as close to the original as possible.

Disadvantages sending the questionnaires by fax could for example be that we could not make sure that the person we wanted to answer the questions actually was the one who did it. There was also a greater risk that the person filling out the questionnaire was not answering truthfully, the questionnaire might get lost or the respondent might forget to fill it out. Other drawbacks with questionnaires may be that the respondents do not answer and to remind them would be very time consuming. Interviews offer greater control since it enables you to ensure that the respondent is the one you want it to be.

4.4 Operationalisation

By designing a questionnaire we intended to ask the buying company questions regarding their communication habits related to the different facets; frequency, duration, content, modality and direction. The respondent was asked to answer the same questions regarding their domestic and foreign suppliers. From the answers we hoped to be able to compare how the communication was done with the domestic and foreign suppliers respectively. The respondent did not necessarily need to have both Swedish and foreign suppliers to participate in the survey, since we did not intend to study the situation for the single company. Further on, our intention was to see how the total use of different facets was connected to the level of trust in the buyer-supplier relationship. The level of trust was going to be determined by asking questions related to the buyer’s confidence in its suppliers. The questions on trust were based on previously published material (Ekelund, 2002; Morgan & Hunt, 1994; Zineldin & Jonsson, 2001). When we evolved the questionnaire, we chose to use scale questions to a great extent. In some
questions we used the Likert-style rating scale (Saunders et al., 2003). When using this type of scale, the respondent in the survey was asked to indicate, on a seven-point rating scale, how strongly they agreed or disagreed with a statement.

With the questions one to three we intended to get some background information about the respondents and at the same time make sure that the company was part of our population. In question three we asked the respondent how long he, or she had had the current position as purchasing manager. The reason for this was twofold. First, we wanted to minimise the risk that another person than the purchasing manager answered the questionnaire. Second, we thought that it could affect the answers negatively if the respondent was rather new at the position and had not experienced all possible situations in the relationship.

From question four the respondents were asked to indicate their answers in columns for Swedish and foreign suppliers respectively. Question four was asked in order to establish the length of the relationship. As mentioned earlier, the past affects the current behaviour in a relationship.

Question five was supposed to show how the buyer experienced the relationship with the suppliers. When designing this question we considered the relationship spectrum discussed earlier. The respondents were asked to indicate their answers on a scale from one to seven. One on the scale represented relationships characterised by transactional exchanges and seven on the scale represented relationships characterised by complete collaboration and integration of the supplier.

The remaining questions, from six to fifteen, were asked to test the hypotheses and were related to the different communication facets presented in chapter 3. In question six we asked questions that were related to the communication facets modality, frequency and duration. These three facets were combined into one question in order to facilitate for the respondent to answer the question. Regarding modality, i.e. how the communication is
carried out, we tried to cover all possible alternatives. We also added “other” for those respondents who used other alternatives than those given. The frequency and the duration were measured by asking how often the respondent used each mode of communication and how much time they spent on each occasion. The different alternatives the respondent had to choose from were adapted to suit each mode of communication.

Questions seven to nine were asked to measure the buyer’s opinion on the content, i.e. the quality, of the communication. The respondents were asked to indicate on a scale from one to seven how relevant, timely and reliable (Morgan & Hunt, 1994) they perceived the communication.

With question ten our intention was to measure the direction by asking how often different employees and departments were involved in the communication with the suppliers. The purpose of this question was to see if other people and departments than purchasing were involved in the relationship with the suppliers. Based on the discussion on the Interaction Approach, we believed that this would indicate a relationship closer to collaborative exchanges on the Relationship Spectrum.

Questions eleven to fifteen aimed at getting a picture of the level of trust in the relationship. The questions were designed to cover the characteristics honest, responsible, fair, benevolent, competent and helpful (Morgan & Hunt, 1994). The respondents were asked to indicate on a scale from one to seven to what extent they perceived their supplier to be trustworthy, to keep promises, to oblige to solve conflicts, and to deliver appreciated proposals and/or viewpoints for improvements/changes. A high mark on the scale indicated a higher degree of trust in the relationship except question thirteen where a high mark on the scale indicated distrust.

4.5 Response Rate
The population consisted of 227 companies. As stated above, the questionnaire was send by fax to these companies. After the set time limit a first reminder was made by e-mail to the respondents. Since the response rate
was unsatisfactory after the first reminder, we had to remind the respondents a second time. We decided to telephone all non-respondents. In this way we were in contact with most of the respondents and also had the opportunity to resend the questionnaire on the respondents’ request.

When we summarised the answers we applied the categories used by Saunders et al. (2003). We concluded that a large proportion, i.e. 83 respondents (36.6% of the total population) were ineligible for our research. These respondents consisted of e.g. consultants, distributors and marketing companies. These companies stated that they had no purchasing department or no strategically important suppliers and thus were not suitable to be part of the research population. 9 respondents (4.0% of the total population) could not be located at all due to wrong telephone and fax numbers. In addition no new numbers were registered. 14 respondents (6.2% of the total population) were located but were unable to get in contact with. Out of the total population, 60 respondents (26.4% of the total population) refused to respond. Some reasons given for this were that it was a bad time, close to the end of the year and Christmas when companies have much to do, some were not interested at all to participate. We received 61 usable answers (26.9% of the total population). This is summarised in figure 4.1.

![Figure 4.1 Population categories](image-url)

Figure 4.1 Population categories
When computing the response rate two different models can be used (Saunders et al., 2003). The total response rate excludes the ineligible respondents and in this study the total response rate was 42.4%. The active response rate, which is more common excludes both the ineligible respondents and the respondents that were unable to locate and unable to get in contact with. The active response rate was 50.4%, see the calculations below.

\[
\text{Total response rate} = \frac{61}{227 - 83} = 42.4\%
\]

\[
\text{Active response rate} = \frac{61}{227 - (83 + 23)} = 50.4\%
\]

### 4.6 Analysis of the Nonresponses

As the active response rate was 50.4%, there was a nonresponse rate of 49.6%. This nonresponse rate was calculated as the opposite of the response rate. To be able to determine whether the responses were representative of the total population an analysis of the nonresponses was made. By comparing the number of employees in the group of companies that answered the questionnaire with the companies that did not answer the questionnaire we were able to conclude if the nonresponse companies differed in size from the response companies. The number of employees for the nonresponse companies was found in Företagsfakta’s register. We used the median instead of the mean to compare the size of the companies because of the wide range in the material and the occurrence of outliers. The median size of the response group was 30 employees and the median size of the nonresponse group was 15 employees. In the nonresponse group there were more small companies than there were in the response group. We checked the answers from the group of companies with 12 employees or less (which we set as a measure of a small company) to see if these answers differed from the other companies’ answers. We estimated that there were no differences between the answers. Due to limited time it was not possible to do a more thorough analysis of the nonresponses. But we argue that the analysis gave us reasons
to believe that the nonresponse group did not differ extremely from the response group. Thus, we concluded that it was possible to draw general conclusions for the whole population based on the answers received.

