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## Demography vs. Context: A Cross-Country Survey of the Willingness to Rely on Trust in Business Partnerships

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## Demography vs. Context: A Cross-Country Survey of the Willingness to Rely on Trust in Business Partnerships

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# Abstract

## Demography vs. Context: A Cross-Country Survey of the Willingness to Rely on Trust in Business Partnerships<sup>1</sup>

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We explore the determinants of the willingness to rely on trust in a business partnership where both partners are at risk. By focusing on the willingness to rely on trust (WTRT) we reduce the methodological challenge of perception-based approaches where trust is measured as an expectation on the partner's behavior. Executives in several countries were presented with a proposal for a business partnership and were asked about the level of safeguards they would require in the agreement, their main concerns as to future conditions, and to what extent their views would be affected by several behaviors and/or events. Twelve hypotheses are tested using path analysis and multiple/hierarchical regressions. Whereas our findings confirm prior results on differences in the propensity to trust between nationalities, they suggest that several organizational, functional and contextual variables mediate their impact in determining WTRT in inter-organizational ventures. Among these are the partners' cultural proximity, their concerns about business risk, and two organizational demographics regarding the size of the organization. In addition, we found that sensitivity to external information on partner's benevolence and the respondent's education and industry affected WTRT significantly.

**Keywords:** inter-organizational trust, willingness to rely on trust, trustworthiness, contractual safeguards, international joint ventures, business partnerships, international business

**JEL Classification:** M16

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## **DEMOGRAPHY vs. CONTEXT: A CROSS-COUNTRY SURVEY OF THE WILLINGNESS TO RELY ON TRUST IN BUSINESS PARTNERSHIPS**

The literature on trust between and among organizations has increased dramatically in the last two decades. The demands of globalization and the added complexity and speed of technological change have forced corporations to undertake non-hierarchical solutions to competitive challenges in both product and geographic markets. The resulting preponderance of joint ventures and other non-equity collaborative agreements among firms has driven both business and academia to attempt a better understanding of how these arrangements work and what can be done to increase their effectiveness.

One line of research focuses on the role of trust, whether as a substitute or a complement to contractual obligations, in the governance of inter-organizational alliances. Most authors (Poppo & Zenger, 2002; Zaheer & Venkatraman, 1995, Faems, Janssens, Madhok & Van Loy, 2008) agree that whereas the relationship between formal contracts and relational governance is complex and mutually supportive, there is nonetheless a critical role for trust in any business relationship. But what determines the willingness to rely on trust as both corporations and their managers approach a collaborative project with an independent organization? This paper attempts to answer the question by surveying a large number of middle and senior executives in terms of the degree to which they would be willing to rely on trust vs. specific legal or economic safeguards in defining the terms of collaboration for a specific business venture. Their responses are then tested against a number of determining factors – demographic as well as contextual and institutional – derived from the literature, in order to assess the antecedents and dynamic nature of trust as a governance mechanism.

### **1. FROM TRUST TO THE WILLINGNESS TO RELY ON TRUST**

There is broad consensus on the interpretation that trust is “... a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions of behavior of another” (Rousseau, Sitkin, Burt & Camerer, 1998). One difficulty, however, with the concept of trust is that it can refer both to inter-individual as well as to inter-organizational relationships. While some authors (Perrone, Zaheer & McEvily, 1998) consider that these two levels are not comparable, others (Rousseau et al., 1998) argue the opposite. We avoid this dilemma by focusing only on how individual executives express their willingness to rely on trust – by choosing different degrees of risk allocation and legal and economic safeguards – when considering a partnership proposal from a prospective client firm.

Any contract can, obviously, be more or less detailed in terms of objectives, expected outcomes, amount and nature of resources contributed by both parties, timing of different commitments, and potential penalties in case a partner does not deliver according to the agreement. The degree to which an

individual wishes to include more or fewer legal or economic safeguards in the collaboration contract is a function of many variables peculiar to the nature of the agreement, history and prior experience, their role in the corporation, and their own preferences (Argyres & Meyer, 2007). Their attitude on this issue is determined by what Ariño, de la Torre and Ring (2001) called the “willingness to rely on trust.” The greater an individual’s willingness to rely on trust, the fewer safeguards she or he will demand in any given situation and vice versa.

This approach is consistent with the seminal article by Mayer, Davis and Schoorman (1995) who define trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party.” Trusting the other party allows the trustor to face the risk that the trustee may not deliver as expected. They also make a clear distinction between the acceptance of risk (i.e., accepting to enter a risky investment that relies on the performance of others) which they call “trust,” and the actual assumption of such a risk (i.e., once the investment is actually made) which they call “behavioral trust.” It is the former that we refer to as the “willingness to rely on trust.”

Indeed, trusting a business partner implies accepting the risks associated with that business relationship and deriving from the actions of that partner. Barney and Hansen (1994) noted that trust matters especially when contractual safeguards would be otherwise needed. A high level of willingness to rely on trust may, therefore, result in less formality in the governance of the partnership (Gulati, 1995; Madhok, 1995; Ariño et al., 2001). A partner may even forego guarantees in certain circumstances where risks are perceived limited or negligible (Noteboom, Berger & Noorderhaven, 1997). Zaheer, McEvily and Perrone (1998) found that “trust reduces the inclination to guard against opportunistic behavior” through a reduction of costs of negotiation and the level of conflicts. Dyer and Chu (2003) found that trust between buyers and suppliers in the auto industry in the United States, Japan and Korea allow to economize on disputes (ex-post transaction costs) and, to a lesser extent, that it also economizes on negotiating/contracting (ex-ante transaction costs). Finally, Zaheer and Zaheer (2006) point out that, because the level as well as the very concept of trust may differ from country to country, “if trust is less available in certain national contexts compared with others, other mechanisms may have to compensate for the lack of trust, such as monitoring or control.”

Trust, however, should not be considered as a mere substitute to contracting, even at the inter-individual level. Several recent empirical contributions have shed contrasting evidence on this question. Poppo and Zenger (2002) observed that high trust is associated with more extensive and complex contracts. Alvarez, Barney and Bosse (2003) found that contracts are used independently of other governance devices such as reputation, bargaining power or trust. In their view, contracts did not seem to

be either substitute or complement of trust, but work better when combined with alternative governance mechanisms.

Lui and Ngo (2004) shed new light on this debate by integrating different aspects of trustworthiness in the analysis (integrity, reliability and benevolence), an issue to which we shall return below. They show that contractual safeguards can be either a complement or a substitute depending on the specific driver of trustworthiness. When trust is based on the expected benevolence of the trustee, trust acts as a substitute to safeguarding, but when trust is based on the expected competence of the partner, it is associated with a larger amount of safeguards.

Carson, Madhok and Wu (2006) found that the choice between two modes of governance (formal vs. relational contracting) was influenced by prevailing conditions of uncertainty (volatility or ambiguity), but not by the presence or absence of trust. Trust, however, was associated with lower levels of opportunism. This would suggest that the choice of contractual safeguards is independent on the existence or absence of trust. In this vein, Reuer and Ariño (2007) found that firms that had collaborated in the past, and can be assumed to have high levels of trust in each other, would still include enforcement provisions in their new contracts although they were more likely to simplify the new contract with respect to clauses that provide for information exchange or deal with coordination issues.

This debate is heavily influenced by the definition of what constitutes a safeguard. Contracts are much more than a list of penalty clauses. They also specify objectives and business expectations, call for the nature and timing of the commitments made by each party, provide for most foreseeable circumstances that might cause the promised delivery to be impacted negatively, define mechanisms for monitoring, information sharing and managerial coordination, etc. Thus, contracts may be quite complex even in the absence of numerous safeguards (Argyres & Meyer, 2007). This distinction is important in terms of whether contracts complement or substitute for trust.

Safeguards can also be found in other governance mechanisms. Das and Teng (1998) wrote that trust and control are complementary bases of “confidence” in the partner, where control can take a variety of governance forms. Financial commitments, we argue, constitute an important form of safeguard and these can be set in the context of a contract or as part of a joint venture agreement. Ahmadijan and Oxley (2005) found that industrial clients in Japan provide “hostages” (in the form of minimum volume orders or equity investments) as a way to limit the vulnerability of their suppliers. Globerman and Nielsen (2007) showed that foreign firms typically choose equity over non-equity arrangements based on the political environment in the host country because they represent a more effective approach to cope with potential opportunistic threats. Similarly, Garcia-Canal (1996) provided evidence that equity joint ventures are preferred in international expansion, because they offer greater control of the activities and the distribution of residual returns.

