

**Transcending Cultural Barriers between Nations
In Order to Improve Trust in Agribusiness**

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ABSTRACT

This paper examines the influence of differences in national culture on trust in the context of food trading relationships. Recognized cultural differences between nations influence the level of trust that one nation has for another. Trust has long been recognized as an important element in trading relationships between nations, businesses, and individuals. Trust is especially important in trading relationships involving food for reasons such as health concerns, regional and/or national taste issues, national security, and infrastructure differences. This study draws on the differences in Hofstede's (2001) cultural dimensions between Austria and the Ukraine in order to develop hypotheses with respect to the amount of trust that Austrians have toward Ukrainian food imports. Primary survey data will be gathered in Austria during summer of 2007 in order to test these hypotheses. Secondary sources on trust and its developmental processes will also be examined in order to supplement hypotheses and analyze findings. The intended contribution of this paper is to demonstrate that some of the effects of cultural differences on food trading relationships can be anticipated as nations expand their networks of trading partners. Most importantly, it is hoped that policy makers and managers will be able to utilize these findings to better facilitate trade between nations with significant cultural differences.

1. Introduction

The need for intercultural communication and the development of intercultural relationships has been increasing immensely as the world continues its march toward globalization. However, differences in national culture may severely hinder potential trading partners from developing mutual trust, which is an indispensable element in any relationship. International food trading relationships are among the most profoundly sensitive, dynamic, and important to all who live in our increasingly interconnected world. In this study, the effects of differences in national culture on trust in food trading relationships are examined. The purpose of this study is to determine if Hofstede's (2001) framework of cultural dimensions can be relied upon to forecast how cultures will interact in food trading relationships. Utilizing current studies on trust; propositions offered by Doney, Cannon, and Mullen (1998) indicating which trust building mechanisms are linked with Hofstede's (2001) dimensions; and our own analysis of each of Hofstede's (2001) dimensions [with](#) respect to trust, we will test to what extent national culture detracts from or contributes to the amount of trust developed between two cultures in the context of food trading relationships.

2. Hofstede's National Culture Framework

In Hofstede's *Cultures Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations* (1980), a framework of cultural dimensions was introduced that measured four dimensions of culture: Power Distance, Individualism, Uncertainty Avoidance, and Masculinity, [\(see Table 1\)](#). These four dimensions are meant

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to capture the main elements of culture at a national level. Specifically, these dimensions may be used to help distinguish one national culture from another.

Hofstede's cultural dimensions framework was based on the previous body of cultural research available and a survey tool that gathered information from over 100,000 employee value scores collected by IBM between 1967 and 1973, which covered more than 49 countries. Since the time of the original research, later editions of Hofstede's work have extended the research to 74 countries and included subsequent studies that have updated and reinforced his claims [\(see Tables 2 & 3\)](#).

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Hofstede's framework is arguably the most widely accepted framework and its presence is nearly ubiquitous in the realm of cultural analysis. Also, Hofstede's framework is one of the few that avails data on such a large number of cultures. Given the wide acceptance and accessibility of Hofstede's framework, this study will use his framework to [examine](#) the effect of differences in national culture on the trust that may develop between countries as it exists in the context of food trading relationships.

2.1 Hofstede's Four Cultural Dimensions

The Power Distance Index (PDI) is the measurement of how comfortable the people of a culture are with unequal distribution of authority and power in society. A high PDI index indicates a culture that is more comfortable with unequal power distribution, while a low PDI indicates a culture that is less comfortable with unequal power distribution.

The Individualism index (IDV) is a measurement of a culture's tendency toward either a closely-knit group integration or a loose association of individuals. A low IDV

index indicates a culture that is more collectivist, while a high IDV index indicates a culture that is more individualist.

Uncertainty Avoidance Index (UAI) is a measure of a society's tolerance for ambiguity and uncertainty. Cultures high in UAI are very uncomfortable with ambiguity and uncertainty and thus seek out structure, stability and certainty to satisfy the need to eliminate such feelings. Cultures with a low UAI are comfortable with few rules, little structure, differing opinions and the like.

The Masculine (MAS) Index measures where a culture lies in a spectrum where masculinity is at one end and femininity at the other. A high MAS Index indicates a very masculine culture and a low MAS Index indicates a more feminine culture. Feminine cultures are more modest and caring overall, while masculine cultures are more aggressive and assertive.

[Similarities and differences along these four dimensions between two or more national cultures may be viewed as indicators of potential ease and/or difficulty in trading relationships. One of the effects of such similarities and differences is the influence on trust between trading partners.](#)

3. Trust

There are myriad explanations and definitions of what trust is; however, in this study, for the sake of continuity with previous research upon which many of our assumptions will be made, we define trust as “a willingness to rely on another party and take action in circumstances where such action makes one vulnerable to the other party” (Doney, et al., 1998). The amount of trust required to justify acting on an uncertain situation depends on the perceived risk of the recipient (Schlenker, 1973). Perceived risk

ultimately equates to the extent to which a party feels that the outcome of trusting the other party will be to their detriment.

Perceived risk is subject to many influences, which can be divided into two categories: *direct influences* and *indirect influences*. Direct influences will be defined here as those factors which come from without, or, in other words, from the environment. These factors can be historical occurrences, media, hear say, and the like.

