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**MASTEROPPGAVE**

**“Cultural impact on trust-building process between Norwegian and  
Pakistani importers/exporters (traders)”**

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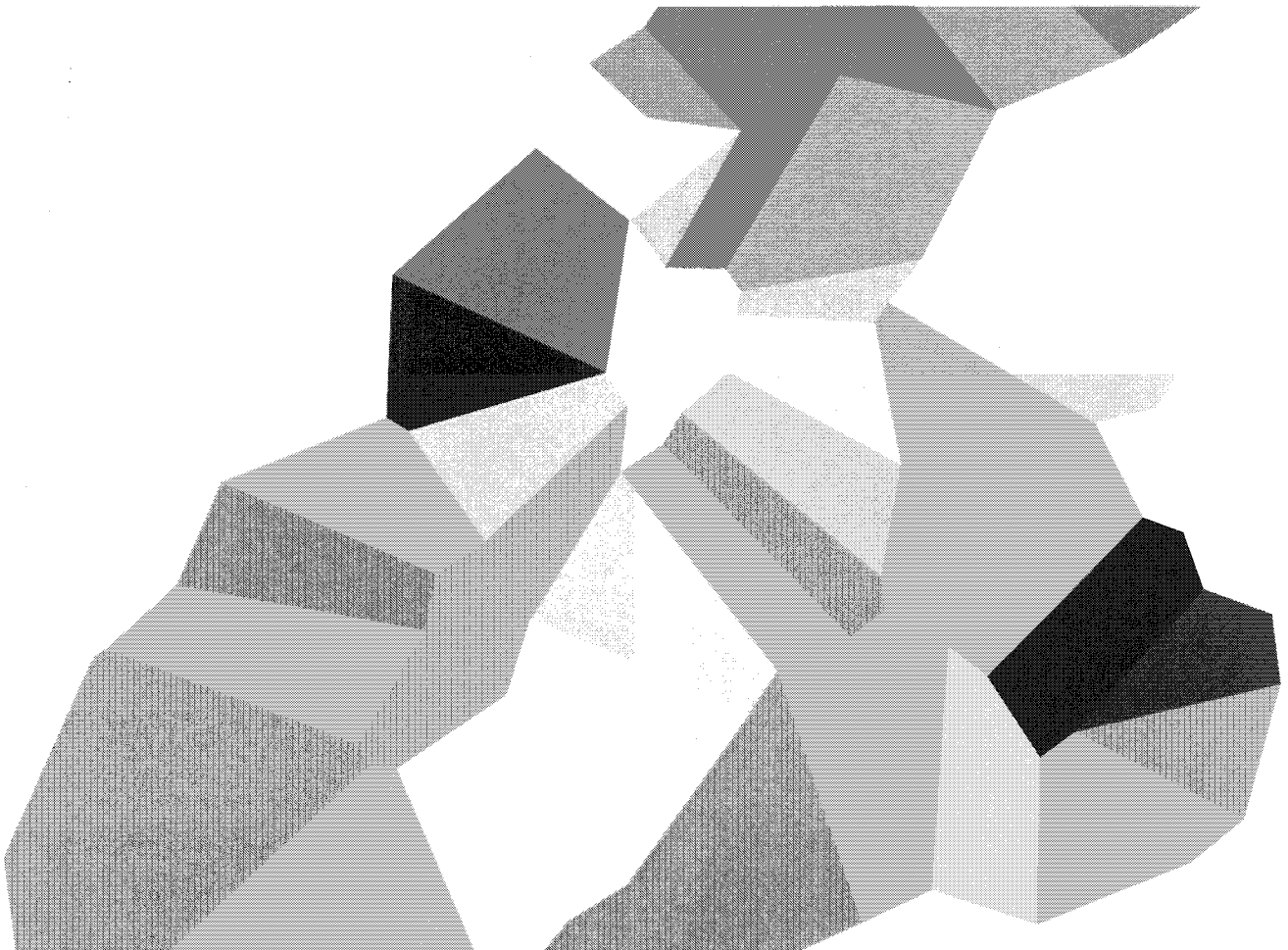
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## *Abstract*

### **Aim of Research**

Trust and culture has obtained reasonable importance and attention in the field of international business. Increasing intensity of global trade market has highlighted culture and trust as two dependent variables which have special influence in cross cultural business relations. In the context of cross cultural business relations, there is a need to understand how trust develops in business relations. It has been overviewed that cultural norms, values and behavioral assumptions are determinant of trust building process among importers and exporters of two different regions. Theory has derived six processes of building trust between importers and exporters which are calculative, capability, transference, intentionality, prediction and institutional process of trust. In cross cultural business relations cultural values, norms and actions can impact on one or more of such trust building processes. Our aim is to identify impact of culture on trust building process between importers and exporters of Norway and Pakistan. The finding will be tried to answer the research question, **to what extent culture has an impact on trust building process between importers and exporters of Norway and Pakistan?**

The focus will be to identify the specific trust building processes which are affected by different cultural values, norms and actions of importers and exporters of Norway and Pakistan. The impact will be seen in accordance to build propositions and examine such propositions with effect from empirical findings.

### **Approach and Method**

In this research, a qualitative approach has been used to analyze and interpret the information provided in literature and information which is collected with the mean of case studies of Norwegian Importers. A focused interview is designed and used as a main tool of our research methodology.

The research has been divided into six parts. The first part contains information about introducing research problem, background and need of proposed research. Second part contains definitions and explanation of the concepts used in this research including a conceptual model and description about all the necessary literature we need for designing propositions and empirical

research analysis. Third part contains defining proposed methods and tools with explanations. Fourth part consists of empirical findings and its analysis. Three case studies are discussed and analyzed in this part. Fifth part is about conclusion and sixth part states the future implication of our research as base for further research and development.

### **Results and Findings**

Research analysis is compressed with information provided by literature and our propositions. The findings are overlapping. There is a huge distance between cultural norms, values and actions of importers and exporters of Norway and Pakistan. Such distance does not highly correspond in order to build trust between importers and exporters of these countries. There are certain processes which have high impact of culture as compare to others. These processes are defined and expressed in-detail during case analysis. At the end, a conclusion has been drawn with the respective statements by literature, empirical findings and examination results of our propositions. The present study defines the impact of culture on trust building process between importers and exporters of Norway and Pakistan.

### **Key words**

Culture, Trust Building Process, Importers, Exporters, Norway, Pakistan, Cultural Distance etc

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## 1. Introduction and Background

The concept of globalization has been increasing gradually and emerging economies are rapidly growing business activities worldwide. International firms are expanding their business in different multicultural environments and exploring new ways to reduce cost by producing or importing their products and services from low cost of production countries. Different geographical markets have different context of culture and such difference in context motivates firms to put their efforts in order to understand cultural impact and its importance for their business relations.

In order to meet 21<sup>st</sup> century business and marketing challenges, firms are required to establish long term business relations which could reduce their transactional costs based on entering into new contracts by time to time. Such intentions are based on the development of a concept “trust” between international trading partners. The process to build trust between business partners across national borders demands understanding and following their cultural norms, values and behaviors in order to strength their business relations. Therefore culture and its impact on trust building process is interested to work on and follow necessary directions which assist in building trust factor between firms to go global.

There are many findings which describe trust factor as an important element to consider while growing business activities across national borders. Trust is essential between two cross-cultural business partners which are affected by their local cultures. Trust is always valued and considered to enhance competitive advantage and reduction in transaction costs in many uncertain environments. According to Dwyer, Schurr and Oh (1987), in international competitive environment, many firms are building long-term relationships with their cross cultural business partners characterized by their levels of trust. National culture and its impact on trading activities has become matter of attraction for many researchers in the field of international business. Therefore, our study aims to provide an overview on **cultural impact on trust building process between importers and exporters of two different regions** i.e. Norway and Pakistan.

Our research particularly focuses on two geographical business markets which are different in terms of domestic and national culture are Norway and Pakistan. In order to understand cultural

impact on trust building process between importers and exporters of Norway and Pakistan a general explanation of their business culture is enlightened as follow:

#### Norwegian Business Culture

According to Lothar katz 2007, Norwegian people especially young businessman rely on building international trade relations with people coming from other countries. The country is quite homogenous in matters of culture and ethnicity. Norwegian culture for trade agreements do not rely on personal or business relationships however a majority of trading firms deal with their partners on the basis of trust. Unless past business transactions are made on successful bases, Norwegian traders and consistently slow moving and appearing reserve to new entrants. Once the trust has been build, long term business relations can be established with Norwegian traders (Lothar Katz 2007). Lothar katz 2007 states that Norwegian Business relations are company based as well as personal based. If a firm replace an employee who have developed a trade relation with Norwegian firm, the firm will easily adopt one's replacement and precede their business relations. This does not correspond to the idea of irresponsiveness of Norwegian traders toward the personal attachment of business partners.

Norwegian communication is more formal and cleared in terms of negotiations of business transactions. The officials do not hesitate to say no in terms of a non appealing business proposal from partners. The statements and messages are cleared and designed to avoid any kind of future conflict between business partners.

Norwegian negotiations are usually considered problem solving process. The buyer and seller has equal responsibilities which attract international firms to consider opportunities and build long term relationships. The prices are considered as a comparison to quality. Low marginal price offer may put good impression on offering company and can easily build trust on price and cost bases. A majority of Norwegian traders are moderate risk takers (Lothar Katz 2007)

#### Pakistani Business Culture

The nature of business in Pakistan is based on high context of culture. Business transactions have a major part based on oral and non verbal communications. Relationship is based on interpersonal terms and relationship is concerned more important that only relying on conditional formal



agreement. Lothar 2007 states that businessmen in Pakistan have limited exposure to other cultures except the neighbor ones such as China and Middle East etc. The people have their own way to do business negotiations which require 2nd party to let them set their place initially before they have had chance to determine how their interactions will become more efficient (Lothar Katz 2007). Lewicki, Saunders and Minton 1999 states that high context cultural countries like Pakistan, the more focus is on building long lasting business relationships. Negotiations with same business parties can lie for several years. A dramatic change in negotiations may result change in relationship which is difficult to rebuild and is very different that low context cultural regions such as Australia.

A significant ratio of respondents in a research conducted by Rammal H.G. 2005 states that they take long time to build any relationship and evaluate the product and quality. Some have stated that during first couple of meetings between businesses partners were based on analyzing seriousness of particular business for which the demonstration has been arranged. When it comes to cross cultural negotiations and trust building process, the people in Pakistan require high margin on discount level while determining prices which is considered to be an important issue before entering into any contract of trade. Further stated in Rammal 2005 research, barriers such as trustworthiness and doubt can be overcome by continues dealings and experiences based on successful business transactions between business partners. Pakistani negotiations are based on emphasizing relationship before entering into contract with other party. Once a relationship has been developed, the further correspondence can be made based on formal issues and concerning business aspects.

Ghauri (1999) states that Low context cultural areas, people use direct form of communication. The message is cleared and contained as much details as possibly relevant to future business correspondence between business partners. This way, the firms can reduce their level of conflicts and build long term business relations. Whereas in high context cultural areas' such as in Pakistan, the people use indirect communication methods and their confidence level on business relationship allow them to assume future states of business without clarified statements and communication forms. Such attitude might cause future conflicts between business parties and can only be restricted to their level of understanding about business culture. Ghauri (1999)

describes the way of negotiations between firms of Pakistan with other world. According to their research, a majority of the firms highly prioritize the discount on given price which require seller to make a first offer of price with high margins which could put good impression by giving high discounts on given price.

### 1.1. Research Gap

Previous findings in the field of international business have tried to focus on understanding aspects of culture factor in the process of internationalization. The focus is made on how firms operate in different geographical markets and target their market strategies in collaboration with domestic culture and values. Additionally, there is not much research on cultural and trust building process between traders of Pakistan and Norway.

A previous research by (Ali, 2010) has a focus on cultural and trust building process with the context of capability and calculative process prepositions. Our research will try to build new preposition in contact with previous findings i.e. (Ali, 2010) and identify the need and importance of culture factor on trust building process between Norwegian and Pakistani Importers/Exporters with new contexts.

There is a need of understanding cultural impacts on trust building process between these two different geographical and cultural markets because several firms deny operating in Pakistani market due to having lack of information on cultural aspects and networking capabilities in targeted market. The research will therefore identify the most important factors of cultural context and trust building process in international trading between Norway and Pakistan.

### 1.2. Research Purpose

The importance of the nature of different cultural context and its impact on trust building process particularly between Norwegian and Pakistani importers and exporters motivates us to identify the need of culture and trust building process, a combined and comparative study. The researchers have concluded that many studies based on trust, create their measures on a generalized trust perception which is usually based on systematic biases (particularly in cross cultural context). There is a need to cast further light on trust building process between two cross cultural business markets. Therefore, our study aims to provide insight about influence of culture

upon trust building process between importers and exporters in two different regions i.e. Norway and Pakistan. Due to complexity in the theoretical nature of trust, emphasize will be on comparing results from literature and expert opinions through formal interview.

### 1.3. Problem Statement

New era of international business development requires huge potential on cost reduction programs particularly in low cost of production countries i.e. India, Pakistan, China, Bangladesh etc. These markets are highly associated with cultural impacts on trust building process between international traders of products and services. Such cultural context requires both parties i.e. importers and exporters to understand their values and follow them in order to build long term relationships. Though there are several most appealing cost reduction opportunities lying in these markets but meanwhile the cultural challenges restrict the firm capabilities to survive in such markets. As a result, either they cutoff their business operations or reduce their level of interest in such markets.