4.7 Analysis of the Material
The collected material was analysed and evaluated in order to find empirical evidences that could support or reject our hypotheses. Since we got 61 useful answers it was not an option to analyse the answers by hand. Instead, we used SPSS, which enabled us to analyse the material in a manageable way and to make useful calculations. Of the total of 61 companies that responded, 21 had only a Swedish or a foreign supplier. These 21 companies were included with the others that had both a Swedish and a foreign supplier. However, to exclude that the answers from the 21 companies differed extremely from the rest of the answers we did a separate significance test of the 21 answers before we included them with the rest of the answers.

When performing the analysis we had to consider the kind of questions that were asked in the questionnaire. All answers could not be analysed in the same way depending on how they were formulated. For example, it was not meaningful to calculate the mean value of the questions concerning communication frequency, duration and modality. In these questions descriptive variables were studied and therefore we looked at the mode, i.e. the value that occurs most frequently. According to Saunders et al. (2003) this is the only measure of central tendency that can be sensibly interpreted for descriptive data. In order to do a significance test for these questions, where qualitative variables were measured, we had to choose a non-parametric test instead of a classical analysis such as a t-test. Among the non-parametric tests the Mann-Whitney test (Aronsson, 1999) was found to be the most suitable. The Mann-Whitney test tests the hypothesis that two samples derive from populations with the same distribution. For other questions where quantifiable variables were studied we calculated the mean value and did a significance test using an independent t-test.
4.8 Reliability
As mentioned in chapter two, reliability is about how well the research method yields the same results on other occasions and if other researchers could reach similar results. That is, the reliability is high if the survey results in the same findings each time it is conducted (Saunders et al., 2003).

The reliability of our survey may be reduced due to contamination of the respondents’ answers, e.g. respondents with not enough knowledge or experience may guess the answers, or the respondents may discuss their answers with others. Since we included a question of how long the respondent had had his, or her, current position as purchasing manager we carefully considered the answers from the respondents who were rather new in their position. Another factor that may have affected the answers could be how the respondents felt the day they answered the questionnaire. Things like stress, mental condition as well as physical condition may have affected the answers. An unclear and an ambiguous question is another threat against reliability. During the pilot test we had some indications of unclear questions, which we corrected before we sent out the final version of the questionnaire. Doing this we not only enhanced the chances of the respondents to answer the questionnaire, we also increased the reliability of the survey (Lekvall & Wahlbin, 1993).

4.9 Validity
Validity is defined as to what degree the findings really measure what they are aimed at measuring and if the findings are about what they appear to be about (Lekvall & Wahlbin, 1993; Saunders et al., 2003).

In this context history is of importance. The buyer may recently have entered into a new relationship and has not yet experienced all possible situations with the supplier. For instance, if everything has moved smoothly since the beginning of the relationship the respondent does not know how any conflicts or issues may be handled. Thus, the respondent cannot answer accurately on these kinds of questions. Moreover, the respondent may not be in the position of judging the right level of trust since the relationship is new. Since we
included a question of how long the relationship had existed we carefully considered the answers from the respondents who had recently entered into a new relationship with the supplier. The external validity is the extent to which the research findings are applicable to other research settings. In our case the results drawn out of the survey is only applicable to the pharmaceutical industry since this is the chosen research setting. Therefore, it is not possible to draw general conclusions about other industries or settings based on facts from this survey alone (Saunders et al., 2003).

4.10 Summary
In this chapter we presented the empirical method used to reach the purpose of this dissertation. Our research strategy was to develop hypotheses, which were empirically tested in a field study. The strategy for this study was to use a survey and distribute questionnaires. As a setting for this field study the Swedish pharmaceutical industry was chosen. The questionnaire was distributed by fax to 227 companies, i.e. the whole population. The active response rate was 50.4% and to conclude whether these answers were representative for the whole population an analysis of the nonresponses was made. The chapter ended with a discussion on this research’s reliability and validity.
5 Results of the Field Study

In this chapter the results of the field study will be presented. Some background results, i.e. the size of the companies and the length of the relationship are presented. The chapter also includes acceptances and rejections of the hypotheses. The dissertation’s two research questions will be answered and the search for further connections will be presented.

5.1 Background Results

Out of the 61 answering companies, 40 had both Swedish and foreign suppliers, 10 had only Swedish suppliers and 11 had only foreign suppliers. Using an independent t-test with a 95% confidence interval there was no statistically significant difference between the responses from the 21 companies that only had Swedish or foreign suppliers and the responses from the companies, which had both Swedish and foreign suppliers. Therefore there was no further reason to analyse these companies separately, i.e. the 21 companies were analysed together with the rest of the companies.

The mean value of the number of employees was 442 and the median value was 30. We are of the opinion that the mean value is misleading in this case because of outliers that occur among the respondents. The smallest companies consisted of only one employee, while the largest company consisted of 13,000 employees. The median value better presents the allocation of the number of employees in the different companies, see table 5.1.

Since our questionnaire was directed to the purchasing manager in each company, it was important to know for how long he or she had had the current position as purchasing manager. Only five respondents (8.2%) had had their current position as purchasing manager for less than one year. We considered employees with a position of less than one year relatively new. They may not have enough knowledge and experience to answer the questions in a representative way. Their answers could therefore be misleading to our result. Although, since only five respondents had had his or her current position for less than one year we did not think that this could
have any effect on the total result and therefore these companies were included.

### Table 5.1 Allocation of employees

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>6</td>
<td>10.0</td>
</tr>
<tr>
<td>6-10</td>
<td>6</td>
<td>10.0</td>
</tr>
<tr>
<td>11-15</td>
<td>10</td>
<td>16.7</td>
</tr>
<tr>
<td>16-20</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>21-30</td>
<td>8</td>
<td>13.3</td>
</tr>
<tr>
<td>31-50</td>
<td>6</td>
<td>10.0</td>
</tr>
<tr>
<td>51-100</td>
<td>7</td>
<td>11.7</td>
</tr>
<tr>
<td>101-300</td>
<td>8</td>
<td>13.3</td>
</tr>
<tr>
<td>301-1000</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>1001-13000</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>missing</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>61</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The mean value regarding the length of the relationship was 9.7 years with the Swedish suppliers and 9.4 years with the foreign suppliers. An independent t-test indicated that there was no statistically significant difference in the length of the relationship between the Swedish and foreign suppliers.