For example, a recent study by Knight, Holdsworth, and Mather (2005) included data collected by interviewing subjects from 17 European food distribution companies and industry organizations in order to determine what factors influence the amount of trust between exporting countries and those controlling food distribution channels. The study concluded that such factors as confidence in production systems, the integrity of regulatory systems, and the integrity of suppliers appeared to be the major determinants of trust towards the country from which products are imported—all factors that directly influence perceived risk.

Another example of how risk perception is influenced is found in the effects of country of origin labels (COO's). Legislation requiring food labels to include information on country of origin, passed in the 2002 farm-subsidy law, is currently in the middle of a heated debate: Major grocery stores and other entities are against the country of origin labeling requirements as it irritates trade partners and threatens to decrease sales of foreign products that may be seasonal, cheaper, or otherwise advantageous for those involved in food product retailing. Conversely, cattle ranchers in the plains states and produce farmers in California and Florida strongly support this legislation as they compete directly with imports from Canada, Mexico, Australia and New Zealand. U.S.

ranchers and farmers see this as a way to increase sales of domestic beef and produce since less people will purchase products they know are produced in foreign countries as indicated by COO labels. In this case, the factors directly influencing people's trust towards foreign products are reports of things like past food scares that have influenced consumers negatively in feeling an increase in perceived risk in regards to foreign products; e.g. The several outbreaks of salmonella poisoning in the U.S. in recent years which have been traced to cantaloupes imported from Mexico (Kilman, 2003).

Indirect influences will be defined here as those factors which come from within, or are preprogrammed in individuals. While indirect factors exist on a personal level, they also exist on a cultural level; e.g. how an individual's culture, or "collective programming", according to Hofstede terminology (Hofstede, 1980), determines the process by which he/she will build trust in order to make decisions in the face of uncertainty. In this study, indirect factors will be considered as they exist on a cultural level.

There is a relationship between indirect and direct influences on perception of risk. When considering what causes what, it can be a bit of a "chicken or the egg" argument; however, we believe that in the short run people's reactions to direct factors are dependent on the more indirect influences of culture on perceived risk. In other words, indirect influences on risk perception manifest themselves in people's reactions to the direct influences. Therefore, in this study, we will focus less on direct influences on perceived risk and more on indirect influences and its relationship to perceived risk, which ultimately equate to the amount of trust an individual or group of individuals, will have towards a target.

3.1 Why is Understanding Cultural Barriers to Trust Significant?

Trustworthiness between trading partners has been viewed as a potential source of competitive advantage (Barney & Hansen, 1994). Trust can facilitate trade under circumstances that might otherwise prohibit trade (Barney & Hansen, 1994; Macaulay, 1963; Mayer, Davis, & Schoorman, 1995). For example, a trading relationship may be marked by a high threat of opportunism due to the difficulty of one partner monitoring the behavior of the other partner. If the cost of monitoring is so high for a partner, that partner would rationally choose not to trade. Conversely, if this same trading relationship was marked by a high level of trust, both parties would rationally choose to trade. In the international trade arena, trust between parties from different national cultures can have this same effect of substituting for governance arrangements aimed at constraining partner behavior, monitoring, etc. (Mayer & Argyres, 2004).

As trade regulations relax, as more countries become a part of the EU, and as globalization increases her breadth in general, different cultures will interact with each other more and more. An obvious result of this contact is an increase in human interactions as well. Both the cultural and the personal relationship requires an element of trust ; indeed, trust is indispensable in friendship, love, families, and organizations, and plays a key role in economic exchange(Kosfeld, 2005)—particularly in the agribusiness industry. As the agribusiness industry spans across more borders and involves more international strategic alliances the need to understand how differences in national culture affect trust between nations will increase in importance. By understanding just how differences in culture affect trust businesses will be able to build rather than erode trusting relationships with those whom they come in contact with as they conduct

operations abroad. The questions which will be addressed in this study are: How will cultures interact? Is trust really subject to erosion by indirect influences? Can we predict such situations and thereby take measures to prevent them? This study will consider such questions in order to better understand the dynamics of intercultural trust formation.

3.2 The Link between Culture and Trust

Although there have been many studies and frameworks developed which focus on trust ([Barney & Hansen, 1994](#); [Contractor & Lorange, 1988](#); [Dyer & Singh, 1998](#); [Jones & George, 1998](#); [Sable, 1993](#); [Sako, 1992](#)), very few have linked development of trust with national culture. Hofstede suggests that “whether and how trust is established depends upon the societal norms and values that guide people’s behavior and beliefs” (Hofstede, 2001). A recent study entitled “Understanding the Influence of National Culture on the Development of Trust” (Doney, et. al., 1998) proposed that there exist relationships between national culture and the mechanisms people use to develop trust with one another. In fact, Doney, et. al. (1998) propose that “processes trustors use to decide whether and whom to trust may be heavily dependent on a society’s culture.” In Doney et al.’s (1998) study a framework was developed that identifies and describes five cognitive trust-building mechanisms. These five cognitive trust-building mechanisms are: Calculative, Prediction, Intentionality, Capability and Transference, ([see Tables 4 & 5](#)).

