

MANAGING DISSOLUTION IN CHINESE-GERMAN BUYER-SELLER RELATIONSHIPS

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Abstract

This study extends our understanding of relationship dissolution by conceptualising the link between national culture and dissolution communication strategies. A single case study of the management of relationship dissolution with Chinese partners was conducted, from an interpretive Western perspective, focusing on the German disengaging company and an Australian pilot survey. Results suggest that even minimal cultural sensitivity to the disengagee may result in a less damaging dissolution outcome for the disengager by avoiding blaming the disengagee and discussing issues collectively. International managers need to employ culturally sensitive dissolution strategies when dealing with international partners in order to minimise negative impacts and leave options open for a future re-establishment of the relationship, thereby achieving a “culturally sensitive dissolution”.

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INTRODUCTION

Managing business relationships, by minimising undesirable consequences and maximising desirable outcomes, requires careful planning. Alajoutsijärvi, Möller and Tähtinen (2000) Giller and Matear (2001) and Pressey and Mathews (2003) stress that it is necessary for disengagers (the actors that communicate the intention to dissolve existing business relationships) to understand what type of dissolution communication strategy should be applied to minimise emotional, social, legal and financial costs (Palmer, 2001) to both the firms and their networks. As defined by Alajoutsijärvi, Möller and Tähtinen (2000), a successful dissolution, or “beautiful exit”, can be “achieved by a strategy that minimises damage occurring to the disengager, the other party and the connected network” (p. 1272). Marketing managers need to understand the dissolution communication process and optimise their options in order to be able to re-establish business relationships in the future either with the disengaged party or with others with whom the disengaged party may have ongoing relationships. Furthermore, managers may need to accommodate their dissolution communication strategies to the context of international relationships to ensure their business partners’ cultures are respected. Pressey and Mathews (2003) argue relationships are not immortal entities, and that dysfunctional relationships must undergo some form of revolution or else meet with certain dissolution, but how should one withdraw from relationships?

There is little research in the area of the effects of culture on international business dissolution communication strategies. Rosenbloom and Larsen (2003) found that there is a relationship between culture and channel communications in international channels. They argued that this influence stemming from “cultural distance” may have significant implications as businesses move into the E-commerce era of Internet-based B2B international channels of distribution. Such research is necessary because of the increasing number of cross-national business relationships, particularly between Western-based and Asian-based companies (Rosenbloom and Larsen, 2003; Björkman, and Kock, 1995; Austrade, 2001; Tung and Worm, 1997; Yeung and Tung, 1996). A greater understanding of intercultural forces is of particular importance (Gebrekidan and Awuah, 2002) in ensuring that dissolutions are managed so that the future potential for positive business relationships with foreign trading partners is not affected. This omission from previous research may well limit the potential for research findings to provide marketing managers with practical insights into ways of achieving the best possible dissolution outcomes. Gebrekidan and Awuah (2002) in a study of strategic alliances and interorganisational cooperation argued that partners will have to deal carefully with the differences in organizations, people, cultures and structures, and systems in country cultures.

Several researchers have acknowledged that many Western managers are failing to manage business relationships in the Chinese-culture dominated markets (Björkman and Kock, 1995; Yeung and Tung, 1996; Tung and Worm, 1997). The rapid Chinese economic growth during the past decade and its recent accession to the World Trade Organization has placed China among the major international business players. While China is still a developing nation, it is the largest developing nation in the world (www.wto.org). According to the International Monetary Fund data, China is the world’s sixth biggest economy and the second biggest economy in Asia (<http://www.imf.org>). One of China’s largest trading partners is the European Community. In particular, China’s leading European trading partner is Germany. China is now Germany’s most important economic partner in Asia.

A critical review of the existing business-to-business dissolution literature (e.g. Dwyer, Schurr and Oh, 1987; Alajoutsijärvi, Möller and Tähtinen, 2000; Giller and Matear, 2001) together with the international business studies literature (e.g. Hofstede, 1980, 1984, 1991; Kale and Barnes, 1992; Varner, 2000) has identified the main research problem as: Does the disengagee’s national culture moderate the dissolution communication strategy process adopted by the disengager?