Among other countries of Asia, Pakistani business market contains several cost reduction opportunities but there is a need of full-fledged information about its culture and its impact on trust building process between trading partners of Pakistan and Norway. Norwegian market on the other hand, has small but very dominant market where outsourcing product and services is quite essential in order to compete with international firms. Norwegian business culture is completely different as compare to Pakistan. There is a need to highlight cultural issues and impact of culture factor on trust building process between Pakistani and Norwegian traders of goods and services. The research will be tried to answer the question, **to what extent culture has an impact on trust building process between importers and exporters of Norway and Pakistan?** Such research will act as a guideline for Norwegian firms to strengthen their import relationships with Pakistan and explore more cost reduction opportunities within Asia.

### 1.4. Prerequisites and Limitations

The study of cultural impact requires high time consumption in finding and analyzing market facts and figures. A major barrier in exploring cultural knowledge in South Asian markets is lack of information on easy and accessible options such as internet or electronic media etc. Thus the

informational part requires traveling and consuming more time and recourses to gather information in order to build high performance research values.

Communication problem and language barrier is also an important limitation for data collection in Norwegian market while conducting research in the field of international marketing. Additional data collection barriers in Norwegian market, is lack of firms interest in student/University works and time schedule problem. The project is based on one sided case study which is obtained by only Norwegian importers. Such barriers will be tried to remove in our Master's thesis through in-depth interviews from Norwegian importers.

## 2. Literature Review

In this chapter we will define a theoretical framework in contact with literature used for this research. It is essential to understand the theoretical frame work of Import and Export business activities. Such theoretical descriptions provide answers to the reader about the concept of trade, import activity, export activity, concept of culture, concept of trust and relationship building process between two cross-cultural business markets. The relevant theory also acts as background information for our research based on culture and trust building process between importer and exporters of two different regions i.e. Norway and Pakistan. Our research literature has a close connection to the theories of import and export business relations particularly mentioned in the following.

### 2.1. Import/Export Relationship

Business relationships across national borders initiates and develops skills of both parties in order to share recourses and obtain best possible outcome from their core competences. Firms build buyer seller relationships in order to reduce cultural and domestic market barriers (Cunnigham 1980). Inter-firm relationships dominate a firm's capability to build a strong business relationship with its buyer or seller. In this context the firm can obtain the porter's loyalty in terms of business transactions (Kim and Frazier 1980). Furthermore the inter-firms relationship has been seen a vulnerable source of competitive advantages in international market. Such relations are based on profit sharing business activities and require fair trade play from both practicing firms (Wilkinson and Young 1987). Development of cross cultural business relationship involves time and effort by both business partners. The level of commitment increases its potential especially in different cultural market destinations. A number of studies have evaluated the importance of importers and exporters relationship either with a specific focus on export activity.

- Import Activity

Importing refers to an act of buying products and services worldwide. In recent age Import activity has become a source of competition in international business environment. Import activity usually happens when domestic production fails to compete imported products or services in terms of efficiency in price or quality. Import activity not only gives rise to many opportunities for vendors that they can increase their strength on supply side but also makes it

possible for firms to fulfil their customers' needs in contact with quality and quantity of goods and services.

- Export Activity

Export activity is concerned with selling products and services globally. Such activity is considered a best way to generate economic profit, generates foreign exchange, creates backwards and forward linkage in economy, provide recourses to support other economic activities and create employment opportunities. At business level the specific activity generates funds for growth and reinvestment (Cateora and Graham 2001). However, comparatively the level of uncertainty is low in domestic market as compare to different cultural international market due to lack of information and social and cultural barriers in targeted markets.

## 2.2. The Economic/Strategic Perspective

The economic/strategic perspective provides following directions to the theory of cultural impacts on trust building process between traders.

- Transaction Cost Economic

Economic analysis considers a firm's level of motivation to maximize economic benefits and reduce cost of doing business. The theory has suggested that firms emerge exchange relations by constructing legal and contractual protections and securities (so called mechanism) (Williamson 1979). Williamson 1979 defines that in practice, international markets are never completely efficient due to bounded rationality of firms and opportunism is defined and tendency to seek self interest. Transaction cost was designed to reduce such barriers and conflicts between international business partners. Firm's attitude in transactions is seen to be opportunistic to extent that they look toward obtaining advantage of another's exchange vulnerability (Barney and Hansen 1994) Heide and John 1990 states that a firm should safeguard its investment principally through vertical integrations in international market. Further elaborate on transaction cost economics showing the choice of entry mode as a trade-off between cost of recourses, commitment and control under risk and uncertainty (Anderson and Gatignion 1986). The degree of integration increases the degree of control.

Benito and Thomson (1986) further states the two dimensions of transaction costs i.e. ex ant cost related to negotiating, drafting and safeguarding agreements. Ex post costs related to monitoring, bargaining and adopting etc. Such costs are concerned an important issue while undertaking transaction cost method of internationalization.

High trust societies can save substantially on transaction costs due to economic agents trusts towards each other's means which are needed in enforcement mechanism by less detailed contracts.

- Agency Theory

Einhardt1989 defines the agency theory as a relationship with a third party to deal with specific tasks and responsibilities in matters of international business. The theory is concerned with determining the barriers of incomplete and asymmetric information which could result conflicts in agent-principal relationship because both parties are self interested. If we summarize the theory in short, the agency theory is concerned with two problems i.e. agency problem which deals with conflicting goals and difficulties in measuring agent and different attitudes in principal and agent to risk. Furthermore the theory can be divided into pre contractual with incomplete and hidden information and post contract with hidden actions and moral hazards. The focus of the theory is to provide the best possible assumptions in a contract between principal and agent. Such assumptions can be problem and conflict solvent among participants.

The relevance of theory with culture and trust building process motivates to focus on linking complete information and moral ways of contractual practices. The conflicts and self driven opportunistic behaviour can only be moralized with theoretical aspect of fair trade assumptions.

- Social exchange Theory

The theory is relevant to develop and understand social behaviours of humans toward economic transactions (Hormans 1958). According to Emerson 1978, the fundamental difference between economic exchange theory and social exchange theory is that an economic exchange theory the participant's deals business exchange with market whereas social exchange theory focus on social practices and relationships of firms on long terms basis. The actions are concerned with rewarding reactions between practitioners. The theory suggests that economic exchange is not the

only way to identify the behaviours of exchange parties. It can also be explained through social exchange. The firms enhance their level of certainty in relationship share information and increase understanding among long term business partners. The main source of social exchange is trust which comply fair practices among participants. Hofsted's cultural dimensions demonstrate how social norms and values can generate high level of efficiency among participants of different geographical locations. Such relations are based on cultural understanding and social way of practices. A fair trade play is being latest and upcoming trend in many developing international markets.

### 2.3. Concept of Culture

The notion culture has different definitions. In the context of exchange relations culture plays almost as important role as trust (Doney 1998). Due to extending the globalization processes lots of companies consider the world as their market, but it is still challenging for any of them to comprehend culture consents of other organizations. The type of governance is usually determined by the culture, in particular, by the culture of a country and a company where a manager works (Trompenaars and Hampden-Turner 1998). According to Lindell and Arvonen (1997), an active process of internationalization leads to the necessity of a more clear understanding of the types of governance in different nations. While discovering and conquering the new markets an international organization should adapt to other country's culture including behavioral standards, language, lifestyle, values and norms, customers' characteristics and preferences (Sousa and Bradley 2006). Adler and Graham (1989) claim that a lack of behavioral clarity in consequence of cultural differences could become the reason for misunderstanding between two parties in the international business relation.

During the exploring of Pakistani-Norwegian export-import relations difficulties are supposed to occur because of theoretical and methodological barriers in the studying of the major concepts. While examining the process of trust-building another challenge must emerge, it is connected to the extent of culture dimensions which can be objective and subjective, as long as they can influence the appropriate developing of interaction and outcomes explanation at exact levels.



Dealing with culture it is essential to know that even individuals who belong to the same culture do not always share the same ideas, values and norms. Each particular culture typically has a special pattern and people who are not very close to this pattern may be considered as a variation around the norm in the normal distribution (Trompenaars and Hampden-Turner 1998). Trompenaars and Hampden-Turner (1998) also suggest that in the whole any culture demonstrates the distribution of human elements, whereas the difference between cultures is defined by the borders from both parts of variation. Thus, although Pakistan and Norway have a great amount of differences in the area of culture, these countries have some similarities either. However, typical or most foreseeable attitude and behavior will be absolutely different for these two nations.

### 2.3.1. National Culture

Culture is characterized by several levels. In appliance with Forsgren and Johanson (1992) it has four levels: National Level, Industry Level, Organizational Level, and Personal Level. The National level is the area of institutions, legislation, language, social system and religion which determine the basic attitudes (Forsgren and Johanson 1992). The industry level is less broad than the national level and becomes a part of national culture. Values and norms which are shared by everybody transferred to industrial sphere of a country. Organizational culture connected to the different aspects of using power at the level of a firm (Forsgren and Johanson 1992).

### 2.3.2. Corporate Culture

Corporate culture improves and change behavioral patterns which are formed by the national culture (Laurent 1986). Due to Langhoff (1997) the nature of culture cannot let it become an independent variable. The researcher stated that culture might have distinctive features in different organizations because of personal experience. Therefore cultural distance is affected and determined by companies rather than by nations (Langhoff 1997). Trompenaars and Hampden-Turner (1998) described three essential features of organizational culture: the firm-employee interaction, the power distribution in a company, and the employee understanding of his or her own responsibility and impact, the firm's goals, objectives and prospective.

### 2.3.3. Cultural Conflict

Cultural distance could be characterized as the extent of difference between the cultural values and norms in two or more nations (Sousa and Bradley 2006). The theme of cultural distance has been a key-point in several researches. Zhang, Cavugil, and Roath (2003), for instance, examined the way culture of a country would influence the standards of international relationships between exporters and their distributors. Ha, Karande, and Singhapakdi (2004) investigated the relationship between cultural distance at the national level and trust. Both researches did not come to definite conclusions.

It should be noted that there is an agreement between the authors of organizational studies that culture is connected to certain patterns of norms and values which are reflected in human behavior and used by members of a company or citizens of a country (Hofstede, 1980; Trice and Beyer, 1993). Both organizational and national levels must be analyzed in order to explore cultural differences in international business relation because all firms are as usual involved and exist in the larger society.

### 2.3.4. Culture and Trust

Culture becomes a possible reason for conflicts or miscommunication in any cross-national business relation (Schneider and Barsoux, 2003). According to Batonda and Perry (2003) culture is crucial for international interactions because its understanding eliminates lots of obstacles on the way to success.

While describing importance of culture Doole and Lowe (2001) stated that culture as ‘‘something a human being learns in an environment where he grows’’. Same environments provide same experiences and opportunities as well. Another definition says that ‘‘culture is a total sum up of learned values, beliefs, customs, traditions and certain behavior of persons in a particular society (Schiffman and Kanuk, 2001).

According to Harich and LaBahn (1998) cultural sensitivity is a term to describe a respective attitude to other cultures and readiness to comprehend cultural differences; cultural sensitivity

occurs when a person acts in a proper manner in foreign culture and foreigners can perceive it. Harich and Labahn (1998) mention that organizations which are considered by their partners as culturally sensitive have better opportunities to build strong and stable relationships. Tes et al. (1988) stresses that culture affects problem perception, decision-making, interaction and cooperation in the area of cross-national marketing, as a result, poor comprehending of cultural differences could be the cause of miscommunication and disinformation. Forsgren and Johanson (1992) point out that an essential aspect of business relationship is a common or shared approach, because the chance for a particular goal achievement is higher, but there is one more reason: shifting from a known customer or partner usually lead to losing of time, money and efforts. Forsgren and Johanson (1992) highlighted that the one partner's feelings about the other or the atmosphere of relations must be significant. These feelings are typically tied to trust, commitment, desire to cooperate, as well as to understanding of the partner's intentions and the environment relations in the whole, power distribution and cultural distances (Forsgren and Johanson 1992). Huff and Kelley (2005) note that the atmosphere of trust develops establishing mutual goals, teamwork, positive assessment and responsibility. Forsgren and Johanson (1992) emphasize the importance of common rules in the relations due to the fact that cultural distance could ruin the relationship if partners do not create them. Trompenaars (1994) argue that tools for trust-building in cross-national interactions depend on cultures since lots of dimensions and concepts of trust are explained and understood in different ways in different nations. Morgan and Hunt (1994) point out that even trust which is built on joint values might almost disappear if organizations exceed national limits in cross-cultural relationship. Thus, if the firm intervenes into countries with a high cultural distance, trust created on the basis of joint values might be decreased, as well as social interaction between partners might become unstable.

#### 2.3.5. Cultural Distance

Cultural distance can be defined as a degree to which extent cultural values are different in one country to another (Bradley and Sousa 2006). Research explores that how a national culture can affect terms between international traders and distributors (Zhang, and Roath 2003). Firm's values are needed to associate with local norms, values and beliefs in order to obtain vulnerable results. Several studies are correspondence to obtain no significant results after exploring the relation between national culture and trust (Singhapakdi 2004). Religion is another aspect of

cultural distance which is highly needed to incorporate with business agenda. Trading partners should have knowledge of their product and services with specification of the location of business and its religion. The high context of cultural area has considerably more collaboration of religion with their consumptions habits.