The result of the question regarding the kind of relationship between the buyer and its Swedish and foreign suppliers respectively indicated that there was no statistically significant difference according to an independent t-test. The mean value was 4.6 for the Swedish suppliers and 5.1 for the foreign suppliers on a seven-point scale. The result showed the most common kind of relationship. In this line of business, there was a tendency towards collaborative exchanges.

### 5.2 Hypotheses

In this section the results from the tests of the hypotheses will be presented.
5.2.1 Frequency

Frequency is defined as how often the buyer communicates with its suppliers. We measured the frequency in the communication divided into six different modes of communication. These modes were telephone, e-mail, letter/fax, personal meetings, conferences and trade fairs. To conclude whether the hypothesis should be accepted or rejected the modes were looked at jointly in the comparison between the Swedish and the foreign suppliers.

In the following we will present the frequencies and the p-values for the different modes.

**Table 5.2 Telephone, frequency (%)**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-several times/week</td>
<td>42.0</td>
<td>38.0</td>
</tr>
<tr>
<td>1-2 times/month</td>
<td>38.0</td>
<td>34.0</td>
</tr>
<tr>
<td>every second month</td>
<td>10.0</td>
<td>16.0</td>
</tr>
<tr>
<td>once/quarter</td>
<td>6.0</td>
<td>4.0</td>
</tr>
<tr>
<td>more seldom</td>
<td>4.0</td>
<td>6.0</td>
</tr>
<tr>
<td>not used</td>
<td>0.0</td>
<td>2.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

A high proportion of the respondents used telephone very frequently when communicating with their suppliers. It is also worth noticing that 2% of the respondents did not use telephone at all when communicating with the foreign suppliers (see table 5.2).

**Table 5.3 E-mail, frequency (%)**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-several times/week</td>
<td>38.8</td>
<td>45.1</td>
</tr>
<tr>
<td>1-2 times/month</td>
<td>32.7</td>
<td>39.2</td>
</tr>
<tr>
<td>every second month</td>
<td>8.2</td>
<td>5.9</td>
</tr>
<tr>
<td>once/quarter</td>
<td>6.1</td>
<td>3.9</td>
</tr>
<tr>
<td>more seldom</td>
<td>12.2</td>
<td>3.9</td>
</tr>
<tr>
<td>not used</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The use of e-mail seemed to be more frequent in the communication with the foreign suppliers. This was supported by the fact that 12.2% of the
respondents used e-mail more seldom in the communication with the Swedish suppliers.

**Table 5.4 Letter/fax, frequency (%)**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-several times/week</td>
<td>16.7</td>
<td>20.0</td>
</tr>
<tr>
<td>1-2 times/month</td>
<td>35.4</td>
<td>44.0</td>
</tr>
<tr>
<td>every second month</td>
<td>16.7</td>
<td>6.0</td>
</tr>
<tr>
<td>once/quarter</td>
<td>8.3</td>
<td>22.0</td>
</tr>
<tr>
<td>more seldom</td>
<td>1.7</td>
<td>6.0</td>
</tr>
<tr>
<td>not used</td>
<td>6.3</td>
<td>2.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The frequency in the use of letter and fax was almost as high between the buyer and the Swedish suppliers as between the buyer and the foreign suppliers. However, letter and fax seemed to be used less frequently compared to telephone and e-mail.

**Table 5.5 Personal meetings, frequency (%)**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-several times/week</td>
<td>2.0</td>
<td>0.0</td>
</tr>
<tr>
<td>1-2 times/month</td>
<td>10.2</td>
<td>4.0</td>
</tr>
<tr>
<td>every second month</td>
<td>16.3</td>
<td>4.0</td>
</tr>
<tr>
<td>once/quarter</td>
<td>22.4</td>
<td>18.0</td>
</tr>
<tr>
<td>more seldom</td>
<td>44.9</td>
<td>66.0</td>
</tr>
<tr>
<td>not used</td>
<td>4.1</td>
<td>8.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Personal meetings were considerably more frequent when communicating with the Swedish suppliers. This was also supported by the fact that 66% of the respondents used personal meetings more seldom when communicating with the foreign suppliers and that 8% never used personal meetings in the communication with the foreign suppliers.
Table 5.6 Conference/meeting, frequency (%)

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-several times/week</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>1-2 times/month</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>every second month</td>
<td>2.0</td>
<td>0.0</td>
</tr>
<tr>
<td>once/quarter</td>
<td>12.2</td>
<td>14.0</td>
</tr>
<tr>
<td>more seldom</td>
<td>44.9</td>
<td>42.0</td>
</tr>
<tr>
<td>not used</td>
<td>38.8</td>
<td>42.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Conferences and meetings were used less frequently compared to the other modes presented above, and there seemed to be no large differences between Swedish and foreign suppliers. A large proportion of the respondents (38.8% regarding Swedish suppliers and 42.0% regarding foreign suppliers) did not use conferences and meetings at all when communicating with their suppliers.

Table 5.7 Trade fairs, frequency (%)

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 times/month</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>every second month</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>once/quarter</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>more seldom</td>
<td>36.2</td>
<td>44.0</td>
</tr>
<tr>
<td>not used</td>
<td>61.7</td>
<td>54.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Trade fairs were not used very frequently in the communication with the suppliers, irrespective of whether the suppliers were Swedish or foreign. 61.7% of the respondents did not use trade fairs in the communication with their Swedish suppliers and 54.0% did not use trade fairs in the communication with their foreign suppliers.

