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The cultural determinants of international business loyalty:

A case study of Japanese and Portuguese firms.

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Abstract: In business-to-business markets, customers' loyalty is critical to success, although its building process may be different from consumer markets. Not only do we propose to investigate B2B loyalty but also how this construct occurs across cultures, i.e., is B2B loyalty affected by culture?

Preliminary research results indicate that Japanese companies will change foreign supplier more easily than Portuguese companies as Japanese society is very competitive and has higher levels of ethnocentrism. Based on preliminary interviews and a literature review we propose that masculinity, ethnocentrism and suppliers' cultural interaction capabilities are antecedents of cross-cultural customers' loyalty.

The cultural determinants of international business loyalty: a case study of Japanese and Portuguese firms.

I – INTRODUCTION: This is a case study that involves a private-owned Japanese multinational corporation (MNC), in the automotive industry, with annual sales of approximately €10 billion. Several employees with this company have already been interviewed, in depth; a Japanese vice president (MK), a British general manager (PB) and a Portuguese Director (GR). Please see Table. The interviewees were chosen for their differing perspectives but similar international work experience, in Japan and Portugal (since several subsidiaries of this company, which has its headquarters in Japan, operate in Portugal). The result of this research is to be a greater understanding of international B2B costumers' loyalty in masculine (e.g. Japanese) versus feminine (e.g. Portuguese) cultures (Hofstede, 1980a). Ethnocentrism (Yoo and Donthu, 2005) and cultural interaction capabilities (Johnsen, R. E. and Ford, D., 2006), topics consistently brought up in the interviews, will also be investigated.

II - CASE STUDY SETTING: According to the British interviewee (PB): "We do not belong to a Keiretsu. We are fundamentally a private company, owned by a Japanese family. We have a customer base which is quite diversified, we do business with pretty much all of the automotive companies. Some clients have a bigger share than others but no customer represents more than a third of the total business, but then they get smaller after that."

It should be noted that in this particular industry one customer can easily signify €250 million Euros in sales, the supplier involvement for one car.

It is well known that the relationship is crucial to the success of the buyer-seller exchange but we believe also that culture will be essential in determining B2B loyalty internationally:

"Japanese culture is very competitive. Many companies compete so we choose the nicest. It is

easier to change supplier in Japan. If a newcomer is good, after checking according to the manual, they will change, but they are very cautious in changing supplier. Trust is important. Here, in Portugal, it is difficult to change supplier…" (Japanese interviewee MK).

We asked Portuguese interviewee GR, who has extensive experience with customers worldwide, whether "Portuguese clients are different from the rest?" and he answered "Yes, they are a little different. We have two Portuguese clients… I think they are less demanding." We believe that the Portuguese, being less competitive and less demanding, thus defining their more feminine culture, will be more tolerant and loyal.

The interviewees all agreed that Japan and Portugal are very different. MK stated that Japanese society is based on Confucian values whilst Portugal is based on Roman Catholic values, so that, alone, is a big difference. PB made reference to one particular differing cultural trait: "The sense of urgency of things is sometimes not as strong in Portugal as in other countries. Japan is maybe an extreme case of that. In the case of the Japanese, typically, if I say - yes, I need that by a certain time – that becomes like the rule. That's definitely a very significant difference…" Japanese interviewee MK also stated that, besides the Portuguese language, time management was the most difficult aspect to adapt to, in Portugal. Management issues would be delayed for days, something that would never occur in Japan.

III - JUSTIFICATION OF THE RESEARCH:

The current state of the economy worldwide is one that is characterized by great market interdependence between production, suppliers and clients all over the world and by fierce competition which reaches levels never before observed. Margins, on the one hand, are reduced to the maximum and on the other hand we witness an acceleration of innovation and a rapid diffusion of technology. Thus, there exists an increase in specialization and also a

greater concentration of the market due to a phenomenon of vertical and horizontal integration. Competition occurs between an ever smaller number of companies albeit they are also becoming bigger over time. In this context, the new and toughest challenge for the competitiveness of organizations is to maintain their clients. So, it is vital to understand the mechanisms which determine the loyalty of customers in the different markets with differing cultures.

1) The need to deepen the knowledge of the influence of culture on international business. The importance of culture to management has always been recognised and has been the object of many academic studies although, given the generally recognised central role of culture in international marketing, the cultural dimension does not draw the kind of attention that one would expect (Kale and McIntyre, 1991, p.61; Cavusgil and Li, 1992; Aulakh and Kotabe, 1993). Usunier (1998, p.ix) also states that "although a consistent topic for the last twenty years, cross-cultural management research is still in its infancy."