In that sense, the choice of an equity structure is, by itself a safeguard against the foreign partner's vulnerability. Consequently, safeguarding cannot be fully equated to contracting in the sense that more (less) of one does not necessarily result in less (more) of the other.

## **2. DRIVERS OF THE WILLINGNESS TO RELY ON TRUST**

Since inter-organizational partnerships are conceived and negotiated by individual executives, especially the so-called boundary-spanners (Gulati and Sytch, 2008), their own perceptions are likely to have a significant impact on the final contract design and on the amount of safeguards. Thus, the willingness to rely on trust is the result of individual characteristics and perceptions.

Ariño, de la Torre and Ring (2005) proposed that "relational quality," a construct similar to "inter-organizational trust," is in fact influenced by a set of initial conditions, the partners' experience during the negotiation process, and the reading of external events affecting the reputation of the partner. Most research on the antecedents of trust in business partnership has looked at the interaction between partners whereas not much attention has been paid to the "initial conditions" or the "context" of the relationship.

For instance, Thuy and Quang (2005) found that "relational factors" (inter-partner flexibility, goal clarity, and conflict management) influence "relational capital" (personal interaction, mutual respect, mutual trust, personal friendship, high reciprocity), which is positively associated with joint venture performance. We do not know, however, how these relational factors influenced the "mutual trust" component of relational capital. Furthermore, the context as well as the background of the decision-makers is totally absent from this analysis.

Inkpen and Currall (2004) added a co-evolutionary perspective to the determinants of trust. Whereas, trust and business objectives create the initial context of the partnership, interactions between partners, especially in terms of learning, will shape future trust. However, the context of the venture and the background of individuals are only considered in the latter stages of the relationship, not in the "initial" conditions.

Biestler (2006) examined 44 product development partnerships and found that "communication behavior and fairness are positive contributors to trust" while "conflicts and perceived egoism" are detrimental, but "joint-problem solving" did not appear to have a positive impact on trust. Once again, though, the focus is on the interaction during the partnership, without concerns for the individuals involved or the context.

Gulati and Sytch (2008) studied a set of buyer-supplier relationships for two major US auto manufacturers and found that history affects trust formation, but in a complex non-linear fashion, suggesting that trust develops after a "period of ambivalence." Their findings point also to the impact of organizational similarity on trust "at the level of the boundary-spanners, but not at the level of

organizations.” They conclude with the need to broaden the search to more “dimensions of inter-organizational attributes that can potentially give rise or impede the formation of inter-organizational trust.” The focus on boundary-spanner, which recognizes the role of individual decision-makers and their impact on the willingness to rely on trust, is however limited to the history of the dyadic relationship and any previous partnerships. The broader sociological context of the boundary-spanners is not included in the model.

Earlier on, Zaheer and Venkatraman (1995) had found that trust was more influenced by the sociological context than by the economic one, and wondered if the presence of trust might not be due to “reputation and other effects,” suggesting that further research was needed about the influence of interpersonal trust on inter-firm arrangements.

In a recent overview of trust research, Schoorman, Mayer and Davis (2007) proposed that the propensity to trust is influenced by “personality, experiences and culture” and, particularly, the orientation (task vs. relationship) of the environment. They acknowledged the need for empirical research in this area, a need that this research attempts to address.

### **3. A MODEL OF THE WILLINGNESS TO RELY ON TRUST**

We postulate that the level of safeguards requested by an individual executive when considering a business partnership is a measure of that individual’s willingness to rely on trust and that the latter is influenced by personal characteristics deriving from his/her background as well as by events and incidents arising during the negotiation and the early phases of the partnership. Below we present a theoretical model and formulate a set of hypotheses of the willingness to rely on trust (WTRT) based on the general architecture discussed by Ariño, de la Torre and Ring (2001, 2005).

#### **3.1 A Dynamic View of Factors Affecting the Level of Willingness to Rely on Trust**

Management and organization scholars generally acknowledge the need to see trust as a dynamic process (Schoorman et al. 2007). If the initial level of trust between “complete strangers” is an interesting issue (at least in theory), research in management is more concerned with the longitudinal process of trust formation and development.

Ariño et al. (2001, 2005) proposed a dynamic model to analyze “relational quality” (i.e., the extent to which the partners feel comfortable and are willing to rely on trust in dealing with one another) and update their assessment of each other. Willingness to rely on trust can be conceived of as a variable that is both a factor of relational quality and the outcome of a process where new information is continuously fed to the partners about each other’s behavior. Initially (i.e., at the outset of the relationship), the



partners' WTRT is based on their propensity to trust, itself the result of individual and organizational demographic characteristics, as well as on information obtained through third-party channels (reputation).

As the transaction is executed, the partners will collect further evidence on each other's behavior in terms of their ability to deliver as expected. This provides evidence of actual trustworthiness resulting in an increase or decrease of the willingness to rely on trust for future interactions within that partnership as well as for future partnerships.

We intend to assess this model by examining the variables that influence each of the three sets of factors driving WTRT. In doing so, we respond to Schoorman et al. (2007), who call for research on the context of trust and the antecedents of the propensity to trust. We will first outline the elements of the WTRT model as a guide to the reader. Subsequent sections will provide support for these propositions and lead to a series of testable hypotheses.

An individual's innate propensity to trust is a personality trait, hence independent of any given relationship, and constitutes the "starting point" of trust formation. This initial state of trusting is assumed to be affected by cultural background — nationality, family, religion, gender, etc. — and his or her personal interpretation of the elements constituting trustworthiness. It also depends on the individual's orientation in terms of the relative importance of carrying out a task in a joint effort ("growing the pie") versus optimizing in the transaction ("sharing the pie").

As stated earlier, the initial willingness to rely on trust is also influenced by information gathered directly through interaction with the partner in the negotiation process or indirectly via third-party gossip. Anecdotes about the partner's historical or current behavior and achievements will provide fodder to an individual's earlier determination of his/her WTRT. Later on, as the relationship develops, evidence will be gathered, intentionally or not, on issues relevant to the partner's technical competence, transparency and caring attitude, continuously updating the initial assessment of the partner's trustworthiness.

From this conceptual framework, we developed the model shown in Figure 1. An individual's willingness to rely on trust is influenced by (1) his/her personal and organizational characteristics, which are elements of the propensity to trust; (2) how the concept of trust is based on the individual's concerns regarding the partner's performance in the deal; and (3) evidence obtained about the partners' trustworthiness (integrity, reliability, benevolence), cultural proximity and economic dependence.

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*Insert Figure 1 about here*  
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### **3.2 Cultural Drivers of the Willingness to Rely on Trust**

Most economists accept that trust is an efficient mechanism to conduct transactions (Arrow, 1974). Conventional economic theory postulates that agents seek their own interests (Williamson, 1985), thus

protections or safeguards are designed to limit the consequences of opportunism. These, in turn, generate “transaction costs” that may restrict governance mechanisms and influence the scope for collaboration (Rugman, 1981; Teece, 1981; Buckley & Casson, 1988; Hennart, 1988; Masten, 1993). Trust arises from an assessment based on the structural conditions of the transaction (Zajac & Olsen, 1993), and is, therefore, relatively objective. Confronted with a specific transaction, rational individuals should come up with a similar evaluation of the risks involved and claim similar safeguards. To the extent that trust is an objective calculation of the risk of being cheated, then the willingness to rely on trust should be a rational decision derived from the contractual conditions governing the partnership.

Others (e.g., Blomqvist, 2002) argue that an individual’s propensity to trust is affected by personal characteristics such as ethical values (Jones & George, 1998), basic assumptions about human nature (Erikson, 1968; Schein, 1992), professional experiences (Schein, 1996), self-confidence (Roussillon, 1997), and the institutional context (Zucker, 1986). Over the last decade, a set of empirical studies have tested hypotheses based on both the psycho-sociological and economic perspectives. They generally find support to both bodies of theory (Barney & Hansen, 1994; Perrone et al., 1998; Young-Ybarra & Wiersema, 1999).

The most common demographic dimension discussed in the trust literature is nationality. Many conceptual and empirical contributions, including the famous and controversial World Value Survey (Miller and Mitamura, 2003), have highlighted the importance of nationality as a variable impacting propensity to trust (e.g., Doney, Cannon & Mullen, 1998; Galland, 2002; Dyer and Chu, 2003; Roth, 2009). Indeed, trust takes on a special dimension at the international level when the parties to an agreement originate from two different countries or have management teams that are predominantly of different nationalities. It is now largely accepted that individuals from different countries have different notions of trust and that international transactions are based less on trust than domestic ones (Gulati, 1995).