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Although the affects of national culture as it pertains to intercultural interactions are not directly addressed in this study, there is reference to the possibility that combining

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opposing mechanisms in an intercultural relationship could be destructive to the trust building process. Propositions made by Doney, et. al. (1998) are both insightful and helpful when considering their implications on intercultural relationships. For example, based on Doney's propositions, a business marketing produce in a community with a masculine culture, which emphasizes publicly displaying capabilities and personal success, may show off how successful it is and thereby gain more trust with others within his community. According to Doney, et. al. (1998), this can be explained by the proposition that those people of the community, being a masculine culture, would build trust through a mechanism characteristic to masculine cultures that is based on capability. In the example of the business marketing produce, the people of the community would value the business' marketing of its own expert performance as evidence of its trustworthiness.

What would the outcome be if the business attempted selling its produce in a more feminine culture? Perhaps in a more feminine culture, in which mechanisms based on intentionality, prediction and transference are more characteristic, the culture would deemphasize the value of individual accomplishments the business and it would not find such success. In the situation where the business attempts working with individuals from a feminine culture, its efforts to outwardly display its capabilities may actually erode trust, or at the very least have no positive affect on building trust.

4.0 Austria and Ukraine: A Test Scenario

In order to better understand the dynamics of trust formation, we will be examining the effects of national cultural differences on the development of trust in agribusiness. In order to test our hypothesis, the cultures of Austria and Ukraine will be

compared. Austrian businesses that desire to do business with Ukraine will be closely interacting with a wave of culture that has been in political isolation for 70 plus years as a result of the Iron Curtain. Businesses that are able to successfully overcome cultural barriers will have a competitive edge that will enable them to tap into Ukraine's vast potential in agribusiness and simultaneously stimulate Ukraine's suffering economy. Although the focus of this paper is based on the effects of national culture on trust between Austria and Ukraine, implications of this study will be applicable to agribusiness being conducted in any situation involving differing cultures.

4.1 Why Austria?

Austria is an ideal candidate for performing agricultural commerce with Ukraine for a number of reasons. First, Austria has proven itself a hub for East-West convergence. Austria is geographically positioned near the Eastern Bloc and simultaneously located at the heart of Europe with convenient transport routes through the Alps (Tymochko, 2004) ([see Figure 1](#)).

Second, Austria's trade is closely interlinked with the new members of the EU. Although Ukraine has not yet been accepted into the EU, Ukraine's accession to the Central European Initiative took place in Vienna, Austria (June 1, 1996) where the more recent (1998) Ukraine – EU Summit took place as well (Ukraine-Austria Relations, 2006). Efforts in establishing relations and improving those relations already in existence continue between Ukrainian and Austrian authorities; for example, recent discussions have been pursued between Ukrainian and Austrian authorities regarding the building of a "Kyiv-Vienna" railway (Ukraine, Austria to Intensify Relations, 2006). In sum, there

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exists significant evidence that trade between these two nations will increase in the future.

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4.2. Austrian and Ukrainian Cultures in Context

Before discussing Austrian and Ukrainian cultural dimensions as outlined by Hofstede's framework, there first must be an explanation of Austria and Ukraine's joint historical experiences, each country's economic situations, and each country's relative conditions as pertaining to agricultural production and trade. The purpose of this discussion is to inform the reader of particular historical, economic and agricultural nuances that may give deeper understanding to each nation's perceptions of the other. Also, this information will hopefully shed more light on the end results of the exploratory research conducted with the Austrian people, a discussion of which will be included in the conclusion of this study.

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4.3. The Historical Context of Austria and Ukraine

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Ukraine and Austria have nearly 200 years of common history, beginning in the 17th century and coming to a halt in 1918 with the end of World War I. After the partition of the Polish-Lithuanian Commonwealth in 1772, of which the area of modern-day Ukraine was a part—being then a part of Galatia, became the most populous and northernmost province of Austria. Relations between Ukraine and Austria during this time were relatively positive: Ukrainians were happy to be out from under Poland's rule and Austria gave them the freedom and concessions to live more or less autonomously. In 1918, with the fall of the Austro-Hungarian Empire, the Ukrainian territory was annexed by Poland and remained so until 1939 (Magocsi, 1983; Markovits, 1982). In 1939, Ukraine was occupied by German forces for approximately four years, and then in

1944, the Russians ousted the Germans and began their Communist occupation of Ukraine that lasted just under five decades.

It is important to note that Ukraine as we know it today is a combination of two Ukraines: Eastern Ukraine, the territory that up until the fall of the USSR in 1991, had, for the time periods being considered, always been a part of Russia; and Western Ukraine, the territory which had previously passed through the hands of the Polish-Lithuanian Commonwealth, the Austro-Hungarian Empire, Poland, Germany, Russia and was most recently unified with its eastern half as an independent republic in 1991. The different histories of East and West Ukraine are significant when comparing cultures because the two “halves” of Ukraine, although for the most part unified and similar, have their own areas of cultural divergence. Although the differences between East and West Ukraine are not the focus of this study, they are important elements to consider when dealing with Ukrainian culture.

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4.4 Economic Context of Austria and Ukraine

Austria

Austria has a well developed market economy and is very stable. In fact, Austria is one of the wealthiest and most stable countries in Europe. The country’s GDP per capita is the 12th highest in the world and the 4th highest in the EU. In terms of agribusiness, only two percent of Austria’s GDP comes from its agriculture. Interestingly, the little agriculture Austria does produce actually constitutes Europe’s highest percentage of organic farmland (8.3 percent). This is significant because, culturally speaking, Austrians are staunchly opposed to genetically modified organisms (GMO’s). Coincidentally, Ukraine has too few resources to employ heavy use of GMO’s

in its produce and is in many cases by default an organic producer (Tymochko, 2004). It is also interesting to note that Austria has only 16.59 percent arable land of which 40 square kilometers is irrigated versus Ukraine's 53.8 percent arable land of which 22, 080 square kilometers is irrigated (CIA^b). Austria most definitely could benefit from Ukraine's strength in agriculture, especially since production costs per ton of wheat can be as much as US \$180.00 less in Ukraine than in EU countries (Yarmark, 2001).

