

**Trusting International Joint Ventures Partners:  
Which Components of Trustworthiness Matter for Canadian and Japanese Trustors?\***

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## **Trusting International Joint Ventures Partners: Which Components of Trustworthiness Matter for Canadian and Japanese Trustors?**

### **Abstract:**

*This study investigates how national culture influences the formation of trust in a potential joint-venture partner, discusses why trustors in different cultures place greater emphasis on certain components of trustworthiness, and examines how these components affect their levels of intentional and behavioural trust in cross-border alliances. It follows a fractional factorial design, using forty-eight different vignettes, embedded in a scenario, to manipulate several contingencies associated with the formation of a new IJV in two different national cultures, Canada and Japan. The results suggest that, in Canada, reliance on formal structures and high integrity of the trustee are associated with higher levels of intentional and behavioural trust in potential IJV partners. In Japan, partners' prior reputation offers an informal guarantee for good future behaviour and partners' benevolence is associated with higher intentional and behavioural trust.*

### **Introduction**

Inter-partner trust represents an important mechanism for the formation and governance of inter-organizational alliances (e.g., Andaleeb, 1995; Aulakh, Kotabe, & Sahay, 1996; Barclay & Smith, 1997). First, higher trust increases partners' propensity to establish an alliance (Bouty, 2000). Second, trust can improve alliance success (Aulakh et al., 1996; Barclay & Smith, 1997; Barney & Hansen, 1994; Fukuyama, 1995; Gulati, 1995) by facilitating stable cooperation under uncertain conditions (Das & Teng, 1998; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Ring & Vande Ven, 1992). High trust allows firms to exchange innovative information in a timely manner (Davidson & McFetridge, 1995) and integrate complementary technologies (Hagedoorn, 1993; Kotabe & Swan, 1995). It also helps firms reduce transaction-specific risks, by minimizing the potential loss of proprietary technology and asset-specific investments and by increasing partners' willingness to allocate jointly-created rents fairly (Beamish, 1985; Tallman & Shenkar, 1994).

Trust is particularly fragile in IJVs due to cross-national differences among partners (Currall & Inkpen, 2002: 479). IJVs "bring together individuals who differ in national origin, cultural values and social norms, with the attendant political, economic, and legal system differences" (Shenkar & Zeira, 1992: 55). Shared cultural norms and values have a profound impact on how information is used to make decisions and affect whether and whom trustors may decide to trust (Doney, Cannon, & Mullen, 1998). The levels of trust and opportunism also vary across national cultures (Fukuyama, 1995; Shane, 1994).

This study examines how partner's national culture influences the formation of trust in new IJVs (Johnson, Cullen, Sakano, and Takenouchi, 1996). It investigates how individual trustors from two different countries, Canada and Japan, evaluate different characteristics of a potential partner in order to assess its overall trustworthiness. It also examines which facets of partners' trustworthiness are more important in trustors' decision to trust a potential partner.

### **Intentional and Behavioural Trust**

In this study, trust refers to the quality of an interaction between a trustor and a trustee, by which the trustor accepts vulnerability to the trustee based on positive expectations about trustee's intentions or behaviors and by which the trustor decides to enter into an interdependent relationship (Butler, 1991; Mishra, 1996; Rousseau, Sitkin, Burt, & Camerer, 1998). Trust can be divided into *intentional* and *behavioral* components (Nooteboom et al, 1997). *Intentional trust* represents a subjective assessment made by the trustor about trustee's intention to be cooperative and its lack of negative intent towards the trustor. *Behavioral trust* represents trustor's willingness to rely on a trustee when that reliance makes the trustor vulnerable to the trustee (Currall & Judge, 1995; Doney, et al, 1998). This willingness is reflected by the decision to form an alliance (Bouty, 2000).

### **Components of Trustworthiness**

Both intentional trust and behavioural trust arise from social judgements (e.g. assessments of the other party's trustworthiness, Currall & Inkpen, 2002; Mayer & Davis, 1999; Whitener, Brodt, Korsgaard, & Werner, 1998). This study examines perceptions of four components of perceived trustworthiness: *predictability*, *expertise*, *integrity*, and *benevolence*.

***Perceived Predictability.*** Knowledge of socialized cultural norms, the strength of the socialization process, and contextual factors (formal institutions, e.g. legal regulations and their enforcement, as well as informal practices, e.g. memberships in different groups) allow trustors to make more accurate predictions regarding trustee's future behavior (Barber, 1983; Yamagishi, 1986). Higher perceived predictability reduces the level of uncertainty associated with a relationship, thus decreasing the associated transaction costs (Douglas, 1992). Thus, even if the trustee is a scoundrel, predictability parameterises the risks, allowing the trustor to anticipate future behaviours and to economize in the use of appropriate exchange controls (Das & Teng, 1998).

***Perceived Expertise*** is the belief that the trustee has the ability to fulfill desired functions within the alliance. It encompasses partner's knowledge, skills and abilities to effectively perform the desired tasks (Bigley & Pearce, 1998; McAllister, 1995; Mishra, 1996) as well as its intention and ability to apply these competencies in an appropriate way under different circumstances (Gabarro, 1987; Barclay & Smith, 1997). Trustors are more likely to rely on partners with high competence and good judgment (Doney et al., 1998; Lindsfold, 1978; Mayer, Davis, & Schoorman, 1995).

*Perceived Integrity* reflects the extent to which the trustee can be relied on to follow through on promises, is responsible, dependable, and consistent (Barclay & Smith, 1997; Swann et al, 1988). Perceptions of integrity are developed through evidence of reliability and openness (i.e., honesty, Mishra, 1996), and veracity (i.e. accuracy and truthfulness, Arino, 1997; Das & Teng, 1998). Partners with high integrity show consistency between words and actions, fulfil their promises and decline requests that they cannot honour (Mishra, 1996).

