BONDING AND COMMITMENT IN BUYER-SELLER RELATIONSHIPS: A CROSS-CULTURAL COMPARISON IN BANKING

One of the important features of this study is to examine the moderating effect of national culture on the bonding-commitment link. Results reveal that individualism moderates the bonding-commitment relationship. In more collectivist societies, social bonding has a stronger effect on commitment whereas in cultures characterized as individualistic, structural bonding has a stronger effect on commitment.

Introduction

The importance of maintaining long-term buyer-seller relationships for success in today’s business is an established fact in marketing theory and practice. A plethora of books, special journal issues, and conference proceedings (both academic and managerial) in recent years exhibit testimony to the continuing interest in the relationship marketing paradigm. With the globalization of the world economy, cross-cultural marketing research has assumed great importance in the academic and business world. Although considerable effort has been devoted to identifying the factors that contribute to the development of buyer-seller long-term relationships, plenty of work remains to be done in this area. For example, many studies of this subject focus on specific parts of world (in particular, North America and Europe). It remains to be seen whether the findings from these studies apply to other regions of the world. There has been limited research on the cross-cultural implications of buyer-seller relationships. Although it has received only limited attention in the academic literature, culture (particularly national culture) is more convincingly argued to be related to consumer behavior.

Marketing researchers consider culture as an important determinant of consumer behavior (e.g., Aaker & Lee, 2001; Aaker & Maheswaran, 1997; Aaker & Williams, 1998; Despande, Hoyer, & Donthu, 1986; Gurhan-Canli & Maheswaran, 2000; Han & Shavitt, 1994; Henry, 1976; Howard & Sheth, 1969; Klein, Ettenson, & Morris, 1998; ter Hofstede, Steenkamp, & Wedel, 1999). As antecedents of personal behaviors, different value orientations display different patterns of behavior (Rokeach, 1973). Roth (1995), on the basis of a 10-country sample study, found significant moderating effects of culture on the market share performance of brand image strategies. Recent studies by Donthu and Yoo (1998), Furrer, Liu and Sudershan (2000), and

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Mattila (1999) demonstrate significant links between culture and service quality expectations. Hence, marketing efforts would be most effective when cultural value differences are considered and would achieve better results when they match the cultural values of target consumers (Farley & Lehmann, 1994).

Keeping true to this view, our study aims at developing and examining a model to compare cross-culturally the bonding-commitment link in the buyer-seller relationship. In this article, we provide and test a conceptual link between individualism/collectivism cultural values developed by Hofstede (1980, 1991), and the relative importance of relationship bonding to relationship commitment between buyers and sellers. To examine diverse cultures, we collected data from two countries: Canada and India. In this paper, we study different aspects of the relationship between a company and its bank, as the banking (and financial) industry is one of the most dramatic examples of internationalization of services (Withal & Bitner, 1996). The main parties in a commercial banking relationship are the “bank’s key contact employee” and “the company representative”. We investigate both structural and social aspects of the relationship between company employees and their banks’ representatives.

The paper has four main sections. First, our theoretical framework is reviewed in order to develop an understanding of the structure of the relationships between corporate customers and their banks both in India and in Canada. Second, details of the survey methodology are discussed followed in the third section with the survey findings. Finally, conclusions are drawn and implications for bank marketing and further cross-cultural research are noted.

Theoretical Background and Hypotheses

The foundation for this research is the extant literature on relationships in business-to-business networks. Figure 1 in dramatizes the theoretical links between relational bonding and commitment, with the moderating effect of the individualism dimension of national culture. The model will be discussed in the following section.