Table 5.8 P-value, frequency

<table>
<thead>
<tr>
<th>modes</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>telephone</td>
<td>0.473</td>
</tr>
<tr>
<td>e-mail</td>
<td>0.238</td>
</tr>
<tr>
<td>letter/fax</td>
<td>0.250</td>
</tr>
<tr>
<td>personal meetings</td>
<td>0.006</td>
</tr>
<tr>
<td>conferences/meetings</td>
<td>0.767</td>
</tr>
<tr>
<td>trade fairs</td>
<td>0.461</td>
</tr>
</tbody>
</table>
The hypothesis on frequency was:

\[ H_1: \text{There is in all a higher frequency in the communication between the buyer and its Swedish supplier, than there is between the buyer and its foreign supplier.} \]

In a Mann-Whitney test we tested if there were any significant differences in the frequency, when communicating with the Swedish suppliers compared to when communicating with the foreign suppliers. We used a 95\% confidence interval of the difference and accepted that there were statistically significant differences at \( p<0.05 \). The tests revealed significant differences in the use of personal meetings (see table 5.8). We concluded that companies used personal meetings more frequently when communicating with the Swedish suppliers than when communicating with the foreign suppliers. Since no further statistically significant differences were found we concluded that in all, there is a higher frequency in the communication between the buyer and its Swedish suppliers, than there is between the buyer and its foreign suppliers. *The first hypothesis was accepted.*

### 5.2.2 Duration

Duration is defined as how much time the buyer spends on each occasion of communication with its suppliers. As we did with frequency, we measured the duration divided into the six different modes of communication. To conclude whether the hypothesis should be accepted or rejected the modes were looked at jointly.

In the following we will present the duration and the p-values for the different modes.
Table 5.9 Telephone, duration (%)

<table>
<thead>
<tr>
<th>Duration</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 15 min.</td>
<td>62.2</td>
<td>57.8</td>
</tr>
<tr>
<td>15-30 min.</td>
<td>35.6</td>
<td>40.0</td>
</tr>
<tr>
<td>30 min.-1 hour</td>
<td>2.2</td>
<td>0.0</td>
</tr>
<tr>
<td>more than 1 hour</td>
<td>0.0</td>
<td>2.2</td>
</tr>
<tr>
<td>other</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The duration of telephone communication was not so extensive and no large differences could be observed between Swedish and foreign suppliers. Though, it was worth noticing that 2.2% of the respondent’s telephone communication with their foreign suppliers had a duration of more than one hour.

Table 5.10 E-mail, duration (%)

<table>
<thead>
<tr>
<th>Duration</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 15 min.</td>
<td>90.2</td>
<td>75.0</td>
</tr>
<tr>
<td>15-30 min.</td>
<td>9.8</td>
<td>22.7</td>
</tr>
<tr>
<td>30 min.-1 hour</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>more than 1 hour</td>
<td>0.0</td>
<td>2.3</td>
</tr>
<tr>
<td>other</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The duration of e-mail communication seemed to be shorter when communicating with the Swedish suppliers than when communicating with the foreign suppliers. The duration of e-mail communication was in all shorter than the telephone communication.

Table 5.11 letter/fax, duration (%)

<table>
<thead>
<tr>
<th>Duration</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 15 min.</td>
<td>78.4</td>
<td>69.0</td>
</tr>
<tr>
<td>15-30 min.</td>
<td>16.2</td>
<td>21.4</td>
</tr>
<tr>
<td>30 min.-1 hour</td>
<td>5.4</td>
<td>7.1</td>
</tr>
<tr>
<td>more than 1 hour</td>
<td>0.0</td>
<td>2.4</td>
</tr>
<tr>
<td>other</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The same tendency was found in the duration of letter and fax as was found in the duration of e-mail. The duration of letter and fax seemed to be shorter
when communicating with the Swedish suppliers than when communicating with the foreign suppliers.

**Table 5.12 Personal meetings, duration (%)**

<table>
<thead>
<tr>
<th>Duration</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 15 min.</td>
<td>2.4</td>
<td>4.9</td>
</tr>
<tr>
<td>15-30 min.</td>
<td>9.5</td>
<td>0.0</td>
</tr>
<tr>
<td>30 min.-1 hour</td>
<td>21.4</td>
<td>2.4</td>
</tr>
<tr>
<td>more than 1 hour</td>
<td>28.6</td>
<td>17.1</td>
</tr>
<tr>
<td>½ day</td>
<td>26.2</td>
<td>29.3</td>
</tr>
<tr>
<td>1 day</td>
<td>11.9</td>
<td>39.0</td>
</tr>
<tr>
<td>other</td>
<td>0.0</td>
<td>7.3</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The duration of personal meetings revealed rather large differences between Swedish and foreign suppliers. A large proportion of the personal meetings had a duration of less than one hour when communicating with the Swedish suppliers. But on the other hand in the communication with the foreign suppliers a large proportion of the personal meetings had a duration of one day.

**Table 5.13 Conferences/meetings, duration (%)**

<table>
<thead>
<tr>
<th>Duration</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 min.-1 hour</td>
<td>12.0</td>
<td>3.8</td>
</tr>
<tr>
<td>more than 1 hour</td>
<td>24.0</td>
<td>7.7</td>
</tr>
<tr>
<td>½ day</td>
<td>32.0</td>
<td>23.1</td>
</tr>
<tr>
<td>1 day</td>
<td>32.0</td>
<td>50.0</td>
</tr>
<tr>
<td>other</td>
<td>0.0</td>
<td>15.4</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The same tendency was seen in the duration of conferences and meetings as was seen in the duration of personal meetings. There seemed to be a shorter duration of the communication between the buyer and the Swedish suppliers than there was between the buyer and the foreign suppliers. 50% of the respondents answered that they spent one day communicating with their foreign suppliers on conferences and meetings. Only 32% of the respondents spent one day communicating with their Swedish suppliers.
Table 5.14 Trade fairs, duration (%)

<table>
<thead>
<tr>
<th>Duration</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 1 hour</td>
<td>23.5</td>
<td>25.0</td>
</tr>
<tr>
<td>more than 1 hour</td>
<td>17.6</td>
<td>16.7</td>
</tr>
<tr>
<td>½ day</td>
<td>11.8</td>
<td>12.5</td>
</tr>
<tr>
<td>1 day</td>
<td>23.5</td>
<td>16.7</td>
</tr>
<tr>
<td>other</td>
<td>23.5</td>
<td>29.2</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The duration of trade fairs showed no obvious differences. As stated above, trade fairs were not used so frequently in the communication with the suppliers and thus the response rate for this question was not as high as for the other questions on duration.