*Perceived Benevolence* refers to a genuine concern for the trustor and/or a sincere willingness to cooperate. Benevolence is conceptually similar to fairness (i.e. perceived equity) and loyalty (Butler, 1991). Actions are perceived to be benevolent to the extent that they are seen to be voluntarily undertaken, intended to benefit partners (Mishra, 1996) and demonstrate commitment to the greater good (Arino, 1997; Das & Teng, 1998). In an alliance, the level of perceived benevolence increase as the partners come to espouse similar values and goals and their relational attachment deepens (Bowlby, 1998).

### **The Impact of National Culture**

National culture influences the formation of initial trust in IJVs. We discuss how national culture affects the levels of intentional and behavioural trust by changing the interpretation of different antecedents of trust (general propensity to trust others, IJVs contingencies) and different components of trustworthiness (predictability, expertise, integrity, and benevolence). In understanding the effects of national culture on the development of trust, we draw on elements of two cultural taxonomies (Hofstede, 1980, and Trompenaars, 1993).

#### ***Antecedents of Intentional and Behavioural Trust: Indirect Effects***

General Propensity to Trust. National culture conditions general beliefs about human nature. One such prior belief is faith in humanity, i.e. the extent to which one believes that other people, in general, are trustworthy (Kramer, 1994) and is willing to place trust in others (Mayer & Davis, 1999). Faith in humanity has been shown to vary with the level of collectivism in a country and with the level of uncertainty avoidance. On one hand, Yamagishi, Kikuchi and Kosugi (1999) found that faith in humanity is relatively low in collectivist cultures, such as Japan. This finding, consistent with a collectivist ‘stranger-danger’ orientation (Hagen & Choe, 1998; Triandis, 1994; Yamagishi, Kikuchi, & Kosugi, 1999; Yamagishi & Yamagishi, 1994), has received empirical support. Japanese subjects have been shown to have a relatively low faith in humanity (Yamagishi, Kikuchi & Kosugi, 1999) and Yamagishi and Yamagishi (1994) found that Japanese subjects were less likely to have a trusting disposition than American subjects. On the other hand, higher uncertainty avoidance is associated with a lower willingness to take risks, thus with a lower propensity to place trust in others. Japan is characterized by a higher level of collectivism and a higher level of uncertainty avoidance than Canada. Thus, Japanese trustors are likely

to have a lower general propensity to trust others than Canadian trustors. In general, trustors with a lower general predisposition to trust others seek less evidence regarding the perceived trustworthiness of a potential partner, and interpret received information less positively. The trust development process involves a set of extremely complex cognitive tasks, and, in order to simplify it, individuals attend to environmental data selectively (Markus & Kitayama, 1991): they are inclined to seek, recall, and interpret information in such a way that their prior beliefs are supported (e.g., Fiske & Taylor, 1984; Greenwald, 1980; Taylor & Brown, 1988) and they may ignore information that contradicts their prior beliefs (McKnight, Cummings, & Chervany, 1998). Thus, on average, trustors with a lower general propensity to trust others are more likely to ‘stick to’ their lower levels of intentional and behavioural trust. Trustors with a higher general propensity to trust others tend to consider new information about the trustee (both positive and negative information), and adjust their levels of intentional and behavioural trust accordingly. Due to this difference in the search for and processing on information specific to the trustee, we expect to find a stronger link between trustors’ general propensity to trust others and their level of intentional trust in Japan (a country with a low level of general trust) and a weaker link in Canada (a country with a high level of general trust).

*H1: The general propensity to trust will have a stronger influence on the levels of a) intentional trust; and b) behavioural trust for Japanese trustors than for Canadian trustors.*

IJV Contingencies. Trustors in individualist, universalistic cultures are more likely to develop trust based on specific, formal rules of conduct, whereas trustors in collectivist, particularist cultures are more likely to rely on informal social relationship to assess whether potential partners can be trusted (Doney et al., 1998). Members of universalistic cultures, such as Canada, expect rule-based conduct (Trompenaars, 1993). Within these cultures the benchmark of high moral reasoning consists of adherence to universally agreed-upon standards (Trompenaars, 1993) or the consistent application of behavioural rules (Markus & Kitayama, 1991). That is, they maintain the notion that a trustee’s behaviour should be consistent across situations, following a known or knowable set of rules (Kojima, 2000). In universalistic cultures, it is considered important to resist exceptions that might weaken existing rules (Trompenaars, 1993). Formal institutions, such as courts, are established to protect what is known to be “true.” In business relationships partners emphasize codifying, in the form of specific, detailed contracts, what the parties have agreed to do. Contracts are important for both defining operating principles and for ensuring agreement on these principles. In universalistic cultures, the contract is viewed as definitive; the idiosyncrasies of the relationship itself are often ignored (Trompenaars, 1993). Honouring agreements (Hoecklin, 1995) and adhering to a code of conduct ‘in spite of’ particular contingencies (Trompenaars, 1993) represents a key condition of trust; putting the relationship above the principle suggests a lack of integrity: “They cannot be trusted because they always help their friends” (Hoecklin, 1995: 41). In

contrast, within a particularistic culture, inferences about trustees' behaviour are contingent on the relationship between the trustor and the trustee (Markus & Kitayama, 1991). Actions are only meaningful with reference to their particular relationship in a specific context (Triandis, 1989). The focus of moral reasoning is on trustee's flexibility and adaptability. Loyalty to the partner and to maintaining the relationship is more important than adherence to abstract rules of conduct (Markus & Kitayama, 1991). "A person can be diverted from a belief or principle, but others accept such diversion from principle favorably because it shows that he or she has warm empathy" (Azuma, 1984).

