

**Influences on the Performance
of Cross-border Business
Service Buying**
Research Propositions and Preliminary
Structural Modeling

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Summary

The main purpose of the research paper is to acquire a better understanding of cross-border business service buying. It presents first results in an ongoing research project: Previous literature is analyzed to identify performance measures and factors influencing them. Net value and satisfaction of the cross-border service relationship are used to describe the performance of cross-border business service buying. Influencing factors are split into three groups: characteristics of the service, characteristics of the environment and human resource factors. Moreover, propositions and finally a structural equation model are derived to demonstrate the relationships assumed among these factors and their influence on the performance of cross-border business service buying.

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Keywords

Service buying, international sourcing, cultural distance, psychic distance, satisfaction, net value

1 Purpose and Research Objectives

The term “business services” indicates a broad range of various services used by companies such as logistics, maintenance, security services, cleaning, consulting, software development and marketing services. Business service buying is developing as companies increase the outsourcing of internal services (Parkhe, 2007; Axelsson and Wynstra, 2002). For example, expenditures for third-party logistics have been growing in the US since the early 1990s and have now reached more than \$45 billion (Knemeyer et al., 2004); in Germany annual expenditures for third-party logistics have been estimated to amount to approximately 15.6 billion Euros (Klaus and Kille, 2006).

Due to their intangible nature services can not be stored and are difficult to assess (Leenders et al., 2005). Moreover, services consist of a series of activities based on interaction between the customer and the provider (van Weele, 2005). Even though, the service business requires a high level of customer integration there is no need for limiting services to domestic sources. In contrast, international sourcing of services renders the opportunity to benefit from low cost structures outside the home country (e.g. Lewin and Peeters, 2006; Pfohl and Large, 1997; Monczka and Giunipero, 1984). The focus of this research is on cross-border business service buying. In this case the provider firm and the buying firm (recipient) are located in two different countries. The service could be provided in the country where the buying firm is located or in the home country of the provider.

The term “border” can be looked at in different ways: first in a rather traditional view as a (border) barrier or separation line between two or more political or geographical areas, typically countries (Nijkamp, 1994) and second, in a contrary way, as a contact line (Ratti, 1993). The latter is predominant for the borderlines between the EU member countries representing the “open-border” idea (Courlet, 1988). Apart from the political-economic union that manifests in one European market, borders of another quality, i.e. cultural or linguistic might prevail (Ratti, 1994) as well as differences in the basic economic conditions in a rather separating mode among EU members.

Still today, a wide range of internal market barriers obstruct many service companies in performing cross-border business services. Consequently, the Commission of the European Communities proposed a directive of the European Parliament and of the Council on services in the internal market in order to overcome these obstacles (Commission of the European Communities, 2006). This political process gives rise to the presumption that the intensity of using cross-border business service will increase in the next decade.

Summing up, there are two main drivers of cross-border business service buying: the general increase of business service outsourcing and the opportunity to make use of factor cost advantages in neighbour countries. Despite the economic relevance of cross-border business service buying, there is limited research on this topic (e.g.

Parkhe, 2007). In particular, there is a void of theoretical and empirical research concerning the factors which influence the success of cross-border business service relationships. Such influences are essential for both the company performing cross-border business services (provider) and the company who uses, or wishes to use, a service (potential buyer). This research strives to investigate these influences. Therefore, the first objective of this research is about the definition and the measurement of success in international business service buying. The second objective is to identify economic, social or cultural factors that enhance or diminish the general advantages of cross-border business service buying. Finally, the third objective is to examine the relationships among these factors and the performance of business service relationships.

In order to reach the first and the second research objectives, previous contributions in economics, purchasing, marketing, and international management are evaluated. After that, propositions are formulated to describe the potential relationships among the constructs identified. Finally, based on these propositions a temporary structural model is suggested to serve as a basis for further research.

2 Performance of cross-border business service buying

In order to decide when cross-border service buying is successful, it is necessary to define constructs that serve as performance measures. As the term “evaluation” would suggest we turn to the value concept for assessing a business service purchase. Net value is proposed as a key performance measure as it employs a benefit-vs.-cost-perspective. Moreover, satisfaction is used as a second performance measure which is influenced by the net value a buyer attributes to a seller of business services.

