

CROSS-CULTURAL INFLUENCE ON BUYER SUPPLIER RELATIONSHIP ACROSS BORDERS IN AUTOMOBILE SECTOR FROM SUPPLIERS PERSPECTIVE – COMMITMENT, LEARNING AND TRUST AS MEDIATING VARIABLE

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ABSTRACT

This study probes into describing the characteristics of the current process of integration between Automobile MNC buyers and Auto component MSMEs, given the cultural differences. The study also probes the role of antecedents (Mediating Variables) in buyer's integration in Indian auto component industry and strategies adopted to motivate MNC automotive buyers to engage in a collaborative buyer-supplier relationship.

A descriptive research design was used to study the research problem, through which the role of mediating variables viz., commitment, learning, and trust in sustaining business relationships between IACMs (Indian suppliers) and MNC OEMs (MNC buyers) has been established. Analyses on impact of National and organizational culture on business relationships in cross-cultural setting was conducted.

The study's conceptual model depicts the connections between various constructs that can be empirically tested and applied to cross-cultural business contexts such as the exporter-importer relationship or franchisee-franchisor relationships.

Findings proved that organizational culture had more influence in business relationship than the national culture. Among the three mediating factors "trust" acts as the major influencer and trust in business relationship is created by learning attitude towards buyer's culture. Learning and commitment were found to act as mediating variables to understand its effect in strengthened business relationship. Antecedents for learning and commitment were also identified. According to this research, business relationships can survive cultural differences because partners learn to live with the differences in order to achieve their goals.

To summarize, this study attempts to fill some of the gaps in the literature regarding trust, commitment, and learning in contrasting cultural contexts. Tier III and upcoming SME Auto Component suppliers will benefit from this study's recommendations for strengthening their business relationships with their MNC original equipment manufacturers by developing and implementing the mentioned strategies.

Keywords: Supplier or Partner Selection, Service Level Agreements, Multi-Cultural Team Management, Emerging Markets, Economic and Social Systems.

INTRODUCTION

In the face of advanced technology, increased competition, stricter environmental laws and regulations forced many multinational companies to choose to focus their own resources on a set of 'core competencies' and fully leveraging external suppliers. The Key reasons behind this pressure are the MNC's ability to manage their inter-firm relationship with their suppliers. In the economic downturn, management of strategic buyer-supplier relationships is a critical concern in the manufacturing sector particularly automobile sector.

The sharp rising of import of auto component becomes a major challenge for the sourcing managers to select key suppliers and maintain relationship across the world. The global outsourcing is a timely issue to consider effective governance mechanisms and reduce opportunism in cross-border relationship between buyers and suppliers. People from diverse cultural backgrounds respond differently to problems that are seen similarly in the same cultures, differences always predominate when managing buyer-supplier partnerships. In the context of a society, an organization, or a profession, culture is a mental programming that differentiates people from one another (Hofstede, 2005). A person from a different culture may apply different solutions to similar situations. This line of thinking leads to the conclusion those suppliers must modify their management style in order to continue doing business with buyers who have diverse cultural backgrounds. A growing body of research suggests that buyers make more money when their consumers stay with them rather than if they buy new ones. Much literature related to buyer- seller relationship is examined in several aspects. For example Customers in cross cultures are more inclined to communicate with suppliers on the basis of shared commercial concerns (Nakata & Sivakumar, 2001). According to (Overby & Gardian, 2004), clients with strong masculinity cultures are more likely to analyze suppliers and environmental changes rationally. However, it has been discovered that the majority of the models in use today focus primarily on relationships between partners within a particular cultural domain and lack conceptualization across national boundaries. There is severe acute shortage on cross border buyer- seller relationship in automobile sector. This research is completed isolated from the previous research in the following ways. First, it begins by analyzing the cross-cultural relationship between buyers and sellers in India's automobile vehicle industry. Most studies on emerging nations adopt the viewpoint of multinational corporations and have not included the perspective of their partners from other developing nations. The supplier's perspective on the relationship with the seller in other nations is the primary subject of this study. Moreover, previous literature mainly focused on organizational culture difference, national cultural difference on analyzing the relationship between B2B services. Numerous studies across a variety of disciplines have identified commitment, trust, and learning as important relationship variables. In a long-term buyer-supplier relationship, commitment, trust, and learning are the key elements that could remove uncertainty and facilitate relationship learning and could bring commitment between buyer-seller in international trade transactions. In this research, a new measurement model is developed by considering commitment, learning and trust as mediating variable to gauge the strong relationship between buyer and seller in auto component industry. This paper is segregated into five sections. Section one describes the introduction, section two explains the literature related to the topic, section three analyses the data collection and hypothesis related to variables section four discusses the results and section five concludes the research paper.