Austria's land is described as having "poor soils," which perhaps is why only 16.59 percent of the country's land is considered arable. Only 1.8 percent of Austria's GDP comes from agriculture, while the rest is composed of 30.4 percent industry and 67.8 percent services. Agricultural products that Austria does produce include grains, potatoes, sugar beets, wine, fruit, dairy products, cattle, pigs, poultry, and lumber. Austria's imports were estimated at \$138.6 billion, of which approximately 6 percent consists of agricultural imports (Food and Agricultural Indicators, 2006). Other major commodities imported include machinery and equipment, motor vehicles, chemicals, metal goods, and oil. Austria's major import partners are Germany (45.9 percent), Italy (6.6 percent) and Switzerland (4.5 percent) (CIA^a).

Currently, top commodities imported from Ukraine to Austria are iron and steel (15 percent), articles of apparel, accessories (13 percent), wood and articles for wood (12 percent), electrical equipment (9 percent) and toys, games, and sports requisites (7 percent). All other commodities, including agricultural products constitute smaller fractions of the remaining 44 percent.

Ukraine

The fall of the Iron Curtain in 1991 unveiled many Eastern Bloc countries to the international market. Of these Eastern Bloc countries, Ukraine stands out in particular the area of agribusiness as it holds a mass of untapped potential. Ukraine, formerly known as the “Bread Basket” of Europe, is the second largest country on the continent and the fifth most populous country. With one-third of the world’s rich black soil, 53.8 percent arable land (CIA^b), a GDP comprised 17.5 percent by agricultural production and a population of which 20 percent is employed in agriculture, it is not difficult to see why many have their sights set on Ukraine for its potential in agribusiness. Ukraine produces in abundance staple products including wheat, barley, sugar, and sunflower oil. In fact, under Soviet rule, Ukraine’s total grain production averaged 46 million tons during the 1988-1990 period. This constituted nearly half the level of production of Russia and approximately one-quarter of the former Soviet Union’s total production (Murova, 2004). In addition to its high production potential, Ukraine has other assets that make it attractive for agribusiness. Ukraine is located at the crossroads of Europe and Asia, the country has sea ports on the Black Sea and Sea of Azov at its southern coasts and a well developed railway system (Yarmark, 2001).

In spite of Ukraine’s remarkable potential to be a major player in Europe’s agribusiness market, the country has experienced the most severe and prolonged economic decline of all Eastern Bloc countries formerly a part of the Soviet Union. By 1998-2000, total grain production in Ukraine declined to an average of 24 million tons in contrast to its previous 46 million tons for 1988-1990 (Murova, 2004). Ukraine’s agricultural production declined by 51 percent between 1991 and 1999, recovered by 10 percent per year in both 2000 and 2001, increased by 1.2 percent in 2002 and declined again by 18 percent in 2003 (Achieving Ukraine's Agricultural Potential, 2004). The decline in 2003 was due to a

severe frost that damaged a large portion of Ukraine's winter wheat. Although Ukraine's agricultural production has been gradually recovering, it is still far from its potential.

Since the fall of the Soviet Union there has been little new investment in the agribusiness market infrastructure of Ukraine (Murova, 2004). Ukraine's difficulty in harnessing stability and recapturing its previous productivity in agribusiness has been ascribed to a number of problems including outdated equipment, backward policy, etc. A number of authors conclude that in view of the country's large public deficit and limited domestic saving, foreign investment is the key to reversing Ukraine's economic decline and reviving the agribusiness industry (Gregory, 1999). The farming industry was privatized in 2000 in hopes that the competition created by private investment would bring the industry back on its feet (Ukraine: Agricultural Overview, 2004). While government interference still hampers the industry's growth with tariffs, quotas, legal restraints and the like, foreign businesses are beginning to invest in the agribusiness industry—driving Ukraine back into being a significant player in the production of agricultural goods.

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As mentioned above, 17.5 percent of Ukraine's GDP comes from agriculture; the rest is composed of 42.7 percent industry and 39.8 percent services. Ukraine's main agricultural products are grain, sugar beets, sunflower seeds, vegetables, beef and milk. Exports were estimated at \$39.12 billion for 2006, of which 10.4 percent were agricultural products (Ukraine: Agricultural Production , 2007). Other export products are ferrous and nonferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment. Ukraine's major export partners are Russia (22.1 percent), Turkey (6 percent) and Italy (5.6 percent) (CIA^b).

5.0 Analyses and Hypotheses: Cultural Dimensions and Trust Formation

The following pages contain an analysis of how Austrian's build trust as indicated by their nation's cultural dimensions as measured by Hofstede's (2001) framework.