2.1 Net value

Value is one of the core concepts in marketing research history as it is determining for the buying decision. Therefore, Webster calls for customer value to be a vital aspect in a company’s business strategy (Webster, 1992). Despite the fact that customer value is not questioned as being a prerequisite for building long-lasting relationships (Anderson and Narus, 1998), customer value is not very often conceptualized as a construct and measured within a structural equation model.

The classical economic view took products or services as sources of value. Lancaster (1966) interpreted products as “bundles of characteristics” and thus shifted the focus of value creation to the individual characteristics that form the aggregated product or service value. Consequently, the question arises what kind of value the price as a characteristic of a good or service creates. With the exception of Veblen effects, prices pose a negative effect on the evaluation of an offer; therefore they are described as the “sacrifice” a customer has to make in order to enjoy the benefits of a product or service (e.g. Monroe, 2003). Thus the price represents the second part of the scale counter-balancing the positive value attributes. Transaction cost analysis (Williamson, 1979) suggests that there is not just price to be added to the sacrifice

side, but all costs incurred by searching, negotiating, contracting, using and even disposing of a product.

Thus, net value is defined as the difference between the benefits a product or service creates to a buyer in relation to the costs (price, transaction cost, etc.) incurred through the product, service or transaction (Homburg et al., 2005; Woodruff, 1997; Zeithaml, 1988). We employ the net value construct as the basic performance measure in our model as the primary focus of our research is to find out how benefits of sourcing internationally might be equalled out by additional costs incurred e.g. through contracting costs that cultural differences might necessitate.

2.2 Satisfaction

Satisfaction has for quite a while been used as a non-monetary measure of company performance attributing to its favourable influence on repurchase intention, customer loyalty and thus on future profitability (Homburg et al., 2005). According to the widely used confirmation-disconfirmation model (Wirtz and Lee, 2003; Patterson, 2000; Oliver, 1997) satisfaction is a post-purchase construct which results from a perceived product or service performance that meets customers' expectations or needs. On top of the integrative framework of the CD-Paradigm other approaches like consistency theory, adaptation-level-theory, assimilation-contrast and equity theory complement the theoretical foundation of customer satisfaction (Homburg et al., 2002).

There is a huge body of literature on customer satisfaction in the field of business-to-consumer research. However, fewer scholars have studied satisfaction in the business-to-business context, yet seldom with an emphasis on transnational buyer-seller-relationships (as Homburg et al., 2001). In the international context several authors have examined cross-cultural differences influencing satisfaction in the service sector by causing differences in expectations (Furrer et al., 2000; Donthu and Yoo, 1998; Winsted, 1997). Cultural differences are also assumed to impose barriers on the international expansion strategies of service companies (Kogut and Singh, 1988). Homburg et al. (2001) found a lower level of customer satisfaction in international than in national buyer-seller relationships owing to lower levels of quality and flexibility as antecedents of satisfaction. In the following, satisfaction with the service provider is employed as a second performance measure in our model and assumed to be positively influenced by the net value.

3 Potential factors of influence

Previous publications in the areas of purchasing, relationship marketing and inter-cultural management are analyzed to identify characteristics, which may have an impact on the performance of these business relationships. Three groups of potential influences are identified and used to present a set of research propositions: characteristics of the service, characteristics of the environment and human resource factors.

3.1 Service characteristics

According to transaction cost theory complexity and specificity are important characteristics of business services (Williamson, 1991) and potentially influence cross-border service buying performance. Complex business services cover a broad range of integrated service offerings. They typically consist of several types of service activities including the co-ordination and control of these service activities. One example for complex business services is the entire third-party distribution encompassing transport, warehousing, picking, packing, materials handling, inventory management and distribution resource planning (Large and Kovács, 2001, Large 2007). On the other hand, truckload transportation from country A to country B is an example of cross-border business services low in complexity. In comparison with simple services, complex services necessitate sophisticated purchasing processes. Typically, intense negotiations are required to tailor the service combination to the specific needs of the buying firm thereby reducing the risk of failure of the business relationship.