LITERATURE REVIEW

In a national setting, relationship marketing has received extensive research; however, there has been little study of exchange relationships among international channels. By stating that supplier firms in long-term relationships with select customers are more able to maintain or even improve their profitability levels than firms that employ a transactional approach, make it clear how important building these long-term relationships.

The main goal of relationship marketing, according to, is to establish long-lasting relationships with clients or suppliers in order to increase the value of both parties. However, the kind of variable has been taken for study determines the relationship study. In this study, most prominent variables used in the previous studies are discussed in the following context as National culture differences, organizational culture differences, commitment, learning, trust and business objectives. National culture has been depicted as a comprehensive construct that explains substantial differences in managerial decision-making and has been employed to clarify issues such as new product development (Nakata & Sivakumar, 2001), brand strategy, innovation, channel design, and marketing concept implementation (Clark, 1990). When the research revealed few structural differences, (Pascale & Athos, 1981), for example, concluded that differences in their performances were most likely due to cultural differences. This was based on research comparing the competitiveness of American firms to those of European and Asian competitors. In (Kogut & Singh, 1988) merged the first four characteristics of Hofstede to create an overall "cultural distance" in their study of different forms of foreign direct investment. A society's citizens' beliefs and attitudes are influenced by culture and reflect it. According to (Griffin & Pustay, 1999), attitudes are the behaviours, emotions, and thoughts that result from a woman's actions in relation to the principles and patterns that society as a whole accepts.

According to, cultures with significant power distances (such as Arab nations) are more tolerant of these gaps and, as a result, are more likely to accept them as the norm. The "haves" and "have-nots" are clearly separated in such situations. Furthermore, the actions of strong and weak clients differ significantly from one another. When dominant providers use coercive tactics, weak consumers in these cultures may show less resistance and value modification. According to Jung, the national culture of a multinational company's subsidiary will have a much greater impact on its employees than the multinational company's values and presumptions in terms of the country's values, beliefs, customs, and other factors. According to (Buchanan, 2004), the national culture of each country has an impact on how the company's organizational culture shapes employee behavior. According to (Brooks, 2006), organisational culture and national culture both influence how individuals within an organisation and within a nation communicate with one another.

It has been demonstrated that bureaucracy, the traditional method of management control on employee behavior, and operational efficiency and effectiveness are related in the literature pertaining to the influence of international culture on organizational cultural values. Several organisational culture categories, including adaptive culture, unadaptive culture, weak culture with high performance, and weak culture, were recognised as being necessary in international company. Examples of organisational ideals, team orientation, outcome orientation, and detail orientation, as well as cultural artefacts of system, strategy, and structure. According to, an organization's culture will affect all management practises, and a shared commitment to moral principles is essential to fostering trust and sustaining long-lasting commercial ties that impact employee behaviour.

Three ideas are commonly emphasized in the management of supply chain relationships: commitment, trust, and dependency (Morgan & Hunt, 1994; Geyskens et al., 1998; Wong et al., 2007). Dependence develops out of a desire or objective to access certain resources. For example, in a cross-cultural consumer environment, (Overby & Gardian, 2004) discover that national culture influences the content and structure of consumers' value

assessments through the way customers attach meaning and priority to specific features of firms' products. This research is unique by integrating national and international cultural differences on buyer-seller strong relationship by mediating with the variables of commitment, learning and trust.