Insert Figure 1 about here

Commitment

The relationship commitment as defined by Moorman, Zaltman & Despande (1992) is “enduring desire to maintain a valued relationship”. As per the authors, “valued relationship” exits when the relationship is considered important. Similarly, their “enduring desire to maintain” basically means that a committed partner wants the relationship to endure indefinitely and is willingly to work at maintaining it. Morgan & Hunt (1994) define commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum effort to maintain it” (p. 23). They view relationship commitment as central to all relational exchanges between buyers and sellers. In services relationship marketing, Berry & Parasuraman (1991) mention, “Relationships are built on the foundation of mutual commitment”. Similarly, the process through which consumers become loyal to specific brands has been widely discussed. Initially, loyalty was viewed as simply repeat buying. However, as the field of consumer behavior matured, researchers came to realize that repurchase is not sufficient evidence of brand loyalty. Assael (1969) defines brand loyalty as commitment to a certain brand. Firms see brand loyalty as one of their main assets and make efforts to build and nurture it.
Bonding

Bonding is defined as the dimension of a business relationship that results in two parties (customer and supplier) acting in a unified manner towards a desired goal. Various bonds exist between parties that indicate different levels of a relationship (Collaghan, Jannelle, & Yau, 1994). Bonding has been successful in explaining within country buyer-seller relationships (IMP Group, 1982; Wilson & Moller, 1988). Bonds, or ties, between business firms are an important aspect of exchange relationships in the network approach. In the literature, bonds are classified under two broad categories: structural and social bonding.

Structural bonding is the task orientation between buyer and seller. It is the “degree to which certain ties link and hold a buyer and seller together in a relationship as a result of some mutually beneficial economic, strategic, technological, or organizational objective” (Williams Han, & Qualls, 1998). Social bonding is the bonding that takes place between individuals (i.e., the buyer and seller). During social bonding, individuals are bonded together via the organizational members’ personal and social relationship with their counterparts in a particular firm. Personal factors such as trust or satisfaction with the relationship partner play an important role in developing social bonding (Williams et al., (1998). Wilson (1995) defined social bonding as the degree of mutual personal friendship and liking shared by the buyer and seller.

Bonds reflect and cause commitment in business relationships (Hakansson & Snehota, 1995). While studying members of the Purchasing Management Association of Canada, Smith (1998) states that social, functional, and structural bonds provide the context from which relational outcomes, such as trust, satisfaction and commitment, are evaluated. He introduces a third form of bonding, termed functional bonding, that is a further division of structural bonding. He found that communication, cooperation, and relationship investment were important predictors of social bonding, while relationship investment and relationalism predicted structural bonding. Williams et al., (1998) found that both social and structural bonding were positively related to commitment. However, structural bonding had a greater effect on commitment than social bonding. In sum, we propose that the relational bonding, both structural and social, from the viewpoint of a corporate customer, will be positively related to it’s commitment towards that bank. We state it in hypothetical form since the concept has not been widely explored on a cross-national basis, which is the context of this study.

H1 Social bonding between a corporate customer and its bank will be positively related to commitment in: a) India and b) Canada
H2 Structural bonding between a corporate customer and its bank will be positively related to commitment in: a) India and b) Canada

National Culture

The concept of culture is widely interpreted in the academic literature. Krober & Kluckhohn (1952) identify more than 160 ways culture can be defined. Furthermore, Kluckhohn (1962) defines culture as the part of human makeup “which is learned by people as the result of belonging to a particular group, and is that part of learned behavior that is shared by others. It is our social legacy, as contrasted to our organic heredity” (p. 25). To study national culture between two countries we turn to the seminal work of Hofstede (1980, 1991 and 2001). He defined culture as the “collective programming of the mind which distinguishes the members of one group or category of people from those of another” (p. 4, 1994). Hofstede’s typology of culture is one of the more important and popular theories of culture types. A study of social
science citation index listings found 1036 quotations from Hofstede's cultural consequences in journals during the period 1980 to 1993 (Sondergaard, 1994). In the most exhaustive cross-cultural study to date, based on questionnaire data from 117,000 IBM employees in 66 countries across seven occupations, Hofstede (1980) established four dimensions of national culture: power distance, individualism, masculinity and uncertainty avoidance. Although these dimensions initially were developed from employees of just one firm, they have been found to be “generalizable” outside IBM and to represent well the differences between cultures. Hofstede argues that countries can be placed differentially on these dimensions according to their core values and institutions, including their work related values.