Table 5.15 P-value, duration

<table>
<thead>
<tr>
<th>modes</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>telephone</td>
<td>0.674</td>
</tr>
<tr>
<td>e-mail</td>
<td>0.063</td>
</tr>
<tr>
<td>letter/fax</td>
<td>0.331</td>
</tr>
<tr>
<td>personal meetings</td>
<td>0.000</td>
</tr>
<tr>
<td>conferences/meetings</td>
<td>0.006</td>
</tr>
<tr>
<td>trade fairs</td>
<td>0.935</td>
</tr>
</tbody>
</table>

The hypothesis on duration was:

\[ H_2: \text{The duration of communication is shorter between the buyer and its Swedish supplier, than it is between the buyer and its foreign supplier.} \]

We used the Mann-Whitney test to see if there were any statistically significant differences in the duration of the communication when communicating with the Swedish suppliers compared to when communicating with the foreign suppliers. We used a 95% confidence interval of the difference and accepted that there were statistically significant differences at \( p<0.05 \). The tests revealed statistically significant differences in the duration of personal meetings and in the duration of conferences (see table 5.15). We concluded that when using personal meetings and conferences the duration of the communication is shorter when communicating with the Swedish suppliers than when communicating with
the foreign suppliers. No further statistically significant differences were found so we concluded that in all, there is a shorter duration in the communication between the buyer and its Swedish suppliers, than there is between the buyer and its foreign suppliers. *The second hypothesis was accepted.*

### 5.2.3 Content

The content of communication, i.e. how relevant, timely and reliable the information from the suppliers was perceived by the buyer, was measured on a seven-point scale. The scale ranged from strongly disagreeing to strongly agreeing that the information was relevant, timely and reliable. Below the means of content are presented both regarding the communication with the Swedish suppliers and the foreign suppliers.

#### Table 5.16 Content (mean value)

<table>
<thead>
<tr>
<th>Content</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>relevant</td>
<td>5.60</td>
<td>5.74</td>
</tr>
<tr>
<td>timely</td>
<td>5.26</td>
<td>5.06</td>
</tr>
<tr>
<td>reliable</td>
<td>5.76</td>
<td>5.60</td>
</tr>
</tbody>
</table>

The mean values of the content showed no large differences. In all, the buyer agreed that the information from the suppliers, irrespective whether it was a Swedish or a foreign supplier, was relevant, timely and reliable. The means of content were over five on a seven-point scale.

#### Table 5.17 P-value, content

<table>
<thead>
<tr>
<th></th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>relevant</td>
<td>0.544</td>
</tr>
<tr>
<td>timely</td>
<td>0.477</td>
</tr>
<tr>
<td>reliable</td>
<td>0.524</td>
</tr>
</tbody>
</table>

The hypothesis on content was:

$$H_3: \text{There are no differences in the content of communication between the buyer and its Swedish and foreign suppliers.}$$
We used an independent t-test to conclude whether there were any differences in content of the communication between the buyer and its Swedish and foreign suppliers respectively. The test revealed no statistically significant differences (see table 5.17) and we concluded that there are no differences in the content of communication between the buyer and the Swedish and foreign suppliers. The third hypothesis was accepted.

5.2.4 Modality

The differences in the modality of the communication, i.e. the method used to transmit information, was analysed through a comparison of the methods used to communicate with Swedish and foreign suppliers. The different modes that we expected the companies to use were defined as alternatives in the questionnaire. These modes were telephone, e-mail, letter/fax, personal meetings, conferences and trade fairs.

The hypothesis on modality was:

$$H_4: \text{There are no differences in the modality of communication between the buyer and its Swedish and foreign suppliers.}$$

All the expected modes were represented in the communication with both the Swedish and the foreign suppliers. In the questionnaire the respondents were also asked to state if they used any additional mode when communicating with their suppliers. Only two respondents stated the use of additional modes. They were both related to the Internet and concerned information, ordering etc. via a homepage. Since only two respondents stated the use of Internet as an additional mode we concluded that no further analysis was meaningful. The lack of statements of additional modes could be explained by the open-ended question. Respondents are generally more reluctant to answer this type of question. However, we believe that the modes included in the question covered the most common modes of communication. Thus, we concluded that there are no differences in the modality of communication between the buyer and its Swedish and foreign suppliers. The fourth hypothesis was accepted.
5.2.5 Direction

We measured the direction of the communication, i.e. what levels in the buying company were involved in the communication with the suppliers, on a seven-point scale. The scale ranged from never involved to very often involved in the communication. Means for the different levels in the buying company were calculated and are presented below.

<table>
<thead>
<tr>
<th>Direction</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>managing director</td>
<td>2.40</td>
<td>3.50</td>
</tr>
<tr>
<td>purchasing manager</td>
<td>5.50</td>
<td>5.71</td>
</tr>
<tr>
<td>other person in the purchasing department</td>
<td>3.97</td>
<td>3.82</td>
</tr>
<tr>
<td>personnel from R&amp;D</td>
<td>3.42</td>
<td>3.73</td>
</tr>
<tr>
<td>personnel from marketing department</td>
<td>2.47</td>
<td>3.11</td>
</tr>
<tr>
<td>personnel from other department</td>
<td>2.74</td>
<td>2.67</td>
</tr>
</tbody>
</table>

The means on direction revealed that the purchasing manager was most often involved in the communication with the suppliers. Also other persons in the purchasing department were rather often involved in the communication. All the levels were involved to some extent. No large differences could be seen between Swedish and foreign suppliers, except in the involvement of the managing director. The managing director was more often involved in the communication with the foreign suppliers than in the communication with the Swedish suppliers.

The hypothesis on direction was:

H₅: There are no differences in the direction of communication between the buyer and its Swedish and foreign suppliers.
To conclude whether the hypothesis should be accepted or rejected we analysed whether different levels in the company were involved in the communication with the Swedish and foreign suppliers respectively. In the questionnaire we stated levels that we expected to be involved in the communication. All the expected levels were involved in the communication with both the Swedish and the foreign suppliers. We concluded that there are no differences in the direction of communication between the buyer and its Swedish and foreign suppliers. The fifth hypothesis was accepted.

Table 5.19 P-value, direction

<table>
<thead>
<tr>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>managing director</td>
</tr>
<tr>
<td>purchasing manager</td>
</tr>
<tr>
<td>other person in the purchasing department</td>
</tr>
<tr>
<td>personnel from R&amp;D</td>
</tr>
<tr>
<td>personnel from marketing department</td>
</tr>
<tr>
<td>personnel from other department</td>
</tr>
</tbody>
</table>

When further analysing the direction of communication we saw that there were differences in how frequent different levels were involved in the communication with Swedish and foreign suppliers respectively. We used the independent t-test to determine whether these differences were statistically significant. We used a 95% confidence interval of the difference and accepted that there were statistically significant differences at p<0.05. The t-test showed that there was a statistically significant difference in how often the managing director was involved in the communication (see table 5.19). We concluded that the managing director was more often involved in the communication with the foreign suppliers than in the communication with the Swedish suppliers. No further statistically significant differences were found.