RESEARCH FRAMEWORK AND HYPOTHESES DEVELOPMENT

This study aimed to determine whether satisfaction in buyer-supplier relationships in an intercultural context is influenced by national culture. In general, People from different cultures respond differently to problems that are equally recognised, there are differences in how buyer-supplier interactions are managed between nations. The "mental programming" that applies to a group of people in a society, an organisation, or a profession and sets one group of people apart from another is known as culture (Hofstede, 2005). People from various country cultures may approach comparable problems in different ways. In order to identify the many cultural differences and their influence, several research papers attempted to study the impact of intercultural factors in B2B business relationships are investigated. In this study, differences in national culture, Organisational culture, commitment, trust, learning, and business objectives are all taken into account as independent variables influencing the buyer-seller relationship in this study.

National Culture Difference

Long-term relationships between buyers and sellers are heavily influenced by a nation's national culture. National cultures, according to (Hofstede, 2005), are distinctive in that they differ greatly from one another in terms of how people perceive the world, behave, and value it as well as in terms of language, religion, and other areas. The ideologies of an organization's founders, which are based on their values, beliefs, and assumptions, are what cause an organizational culture to develop, claims. According to (Buchanan, 2004), an organization's culture is influenced in some way by national culture. According to the findings of, cultural disparities have no bearing on the degree of commitment and trust in the exchange relationships between foreign suppliers and Chilean distributors.

H₀₁: Natural culture difference strengthens the relationship between buyer and seller in international trade transactions.

Organisational Culture Difference

Observed that for buyer-supplier relationship in cross cultural setting, organizational culture differences are more important than the national culture differences. In (Brooks, 2006), organizational culture and national culture both influence how people communicate within an organization and across a nation. A study, an organization's culture will guide all management practices, and a shared commitment to moral principles is essential to fostering trust and sustaining long-lasting business ties that influence employee behavior.

H₀₂: Organisation culture difference strengthens the relationship between buyer and seller in international trade transactions.

Commitment

The study has used three mediating factors i.e., Commitment, learning and trust, to find out the business relationship when there is a difference in both national and organizational culture. Research on critical success factors for B2B business have identified

that commitment, and trust are the important factors in determining the connection between buyer and seller. One of the essential elements of a successful relationship has been identified as commitment (Morgan & Hunt, 1994). The parties to an ongoing relationship anticipate one another's dedication to their shared goals. Thus, we hypothesize that:

H₀₃: Organisation cultural difference strengthens the relationship between buyer and seller in international trade transactions.

Learning

The learning parameters of buyer-seller relationships have been attempted to put together in a number of theoretical expositions and empirical studies. Despite the numerous academic attempts to identify, comprehend, and interpret the behavioral and learning aspects of buyer-seller relationships, this body of research can be characterized as fragmented (covering only a few learning dimensions of buyer-seller interactions) and heterogeneous (examining these relationships from diverse, and occasionally antagonistic, theoretical perspectives). So, we hypothesis that

H₀₄: Learning strengthens the relationship between buyer and seller in international trade transactions

Trust

The relationship marketing literature recognizes the significance of both trust and satisfaction. As the relationship grows, the customer begins to trust the supplier because they feel safe with them. The buyer's sacrifices are minimized through trust, which is taken for granted as having value on its own. Although the literature on relationship marketing acknowledges the significance of both trust and satisfaction, some crucial issues regarding the interrelationship between these two have not been adequately addressed. The goal of this study is to examine the complementary roles that satisfaction and trust play in preserving and strengthening the bond between a supplier and a customer.

H₀₅: The more the buyer trusts the supplier the higher the motivation to enhance the scope of the relationship.

Business Objectives

A willingness to invest in a relationship goes beyond the “willingness to work hard” implication of commitment (Gundlach et al., 1995). It entails incurring significant expenses in the form of capital outlays. Study on “How buyers and sellers value B2B relationship”, introduced and proposed a key mechanism for preserving and fostering buyer/seller relationships is the idea of a relationship value continuum between buyers and sellers in business-to-business relationships. From research on manufacturing industries in India, he established the type of relationship prevailing between buyer and seller and highlighted satisfaction as one important variable to carry on business in long run.

H₀₆: The desire to broaden the scope of the relationship increases as buyer and supplier trust each other more.