THE PROCESS OF BUSINESS RELATIONSHIP DISSOLUTION

Alajoutsijärvi, Möller and Tähtinen (2000) refer to the “dissolution communication strategy”, where a company communicates its desire to dissolve the relationship to its partner – either directly or indirectly. They drew on social psychology studies of personal relationships by Duck (1982) and Baxter (1985) and conducted an exploratory, multiple comparative case study in a business context. They identified communication strategies available to the disengager in dissolving interorganisational buyer-seller relationships. They combined Hirschman’s (1975) “exit and voice” suggestion with Baxter’s (1985) research and developed a typology of dissolution communication strategies. Baxter (1985) extended Duck’s (1982) research on the dyadic phase of dissolution and identified two dimensions. The key dimensions are the exit strategies that the disengager may use, namely “directness” and “other-orientation”. A “direct” strategy involves an explicit statement to the other party of a desire to exit the relationship whereas the “indirect” strategy attempts to accomplish the break-up without an explicit statement of the goal (Baxter, 1985). “Other-oriented” strategies display explicit “face-work” (Brown and Levinson, 1978) to avoid embarrassment to the other party. On the other hand, “self-oriented” strategies are typified by expedience for self at the other party’s cost. Pressey and Mathews (2003), using similar studies above, similarly identified four categories of dissolution strategies emphasising the approach for each differs markedly. They distinguished between a consumer/services perspective of dissolution, and another based on a business-to-business perspective, presented as a typology of four types, suggesting both direct and in-direct approaches. Their study also emphasised the importance of the network in general (context) in dissolution. They suggested that was also considerable evidence of an impact on the network as in the case of the triad of dissolved relationships, and influence exerted from outside of the network.

MINIMISING THE POTENTIAL DAMAGE

Businesses require an understanding of the different types of dissolution strategies, in order to avoid negative consequences affecting both parties and the connected network (Alajoutsijärvi, Möller and Tähtinen, 2000). Through these different types of strategies, the disengager communicates the desire to dissolve the relationship. With an understanding of principles for managing relationship dissolution, businesses can save additional break-up costs and emotional distress can possibly be avoided (Alajoutsijärvi, Möller and Tähtinen, 2000).

Conti and Cron (1998) suggest that managing global sales organisations requires considerable skills and competencies because of the increased complexity of international operations. One of the complexities they cite is that of “cultural norms”. For example, Triandis (2001) following Hofstede’s (1980) research, maintains that, when compared with people from ‘collectivist cultures’, people from ‘individualist cultures’ are more autonomous and independent of their in-groups and that their behaviour is more the result of personal attitudes than of the norms of the group, as is apparent in ‘collectivist cultures’. This observation is of particular relevance to the present study in its attempt to determine whether or not the disengager is aware of the disengagee’s “cultural norms” and shapes the dissolution strategy accordingly. Studies by Alajoutsijärvi, Möller and Tähtinen (2000) and Giller and Matear (2001) examined dissolution communication strategies, including the case of international business relationships. However, neither study considered the influence of culture, despite studies on dissolution by Duck (1982) and Baxter (1985) suggesting the influence of culture in dissolving personal relationships.