According to Hofstede, individualism pertains to characteristics of peoples of a society in which the ties between individuals are loose; everyone is expected to look after himself and his or her immediate family. Collectivism, as individualism’s opposite, pertains to societies in which people from birth are integrated into strong, cohesive in-groups, which throughout people’s lifetimes continues to protect them in exchange for unquestionable loyalty. Power distance refers to the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Masculinity is defined as the degree to which achievement, competition, assertiveness, and performance are emphasized. Thus, low masculinity cultures emphasize cooperation and interpersonal relationships. Uncertainty avoidance is a tolerance to risk. Cultures with high uncertainty avoidance tend to shun risk and seek ways to add structure and control to their organization. Finally, confucian/dynamism (long term orientation) basically refers to the time orientation of a culture; that is, whether that culture tends to operate in a long-term or short-term context. Cultures high in confucian/ dynamism tend to emphasize long-term horizons.

Social Bonding, Structural Bonding and National culture

Malhotra et al., (1994) suggested that business respondents in developing countries give more importance to social interaction and personal connectivity than do their counterparts from developed countries. Williams et al., (1998) related the individualism/collectivism construct to the buyer-seller relationship constructs of social and structural bonding. They characterized individualistic national cultures as those with less interpersonal orientation, while collectivist national cultures would have high needs of interpersonal orientation. Based on an empirical study of international buyer-seller relationships from the United States, Germany, Costa Rica, and Jamaica the authors confirmed their hypothesis that buyers from collectivist countries had the strongest desire for social bonding. Conversely, buyers from highly individualistic countries had the strongest desire for structural bonding. From the above discussion we conclude that buyers from collectivist countries will give more emphasis to interpersonal orientation and will attach greater importance to social bonding. Buyers from individualistic countries, on the other hand, will place more emphasis on the tasks to be performed and will attach greater importance to structural bonding. The following hypotheses address these points:

H3 Individualism cultural value will moderate the relationship between social bonding and commitment

H4 Individualism cultural value will moderate the relationship between structural bonding and commitment

H5 Social bonding as an antecedent of commitment will be given higher importance by Indian corporate customers compared to their counterpart Canadian corporate customers.
H6 Structural bonding as an antecedent of commitment will be given higher importance by Canadian corporate customers compared to their counterpart Indian corporate customers.

Method

Sampling and Data Collection

About 1000 Canadian companies and 1000 Indian companies were contacted for participation in the survey. Questionnaires were received from 138 Canadian respondents and 176 Indian companies. After elimination of questionnaires from which excessive amounts of data were missing, the final Canadian sample consisted of 126 (12.6%) responses and Indian sample consisted of 156 (15.6%) responses. A brief description of Indian and Canadian sample profiles is shown in Table 1.

Insert Table 1 about here

Measures

All the variables were measured with multiple-item scales. Questionnaire items used to measure different constructs in this study are derived from previous established studies. A seven-point likert-type scale was used for the sake of uniformity in measuring the variables. Commitment was measured using items drawn from Morgan & Hunt (1994) that addressed how important the relationship was to the customer and how much effort the customer feels the relationship deserves. Social bonding was measured with 4 items taken from Rodriguez & Wilson (1999). Structural bonding was measured using 5 items developed by Smith (1998). Smith (1998) argue that the items measuring structural bonding scale represented distinct sources of structure, not all of which would be expected in any given relationship, but when summed would indicate the extent of structural bonding. Since different measures of structural bonding may not covary because they assess different aspects of structural bonding, we conceptualized structural bonding as a multidimensional composite index (Bollen and Lennox, 1991). Consistent with how such formative indicators are interpreted (Bollen and Lennox, 1991), it is assumed that our structural bonding items result in structural bonding rather than vice versa. For example, we assert that structural bonding will be high when economic benefit will be higher and/or when electronic ties or linkages will be more efficient, but we do not expect the converse (e.g. that an increase in structural bonding causes high economic benefit accounted by the relationship). As per Bollen (1991) internal consistency is not applicable to such multidimensional composites. Support for our hypothesis will provide substantive validity of the structural bonding construct. Our individualism cultural value was measured by administering the individual level cultural value scale developed and validated by Yoo, Donthu & Lenartowicz (2001). The advantage of this scale over Hofstede’s (1980, 1991 and 2001) scale is that, the instrument is also applicable to general consumer situations and not limited to work related situations. All the measurement items are shown in Appendix A.