#### 2.4. Concept of Trust

The term trust could be explained and defined in different ways. Lewis and Weigert (1985) consider trust as a social process, which demonstrates the expectation that other people will behave positively so that they could assist or not ruin, at least, one's interests. In appliance with the Deutch (1958) Rotter (1967) and Solberg (2006) trust is described as "the extent to which a firm believes that its exchange partner is honest and/or benevolent" and "a generalized expectancy held by an individual that the word of another can be relied on". Trust is a social operation connected to the one party understanding about another party's opportunities, capabilities, experience, intentions and knowledge. Morgen and Hunt (1994) argue that trust subsist when one person or a group is sure and confident in the partner's trustworthiness and honesty.

Doney et al (1998) presents a particular definition of trust as "a willingness to rely on another party and to take action in circumstances where such action makes one vulnerable to the other party". They consider this definition includes the conception of risk and uncertainty as presupposition of trust, and it involves also behavioral elements influencing trust.

Young and Wilkinson (1989) treat rather critical to the enactment the trust concept in the previous times by questioning only if a person or a group is trustworthy or not, and state that the more essential experimental research in the area of trust had to be conducted regarding the specific reasons for interaction and partnership. Hosmer (1995) try to combine the explanations of trust in the framework of personal anticipations, interpersonal communications, market interchange, social systems and ethics. The author comes to the conclusion that there is no absolute consent about the only one particular definition of the term.

Trust has been characterized on various grounds by sociologists, psychologists, lawyers and economists (Rousseau, Sitkin and Camerer 1998). According to Shapiro (1987: 625) the issue of trust has become more prominent in recent years that lead to multiple applications of this notion on different levels of analysis. In the field of business trust has been explained as confidence that the partner firm will act in a way to obtain positive results for the other company, without performing an unforeseen behavior that will lead to negative results for this company (Anderson and Narus 1990, 45), as a mutual assurance that no party in the exchange process will turn to advantage another's party weaknesses (Sabel 1993, 1133), as a readiness to rely upon an exchange partner who has a credit (Moorman et al. 1992), as the confidence or certainty that the exchange partner is trustworthy among the other partners (Cavusgil et al. 2004).

#### 2.4.1. Trust in Business Relations

Trust has been paid a special attention in different research areas, such as psychology, sociology, management and marketing (Doney and Cannon 1997). These fields demonstrate certain dimensions that allow comprehending the essence of trust. According to Huemer (1998), the review of an appropriate literature is important for the understanding the notion of trust as far as a its characteristics and functioning will change due to the treatment or approach. The expanding of the market globalization and perception of trust as an important tool of communication emphasized the necessity to realize the way trust is determined and influenced by culture (Doney et al. 1998). Doney et al. (1998) point out that trust could be expressed in different forms; however, the way trust is developed closely connected to the rules, values and norms that affect people's behavior in the society. As long as each culture is constrained by norms and values, the occurring of trust may depend on a society's culture (Doney et al. 1998). In prospective the activity that is affecting people's choice and behavior change by the means of trust is rather risky. The causes of this risk are tied to uncertainty and vulnerability, and are determined by cultural differences (Doney et al. 1998). Special tools for control may be successfully used in coping with risk and uncertainty which are common for international market selection processes and organizational governance.

On the basement of the literature in social psychology (Larelere and Huston 1980) and marketing trust is defined as the perceived credibility and benevolence of a goal of trust (Ganesan 1994;

Kumar, Scheer, and Steenkamp 1995). There are some dimensions of trust according to Doney et al.. The first dimension concentrates on the objective credibility of the partner, so there must be a contemplation or expectation that the partner's written statement is supposed to be trusted (Doney and Cannon 1997). The second dimension of trust or benevolence is the degree of one partner's interest in the other partner's prosperity and the degree of motivation to search and find benefits for both (Doney and Cannon 1997). In appliance with the second dimension, trust expires if an initiator of the relationships is aware of the exchange partner's acts, getting capability to manage the partner, or the proponent has not invested really important resources. Moorman et al. (1993) state that both ideas mentioned above should be taken into account. If the person supposes that a partner is trustworthy but does not want to rely upon this partner, the trust to the partner will be considered as limited.

Due to Peter Drucker (1993), trust has become a business imperative. Its appearance in the new economy was described as "a voyage that begins with technology and leads inexorably to trust" (Webber 1993, 24). According to Fukuyama (1995) and Huemer (1998), changes in the organizational activity have resulted in the development of the concept of trust in business. Communication and information technologies has led to decentralization and democratization (Fukuyama 1995, 24), that is why many firms nowadays try not to depend on either hierarchy or market relationships (Huemer 1998).

Lately, the potential to build and develop trust has been stated as one on the most sufficient elements for making cross-cultural and international firms and corporations effective (Schneider and Barsoux 2003). Although the concept of trust in the international business relations became the theme for a new generation of investigation, the researchers from past times paid lots of attention to it as well. Perlmutter's research in 1969, for instance, highlights the sufficiency of building trustworthy relationships in multinational companies. The author argues that the "mind-state" of management influences the extent of multi-nationality, which has the following classification: ethnocentrism, polycentrism and geo-centrism. The more the management of a company deviates to a geocentric attitude, the more significant becomes trust in business relationships and interactions. Perlmutter (1969) assumes that the creating of trust is a major

problem in cross-cultural relationships and in order to get more efficient relations, there should be performed serious improvements in the environment of trust.

#### 2.4.2. Prerequisites of Trust

The basic preconditions of trust have been deliberated by many authors. In appliance with some of the conclusions these preconditions are familiarity, joint values and norms, and effective communication.

- Familiarity

As far as Humer (1998) who quotes Luhman (1979) points out, trust can exist only in a familiar world, therefore familiarity is named as a precondition of trust. The author states that time and credible background will be necessary for trust. A really good reputation cannot appear at once and is built on awareness of the positions and capabilities of the other individual (Dasgupta 1988, quoted in Huemer 1998). Gulati (1995) mentions about the impact of familiarity on a trust-creating and states that justness rarely used in organizing the repeated associations. The concept of familiarity reveals that the creating of trust in multicultural relations could become a very difficult task.

- Shared and Norm Values

Zhang et al. (2001) stress that values and norms have been the key issue of investigations in social sciences. Morgan and Hunt 1994, Fukuyama 1995, Schneider and Barsoux 2003, Wood and Brewster 2005 highlight the significance of values and norms for the building of trust. Due to Wood and Brewster (2005), social norms generate the ground of trust. Schneider and Barsoux (2003) describe values as the preferable conditions concerning the way of things should be (Schneider and Barsoux 2003, 30). Values have been defined as fundamental elements of person's identity, which determine selection, explication, assessment, justification of human actions. Values influence the way an individual consider any situation as either negative or positive (Sousa and Bradley 2006). This issue makes trust-building in multicultural relations an extremely tough process, because the norms and values cannot be shared easily (Schneider and Barsouz 2003).

- Efficient Communication

The effective communication has been described as a one of the key-elements for the development of trust (Morgan and Hunt 1994, Sheppard and Sherman 1998, Shenkar 2001). As it was shown in the coordination game studies by Deutsch and Krauss (1960), the lack of communication affects the exchange partner's capability to act and the degree of trust between partners (Sheppard and Sherman 1998). This point could be important in the area of exporting since there is a huge language barrier in the interaction of two different sides. According to Gripsrud, Solberg and Ulvnes (2005), if an exporter rely upon local representatives it will affect the behavior of both exporters (quoted in Solberg 2005b). Schneider and Barsoux (2003) highlight that the creating of trust might be slowed down because of the problems in interaction between different cultures. Misconceptions emerge in case of the low level of trust and as a result further dissensions and suspicion can be exaggerated.

- Risk and Uncertainty

As it was told by Misztal (1996: 19), to trust means to believe despite uncertainty. Trust typically contains some units of risk as long as it is hardly ever possible to control other partners' actions and behavior or to have full awareness of other people's motivations and the essence of social context in each particular situation (Misztal 1996). According to Moorman et al. (1993) there are two notions which emphasize the difference in readiness to take and accept risk; these are trust and trusting behavior. Regarding this distinction it is mentioned that behavioral trust is the assuming of risk and uncertainty (Moorman et al. 1993). Moreover, risk and uncertainty must be taken into account as elements for the development of trust, since credit is not necessary when the trustor could manage or foretell partner's behavior (Moorman et al. 1992, Sitkin and Roth 1993, Rousseau, Sitkin, Burt and Camerer 1998).

Two main types of uncertainty could be concerned: internal uncertainty and uncertainty. Due to Anderson and Gatignon (1986), external uncertainty is the variability, inconstancy or unpredictability of the firm situation; usually it is called a country risk and might be performed in many ways, for instance, economic instability, political problems and currency crisis (Anderson and Gatignon, 1986). The uncertainty in the environment of the company is important if characteristics of assets are very specific, as the situation needs to be controlled. If specificity of



goods is insignificant, the company can easily cope with unpredictable circumstances by changing agents. In this case companies can stay supple whereas market competition will work on generating profit (Anderson and Gatignon, 1986).

Internal uncertainty occurs if a firm is unable to make a clear assessment of its agent's productivity using objective measurements for results, and creates conditions when control is inevitable (Anderson and Gatignon, 1986). As Anderson and Gatignon (1986) stress, companies might generate inducements in order to gain concordance of goals and loyalty, nevertheless, new agents will not be aware of the process of fighting with internal uncertainties. The researchers point out that the review of business literature has shown the following: companies acquire "maturity" after gaining experience in international markets. So, firms with little experience and poor standings will export goods and services and escape deals with large foreign companies, but when the confidence is getting higher they start conquering international markets and making straight investments. Nevertheless, at first companies typically choose culturally and locally close nations, afterwards they move to more different countries due to sufficient experience appeared with better comprehension skills, competitiveness, confidence and understanding the ratio of risks and gains (Anderson and Gatignon, 1986). From the one side, this issue leads to the conclusion that experience could provide more effective management and control. From the other side, ethnocentric development could make firms with the lack of experience create their special level based on the most important conditions, that might be reached quickly enough by means of ownership without negotiations or interactions, and control in such situations will be possible over time. From the prospective of TCE (transaction cost economic) the pressure of market environment would amortize ineffective attempts. Socio-cultural distance could become a controversial point either. In appliance with the point of view of some authors the difference between home and foreign cultures is inversely proportional to the grade of control required by an entrant following high risk, nevertheless, other researchers suppose that firms respond to distance on socio-cultural level by requiring ownership. Due to Anderson and Gatignon (1986), TCE consider both ideas. On one side, socio-cultural distance increases internal uncertainty, but when resources are the agents' duty, the specificity of assets grows and the entrant could require control. On the other side, the entrant might create a unit with low level of control by local

manner, which excludes the development of specificity; therefore, risk transmission to external agents would become a management mechanism in dealing with socio-cultural distance.

#### 2.4.3. Trust Variables

Relationship duration and formality is considered by Young and Wilkinson (1993) as essential determinants of trust and conflict.

- Relationship Duration

According to Young and Wilkinson's (1993) longer relations were supposed to have less controversy. Randach and Eccles (1989) stated that advantage of long-term trustworthy relations is in the fact that even accounts are not supposed to be "settled each year since there is a shared belief that in the long run the rewards would be distributed fairly". A long-time approach, according to which both partners win, that replaced a more traditional win-lose prospective, has been considered important for trust-building in strategic alliances (Huemer 1998). Due to Barney and Hansen (1994), internal culture of a company develops, and tools for control may be changed over time (Barney and Hansen 1994). Rousseau et al. (1998) demonstrated a model of trust which reflected the accordance between development over time and forms of trust. (Appendix 1)

The latter study, however, emphasized that unequal forces could lead to more controversy than serious correlation and interdependence (Young and Wilkinson 1993). Rousseau et al. (1998) came to the conclusion that independence is an important and even necessary condition for trust. Trust is determined by the reality of interdependence and correlation between the partners (Sheppard and Sherman 1998). Sheppard and Sherman (1998) also claimed that both taken risk and mechanisms for its mitigating occurred as a function of the interdependence in the relations, and stressed that different types of interactions could bring different types of risks. The authors explained that the trust forms easily understood by members of an appropriate culture, and special tools for trust control were created at individual, communicative and institutional levels; thus, trust defined as the assumption of the risk connected to the type and degree of the interdependence proper for a certain relationship (Appendix 2).

According to Barney and Hansen (1994), the extent of trust is associated with competitive advantage and interdependence. Weak form of trust is supposed to rise a competitive advantage, when other partners paid for in superfluous costly management mechanisms; semi-strong form of

trust is built on cost-effective analysis, counting benefits or institutional trust mechanisms, and has got the competitive advantage when partners had different management skills and capabilities; strong form of trust was created on joint values, norms, principles and assessments that had been made internal by partners. Strong trust would demonstrate a partner's unique case, which could be the base of the competitive advantage (Barney and Hansen 1994).

- Formality

Young and Wilkinson (1993) argued that conflicts could emerge in any relations implying a written contract. All attempts to eliminate trust contraventions by means of legislation are usually unsuccessful, since they rather decrease the degree of trust than redouble it (Granovetter 1985, Sitkin and Roth 1993).