*H2: Formal structures (the specificity of contracts and strict adherence to contract specifications) will have a greater influence on the levels of a) intentional trust and b) behavioural trust for trustors in Canada than for trustors in Japan.*

In addition to formal institutions, trustors may also rely upon informal guarantees to assess the trustworthiness of potential partners. In collectivist cultures, informal social structures are at the core of environment-based processes used for developing trust (Markus & Kitayama, 1991; Yamagishi, 1986). Strong collectivist programming, reinforced by strong informal sanctions, effectively deters opportunistic behaviour. As a result, group members tend to have very high level of agreement regarding norms, values, and actions (Pelto, 1968; Triandis, 1989). Cultural norms emphasize the importance of the collective (Triandis, 1989) and promote shared, group goals (Hofstede, 1980; Hofstede & Bond, 1984; Trompenaars, 1993). Interactions are largely restricted to relationships with other members of few, relatively small and relatively stable groups (Kollock, 1994; Gerlach, 1992b; Smith & Bond, 1993; Yamagishi, et al, 1999). Individuals are exposed to few outside members; and norms within the in-group are well known, transparent, and closely followed. This reduces confusion and increases agreement regarding what constitutes appropriate behaviour. There are also strong incentives to maintaining group membership and high barriers to entering new groups. This results in low social mobility across group boundaries, which further reinforces existing group norms. Within groups, the clarity of collectivist norms also makes it easy to identify good performance and deviant behaviour. Collectivist social networks are tightly coupled, allowing for a high level of mutual monitoring and rapid dissemination of information within the group (Hagen & Choe, 1998; Hofstede, 1980; Triandis, 1994), as well as effective punishment of deviance. In collectivist cultures 'deserters' of prior relations have few second-chances (Hofstede & Bond, 1988; Triandis, 1989; Yamagishi, et al, 1999). Also, social sanctions, such as ostracism, can be devastating due to the great importance placed on group membership (Yamagishi & Yamagishi, 1994). The influence of informal structures tends to be less important in individualist cultures for several reasons. First, there is a lower level of knowledge and agreement as to what would constitute correct behaviour. Second, even when group norms are known, individuals are encouraged to develop their own

code of conduct rather than simply complying with these group norms. Third, social networks are looser and more dynamic and thus have a lower ability to monitor and correct deviant behaviour.

*H3: Informal structures (memberships in national and professional groups, reputation) will have a stronger influence on the levels of a) intentional trust and b) behavioural trust for trustors in Japan than for trustors in Canada.*

#### ***National Culture and Perceived Trustworthiness: Interaction Effects***

In general trustors are more likely to trust and to enter IJVs with those partners that are perceived as being trustworthy (Mayer & Davis, 1999, Whitener et al., 1998). Thus, in both Canada and Japan, we expect that higher perceived trustworthiness of a potential partner will be associated with higher levels of intentional and behavioural trust. However, national culture may influence which components of trustworthiness would be considered more important for building intentional trust and for deciding whether or not to enter an IJV. Given the nature of the business decision, it is unlikely that trustors would consider partnering with a firm unless this firm is predictable and has adequate expertise. Therefore, we expect that predictability and expertise would be considered essential by trustors in both Canada and Japan (i.e. national culture does not influence how much emphasis trustors from different national cultures place on the predictability and the expertise of potential partners). However, national culture is likely to influence how much trustors value the integrity (honesty, dependability, and consistency) of potential partners versus their benevolence (concern, fairness, loyalty).

Integrity. In order to predict and curtail opportunistic behaviour, trustors must be able to evaluate correctly trustees' intentions and motivations (Geertz, 1975; Markus & Kitayama, 1991; Sampson, 1988; Schweder & LeVine, 1984). Trustors in individualist cultures are more likely to engage in calculative trust-building processes (Jarvenpaa & Tractinsky, 1999; Doney et al., 1998). In these cultures, there are several incentives to develop cognitive skills for assessing the trustworthiness of potential partners (Yamagishi et al., 1999). First, there are few social guarantees, because individuals often pursue opportunities outside their groups (i.e. social mobility across groups is high, Triandis, 1989). Thus, trustors in individualistic cultures are directly responsible for evaluating correctly the reliability, honesty, and truthfulness of potential partners (Triandis, 1989; Yamagishi et al., 1999) in contrast with collectivist cultures, where social structures signal, ensure, and/or act as a substitute for individual trustworthiness (other group members and other trusted third parties monitor and enforce good behaviour in business relationship). Second, to maximize their potential to find lucrative opportunities, trustors in individualist cultures often choose to enter new relationships rather than sticking to prior relationships. As a result, they often interact with unknown trustees, in short-term relationships, and learn how to evaluate the intentions, honesty, and dependability, of potential partners from the first exchanges the parties engage in. Because trustors in collectivist cultures are more likely to enter relationships with known, group-

endorsed, reputable third parties, who remain loyal to the relationship for long periods of time, good intentions are often assumed.

*H4: The perceived integrity of the trustee will have a stronger influence on the levels of a) intentional trust; and b) behavioural trust for trustors in Canada than for trustors in Japan.*

Benevolence. The fairness, genuine concern, loyalty, and willingness to cooperate represent important criteria for selecting a potential partner in cultures that are relationship-oriented. In diffuse cultures, such as Japan, work relationships are considered important in and of themselves (Markus & Kitayama 1991; Yamagishi, 1988) and are virtually all encompassing. Business relationships include both public work-related information and private information, and developing extensive, informal social ties is at least as important as the business aspects of the deal (Trompenaars, 1993). Once the trustee establishes a relationship with the trustor, it gains access to private and personal information in addition to work-related information (Hoecklin, 1995). Standing and reputation cross over different relationships and roles (Trompenaars, 1993) and partners rely on this information to form a global view of partners' trustworthiness. In contrast, in specific-relationship cultures, such as Canada, relationships tend to be viewed more instrumentally (Markus & Kitayama, 1991), as means to achieving business goals and partners' attention is channelled mostly towards the business aspects of the deal (Trompenaars, 1993). Partners get to know each other primarily within the few areas of their life that are directly "relevant" to their work relationship (Trompenaars, 1993). Because trustors from diffuse cultures have a higher concern for establishing good, long-term, mutually-beneficial relations than trustors in specific cultures, the perception of trustee's benevolence should thus have a greater impact on intentional trust and on behavioral trust in Japan than in Canada.