Following this initial analysis is a more specific analysis of how the relative differences between Austrian's cultural dimensions and those of Ukrainians will bear on Austrian's

overall trust towards Ukrainians. [Figures 2 & 3 show the cultural dimension](#)

[measurements for Austria and Ukraine and the relative divergence of the dimensions,](#)

[respectively](#). Finally, hypotheses are [developed](#) based on these analyses and [offered](#) after

each set of analyses respectively.

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5.1 Masculinity Index

Austria's highest ranking among the cultural dimensions lies in the MAS Index (79). This ranking is relatively high overall considering the current world average MAS Index of 50 (ITIM International, 2007). According to this ranking, Austrians will value assertiveness, competitiveness, individual performance, and physical achievement. The high ranking also suggests that Austrians will base their trust on a subject's abilities and overall competence. Outward indications of a subject's competence such as recognitions, proof of experience, achievements, wealth, etc. will contribute to the development of trust in the subject.

The largest disparity in cultural dimensions between Austria and Ukraine is in the MAS Index where there is an 84 percent difference between the two cultures: Austria being very masculine (79) and Ukraine being very feminine (13). This disparity will

have a significant impact on the development of trust between Ukraine and Austria.

While Austrians will value assertiveness, competitiveness, individual performance, and physical achievement, Ukrainians will have more tender values such as in relationships, nurturing, altruism, social obligations, cooperativeness, and working towards the benefit of the group. As indicated earlier, Austrians will base their trust in competence and the manifestations thereof. Ukrainians, being a feminine culture and thus deemphasizing the importance of an individual's competence and individual achievements, will most likely be reluctant to evidence such things. The result of such conflicting values will be a hindrance to the development of Austrian's trust towards Ukrainians as they will perceive them as incompetent and therefore, ultimately untrustworthy.

Hypothesis 1a: Perceptions of competence will be positively associated with trust.

Hypothesis 1b: Perceptions of Ukrainian competence will be negatively associated with trust.

Hypothesis 1c: Perceptions of past achievement will be positively associated with trust.

Hypothesis 1d: Perceptions of past achievements of Ukrainian trading partners will be negatively associated with trust.

5.2 Uncertainty Avoidance Index

Austria's second highest ranking is in UAI (70). This indicates a need for structure and lack of tolerance for uncertainty and ambiguity. Austria's high UAI suggests that Austrians will base their trust on subjects who exhibit behavioral characteristics that are guided by formal rules and order. Trust will be more easily developed with subjects who are able communicate in terms of specific details and plans rather than generalizations and ambiguities.

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Ukraine's highest ranking is in UAI (57); however, Ukraine's UAI is low in terms of the world average (64) and the European average (74) (ITIM International, 2007). This indicates that Ukrainians are more tolerant of uncertainty and ambiguity, relative to Austrians who have a UAI of 70. Although there is only a 19 percent difference between Ukraine and Austria in terms of UAI, these differences could have a significant impact on the development of trust between the two nations. Less emphasis on specifics, deviance from rules and regulations and more acceptance of ambiguity on Ukrainians' part will hinder Austrians' ability to develop trust with them.

Hypothesis 2a: Increasing regulation of trade will be positively associated with trust.

Hypothesis 2b: Transparency with respect to trade goods will be positively associated with trust.

5.3 Individualism Index

Austria's IDV Index (55) is above average compared to other countries (the world average IDV Index is 43 (ITIM International, 2007)). An above average IDV Index indicates that Austrians will lean less toward group orientation and more towards individualism, will be less concerned with harmony and cohesiveness, and more concerned with competition and individual success. Moreover, Austria's IDV Index suggests that they will base their trust on subjects who behave and communicate in terms of opportunism and the promotion of individual success as opposed to the cooperation and group interests. Behavior that relies too much on group collaboration may alienate Austrians; causing them to question a subject's motives behind such a lack in his/her own individual interests. Furthermore, behavior that promotes group rather than individual gains may simply lose the interest of Austrians.

Ukraine's second highest ranking is in the IDV Index (51). In comparison, Austria's Index is 55, which is only 7 percent higher than that of Ukraine. Furthermore, Ukraine is 8 points above the world average (ITIM International, 2007), indicating that it too leans toward an individualistic culture. Because the disparity between Ukraine and Austria's IDV rankings is marginal, no significant barriers to trust development between the nations are expected. Ukrainian's slightly lower IDV Index may avail some more collectivist behavior which would in turn alienate Austrians and cause suspicions as to why collaboration is sought instead of individual gain; however, such occurrences are expected to be minimal. In fact, Austria and Ukraine will likely be able to build trust more easily as a result of their similarity in the IDV Index. When cultures share a common cultural dimension the situation is tantamount to sharing a common "language" of trust—the two nations will speak and behave in familiar trust building terms.

Hypothesis 3a: Perceived pursuit of individual gain will be positively associated with trust.

Hypothesis 3b: Perceived pursuit of collective gain will be negatively associated with trust.

5.4 Power Distance Index

Lastly, Austria's PDI is exceptionally low; in fact, it is the lowest of all recorded PDI scores in the current 74 country collection. The world average for the PDI is 56.5, which is 44.5 points higher than Austria (ITIM International, 2007). Low PDI cultures value egalitarianism and view social class, government position, and other distinctions as less important. Whereas a culture that has a high PDI may actually base trust on an individual's social status, Austrian's low PDI is more likely to deemphasize such class

distinctions as being a viable basis for developing trust. Consequently, there is most likely a zero sum effect on trust development for Austrians in this particular area. Austrians are more likely to base trust on characteristics they value more such as competence as described under the analysis of the MAS Index. Miscommunications arising from conflicting views between high PDI cultures and low PDI cultures may be an indirect cause for a lack of trust; for example, a lack of trust may arise due to Austrians not understanding why a high PDI culture insists on emphasizing status rather than expertise to demonstrate trustworthiness.