MATERIALS AND METHODS

Research Design

The research objective of the paper is to examine the national and organizational culture differences on strengthening the relationships between buyers and sellers in the Indian automobile industry. To achieve the target sample of users from India, this study uses an online questionnaire survey sent through a social networking online platform. The measurements used to functionalize the constructs in the investigated models were mostly derived from previous research in the field, with some adaptations made for the targeted professional setting. The items were all assessed on a five-point Likert scale, with presenters rating them as strongly disagree and strongly agree. This study adopts an online questionnaire survey circulated through a commercial online survey platform to reach the desired sample of users from across the country. Auto component manufacturers from India are selected and the data collection has been made using a structured questionnaire. Based on the requirement of study the responses were collected from functional heads in the organizations. The respondents were expected to have the best knowledge about transaction activities with buyer followed by their organization.

PLS-SEM uses the Ordinary Least Squares (OLS)

The estimation method with the goal of explaining the variance of outcome variables. PLS-SEM maximizes the explained variance of the endogenous latent variables by estimating partial model relationships in an iterative sequence of ordinary least squares (OLS) regressions. Partial Least Square Structural Equation Modeling (PLS-SEM) is used in this study for model estimation, because it is, “useful for predictive applications and theory building, but it can be also used appropriately for theory confirmation”. The PLS-SEM is used for small samples which provide statistical power, non-normal data, complex models etc. (Hair et al., 2016). Both the measurement model and the structural model must be evaluated at each level, with the first stage requiring the evaluation of both models. When it comes to latent variables and their measures, the measurement model makes assumptions about relationships between them, but the structural model presupposes linkages between the latent variables themselves (Henseler et al., 2015).

RESULTS AND ANALYSIS

Reliability and Validity of the Instrument

Average Variance Extracted (AVE) is used for assessment of the convergent validity of individual constructs. If the AVE values are greater than 0.5, then it fulfills the convergent validity. The AVE values present in table 5.38 shows that they are above 0.5, indicating the presence of convergent validity in the construct. Further to this, the factor loading for the measures of the study are atleast above 0.5, suggest that they possess the convergent validity.

Discriminant Validity: Discriminant validity is used for assessing the difference, if any, in the constructs. If present, the construct has discriminant validity. The study uses the Hetero Trait Mono Trait (HTMT) ratio which was suggested for PLS-SEM based analysis. The discriminant validity is usually performed by comparing the average variance extracted (AVE) with square inter construct correlation and the value of AVE should be more than the squared inter construct correlation, which suggests the presence of discriminant validity in the construct. The discriminant validity is usually performed by comparing the average variance extracted (AVE) with square inter construct correlation and the value of AVE should be more than the squared inter construct correlation, which suggests the presence of discriminant validity in the construct. This is according to suitable for covariance based SEM like Amos, LISREL, etc Table 1.

Factors	Items	Factors loadings	α	C.R	AVE
National culture	4	0.81 -0.77	0.75	0.81	0.58
Organizational Culture	10	0.94-0.74	0.9	0.92	0.68
Learning	12	0.90-0.76	0.949	0.955	0.6
Trust	4	0.87 – 0.65	0.79	0.85	0.63
Commitment	4	0.83-0.78	0.8	0.87	0.65
Business Objectives	9	0.83 – 0.71	0.82	0.88	0.63
Strengthen business relation-Satisfaction	10	0.80 -0.72	0.91	0.955	0.57

Heterotrait–Monotrait Ratio Analysis

The heterotrait–monotrait ratio was used as criteria for determining the discriminant validity of the test set. This is the most stringent of the three AQ: 10 discriminant validity criteria: cross-loading. Because all of the results were less than 0.85, discriminant validity was ruled to be valid in T4 this instance. Reliability is measured using Cronbach alpha and all the construct values are above 0.70 indicate all the constructs possess reliability Tables 2 & 3.