Zaheer and Zaheer (2006) argue that “researchers have still barely begun to explore the related idea that trust may differ systematically across cultures, and thereby present significant challenges for both cross-border and comparative research, as well as practice, in a broad range of international management areas.” They go a step further and argue that trust may differ between nationalities not only in terms of level, but also in terms of its nature and its institutional context. Steensma, Marino and Weaver (2000) found that entrepreneurs from different countries emphasize safeguarding differently, so that, for example, those from more individualistic and more uncertainty-avoiding societies tend to emphasize more contractual safeguards. Therefore:

*Hypothesis 1a: There will be significant differences in the willingness to rely on trust between cultural groups as defined by their nationality.*

Obviously, an individual's culture is influenced by many factors besides nationality. We can think of the local, educational and even organizational backgrounds that might have formed the individual's preferences (Gulati & Sych, 2008). Rather than trying to capture them one by one, we thought it made sense to consider cultural proximity, as perceived by the boundary-spanners, and measure its impact on the willingness to rely on trust.

*Hypothesis 1b: The greater the cultural proximity between the partners, the greater the willingness to rely on trust*

An individual's background contains also his/her professional experience. As discussed extensively in the management literature, different industries and companies develop particular corporate cultures, and these can be assumed to influence individual perceptions towards trust. For instance, several scholars have discussed the impact of firm size on culture and values. Blomqvist (2002) argues that the process of trust building is markedly different in small start-up companies compared to large multinational corporations. Managers in small enterprises can be considered to be more intuitive in their business relationships, whereas large company executives would be guided by more formal processes. Steensma, Marino and Weaver (2000), found that the greater the firm, the more its culture is masculine, collectivist and risk avoiding, suggesting that executives in larger firms will insist on greater safeguards and, therefore, be less willing to rely on trust. On the other hand, smaller companies are more fragile and might insist on more safeguards (hence, lower willingness to rely on trust). Given that small companies have different characteristics, e.g. in terms of flexibility, formality, bureaucratization of procedures, sense of urgency (Gulati and Sych, 2008), etc., than larger firms, we can expect that executives from smaller organizations will differ in their willingness to rely on trust from their colleagues in larger organizations. Thus,

*Hypothesis 1c: There will be significant differences in the willingness to rely on trust between corporations of different sizes.*

Organizational culture is not, however, just the result of corporate context, it also derives from the operational context (business unit, division, subsidiary) where the individual has developed and accumulated experience. Small business units belonging to larger corporations tend to have different managerial cultures. Many scholars have also documented the differences in "managerial culture" between business units (e.g. Xenikou and Simosi, 2006). We, therefore, add a related hypothesis:

*Hypothesis 1d: There will be significant differences in the willingness to rely on trust between business units of different sizes within the same corporation.*

The nature and extent of an executive's professional experience is also of importance in determining their propensity to trust. More senior executives, i.e., those at higher levels of managerial responsibility, would have been exposed to a larger number of deals – good and bad – and might therefore react differently from less experienced, junior ones. In an experiment involving a trust game (Swope, Cadigan, Schmitt & Shupp, 2008), found that “seniority breeds feelings of entitlement” leading to less cooperative behavior. Alternatively, it could be argued that senior executives are more likely to develop special competencies in terms of anticipating issues in the management of partnerships, particularly in terms of dealing with others' opportunistic behavior, and are thus more confident and willing to rely on trust. Thus:

*Hypothesis 1e: More senior (higher level) executives display a higher willingness to rely on trust than their junior colleagues.*

### **3.3 Additive vs. Distributive Orientation**

There is a considerable literature on the task vs. relationship orientation of individuals within organizations (Gratton, Voigt & Erickson, 2007). Some individuals, in teamwork contexts for example, are said to devote their primary attention to the task at hand and show less interest in the quality of the relationship with other individuals involved in the collective effort. Others, by contrast, prefer to focus on the quality of the relationship first (Schneider & Barsoux, 1997).

In an inter-organizational context, we found it necessary to include the extent to which an individual's orientation is towards the tasks to be performed (an attitude focused on how to “get the job done” and enlarge opportunities for the venture) as opposed to a focus on the structure of the transaction (i.e., on the distributive aspects of the partnership). Note that all relationships contain both additive and distributive elements, and that task oriented individuals may gravitate, but not uniformly so, to the former, whereas relationship oriented individuals may be equally comfortable in adding to the pie as in distributing it.

In a collaborative context, teams are not only working together towards some shared goals, but they are also involved in decisions about the distribution of costs and benefits accruing from the joint effort. Recent research on business collaboration (Jap, 1999 & 2001) highlights this dual aspect of cooperation: partners need to be concerned with both growing the pie and sharing it. At the individual level, however, we contend that some executives might be more interested in and capable of initiatives aiming to grow the pie while others will be primarily preoccupied with the way the pie will be shared. We can consider the former “task-oriented” and the latter “transaction-oriented.”

Several factors could influence the orientation of an individual. It sounds logical, as argued by Schoorman et al. (2007), to assume that task-oriented persons will be associated with a higher propensity to trust relative to transaction-oriented individuals. We expect, for instance, that someone with a legal

background will tend to be transaction-oriented, (i.e., more focused on the process of structuring the transaction, such as how to share the costs and benefits deriving from a joint R&D project), whereas an engineer in the same team might be relatively task-oriented (i.e., more interested in the outcome of the research project). Hence,

*Hypothesis 2: Individuals from transaction (distributive) oriented backgrounds (in terms of education, job function or industry) will display a lower willingness to rely on trust than individuals with a task oriented background.*

### **3.4 Three Meanings of Trustworthiness**

What makes someone trustworthy? Following the typology developed by Mayer et al. (1995), a first meaning of trust is the presumption that the other party is not dishonest. This approach to trust is found, for example, in Arrow (1974), Williamson (1985), Bradach and Eccles (1989) and Ring and Van de Ven (1992), who, by underlining fairness as the foundation of trust, clearly give the term an ethical dimension. We shall refer to this dimension as *ethical trust* or *integrity*.

However, dishonesty is not the only behavior that could affect a partner's interests. Technical and administrative capabilities are equally important. For example, having trust in a surgeon goes beyond assuming that she/he is honest in the diagnosis. One also expects that he/she is competent in performing the surgical procedure. We trust the other party to have the necessary skills to carry out the tasks specific to the transaction agreed upon. We shall refer to this second dimension of trust as *technical trust* or *reliability* (similar to "competence trust" as defined by Sako, 1992).

Finally, trust also refers to the other party's behavior and attitude. Going back to our analogy, having trust in a surgeon's competence may not be enough for most patients, as they also expect good "bedside manners" in the relationship. The partner's behavior, be it rigid and surly or flexible and accommodating, does play a strong role in the effectiveness of the relationship. We shall refer to this third dimension as *behavioral trust* or *caring*. Others refer to this dimension as "benevolence" (Mayer et al., 1995), or "goodwill trust" (Sako, 1992).

One should note that these three dimensions of trust are complementary and not mutually exclusive (Shaw, 1997). Some of us might place greater emphasis on competence; others would emphasize more the caring dimension; whereas others yet might be primarily concerned with the partner's integrity. An added complexity is that these three dimensions cannot be dealt with equally well by contractual safeguards. It might be relatively simple to define the competences required in a transaction, but next to impossible to define "caring behavior" in a contract.

Our questionnaire was designed to help obtain a better understanding of the underlying meaning of these three components of trustworthiness when executives face a given business proposition.

Specifically, we wanted to identify the extent to which these three meanings influenced the willingness to rely on trust. As a result:

*Hypothesis 3a: The higher the concern regarding a partner's integrity, the lower the willingness to rely on trust in dealing with this partner.*

*Hypothesis 3b: The higher the concern regarding a partner's reliability, the lower the willingness to rely on trust in dealing with this partner.*

*Hypothesis 3c: The higher the concern regarding the caring attitude of a partner, the lower the willingness to rely on trust in dealing with this partner.*

### **3.5. The Effect of Dependency**

How dependency between partners affects trust has been extensively discussed in the literature. From an economic perspective, dependency as derived from expected future business or “hostage taking,” is conducive to trust to the extent that the associated costs of cheating create an incentive for the partner to behave “fairly” (Ahmadjian and Oxley, 2005). Alvarez, Barney and Bosse (2003) found evidence that bargaining power over a business partner is associated with trust in that partner. More recently, however, Poppo, Zhou and Ryu (2008) found that the relationship between trust and dependency was more complex than previously considered. Their findings indicate that although the “shadow of the future” is more strongly associated to trust than the length of prior business relationships, the two (future and past) seem to interact to play a role in building trust between partners. Alternatively, dependency can trigger mistrust because the dominating partner might suspect the dependent one will be tempted to escape the situation or counteract it in an effort to re-balance the relationship (Peterson, 1993).