The construct “service specificity” indicates the degree to which the provider adapts his service to the customer’s specifications or requirements, e.g. his systems and procedures. In the case of intense specificity, transaction cost theory predicts the existence of specific investments by the providers (Williamson, 1979). The so-called asset specificity is a precondition to meet the specific requirements of the customer and to efficiently support the recurrent transactions (Williamson, 1984). Detailed and long-term agreements are necessary to safeguard these specific investments (Williamson, 1979). Initially, Williamson distinguished between four types of asset specificity: site specificity, physical asset specificity, human asset specificity and dedicated assets specificity (Williamson, 1984). Two further types were added later: brand name capital and temporal specificity (Williamson, 1991). In the context of cross-border business service buying, the first four types are most important.

With regard to site specificity, the location of the service provider facility is stipulated by the customer. For example, the customer demands the provider’s service-branch to be located close to his plant or even on his premises. For this reason, the provider is not able to use an existing facility located in a different area. Consequently, there is a need for new customer-specific investments.

If the customer expects adaptations to his own systems and procedures, the provider is forced to invest in customer-specific equipment to meet these requirements. Thus, physical asset specificity is created. Usually, such customer-specific equipment is not suitable for alternative usage. “Inasmuch as the value of this capital in other uses is, by definition, much smaller than the specialized use for which it has been intended, the supplier is effectively ‘locked into’ the transaction to a significant degree” (Williamson, 1979, p. 240). Therefore, the provider not only hesitates to behave in an opportunistic way, but also hesitates to terminate the relationship earlier than planned. Likewise, the customer is not able to turn to alternative providers due to the necessity of new specific investments (Williamson, 1979).

Human asset specificity refers to specific investments in human resources. For example, if the customer places special demands on the knowledge and skills of a service provider's staff, specific training is necessary. The effects of human asset specificity on cross-border service buying are the same as in the case of physical asset specificity. The term "dedicated assets" indicates non-specific equipment of the provider. Examples are fixed capacities of a cleaning service provider or the commitment of a maintenance provider to repair customer's equipment whenever necessary.

The complexity and specificity of the service and the level of specific investments expected by the customer seem to be interrelated. If the complexity and specificity of the requested service is low, there is usually no need for physical or human asset specificity, because the provider is able to use standard procedures and existing equipment to meet customer's requirements.

3.2 Environmental characteristics

There are various reasons for buying abroad, however, the opportunity to realize lower prices than at home is often considered to be the main reason for international sourcing (Lewin and Peeters, 2006; Frear et al., 1992; Monczka and Giunipero, 1984). This is especially true for buyer-supplier relationships between Western and Eastern European companies, as shown by Pfohl and Large (1997). On the other hand, sourcing services internationally may not always be as profitable as suggested by a mere look on wage differences (Bunyaratavej et al., 2007). Other factors like hidden costs incurred by the missing proximity – be it in spatial, cultural or organizational terms (Grote and Täube, 2007) - in the international buyer-seller relationship may impose a negative effect on the evaluation of cross-border business service buying. Accordingly, cost-advantages as well as national and organizational culture differences are considered as environmental characteristics of influence on the relationship.

3.2.1 Country-specific cost advantages

Cost-advantages are one of the key drivers of outsourcing. Country-specific cost-advantages play an important role for cross-border purchasing of business services. As the production of services is labour-intensive the focus of cost comparisons should be on the comparative advantages gained by low labour costs. Table 1 shows the average hourly labour costs in industry and services in the EU. "The term labour cost refers to the expenditure necessarily incurred by employers in order to employ personnel, and covers wages and salaries, employers social contributions, vocational training costs, other expenditure and taxes minus labour-cost-related subsidies" (Eurostat, 2005, p. 167).

The general labour cost in Germany and its Western neighbouring countries shows similar values. Therefore, cost advantages seem to be of secondary importance. Compared with that, general labour cost advantages of Latvia, Estonia, Lithuania, Poland and the Czech Republic are huge. Because the focus of this research is on

the buying of business services specific data for the business service sector is shown in Table 2, as the annual personnel cost per employee in real estate, renting and business services.