Reliability and Validity

Before using any inferential statistics the reliability and validity of measurement scales were accessed. Cronbach alpha reliability coefficients were considered acceptable (> .70) for
commitment, social bonding and individualism construct across the two countries. Consistent with our conceptualisation, a 3-factor measurement model was estimated by using AMOS-4. The \( \chi^2 \) values for the both the countries models were significant. For the Indian model, \( \chi^2=123.400, \text{dof} =62, p<.01 \) and for the Canadian model, \( \chi^2=89.770, \text{dof} =62, p<.01 \). However, other fit indices showed a good fit for both the Indian (CFI=.90, TLI=.88, RMSEA=.07) and the Canadian data (CFI=.96, TLI=.94, RMSEA=.051). Support for convergent validity is offered through the highly significant loading estimates for each individual item (Anderson & Gerbing, 1988). All the factor loadings expect one individualism scale item in the Indian sample are highly significant and exceeded the 0.05 levels, which is commonly considered meaningful in factor analytic investigation. One individualism scale item, which is found insignificant in Indian sample, was deleted from both samples. The discriminant validity of the measurement scales was checked by a series of \( \chi^2 \) difference tests (Anderson & Gerbing, 1988). For both Indian and Canadian data, all \( \chi^2 \) differences were significant at the .01 level.

**Cross-national Measurement Equivalence**

In cross-national research, the issue of cross-national equivalence needs to be addressed. More specifically, instruments can only be compared when showing cross-national invariance. In this study measurement invariance is limited to metric invariance (i.e. invariance of factor loadings), which indicates that members in different groups interpret and respond to measures in an identical manner (Bagozzi & Yi, 1988; Steenkamp & Baugartner, 1998). We tested for measurement invariance using a hierarchical ordering of two-nested models. The first model tests whether the pattern of salient and nonsalient factor loadings is equal across countries, also referred as configural invariance (Steenkamp & Baugartner, 1998). Our result indicated that the data fit well with the a priori hypothesized model: \( \chi^2 (102) = 213.161 (p<. 001); \text{GFI}=.89; \text{CFI}=.93; \text{TLI}=.91; \text{RMSEA}=.051 \). Although the \( \chi^2 \) statistic is significant, indicative of poor fit, the other goodness-of-fit indices indicated a good fit. In the second model, we tested whether the factor loadings are equal across countries; this is referred to as metric invariance (Steenkamp & Baumgartner, 1998). Our results indicated that the data fit satisfactorily with the a priori hypothesized model: \( \chi^2 (111) = 244.299 (p<.001); \text{GFI}=.87; \text{CFI}=.92; \text{TLI}=.90; \text{RMSEA}=.054 \). The increase in chi-square between the two models is significant: \( \Delta \chi^2 (9)= 31.138 (p<.001) \). However, the remaining goodness-of-fit indices (TLI, CFI and RMSEA), which are less sensitive to sample size, show a less marked decrease in fit. Overall, we find support for configural and metric invariance. Our results suggest that the factor loadings are invariant across countries.

**Study Results**

**Cross-national Difference in Cultural Values**

Hofstede (1980,1991 and 2001) indicated that there is a significant difference in people’s perception of cultural value between two countries i.e. India and Canada. According to Hofstede (2001), the individualism cultural index for Indian and Canadian samples are 48 and 77, respectively. In our study, measuring individualism using the scale developed by Yoo, Donthu and Lenartowicz (2001) we find that mean individualism cultural values for India and Canada are 2.11 and 3.41, respectively. One-way ANOVA results indicated that the mean difference is significant (p<. 001, F= 113.02). Thus, our result is similar to Hofstede’s finding in the sense
that Indian culture is influenced by low individualism cultural value whereas Canadian culture is influenced by high individualism cultural value.

Tests of Research Hypotheses

We conducted moderated regression analysis to examine the hypothesized relationships between the two countries’ cultures in affecting the interpersonal relationship in a business-to-business relationship. The basis for the specific tests of the hypotheses and their results are presented in Tables 2 and 3.