*H5: The perceived benevolence of the trustee will have a stronger influence on the levels of a) intentional trust; and b) behavioural trust for trustors in Japan than for trustors in Canada.*

## **Method**

Research Design. This study uses a multi-factorial experimental design nested within a non-experimental, cross-cultural comparison between respondents in two different national cultures (Canada and Japan). This design allows the study of the overall mean, main effects, and two-factor interactions while keeping the experiment to a reasonable size (Cahners, 2000). Eight independent variables related to specific IJV contingencies are manipulated following an orthogonal array proposed by Hedayat, Sloane, and Stufken (1999). Four of these contingencies had 2-levels and four had 3-levels (the description of these levels is available from the authors). This design required 48 different scenarios (different combinations of levels of the eight contingencies) and a sample size of 144 respondents per country to identify large and medium-sized effects (Cohen, 1988; Murphy and Myers, 1998).

Scenarios. Each scenario included a core story about a potential joint venture, common for all respondents (with details about the basic nature of the company the respondent worked for, their role in the negotiation process, and why their company was interested in establishing a joint venture) and a hypothetical vignette, which embedded the 48 different factor combinations (Rossi & Anderson, 1982). The scenarios asked respondents to identify with one of three project managers who had been assigned to assess a potential alliance partner and to make a recommendation to senior management. Following the scenario, respondents were asked to assess the trustworthiness of the partner (i.e. to what extent they perceived the trustee in that scenario to be predictable, and to have expertise, integrity, and benevolence) and to indicate their intention to trust and their willingness to establish the joint venture with that partner. Table 1 summarized the measures used. The 48 different versions of the scenario were randomly assigned across respondents in Canada and in Japan. The English-language instrument was developed with an effort to enhance its translatability (van de Vijver & Leung, 1997: 39), and then administered in the native language of the respondents, using the established back-translation method for the Japanese sample.

Samples. The respondents were undergraduate students at four different universities (two in Canada, two in Japan). Using student samples offers several important advantages. First, samples of business students are directly comparable across different cultures, helping us minimize the effects of non-cultural differences among respondents (Kumar, Stern & Anderson, 1993; Lenartowicz and Roth, 1999). Since students have similar information bases and similar socialization toward making business decisions in Canada and Japan, the samples allows us to hold constant other socio-economic or demographic characteristics. Second, reliance on student samples offers a conservative test of our hypotheses, as greater convergence can be expected among business students than among executives, whose interpretations may depend on their prior experience, prior exposure to specific IJV partners, the relative size and concerns of their companies, their role and position within their company, etc. Third, students are a population of growing interest, as they represent the next generation of decision makers. In Canada, 720 surveys were distributed. After eliminating 168 respondents with different cultural identities (i.e. non-Canadian background), the initial sample was reduced to 558 participants<sup>1</sup>. One hundred and seventy nine complete responses were returned, accounting for a final response rate of 32.4%. The average age of Canadian respondents was 23 years. Roughly fifty per cent were female. In Japan, 336 surveys were distributed. Of these, 255 were returned. However, incomplete surveys could not be used in the analysis. The valid Japanese sample included 197 respondents (59% response rate). The average age of Japanese respondents was 21.2 years. Thirty-two per cent were female.

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<sup>1</sup> The Canadian sample consisted of students who identified themselves as being born in Canada or as having lived in Canada since elementary school (age 7), and who spoke English as their native language.

Analyses. To test the hypotheses, we used hierarchical regressions. In these regressions, we used the combined sample of Canadian and Japanese respondents. We tested both the main effect of national culture and the interaction effect of national culture with different antecedents of trust and different components of trustworthiness on two dependent variables, intentional trust and behavioural trust (Table 2). In the first step, we controlled for gender differences among respondents and for differences in their propensity to trust. In the second step we entered the eight manipulations used in the scenarios. Respondents' country was added in the third step, followed by the components of trustworthiness in the fourth step, and by the interactions between respondents' country and each component of trustworthiness in the fifth step. Descriptive statistics and ANCOVAs provided additional details that were helpful in interpreting the main results, and we also re-ran the same hierarchical regression equations separately for trustors in Canada and for trustors in Japan (these results are available from the authors upon request).

## Results

In our sample, Canadian trustors have a higher level of intentional trust than Japanese trustors ( $\text{Mean}_{\text{Canada}} = 4.670$ ,  $\text{Mean}_{\text{Japan}} = 4.365$ ,  $F_{7,368} = 5.572$ ,  $p = .019$ ) but very similar levels of behavioural trust ( $\text{Mean}_{\text{Canada}} = 4.849$ ,  $\text{Mean}_{\text{Japan}} = 4.812$ , ns). National culture explains a small, but significant portion of variance in the level of intentional trust ( $\Delta R^2 = .007$ ,  $\Delta F_{(1,341)} = 2.811$ ,  $p = .095$ ), but not in the level of behavioral trust ( $\Delta R^2 = .000$ ,  $\Delta F_{(1,341)} = .004$ ,  $p = .952$ ). Doney et al. (1998) argued that relative to counterparts in collectivist cultures, trustors in individualist cultures are more likely to form trust via a calculative process. They actively seek information about the trustee, and are able to decide faster whether or not a potential partner is trustworthy. Thus, they tend to establish higher level of trust in their partners at the beginning of the alliance (Zucker, 1986)<sup>2</sup>. Trustors in collectivist cultures are less likely to rely on cognitive processes, and show lower levels of intentional trust at the beginning of the alliance. Trust develops later, after the partners develop affective bonds and shared value bases. The results of this study suggests that, trustors in collectivist cultures 'trust' less in their potential partners, but they still act 'as if' they trusted potential partners, because they rely on the effectiveness of formal and informal institutional arrangements to reduce concerns of opportunistic behaviour on behalf of their partners.