	2000	2001	2002	2003
Belgium	26.61		29.17	
Czech Republic	3.86	4.64	5.39	
Denmark	26.53	28.54	29.06	30.30
Germany	25.68	26.41	27.25	27.93
Estonia	2.85	3.22	3.67	4.01
Greece	10.98	11.62	12.46	13.37
Spain	14.22	13.07	13.63	14.21
France	25.00	26.00	26.90	27.70
Italy		19.27	19.99	
Cyprus	9.10	9.43	9.91	10.68
Latvia	2.22	2.29	2.39	2.37
Lithuania	2.63	2.76	2.90	3.10
Luxembourg	24.48	25.39	26.21	27.02
Hungary	3.63	4.04	4.91	5.10
Malta			7.59	7.77
Netherland	22.99	24.42	25.64	26.75
Austria	22.87			
Poland	4.48	5.30	5.27	
Portugal	8.35	8.54	8.98	9.21
Slovenia	8.98	9.58	9.71	0.54
Slovakia	3.07	3.26	3.59	4.02
Finland	22.10	23.30	24.32	25.31
Sweden	28.56	27.41	28.73	30.43
United Kingdom	23.71	24.51	25.24	

Tabelle 1: Average hourly labour costs in industry and services in € Source: Eurostat (2005)

These figures confirm the significant labour cost differences between the western und eastern member countries of the EU. Furthermore, there are differences of up to 25 % among the traditional Western member countries. Against the popular opinion labour costs in the German service sector seem comparably low. For example, personnel cost per employee in Belgium amounts to 41.700 € whereas the average cost of one worker in Germany is only 30.300€. From a German point of view, factor-cost advantages play only an important role in the case of cross-border business service buying in Central and Eastern Europe. Nevertheless, a lot of professional buyers perceive lower factor costs abroad, because of comparatively low service prices. Therefore, besides the statistical facts shown above the buyer's perceptions

of country specific factor cost advantages should be included into the model of cross-border business service buying.

	2002	2003	2004
Belgium		41.6	
Czech Republic	9.7	9.9	
Denmark	37.5	37.9	37.7
Germany	31.3	30.3	29.9
Estonia	6.5	7.1	
Greece			
Spain	20.6	21.4	
France	39.5	40.9	41.5
Ireland	31.0	33.3	
Italy	26.1	27.3	27.0
Cyprus			
Latvia	4.1	4.1	
Lithuania	4.6	4.6	5.1
Luxembourg	36.0	35.7	
Hungary	7.7	7.6	8.3
Malta	11.5		
Netherlands	31.7	31.4	30.5
Austria	33.6	36.1	36.1
Poland	15.3	7.4	
Portugal	14.6	15.7	15.5
Slovenia	15.5	17.4	
Slovakia	6.7	6.6	8.0
Finland	34.6	35.8	38.2
Sweden	43.4	46.9	47.3
United Kingdom	35.7	35.1	35.3

Tabelle 2: Annual personnel cost per employee in real estate, renting and business services in 1000 € Source: Eurostat (2006).

3.2.2 National culture differences

Especially when sourcing from Central and Eastern Europe, purchasers should understand the peculiarities of transition economies and should recognize national culture differences between European countries (Pfohl and Large, 1993) as a potential source of influence. The term “culture”, however, is not easy to define, as a variety of definitions exist in the literature and the construct is rather complex (Jacob, 2005). Analyses in this field can be traced back to the 18th and 19th century, where culture was interpreted as a body of knowledge, assumptions, arts, morals traditions

and further competencies and behaviours shown by individuals belonging to one society (Tylor, 1871).

Traditionally, the term culture is associated with (but clearly not limited to) national cultures as nationality resembles one the most decisive criteria when differentiating between cultures. Country-specific languages, configurations of the mass-media, educational and political systems and so forth, all seem to have a major influence on people's culture and behaviours within national boundaries (Sirmon and Lane, 2004). Consequently, culture can be defined as "... collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 2006, p. 1).

For cross-border business service buying cultural differences between the provider and the customer are of interest. Various approaches are available. One can differentiate between approaches that focus on the physical distance (between countries people come from) and those that focus on the cultural or psychological distance.

Cultural distance and additional costs incurred by cross-border business service buying are assumed to be the larger the further two cultures are apart implying a decreasing cultural and lingual proximity (Ratti, 1993). Therefore, spatial distance is often taken as a proxy variable for cultural differences between two nations. Measured as kilometre or mileage distance between two countries or companies it has traditionally been employed as an indicator of psychic distance and thus as a trade-resistance factor since the 1970s (Bergstrand, 1989; Srivastava and Green, 1986; Learner, 1974). Especially with regard to costs and time (communication and transportation cost and time) physical distance is regarded critical for trade performance. Dow argues that "rapid advances in transportation and telecommunications dramatically reduce the impact of geographic distance" (Dow, 2000, p. 54). We support this argumentation especially with the internet changing time for and cost of information gathering, communication and trading on a scale not previously known to both, the b-2-b- and the b-2-c-markets.