This particular research seeks to add to the ongoing discussion which has national culture as the central theme. We presuppose "that [national] culture is a major explanatory variable for values, organizational behaviour and practices" (ibid., p.13), and thus question "the transferability of management systems across [national] cultural contexts" (ibid). Cross-cultural studies seek "to build on… in-depth differences across nations and cultures in order to generate new conceptual insights and to broaden concepts" (ibid.).

2) The importance of loyalty as a factor of competitiveness of organizations. Business-to-business loyalty can be said to be sought after by all supplier companies involved in profitable supplier-customer relationships, in all of the major markets worldwide. This is not only because an additional effort is necessary to conquer new customers compared to the effort

necessary to maintain an existing customer. It is also due to the fact that, in many industries, a limited number of customers to be chosen from, and serve, exist, meaning that repeat purchases have to be the goal. In this case, management needs to focus on developing strategies which allow growth of market share in the long term. This is what happens in oligopolies, monopolies or when the economy is in a recession. Developing business loyalty is an art that must be conquered. **Does growth of sales mean customer loyalty?** Why do companies, across cultures, show repeated preference for certain organizations? Sometimes buying more from a supplier is not a sign of loyalty, however; that is, we have to see the signs in the market: increasing sales may not be, in itself, a sign of loyalty, but only some kind of dependence. On the other hand, some clients may buy less and less and still be loyal. They may be buying less due to a crisis in their region, for example. Thus, growth of sales cannot, in itself, determine B2B loyalty in the marketplace.

IV – CONCEPTUALIZATION: What we mean by culture: a definition. Various definitions of culture exist. As our work involves the influence of culture on management, in particular supplier-customer relations, and as management is characterized fundamentally by the process by which decisions are made, the attitude in face of risk, the nature of the relationships between collaborators and by the hierarchy, we rely on Hofstede whose study presents four dimensions which analyse these characteristics, which are: masculinity/ femininity, control of uncertainty, individualism/ collectivism and hierarchical distance. Hofstede (1980b), whose study focuses on the influence of attitudes and the values related to work, in the different national cultures, and reflected on the respective organizational structures, defines culture as a "collective mental programme". This definition may be better understood when one considers ten sources of culture, at the level of the individual:

language(s), nationality, education, profession, group, religion, family, sex, social class), corporate or organizational culture (Usunier and Lee, 2005, p.10-11).

If one was to share a fair portion of the elements described above with another individual one may say one has affinities/ a similar culture to him or her, a similar collective mental programme. It is interesting to add that despite individuals being the carriers of culture they are, however, largely unconscious of its existence. It is learned behaviour, present throughout our daily individual and collective actions, which we are unaware of.

What we mean by loyalty: Narayandas (2005, p.131) states that "in business-to-business markets, the benefits of customer loyalty are enormous… every organization knows that in order to succeed, it must acquire and retain customers, especially profitable ones." The focus should be on developing individual relationships, Narayandas continues, "so that each customer becomes more loyal" (ibid., p. 132). An example, of B2B customer loyalty, is given by Narayandas (2005) relating to Lucent Technologies and purchases from them by many customers, even though it did not offer the latest technology: "Because of the relationships that the company had built over the years, customers were willing to give Lucent a chance to catch up with rivals [and the latest technology, which they currently didn't have]." (ibid., p.134).

Loyal customers wish to be sure of what they buy (Usunier and Lee, 2005, p.93). Disloyalty is the natural counterpart of loyalty (to a brand, product, or supplier). What is culturally meaningful is how these two opposite attitudes are considered in different societies (ibid.).Company resources should be strategically employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be achieved or improved upon. Consider that the quality of a product or service should lead to customer

satisfaction which in turn should lead to customer loyalty, thus leading to profitability. According to Buchanan and Gilles (1990), customer retention efforts lead to increased profitability.

The concept of commitment is central to the discussion of loyalty. Moorman, Zaltman and Deshpande (1992, p.316) define this same concept as "an enduring desire to maintain a valued relationship." Morgan and Hunt (1994, p.23) state that "we define relationship commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it, that is, the committed party believes that relationship is worth working in to ensure that it endures indefinitely." Wilson (1995, p.337), defines commitment, in buyer-seller relationships, as "the desire to continue the relationship and to work to ensure its continuance." Finally, Gundlach, Achrol and Mentzer (1995, p.79) say that "First, commitment is defined to possess an input or instrumental component, that is, an affirmative action taken by one party that creates a self-interest stake in the relationship and demonstrates something, more than a mere promise. Second, commitment includes an attitudinal component signifying an enduring intention by the parties to develop and maintain a stable long-term relationship. Third, commitment is thought to embrace a temporal dimension, highlighting the fact that commitment means something only over the long-term, that is, the inputs and attitudes brought to the relationship must reveal consistency over time." Relationship commitment can be translated into a behavioural intention to continue the relationship in the future (Gundlach *et. al.*,1995).