Ukraine's PDI, 23, is quite low as well but not as low as Austria's. The percentage difference between Ukraine and Austria's PDI scores is, in fact, 52 percent. Although both countries are considered low PDI countries (ITIM International, 2007), the large disparity between Ukraine and Austria suggests barriers to trust. Such a disparity, as stated earlier in regards to PDI, is likely to have more indirect effects on the development of trust due to miscommunications. Because Austrians place little value in status, trust is not likely to be based on it; however, if Ukrainian's higher PDI Index manifests itself in valuing status, the difference in values may be more detrimental in regards to the development of trust from Ukrainians to Austrians rather than from Austrians to Ukrainians. Accordingly, no effect on Austrians propensity to build trust with Ukrainians is expected.

Hypothesis 4a: Social distinctions will not be associated with trust.

6.0 Methodology

The hypotheses developed above will be tested using survey data and regression analysis. Survey questions are included in Appendix 1. The questions are listed under

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each hypothesis. Each set of questions will be used to create a variable that will then be used in the model.

In the first model, the level of trust that Austrians have for Ukrainians will be regressed against the several variables representing Hofstede's cultural dimensions. The first model will test the general question: Do differences in Hofstede's cultural dimensions influence trust as predicted? The second model will regress Austrians' perceptions of Ukrainians (along Hofstede's dimensions) against the variables representing Hofstede's cultural dimensions. This model will address the general question: Do differences in Hofstede's cultural dimensions influence one culture's perception of another culture in a predictable way.

7.0 Implications & Conclusions

The main implication of this study will be the increased understanding of the effects of national cultural differences on potential trading relationships. In an academic sense, this study may prove useful in further research aimed at teasing out the effects of cultural differences on other aspects of trading relationships. Practicing managers will benefit from the results of this study by understanding and anticipating differences that are likely to arise in trading relationships with parties from a different culture.

Hopefully this study will have the effect of making trading relationships more efficient by removing or reducing trade frictions due to cultural differences. For example, if our hypotheses are supported, a natural conclusion to be drawn by Austrian managers would be that in dealing with Ukrainian partners greater appreciation for more feminine attributes (feminine in the Hofstedeian sense) would go a long way toward

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improving trading relationships. Conceivably, managers could look to the cultural dimension scores of potential trading partners and determine how best to develop trust and other aspects of a trading relationship.

We are confident that this research will prove helpful to both academics and managers in furthering the research and practice of international trade in the food industry. Our hope is that this research will help increase understanding of the importance of national cultural differences. Furthermore, we hope to demonstrate that the effects of national cultural differences on trading relationships can be known a priori and, therefore, managed.

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Table 1: Hofstede's Cultural Dimensions as Described by Hofstede

Cultural Dimension	Explanation
Power Distance	The extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'.
Individualism	On the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world.
Masculinity	Versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values.
Uncertainty Avoidance	Deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; 'there can only be one Truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions. ⁸

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⁸ ITIM International. 2007. Geert Hofstede Cultural Dimensions. 9 April, 2007. <<http://www.geert-hofstede.com/>>

Table 2: Hofstede's Dimensions and Country Scores

Country	PDI	IDV	MAS	UAI
Arab World	80	38	52	68
Argentina	49	46	56	86
Australia	36	90	61	51
Austria	11	55	79	70
Austria	11	55	79	70
Bangladesh	80	20	55	60
Belgium	65	75	54	94
Brazil	69	38	49	76
Bulgaria	70	30	40	85
Canada	39	80	52	48
Chile	63	23	28	86
China	80	20	66	30
Colombia	67	13	64	80
Costa Rica	35	15	21	86
Czech Republic	57	58	57	74
Denmark	18	74	16	23
East Africa	64	27	41	52
Ecuador	78	8	63	67
El Salvador	66	19	40	94
Estonia	40	60	30	60
Finland	33	63	26	59
France	68	71	43	86
Germany	35	67	66	65
Greece	60	35	57	112
Guatemala	95	6	37	101
Hong Kong	68	25	57	29
Hungary	46	80	88	82
India	77	48	56	40
Indonesia	78	14	46	48
Iran	58	41	43	59
Ireland	28	70	68	35
Israel	13	54	47	81
Italy	50	76	70	75
Jamaica	45	39	68	13
Japan	54	46	95	92
Luxembourg	40	60	50	70
Malaysia	104	26	50	36
Malta	56	59	47	96
Mexico	81	30	69	82
Morocco	70	46	53	68
Netherlands	38	80	14	53
New Zealand	22	79	58	49
Norway	31	69	8	50
Pakistan	55	14	50	70
Panama	95	11	44	86