There might be a number of separating factors bound to physical or geographic distance that might diminish as national borders fall, transportation and communication time and cost decrease - still psychological impediments might persist (Ratti, 1993). To approach these, we turn to cultural and psychological or psychic distance (Hofstede, 2001; Dow, 2000; Sousa, 2003; Sousa and Bradley, 2006). The term cultural distance has particularly been coined by the works of Hofstede (1983, 2001, 2006). Based on the assumption that all societies are confronted with similar challenges, yet developed differing strategies on how to cope with these, a number of researchers have developed different approaches or dimensions to the culture concept (e.g. Douglas, 1992; Hall and Hall, 1990; Hofstede, 2001; Kluckhohn and Strodtbeck, 1961). Of these approaches, the works of Hofstede have earned wide recognition with the empirically based identification of four (later five) dimensions of national culture (Hofstede, 2001). Attributing nation-specific

values to each dimension Hofstede delivered country profiles for numerous nations. Moreover, these culture profiles rendered it possible to calculate cultural distances between two countries by means of an index (Kogut and Singh, 1988).

Recent studies, however, question the up-to-dateness of Hofstede's approach, for neglecting aspects like crossvergence, multiculturalism and cultural diversity within one society or country (Jacob, 2005; Jackson, 2004). Besides the lack of theoretical foundation and a sample biased by members of one company only, the works of Hofstede and Trompenaars are criticized for their underlying assumption of cultural homogeneity attributed to the individuals within one country. "...countries have different cultural mixes and people tend to be 'hybrids' who simultaneously hold membership in different cultural groups" (Jacob, 2005, p. 515).

This advocates a measure that would allow for more variance in cultural values among the individuals of a given nation (O'Grady and Lane, 1996). Thus, an analysis of cultural differences based on the perception of the individual purchaser seems more appropriate for evaluating transnational service relationships than employing a uniform culture distance score.

The concept of psychological or psychic distance was first introduced by Beckerman (1956) and was picked up by Johanson and Vahlne in the nineteen seventies to explain export market selection (Johanson and Vahlne, 1977). The literature, however, is not unanimous in conceptualizing or operationalizing the construct (Brewer, 2007; Evans and Mavondo, 2002). Some authors do not differentiate between cultural and psychological distance, but use the terms synonymously (e.g. Eriksson et al., 2000; Shoham and Albaum, 1995), whereas others make a clear distinction between them (e.g. Sousa and Bradley, 2006; Stöttinger and Schlegelmilch, 1998). In the following, psychic distance is used close to a definition formed by Stöttinger and Schlegelmilch (1998): Psychic distance is the individually perceived foreignness of international (supply) markets in comparison to the domestic market.

3.2.3 Distances between corporate cultures

On top of national culture influences organizational culture has to be taken into consideration looking at transnational business service relationships. As service relationships are characterized by intense personal interaction between employees of two companies, culture clashes should become more obvious than in product markets (Kedia and Lahiri, 2007). Moreover, national culture and organizational culture influences might not be independent constructs (Kshetri, 2007).

In contrast to the analysis of the national culture construct, research on organizational (or business) culture began to systematically unfold only in the 1980's primarily triggered through the works of Edgar Schein (1984). Schein (1992) differentiates three dimensions or layers of the organizational culture construct: basic underlying assumptions, espoused values, and artifacts. Despite varying degrees in visibility and interpretability, these layers seem interrelated (Homburg and Pflesser, 2000).

Approaches for conceptualizing the organizational culture construct are multifaceted: Hofstede et al. (1990) and Van Muijen et al. (1999) differentiate between values and practices. Van Muijen and Koopman (1994) employ the Quinn (1988) model of competing values (flexibility vs. control and internal vs. external orientation). Homburg and Pflesser (2000) employ basic values, norms, artifacts, and behaviours. Other authors include symbols or symbolic implications (Barley, 1983).