Variables	1	2	3	4	5	6
National culture						
Organizational culture	0.57					
Commitment	0.61	0.45				
Learning	0.44	0.42	0.39			
Trust	0.56	0.43	0.73	0.43		
Strengthen business relationship	0.29	0.69	0.28	0.33	0.22	
Strengthen business objectives	0.51	0.49	0.58	0.64	0.39	0.48

Hypotheses	Hypothesized Paths	Beta	Bootstrap t Values	Conclusion
H ₀₁	National culture @ Commitment	0.488**	3.972	Significant
H ₀₂	Organization culture @ Commitment	0.477**	5.133	Significant
H ₀₃	Commitment @ Learning	0.846**	14.494	Significant
H ₀₄	Commitment @ Trust	0.811**	50.159	Significant

H ₀₅	Trust @ Strengthen business relation	0.791**	50.625	Significant
H ₀₆	Trust @ Strengthen objectives	0.964**	273.372	Significant
** All paths are significant at p<0.001				

All the hypotheses (H₀₁ – H₀₆) proposed are supported as the t statistics values are above +/- 1.96 Figure 1.

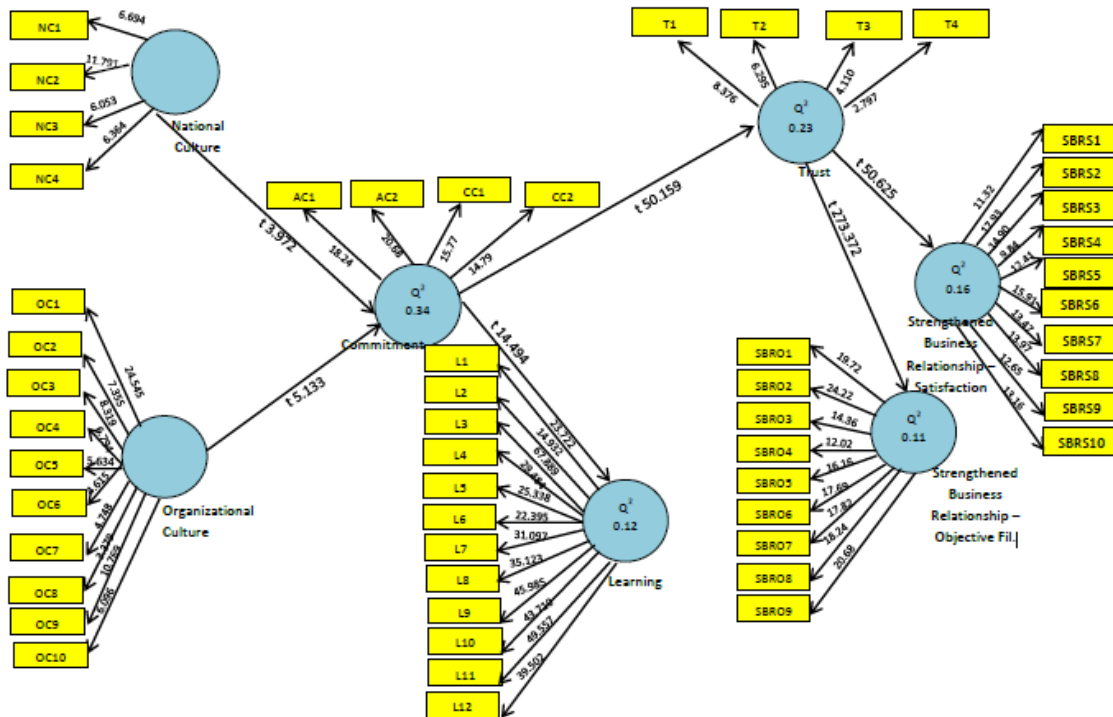


FIGURE 1
GLOBAL GOODNESS OF FIT

The Global Goodness of fit (GOF) is referred to as geometric mean of the average communality and average R² for endogenous variables. The global goodness of fit for this model is 0.42 and is much above the cut-off 0.336 (large effect). The model has predictive relevance, which means it can be tested in other setup.

A widely used post hoc method is Harman’s single factor test by using exploratory factor analysis. In this method, the factor is fixed as one, and the solution is unrotated; if the variance extracted is less than 50 per cent, then it indicates that the data. The study has 34 percent variance which is much below the minimum of 50 percent, suggesting is not much of threat due to common method variance. The limitation of Harman’s single factor test is that it will not control the method effects Figure 2.