*Hypothesis 4: The higher the perceived dependency of the partner, the higher the WTRT*

### **3.6. Evidence and Third-party Information**

In our dynamic model of trust formation, two sets of information channels may provide input that would enhance or detract from an executive's willingness to rely on trust. These are direct and personal observations (evidence obtained from the interaction with the partner) and third-party information (external inputs, rumors or gossip) (Ariño et al., 2001). These sources of information can provide input of various types and affect either the prior assumption of integrity, reliability or caring regarding the other party. Given the higher reliability of direct experience,

*Hypothesis 5: Direct evidence has a greater impact on an executive's WTRT than third-party information or gossip.*

Earlier, we argued that the caring dimension of trustworthiness was considerably more difficult to stipulate within a contract than other dimensions. As a result,

*Hypothesis 6: Information (direct or indirect) on the caring dimension of trust has a greater impact on the willingness to rely on trust, relative to information on either of the other two dimensions (integrity and reliability).*

#### **4. RESEARCH DESIGN AND SAMPLE DATA EXPLORATION**

In order to test our model of the willingness to rely on trust and its antecedents, we designed a research process in which executives were presented with a specific business partnership proposal in a neutral setting. By placing individuals before a unique transaction, we wanted to limit any assumptions respondents might make regarding the geographic, economic or business context of the relationship about which they were being questioned. Thus, we expected that the respondents would express their “real” willingness to rely on trust as influenced by two sets of drivers: their own initial propensity to trust and their analysis of the deal’s context and terms. Furthermore, any assessment of subsequent events occurring through the interaction between the partners, or as a result of third-party information, would be judged solely through the individual’s own lenses as conditions were similar for all participants.

##### **4.1 Research Questionnaire: A Specific Business Partnership Proposition**

Our questionnaire describes a specific business partnership proposal made by one company to one of its suppliers and was based on an actual partnership involving two well-known international companies of undetermined nationality. The partnership proposal is presented in the form of a short case study that describes the requirements and the economics of the deal as well as the potential risks incurred by the focal firm. Respondents are then asked to place themselves in the position of the firm’s CEO and express their reactions to a number of statements regarding the terms under which they would enter the deal, and any concerns they may have regarding the partner’s compliance.

The questionnaire is divided into four sections and is designed to measure the respondents’ willingness to rely on trust, and their sensitivity to different dimensions of trustworthiness (concerns) and to a number of subsequent events (based either on the partner’s actions or on third-party information) that could affect their trust. Each section includes a number of statements that respondents have to rate on a 7-point Likert scale. The fourth section asks for data on the respondents’ demographic characteristics and that of their own company.

Section A contains a series of four statements (A1 through A4) regarding the contractual conditions under which the respondent would accept the client’s offer. These conditions are based on increasing

levels of contractual safeguards that might limit the risk exposure of the supplier (see Table 1), where A1 represents the lowest safeguard level and hence the higher propensity to rely on trust.

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*Insert Table 1 about here*  
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We selected two composite measures that synthesize the four As in order to obtain a dependent variable that measures the respondent's willingness to rely on trust (WTRT).

- The first measure ( $A^*$ ) is the weighted average of the respondents' values to each of the four statements on safeguards. Thus,  $A^* = 4A_1 + 3A_2 + 2A_3 + 1A_4$ . The decreasing weights (validated in section 4.3) were selected to reflect the gradually lower WTRT implied by the progressively increasing contractual safeguards involved in  $A_1$ ,  $A_2$ ,  $A_3$ , and  $A_4$ . Since each  $A_i$  takes on a value from 1 to 7, then  $10 \leq A^* \leq 70$ , with higher values representing a greater willingness to rely on trust.
- The second measure ( $\bar{A}$ ) represents the A level at which a respondent's judgment crosses the 7-point Likert scale median value of 4. The increments from A1 to A4 were broken down into a 9-point scale ranging from 0.5 to 4.5, in steps of 0.5. For example, a response of  $\{A_1, A_2, A_3, A_4\} = \{1, 3, 5, 7\}$  produces an equivalent score of 2.5 since the cross-over across the median 4 occurs between A2 and A3.  $\bar{A}$  has the same direction as  $A^*$ , i.e. higher values imply greater willingness to rely on trust.

Section B (see Table 2) comprises six statements regarding the concerns of the respondents relative to the trustworthiness of the partner firm. The six statements cover all potential meanings of trustworthiness: two deal with ethical issues (integrity), two with competence issues (reliability) and two with behavioral issues (caring/benevolence). The respondents were asked to specify how they would rate each of these statements, on a 7-point scale, from least to greatest concern.

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*Insert Table 2 about here*  
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Section C consists of a series of 37 statements where each one presents a piece of information that could, hypothetically, impact the level of trust in the partner. They include events occurring during the negotiation process, information about interactions during contract execution, and third party gossip, be it from individuals or reported in the media. These statements are designed to measure an executive's sensitivity to the three dimensions of trust (integrity, reliability and caring) and from two sources (direct and indirect). Respondents had to rate, on a 7-point scale, how much the given information would increase or decrease their confidence in the partner. The C statements were presented in a random order so as to make sure that the respondents were not influenced by the conceptual categories created by the researcher.



The last section of the survey contains a series of questions on the respondents' and their organizations' demographics such as age, nationality, languages, academic background, gender, religion, industry, size of organization, function, and seniority.

#### **4.2. Survey Sample: An International Group of Executives**

Respondents were tested in executive development seminars taught by two of the authors in the first half of this decade. Seminars participants were asked to read over the case study and fill out the 4-section questionnaire (typically overnight), and these were collected prior to case discussion. Each seminar yielded between 15 and 35 responses. The questionnaires were translated into Spanish and Chinese to optimize detailed understanding of the case study and questions, and back-translated for consistency.

These seminars, which took place in over a dozen countries, included executives whose average age was 38.4 years (with a standard deviation of 7.43). The respondents had an average of 5.83 years of university education ( $\delta = 2.34$ ), and an average seniority of 2.15 levels below the CEO of their organization (in a scale where the CEO = 0). The average company sales were US\$6,400 million ( $\delta =$  US\$24,300 million). Table 3 provides demographic data for the main countries in the sample.

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*Insert Table 3 about here*  
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Altogether 710 usable questionnaires were collected, of which 670 had fully completed sections A, B and C. These included responses from 38 nationalities, with the most represented countries being USA, China, Finland, and Chile. We acknowledge that our sample was not chosen randomly, yet it represents a very large number of individuals for this type of research and presents a considerable variety of nationality and other demographic factors.

#### **4.3 Data Exploration**

Descriptive statistics were obtained from our questionnaires for all measures of willingness to rely on trust and independent variables: 6 Bs, 37 Cs, and 17 Ds (demographic and company characteristics). A few demographic variables were excluded from the analysis because of large number of missing values or small frequency categories (e.g., graduate field of study). The correlations of both dependent variables,  $A^*$  and  $\bar{A}$ , with all independent variables are generally low; the corresponding initial scatter plots did not identify any curves allowing transformations for linearization. The demographic and company variables have generally smaller sample sizes (as low as 400 for Operating Unit Sales compared to over 689 for Bs or Cs) and lower correlations to  $A^*$ . In the presence of low overall correlation of the dependent to independent variables and lower response rates, we must be careful not to ignore these variables in model building as this may lead to lower predictive ability (confirmed in several earlier attempts). To enhance

the ability of some of these D (demographic) variables we coded them also as ordinal or dummy variables and kept both for the analyses, ensuring no multi-colinearity in any model. This insightful choice led us to unmask some more complex non-linear relationships as explained in the next section. We also examined for each variable the mean, coefficient of variation (standard deviation relatively to its mean), and skewness. Positive skewness implies generally decreasing frequencies for higher scale values (like an exponential pattern observed for  $A_1$ ), the opposite indicates a negative skewness (like a J-shape for  $A_4$ ), while skewness close to zero entails symmetry. Normality was statistically confirmed only for  $A^*$  out of all 66 variables.