For our research study the effect of national culture on organizational culture is of vital interest. Within this context we can differentiate between two oppositional approaches: the culture-bound vs. the culture-free thesis (e.g. Hofstede, 2001). The culture-bound thesis states an influence of national culture on organizational culture whereas the culture-free thesis denies this coherence (e.g. Child and Kieser, 1979). There is a body of research documented in the literature that has addressed this question before. Yet some of the studies take only a limited number of countries into account (e.g. Walsh, 2004; Dedoussis, 2004; Smith, 1992). Van Muijen et al. (1999) and Moosini et al. (1998) focused on research in European countries and the US. The authors found national culture to explain much of the variance between organizational cultures (for the value-part as well as for the practice or behavioural part), thus supporting the culture-bound thesis. On the other hand, phenomena like convergence and multiculturalism mentioned above may speak in favour of the culture-free thesis. For our research the question arises, if national culture distance widens the gap between organizational cultures and thus renders business-to-business services in transnational relationships even more complex.

3.3 Human resource factors

Not only is the provider selection a consequence of hard facts such as country-specific cost advantages or the requirements of the service; it is also a matter of purchasers' motivation and knowledge. Therefore, soft facts are considered a potential influence on cross-border business service buying. Two human resource constructs are included in our model, namely purchasers' attitudes towards and their sophistication in international sourcing.

Purchasers' attitudes toward international sourcing could be defined as the entirety of beliefs an employee has about the efficiency and effectiveness of buying from foreign suppliers. In general, human resource literature emphasizes the importance of employee attitudes for the outcomes of their work (Rodwell et al., 1998). If purchasers hold positive attitudes toward international sourcing, they have a better impression of foreign business service providers and perceive lower cultural distances. Therefore, they will be more likely to involve foreign providers in their purchasing decisions. Furthermore, purchasers with positive attitudes toward international sourcing may overvalue country-specific cost advantages and neglect problems arising from a high degree of customer integration. Although there is a reasonable amount of research on country-of-origin effects on buying decisions (Peterson and Jolibert, 1995), purchasers' attitudes toward cross-border business service buying in comparison to domestic service buying have been largely ignored

in prior research. Therefore, the individual influence of purchasers' attitudes should be evaluated in this research.

To analyze the competencies of buyers in the field of international sourcing, we employ a construct that originated in the area of business-to-consumer markets: consumer sophistication which is defined as "(...) an individual's aggregated level of acquired knowledge, experience in purchasing products, and skills, which are relevant to being an efficient decision maker" (Sproles et al., 1978, p. 91). To be efficient in purchasing holds the process-oriented notion of maximizing output with a given input (Sauer, 2004). For international sourcing we interpret efficiency with respect to maximizing net value. Barnes and McTavish (1983) found for industrial markets that highly sophisticated buyers are more satisfied with their buying decision than their counterparts with a rather low sophistication. These findings support the performance measures (net value and satisfaction) chosen for the study. In the following the construct international sourcing sophistication will be defined as a purchaser's acquired knowledge in and experience with purchasing abroad combined with the skills to make efficient buying decisions on a transnational basis. We assume that international sourcing sophistication has an influence on the perception of national culture differences.

4 Propositions and preliminary structural modeling

4.1 Research propositions

This section presents propositions advanced by a synthesis of the existing body of research examined earlier in this paper. These propositions are temporary due to the fact that no testing is presented in this paper. Nevertheless, the formulation of propositions is an indispensable stage in an ongoing research process.

As shown above, there seems to be an impact of the complexity on the specificity of the service. If the complexity of the requested service is low there is limited need for specific investments of the provider. Therefore, following transaction cost theory, there is a positive relationship between the complexity and the specificity of the service.

- P1 The perceived level of specificity is positively influenced by the perceived level of complexity of the service.

If a service purchased is high in both, complexity and specificity, the provider is forced to invest in physical and human assets in order to adapt to the customer's systems and procedures. Moreover, costly procedures are assumed necessary in both firms to safeguard the complex and specific relationship in an uncertain international environment. These additional costs exert a negative influence on the perceived net value of the relationship. Therefore, the following two propositions can be formed:

- P2 The perceived net value of the relationship is negatively influenced by the perceived level of complexity of the service.
- P3 The perceived net value of the relationship is negatively influenced by the perceived level of specificity of the service.