5.2.6 Trust
The degree of trust in the relationship was measured with five questions in the questionnaire. Four of the questions dealt with whether the suppliers were perceived to be trustworthy, if the suppliers kept promises, if the suppliers obliged to solve conflicts and if the suppliers had proposals and/or viewpoints for improvements/changes that the buyer appreciated. This was
measured on a one to seven grade scale. The scale ranged from strongly disagreeing to strongly agreeing that the perception of the suppliers were positive. In the fifth question the degree of distrust was measured. The question was whether the buyer perceived that the suppliers hid information. This was also measured on a one to seven grade scale and the scale ranged from strongly disagreeing to strongly agreeing that the suppliers hid information. Means for the different questions are presented below. The high means on the four questions on trust are confirmed by the low mean on the question on distrust.

**Table 5.20 Trust (mean value)**

<table>
<thead>
<tr>
<th>Trust</th>
<th>Swedish supplier</th>
<th>Foreign supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>trustworthy</td>
<td>5.82</td>
<td>5.80</td>
</tr>
<tr>
<td>keep promises</td>
<td>5.52</td>
<td>5.52</td>
</tr>
<tr>
<td>hide information</td>
<td>2.04</td>
<td>2.33</td>
</tr>
<tr>
<td>obliging to solve conflicts</td>
<td>5.86</td>
<td>5.84</td>
</tr>
<tr>
<td>appreciate proposals</td>
<td>5.81</td>
<td>6.08</td>
</tr>
</tbody>
</table>

The means on trust showed no large differences between Swedish and foreign suppliers. The buyer agreed that the suppliers were trustworthy, that they kept promises, obliged to solve conflicts and had proposals and/or ideas for improvements/changes that the buyer appreciated. All the means for these qualities were high, almost all were close to six on the seven-point scale. The question whether the buyer perceived the suppliers to hide information confirmed the high level of trust the buyer had in the relationship. This mean was on the lower end of the scale. The degree of trust can be assumed to be high between the buyer and its strategically important suppliers. If the suppliers are not considered to be strategically important, a quality such as trustworthiness may not be valued as high as if the suppliers are strategically important.
The hypothesis on trust was:

\[ H_6: \text{There is a higher degree of trust between the buyer and its Swedish supplier than there is between the buyer and its foreign supplier.} \]

The independent t-test was used to analyse whether there were any statistically significant differences in trust between the buyer and the Swedish and foreign suppliers respectively. We used a 95% confidence interval of the difference and accepted that there were statistically significant differences at \( p<0.05 \). We concluded that there are no statistically significant differences in the degree of trust between the buyer and its Swedish and foreign suppliers (see table 5.21). \textit{The sixth hypothesis was rejected.}

### 5.3 Answer to the First Research Question

The first research question in this dissertation was:

- What are the differences and similarities in the elements of communication, and what are the differences and similarities in the level of trust between the buyer and its domestic and foreign suppliers respectively?

This question can now be answered based on the results of the field study. There were some differences in the elements of communication between the buyer and its domestic and foreign suppliers respectively, but in all there were more similarities. The differences that were found concerned the frequency, where there was a higher frequency when communicating with the Swedish suppliers, and the duration where there was a shorter duration when communicating with the Swedish suppliers. In the other elements of
communication, i.e. content, modality and direction, and also in the level of trust no differences were found and thus these must be seen as similar regardless of whether the suppliers are Swedish or foreign.

### 5.4 Answer to the Second Research Question

The second research question in this dissertation was:

- Do the differences and similarities in the elements of communication have any connections to the level of trust in the buyer’s relationship with its domestic and foreign suppliers respectively?

As stated before, communication positively affects trust in accordance with e.g. the KMV-model. Nothing in our research indicates that the differences in the elements of communication are connected to the level of trust. The similarities in the elements of communication may have a connection to the rather equal level of trust between the buyer and its Swedish and foreign suppliers. However, it is not possible within the scope of this dissertation to further determine the degree of the similarities’ influence on the level of trust. Further research will have to be done to be able to determine this.

### 5.5 Further Connections

In addition to the tests accounted for above, we tried to see if there existed other connections. Through a scatter graph we tested to see if there was any linear connection between the length of the relationship and trust (i.e. trustworthy, keep promises, hide information, obliging to solve conflicts, appreciate proposals). The test showed that there existed no linear connection. Thus, there was no reason to do a regression analysis or any further analysis.

### 5.6 Summary

In this chapter the results of our research was presented. The analysis of the background material showed that the material ranged widely concerning the size of the companies. Thus, we argued that the median was a better value to describe the responding companies. The median value for the responding companies was 30 employees. The analysis did not reveal any differences in
either the length of the relationship or the relationship characteristics. Further the tests of the hypotheses were described and we accepted the first five hypotheses regarding the communication facets. There were no differences in the level of trust and therefore the hypothesis on trust was rejected. We concluded that there were some differences in the elements of communication but this did not seem to affect the level of trust regardless whether the suppliers were Swedish or foreign.
6 Inference

We will here present our conclusions and relate them to previously presented theories. The characteristics of the Swedish pharmaceutical industry seem to make the location of the supplier less important. Thus, we draw the conclusion that it is not the fact that the supplier is Swedish or foreign that determines the kind of relationship. Furthermore, the results showed that the differences in the communication elements do not affect the level of trust in the relationship. Instead, it could be that different communication elements have the ability to compensate each other. Implications for organisations are presented as well as suggestions for further research.