Commitment towards a brand or product may be used as a measure of brand loyalty. Researchers realised that the attitude towards a brand on its own is not a strong determinant of behaviour, and that commitment to repurchase the brand helps explain the relationship

between attitude and behaviour (East 1997; Traylor, 1981).

Brand loyalty has been defined as a repeat purchase that is a result of a preference, attitude or market share. More recently Kim *et.al.*, 1998, introduced an affective component. Brand loyalty can then be seen as a construct formed by affective, cognitive and behavioural aspects and two dimensions: attitudinal and behavioural loyalty (Baldinger and Rubinson, 1996). Attitude captures the affective and cognitive aspects of brand loyalty, such as brand preference and commitment; behavioural brand loyalty is reflected in the observed repurchase of a brand from a number of available brands (East, 1997).

Bennett *et.al.* (2000) attempt to develop the concept of attitudinal brand loyalty in B2B markets. These authors argue that trust and commitment are critical factors in achieving brand loyalty in a B2B setting (see figure).

Figure 1 - A model of the Potential Antecedents of Attitudinal Brand Loyalty (source: Bennett *et al.*, 2000, p.89)

If "some studies report that Japanese firms have different trust building processes" (Zhao and Cavusgil, 2006, p.412), one may indeed question if the loyalty building process, in Japan, is different from other countries and why.

Niccolò Machiavelli, in *The Prince*, writes that inhumane cruelty, such as that practiced by Hannibal (popularly credited as one of the finest military commanders in history), with multicultural followers, leads to the loyalty of men. Love, he continues, cannot be depended upon as humans are fickle and ungrateful and search for profit above all else; fear is a much

more dependable tool, which should be developed. Are these writings, of the 16th century, no longer applicable to our times? Companies may be wise to heed some of Machiavell's advice and take care to architect ways to develop business loyalty between companies, so that clients may remain close to them and their goals. "Inhumane cruelty will get you nowhere, of course, with customers, they'd drop you if you were like that" stated British interviewee PB. Dependence rather than loyalty may be a reason for customers to keep a given supplier. We wonder if in this case it is possible to speak of a form of *passive loyalty*. According to British interviewee PB: "In the car industry it's a little difficult to talk about loyalty to suppliers from the car makers because you have many relationships which are somewhat symbiotic or perhaps more… they're "in bed together" but not necessarily because they want to be. The best example in the world is General Motors (GM) and Delphi Corporation. Delphi is a parts supplier, the biggest parts supplier in the world. All of the car industry started at one time with their own parts suppliers because originally they made everything themselves. Over the years they've outsourced a lot of the parts that they believe other suppliers can make better. Delphi is a supplier that was created out of GM, so GM spun off their parts production business. But now you have a 40 billion dollar parts company that's bankrupt, in Chapter 11, in America. And their biggest customer is GM, which is also almost bankrupt. You now have a situation where GM cannot allow Delphi to go into bankruptcy because any one of half a dozen Delphi plants stopping will bring twice that number of GM car assembling plants to a stop, because they're so dependent on them. For example, all the break pads that are used by GM are made in one plant, in Indiana, so if that plant in Indiana stops, all the GM plants using those break pads stop. So they're really, you know, dependent on each other. However, the other thing is, Delphi, also, without GM doesn't have revenue to stay "afloat"… so they're

really totally interdependent on each other. It's not really loyalty, it's more a case of "We're damned if we do and we're damned if we don't."

Portuguese interviewee GR stated that all efforts are made to solve problems, as they arise, through customer service centres located at the various customer production sites around the world.: "We supply direct to TM UK which is Toyota Motor United Kingdom and we have a customer service centre there which is an office from where they deal directly with the customer. "It's almost like having an embassy, in England, for the English Toyota client?" we asked. "Where there is a car factory that is a client of ours, we have a customer service centre there, right next to it." GR replied. "They're like corporate diplomats… similar to diplomats, at an embassy, who take care of Portugal-England relations?" we queried. GR replied: "Exactly, looking at it like that, yes. Where there is a car factory that is a client (any client) of ours, anywhere in the world, we have a customer service centre there, right next to it. Increased customer loyalty is the result of these customer service centres.