The results of Table 2 indicate that social bonding is positively related to commitment in both the countries. This result supports H1a, b. The result indicating the structural bonding-commitment link supports H1b but do not H1a. A review of our individual items in Table 2 indicates that the effect of structural bonding on commitment is much higher in Canada than in India, thus supporting H6. Similarly, the effect of social bonding on commitment is higher in the Indian business environment than their counterpart Canadian business environment. Therefore, H5 is strongly supported. As recommended by Malhotra (1996), the cross-cultural comparison between two countries is based on unstandardadized slope coefficients. Malhotra(1996) argues that unstandardized data reflect an etic comparison standard because they are unadjusted for within-sample variability.

The significant R^2 results in Table 3 indicate that the impact of structural and social bonding on commitment is moderated by the degree of individualism. In addition, the signs of our interaction terms (β) are in the predicted direction. Thus, H3 and H4 are supported by our results.

Discussion and Conclusion

In this study we have attempted to increase our understanding of the importance of national culture in business-to-business relationships in the service sector. Drawing upon past work on structural and social bonding, and the cultural framework developed by Hofstede (1980), we develop and tested the model comparing two countries. Our’s is perhaps the first study of its own kind in marketing that measures empirically verifies the moderating role of national culture in business-to-business relationship in service sector. Both cross-country and country level analyses suggest that social bonding (affectional and personal) is crucial to build commitment, thereby supporting previous studies by Williams et al., (1994) and Rodriguez et al., (1999). Cross-country data analysis results suggest that structural bonding (economic, strategic, and organizational links) is related to commitment, whereas country–level data analyses show that the linkage differs between India and Canada. A positive link is found in Canada, which is consistent with our study hypotheses. However structural bonding is unrelated to commitment in the Indian context and the direction is opposite to our hypothesized direction.
The findings of the study support the hypothesis that the degree of individualism-collectivism across countries affects the nature of business relationships. Social bonding as an antecedent of relationship commitment is given higher importance by Indian customers whereas structural bonding as an antecedent of commitment is given higher importance by Canadian customers.

References


Table 1

**Characteristics of Multi-Group Sample**

Total sample size=282; Indian sample=156; Canadian sample=126.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Category</th>
<th>India</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>149(95.51)</td>
<td>89(70.86)</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>7(4.49)</td>
<td>37(29.13)</td>
</tr>
<tr>
<td>Position</td>
<td>Executive/Manager</td>
<td>95(60.90)</td>
<td>26(21.25)</td>
</tr>
<tr>
<td></td>
<td>Top level executive</td>
<td>61(39.10)</td>
<td>100(78.74)</td>
</tr>
<tr>
<td></td>
<td>(Director/V.P./Controller/GM)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Groups</td>
<td>Under 30</td>
<td>28(17.95)</td>
<td>4(3.14)</td>
</tr>
<tr>
<td></td>
<td>30-40</td>
<td>66(42.31)</td>
<td>27(22.04)</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>47(30.12)</td>
<td>42(33.07)</td>
</tr>
<tr>
<td></td>
<td>&gt;50</td>
<td>15(9.62)</td>
<td>53(41.73)</td>
</tr>
<tr>
<td>Nature of Business</td>
<td>Manufacturing</td>
<td>62(39.74)</td>
<td>37(29.13)</td>
</tr>
<tr>
<td></td>
<td>Trading</td>
<td>49(31.41)</td>
<td>13(11.02)</td>
</tr>
<tr>
<td></td>
<td>Servicing</td>
<td>45(28.85)</td>
<td>76(59.84)</td>
</tr>
<tr>
<td>Sales Turnover</td>
<td>Under $ 10 million</td>
<td>91(58.33)</td>
<td>73(58.26)</td>
</tr>
<tr>
<td></td>
<td>$10 million-100 million</td>
<td>54(34.62)</td>
<td>38(29.92)</td>
</tr>
<tr>
<td></td>
<td>&gt;$100 million</td>
<td>11(7.05)</td>
<td>15(11.81)</td>
</tr>
<tr>
<td>Average year of relationship with the Bank</td>
<td></td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Business Headquarter</td>
<td>Bhubaneswar, Calcutta, New Delhi, Mumbai, Hyderabad, Bangalore</td>
<td></td>
<td>Quebec, Alberta, Manitoba, Ontario, British Columbia, Nova Scotia, New Brunswick</td>
</tr>
</tbody>
</table>