Due to missing values in some  $A$ s from which  $A^*$  and  $\bar{A}$  are calculated, 10 responses were eliminated along with 39 others exhibiting non-monotonic patterns in  $A$  responses, reducing the sample size to 661. Seven multivariate outliers were identified via the Mahalanobis distance statistic that exceeded its chi-square distribution threshold at  $\alpha = 0.001$ , further reducing the sample size to 654 cases. All bi-variate correlations between  $A$ s (shown below in Table 4) are significantly different from zero at the 99% confidence level except  $A_4$  with  $A_2$  and  $\bar{A}$ . Note that  $A_4$ , which calls for the highest level of safeguards in the agreement, naturally exhibits very low correlation with either aggregate WTRT measure. Since  $A^*$  has considerably higher correlation to all four  $A$ s than  $\bar{A}$ , and is the only normally distributed variable in our dataset, it is likely to produce better models than  $\bar{A}$  (confirmed latter).

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*Insert Table 4 about here*  
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Principal component analysis (PCA) was performed on  $A_1$ ,  $A_2$ ,  $A_3$  and  $A_4$  in order to identify additional outliers of the WTRT components and corroborate the logical choice of weights used in computing  $A^*$ . PCA factor score confidence ellipsoid plots identified one outlier case at  $\alpha = 0.001$ , already documented by the Mahalanobis distance. The PCA grouped  $A_1$ ,  $A_2$  and  $A_3$  into factor 1 with loadings of 0.89, 0.74 and 0.72 respectively, and  $A_4$  into factor 2 with a loading of 0.89, further confirming the different nature of  $A_4$  from the other three  $A$ s. Table 5 below presents four possible sets of weights for computing  $A^*$  from the  $A_1$  to  $A_4$  values, based on several attempted scale transformations. The similarity in the four weight sets is evident, with the rounded ones being a logical compromise.

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*Insert Table 5 about here*  
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## 5. DATA ANALYSIS

With a better understanding of our data, we now proceed describing the two main multivariate statistical procedures used for model development.

## 5.1 Confirmatory Factor (Path) Analysis

The C-type independent variables (37) were grouped into six conceptual categories, as stated above, combining each of the three dimensions of trustworthiness with the two possible sources of information. An exploratory Principal Component Analysis with varimax rotation produced a grouping into eleven factors with Eigen values greater than one and loadings above 0.5 that accounted for about 60% of the total variance. Based on this, alternative constructs were explored via reliability analysis, leading to the following seven factors (Cronbach's Alpha and C Items shown) that match our initial conceptual categories from the literature review:

- 1) Partner's performance (0.656 with c41 c46 c47 c48 c49)
- 2) Behavior or attitude of partner's executives (0.674 with c51 c22 c23 c45)
- 3) Cultural proximity with partner's management (0.601 with c63 c52 c76 c64 c710)
- 4) Partner's reliability (0.513 with c43 c44 c62)
- 5) Partner's flexibility (0.568 with c71 c72)
- 6) Partner's transparency (0.521 with c78 c79)
- 7) Partner's operational goodwill (0.522 with c711 c712)

To these we added two single items that did not load into other factors but, nevertheless, appeared influential:

- 8) Partner's dependency on respondent's firm (c412), and
- 9) Partner's support, benevolence (c61).

The confirmatory factor analysis model (SPSS Amos 6.0) yields satisfactory results as indicated by its performance summary.<sup>1</sup> The only significant C-factor is Cultural Proximity (standardized regression weight 0.22, pval = 0.01), with Partner's Performance also marginally significant (standardized regression weight 0.13, pval = 0.10). The strongest correlations between C-factors are: Cultural Proximity with Goodwill (0.631), Performance with Executive Behavior (0.614), Reliability with Goodwill (0.596), and Cultural Proximity with Reliability (0.569), followed by eleven more pairs all significant at the 1% level.

The output of this path analysis model produced the confirmatory factor scores for F\_WTRT and each of the seven factors, which are then employed in the regression models. It should be noted that similar efforts were not successful in developing confirmatory factor scores for the six Bs, which are thus used as individual independent variables in the subsequent regressions.

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<sup>1</sup> Small ChSq = 445 relatively to df = 203, or ChSq/df = 0.926 (good since < 1); goodness of fit measures CFI = 0.926, IFI = 0.927, TLI = 0.90 – all in the high range (0.90); and standard error RMSE = 0.043 (good since < 0.05). Due to space limitations the Path Analysis Figure is not included, but it is available upon request.

## 5.2 Regression Analysis

We now examine the linear regression models identifying significant independent variables (Bs, C factors and demographics) as predictors of the dependent variables:  $A^*$ ,  $\bar{A}$ , and  $F\_WTRT$ . Early calibration runs allowed us to gain a better understanding of our data behavior and guided us in recoding some key demographic and company variables. Several regression models were tested, focusing on our independent variables, confirmatory factor scores, and data exploration insights. The best regression model results are discussed further in the next section.

Each un-standardized regression coefficient depicts the change in  $A^*$  (or  $\bar{A}$ ), in the presence of all other model variables, that would result from an increase of 1 unit in the independent variable. For example, in Model 1 of table 7a, executives in companies with the second largest operating unit sales ( $OpUnitSa\_5 = 200$  to  $999$  mil\$) score on average 7.698 fewer points (out of a maximum of 70) in their willingness to rely on trust than other executives. The most important variables are those with higher absolute value of standardized coefficient and lower p-value; i.e., those listed closer to the top in table 6a. The three models in table 7a fit well the respondents data as measured by reasonably high  $R^2_{adj}$  (0.339 to 0.372), all independent variables significant (all p-values  $< 0.05$ , except for two around 0.07), no multicollinearity (all VIFs  $< 2.5$ ), and reasonably behaving residuals having a bell-shape distribution and practically no autocorrelation (Durbin-Watson close to perfect at 2.0).

The hierarchical regression for the dependent variable  $WTRT$  factor scores shown in table 7b presents four sequential models of significant independent variables:

- 1) The control variables only (individual and organizational demographics);  $R^2_{adj} = 0.171$
- 2) Adding Bs;  $R^2_{adj} = 0.202$
- 3) Adding factor C scores;  $R^2_{adj} = 0.281$
- 4) A final model adding single C variables;  $R^2_{adj} = 0.306$ .

Note that step 3, adding C factor scores, produced the best improvement in  $R^2_{adj}$ . Also note that the significance of transaction oriented industry is weakened in the presence of Cs (worsening from pval about 0.01 to 0.09 – the only one above 0.05 in the final model).

Across all four regressions (the three models in table 7a and the last hierarchical in table 7b), the strongest predictors of trust, appearing in all four models with relatively high standardized coefficients and low p-values are: Factor FC3 (Cultural Proximity), B3 (Risk PI fails in new product launch), and the two organizational demographics, Operating Unit Sales and Company Total Sales (categories reflecting the curvilinear relationship discussed in the next section). These are followed by sensitivity to external information on partner's support (benevolence), masculinity score for nationality, respondent's education and industry background in terms of transaction/task orientation, and partner's transparency.

## 6. RESULTS AND DISCUSSION

### 6.1 The Role of Cultural Factors

Analysis of the individual A variables against several of the cultural variables revealed significant correlations at the 95% confidence level with nationality and number of languages claimed by respondents. A list of countries ordered by their willingness to rely on trust (average  $A^*$ ), along with their most significant counterparts identified via pair t-tests is shown on Table 6. Chinese and Singaporeans seem to exhibit more willingness to rely on trust than Europeans. Swedish and French appear to be most different from other countries, showing lower WTRT scores. This result is consistent with previous research that has shown differences in attitude towards trust between certain nationalities (Schoorman et al., 2007, and Zaheer & Zaheer, 2006).

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*Insert Table 6 about here*  
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In addition, Hofstede's (2001) "masculinity" score associated with the nationality of the respondents, shows as a significant independent variable in all three of our models of trust ( $A^*$ ,  $\bar{A}$ , and  $F\_WTRT$ ) in table 7a.

### 6.2 Regression Models

The four best regression models are shown in Table 7a and 7b. They depict consistent results while using the three different dependent variables ( $A^*$ ,  $\bar{A}$ , and  $F\_WTRT$ ), all of which behave in the same direction, higher the greater the willingness to rely on trust.

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*Insert Tables 7a & 7b about here*  
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We will comment on all four models concurrently, moving from the "top" variables in model 1 to the "bottom" variables in model 3 in table 7a, and then to the last hierarchical model in table 7b. Our results show, on the whole, that "demographic" variables (the background of respondent) play a substantial role in the determination of the willingness to rely on trust. On the other hand, our results do emphasize the weight of the "context" as we find several variables measuring the sensitivity to information (external or internal) affecting WTRT to be significant.