6.1 The Kind of Relationship

According to the results of this survey the buyer experiences the same kind of relationship with its Swedish and its foreign suppliers. That is, the results pointed at collaborative exchange relationships on the relationship spectrum. The existence of these kinds of relationships may have several reasons. The pharmaceutical industry is a research-intensive industry with large investment costs. This has presumably fostered long-term relationships with cooperative planning and high interdependence. Furthermore, Sweden has a long tradition within the pharmaceutical industry. This can be related to the argument by Ford et al. (2003) which state that the past as well as the future affect the current behaviour in the relationship (see section 1.2). Thus, the long tradition of the industry may have favoured the development of long-term collaborative relationships. Considering that the industry also consists of many small companies that have emerged out of a few large multinational corporations has probably created a well-established network among the companies. Therefore, we state that the characteristics of the Swedish pharmaceutical industry seem to make the location of the supplier less important. Thus, the location of the supplier does not determine the kind of relationship between the buyer and its supplier.
6.2 Frequency
The results of frequency showed that the buyer used more personal meetings when communicating with its Swedish suppliers. The purpose of this survey was to find out if there were any differences or similarities in the communication, but not what caused these differences or similarities. Therefore, it is not possible to determine the reason why personal meetings were used more often in the communication with the Swedish suppliers. However, we think that the amount of resources, i.e. time and money, will determine the frequency to a certain extent. During the interviews we also got the impression that personal meetings were appreciated and considered to be quite important. As a result, we state that the buyer uses more personal meetings to communicate with its Swedish suppliers than in the communication with its foreign suppliers.

6.3 Duration
The duration of personal meetings and conferences was found to be shorter in the communication with the Swedish suppliers than it was in the communication with the foreign suppliers. That is, the buyer spends more time on each occasion when he meets his foreign suppliers through personal meetings and conferences. The reason for this may be that travel distances, as well as time and money make it more worthwhile to meet for a longer time with the foreign suppliers. According to the results we can therefore state that the duration of communication in personal meetings and conferences are shorter when the buyer communicates with its Swedish suppliers, than it is when he communicates with its foreign suppliers.

6.4 Content
The buyer experienced a similar level of content in the communication with its Swedish suppliers as he did with its foreign suppliers. Furthermore, the t-test confirmed that there was no statistically significant difference. There may be several reasons for this. As mentioned before we think that due to increased internationalisation, more common ways of doing business and the technological standard of today the prerequisites for relevant, timely and reliable information exchange ought to be rather equal regardless of where
the buyer and the supplier are located. The result of this question may also be due to the fact that the respondents were asked to choose strategically important suppliers. The chances of information exchange being perceived as more relevant, timely and reliable are presumably higher when communicating with strategically important suppliers, than it would be in a relationship with less important suppliers. Also, the type of relationship may also affect how the buyer perceives the content in the information exchange. That is, a relationship characterised by transactional exchanges where the actors are not highly involved in the relationship may have generated a lower level of content. As mentioned in section 3.6.2, the absence of trust may affect communication negatively (Zineldin & Jonsson, 2001). Since the level of trust was rather high to both the Swedish and the foreign suppliers, this can explain the buyer’s similar perception of the level of content. However, due to the results we state that the buyer experiences a similar level of content in the communication with both its Swedish and foreign suppliers.

6.5 Modality
All kinds of communication modes, i.e. telephone, e-mail, letter/fax, personal meetings, conferences and trade fairs, were represented in the communication with both the Swedish and the foreign suppliers. Therefore, we state that the buyer uses the same modes of communication with its Swedish suppliers as with its foreign suppliers. A further development of the results of this question may be to categorise the different modes into formal and informal communication. Based on the theory by Mohr and Nevin (1990) and our own assumptions we consider telephone, e-mail, personal meetings, and trade fairs to be informal modes, while letter/fax and conferences may be formal modes. However, informal modes may also be formal depending on the situation of communication. Consequently, formal modes may be informal. When comparing each mode of communication according to their frequency, informal modes were used the most both in the communication with the Swedish and the foreign suppliers.
6.6 Direction
The results of direction showed that all the represented levels stated in the questionnaire were involved in the communication with both the Swedish and the foreign suppliers. This can be related to the type of relationship that exists between the buyer and the supplier. As described in the Interaction Approach (the IMP Group, 1982, see section 3.2) a relationship of a collaborative kind will generally involve several departments and persons in the communication with the supplier. Concerning the direction of communication we therefore state that there is no differences in the direction of communication between the buyer and its Swedish and foreign suppliers. Further analysis concluded that the managing director was more often involved in the communication with the foreign suppliers than in the communication with the Swedish suppliers. In this context the amount of small companies (with less than twelve employees) must be considered. There was a slightly larger amount of small companies with only foreign suppliers, in comparison to small companies with only Swedish suppliers. This may have affected the results since the managing director in a small company usually has several different tasks. This may include the communication with suppliers. Furthermore, we do not know which departments were represented in the companies. As an example, if no R&D department is represented it cannot be involved in the communication with the supplier. Another explanation of why the managing director is involved more often in the communication with the foreign suppliers may be due to culture differences, e.g. that the foreign suppliers prefers to communicate with the managing director.

6.7 Trust
The buyer experienced the same level of trust with both its Swedish and foreign suppliers. That is, the differences that were found in the communication elements do not affect the level of trust in the relationships. As mentioned in chapter three Zineldin and Jonsson (2001) state that different types of actions will generate trust, e.g. communication, the degree of cooperation, and the length of the relationship. Thus, communication can be expected to contribute to the level of trust among the respondents, but there were no differences in the level of trust towards the Swedish suppliers
compared with the foreign suppliers. As mentioned before (see section 5.4) it is not possible within the scope of this dissertation to determine the degree of the similarities’ influence on the level of trust. The level of trust may also be related to the kind of relationship, i.e. collaborative exchange relationships, in which the level of trust is presumably high. On average, the length of the relationships was more than nine years with both the Swedish and the foreign suppliers. The level of trust may therefore also be a result of long-term and well-established kinds of relationships. Considering the results and the discussion above we state that the buyer experiences no differences in the level of trust, which can be derived from the communication elements, in the relationship with its Swedish suppliers compared with its foreign suppliers.

6.8 Summary of the Results
The results of this survey showed that:

- The characteristics of the Swedish pharmaceutical industry seem to make the nationality of the supplier less important. Thus, the nationality, or the location, of the supplier does not determine the kind of relationship between the buyer and its supplier.
- The buyer uses more personal meetings to communicate with its Swedish suppliers than in the communication with its foreign suppliers.
- The duration of communication in personal meetings and conferences is shorter when the buyer communicates with its Swedish suppliers than when the buyer communicates with its foreign suppliers.
- The buyer experiences a similar level of content in the communication with its Swedish suppliers as with its foreign suppliers.
- The buyer uses the same modes of communication with both its Swedish and foreign suppliers.
- There are no differences in the direction of communication between the buyer and its Swedish and foreign suppliers. However, further analysis concluded that the managing director was more often
involved in the communication with the foreign suppliers than in the communication with the Swedish suppliers.

- The buyer experiences no differences in the level of trust, which can be derived from the communication elements, in the relationship with its Swedish suppliers, compared with its foreign suppliers.