Theoretical Model

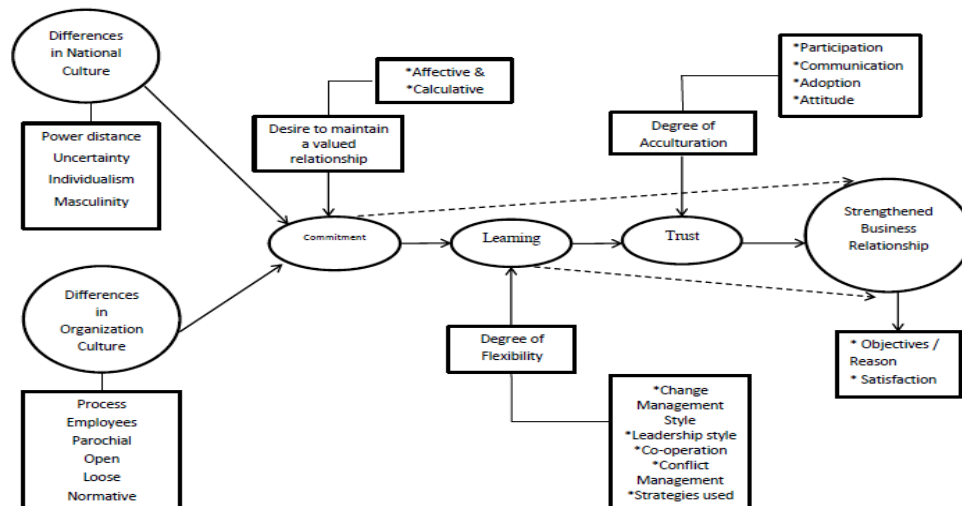


FIGURE 2
THEORETICAL MODEL

DISCUSSION

Present study helps in interpreting that national culture difference has only a minor influence on business performance between buyer and supplier and it also contradicts with some studies. It is important to note that buyer-suppliers not only belong to different countries but also to different organizations and this fact highlights that change in global business environment has reduced the influence of national cultural differences on business performance. It emphasizes to concentrate more on dimensions and values of organizational culture as a change agent, since it impacts the sustainability of business relationship.

The findings of this study validates with observation that for buyer-supplier relationship in cross cultural setting, organizational culture differences are more important than the national culture differences. Again the present study has proven that national cultural differences didn't have a significant influence on sustaining the business relationship, which is in conformance with existing literature. The study has used three mediating factors i.e., Commitment, learning and trust, to strengthen the business relationship when there is a difference in both national and organizational culture. The research also finds the influence of national and organizational culture with the type of commitment expressed by the organization. The findings are in line with previous studies of (Hewett & Bearden, 2002). The finding is contradicting with previous study, which stressed the supplier to change according the customers' requirements. The result is in line with previous studies about leadership style for bringing about change in organization through learning.

This research study is one of the first cross national empirical tests, demonstrating an inverse relationship between trust and supplier- buyer relations. It is also one of the first studies from supplier point of view to show relationship between firm trustworthiness and firm performance. In this research model the aspect of trust is considered as a function of communication, participation, adoption and attitude. These aspects are compared with ability, integrity and benevolence as highlighted in many literatures. Hence it was proposed that, in societies that require trust building before embarking on a business relationship, it is suggested to demonstrate skills/ability and integrity. Ability and integrity are likely to be most influential early in business relationship, which further changes the attitude between the business partners.

CONCLUSION

The model tested in the present study indicates that trust is the most important mediating factor to understand the behavioral process in cross-cultural buyer-supplier relationship. The findings of this study contradict the position of previous studies that underscored the central role of trust in interorganizational relationships. Further, antecedents which create the trust have been identified. Finally, regardless of how well a firm deals with all the ideas of production target, knowledge-based selling, etc., it is extremely important to manage individual customer-relationship. This certainly will require not just organizational changes but also cultural changes in the B2B organization itself. Attitudes have to change, not just processes. There is a need to view the whole premises of relationship management in cross cultural setting as a means for furthering its corporate strategy; especially for customer intimacy in B2B firm's case. Understanding cultural differences to strengthen customer relationship will determine the road to success.

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