- Diverse trust level

The perception of trust and the process of trust-building differ on various stages as it is mentioned by Currl and Inkpen (2002). The authors discussed in their work the differences occurring at particular levels of trust. A multilevel conception was the base of their research; in appliance with it they distinguished three main trust levels: personal, inter-firm and group level. Hosmer (1995) claims that a tendency of using the term 'trust' in interpersonal sense and including notions of trustor and trustee prevails. A trustor has typically been indicated as the individual or entity involved in trusting behavior (Sheppard and Sherman 1998). The interaction between trustor and trustee is formed on the ground of the levels of trust which have already been described above.

- Social Capital

According to Coleman (1998), social capital is the ability of individuals to cooperate and work together for shared goals in teams and firms (Coleman 1988). The notion of social capital has been always nearly connected to trust (Fukuyama 1995). Social capital is defined as being legible to competitiveness with essential further results for the environment of economic process that the society can generate, and its social and political life (Fukuyama 1995: 355). Fukuyama (1995: 27) also pointed out that trust and joint values in the relationships of large corporations led to lower costs, and contributed to the occurrence of wide range of social relationships, therefore societies could develop better organizational innovations. Still, as Knack and Keefer (1997)

highlighted that there was no practical evidence, based on measurements of organization membership about the way how behavior and actions of a company influenced the economic performance (from Inglehart et al. World Value Survey 1994).

#### 2.4.4. Sources of Trust

Due to Zucker (1986), three main sources of trust may be differentiated: process-based trust, person-based trust and institution-based trust. A similar approach is used in the work of Sitkin and Roth (1993). Process-based trust emerges if the cases of exchange are reputed and known. Person-based trust is related to the interactions between people within a common cultural system, based on joint values and expectations (Zucker 1986). Person-based trust could be tied to the approach of Shapiro (1987) to interpersonal trust that is built on personal experience and contrary to the institutional trust. Sitkin and Roth (1993) compared individual experiences with and the individual's social and demographic traits. Institution-based trust is connected to formal tools such as written agreements and contracts, authorized opportunities or qualification. This notion is nearby to institutional trust, in this case expectations depends on formal management while interpersonal trust is replaced by behavior controlling (Granovetter 1985, Shapiro 1987, Zucker 1986, Sitkin and Roth 1993).

#### 2.4.5. Levels of Trust

Trust emerges in different planes, for instance, between individuals, such as employee and manager (McAllister 1995, Rich 1997, Soule 1998), between workers of a company (salespeople) and sellers or customers (Doney and Cannon 1997), inside groups between some teams (Smith and Barclay 1997), between organizations (Aulakh et al. 1996, Ganesan 1994), and at the extent of society (Fukuyama 1995).

Different levels of trust have become a subject of research in plenty of studies concerning inter-organizational relations. Doney and Cannon (1997) explored practically the relationships between buyer and seller and came to the conclusion that trust within the company is not so similar to interpersonal trust. Corresponding study was conducted by Zaheer et al. (1998), the authors described inter-company and interpersonal trust in the framework of relationships between buyer and supplier. They stated that boundary individuals which function on the boarder of organization

have a great impact on inter-firm exchange. Armstrong and Yee (2001) argued that trust within a company is supposed to be in direct proportion with trust at the personal level.

As some researchers consider, trust between firms highly depends on the behavior and interaction of managers and boundary people (Inkpen and Curral, 1998). Blois (1999) believes that these individuals are representatives of firms and their understanding of another people action is key issue for creating of trust.

#### 2.4.6. Trust Development

The developing of trust is entirely influenced by what a trustor think about the motives and actions of a trustee. Due to the fact that trust is actually broad notion and related to various conceptions, the literature review allows selecting five different processes of trust development in business relations.

#### 2.4.7. Trust Limitation

The trust concept has been considered as one of the most difficult for performing in the experimental study. Misztal (1996, 95) argues that it could be due to “the diversity of assumed functions and various classifications, together with an ambiguous and diversified context of trust relations”. Many researchers define trust as a very sophisticated notion (Shapiro 1987, Young et al. 1992, Sitkin and Roth 1993, Hosmer 1995). Huemer (1998) points out that difficulty with experimental research emerge since trust concepts have the essence which must be taken for granted and its normative significance could create methodological barriers. Anterior investigations in the area of international business and marketing were connected to power distribution and contradictions in certain amount of modern industries. Wilkinson (1989) made the following observation about this point: the perception of channel relationships was incomplete and inaccurate. At first the process of cooperation and collaboration was considered as the contrary to contradiction, but then it was accepted that conditions could be found at the same time.

## 2.5. Trust Building Process

According to Doney et al. (1998) there are six trust-building ways that have been evolved on the theoretical grounds of social disciplines and determine both economic and behavioral prospective of trust. Doney et al. (1998) outlined that the way of trust development is dependent on societal values and norms which influence actions and ideas of people. As far as any particular culture possesses different norms and values, the process of trust creating may be managed by the culture of society (Doney et al. 1998). These five trust-building processes are the following: calculative, prediction, intentionality, capability and transference.

### 2.5.1. Calculative Process

Researches in the area of economics suppose that initially trust contains a calculative process notably if a person or company counts the costs and returns of a partner that can either cheat or collaborate in the interaction (Doney et al., 1998). Doney et al. (1998) also argue that building of trust by means of a calculative process demands from trustors the ability to decide whether the target expenses for opportunistic actions exceed the gains or not. Trustors understand and accept these targets and demonstrate trust as behavior since they are interested persons who calculate the gains of opportunism. The authors stress, however, that in a long term ventures, which are characterized by finding nudges for opportunistic behavior, are getting insignificant in virtue of joint benefits, shared decision making and management systems that let both sides to pursue their own interests without cheating.

### 2.5.2. Predictions

Prediction trust-building process is determined by the confidence that target actions could be predicted (Doney et al 1998). According to Huemer (1998) trust develops through previous experience and past relations. The duration of relationships greatly affects the level of trust in these relationships (Young and Wilkinson 1993, Barney and Hansen 1994). The reason for this can be increasing certainty that partner's actions are foreseeable. Moreover, it may result in more particular expectations about fulfillment of duties and technical skills, competence and qualification. As long as trust demands an evaluation of the partner's credibility and amiability, one party is supposed to know about the other party's previous deals and behavior (Doney and Cannon 1997).

### 2.5.3. Intentionality

The correlation between trust and motives is examined in several researches (Doney et al 1998). Due to Doney (1998), trust on the grounds of intentionality is formed under the influence of one partner's perceptions about the other partner's intentions. Good intentions may be considered if both partners develop joint values or norms that eventually conduce to better understanding of each other's targets and aims (Doney and Cannon, 1997). Doney et al. (1998) highlight that explanation and evaluation of benevolent intentions are getting easier if the both partners share values or norms that help one party to understand the other party's objectives, for instance, rules of reciprocity, responsibility, cooperation and equity can create shared expectations between partners and provide assurance in the benevolence of motives.

### 2.5.4. Capability

Capability trust-building process is characterized by the situation when the trustor evaluates a target's ability in promises fulfillment (Doney et al. 1998). Due to Doney and Cannon (1997) the capability process includes checking partner's ability to meet responsibility and credibility in appliance with expectations. Doney (1998) claim that the notion "ability" describes a complex of skills, features, and characteristics which empower a party to have influence in any special area. Trust which is related to a partner's assessment concentrates on person's expectation that it is possible to rely upon the partner's words or written arguments (Doney et al 1998).

### 2.5.5. Transference

Trust could be built also by means of a transference process, which is supposed to use a third party's description of a partner as a base for considering this partner to be trustworthy, in other words, the trustor might transfer from a respected and known object to an obscure one (Doney and Cannon 1997, Doney et al. 1998). According to Doney et al. (1998) stable and durable relationships between persons and firms that let trust to be transferred by people may stimulate developing both this type of trust and organizations which individuals can be trustworthy themselves.

### 2.5.6. Institutional

Institutional trust process is based to the ability to built trust in the institutions that influence a deal, for instance, legislation, banks, courts, credit organizations, government and bureaucratic

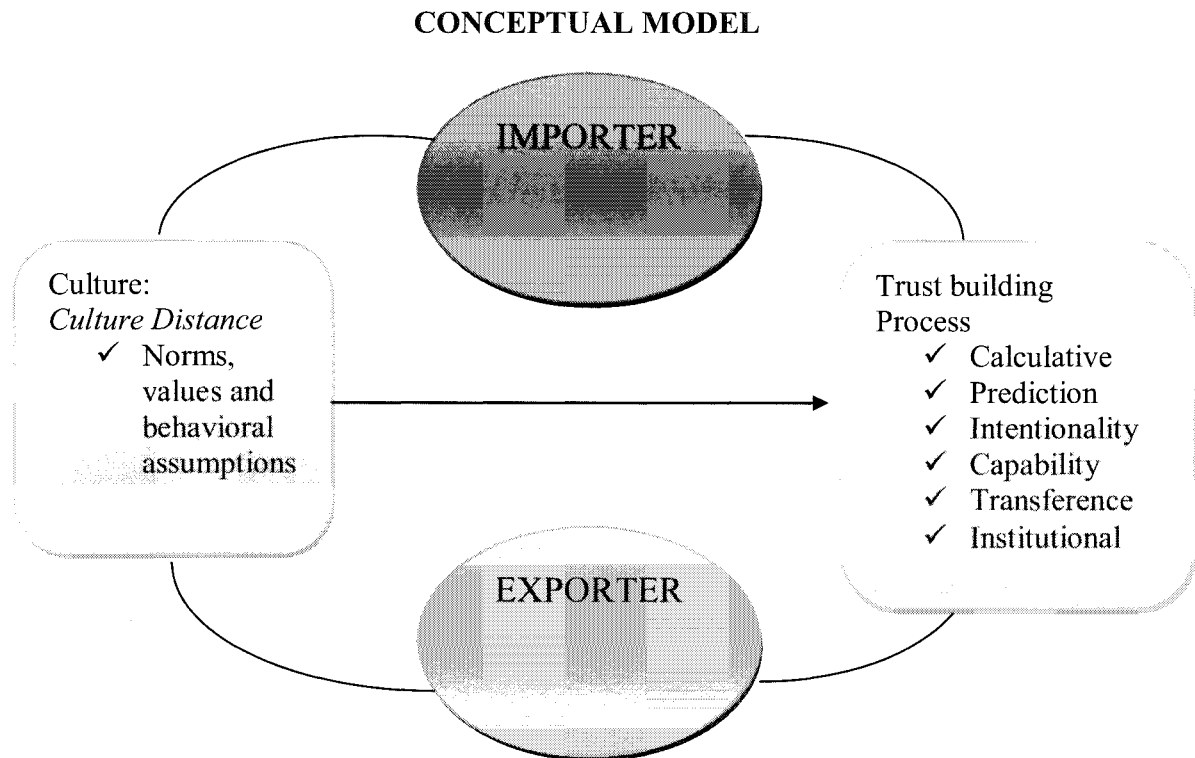
agencies (Sheppard and Sherman 1998). Trust becomes an institutional mechanism provided that the opportunities of sanctioning and contracts are tools of formal control mechanisms which finally replace trust itself (Sitkin and Roth 1993). Due to Sheppard and Sherman (1998), these tools are created to build a basic understanding of trust for those partners who are not able to demonstrate trustworthiness themselves. Zucker (1986) and Shapiro (1987) identify trust as a property or feature of individuals and as a function of both the interpersonal and inter-firms relationships, and the institutional scope which is necessary for developing these relationships. Creating interactions in the international context could lead to both increasing and decreasing of the institutional trust, since coexistence of personal and institutional trust may be more difficult. Sitkin and Roth (1993) noted that using of formal mechanisms to fix contraventions typically could lead to creating mistrust. According to Granovetter (1985) and Shapiro (1987), even if the sanctions are undertaken to recommence trust, the “impersonal” surrogates of trust are often inefficient and the necessity of institutional control to achieve fairness will become a reason for making distance in the relationship.

Summing up the relationship between culture and trust building process perceived by importers and exporters can be viewed in the model below which is named as conceptual model.



## 2.6. Conceptual Model

Summing up literature review based on culture and trust, a conceptual model is designed in order to enlighten the relationship between culture and trust building process which is perceived by importers and exporters of two different countries. The specific propositions will also be derived and developed in accordance with this model. The model hereby state following parameters:



According to the model stated above, cultural impact is based on a distinctive distance characteristic. Culture distance contains norms, values and behavioral assumptions of one business partner which differentiate it from another in terms of building trust. Trust building process contains six characteristics which are calculative, prediction, intentionality, capability, transference and institutional process of trust. Importers and exporters of two different countries perceive different values of culture in terms of trust building process. Culture can impact on one or more of the trust building process depending on the nature of business market and its affiliation with its local or domestic culture. If culture will have an impact on calculative trust building process by importer or exporter's side, the nature of business will be strictly based on calculations on both sides. Written agreements and cash sales will be prioritize as trust between

both business partners. In case of prediction process, both business partners would have to drive a relationship for a long running time before they can understand each other's culture in better sense and predict their actions in terms of business relationships. Intentionality process requires business partners to act in favor of each other. It may be find in both low and high context of culture environments. Trade benefits may reduce cultural impacts on intentionality process but intentionality may be highly perceived by one business partner which is affected by cultural values, other than just trade benefits. Capability trust building process is also an ability of one business partner to understand the culture of other. Importer or exporter would have or not have confidence on each other's capability to secure their business activities depending on the impact of culture. Importer or exporter will build trust on the bases of capability of each other. The actions will be optimized from both sides. Transference may highly differentiate the capability of both business partners to build relationships and maintain the environment of trust between each other. Importer and exporter would have to access transference to not only approach each other but build trust between each other. Institutional trust building process is connected to the governance of one state which may also be affected by its domestic culture. In case of importers and exporters following international regulations and standards which are similar in nature in both business markets, the cultural impact may be reduced to only inbound premises.