NATIONAL CULTURE

It has been proposed that the concept of national culture encompasses subjective dimensions (beliefs, attitudes, values), interactive dimensions (verbal and non-verbal communication) and material dimensions (artefacts) (LaBahn & Harich, 1997). While a basic view of culture easily leads to stereotyping, research supports the assumption that a majority from a particular culture

share certain cultural characteristics (Hofstede, 1980 in Varner, 2000). For example, as a general rule, Chinese culture is more “group-oriented” than German culture (Hofstede, 1980). Varner (2000) argues that without using some generalisations, meaningful cross-cultural business communication would become even more difficult than it is already. In determining differences between national cultures, societies and regions of the world, the values (i.e. “a broad tendency to prefer certain states of affairs over others” Hofstede, 1980, p. 18) of individuals are considered in their collectivity to compare the cultures (Hofstede, 1980). Rosenbloom and Larsen (2003) hypothesise that “cultural distance” may affect the efficient flow of communication in international foreign marketing channels among partners. Where there are large differences in cultural backgrounds between buyer and sellers in an international setting, then more personable approaches are necessary to ensure continual and efficient communication so as to avoid confusion, miscommunication and discomfort. We extend their meaning to the concept of a more sensitive approach needed in communication between highly dissimilar cultures, as is the context in our study – Sino-German buyer-seller relationship. From a business point of view, existing research on conflict resolution suggests Chinese firms will look for bilateral solutions in dispute settlement in the form either of negotiation or, alternatively, rely on a trusted third person as an intermediary rather than depending on external institutions (Bond, Leung and Schwartz, 1992; Kirkbride, Tang and Westwood, 1991). This discussion of bilateral solution refers to the Chinese tendency to work together in groups (Hofstede, 1980). In particular, such a cultural norm relates to the ‘individual-collectivism dimension’ by Hofstede (1980).

HOFSTEDE’S DIMENSIONS OF NATIONAL CULTURE

Hofstede’s original four dimensions are individualism/collectivism, power distance, uncertainty avoidance and masculinity/femininity. A later developed –fifth dimension - is called long-term/short term orientation or Confucian dynamism. The first dimension (individualism versus collectivism) will be discussed in detail because it represents the main focus of national culture in this study. ‘Individualism versus Collectivism’ refers to the relationship between an individual and the group (or groups) to which that person belongs. The particular relevance of the ‘collectivism-individualism dimension’ is in the differences in values between Chinese and German that the dimension highlights. In a comparison ranking of the countries represented in a survey (Hofstede and Bond, 1988), German culture ranked high on ‘individualism’, while in the cultures of Asian countries, such as China, ‘individualism’ ranked the lowest. Triandis (1995) argues that the most influential theory on culture has been that of Hofstede (1980) and in particular his delineation of ‘individualistic and collectivist’ cultures. Some countries are clearly more individualistic than other countries in their orientations. Western cultures have typically been defined as individualistic societies (Ewing and Caruana, 2000). More specifically, along this continuum, countries such as Australia and Western Europe have typically been considered more individualistic societies, whilst Eastern cultures such as China and other parts of Asia exhibit the characteristics of collective societies (Hofstede, 1980, 1991; Shkodriani and Gibbons, 1995; Ewing and Caruana, 2000).

CROSS-CULTURAL SENSITIVITY IN BUSINESS RELATIONSHIPS

Kale and Barnes (1992) found that sensitivity to a partner’s culture leads to better communication. Thus where the disengager takes the disengagee’s national culture into account, moderation in the dissolution communication strategy may occur. LaBahn and Harich (1997) emphasised that cultural understanding and adaptation are important in cross-national relationships. It was suggested that when corporations interact with other cultures, immediate understanding can not be guaranteed. Results showed that partner sensitivity to national business culture increased effective communication and decreased conflict, which positively affected relationship performance.

METHODOLOGICAL APPROACH

The research methodology adopted in this study entails a qualitative and exploratory (Yin, 1994) research perspective of the influence of national culture on dissolution communication strategies employed by a German disengager in dissolving a relationship with a Chinese business partner. The unit of analysis in this study is a single German disengaging organisation. A disengaging organisation, otherwise referred to as the disengager, has been defined as the company that communicates the intention to dissolve an existing business relationship. Focus on a specific industry, a single case study approach, offering a holistic understanding, was considered most appropriate for an exploratory study and its revelatory nature (Yin, 1994).