V – METHODOLOGY: The methodology used for this work (in progress) followed the proposal of Easton (1995), in which the researcher has to make decisions, properly backed up, of epistemological and methodological nature and still even relative to the research methods. Thus, we assume that reality is not unique, but dynamic and heterogeneous, and varies from individual to individual and respective culture, which has a crucial role in the construction of one's own reality (Weick, 1995). In this research, then, an interpretative approach of reality, having in mind a strong dependency between the object of study and its context, is imposed. This research is induced. The conclusions that result from the empirical analysis allow us to move forward in the comprehension of the determinants of loyalty.

Here we develop an interpretative approach and have as a prime objective the understanding

of behaviour and so it is essentially exploratory and it will be the subsequent research that will lead us to the deepening of various questions that derive from our study. Easton, G. (1995) states that in order to make the methodological options it is necessary to define goals, as well as the content and context of the research.

As our research question is to try and understand which are the determinants of loyalty in B2B relationships, more specifically to see up to what point national culture influences that loyalty and in particular in masculine and feminine cultures, we start by doing theoretical research relative to customer loyalty, in particular in the international market, and to the development of relationships in the B2B realm. This first stage of the research laid bare the need to define some concepts such as culture and loyalty, in order that we may define precisely the object (subject) of our study. Subsequently, the tool chosen to develop our interpretative study was the case study method.

Having in mind the objective (research object) of our investigation the field research will be a case study. This area of research is relatively less known and we are looking for a greater understanding of the subject and for developing hypotheses for later testing. Case studies are a preferred approach when "how" or "why" questions are to be answered. How does one develop business loyalty? Is a supplier easily changed for another even if supplier and customer are friends, or even if the supplier understands his client? Why are some companies more loyal than others? The main feature is therefore the depth of and the focus on the research object (Ghauri, 2004).

We aim to keep on asking questions until we obtain sufficient answers and interpretations. In-depth interviews are particularly suitable as we want to understand the behaviour of decision-makers in different cultures. We intend also to develop a triangulation (Campbell and Fiske,

1959) to reduce the likelihood of misinterpretation, for example by interviewing other managers or company representatives, and by studying documents like the correspondence between buyer and seller, and the contract drafts as well as the final contract itself, just as Ghauri proposed in 2004. In case study research, interweaving data collection and data analysis right from the first interview is the best policy (Miles and Huberman, 1994). This allows theory to develop alongside the growing volume of data.

At the level of the research strategy and the research design we selected for our case study a firm that belongs to the automobile *filière* where competition is developed around very low margins and constant innovation, and specialized in the electrical and electronic industry where competition, amongst a small number of competitors, is very aggressive. Its headquarters are in Japan, it operates in Portugal and has several subsidiaries around the world, with suppliers and customers similarly based in many countries. This company was founded in Japan 66 years ago and represents the previously described situation which characterises the current economy: suppliers from all over the world, with different cultures, and customers similarly with different cultures in many different countries of the world.

After choosing the company we selected three highly placed individuals responsible for the management of the corporation who have in common the fact that they have all been linked to the company for some time (they are imbued with the same organizational culture) and all have, in Japan and Portugal, extensive experience with suppliers, customers and competitors. Our study has as a base three in-depth interviews (each interview spanned a morning, approximately); a Japanese vice president (MK), a British general manager (PB) and a Portuguese Director (GR). Please see the Table below.

All were questioned relatively to their organization's loyalty to its suppliers and two of them

(GR and PB) about the **perception** that they have of the determinants of loyalty of customers in each of the markets. So far the method for information collection used was semi structured open interviews. The questions concern the practices and perceptions of the individuals. The information thus obtained was object of a follow-up in order to deepen aspects initially not brought up.

Table 1 – A summary of the interviewees

Name of interviewee	National Culture	Markets where have worked	Focus of activity (or responsibility)	Buyer-seller experience
MK	Japanese	Japan, Holland, Portugal, Belgium	Suppliers	As purchaser (for 30 years), in Japan, and as company Vice-President (for 5 years), in Portugal and Belgium.
GR	Portuguese	Portugal, Japan	Customers	As quality director in Portugal, solving customer problems all over the world. As current production director, in Portugal, GR oversees 885 people.