## 2.7. Propositions

The development of trust between Norwegian and Pakistani Importers/Exporters is a difficult process due to difference in the nature of their cultural backgrounds, norms, values and behavioral assumptions. **Cultural distance** identifies their way of doing business and building trust between both countries' importer/exporters.

According to the findings made by previous authors and our primary research observations, business transactions between Norwegian and Pakistani Importers/Exporters are based on **calculative, institutional and transference** trust building process. Confidence in terms of capability of both business partners to act in favor of each other's business also contains importance in itself but comparatively very low as compare to the level of cultural influence in **calculative, transference** and **institutional** trust building process between importers and exporters of Norway and Pakistan. Such assumption can be implied upon a compromise based on independency between both business partners.

On the other hand, **prediction, capability** and **intentionality** trust building process seems to have less cultural bond between importers and exporters of Norway and Pakistan. In terms of import export business relations, an increase in level of competition and uncertainty in unsecured business environment particularly in export market of Pakistan made it highly important to keep independency in terms of trust building process by Norwegian importers.

### 3. Methodology

This part describes the methodological concepts regarding the research to which this thesis is devoted. The process of conducting study, design and data collection is described here. This chapter also involves critical views on the given methodology in anticipation of the overlook of the interviews used in the research.

#### 3.1. Method and Approach

The method is a special instrument that is used in an experimental research to achieve a particular aim scientifically. According to Eriksson (2003), the method itself, the investigated problem, the goal and resources are to be interconnected and resemble each other. The method selected has to be chosen on the ground of the analysis (Eriksson 2003).

##### 3.1.1. Research Approach

During defining the research approach the researcher has plenty of options to use. As a rule, the research approach should include whether inductive or deductive types of making conclusions, moreover, it contains qualitative or quantitative method of analyzing data or it can include both of the subjective methods. Here in the following we will describe an overview to different research approaches and chose the most effective and suitable for our research.

There are two main ways of making research conclusions in theoretical prospective which are deductive and inductive approach. According to Doorm and Ekroth (2003), the deductive method relies upon the known theories and the field of study. Since deduction is the process of thinking or discourse, that is characterized by the logical chain from a more general assertion to a particular one. This process may be accompanied with the effort to depict and define an actual reality that has already been described by other theories before. Explaining the use of induction, Doorm and Ekroth (2003) pointed out that the inductive method does not rely on theoretical data. It is rather based on gathering particular information for which the conclusion can be drawn.

Johansson and Svedner (1998) argue that the qualitative method contributes to a better understanding about the investigated problem. Moreover, according to Lekvall and Wahlbin (1987) the method is quite simple and thorough. It allows the researcher to adjust lacking information and improper formularizations or statements and also to append additional claims

and questions. Johansson and Svedner (1998) emphasize that a quantitative method is a better option if the study implies gathering a lot of data, which is to be analyzed further in order to reveal models or templates.

Our research question influences the adoption of the research design. The main aim of this study is to find out what is impact of culture on trust building process between importers and exporters of Norway and Pakistan? The literature characterizing different dimensions of trust is comprehensive; nevertheless the theoretical frameworks regarding trust in connection to cultural aspects are rare enough. Our research employs the inductive method and generally relies upon the results of our survey, due to which it has been possible to construct our own model. So far as the objective of the research demands the use of an appropriate methodology that could allow having a profound insight in the area of studying, we have decided to focus on a qualitative approach, which contributes to investigate the field of our research question particularly and in detail.

### 3.2. Research Strategy and Data Collections

The kind and characteristics of information which is important to gather for answering certain questions could mainly influence the form of data collection approach (Ghauri and Gronhaug 2002). The inductive method implies the use of qualitative analysis. Due to Huemer (1998), qualitative survey is concentrated on concerns and exegetics. There are two main research strategies corresponds the inductive method: case studies and field studies. According to Marshall and Rossman (1995) the data collection manners might be represented with in-depth interviewing, participant observation or elite interviewing. The case study research strategy is used for gathering the information in our survey.

#### 3.2.1. Secondary Data

Secondary data is the data gathered by other investigators for any different from our objectives (Pervez Ghauri 1995). According to Ortinau (2000), secondary data is not only collected for the concrete research but also for some other purposes. The literature of the university's resources will be the basis of our theoretical framework in our study. In general, it should be noted that the secondary information collected here is relatively contemporary, and collected from available recent researches.

### 3.2.2. Primary Data

Primary data is gathered by us and is characterized as the original information for the present research question. Provided that the secondary data is not always accessible or is not capable to find the answers or solutions to our research problem, we are supposed to collect the information independently, and our primary data must be based on our research question. Observations, questionnaires and interviews are typically used for the primary data collection.

### 3.2.3. Source of Evidence

Yin (1994) states that there are six different sources of evidence, interview is one of the most efficient among all. We decided to use this source of evidence in our research. Patterns and types of interviews are most often determined by the theme of the survey and the range of respondents.

### 3.2.4. Interviews

There are three kinds of interviews in appliance with their construction: structured or focused, unstructured or open-ended and semi-structured (Bryman and Burgess 1999; Hartman 2004; Yin 2003).

The focused interview is created by a pattern, has especial standard and very well-structured for organizing and analyzing the information obtained. In this type of interview, the time period of interview from respondent is usually short. The researcher must have to follow a set of organized questions from an interview guide and usually the interview is not followed by open-ended questions.

The open-ended interview is the opposite one and implies a dialogue consisting of certain questions made to get a better understanding of the investigated field. The open ended interview is characterized by the conversation by means of which the researcher asks questions for information about the key theme of the study and also organization's opinions.

The semi-structured interview eliminates the weaknesses and employs the strong sides of the structured and unstructured ones. The main trend of the semi-structured interview is maintaining the conversation about a subject in proper time conditions. Moreover, this interview is quite versatile, as far as the aim is to find out some extra data and take into account particular

statements.

Our research will use the focused interview for primary research and follow a set of structured interview guide for collecting data. The selection of such specific type of interview is based on availability of time from targeted companies.

#### 3.2.5. Case Studies

The case study approach is a strategy which is centered on describing and conceptualizing the development in the particular framework. Case study can include numerous cases and different degrees of data analysis (Eisenhardt, 1989). Eisenhardt (1989) further argues that a concrete amount of cases for an ideal survey does not exist. One or more than one cases could be enough to disclose the experimental ground. In our research, the number of case studies will depend on the availability of time and resources. However, each case should serve a specific purpose in our study. Our research focus on one sided case studies which will examine culture impact on trust building process from Norwegian importer's perspective.

#### 3.2.6. Selection of companies and interviewee

Locke (2001) argues that the case selection should be organized by sampling through different independent companies, situations or settings. Eisenhardt (1989) stated that random sampling is not necessary. The author depicts a theoretical sampling which is characterized by only those cases which could replicate or extend the emergent theory. According to Glaser and Strauss (1967), the most appealing criterion of case selection is diversity and interesting cases which could emphasize on specific aspects of the field of survey.

Our study will focus on Norwegian companies which have a direct import function from Pakistan or the companies which have decided to work through independent foreign intermediaries. We have tried contacting 24 different companies from four particular industries which are; sportswear, apparel, food and home textile. Such industries are more popular in terms of the overall exports of Pakistan. These companies are assumed to run import function as per information provided by their corporate website or other networking resources. The selection of the companies is carried out in accordance to their diversity in the nature of their import

functions. Lacking in availability of time could lead us with agreed information provision from one company. The interview is focused and structured interview guide is used in order to access primary information from this company. The study is based on culture impact on trust building process between exporters and importers of Norway and Pakistan.

### 3.2.7. Interview Guide

Strauss and Corbin (1998) include sensitizing requests, theoretical questions and practical questions in the interview guide. The specific conceptual template obtained from the literature review should be included in the process of creating the interview guide. Due to Strauss and Corbin (1988), literature review could become very helpful for building a concept within an appropriate theoretical method, however, that it must be noted that such approach might impede creativity when it is placed right between the researchers and the information. In our particular study it is important to present the purpose of investigating the Pakistani-Norwegian importer-exporter interaction. The practical work in this direction implies that the researcher has to develop trustful relationships with the respondents at an early stage of the study. According to Misztal (1996), trust is an integral part of any social relations, thus it is necessary to distinguish different styles of relationships and variety of commitments tied to them. Young et al. (1992) differentiated three types of assessment in the studies regarding trust: characteristics of the object of trust, characteristics of the trustor and contingency of situation. The interview guide for the Pakistani exporters and Norwegian importers is quite diverse; however it involves similar questions which are designed with the help of literature. (Appendix)

### 3.3. Analysis

According to Strauss and Corbin (1998), coding is the analytic process by means of which the information is disintegrated, conceptualized and aggregated to build a theory. In our study, the first stage of analysis presupposes the comparison of cases suitable for concrete category, by the process of going towards the recorded interviews and setting the data into fragments for further analysis. According to Locke (2001) various kinds of coding describes unlikely aspects of comparing and nominating at diversified conceptual degrees. Strauss and Corbin (1998) stated that discriminate sampling, concentrated on cases that might improve the key category that is quite close to those ones which are used here, corresponds selective coding. Selective coding is



the process of integrating and refining the theory. The revision of the theory should be made with the aim of finding out the inner logic and consistency. Thus, less developed categories are to be developed and framed.

#### 4. Company Case and Analysis

In this chapter, case studies from different Norwegian importers have been analyzed with respective literature and a descriptive and distinctive comparison is made with the help of analysis from each case. According to Doney et al. (1998) there are six trust-building ways that have been evolved on the theoretical grounds of social disciplines and determine both economic and behavioral prospective of trust. Our study will examine each company case under the light of six ways of trust building process and analysis will be based on a theoretical comparison with real life practices. Norwegian import market has been viewed and primary data has been collected from three importers of Norway which have direct or indirect import relation with Pakistani exporters. The studies will examine impact of culture on trust building process between importers and exporters of Norway and Pakistan.

##### **Case 1: Dressmann, Norway**

- General Information

Dressmann is a largest fashion brand in men's wear in Norway. The company operates its entire functions being a part of the largest apparel chain in Norway called Varner Group. Varner group also operates the most famous brands in Norway such as, Cubus, Bik Bok, and Carlings etc. Varner group has a centralized management situated at Billingstad outside of Oslo where Dressmann headquarter is located.

Dressmann is a family owned business and works as a limited company in Norway. The company has 40 employees working in its office; besides the company operate in 7 countries including Sweden, Latvia, Finland, Denmark, Iceland Germany and Norway with a total of 3000 employees. Dressmann has about 400 stores overall working in the countries mentioned above.

The main target market of Dressmann is quality and price conscious consumers of apparel. The company imports 100% of its products from different countries including Pakistan. The company has now recently introduced Dressmann XL and Dressmann women's wear another successful segment as a fast growing business activity in Norway.

A focused interview has been conducted with purchasing manager of Dressmann who is responsible for imports activities from Pakistan. Mr. Tom Brandt has assisted in providing useful information regarding cultural impact on trust building process between importers and exporters of Norway and Pakistan. The interview guide has been followed for the purpose of data collection. And each part of interview guide has been analyzed and described with the interpretation of literature, theory and information from the company.

Dressmann has been importing successfully from Pakistani market for last three years. The main product for their import from Pakistan is men and women Jeans. Dressmann has developed its import relationship with Pakistani exporters with the help of a foreign intermediary situated in Italy. Such intermediary works directly on behalf of CBL (Crescent Bahuman Limited) in Pakistan. Crescent Bahuman Limited is producing of all kind of apparel and specialized in producing men and women Jeans. The company has its head office located in one of the largest city of Pakistan called Lahore.

- Cultural Distance and Import Relations

Cultural distance can be defined as a degree to which extent cultural values are different in one country to another (Bradley and Sousa 2006). According to Mr. Tom (purchasing manager at Dressmann), Norwegian and Pakistani business partners perceive different norms and values because of culture distance. We approach our Pakistani business partners through an Italian agent which act as a third party role of vouching our business partners in Pakistan. The act of involving intermediary to vouch for business partner in a country where culture is entirely different than the first one represents lack of cultural knowledge for one business partner. An intermediary role has its importance in building trust relations between countries having different cultural norms and values.

According to Mr. Tom, the cultural distance has a very minor impact on trust building process among our business partners in Pakistan. However their security issues, lack of direct contact and traveling problems are the major challenges in doing business in Pakistani market. Stated the response on a question regarding challenges for building trust was in the favor of security issues in Pakistan. Such issues correspond to an act of institutional negligence to create an environment

of safe and sound business in a country can highly impact on business relationships with other countries and on trust building process between importers and exporters.

Mr. Tom argued that it is difficult to do business directly to Pakistan and stressed upon the institutional negligence in Pakistan to provide security facilities for international importers and investors. It is considered to be a difficult process to build direct relationship without any transference process. Though cultural norms and values have a minor impact on our trust building process with Pakistani exporters but these factors are not determinants of our import business relations with Pakistan; said by Mr. Tom. Dressmann is operating its import activities in Pakistan for three years and is very satisfied with their relationships with Pakistani exporters.