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<sup>2</sup> Three different trust-building processes are discussed in the literature: environmental-based, cognitive-based, and affective-based. First, trustors may rely on certain institutions, which help ensure that people behave in a trustworthy manner (i.e. non-opportunistically). For example, in a strong regulatory system or a tight network of relationships, individual action can easily be observed and assessed. These formal and informal institutions reward trustworthy behaviour (which show honest care and concern for the partner) and punish opportunistic behaviour (which take advantage of certain situations at the expense of the other party). Trustors tend to rely on institutions when they lack information about the trustee or when institutions can provide efficient monitoring and can ensure good performance on behalf of the trustee. Secondly, trustors can engage in cognitive processes by assessing trustee' intentions and behaviour, through one-on-one interactions, over time, by taking gradually more risks and evaluating trustee's responses. Cognitive trust-building processes represent the main mechanism for building trust in new trust and operate at the beginning of a relationship (Zucker, 1986). Thirdly, if the partners engage in prolonged interactions, they tend to develop affective bonds to one another, internalize similar values, and act for mutual benefit.

**Table 1: Measures for the Independent, Dependent and Control Variables**

<b>Variables</b>	<b>Label</b>	<b>Operationalization</b>
<b>Dependent Variables</b>	<b>Intentional Trust</b>	I believe I can trust X-Corp.
	<b>Behavioural Trust</b>	I would enter into an alliance with X-Corp at this time (Bouty, 2000).
<b>Independent Variables</b>	<b>Perceived Predictability</b>	Three-item scale, 7-point Likert-type, with anchors from strongly disagree to strongly agree: (1) I could predict how X-Corp will behave in an alliance; (2) I believe X-Corp will carry out its contractual agreements, and (3) I can predict what X-Corp will do under relevant circumstances. Cronback aphas: .71 (Canada), .57 (Japan).
	<b>Perceived Expertise</b>	Two-item scale, 7-point Likert-type, with anchors from strongly disagree to strongly agree: (1) I believe X-Corp will be able to solve problems as they come up, and (2) I believe X-Corp has, or can develop in time, the knowledge, skills, and abilities necessary to effectively perform its tasks in the alliance. The inter-item correlation was .54 in both Canada and Japan.
	<b>Perceived Integrity</b>	Four-item scale, 7-point Likert-type, with anchors from strongly disagree to strongly agree: (1) I believe X-Corp will use discretion in dealing with sensitive matters, (2) X-Corp will keep promises made to me, (3) X-Corp will not make promises they cannot keep, (4) Mr. Yamata is very honest, and even if he were to make extreme statements, I am confident that what he was saying would be the truth. Cronback aphas: .75 (Canada), .70 (Japan).
	<b>Perceived Benevolence</b>	Five-item scale, 7-point Likert-type, with anchors from strongly disagree to strongly agree: (1) X-Corp will make an open-ended commitment to take initiatives for mutual benefit while refraining from unfair advantage taking in the alliance, (2) I believe X-Corp has no negative intent toward my company and furthermore intends to be cooperative, (3) X-Corp's cooperative behavior is guided primarily by strong threats of punishment or the lure of rewards (reverse coded), (4) I believe that X-Corp and my company share similar goals and values; (5) I believe that X-Corp intends to be cooperative. Cronback aphas: .65 (Canada); .67 (Japan).
<b>Control Variables</b>	<b>Gender</b>	
	<b>General Propensity to Trust Others</b>	Eight-item scale (Mayer & Davis, 1999). Cronback alphas: .64 (Canada), .72 (Japan).
	<b>Manipulations</b> <i>(levels available upon request)</i>	<b>Trustee Nationality:</b> This dimension indicated that the trustee was North-American, Chinese, or Japanese.
		<b>Contract Specificity:</b> This dimension was concerned with whether the trustee proposed a contract that was specific or one that was vague (Trompenaars, 1993).
		<b>Rigidity/ Flexibility:</b> This dimension indicated whether the trustee had a history of being rigid or flexible in applying contracts with partners (Trompenaars, 1993).
		<b>In-group Status:</b> This dimension indicated whether the trustor and trustee had a previous, non-work relationship (Gerlach, 1992a).
		<b>Reputation:</b> This dimension indicated the trustee's reputation regarding relationships with partners in past alliances (not outcomes).
		<b>Task/Social Interactions:</b> This dimension is based on whether the trustee focused predominantly on the task at hand or added social interactions to the negotiating process (Trompenaars, 1993).
<b>Length of Negotiation Period:</b> This dimension indicated whether the trustor and trustee had been in a short or long negotiation/courtship period prior to the decision to enter into an alliance (Triandis, 1989).		
<b>Conflict Management Style:</b> This dimension indicated the manner in which the trustee handled conflict, i.e., publicly or privately, at the level of the managers or team members to managers (Kanayama, 2000).		