PB	British	Great Britain, USA (1 year), Germany (10 years), Japan (1.5 years), Portugal (5 years)	Both: Clients and Suppliers	As current Managing Director of Technical Centre (independent services operation with 240 people) in Portugal - deals with purchasing and customers, also. Has previously been responsible for all of the harness engineering activities, in Europe, which required working directly with end-customers.

VI - PRELIMINARY RESEARCH RESULTS: Preliminary research results, based on the interviews performed, indicate that Japanese loyalty patterns differ from the Portuguese loyalty framework. "Portuguese people are very close to the family. Japanese people are very close to the company. In Japan companies are like family. Mitsubishi, like family, Toyota, like family… Very close relationships. In Portugal family comes before the company. In Japan the company comes before the family. Yes, really. Strong organisational cultures." (Japanese interviewee MK, former purchaser and company Vice President). Please refer to figures 2a and 2b.

Figure 2a shows that Portuguese workers favour the family and thus their primary loyalty lies with this social unit. Work and the organization come next. The intermittent line that joins In-Group to Work/ Organization means that loyalty to the in-group (e.g. friends), in Portugal, may at times be stronger than loyalty to the company. This may be witnessed when a purchaser buys from a friend (or from some other corrupted source), rather than from an economically more viable alternative.

Portuguese clients are reputedly better payers to foreigners than to nationals, thus foreigners, especially Latin foreigners, are closer than Portuguese society in general, the last level of loyalty in the figure (though this may be due, also, to the fact that justice in Portugal malfunctions in relation to domestic debt collection). The Portuguese parallel economy is well known i.e. tax evasion is rampant, which shows a certain lack of loyalty towards Portuguese society and citizens. From this basis we drew two loyalty pyramids (figures 2a and 2b).
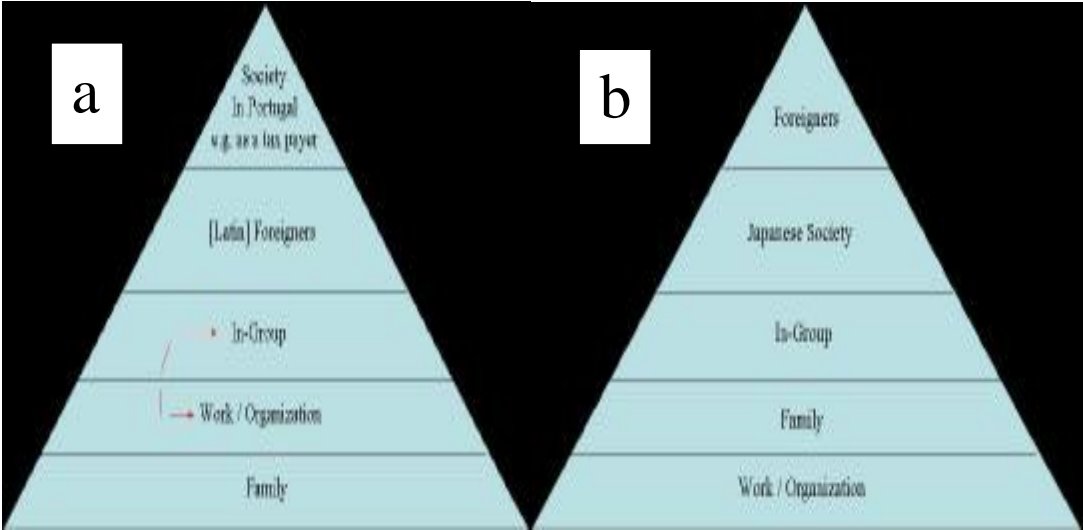
Figure 2a – The loyalty pyramid for Portugal

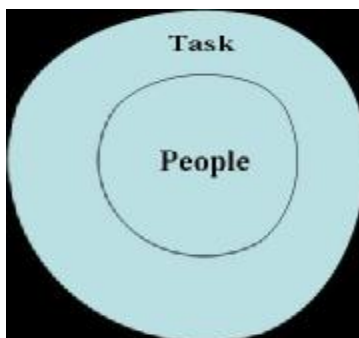**Figure 2b - The Loyalty Pyramid for Japan**