Cultural proximity, measured by a factor (FC3) composed of responses to the C vignettes that report evidence of similarity of background with the respondent (in terms of nationality, language, school as well as continuity of team), appears to be the most important variable influencing the willingness to rely

on trust. It carries the largest coefficient in two of the four models and very low p values. These results provide strong support to hypothesis (1b).

When it comes to the concept of trust, all three dimensions (integrity, reliability, benevolence) were found to be influencing the willingness to rely on trust. Reliability seems the most important in driving WTRT, but benevolence (or goodwill) is also present through two variables: sensitivity to partner's benevolence (C61), and sensitivity to partner's openness and transparency (factor FC6, which groups C78 and C79). Not surprisingly, the greater the respondents' concern with the risk that the partner (PI) may not succeed in the commercial launch of the new product (B3), the less they are willing to rely on trust and the more they demand safeguards. Concerns about integrity and fairness are also present among the independent variables, but to a lesser extent, since B2 (concern with potential opportunism of the client who could try to impose lower prices) is found only in the second model.

The size of the respondent's organization was captured at the corporate and business unit level. Size seems to matter on both levels, but the relationship is not linear – captured by their respective categories. Investigating the regression results, we uncovered an unexpected inverse pattern between these two levels, consistent across all three dependent variables  $A^*$ ,  $\tilde{A}$  and  $F\_WTRT$ . As shown in Figure 3, the relationship between willingness to rely on trust and operating/business unit sales (OpUnitSa) has a quadratic U shape (convex), with  $R^2 \simeq 0.80$  and a minimum at the third (\$30-70 million) category level (out of six). By contrast, company total sales (CoToSa) has a weak ( $R^2 \simeq 0.16$ ) inverse U shape (concave), with a maximum at the fourth (\$0.4-2.5 billion) category level. Furthermore, there is a significant but small upward trend in willingness to rely on trust for increasing operating unit sales, confirmed by both figure 2 and the regression models.

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*Insert Figure 2 about here*  
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Regression results indicate that respondents working for medium-sized companies (CoToSa\_4) exhibit higher willingness to rely on trust than those in large corporations (CoToSa\_5), and even more so than those from small companies (CoToSa\_2). A similar but inverse and more complex pattern is observed with regard to business unit (SBU) size; it must be interpreted in the presence of other variables in the model, as well as in light of the upward trend over increasing levels of OpUnitSa – as revealed by the small positive (\$0.029 thousand) but significant regression coefficient for operating unit sales. Respondents working for a very large SBU (OpUnitSa\_6) display higher willingness to rely on trust than those for a large (OpUnitSa\_5) or medium-sized SBU (OpUnitSa\_4). It should be noted that respondents from companies with very small total sales at either the company or SBU level, seem to exhibit a very high level of trust – confirmed by tabular comparison of the average trust by sales level (not by the regression models). Our hypotheses (1c and 1d) are supported because there are differences associated to

size of both company and operating unit, but our regression results do not capture clearly the curvilinear patterns suggested by the bivariate plots. Obviously more research is needed to confirm the existence of such a nonlinear relationship between WTRT and organization size as revealed in this study.<sup>2</sup>

The task-versus-transaction concept seems to yield intriguing results. It was captured through three “background” dimensions: education, industry and job function of the respondents.<sup>3</sup> All three dimensions are present in our four models. Respondents working for a transaction-oriented industry display on the average a higher willingness to rely on trust (4.20, 2.66 and 0.22 out of 70 in three of our models, respectively). Respondents working for an industry that was classified as being neither task nor transaction oriented, showed a lower willingness to rely on trust than other respondents (-0.28 in our second model). The positive coefficient associated with academic background orientation (OrientEd), a variable that gives the lowest score to the most task-oriented field of study, also suggests that a transaction orientation is associated with higher willingness to rely on trust, as confirmed by three of our models. Although these results contradict hypothesis 2, they suggest a clear and consistent pattern that merits additional discussion.

Finally, nationality shows up in our last regression model, with Nation4 (German citizens) as a significant independent variable for higher trust. This is consistent with the UN Value Survey which places Germany as a relatively “high-trust country” (Roth, 2009). However, the two studies differ substantially in scope. The UN Value Survey is based on a large scale survey of citizens from all walks of life, with a methodology which has been questioned (Miller & Mitamura, 2003), whereas our survey specifies trust in a narrow scope (within the context of this deal) and is focused on business executives.

### **6.3 Hypotheses Discussion**

Some of our results are somewhat consistent with the general proposition that “high trust” countries, e.g., China and Singapore, exhibit higher willingness to rely on trust, whereas others such as France, a “low trust” country, shows a lower WTRT. However, managers from Sweden (considered a “high trust” country in the UN World Values Survey, see Galland, 2002), appear as “suspicious” of the partner (low WTRT) as the French. However, German is the only nationality to be featured in our regression models. In general, given the evidence on table 6, we conclude that hypothesis 1a is supported by our findings.

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<sup>2</sup> In contrast with the good quadratic fit of SBU sales with WTRT, the regression results emphasize the impact of company level sales. One explanation is that the scatter plots depict only bivariate relationships as opposed to the impact of all variables in a regression model. Alternatively, the scatter plot for company sales shows that levels 1 and 4 are out of line with the remaining levels, confounding the results.

<sup>3</sup> The classification of each measure as either “task” or “transaction” oriented was carried out by asking seven colleagues in Europe and the United States to rate each item along a continuum from purely task oriented to purely transaction oriented. Various methodologies were employed to arrive at a weighted average rating for each item.

Our second hypothesis (1b), which assumes a link between cultural proximity and WTRT, receives strong support with the presence of factor FC3 in all four models, as stated earlier. These findings suggest that respondents who are more sensitive to cultural proximity (to the extent that it would increase their confidence in a business partner) are more willing to rely on trust, given the specific conditions of the deal.

Hypotheses 1c and 1d receive some support, but as discussed above, the relationship is non-linear and complex. Executives of medium-sized firms seem to have a higher willingness to rely on trust when compared with those employed in relatively smaller or larger firms. These results suggest a curvilinear relationship between company size and WTRT, with unusually high WTRT associated with respondents from very small companies. An opposite U-shaped pattern is observed in the scatter plots of trust vs. the size of the operating unit, partially reflected in the hierarchical regression model, most likely due to the underlying upward trend. As stated earlier, it seems obvious that organizational size does matter in terms of an executive's willingness to rely on trust in business partnerships, but additional research is required to verify the exact nature of this apparent nonlinear relationship.

Hypothesis 1e is not supported since it does not appear in any of our regression models. However, several of our earlier models (not reported here), prior to the use of factor scores, indicated that the level of WTRT was significantly associated with higher hierarchical levels in the organization. Thus, executives with greater experience and perspective appeared to be relatively more willing to enter into an agreement with lower safeguards. Again, more extensive work is necessary to confirm this tentative finding.

Hypothesis 2 is strongly contradicted by our regression models, with different variables pointing in the same direction, i.e., that transaction orientation, whether in terms of academic discipline or industry association, is related to a higher willingness to rely on trust. Job function, on the other hand, does not appear to be influential in any of these models. These findings appear counter-intuitive and against the logic developed by scholars such as Schoorman et al. 2007. Upon further reflection, we submit that experience may be the reason behind these results. Transaction-oriented individuals might know, by training or experience, that contracts and safeguards cannot by themselves insure a partnership's success, and serve mainly as rail-guard to the relationship, should it goes astray. Thus, they accept that trust is a critical ingredient of performance. Task-oriented individuals, on the other hand, because of their focus on specific outcomes, may be more inclined to rely on contractual safeguards.

Hypotheses 3a, 3b and 3c obtain considerable support from our models. Two "concerns" regarding the reliability (B3) and integrity (B2) dimensions of trustworthiness appear in the regression models with the right sign (higher levels of concern translate into lower levels of WTRT). The third dimension, benevolence or caring, is strongly present via the sensitivity of respondents to any evidence of the



partner's support to another supplier and transparency in negotiations (factor FC6), also with the right sign whereby more transparency inspires greater trust.

The first of our models points to a negative relation between perceived dependence (C412) and WTRT, contrary to hypothesis 4. This result is nevertheless interesting. Executives who are sensitive to the dependence of the client on the supplier display a lower willingness to rely on trust. This observation suggests that dependency might not be conducive to a more trust-based relationship (fewer safeguards) but, on the contrary, may lead to more safeguards to curtail the client's ability to escape a tight spot. This results contradicts the standard argument that dependency is conducive to trust and suggests the need to explore this issue further.

Two of the factors denoting direct information about the partner's sensitivity to cultural proximity and transparency (FC\_3 and FC\_6) carry substantially higher positive coefficients, hence greater influence on WTRT, than the two variables based on external/third party information (C61, C412). Thus hypothesis 5 can be said to be supported by the results.