The overall evaluation as a trade-off between benefits obtained and cost incurred is said to be one of the key drivers of satisfaction (Menon et al., 2005). We hold this especially true for international buyer-seller-relationships as add-on value or cost-saving effects have to be clearly balanced against additional transaction cost incurred by cultural differences to render satisfaction. Thus, we view net value as the primary influence on satisfaction in international sourcing and propose:

- P4 Satisfaction is positively linked to the net value

If a buyer assumes low country-specific cost advantages his or her perception of the net value is negative. The perception of noticeable cost advantages for a certain country, on the other hand, renders business relationships with service providers located there more attractive as the net value of a potential service purchase rises. These ideas lead to the following proposition:

- P5 The perceived net value of the relationship is positively influenced by the perceived level of country-specific cost advantages.

As stated above, numerous authors found cross-cultural differences, e.g. in values or expectations to have an influence on performance measures for international business relationships (e.g. Homburg et al., 2002; Furrer et al., 2000; Donthu and Yoo, 1998; Winsted, 1997). We assume that cultural differences affect the perceived performance especially for services in the b-2-b sector, as it is much more demanding to overcome communication barriers, differences in negotiation styles and quality expectations contributing to transaction costs. Thus, we propose, that:

- P6 National culture differences do have a negative effect on the net value in transnational buyer-supplier relationships

The culture-bound thesis states an influence of national culture on organizational culture (Sirmon and Lane, 2004). Hofstede and Hofstede (2005) summarize differences between organizations in various nations such as configurations in organizations, hierarchy of organizational goals, management and leadership styles, and motivational aspects. Following the culture-bound thesis, we presume that

- P7 National culture differences have a positive effect on distances between corporate cultures

In service relationships we typically have a high degree of personal interaction between employees from the provider and from the buying firm. Differences in organizational culture such as values and beliefs may cause misunderstandings of expectations, priorities, time schedules, and so on. Thus differences in organizational culture increase transaction costs by demanding additional resources for calibrating daily business. Accordingly, we presume that:

- P8 The larger the distance between corporate cultures (between provider and buyer organization) the lower the perceived net value

If a purchaser holds positive attitudes he or she may overvalue country-specific cost advantages and neglect the obstacles and frictions of international sourcing. Therefore, positive impacts on the perceived level of country-specific cost advantages and on the net value of the relationship are plausible.

- P9 The perceived level of country-specific cost advantages is positively influenced by the buyer's attitude toward international sourcing.

- P10 The perceived net value of the relationship is negatively influenced by the buyer's attitude toward international sourcing.

In the same way, attitudes exert influence on the perceptions of cultural distance. If purchasers hold positive attitudes toward international sourcing, they have a better impression of foreign business service providers and perceive lower cultural distances. Therefore, negative impacts of the attitude on both the distance between corporate cultures and the national culture distance can be expected.

- P11 The perceived distance between corporate cultures is negatively influenced by the buyer's attitude toward international sourcing.

- P12 The perceived national culture distance is negatively influenced by the buyer's attitude toward international sourcing.

Dow (2000) found the impact of psychic distance diminishing with increasing experience in international markets. Other empirical findings, however, could not support his results (Davidson, 1983). However, international sourcing sophistication exceeds experience by including the subconstructs knowledge and skills (Sauer, 2004). Thus, we hypothesize a negative relation between international sourcing sophistication and psychic distance to foreign supply markets.

- P13 The purchaser's international sourcing sophistication is negatively related to his perceived national culture distance

4.2 Preliminary structural modeling

These propositions indicate a complex and closely connected set of relationships between the theoretical constructs involved in this research. The constructs used (for example cultural distance, satisfaction or loyalty) are not directly observable or measurable (latent variables). In other words, it is necessary to define reflective multi-item scales to account for each theoretical construct involved (Hair et al., 2005). To meet these requirements, the model is constructed using structural equation modeling (SEM). The usefulness of SEM lies within its ability to test a set of hypotheses simultaneously (Giménez et al., 2005). Furthermore, SEM is a statistical technique that transfers the structural model (theoretical model) and the measurement model into one combined model (Hair et al., 2005). The first step of using SEM as a research method is the development of the structural model specifying the constructs and the causal relationships among them. Therefore, the

propositions need to be expressed in the form of a set of linear equations. Figure 4 depicts the structural model which is meant to be used as a starting point to test the propositions presented in this paper.