Peru	64	16	42	87
Philippines	94	32	64	44
Poland	68	60	64	93
Portugal	63	27	31	104
Romania	90	30	42	90
Russia	93	39	36	95
Singapore	74	20	48	8
Slovakia	104	52	110	51
South Africa	49	65	63	49
South Korea	60	18	39	85
Spain	57	51	42	86
Surinam	85	47	37	92
Sweden	31	71	5	29
Switzerland	34	68	70	58
Taiwan	58	17	45	69
Thailand	64	20	34	64
Trinidad	47	16	58	55
Turkey	66	37	45	85
United Kingdom	35	89	66	35
United States	40	91	62	46
Uruguay	61	36	38	100
Venezuela	81	12	73	76
Vietnam	70	20	40	30
West Africa	77	20	46	54
Ukraine	23	51	13	57
Cultural Dimension	PDI	IDV	MAS	UAI
72 Country Average	58.1	43.7	50.4	66.3
Standard Deviation	22.7	23.8	19.3	23.4 ⁹

Table 3: Comparison Between Cultural Dimensions of Austria and Ukraine

	PDI	IDV	MAS	UAI
Austria	11	55	79	70
Ukraine	23	51	13	57
Difference	12	4	66	13
Percent Difference	52%	7%	84%	19% ¹⁰

⁹ (ITIM International, 2007; Mitry & Bradley, 1999) Note: Cultural dimensions for Ukraine obtained through a 1999 study conducted by Mitry and Bradley.

¹⁰ (ITIM International, 2007; Mitry & Bradley, 1999) Note: Cultural dimensions for Ukraine obtained through a 1999 study conducted by Mitry and Bradley.

Table 4: Doney, et. al.'s Explanation of Five Trust Building Mechanisms

Trust-Building Mechanisms	Underlying Behavioral Assumptions
Calculative: Trustor calculates the costs and rewards of a target acting in an untrustworthy way	Individuals are opportunistic and seek to maximize self-interest
Prediction: Trustor develops confidence that a target's behavior can be predicted	Individual behavior is consistent and predictable
Intentionality: Trustor evaluates a target's motivations	Individuals are geared toward others as opposed to themselves
Capability: Trustor assesses a target's ability to fulfill his or her promises	Individuals differ in their competence, ability, and/or expertise and, thus, the ability to deliver on their promises
Transference: Trustor draws on proof sources from which trust is transferred to a target	Individuals and institutions can be trusted; connections in a network are strong and reliable ¹¹

¹¹ Doney, P.M., Cannon, J.P. & Mullen, M.R. 1998. Understanding the Influence of National Culture on the Development of Trust. *Academy of Management Review*, 23 (3), 601-620.

Table 5: Doney, et. al.'s Relationships between Hofstede's Dimensions and Trust Building Mechanisms

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Hofstede's Cultural Dimensions	Influence on Trust Building Mechanism
Masculinity	Calculative, Capability
Feminity	Prediction, Intentionality, Transference
High Power Distance	Calculative, Prediction, Capability
Low Power Distance	Intentionality, Transference
Individualism	Calculative, Capability
Collectivism	Prediction, Intentionality, Transference
High Uncertainty Avoidance	Prediction, Intentionality, Capability, Transference
Low Uncertainty Avoidance	Calculative ¹²

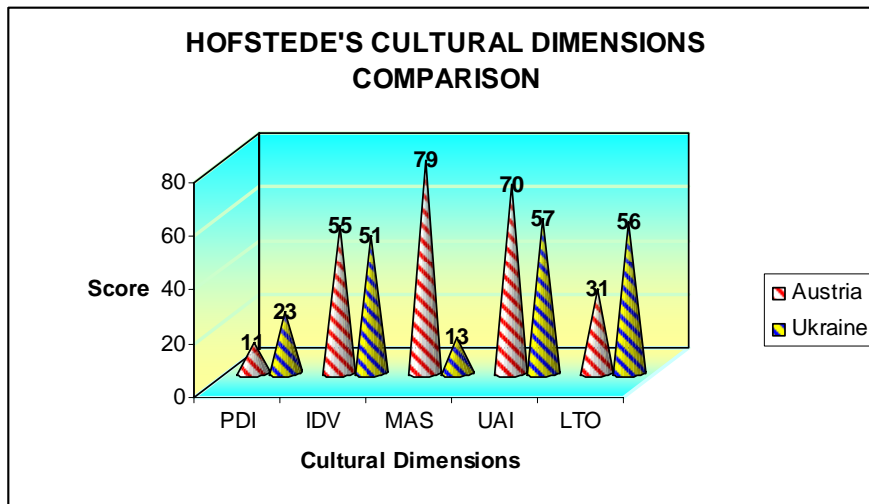
¹² Doney, P.M., Cannon, J.P. & Mullen, M.R. 1998. Understanding the Influence of National Culture on the Development of Trust. *Academy of Management Review*, 23 (3), 601-620.