**TABLE 2: The Influence of Different Components of Trustworthiness on Intentional Trust and Behavioural Trust**

	Intentional Trust				Behavioural Trust			
	Model	Betas	t	Sig.	Model	Betas	t	Sig.
Controls	<b>R<sup>2</sup>=.056, Adj. R<sup>2</sup>=. 050,</b>				<b>R<sup>2</sup>=.007, Adj. R<sup>2</sup>=. 002,</b>			
Gender	<b>ΔR<sup>2</sup>=.056, ΔF<sub>(2,350)</sub>=10.318,</b>	.006	.117	.907	<b>ΔR<sup>2</sup>=.008, ΔF<sub>(2,350)</sub>=1.333,</b>	.003	.058	.953
GPT	<b>p=.000</b>	.236	4.538	.000	<b>p=.265</b>	.087	1.632	.104
Manipulations	<b>R<sup>2</sup>=.101, Adj. R<sup>2</sup>=. 075,</b>				<b>R<sup>2</sup>=.096, Adj. R<sup>2</sup>=. 096,</b>			
Trustee Nationality	<b>ΔR<sup>2</sup>=.046, ΔF<sub>(8,342)</sub>=2.165,</b>	.062	1.159	.247	<b>ΔR<sup>2</sup>=.089, ΔF<sub>(8,342)</sub>=4.202,</b>	.016	.299	.765
In-group Status	<b>p=.030</b>	.066	1.252	.211	<b>p&lt;.001</b>	.057	1.088	.277
Reputation		.145	2.474	.014		.235	3.992	.000
Contract Specificity		.064	1.184	.237		.083	1.546	.123
Flexibility/ Rigidity		-.019	-.341	.733		-.072	-1.282	.201
Task/Social Interactions		.028	.545	.586		.002	.037	.971
Length of Negotiation Period		-.052	-.994	.321		-.025	-.484	.628
Conflict Management Style		-.042	-.743	.458		-.040	-.717	.474
Country	<b>R<sup>2</sup>=.109, Adj. R<sup>2</sup>=. 080,</b>				<b>R<sup>2</sup>=.096, Adj. R<sup>2</sup>=. 067,</b>			
Trustworthiness Components	<b>ΔR<sup>2</sup>=.007, ΔF<sub>(1,341)</sub>=2.811,</b>	-.098	-1.677	.095	<b>ΔR<sup>2</sup>=.000, ΔF<sub>(1,341)</sub>=.004,</b>	-.004	-.060	.952
Predictability	<b>p=.095</b>				<b>p=.952</b>			
Expertise	<b>R<sup>2</sup>=.436, Adj. R<sup>2</sup>=. 410,</b>	.099	2.062	.040	<b>R<sup>2</sup>=.359, Adj. R<sup>2</sup>=. 331,</b>	.115	2.253	.025
Integrity	<b>ΔR<sup>2</sup>=.327, ΔF<sub>(4,337)</sub>=48.809,</b>	.017	.316	.752	<b>ΔR<sup>2</sup>=.263, ΔF<sub>(4,337)</sub>=34.624,</b>	.171	3.030	.003
Benevolence	<b>p&lt;.001</b>	.271	4.930	.000	<b>p&lt;.001</b>	.199	3.390	.001
Interaction Effects	<b>R<sup>2</sup>=.449, Adj. R<sup>2</sup>=. 418,</b>	.382	6.837	.000	<b>R<sup>2</sup>=.371, Adj. R<sup>2</sup>=. 335,</b>	.247	4.143	.000
Country* Predictability	<b>ΔR<sup>2</sup>=.014, ΔF<sub>(4,333)</sub>=2.108,</b>				<b>ΔR<sup>2</sup>=.012, ΔF<sub>(4,333)</sub>=1.541,</b>			
Country*Expertise	<b>p=.079</b>	-.209	-1.010	.313	<b>p=.190</b>	.321	1.449	.148
Country*Integrity		-.021	-.083	.934		-.131	-.481	.631
Country*Benevolence		-.537	-2.130	.034		-.608	-2.256	.025
		.557	1.892	.059		.290	.921	.358

### ***Indirect Effects of General Propensity to Trust Others and IJV Contingencies***

H1 proposed that the general propensity to trust others will be lower in Japan than in Canada, and that a lower general propensity to trust would have a stronger effect of the level of a) intentional trust and b) behavioural trust in Canada than in Japan. As expected, Japanese trustors show a lower propensity to trust other compared to Canadians trustors ( $\text{Mean}_{\text{Japan}}=3.156$ ,  $\text{Mean}_{\text{Canada}}=3.628$ ,  $F_{7,368}=34.05$ ,  $p<.001$ ). The general propensity to trust others is associated more strongly with both intentional trust and behavioural trust in Japan (.277,  $p<.05$ , and .162,  $p<.05$ ), than in Canada (.119, ns, and .005, ns), lending support to H1. Noteworthy, in both countries, the general propensity to trust others has a stronger effect on the level of intentional trust ( $\text{Beta}=.236$ ,  $p<.001$ ) than on intentional trust ( $\text{Beta}=.087$ ,  $p=.104$ ).

H2 proposed that formal structures (the specificity of contracts and strict adherence to contract specifications) would influence the levels of a) intentional trust and b) behavioural trust more strongly in Canada than in Japan. The results support H2. For Canadian trustors, the specificity of the contractual agreement has positive effects, both on the level of intentional trust ( $\text{Beta}=.217$ ,  $p=.004$ ) and on the level of behavioural trust ( $\text{Beta}=.011$ ,  $p=.011$ ). Changes in contractual terms have a negative effect both on the level of intentional trust ( $\text{Beta}=-.157$ ,  $p=.044$ ) and on the level of behavioural trust ( $\text{Beta}=-.142$ ,  $p=.076$ ). These findings support H2 and suggest that trustors in universalistic cultures, such as Canada, may prefer detailed, clearly specified, universal rules of conduct, to which partners adhere strictly under changing circumstances. Such rules increase predictability since they make the behaviour of the trustee more trustors in Japan (a particularist culture), who tend to value adaptability and flexibility in face of changing circumstances. For Japanese trustors clearer contractual terms or strict adherence to these terms does not entice greater trust in potential partners, but rather signals rigidity, perhaps even an unwillingness to adapt when needed. These results are consistent with the fact that, in particularistic cultures, the alliance is embedded in a specific, complex, and shifting context, and the relationship comes first. Preserving the relationship calls for adaptive action that can hardly be specified ex ante.