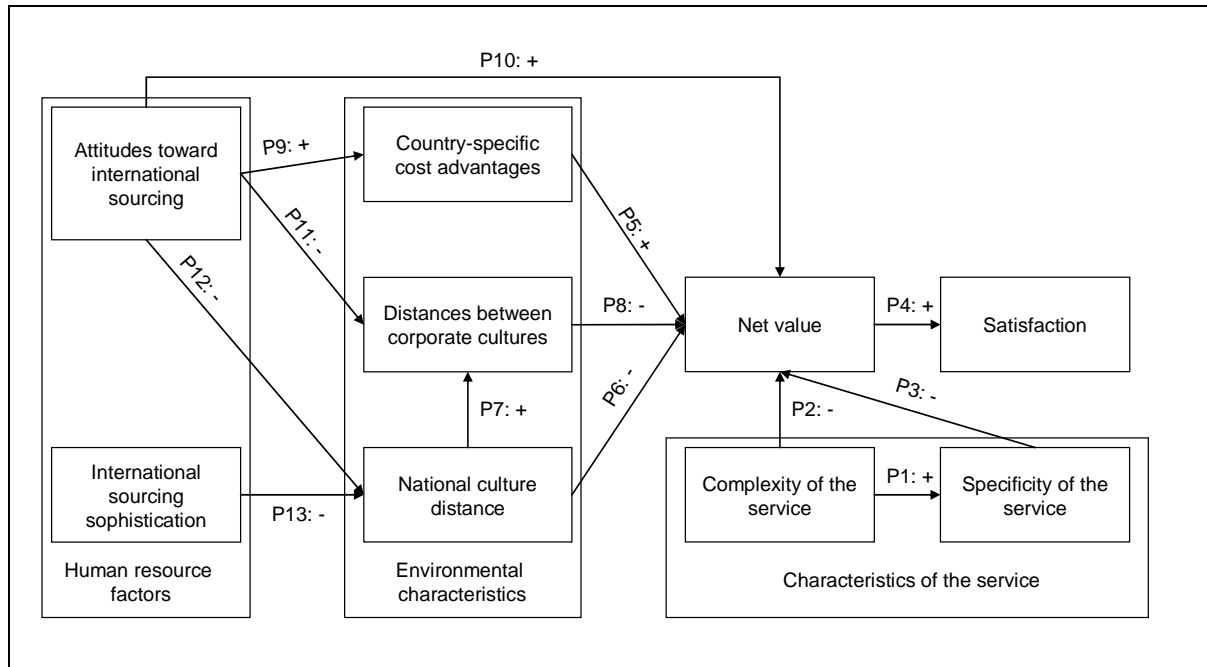


Figure 1: Graph of the structural model.

5 Conclusions, limitations and further research

The main purpose of the research was to acquire a better understanding of cross-border business service buying. In doing so, previous literature was analyzed. The net value of the cross-border service relationship was used to describe the performance of cross-border business service buying. As a first result, three groups of potential influences were identified and used to present a set of research propositions: characteristics of the service, characteristics of the environment and human resource factors. Finally, the results of the literature analysis and the propositions were used to establish a structural equation model explaining the relationships among these factors and their influence on the performance of cross-border business service buying.

This paper presents first results of an ongoing research. Therefore, limitations are natural. Firstly, the propositions presented in this paper are temporary in nature. Survey research is necessary to prove the structural model and the underlying propositions. Secondly, cross-border business service relationships are complex phenomena. Therefore, a selection of potential influences was necessary. It is very likely that additional factors exert influence on the net value and / or the satisfaction of the customer, e.g. the frequency of interaction necessary or the location where the service is performed. Thirdly, the argumentation in this paper is based on the

perspective of customers located in developed countries. From the perspective of developing countries or Central and Eastern European transition economies country-specific cost-advantages are not the main reason of cross-border business service buying. In these countries the lack of high quality domestic providers may be the main motivation to buy business services abroad.

Further sample research is intended to verify the model presented in this paper by using relationship data collected from industrial customers in Germany. Moreover, surveys in additional countries would be helpful to prove the validity of the model.

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