### **Trust Building Process between Dressmann and CBL (Crescent Bahuman Limited)**

- Calculative trust

Trust contains a calculative process notably if a person or company counts the costs and returns of a partner that can either cheat or do not collaborate in the interaction (Doney et al., 1998). According to Mr. Tom, the nature of their business relationship with Pakistan is strict in profession. However, both business parties act independently and try to focus on collaboration in their interaction with each order. Calculative behavior describes the lacking capability of a company to provide certainty in the business transactions among their business partners. Such state makes their relationship strict in profession.

Mr. Tom argued that as long the quality is maintained by its suppliers in Pakistan, time management is good, products are reaching in their warehouse on time, sampling is good and overall quality of final product is good, our relationship is determinant but in case of negligence by our suppliers in Pakistan, Dressmann can lose its trust and in worst case they can cut off their business operations with existing suppliers. Further stated by Mr. Tom, both business partners have parallel and mutual interest of working and developing trust between each other.

- Prediction in Trust Process

Prediction trust-building process is determined by the confidence that target actions could be predicted (Doney et al 1998). Dressmann can easily predict its Pakistani suppliers on the basis of previous experiences. The company has confidence in their business relationship. The statement has a common definition presented by Huemer (1998) which states that trust develops through previous experience and past relations. A company learns the behavioral outcome of its business partner through dealing similar kind of business practices over a certain period of time. Such experiences increase the firm's capability to predict the actions of its suppliers and work confidently in their sales markets.

According to Mr. Tom, Dressmann has experienced of working with several different cultural markets which has made it possible for the purchasing team of Dressmann to easily forecast its suppliers worldwide. In case of Pakistan, it is also the same. Once the company has maintained its trust with suppliers by previous actions or long terms business relations, we understand their norms and values and easily predict their actions. The cultural distance hereby not impact on our ability to predict our business partner's targeted actions in Pakistan.

- Intentionality in Trust Process

Trust on the grounds of intentionality is formed under the influence of one partner's perceptions about the other partner's intentions. Good intentions may be considered if both partners develop joint values or norms that eventually conduce to better understanding of each other's targets and aims (Doney and Cannon, 1997). Mr. Tom believes that their Pakistani business partners or suppliers will work on behalf of their company's best interest. If two business partners succeed in developing similar norms and values in contact with business transactions happening between each other, the influence goes directly in the favor of perception of one business partner on the intentions of other business partner that he or she will work on his company's best interest. Such process goes for a long period of time. Once two companies have developed mutual understanding about norms and values, it becomes easier to build trust in their business relations.

Dressmann has confidence that their suppliers will act in favor of Dressmann future success. Both business partners share similar business values and work on the basis of mutual interest.

Intentions of one company is therefore of its importance when it comes to the business across national borders and each company work automatically for the success of other company which actually refer to an indirect act of working for one's own future success which is actually the same in case of our Pakistani suppliers.

- Capability in trust Process

Capability trust-building process is characterized by the situation when the trustor evaluates a target's ability in promises fulfillment (Doney et al. 1998). According to Mr. Tom, the capability of Pakistani suppliers is definitely important for their business but such capability do not determine the trust building process among our Pakistani business partners.

Sometimes the suppliers do not show up with expected results in quality, and then the company provides them with necessary knowledge about production and standards of quality for their production. Such training or information makes them capable to reach over on our company standards. According to the statement mentioned above, one can assume that the capability of one business partner is somehow of not on primary condition for building trust but it is important to have a capable supplier.

- Transference processes

A transference process allows a third party's description of a partner as a base for considering this partner to be trustworthy (Doney and Cannon 1997). Dressmann has selected its current business partner in Pakistan through an Italian intermediary which acts directly on behalf of CBL (Crescent Bahuman Limited) the import business partner of Dressmann in Pakistan. The company uses the Italian intermediary for translating technical issues to the factory in Pakistan and for guaranteeing the quality of their production. A role of third party vouching on the quality requirements of importer is considered as an important element for trust building process between importer and exporter of two different regions. An intermediary or a third person guaranteeing the operational authentication of one business party to another is considered here to be a major determinant of trust building process between both business partners.

The Italian intermediary has developed the relationship between Dressmann and CBL (Crescent Bahuman Limited) three years ago and after building trust between Dressmann and CBL (Crescent Bahuman Limited), both companies have a direct contact for the requirement and fulfillment of each order. CBL (Crescent Bahuman Limited) has made its reputation by keeping promises fulfillment in terms of quality of its exports. The current network of Dressmann identifies such exporter as trust worthy exporter from Pakistan.

- Socialization and Institutional process

Trust has become an institutional mechanism provided that the opportunities of sanctioning and contracts are tools of formal control mechanisms which finally replace trust itself (Sitkin and Roth 1993). Dressmann does not operate its import functions under a formal contract for a certain period of time with Pakistani exporters. However both companies work under order to order requirement instructions. The mean of communication is e-mailing where English is used as medium of instructions. A written agreement or sanctioning relationship on a legal document can allow both business partners to be confident and secure in terms of their business relations. But written statement comes when there is no mutual understanding between business partners or business partners consider their relation as on an in-secure environment in terms of institutional uncertainty or insecurity.

According to the purchasing manager at Dressmann Mr. Tom, Pakistani national laws concerning import/export functions are not of much difference as compare to Norway. Including that, other import markets of Dressmann such as turkey and china also have almost the same with not of much difference in trade regulations.

Both companies follow international standard regulations for quality assurance. The risk of uncertainty is high in Pakistan due to its security issues and political crises. Trust building process requires a third party role to vouch for quality assurance and other support functions for importing from Pakistan. Such security issues are institutional mechanisms and lack of public sector's ability to create safety environment, which reduce the ability of one business partner to build trust under unsafe and unsecure environments.

**Case analysis**

Norwegian importers require high level of certainty in their security issues concerning traveling to Pakistan for development and trust building purposes. These security issues demonstrate institutional process of trust building between both parties. Whereas the market is more likely to be invisible for importers due to difficulties in traveling and personal visits in production units, the level of uncertainty by different culture bonds them to be followed by calculative trust building process in terms of quality of the product.

Similarly, security issue requires a third party role to vouch for their quality control and assure the level of certainty in Pakistani market. Such calculative, transference and institutional processes of trust are more likely to be influenced and affected by cultural norms, values and behavioral assumptions of Dressmann and CBL (Crescent Bahuman Limited).

On the other hand, prediction, capability and intentionality trust building processes are based on company's professional attitude of doing business across national borders. Company can predict its Pakistani business partner on the bases of continues business transactions for last three years. Capability is seen as an important characteristic of Dressmann's Pakistani suppliers but cultural challenges are not seen as major determinant for the company to build capability based trust on their Pakistani business partners. The company values of Dressmann are more professional in terms of capability of its Pakistani business partners. The company use to forward product and marketing information to its suppliers in order to enhance their capability on regular bases. Intentionality is reflected by both business partners in terms of sharing similar business values which reduces the impact of culture factor as a bases for trust building process between Dressmann and CBL (Crescent Bahuman Limited).



**Case 2:**  
**IDE Group, Norway**

- General Information

Ide group is a provider of promotional products, apparels, gifts, Textile and leather products to the corporate Norwegian market. The products provided by Ide group, focus on the achievement of organizational goals for its business customers. The company works 98% of its operations on Business to Business (B2B) bases. A very small target market is based on direct consumer products. The company has 130 employees working in Norway and total revenue of Ide group is about 60 million Euros which are equal to 453, 17 million Norwegian Kroner. The company has its head office located in Dyrløkkeveien 19, N-1448 Drøbak. Norway.

Ide group has been importing football, sports goods, textiles, leather products and sports garments from Pakistan for more than 25 years. The purchasing manager Mr. Oyvind berg has been contacted for interview and has experience of 15 years to import from Pakistani market.

A telephonic interview has been conducted with respondent from Ide group Mr. Oyvind berg and a set of focused questions were asked in order to enlighten cultural impact on trust building process between importers and exporters of Norway and Pakistan.

- Cultural Distance and Import Relations

Cultural distance can be defined as a degree to which extent cultural values are different in one country to another (Bradley and Sousa 2006). According to Mr. Oyvind Berg, there lies a cultural difference between both business markets but such distance in Norwegian and Pakistani culture have minor impact on our import relationships with Pakistan. Ide group is doing business with several countries and do hereby we respect all the cultures, norms and values of their business partners. The culture distance is explained as having minor impact on importer and exporter business relations. The sense which is used here accompanies the fact of professionalism in terms of building relationships between importers and exporters across national borders. The companies try to understand and explain each other's values, norms and behavioral assumptions.

In case of difficulties in building trust between both business partners, Ide group use to provide its suppliers with necessary training and information about desired quality. Ide group will not

have any difficulties as long the people are friendly and providing them with good quality products. Ide group is importing through both agents and direct source from Pakistani market.

A major challenge for Ide group which comes under cultural distance between both countries is payment procedures. Such procedure comes in the stated minor impact by culture distance. Pakistani exporters use to request advance payments for production of ordered goods where as Ide group do not rely on production unless it has confirmation of the quality output of such goods.

The company has followed a feedback procedure for its suppliers which eliminate the barrier of quality control and leads to develop trust between both business partners. According to this specific feedback procedure, the company assures the quality of products by sample checking. The company modifies it in accordance to its needs and the modification report is forwarded to suppliers for re-sampling. A final quality check is made on such re-samples which proceed to placement of actual order. Such procedures are adopted to overcome culture distance and represent the sense of professionalism between both business partners in Norway and Pakistan. Ide group has analyzed their Pakistani suppliers as reasonable for future relations.

### **Trust Building Process between Ide group (House of Brands) and Pakistani exporters**

- Calculative trust

According to Mr. Oyvind Berg (purchasing manager at Ide Group) the nature of relationship between both business partners is strictly professional. Ide group work on the basis of mutual interest among its import relations and in case of one sided interest or lack of interest in fulfilling promises on its exporters side, the company will no longer maintain its trust on such suppliers and proceed to several other available opportunities lying in surrounding competitor environments such as Bangladesh, China or India. Doney et al. (1998) also argues that building of trust by means of a calculative process demands from trustors the ability to decide whether the target expenses for opportunistic actions exceed the gains or not. In the process of calculations, trustors use to understand and accept these targets and also demonstrate trust as a behavior because they are the interested individuals who calculate the gains of opportunism.

For Ide group, it is not so common but a very seldom chance to face such situation where suppliers do not consider their interests and works only on behalf of its own interests.

- Prediction in Trust Process

The company can predict about their Pakistani business partners that they will keep their promise for a certain level of quality, time and quantity of production. Such prediction has been derived by their long term relationships and previous experiences. The duration of relationships greatly affects the level of trust in these relationships (Young and Wilkinson 1993). Such prediction behavior is derived from the revision of same business practices regularly over a long period of time which makes a firms actions certain and predictable for a specific business transaction.

As far the relationship is old, it is easier for Ide group to evaluate and predict the response of Pakistani exporters in connection to mutual business relationship.

- Intentionality in Trust Process

Trust on the grounds of intentionality is formed under the influence of one partner's perceptions about the other partner's intentions (Doney and Cannon, 1997). Ide group has developed very good relationships with Pakistani exporters that they believe their Pakistani business partners will act in the favor of their company's success.

Good intentions may be considered if both partners develop joint values or norms that eventually conduce to better understanding of each other's targets and aims. It is the policy of give and take where both parties do hard work in order to achieve their partner's and indirectly their own success. According to Mr. Oyvind, if one business partner keeps good communication with other, provide them with feedback on first samples and guide them by redesigning new samples then there are certain chances that other company will act in a right direction and in the favor of first company.

- Capability in trust Process

Doney and Cannon (1997) stated that the capability process includes checking partner's ability to meet responsibility and credibility in appliance with expectations. Mr. Oyvind expressed that, the capability of Pakistani exporters is important for the company in order to achieve desired results from the production and compete in Norwegian market.

However the company does not share so much market or industrial information with Pakistani suppliers due to competition issues. Our suppliers are only provided with the information about the quality of product and its special requirements According to the above statement, one can assume that the capability process is important for the Norwegian importers to obtain expected results from their suppliers but capability of their Pakistani business partner do not determine their business relationships or trust building process between importer and exporter. Companies can develop their partner's capability by providing necessary instructions and time by time feedback.

- Transference processes

According to Doney et al. (1998) stable and durable relationships between persons and firms that let trust to be transferred by people may stimulate developing both this type of trust and organizations in which individuals can be trustworthy themselves. Ide group use two methods to approach their suppliers i.e. through foreign intermediaries and direct contact. The company has less focus on its supply side as compare to its sales side.

Ide group works on business to business basis so in case of new orders or placement of supply order, the chief executive of Ide group contacts its suppliers network in Pakistan. The owner has developed several years contact with Pakistani exporters and therefore it is very easy for him to just call few people in case of any demand of products from Pakistan. Pakistani exporters are well known by the owner of Ide group and they give high importance based on their long term business relationships.

The personal networking hence impacts highly on the trust building process between Ide Group and Pakistani exporters. The owner of Ide Group has this competitive edge on working several years with suppliers market which made his relationships with Pakistani exporters, very reliable

and stable. Therefore the trust is being transferred within organizations by the mean of personal networks and such networks are associated with trust worthy people.