This exploratory study interviewed six senior management employees for an hour and a half from a single German textile company buying from a Chinese company to answer Does the disengagee's national culture moderate the dissolution communication strategy process adopted by the disengager? See Appendix A for brief summary of details on the background to the companies and interviewees. Given the economic significance of the apparel industry and the increasing importance to that industry of Germany's trade relationship with China, the chosen case is a significant one. Furthermore, the international textile industry is directed towards global liberalisation in textiles and clothing from 2005, and German firms may reasonably expect China to become an increasingly significant international partner. This study focuses only on the context of the German buyer. The researchers were denied access to the disengagee and connected network because of the sensitive nature of relationship dissolution, which we suggest is a major limitation to this study. An agreement was made with the German company that the researchers could collect data over a three-week period in November 2002, and insisted that the company be given a pseudonym as it is a large and prominent company in Germany.

Analyses of primary and secondary source documents (company memos and reports) were included to assist in the development of information in the case and support knowledge of past events. The interviews and documentary evidence were analysed using methods inspired by grounded theory (Glaser and Strauss, 1967; Glaser, 1992; Strauss and Corbin, 1998). The case is first treated as a comprehensive unit in and of itself, and the data analysed and triangulated within the integrity of that case. Eisenhardt (1989) emphasises that an exploratory approach to data analysis is guided by a process of understanding field data, resulting in some order, structure and meaning to the mass of collected data. The analysis of data was undertaken at a number of levels: Open coding and content analysis of in-depth interviews, identifying areas that relate to the influence of national culture on dissolution communication strategies; Axial coding to establish relationships between categories and across sub-categories; and Selective coding to develop the descriptive narrative about the central phenomenon (Strauss and Corbin, 1998). There is a limited extent to which the current study's case findings can be inferred to the wider population of German business organisations due to the difficulty in generalising from case study research (Yin, 1993), single case, one dyad and one industry.

FINDINGS

Aura (German clothing company) employees were interviewed about their dealings with Hin Textiles (Chinese manufacturing company) to minimise negative effects of the dissolution, and attempts towards cultural sensitivity. The CEO of German company, Aura said that culture "does not play a role" whether the supplier is German or international as to how he plans the dissolution communication strategy. Although this statement appears to infer a lack of cultural sensitivity, it may still be seen that Aura is culturally sensitive when negotiating with suppliers, because the CEO explained that he treats all of his suppliers as partners, regardless of company origin:

It is a partner whether it is from Asia or from Australia or from Germany. They are all handled the same – it is a partner...Then you have to deal with the negotiation strategy differently, like in America or in Europe. The Americas have a little different mentality to

Europeans and the Asians have a different mentality. You have to adapt the mentality of the country, try to understand it...this [differences] certainly does make a difference. You have to consider these differences...You have to make an argument without insulting the other or making the other feel it is his fault or that they do not understand. You just have to accept the mentality of other people – they are always like that.

Aura worked hard to solve the problem together with Hin Textiles, which provides an example of the “pseudo-de-escalation” and “revocable” strategies where a company renegotiates or gives further opportunities for its partner to conform to a contract without penalty. Aura went to extraordinary lengths by telephoning and emailing Hin Textiles several times as well as organising a videoconference so that there would be mutual understandings as to what the problems were and what alterations needed to happen for this situation to be resolved and for the partnership to survive. Aura ensured that Hin Textiles were not blamed and made it clear that together they would seek a solution. The inference is that Aura understands that blame should not be apportioned to Hin Textiles and more importantly that Hin Textiles should be allowed to “save face”. Furthermore, Aura explains that the most important aspect of the business relationship is communication through three senior managers.

The most important thing there is, is to talk with one another... and it also depends on the negotiation strategies that one uses, one would never look for an apology, to just solve the problem. If you said to me or I said to you, it is your fault, then I do not solve the problem. You will be frustrated and you may think oh he told me that it is my fault. And that is, well, if you look at the Asian mentality that just does not happen. One should always solve the problem together. It is never a question of fault.