Finally, hypothesis 6, does obtain substantial support since all the factors and variables (except for C412) that are linked to the willingness to rely on trust are associated with the "benevolence" dimension: cultural proximity, reputation of supportive attitude, and transparency. This third dimension of trust is arguably the most difficult to assess in a new partner as opposed to integrity and reliability. Benevolence is difficult to assess indirectly and requires time to emerge as the partnership encounters unforeseen challenges that put the partners "to the test."

In summary, both demographics (i.e., background of the executives) and context (i.e., partner's situation or attitude) seem to be of significant influence. Furthermore, when one considers the regression coefficients of the different variables, demographics and context variable seem to carry a comparable impact in determining the willingness to rely on trust.

## **7. CONCLUSIONS AND EXTENSIONS**

This paper explores the determinants of the willingness to rely on trust in inter-organizational ventures through a survey of a large sample of mid-level and senior executives from many countries around the world. Our analysis indicates that the notion of "high trust" countries (such as employed in the UN World Values Survey) does not correspond to a high willingness to rely on trust by their citizens when facing a specific business partnership, suggesting that such willingness to trust is also context-dependent rather than simply culturally driven. Whereas we support the widespread assumption that the willingness to rely on trust is determined to a large extent by personal traits and demographics factors – the so-called propensity to trust – our research suggests that factors other than nationality or gender, come

into play. Industry experience and academic background, as well as differences in the interpretation of trustworthiness (i.e., whether it concerns integrity, reliability or caring) are also important.

Regarding this last point, our data show that executives from different countries have different views on the relative importance of each of these dimensions. Figure 3 displays the coordinates of each national group of respondents on a triangle where their relative concerns for integrity, reliability and benevolence are plotted in terms of their “share” of the total. Integrity is plotted vertically and the relative importance of reliability vs. benevolence is plotted horizontally. As suggested by Zaheer and Zaheer (2006), the observed differences, significant for the most part, may be the result of underlying differences on the meaning of trust in different cultures. Among the 11 nationalities for which we had sufficient data, we observe, for instance, that Germans and Chileans pay the most attention to integrity relative to the other two dimensions, whereas UK citizens consider reliability as the most important concern, more so than any other nationality. Benevolence never seems to be a top concern in our results, yet Singaporeans appear to have the highest concerns of all respondents about the benevolent qualities of their partner.

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*Insert Figure 3 about here*  
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These initial results suggest that the concept of trust (in both propensity and meaning) will vary substantially across cultures causing additional challenges to international transactions. Further research is needed in this area to clarify the extent and significance of these differences across national and professional “cultures.”

We are also intrigued by the finding that the dichotomy “task vs. transaction orientation” yields robust results in one direction. Our data suggest that transaction-oriented backgrounds – in terms of industry experience and functional position, but not necessarily education – lead individuals to have a higher willingness to rely on trust and to expend more efforts for it to develop. It is possible that indeed task oriented individuals prefer clarity in the deals into which they enter and thus require greater specificity in contractual provisions, whereas transaction backgrounds give individuals confidence in their ability to extract value for themselves or their companies in a looser structure. We consider this an important finding that deserves further research and elaboration.

It appears from these results that both demography and context have similar claims on an individual’s willingness to rely on trust when facing a specific business partnership. Both aspects, however, are strongly dependent on the underlying interpretation of what aspects of trust are deemed more relevant or important. We have commented above on the variation of cultural influences. But context is also heavily tainted by evidence of benevolence and caring of the partner, and more so than other variables associated with integrity or reliability. The contrast with the national findings is both intriguing and exciting.

The pattern that seems to emerge is that the three dimensions of trustworthiness, which characterize the context of the partnership, do not play an equivalent role at a given point in the partnership. Benevolence appears to increase in prominence and influence as the partnership begins to unfold (the stage at which our case studies is situated), through a series of new developments and incidents, while the other two dimensions (integrity and reliability) might be more influential at earlier times in the relationships, e.g., during partner selection and assessment.

In closing we recognize that our research suffers from certain limitations. Our lengthy research instrument may have resulted in a number of incomplete responses and the loss of precious data. Second, the fact that all respondents were participants in programs taught by the researchers may have led to some unexplained biases. Finally, some of our findings fall short of leading to robust conclusions – most intriguing, a nonlinear relationship between organizational size and WTRT. We believe that many of the issues and questions that have emerged from this research may be better suited to experimental approaches, in more controlled circumstances. We hope to have motivated others to pursue such line of research as we ourselves intend to do in the future.

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**Table 1: Four Statements Regarding the Willingness to Rely on Trust**

<b>A1:</b>	You accept PI's request on its face value based on your past and continued relationship with that company. You do not place any specific conditions on them because you believe that PI has no interest or intention to take advantage of GEI.
<b>A2:</b>	You accept PI's request provided they commit contractually to make GEI the sole source for any subassemblies developed from this program for at least ten years.
<b>A3:</b>	You accept PI's request provided they commit contractually to: 1) make GEI the sole source for any subassemblies developed from this program for ten years; 2) establish some minimum purchase volumes; and 3) agree to a pricing formula for future deliveries.
<b>A4:</b>	You accept PI's request provided they commit contractually to: 1) make GEI the sole source for any subassemblies developed from this program for ten years; 2) establish some minimum purchase volumes; 3) agree to a pricing formula for future deliveries; and 4) undertake to fund at least 50% of any investment in additional plant facilities that the program may require in the future.

**Table 2: Six Statements Regarding the Meanings of Trust**

<b>B. AMONG THE MANY ISSUES AFFECTING YOUR WILLINGNESS TO ENTER INTO A PARTNERSHIP WITH PI, YOU WOULD CONSIDER THE FOLLOWING TO BE ONE OF THOSE CAUSING YOU THE LEAST / GREATEST CONCERN:</b>	<b>Expected Link with WTRT</b>
<b>B1:</b> The possibility that PI would abuse your intellectual property by calling in alternative suppliers once the subassembly is designed.	-
<b>B2:</b> The possibility that PI would take advantage of GEI once the subassembly is designed in order to impose lower prices.	-
<b>B3:</b> The possibility that PI would fail in their new product launch and that, as a result, GEI will not be able to recoup its investment in the product's design and in the additional manufacturing facilities.	-
<b>B4:</b> The possibility that PI might not have command of all the required technologies to develop the new product.	-
<b>B5:</b> The possibility that PI may not be willing to accept the design recommendations made by your engineering team, forcing constant delays on product design and manufacturing	-
<b>B6:</b> The possibility that PI's engineers would reject "Not Invented Here" technologies.	-



**Table 3: Demographics of Respondents**

Country of Nationality	Country Code	Respondents	Age		Gender Balance (% of men)	Number of Foreign Languages Declared		Number of Years of Education (at University Level)		Seniority (Number of levels from CEO)		Company Sales (in millions of USD)	
			Average	Std Dev.	% Men	Average	Std Dev.	Average	Std Dev.	Average	Std Dev.	Average	Std Dev.
<b>Chile</b>	1	56	33.9	4.91	91.8%	0.98	0.90	5.62	1.59	2.31	1.49	3,607	10,130
<b>USA</b>	2	167	41.6	7.21	77.7%	0.86	0.84	6.22	3.10	2.07	1.36	5,202	13,412
<b>UK</b>	3	21	38.6	6.54	90.9%	1.38	0.81	5.94	1.92	2.44	1.51	1,374	2,427
<b>Germany</b>	4	23	36.5	7.43	81.3%	1.91	0.75	6.33	2.65	2.28	1.02	7,419	9,704
<b>China</b>	10	85	35.3	6.16	82.7%	1.11	0.98	5.94	2.08	2.61	1.35	5,286	6,827
<b>France</b>	13	23	37.9	8.79	90.0%	0.57	0.66	5.52	1.44	3.06	1.47	4,712	11,979
<b>Argentina</b>	14	23	33.7	4.44	85.0%	1.09	1.08	5.14	1.11	2.90	1.55	2,986	2,647
<b>Sweden</b>	23	73	40.9	6.30	97.1%	1.15	0.99	5.73	2.26	1.48	1.00	9,783	31,369
<b>Finland</b>	25	87	41.8	7.25	77.0%	2.10	1.26	5.64	1.93	2.27	1.17	14,141	53,896
<b>Singapore</b>	28	33	32.1	6.02	87.9%	1.66	1.47	5.71	1.87	1.76	0.83	1,442	2,302
<b>Other Countries*</b>	Various	78	37.0	7.43	77.3%	1.97	0.98	5.73	2.27	1.83	1.04	4,485	9,995
<b>N/A</b>	N/A	43	40.6	8.34	85.7%	2.07	1.13	5.26	2.19	1.62	1.27	2,970	8,553
<b>ALL</b>		712	38.4	7.43	84.1%	1.36	1.11	5.85	2.34	2.15	1.29	6,405	24,531