Figure 2b emphasizes that the Japanese have a very clear cut loyalty pattern when compared to the Portuguese. For the Japanese, work and the organization are central to life and thus appear at the first level of the figure, before the family and consequently different from figure 2a (Loyalty Pyramid for Portugal). Note: this has to be taken into context as families, in Japan, may not only facilitate the involvement of the family members with the company but also chastise an individual for coming home too early and thus possibly causing the wrong impression to his (or her) bosses. This may be changing now that Japan has recovered from World War II poverty and levels of dedication are possibly seen to be lessening. Still,

however, the company assumes the role of family, in Japan. For Japanese workers, who are results-oriented and rational, the in-group as we know it in the West will actually tend to be inside the company, thus loyalty to outside agents, level 3, does not ever come before levels 1 and 2, work and family respectively. Finally, the Japanese reveal high levels of ethnocentrism, defined by Drever (1952, p.86; quoted in Hofstede, 2001, p.17) as an "exaggerated tendency to think the characteristics of one's own group or race superior to those of other groups or races". Ethnocentrism may lead to disinterest or even contempt for the culture of other groups (Levine and Campbell, 1972; quoted in Usunier and Lee, 2005, p.389). From what has been said, we presuppose that the Japanese are least loyal to foreigners.

Please now consider figures 3 and 4 and the central themes of organizational life of each target culture studied. People and their social needs are the central theme of organizational life, in Portugal, whereas the task and work are central to organizational life, in Japan.

Figure 3 - Working in Portugal   **Figure 4 - Working in Japan**

Figure 4 emphasizes that Japanese workers will be motivated by results and thus loyalty to the company will prevail over social needs: company objectives will be focused upon by rational, economic men.

We asked interviewee PB the following question "Have you ever been in a situation where

you have been confronted with an identical product, but cheaper?" The answer was obviously yes. That is the sort of opportunity we are always looking for, interviewee PB said. Did you change supplier? Again, yes was the answer, in that situation they did. The local supplier, in this case, had grown complacent and wasn't pushing for improvements in the relationship, so they changed.

VII - RESEARCH HYPOTHESES

The following research hypotheses have been developed:

H1) Masculinity is negatively related to international B2B loyalty to suppliers.

Usunier observed that "the contrast between masculine and feminine cultures is surely the most fundamental cultural divide… the most basic cultural distinction, fundamentally under-researched despite its in-depth influences on organizational life, leadership patterns, or conflict-handling modes." (Usunier, 1998, p.138). Masculinity is possibly the deciding factor when it comes to similarity between cultures (Usunier, 1998; Usunier and Lee, 2005). Using Hofstede (1980a) terminology: "Masculine societies favour assertiveness, earning money, showing off possessions and caring little for others. Conversely, feminine societies favour nurturing roles, interdependence between people and caring for others (who are seen as worth caring for, because they are temporarily weak)." (quoted by Usunier, 1998, p.28). In the words of the Japanese interviewee MK: "Earning money, status, is important, but mainly feeling that you're working, doing a good job, professional competence, is very important in Japan. It is changing though. "Japanese purchasers, who are loyal to their company, will continuously seek better conditions for their purchases. Japanese interviewee MK (with 30 years experience in purchasing) confirmed this; in Japan, a highly masculine and thus competitive society, this is the norm - results, and not social sentiment, will prevail, in day-to-

day business transactions.

Japan and Portugal, according to Hofstede (1980a), are very similar along three cultural dimensions, both having high uncertainty avoidance, low individualism and relatively high power distance – please see Table 2. However, on the masculinity/ femininity divide they show no resemblance, indeed are opposites. For this reason this cultural dimension was investigated in this case study. Preliminary research results indicate that it is easier to change supplier in Japan.

**Table 2 – Cultural dimensions of Portugal, Japan, the United Kingdom and of the USA.**

Ranking shown for a total of 50 countries (Hofstede, 2001).

Country	Uncertainty Avoidance	Individualism	Power Distance	Masculinity
Portugal	104 (rank 2)	27(rank 33/35)	63(rank 24/25)	31 (rank 45)
Japan	92 (rank 7)	46(rank 22/23)	54 (rank 33)	95 (rank 1)
United Kingdom	35(rank 47/48)	89 (rank 3)	35(rank 42/44)	66(rank 9/10)
USA	46 (rank 43)	91 (rank 1)	40 (rank 38)	62 (rank 15)

The USA and the UK were added to Table 2 as their dimensions contrast with those of Portugal and Japan – lower uncertainty avoidance, higher individualism, lower power distance, and intermediate masculinity.