H3 proposed that informal structures (memberships in national and professional groups, reputation) would influence the levels of a) intentional trust and b) behavioural trust more strongly in Japan than in Canada. In our sample, these effects are not supported. Nationality does not have a significant direct influence on the level of intentional and behavioural trust of Japanese trustors. ( $\text{Mean}_{\text{USA}}=4.406$ ,  $\text{Mean}_{\text{China}}=4.373$ ,  $\text{Mean}_{\text{Japan}}=4.310$ ,  $F_{2,193}=.092$ ,  $p=.912$ ) or on the level of behavioural trust ( $\text{Mean}_{\text{USA}}=4.734$ ,  $\text{Mean}_{\text{China}}=4.813$ ,  $\text{Mean}_{\text{Japan}}=4.897$ ,  $F_{2,193}=.258$ ,  $p=.773$ ). These results suggest that, in collectivist cultures such as Japan, the influence of informal structures on the levels of intentional and behavioural trust is complex and nuanced. Informal structures may influence the level of trust in potential partners by changing trustors' interpretations of other aspects of the alliance, prior relationships, or different characteristics of the trustee (such as prior relationships, memberships in other types of groups,

or their reputation). In this study, Canadian trustors show a slightly higher level of intentional trust towards Japanese partners than towards either American or Chinese partners ( $Mean_{USA}=4.468$ ,  $Mean_{China}=4.463$ ,  $Mean_{Japan}=5.048$ ,  $F_{2,175}=4.514$ ,  $p=.012$ ). However, the nationality of the trustee does not influence their decision to enter an IJV ( $Mean_{USA}=4.742$ ,  $Mean_{China}=4.796$ ,  $Mean_{Japan}=5.000$ ,  $F_{2,175}=4.514$ ,  $p=.012$ ,  $F_{2,175}=6.30$ ,  $p=.534$ ). The effects of trustee's nationality hypothesized by H3 are not supported. However, the effects of trustee's reputation are largely confirmed: partner's reputation has a positive effect on both the level of intentional and behavioural trust of Japanese trustors ( $Beta=.141$ ,  $p=.092$ ;  $Beta=.241$ ,  $p=.004$ ). Reputation does not affect the level of intentional trust but increases the level of behavioural trust for Canadian trustors ( $Beta=.196$ ,  $p=.023$ ). Thus, H3 receives partial support.

### ***Interaction Effects between National Culture, Integrity and Benevolence***

For trustors in both Canada and Japan, the perceived predictability ( $Beta=.099$ ,  $p=.040$ ), integrity ( $Beta=.271$ ,  $p<.001$ ), and benevolence ( $Beta=.382$ ,  $p<.001$ ) of the potential partner had a positive effect on intentional trust. However, perceived expertise did not have a significant influence on the level of intentional trust ( $Beta=.017$ ,  $p=.752$ ). All components of trustworthiness had a positive effect on behavioural trust: perceived predictability ( $Beta=.115$ ,  $p=.025$ ), expertise ( $Beta=.171$ ,  $p=.003$ ), integrity ( $Beta=.199$ ,  $p<.001$ ), and benevolence ( $Beta=.247$ ,  $p<.001$ ). This pattern of findings suggests that trustors may first take into consideration the predictability, integrity, and benevolence of a potential partner to establish their intention to trust that partner and then assess the expertise of that partner in order to decide whether or not to act on their intentions. H4 predicted that the perceived integrity of the trustee would have a stronger effect on a) intentional trust and b) behavioural trust for trustors in Canada than for the trustors in Japan. Table 2 indicates that, in addition to the main effect of the national culture, and the main effect of perceived integrity, the interaction between national culture and perceived integrity has a significant influence on intentional trust ( $Beta=-.537$ ,  $p=.034$ ,  $\Delta R^2=.014$ , Change in  $F_{4,333}=1.514$  for the model,  $p=.079$ ), and lends support to H4a. This interaction effect remains significant and similar in magnitude for behavioural trust ( $Beta=-.608$ ,  $p=.025$ ), but the overall model does not explain a sufficient portion of additional variance in the dependent variable once the main effects of national context (ns) and perceived integrity have been accounted for ( $\Delta R^2=.012$ , Change in  $F_{4,333}=1.514$ ,  $p=.190$ ). The findings do not support H4b. H5 predicted that the perceived benevolence of the trustee would have a stronger effect on intentional trust and behavioural trust for trustors in Japan than for the trustors in Canada. Table 2 indicates that, in addition to the main effect of the national culture, and the main effect of perceived benevolence, the interaction between national context and perceived benevolence has a significant influence on intentional trust ( $Beta=.557$ ,  $p=.059$ ,  $\Delta R^2=.014$ , Change in  $F_{4,333}=2.108$ ,  $p=.079$ ). Thus, H5a is supported: benevolence has a stronger effect on intentional trust in Japan than in Canada. However, the effect of benevolence on the level of behavioural trust is not significantly different between Canadian and

Japanese trustors (Table 3, Beta=-.290, p=.358,  $\Delta R^2=.012$ , Change in  $F_{4,333}=2.108$ , p=.190). H5b is not supported. The pattern of results for H4 and H5 suggest that integrity is clearly more important in Canada and benevolence is more important in Japan for the formation of intentional trust. However, the effects of integrity and benevolence on behavioural trust are not significantly different between Canadian and Japanese trustors.