“Asian mentality”. If there is a problem between an Asian and a European, then the European must be careful that the Asian does not lose face, because the Asian has a mentality that they do not understand anything if they somehow, let’s say, were accused that they may have done something wrong. You have to find somewhere in the middle so that, let’s say, their values are still maintained.

Experience. You can get information about the Asian mentality. I read books from Asia, yes. I have read the Koran to understand how the people in Asia think, why they think totally differently to people in Europe or America... Asian people in general. Yes, they simply have a totally different upbringing. They also have, let’s say, they have different beliefs and they are just totally different regarding their mentality from people in Europe, very different (CEO).

Aura has a limited understanding of the differences between the German and Chinese cultures but we infer if affected the nature of the dissolution strategy and thus the communications of the German company. The German company’s communications are, in turn, subject to culturally weighted interpretation by the Chinese organisation and this interpretation subsequently affects the dissolution outcome.

Although Aura’s perception of “saving face” influences its dealings with Chinese firms because it considers that this aspect is important to the Chinese and therefore worthy of consideration in their negotiations with Chinese suppliers seen through two senior managers.

Yes, there is a lot of face-saving but it’s no longer that way, I think the Chinese, if it costs money it’s no longer a face-saving exercise. Once upon a time they did have this thing about saving face but now they save face amongst themselves but not with Westerners because I think Westerners are probably taking advantage of them from time to time no doubt in my mind. Umm so this face-saving thing is probably pushed to the limit, over used it, or over capitalised on it...the thing with face-saving is really now that they promised something and not delivered, you know they’d have to make up for it.

But it's never really been, well in recent times such a big issue. I think now the Chinese are, what is the word for it, not cocky, made in China today. It is like the world is knocking on China's door not China knocking on the world's door...anything you want can be made cheaper and better in China than anywhere else in the world. Sometimes there are quality problems, but you know, you see, you send your own quality control person there, you can send ten quality control people to China and you would still have the product cheaply made and better made than anywhere else in the world because labour is so cheap...the country itself is like a big wheel turning and for them it is a snowball effect and will just keep getting bigger and bigger.

Managing international organisations requires considerably better skills and competencies than managing purely national organisations because of the extended complexity of international operations and the cultural norms (Conti and Cron, 1998). We infer that international marketers need to manage business relationship dissolution effectively to minimise possible negative impacts in the network and between network actors and consequently to employ culturally sensitive strategies when dealing with their international partner in order to minimise negative costs and leave options open for a future re-established relationship or for other relationships within the network of the disengaged party.

CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

In this study it is argued that, although national culture has been recognised as important in discussions regarding international business relationship dissolution strategies, its direct impact on the process has received limited attention (Alajoutsijärvi, Möller and Tähtinen, 2000; Giller and Matear, 2001; Pressey and Mathews, 2003). We infer that the impact of culture is pervasive and deserving of deeper independent research. Studies such as this may contribute to a better understanding of the dissolution process between international partners and may minimise the negative impact of such processes on both the disengager and disengagee, particularly between culturally distant alliances.

We inferred that German companies moderate their dissolution communication strategies depending on the national culture of the disengagee. We extend two seminal studies, Alajoutsijärvi, Möller and Tähtinen (2000) and Pressey and Mathews (2003), by strongly asserting that it is even more difficult to achieve a "beautiful exit" or "amicable exit" in international settings where cultures are highly dissimilar, thus placing more pressure on the disengager to exercise what we have termed the culturally sensitive dissolution. We prefer the term dissolution rather than exit, as the former concept encapsulates the notion that ending relationships is a complex and involved series of events resulting in an outcome that may include multiple firms and actors within the network.

For this reason, we argue that the relationship does not end, following the dissolution as the actors may still exist in the network at large. While it can be argued that the formal relationship may end, the informal relationship lives on and reverberates in the network. Thus, a firm's position in the network should be carefully preserved during the dissolution process, through the culturally sensitive selection of exit strategies, so that reconnections with previous, related and new actors will always be possible. This suggests that disengagers should select "other-oriented" strategies as this will ensure that the reputations of both the disengager and the disengagee remain intact for future interactions within the network.