Further, the definition of B2B loyalty advanced in Narayandas (2005, p.136), "a commitment to continue buying a product or service, whatever the circumstances", leads us to think that

loyalty doesn't depend on the circumstances surrounding the relationship, however adverse these may be. It is easy to think that different levels of loyalty may exist. Indeed this would allow us to believe that customers from more feminine (Hofstede, 1980a) cultures (e.g. Portugal) will be more loyal towards their international suppliers than companies from more masculine ones (e.g. Japan), as more feminine cultures are by definition more tolerant. We propose that this kind of tolerance, and thus loyalty, may be explained by cultural differences.
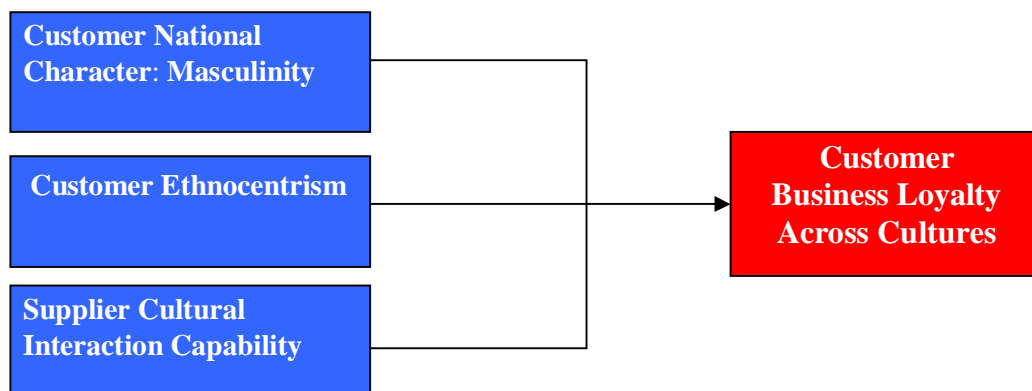
Figure 5 - The Major Determinants of Business Loyalty Across Cultures

H2) Ethnocentrism is negatively related to international B2B loyalty. Ethnocentrism is a sociological and psychological construct that has been used to examine attitudes toward in- and out-groups. Yoo and Donthu (2005) state that, generally speaking, ethnocentric individuals perceive their in-group as more positive (see also Tajfel, 1969) than they do an out-group. "Concerning ethnocentrism, should a real Japanese always buy Japanese-made products, do they think like that? Buy Toyota, buy Lexus…" we asked British interviewee PB, who answered: "There tends to be a very strong tendency for them to do that. There are a few exceptions, there are certain major brands in the world that have a significant image, image is rather important, so things with strong brand images like Gucci, Louis Vuitton, these

type of things will have their clientele in Japan, for sure. As will Porsche cars, Mercedes, BMW, but for the typical, let's say, somebody with a more typical budget, then the Japanese very much buy Japanese, yes, even if it's like Japanese made in China, which a lot of the stuff is today, they'll still tend to buy Japanese very much… Also, Japanese companies outside of Japan will tend to do business with Japanese companies. The Japanese tend to focus more on the notion that quality isn't as good, of foreign products, the service won't be as good…" This Japanese tendency is, in PB's view, very different from the Portuguese outlook: "There is a tendency, in Portugal, to think that everything that comes from abroad is better… There does seem to be a tendency for business here [in Portugal] to promote that idea."

H3) Cultural Interaction Capability is essential to the success of an enterprise and is positively related to international B2B loyalty. Teece *et al.* (1997) define capabilities as invisible assets that are firm-specific and developed over time through complex interactions among the firm's resources. "Capabilities must therefore be understood in terms of how they are recognized by counterparts in a relationship" (Johnsen, R. E. and Ford, D., 2006). These authors state that interaction capabilities enable firms to relate to other organizations more successfully and being more or less unique to a single company, partners may have difficulty in finding alternatives (Ford *et al.*, 1986). Their findings demonstrate that the "ability to demonstrate suppliers' values and integrate them with those of larger customers had an impact on their capacity to retain strong positions in relationships and attract fruitful collaborations". These interaction capabilities, developed by some suppliers, appeared very valuable for larger customers and differentiate them from other suppliers.

Cultural interaction capability may be understood as "the development of partnership values internally and in relationships". Capabilities associated with culture and values can be

"imperfectly imitable" and are thus an important and unique capability area in relationships (Foss, 1999). If a supplier manages to develop interaction capabilities, that may be critical in contributing to the improvement of his status and desirability for customers. (Johnsen, R. E. and Ford, D., 2006)

Previous research demonstrates "that relationship performance is strongly associated with loyalty." (Lages, Lancastre and Lages (2005), p.20-21).