The company also consider third party role to vouch and give recommendations for new contract or new suppliers in Pakistan. Ide group gives priority to the recommended suppliers from its network as compared to non-recommended ones. Such network vouches as a third party which approve the suitability of business partner across national borders. The recent suppliers of Ide group have very good reputation in their corporate network.

- Socialization and Institutional process

Trust becomes an institutional mechanism provided that the opportunities of sanctioning and contracts are tools of formal control mechanisms which finally replace trust itself (Sitkin and Roth 1993). Ide group use a formal contract with its Pakistani exporters which has approval under the governance of both countries. If the governance of any country require one partner for addition or subtraction of any section in the contract, Ide group use to modify its contracts in accordance to such rules and regulations. A written agreement bound both parties to act in accordance to their limitations mentioned in their contract. Such agreements are derived into enforcement in need of a secured business relation and hence it allows building trust worthy relationship between importers and exporters.

In response to a question relating national laws of both countries Mr. Oyvind stated that “I believe these two countries are different in the nature of their national laws. However there are several similarities in the regulation of trade functions between both countries i.e. Norway and Pakistan”. Ide group follows a set of formal code of conduct which require all of its business partners worldwide to follow a special set of rules which include regulations regarding fair trade policy, child labor avoidance regulations etc. The group is ISO certified and make selection of its business partners to be certified by quality standard certification by ISO. Furthermore, Mr. Oyvind stated that it seems to have minor risk of uncertainty in public institutions of Pakistan apart from their security issues concerning traveling there for relationship development. Security issues are hereby important concerning building trust between importers and exporters of Norway and Pakistan.

**Case analysis**

Ide group has been doing business with Pakistani exporters for around 25 years now. The company has developed very good import relationships with its Pakistani suppliers and obtained all the opportunities to build trust among Pakistani business partners. The company uses to follow and respect cultures of its business partners around different parts of the world but gives less importance to cultural norms, values and behavioral assumption as major challenge for their business relationships. However, culture has a minor impact on trust building process. The important determinant of trust between Ide Group and their Pakistani business partners are based on calculative, transference and institutional trust building process.

For doing business in Pakistan, where there is less knowledge and understanding about the maintenance of certain level of quality according to Norwegian standards, the company uses the calculative process and shows strictness in its profession. Personal networking of Ide group's owner is an important tool for the success of their business relations in Pakistan which demonstrate a transference process of trust building. The understanding about their values, norms and behaviors makes it easy to follow the culture in order to establish good references. These references not only give an edge on supply side but also make it easier to identify the corporate business values of each other and follow them on each side in order to establish trust between both business partners. The company regulates a code of conduct and requires its partners to follow a set of regulated instructions i.e. avoidance in using child labor etc. In addition the company uses a formal contractual relationship in order to secure its business relation with Pakistani business partner. Such directives and contractual agreements identify the impact of culture factor on socialization and institutional trust building process.

On the other hand, prediction, intentionality and capability trust processes are not on its high importance for Ide Group to build trustworthy relationships with its Pakistani suppliers. The company provides necessary information and follows feedback process in order to increase their capability in relation to product development. Previous experiences make them believe on their partners ability to show good intentions and also help them to predict their actions. Intentionality of Ide group's Pakistani business partners is perceived as an expected reflection. Both companies

have similar business values and therefore culture is not considered to be a hurdle in their mutual trust building process.

**Case 3:**  
**Fine Distribution AS, Norway**

- General Information

Fine distribution is a provider of food items including rice, flour, spices, oil, pulses and other kitchen related products in Norway. The company has its import function established in several countries including India, Pakistan, Bangladesh and England etc. The company has its head office located in Ullevansvien 87 Oslo, Norway.

The company has been operating its import activities in Pakistan for 25 years. The company has a total of 18 employees in which 11 employees work in office and 7 in warehouse. The ownership structure of Fine Distribution is based on a limited company with a title of As in Norway. The company consumes more than 50% of its total revenue on import activities and 98% of its products are imported from different countries in the world. Only 2% production lies under company's own ownership.

An interview has been organized with the managing director and owner of the company Mr. Syed Hussnain Ashar. The interview is followed by a focused set of interview questions which demonstrate impact of culture factor on trust building process between imports and exporters of Norway and Pakistan.

- Cultural Distance and Import Relations

According to Mr. Ashar, there is a difference in cultures of both countries in contact with their norms, values and behavioral assumptions. The understanding of such culture distance can be valuable in terms of establishing good business relations with Pakistan. According to Batonda and Perry (2003) culture is crucial for international interactions because its understanding eliminates lots of obstacles on the way to success. The cultural understanding has been identified as a source of success in building importer exporter business relationships. Fine distribution works on reference based importing system in Pakistan.

The Managing director has pointed the level of experience of working in import and export market can define the cultural impact on trust building process between importers and exporters of Norway and Pakistan. In accordance to such expression, one can assume that if the business



setting is more experienced in the field of imports or exports, their attitude will be more professional and standardized as compare to less experienced one. The less experienced business partners will follow their own cultural norms and values while doing business with their business partners across national borders.

Mr. Ashar stated that, our purchasing team has organized a training course for non experienced exporters of Pakistan. We invite such exporters in Norway and make them visit the market and evaluate the market according to the style of packing, weight, quality and prices of the products. Such training has enhanced our business relations and working capability of our business partners in Pakistan.

The range of products and different brands can define our level of dependency on suppliers. If the brand has high demand worldwide or has greater goodwill, the company would be rather dependent on their business relations, vice versa. A compromise with one partner's business values can also be varied by different products and brands of Pakistan. Fine Distribution focus on both its supply and demand side and make certain policies to be followed in order to build trust between and among its Pakistani business partners.

### **Trust Building Process between Ide group (House of Brands) and Pakistani exporters**

- Calculative trust

Trust contains a calculative process notably if a person or company counts the costs and returns of a partner that can either cheat or collaborate in the interaction (Doney et al., 1998). According to Mr. Ashar, the level of calculation or strictness in profession is based on our different brands. In case of famous brands, our relationship is not strict but is lenient when it comes for trust building. We have the same values in case of dependency on our Pakistani business partners in accordance to the popularity of their brands.

Such statement by Mr. Ashar expresses the idea of an opportunistic behavior which partly deploys calculation for building trust among its Pakistani business partners. On one side the

company do not consider calculative process for trust building, on the other side the company is also very keen in terms of quality, time period of delivery and packing of its imported products.

In case of negligence or self interest based response from suppliers Fine Distribution can make hard decisions such as changing business partners in Pakistan, said by Mr. Ashar. However the company will not cut off their business relations on the basis of mistakes happened from our suppliers' side. The company is very lenient in terms of its business relations with Pakistani business partners.

- Prediction in Trust Process

Mr. Ashar stated that, prediction of Pakistani exporters is based on our business networks. We can predict our loyal business partners to whom we are operating import activities for a long time. Such expression can be found in the literature of Doney and Cannon (1997) which states that, as long as trust demands an evaluation of the partner's credibility and amiability, one party is supposed to know about the other party's previous deals and behavior. The company has experienced the importers market for a very long period of time. Hence the company has developed their ability to understand Pakistani business culture which makes it easy for Fine Distribution to predict their business partners in Pakistan.

According to Mr. Ashar, Fine Distribution is operating import activities for approximately 25 years with Pakistani exporters and on the basis of several experiences with Pakistani exporters, the company knows what to expect from its Pakistani business partners. The company shares the same business values with their business partners in Pakistan.

- Intentionality in Trust Process

Doney et al. (1998) highlight that explanation and evaluation of benevolent intentions is easier if both partners share their values or norms which help one party to understand the other party's objectives. According to Mr. Ashar, the values and norms are optimal from both importer and exporter side. Therefore the intentionality of Pakistani business suppliers is reasonably good and in favor of our company's best favor. Our company makes selection of specific suppliers which have good reputation in the market. Therefore we have experienced very good outcome in terms

of intentions and actions from such suppliers. These suppliers share the same business values as our company and work for each other's success.

The experienced importers are professional in their nature of doing business. They have absolute idea about their cross cultural business partner's intentions. The nature of their relationship is based on a reputation prerequisite which makes the buyers more confident about their suppliers. Such prerequisite reduce the importance of intentionality as determining trust between both business partners. On the other hand the supplier considers success of their company is based on the success of their business partner. So they act in the favor of their partner's future success. Intentionality is important for lasting business agreement for long terms.

- Capability in trust Process

Mr. Ashar has described the capability of their Pakistani exporters as an important element for their business success. Fine Distribution forwards its marketing reports and necessary documents to its suppliers on regular bases. Such information increase their capability and help to develop their production in accordance to Norwegian market.

Here is to be noted that, Fine distribution does not build or reduce trust on their Pakistani exporters on the bases of only their capability. But their capability is important for their business operations. The company makes selection of such suppliers which are dominant in their competitors in Pakistani market and are capable for bringing success for fine Distribution in Norway.

- Transference processes

Transference is highly prioritized in the process of building trust between both parties, said by Mr. Ashar. The reference list provided by their suppliers in Pakistan contains much importance for building trust on them. Fine distribution not only check the recommendation of the company by its personal or professional network in respective country (Pakistan) but also make a personality check and evaluate the supplier personally before building trust.

Some products are directly imported from producers and few products are imported by third party intermediary.

The need of intermediary comes in case of most diversified product line i.e. spices etc. The communication lies directly between owners of the factory with Mr. Ashar or purchasing department. Personal references are counted as highly authentic references for Fine Distribution. Further stated by the managing director of Fine distribution Mr. Ashar that their business partners have good reputation in their personal and professional networks in Pakistan and transference is one of the key process to build trust between importers and exporters of Norway and Pakistan.

- Socialization and Institutional process

According to Mr. Ashar, there are several suppliers who have strong influence in governmental institutions in Pakistan and hence make it easier for us to reduce institutional risks while importing goods from Pakistan. Food industry is much diversified where the quality examination and following international or European import regulation are important such as ISO standards for quality assurance. Such standards require company to make necessary arrangements in order to create certainty about Pakistani products that they should achieve a specific standard level demanded by international regulations. While following such regulatory instructions, cultural challenge can be seen as a determinant of socialization and institutional trust building process between Fine distribution and their Pakistani business partners.

Mr. Ashar stated that the company only signs contracts with particular suppliers which do not have good reference system or do not have guarantee or third party recommendations from one of our business network. There is not much difference in the trade governance system of both countries. Most of the time consumes in filling paper formalities in both countries. The political crises and security issues are one of the challenging issues for Norwegian Importers but such challenges can be overcome by making selection of sound business parties which have good influence in public institutions in Pakistan.

### **Case analysis**

Fine Distribution has been doing business in Pakistan in more for about 25 years which express the high intensity of experience in the respective market. The evaluation of overall outcome goes in favor of cultural impact on transference and institutional process of trust building between importers and exporters of Norway and Pakistan. Calculative process is also dominant in terms of

cultural impact but the company is more flexible and lenient in terms of establishing business contacts. Cultural impact determines calculative based trust building process in accordance to the diversity of their products and brands. In case of brands with high goodwill in international market, the company shows lenient attitude towards compromising on the level of calculations.

The company gives priorities to the reference or network system both in terms of establishing new contracts and building trust between existing ones. An organized reference system is used in order to ensure the credibility of the business partners of Fine distribution in Pakistan. Such reference system describes the impact of culture factor on transference trust building process between Fine Distribution and their Pakistani business partners.

The food industry is diversified and regulated by several international regulations to be followed in order to import products from different countries. Similar regulations are imposed on Norwegian importers of food products i.e. ISO standards etc. Differences in both cultures require Fine Distribution to follow necessary arrangements in order to create certainty in the quality of their imported products from Pakistan. Hence institutional process is considered to be impacted by culture in between Fine Distribution and their Pakistani business partners.