From these results we draw the conclusion that even if some differences in the communication elements between the buyer and its Swedish and foreign suppliers have been found, these differences do not affect the level of trust in the relationship. It could be that different communication elements have the ability to compensate each other. For instance, the communication between the buyer and its foreign suppliers was characterised by a lower frequency in personal meetings, but a higher duration. Thus, the low frequency may be compensated by a higher duration and will yield the same level of trust as with the Swedish suppliers. Since different communication elements seem to have the ability to compensate each other, communication does not consist of several elements working in isolation. Instead, communication is a gathering of elements working as an entirety.

6.9 Interpreting the Results According to the KMV Model

The purpose of this survey was not to settle the communication’s position in the KMV model rather we aimed at making clear the different elements of communication and how they are connected to the level of trust in the buyer-supplier relationship. The results showed some differences in the communication elements between the buyer and its Swedish and foreign suppliers, but these differences were not connected to the level of trust. The buyer experienced both the Swedish and the foreign suppliers to be trustworthy, to keep promises, not to hide information, oblige to solve conflicts and to suggest appreciated proposals. By settling communication as an entirety this survey has confirmed communication in the KMV model as one single precursor. Thus, communication should be considered as a unit and not as several different elements working in isolation.
6.10 Interpreting the Results According to the Model by Mohr and Nevin

The results showed a tendency towards collaborative exchange relationships on the relationship spectrum and high levels of trust between the buyer and both its Swedish and foreign suppliers. This can also be related to the model presented by Mohr and Nevin (see table 3.1).

According to the results there was a rather high frequency of communication between the buyer and both its Swedish and its foreign suppliers. The definition of direction by Mohr and Nevin can be applied to both inter- and intraorganisational contexts. The results of direction showed that several levels, or departments and persons in the buying company were involved in the communication. Thus, the communication can be said to be bidirectional. Regarding content, this survey did not include what was being discussed in the communication. Therefore we cannot say for sure that the content is more indirect, but the model of Mohr and Nevin predicts that when trust is high the content is usually more indirect. The model also states that it is most likely that a higher frequency depends on more relevant information. The modality in the survey showed that both formal and informal modes of communication were used. However, the model states that since the actors in a relational structure, i.e. collaborative exchange relationships, are more closely linked and trust is generally high, communication is presumably more informal. Even if the survey showed that personal meetings are used more often in the communication with the Swedish suppliers, other informal modes like telephone and e-mail are used almost to the same extent in the communication with the Swedish and the foreign suppliers. Therefore, we can say that in all, informal modes are used more in the communication with the suppliers.

The combination of the different communication facets with a relational structure and a supportive climate in the pharmaceutical industry indicates the use of “collaborative communication strategy” according to the model by Mohr and Nevin.
6.11 Implications for Organisations
We have defined differences and similarities in the communication between the buyer and its Swedish and foreign suppliers respectively, within the pharmaceutical industry. Furthermore, we have also showed that the existing differences do not affect the level of trust in the buyer-supplier relationship. Even so, an awareness of the different combinations of communication elements is of major importance in order to achieve favourable relationship outcomes. The fact that different communication elements seem to compensate each other makes it important for organisations and managers to be aware of the impact of these elements in combination with the type of relationship. For example, personal meetings with foreign suppliers may require longer time on each occasion in order to reach the same outcomes as with Swedish suppliers. Thus, it is important to be aware of which communication strategy matches the structure or the climate in the relationship. In that way organisations can reach more favourable relationship outcomes.

6.12 Further Research
After conducting this survey we see possibilities for further research within the buyer-supplier relationship.

- What does the information transmitted between the buyer and the supplier contain of?
- The importance of other precursors, according to the KMV model, and their effect on the level of trust within the pharmaceutical industry.
- To find out differences and similarities of communication in other industries.

6.12.1 What does the information transmitted between the buyer and the supplier contain of?
A study of what is actually communicated would be of interest to better determine the content of the information exchange between the buyer and the supplier. This could be done within the pharmaceutical industry or within
another industry. The results could then be related to whom, or what department, is involved in the communication with the suppliers.

6.12.2 The importance of other precursors, according to the KMV model
This survey does only consider the precursor communication within the pharmaceutical industry. We think that a more precise picture of the impact of the different precursors (i.e., relationship termination costs, relationship benefits, shared values and opportunistic behaviour) to the level of trust in the industry would be of interest.

6.12.3 Differences and similarities of communication in other industries
Since this survey only focuses on the pharmaceutical industry it is not possible to draw general conclusions about other industries. Therefore it would be interesting to conduct a similar survey in other industries. In that way differences between industries could be determined.

6.13 The Authors’ Reflections
During the work with this dissertation certain observations and reflections have been made. Most important, we are grateful for the kind treatment from the respondents. Several respondents showed a genuine interest in our work and were eager to contribute with their answers. Without their participation this dissertation would have been impossible. By using the pharmaceutical industry as a setting for our dissertation we also got an insight in the industry. Our prior knowledge about the industry was scarce and we had not had any contact with pharmaceutical companies before our work began. By the end of our dissertation work we have now gained valuable knowledge about the second fastest growing industrial sector in Sweden. Furthermore, the decision to distribute the questionnaires by fax proved to be rather successful considering the response rate. Even if our first intention was to use e-mail, the response rate proved that fax can be just as useful, at least in this setting. Some things could also have been done differently. As an example, it would have been interesting to include a question about the location of the foreign suppliers. In that way it would have been possible to distinguish differences
in the communication related to the nationality of the suppliers. Limitations
that we have been forced to do due to limited resources as well as limitations
due to insufficient knowledge may have restrained the significance of this
dissertation.

6.14 Summary
In this chapter conclusions were drawn out of the results of the survey. It was
concluded that even if some differences in the communication between the
buyer and its Swedish and foreign suppliers have been found, these
differences do not affect the level of trust in the relationship. Instead, it could
be that different communication elements have the ability to compensate each
other. That is, communication does not consist of several elements working
in isolation. Instead, it is a gathering of elements working as an entirety.
Organisations and managers need to be aware of the impact of the
communication elements in combination with the type of relationship, i.e.
which communication strategy that matches the structure or the climate in the
relationship. In that way organisations can reach more favourable relationship
outcomes. An interpretation of the results according to the KMV model
(Morgan & Hunt, 1994) and the model by Mohr and Nevin (1990) was also
presented.
Bibliography


Date of Access: December 8, 2003.

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