Relationships vary in differing levels of intimacy and sharing, imply the discovery or establishment of common ground, and tend to be centered round things shared in common. A better understanding of relationship development with business partners continues to be the marketing trend and is a growing field of research - a significant impact on business performance is made by better relationships, as is observed by managers and researchers alike (Lages et.al., 2005, p.2). Cateora, 1997 (p.113) states that "**It is not unusual to have one negotiator's business proposition accepted over another's simply because "that one understands us.""**. Interviewee PB said: "It's a question of understanding your customer… I think the more the customer and the supplier know each other as people that will have a big impact on loyalty between the customer and the supplier." The ability to develop a close, empathetic relationship with the customer impacts international B2B loyalty positively. Kale and Barnes (1992), upon the subject of recruitment and training of salespeople, suggest one should search for cosmopolitan salespeople. The empathy shown by the salesperson in the willingness to adapt his or her behaviour, to the psychological mind-set of the buyer, assumes critical importance (Spiro and Weitz, 1990). Simurda (1988) states that a cosmopolitan salesperson needs to possess a "flexible personality", for adaptive selling (Spiro and Weitz, 1990). Openness and sensitivity to others, cultural sensitivity and awareness, the ability to

relate across cultures, awareness of one's own culturally derived values, and a certain degree of resiliency to bounce back after setbacks are required by salespeople involved in cross-cultural selling situations (Noer, 1975). The aim is to have people low on ethnocentrism, willing to modify his or her behaviours "to suit the unique cultural and personality context of each selling task" (ibid., p.119-120). Interviewee PB, who has been successful, professionally, in various cultures (the USA, Germany, Japan, Portugal, the UK), and who deals with customers from all over the world, adds that: "I think that I'm adaptable enough… I think whether you're born with it or whether it's something that you develop as you grow, it's definitely a characteristic that you have or you don't have… It's not just your adaptability to different work situations, your adaptability to different life situations, but also your adaptability to different standards of things." Language is a significant barrier, PB says, and Japanese and German car makers may choose suppliers based on this understanding alone. "Maybe it has to do with getting into habits. You need to be flexible, you need not to have too many things that are fixed and rigid… If you think like: "I've always had my dinner at 6 o'clock and I'm always going to have my dinner at 6 o'clock." then I don't really think that you're going to be able to adjust to different cultures."

Marketing strategies may need to differ where clients are fundamentally more loyal, often less brand-conscious and less used to rational comparisons (such as price/ quality cross-brand or cross-product comparisons), from those where clients frequently shift from one brand to another (Usunier and Lee, 2005, p.95).

VIII - LIMITATIONS OF THE STUDY: All interviews are so far with employees with the same company and thus may be influenced by that company's strong Japanese organizational culture.

We stated that the Japanese have a very clear cut loyalty pattern when compared to the Portuguese (fig. 2). For the Japanese, work and the organization are central to life and thus appear at the first level of the figure. This may be changing now that Japan has recovered from World War II poverty (according to the interview with British PB). Levels of dedication to Japanese companies are possibly seen to be lessening. Japanese MK stated: "Japan is a very group-oriented culture. The individual must obey the group. But recently, these last ten years, it has changed very much, younger people are not dependent on groups, companies, or schools anymore, they are more individual, individuality is more popular, maybe figures for Individualism have changed for Japan now (increased towards the USA)."

Another limitation is the reduced number of interviews that have taken place until the present time.

We are aware that other important constructs may be antecedents of loyalty in B2B markets, but we deliberately focused on those factors having a cultural origin.

IX – CONCLUSION: Steenkamp *et al*. (1999) concluded that femininity is positively related to loyalty, being faithful to friends and group, in B2C markets. Can these findings be transposed to international B2B markets? Feminine cultures may well foster more international B2B loyalty than their masculine counterparts, who are more competitive and thus more ethnocentric (Yoo and Donthu, 2005). Further, Czinkota and Woronoff (1986) state that suppliers may be difficult to replace due to social or business customs, such as loyalty and reputation. If, as Narayandas (2005, p.136) states, B2B loyalty is "a commitment to continue buying a product or service, whatever the circumstances", then this would allow us to believe that customers from more feminine (Hofstede, 1980a) cultures (e.g. Portugal) will be more loyal towards their international suppliers than companies from more masculine ones

(e.g. Japan), as more feminine cultures are by definition more tolerant.

In Portugal, an example of a more feminine culture, normative commitment with the exchange agent (Meyer, Allen and Smith, 1993) will dictate a moral obligation to follow collective rules, a feeling of duty to prolong the relationship (Meyer, Allen and Gellatly, 1990).

We are anxious to finish this research in progress in order to conclude more definitively about the subject of international B2B loyalty, raised in this paper.

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