Figure 1: Map of Central and Eastern European Countries



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Figure 2: Hofstede's Cultural Dimensions for Austria and Ukraine



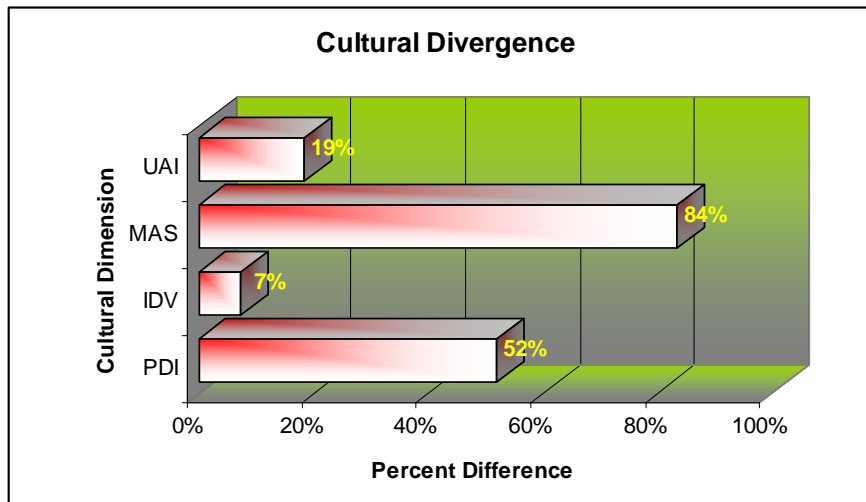
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¹³ (ITIM International, 2007; Mitry & Bradley, 1999) Note: Cultural dimensions for Ukraine obtained through a 1999 study conducted by Mitry and Bradley.

Figure 3: Cultural Divergence between Austria and Ukraine



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¹⁴ (ITIM International, 2007; Mitry & Bradley, 1999) Note: Cultural dimensions for Ukraine obtained through a 1999 study conducted by Mitry and Bradley.

Survey Questions

Austria in General

Competence

1. I don't trust those producing and supplying food until I have some sort of evidence that they are competent
2. If a producer or supplier of food products demonstrates competence in their work, then I trust their products.
3. A food producer or supplier's competence is an important factor in determining how much I trust their product.
4. As a general rule, food industry professionals can be trusted.
5. The most trustworthy food producers and suppliers are those that are industry professionals.

Past Achievement

1. I'm more prone to trust a food producer or supplier if it has received recognition by others for quality, competitiveness and other positive achievements.
2. If a producer or supplier of food products has received awards for its products, then I am more likely to trust its products.
3. Achievements and awards are evidence of a food producer or supplier's trustworthiness.

Regulation

1. I trust food products that come from producers and suppliers that abide by more regulations.

2. In my opinion, food regulations *ensure* that food comes from safe and reliable sources.
3. Most trustworthy food producers and suppliers are those that have to abide by strict regulations.
4. I am sensitive to food regulations: The more regulations and standards a product must meet, the more likely I am to trust it.
5. I must be aware of what regulations a food product meets before I will trust it.

Hypothesis 2c: Transparency with respect to trade goods will be positively associated with trust.

1. I trust those food products that I know everything about.
2. I need to know details about where a food product comes from, how it is made, etc. before I will trust it.
3. I don't consume food products I know little about.

Hypothesis 3a: Perceived pursuit of individual gain will be positively associated with trust.

1. I actually prefer to deal with business people who are interested in doing well for themselves.
2. I have confidence in those who are concerned with getting the most out of a situation for themselves.
3. Those who work for their own self benefit are more reliable than those who try to benefit everyone involved.
4. Personal gain is the driver behind the most trustworthy businesses.

Hypothesis 3b: Perceived pursuit of collective gain will be negatively associated with trust.

1. Those who try to satisfy everyone usually fail to produce the desired results.
2. I become suspicious when another person seems more intent on satisfying other's needs before their own.
3. Competition brings out more reliable products while collaboration brings out more mediocre products.
4. If someone appears to be more concerned about benefiting the group than themselves, there are probably ulterior motives at work.

Hypothesis 4a: Social distinctions will not be associated with trust.

1. A person's social status does not affect his or her trustworthiness.
2. I am more prone to trust a high ranking government official than I am to trust a factory worker.
3. As general rule, the more education a person has, the more they can be trusted.
4. Wealthy people are typically less trustworthy than people of average wealth.

Austria with respects to Ukraine

TRUST

1. In general, Ukrainian people will not take advantage of others even if they have the opportunity to do so.
2. In general, Ukrainian people can be relied upon.
3. Doing business with or relying on Ukrainian people to follow through on something involves more risk than usual.

4. More often than not, you can not totally depend on Ukrainian people.

MAS

Hypothesis 1b: Judgments of Ukrainian competence will lead to lower levels of trust.

1. Ukrainian farmers are generally competent.
2. Ukrainian farmers have adequate equipment and technology to produce quality food products.
3. Ukrainian farmers are as qualified as other top producers of agricultural products.
4. All other things being held constant Ukrainian farmers have the technical expertise required to compete with other top competitors.

Hypothesis 1d: Perceptions of past achievements of Ukrainian trading partners will be negatively associated with trust.

1. Ukrainian food producers and suppliers are known for producing high quality food products.
2. Ukraine as a whole has a history of being a top producer of food products.

UAI

1. Ukrainian farmers produce food products according to set food regulations
2. Ukrainian farmers supply food products are consistently available
3. Ukrainian farmers supply food products that have consistent quality
4. Ukrainian farmers produce food that I am familiar with and have no real questions as to where it comes from and how its made.

IDV

1. Ukrainian farmers are competitive

2. Ukrainian farmers seek to produce products that will gain them a larger share of the agribusiness industry
3. Ukrainians in general are concerned more for personal welfare than that of group welfare
4. Ukrainians seek to work in collaborative groups where gain is shared rather than separately where most gains are enjoyed individually

PDI

1. Ukraine has an authoritarian society
2. Authority is held by a relatively small number of people in Ukraine, while the rest are subject to their decisions