We infer that Aura employed "other-oriented strategies", depending on the situation a direct or indirect strategy was chosen. We infer that it is important to give the disengagee a genuine resolution opportunity before dissolution is communicated. Where there is dissolution, the dissolution communication strategy should be communicated to the disengagee in person and face-to-face. We infer that a dissolution communication strategy should be a conscious decision. Although Aura's employees were aware of differences between German and Chinese cultures, they tended to think in terms of national stereotyping of differences between an "Asian" mentality

and “European” mentality. However, Aura moderated their communications by avoiding blame to Hin Textiles and it attempted to work together with them to discuss issues.

A number of limitations need to be acknowledged. The case study research could be criticised for its inability to generalise beyond the cases investigated (Eisenhardt, 1989) because the researchers relied on inferences to make analytical generalisations (Yin, 1994). Another limitation is that the scope of the research was limited to a single German firm and its relationships with its Chinese partners within the textile industry. Given the sensitivity of the phenomenon, the researchers were not permitted access to the disengagees involved in the study. Therefore, a dyadic perspective is not presented.

The researchers would have preferred to increase the number of cases in order to provide a cross-case analysis within other Sino-German business relationships. The benefit of a cross-case analysis is that it represents the findings of numerous studies which can be cross-checked with one another and their reliability assessed (Yin, 1994). Interviews with Aura respondents were conducted in German and translated and transcribed into English and therefore some loss of integrity is expected.

Finally, opportunities remain for research investigating the influence of national culture on dissolution communication strategies in other cultural contexts. The effect of Guanxi (e.g. Luo and Chen, 1996; Ewing and Caruana, 2000; Standifird and Marshall, 2000; Lim; 2002) in business relationship dissolution could further develop the understanding of dissolution in a Sino context. The key elements of Guanxi, namely dependence (Håkansson and Ford, 2002; Svensson, 2002), trust (Chen and Boggs, 1998; Child and Mollering, 2001), and reciprocity (Keister, 1999; Su and Littlefield, 2001) could examine how these complex issues impact on business relationship dissolution strategies.

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APPENDIX A

Aura operates in the textile and apparel industry, specifically clothing offering, men's, women's and children's clothing products. Markl AG is a large multinational firm, operating in the jewellery industry. It is renowned for its design and technological innovation. Markl AG is a public company and has been operating for fifty years. Both Aura and Markl AG sell on a global scale in developed and developing nations (Markl Annual Report, 2002). Unlike Markl AG, Aura, the focus of this study, outsources all production. The headquarters of Markl AG and Aura are both located in Frankfurt, Germany. The next section provides a brief background of Aura. Aura is a textile company located in Frankfurt, Germany. It releases a fashion collection in September each year. Each collection has a short product cycle and takes approximately fifty-six weeks from initial concept to launch. Aura has approximately ten suppliers specialising in textile production. These external suppliers are responsible for all of Aura's textile product development and production. Aura has several product lines in clothing including jackets, anoraks, knitted goods, woven goods and textile accessories. The focus of this study is the dissolution communication strategy process between Aura and its Chinese supplier: Hin Textiles. Hin Textiles, a Chinese leather manufacturer, is the main focus of the study because it provides an understanding of a dissolved relationship with Aura. This dissolution process is discussed under each of the two research questions.

In Table 1, details of the six Aura interviewees are presented including the interviews conducted with each informant, how many years the informant had been employed by Aura, and the current position of each.

Table 1: Aura Interviewee Details

Interviewee	Position	Number of Years with Firm
Mr. Scholz	Purchasing Director	22
Ms. Flenker	Senior Purchaser	30
Ms. Schmidt	Purchaser	4
Mr. Besser	Quality Manager	23
Ms. Rot	Inventory Controller	6
Mr. Unterberg	Process Director	3