Figures in parenthesis show the %age to the total.
Table 2

Regression Results from Measuring the Impact of Structural Bonding and Social Bonding on Commitment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pooled Sample</th>
<th>India</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Bonding</td>
<td>.19**</td>
<td>.18***</td>
<td>.10**</td>
</tr>
<tr>
<td>Structural Bonding</td>
<td>.09*</td>
<td>-.04</td>
<td>.18**</td>
</tr>
<tr>
<td>R²</td>
<td>.17</td>
<td>.10</td>
<td>.10</td>
</tr>
</tbody>
</table>

*p < .05  
** p < .01

Table 3

Results of Hierarchical Moderated Regression Analysis

<table>
<thead>
<tr>
<th>Variable(s)</th>
<th>R²</th>
<th>R² diff</th>
<th>Beta (Standardized Regression Coefficient)</th>
<th>F value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social bonding</td>
<td>.173</td>
<td>-</td>
<td>-</td>
<td>29.15**</td>
</tr>
<tr>
<td>Structural bonding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individualism</td>
<td>.196</td>
<td>.023</td>
<td>-.163</td>
<td>22.56**</td>
</tr>
<tr>
<td>Social bonding× Individualism</td>
<td>.233</td>
<td>.037</td>
<td>-.644</td>
<td>21.05**</td>
</tr>
<tr>
<td>Structural bonding× Individualism</td>
<td>.306</td>
<td>.073</td>
<td>2.01</td>
<td>24.35**</td>
</tr>
</tbody>
</table>

** p < .01
Figure 1

Conceptual Model

Cultural Moderator
Individualism (Ind)

Social Bonding

Ind

Relationship Commitment

Structural Bonding

Ind
Appendix A
Measurement Scale Items

Commitment - Adapted from Morgan and Hunt (1994)
Please rate your agreement with each of the following statements.
1. Our business firm business firm is committed to our bank
2. We intend to maintain the relationship with our bank indefinitely
3. The relationship our firm has with our bank is deserving of our firm’s maximum efforts to maintain.

Structural Bond - Adapted from Rodriguez and Wilson (1999) and Smith (1998).
How important are all the following characteristics to you in terms of continuing your relationship with your bank?
1. Formal contracts or agreements between your firm and Bank
2. Sharing of industry or competitive information between your firm and bank
3. Electronic ties or linkages between your business firm and bank (such as electronics mail, access to computerized banking transaction system etc.)
4. Economic benefits associated with your relationship with your bank.
5. Exchange cards, gifts and the like on birthdays, holidays or on special events between your firm and bank.

Social Bond - Adapted from Rodriguez and Wilson (1999) and Smith (1998)
How important are all the following characteristics to you in terms of continuing your relationship with your bank?
1. Friendship between you and your bank representative.
2. Establishing personal relationship with you and your bank representative.
3. Sharing of personal advice or support with your bank representative.
4. Feelings of belongingness or acceptance between you and your bank representative

Individualism - Adapted from Yoo, Donthu and Lenartowicz (2001)
Please rate your agreement with each of the following statements.
1 Individual should sacrifice self-interest for the group (Either at such school or the work place).®
2. Individuals should stick with the group even through difficulties.®
3. Group welfare is more important than individual rewards. ®
4. Group success is more important than individual success. ®
5. Individuals should only pursue their goals after considering the welfare of the group®
6. Group loyalty should be encouraged even if individual goals suffer. ®

Social Bonding and Structural bonding scale item: 1 = very important, 7 = very unimportant.; Individualism and Commitment scale items : 1= strongly agree 7= strongly disagree.® denotes reverse coded item
(d) Item was not used in model estimation due to low factor loading.