Taken together, the findings of our study suggest that the ways in which trust affects the decision to enter an IJV are both culture specific and subtle. The results show that trustors from Canada and Japan start with different levels of general propensity to trust others, pay attention to different IJV contingencies, and place distinct emphasis on different components of partners' trustworthiness. Canadians value integrity more than the other aspects of trustworthiness, while Japanese value benevolence most. For Canadian trustors, integrity explains 25.9% of the variance in intentional trust and 20.5% of the variance in behavioural trust. For Japanese trustors, benevolence explains 30.5% of the variance in intentional trust and 18.3% of the variance in behavioural trust. Canadian trustors have higher levels of intentional trust than Japanese trustors, and intentional trust is more closely associated with behavioural trust in Canada (.727) than in Japan (.578). These results show a clear link between trustors' intentions and actions in Canada (a universalistic, individualistic culture) than in Japan (a particularist, collectivist culture), where non-trust related factors (e.g. social ties) appear to influence whether, how, and when trustors act on their intentions by entering an IJV.

These findings need to be interpreted with caution, as two considerations may limit the generalizability of the results. First, in this study we used a fractional factorial design to systematically manipulate eight different IJV contingencies. The main advantage of this design is that it keeps different IJV contingencies orthogonal, allowing us to test their separate effects on the levels of intentional and behavioural trust and helps reduce concerns of common method or same respondent biases. We chose a set of contingencies that were deemed most theoretical relevant and used input from twenty managers to expand and revise them. However, due to design constraints, the core scenario necessarily leaves aside numerous other factors, such as the importance of the venture to the decision maker and/or the availability of alternative partners. These factors are less important for understanding the development of intentional trust but could nevertheless prove important in shaping the decision whether or not to enter an IJV. Second, we selected samples of business students in order to minimize non-cultural differences between respondents, both within and between the two cultures of interest. Within each culture, focusing on business students, with similar training, socialization, and experience, helps reduce differences in their interpretations of trustee's characteristics and various IJV contingencies. Between cultures, reliance on student sampling offers a relevant yet conservative test of our hypotheses. Its relevance stems from the fact that business students represent the next generation of decision makers and thus it is important to

understand how these future decision makers interpret and act on trust-related matters. Its conservativeness stems from greater convergence in students' interpretations; older decision-makers, who are more embedded in business practices specific to each national context are expected to differ more substantially across different national cultures.

### **Concluding Remarks**

While there has been a large amount written about trust, the trust literature has not yet developed a theoretical basis for predicting how national culture may influence trust levels (Currall & Inkpen, 2002) and has not investigated whether Euro-American conceptions of trust and trust development are applicable to other national cultures (Markus & Kitayama, 1991). Even fewer studies have examined the issue of trust formation among partners from different national cultures (Johnson et al., 1996). This study helps fill this void in two ways. First, it develops theoretical propositions that predict how national culture affects the evaluation of partners' trustworthiness and the levels of intentional and behavioural trust in new IJVs. Secondly, it adopts a systematic, experimental approach, and uses directly comparable samples of Canadian and Japanese respondents to test these theoretical propositions.

The focal interest of this study was to understand if respondents from different cultures rely on different components of trustworthiness when forming their intention to trust a potential partner and to enter an IJV. The results showed clear differences in the importance of integrity and benevolence for establishing intentional trust: integrity was most important for Canadian trustors and benevolence was most important for Japanese trustors. In individualist, universalistic, and specific cultures, where each one pursues its own fortune, integrity (responsibility, consistency, and dependability) is likely to be highly valued. High integrity means that, on one hand, the trustee has no intention to cheat, and on the other hand, that the trustee would refrain from cheating and would strictly adhere to the initial agreement should any unforeseeable circumstances expose the trustor to future risks of opportunistic action. In collectivistic, particularistic, and diffuse cultures, the combination of tight social networks with a clear focus on relationships in the face of complex and changing situations put the spotlight on benevolence (fairness, loyalty, and a clear intent to cooperate due to personal concern for the interests of the trustor).

Implications for Research. Future studies can extend these findings in several directions. First, finer-grained cross-cultural comparisons can highlight the specific roles played by different cultural dimensions (i.e. the role of individualism/collectivism) in increasing or decreasing the levels of intentional and behavioural trust. Second, it is important to understand how the interpretations of business executives may differ from the interpretations of business students, what additional factors may shape executive interpretations of partners' trustworthiness, and what additional factors may affect their decision to enter IJVs. An extensive set of controls (reflecting corporate culture, specific conditions, and the different experiences of executives with business alliances) will also be required when conducting

field studies of business executives. Third, future studies are needed to examine in greater depth the interplay between various IJV contingencies within a specific national culture. Such studies will highlight how these contingencies may complement or reinforce each other's influences on the levels of intentional or behavioural trust.

Implications for Practice. The results of this research provide some clues for effectively signalling trustworthiness cross-culturally. Business managers need to consider how the cultural values specific to a particular country may influence the interpretations of decision-makers and their decisions (Adler, 1997; Kirkman & Shapiro, 2001). For foreign managers interested in doing business with Canadians, clearly articulating expectations for the relationship and demonstrating a willingness to be held accountable for agreements promote trust. For Canadian trustors, the characteristics and attributes of the individual are more important than relational factors or social connections (Singelis & Brown, 1995). However, for foreign managers interested in doing business with the Japanese, it is important to signal high benevolence by investing time in building relationships with potential partners and relevant third parties.

***References available from the author upon request.***