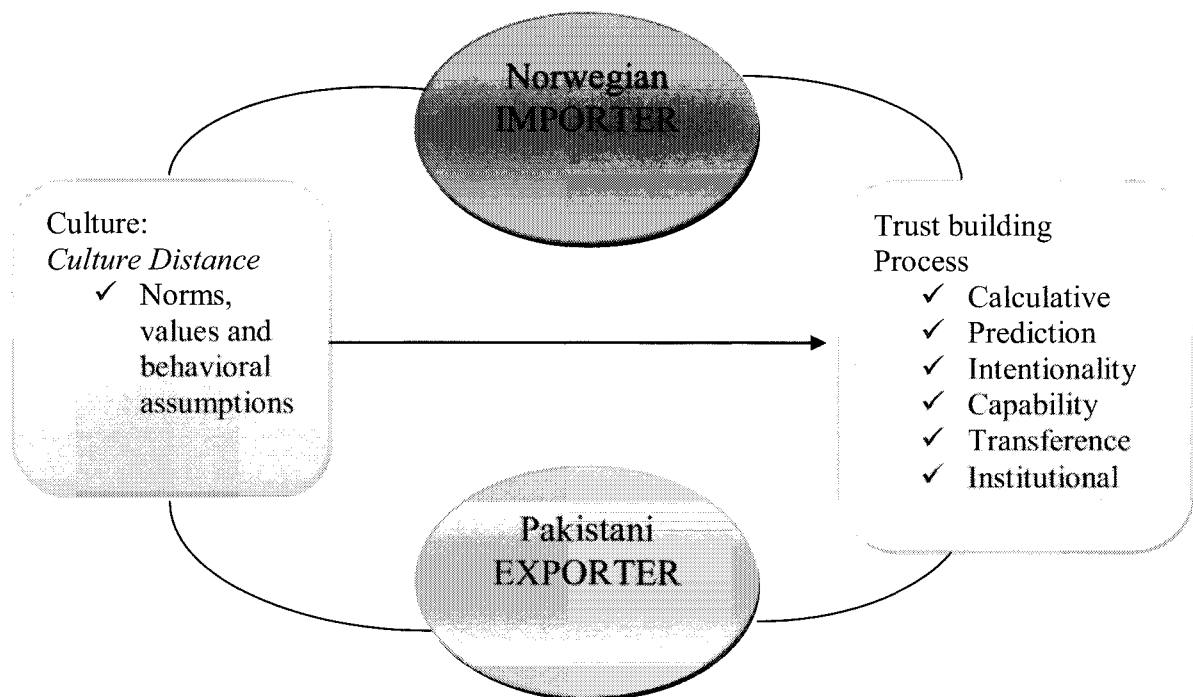
Intentionality, capability and prediction are based on previous experiences and pre selection evaluation of suppliers. Capability can be reformed by specific training of their suppliers and hence does not perceive cultural impact. Prediction is based on long term business transactions and company's import experience from Pakistan. Intentions are based on a mutual compromise for running business relations. Intentionality is not seen as differentiated in accordance to both party's cultural distance. Security and political challenges for Pakistan are highlighted to overcome in order to increase trust worthiness among Norwegian and Pakistani business partners.

### Cases comparison

The studies have shown that the companies contain extensive experience in the field of imports from Pakistan. According to our conceptual model an overview to all propositions are viewed and hence following results are derived from all three case studies of Norwegian Importers.

### CONCEPTUAL MODEL

#### Based on the Importers and Exporters of Norway and Pakistan



The company's stressed the fact that there lies a cultural difference between Norwegian and Pakistani importer and exporters. But such cultural distance i.e. difference in their norms, values and behavioral assumptions do not highly impact on their business relationships.

Uncertainty in Pakistani business environment bound first two companies i.e. Dressmann and Ide Group to follow calculative process for trust with Pakistani Business partners. The nature of their business activities is expressed as strict in profession Fine distribution has expressed partial importance for calculative trust building process to be impacted by culture. The reason was stated as defining their diversity of product range and number of different brands. A lenient attitude is seen on calculative process particularly for strong brand names.

Importance of transference is considered an important tool to build trust between importers and exporters of Norway and Pakistan by all three companies. All three companies use initially and partially third party intermediary role to vouch for their Pakistani business partners. The top management and ownership of Ide Group and Fine Distribution have high relativity with Pakistani suppliers based on a long term business relations. Dressmann also use an Italian intermediary recommending and guaranteeing their Pakistani business partners. Transference is therefore considered an important process which is impacted by culture of both countries.

All three cases have stated their opinion in the favor of institutional trust building process to be influence by culture. The first case by Dressmann has stressed on security issues which correspond to an institutional process to create safe environment in any country. Ide Group follows contractual agreement with Pakistani suppliers for creating certainty in their business relations. Fine Distribution persuades achieving international quality standards by its Pakistani suppliers of food products. These all three cases had expressed cultural impact on socialization and institutional trust building process between and among Pakistani business partners.

Capability is seen as an important process but not much stressed is given by all three companies to have major impact on their business relationships. A reason to such action is differentiated by each case i.e. According to Dressmann; the company increases its partner's capability through flow of information sharing between Dressmann and Pakistani business partners. Ide Group described the process of feedback on sampling and issuing re-sampling to its suppliers in Pakistan which enhance their capability in production. Fine Distribution provides necessary training and invites Pakistani suppliers to visit Norwegian market personally and achieve their production standards and capability.

Prediction is not seen as differentiated by cultural difference. All three companies stated that Pakistani exporters are predictable in their actions and promises. Such confidence is derived by previous experiences and long term business transactions. On the basis of such experience and long term business relation, all three companies can predict what to expect from their Pakistani business partners.

Intentions are developed by mutual motives and interests for the success of each other. Such intentions are dealt more professionally by all three cases without any cultural impact.



## 5. Conclusion and Implications

The purpose of this study was to enlighten the impact of culture on trust building process between importers and exporters of Norway and Pakistan. The findings drawn by primary research are overlapping with respective literature. The literature was divided into three parts. First part completely focuses on the concept of culture where respective literature was drawn to describe cultural values, national culture, cultural conflict and cultural distance between importers and exporters of Norway and Pakistan. Second part contains information and definition of trust in business relations, prerequisites of trust, variables of trust, sources of trust, levels of trust and trust development. The last part was based on trust building process under the light of cultural impact. Six processes of building trust was examined which are calculative, capability, intentional, transference, predictability and institutional process of trust. A research was designed with the help of literature review and case studies were examined in order to analyze impact of culture factor on trust building process between importers and exporters of Norway and Pakistan. Additionally, a set of propositions was developed in accordance to conceptual model defining impact of culture factor on trust building process between importers and exporters of Norway and Pakistan.

The findings are closely connected with the subjective literature which states that there lies a culture distance between two different regions where importers and exporters seek opportunities to establish business relationships. According to our research analysis, the culture distance which differentiates the norms, values and behavioral assumptions of one business partner from another across national borders does not highly impact on developing trust between both partners. A qualitative research has been designed with respective case analysis and interviews from Norwegian importers which results; culture has highly association with three specific processes of trust which are calculative, transference and institutional processes of trust. On the other hand, cultural impacts are seen not important for capability, prediction and intentionality process of trust. In case of intentionality, predictability and capability trust process, both business partners perceive similar business values and therefore do not face hurdles in building trust through in accordance to their specific and distinctive cultural values.

Out of three propositions which were developed in accordance with conceptual model designed with the help of literature review, only two propositions were proved to be true and valid.

First proposition which states **culture distance as an important determinant of business relations** and impact on trust building process could not be proven as true. All companies denied the importance of cultural norms, values and behavioral assumptions for building trust between importers and exporters of Norway and Pakistan.

Second proposition was about **calculative, transference and institutional** processes of trust building process which is affected by the distance between different countries and hence proven to be true and valid.

Third proposition was also proven as true and fair which says that **intentionality, prediction and capability** processes of trust do not perceive impact from culture distance of Norway and Pakistan. The company shares the same values and shows a professional attitude to run their business relationships across national borders.

Calculative process has been considered to be one of the most important determinants of building trust between both business partners which share different norms, values and behavioral assumptions. Importers express strictness in their profession in accordance to their cultural values. All three cases have support the process of calculations to be based for business relationship and trust building process between importers and exporters of Norway and Pakistan.

Transference process of trust is also considered another most important process of building trust and a process which is affected by Norwegian Importer's culture. Firms use a third party agent or intermediary for developing their relations with Pakistani exporters. Such measures or necessity comes in response to a security challenge in Pakistan which has restricted many international and Norwegian importers to feel uncomfortable to travel and visit factory for product and supplier development.

Institutional process requires safety and security of Norwegian importers by the mean of signing written agreements which are enforced by both parties' domestic and local cultures. It has been observed that it is institutional responsibility to create a safe and healthy business environment. Therefore, institutional process under cultural context is seen as important for building trust between both business partners.

The above mentioned and explained three processes of trust are the major and important determinant of trust building process under the impact of culture between importers and exporters of Norway and Pakistan. On the other hand capability, intentionality and predictability are seen as professional business practices with no impact of culture factor on such processes. All three firms have expressed their opinions and experiences of working several years in import activities with Pakistan.

#### 5.1. Managerial Implications

The proposed research has been concluded that three particular trust building processes i.e. calculative, transference and institutional process are influenced and impacted by cultural norms, values and behavioral assumptions. Such analysis can be used for developing import and export business relations among business partners of Norway and Pakistan. The results are combined from three different companies which are characterized by three different industries. The derived information can be used by Norwegian firms to identify the need and importance of Pakistani cultural impacts on their business relations. The information can also be used as a secondary research before entering into Pakistani market.

Lack of Pakistani cultural knowledge was seen as a common aspect among Norwegian importers. Such barrier in their relationship can be reduced by following necessary directions and act in favor of three particular trust building processes which were proved to be impacted by culture distance among Norway and Pakistan in this research. By following these processes in accordance to Pakistani culture will help Norwegian firms to increase their strength on supply side and to create long term business relationships with Pakistani suppliers.

## 5.2. Limitations and Future Research

Our research is based on interpretive paradigm and contains limited number of cases describing how culture impacts on trust building process between importers and exporters of Norway and Pakistan. According to the outcome derived from three substantial cases about Norwegian importers, culture distance is not seen as a major determinant of relationships and building trust between importers and exporters of Norway and Pakistan apart from three processes of trust including calculative, transference and institutional process of trust. Such information has been derived as an outcome from data related to only Norwegian importers. Pakistani exporters could not be approached due to time limitation specified by our Master thesis.

The study describes a dynamic nature of the cross cultural business relationships, and hereby does not investigate specific cultural features of each party involved in building trust relationships. A qualitative research has been identified as specifically well-suited while studying cultural phenomena and its interactions with trust.

Our study could favorably provide empirical in future research in accordance to the special references to the relationship between importers and exporters and also see how importers and exporters build their relationship within the mean of existing culture in two different regions. Our research will lead to open new gates for researchers in the field of international business with a focus on cultural studies with combination of trust between different regions. The research will provide a ground to create new propositions in order to compare the outcome based on findings from two different cross cultural business markets. Further enhancement can be made in the field of cross-cultural trust building process through two sided business studies with the help of our research as ground information.

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## 7. Appendices

### Interview Questions:

#### Norwegian Importers

##### General Information:

1. Please describe your company's overall operations? (Products/Services/Industry)
2. What are your company's general characteristics? Is it products company/services company or import export technical concerned company?
3. What is the mutual size of your company? (Employees/Revenue) (Obadia 2003)
4. What is your company's ownership structure? (Hagan and Kristiansen 2006)
5. Since how long your company is operating import functions in Pakistan? How many other import markets your company is operating in?
6. What part of total revenue your company consumes in import activities?

##### Export business relationships

1. How well do you understand the Pakistani Culture?
2. How many foreign languages do you speak? (Sousa and Bradley 2006, Alteren 2007) Are these acts as a challenging aspect of your import relations?
3. Could you mention an import relation that has proven to be challenging or did not work out? What could be the reason of difficulties?
4. Do you think that cultural differences, communication problems, language barriers or differences in management style could be the main factors of difficulties in terms of running import activities?

##### Relationship Process

1. How long have you had an ongoing relationship with Pakistani business partners? How long have you been buying your products from Pakistan?
2. What do you think, how relatively important is the Pakistani business relationship for your operations and revenue?
3. Are you satisfied with your Pakistani business Partner's overall performance?
4. How do you evaluate the future relationship with Pakistani business Partners?

### Cultural Distance

1. Do you work together with any distributor or agent in Pakistan?
2. How different or similar do you perceive Pakistani culture as compared to the Norwegian culture? (Why/why not) (Sousa and Bradley 2006)
3. Do you think you and your Pakistani business partners share the same values and norms? (if so, how/ how do not)
4. What are the difficulties lie between you and your Pakistani business partners? (any special event)
5. What do you suggest; the measures should be taken to rectify the cultural differences between you and your Pakistani business partners in order to smooth your business relations?

### Calculative trust

1. Sometimes you trust a partner because you have no choice, is your relationship strictly professional in nature, or do you feel that your partner sincerely cares about your company?
2. Is there a mutual dependency in your relationship with Pakistani business partner, or is one party more dependent on the other?
3. What are the consequences if your Pakistani business partner decides to act only in his/her self interest?
4. Do both parties in the business relationship have parallel or mutual interests and motives?

### Prediction in Trust Process

1. Do you feel that your Pakistani business partners are stable and predictable? Do they keep their promises?
2. Do you know what to expect from your Pakistani business partner because of your previous experiences?
3. Do you feel that you are familiar with your Pakistani business partners in terms of values and norms?

### Intentionality in Trust Process

1. Do you believe that your partners will work on behalf of your company's best interest?
2. Do you think your partner seems to be sincerely interested in your company's future success?
3. Do both of the parties have similar norms and business values?

### Capability in trust Process

1. Does your Pakistani business partner have necessary knowledge about the market, industry, and product?
2. How would you describe your partner's ability to meet your company's specific needs?
3. Does your partner's capabilities are important for your working relationship with your partners? (Hagan and Kristiansen 2006)

### Transference processes

1. How did you make the selection of your current business partner in Pakistan?
2. Were there any key personnel in your partner's organization who had strong ties with your organization?
3. Sometimes a third party may vouch for a potential partner when entering a new business relation? Did someone in your existing trustee's business network recommend your business partner in Pakistan?
4. Did your partner have good reputation in your network or good references?

### Socialization and Institutional process

1. Do you have a detailed contract with your Pakistani business partner? Is the contract regulated under Norwegian law? In which language is it written?
2. Is the Norwegian national laws are similar to the partner's national laws?
3. Did both of the parties regulate the mutual contract under any international Law?
4. Is there any risk or uncertainty associated with your business partner's country's public institutions or authorities?



### Interview Profiles

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