**Table 4: Correlations between As**

	A <sub>1</sub>	A <sub>2</sub>	A <sub>3</sub>	A <sub>4</sub>	$\bar{A}$	A*
A <sub>1</sub>	1					
A <sub>2</sub>	0.55	1				
A <sub>3</sub>	0.21	0.50	1			
A <sub>4</sub>	-0.11	-0.03	0.25	1		
$\bar{A}$	0.74	0.76	0.53	0.01	1	
A*	0.82	0.86	0.62	0.13	0.87	1

*Shaded correlations are not significant at the  $\alpha=1\%$  level*

**Table 5: Possible Weights for Computing A\***

Contract Demands WTRT	A <sub>1</sub>	A <sub>2</sub>	A <sub>3</sub>	A <sub>4</sub>	Total
Average Response	2.56	3.96	5.06	5.26	16.84
Reflected Average Response	4.44	3.04	1.94	1.74	11.16
Reciprocal Average Response	0.39	0.25	0.20	0.19	1.03
Reflected Average Weight	39.78%	27.24%	17.38%	15.59%	100.00%
Reciprocal Average Weight	37.89%	24.50%	19.17%	18.44%	100.00%
PCA Variance % Explained	46.44%	29.53%	15.45%	8.58%	100.00%
Weight Used in A*	40%	30%	20%	10%	100.00%
Coefficient used in A*	4	3	2	1	10

**Table 7:**  
**Differences in the Willingness to Rely on Trust (A\*) by Nationality of Respondents**

Size	WTRT (A*)	Countries
33	43.9	Singapore (Finland, USA, Sweden, France ***; Chile, UK, Germany)
85	41.2	China (Finland, USA, Sweden, France ***)
56	38.8	Chile (Sweden ***, France **)
22	38.8	UK (Sweden ***, France **)
23	38.3	Germany (Sweden ***, France **)
23	37.1	Argentina (Sweden **, France *)
87	36.1	Finland (Sweden **, France *)
167	36.0	USA (Sweden **, France *)
73	32.2	Sweden
23	31.4	France

NOTE: Countries in parenthesis are statistically different from the first one mentioned in each row at respective levels of T-test significance: 0.1\*; 0.05\*\*; 0.01\*\*\*; the absence of \* indicates a lower level of significance observed.

**Table 7a: Regression Models 1-3 for Willingness to Rely on Trust (A\*,  $\bar{A}$  and F\_WTRT)**

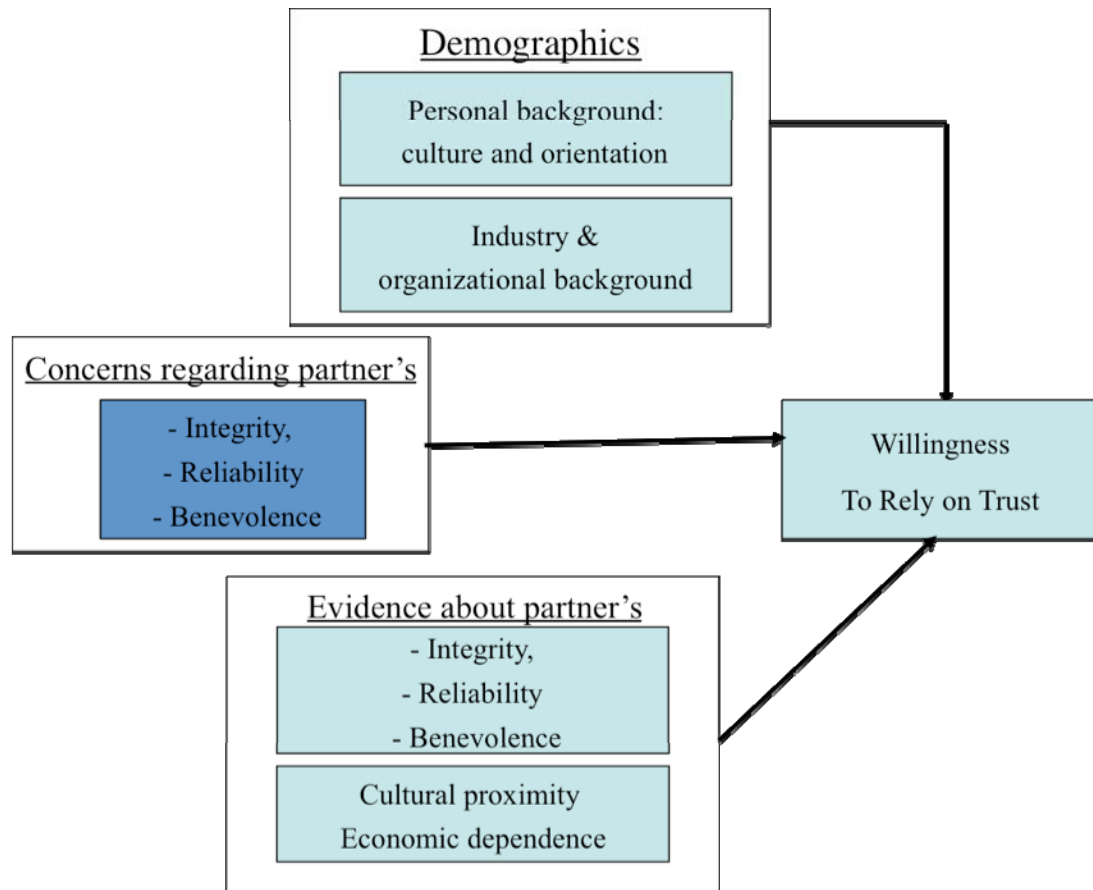
	<b>A* Model 1</b>			<b><math>\bar{A}</math> Model 2</b>			<b>Factor WTRT Model 3</b>		
<b>Independent Variable</b>	<b>B</b>	<b>Beta</b>	<b>Signif.</b>	<b>B</b>	<b>Beta</b>	<b>Signif.</b>	<b>B</b>	<b>Beta</b>	<b>Signif.</b>
(Constant)	40.711		0.000	3.139		0.000	-0.931		0.796
Opunitsa_5 (200 to 999 mil\$)	-7.698	-0.268	0.000	-0.648	-0.245	0.000	-6.919	-0.258	0.000
Opunitsa operating unit sales (\$thousand)				0.029	0.129	0.046			
Cotosa_2 (1= 25 to 99 mil\$, else 0)	-7.593	-0.238	0.000	-0.418	-0.142	0.031	-7.586	-0.254	0.000
Cotosa_4 (1= 0.4 to 2.5 bil\$, else 0)				0.395	0.159	0.015			
Cotosa_5 (1= 2.5 to 7.2 bil\$, else 0)							-3.028	-0.133	0.043
OrientEd (Low=Task, High=Transact)	0.451	0.119	0.069	0.071	0.202	0.002	0.550	0.155	0.015
Industry Transaction oriented (Yes=1, else 0)	4.203	0.173	0.010				2.659	0.117	0.078
Industry Balance oriented (Yes=1, else 0)				-0.281	-0.133	0.038			
Masculinity	0.088	0.152	0.022	0.011	0.199	0.003	0.095	0.176	0.007
B3 Risk PI fails in new product launch (reliability)	-2.029	-0.290	0.000	-0.139	-0.215	0.001	-1.673	-0.256	0.000
B2 Client opportunism imposing lower prices (integrity)				-0.106	-0.144	0.025			
FC3 Cultural Proximity with partner's management	8.886	0.278	0.000	0.857	0.291	0.000	8.718	0.292	0.000
FC6 Transparency of client	1.802	0.132	0.042	0.177	0.140	0.029	2.048	0.160	0.012
C61 Partner's support (Benevolence)	1.346	0.176	0.007	0.153	0.217	0.001	1.372	0.192	0.003
C412 (Competitors refused similar offer from PI)	-0.903	-0.117	0.076						
$R^2_{adj}$	0.339			0.372			0.367		
NOTE: B = Unstandardized Coefficient, Beta = Standardized Coefficient, P-value = Signif. Level									

**Table 7b: Hierarchical Regression Model 4 for Willingness to Rely on Trust (Factor of A\* and  $\bar{A}$ )**

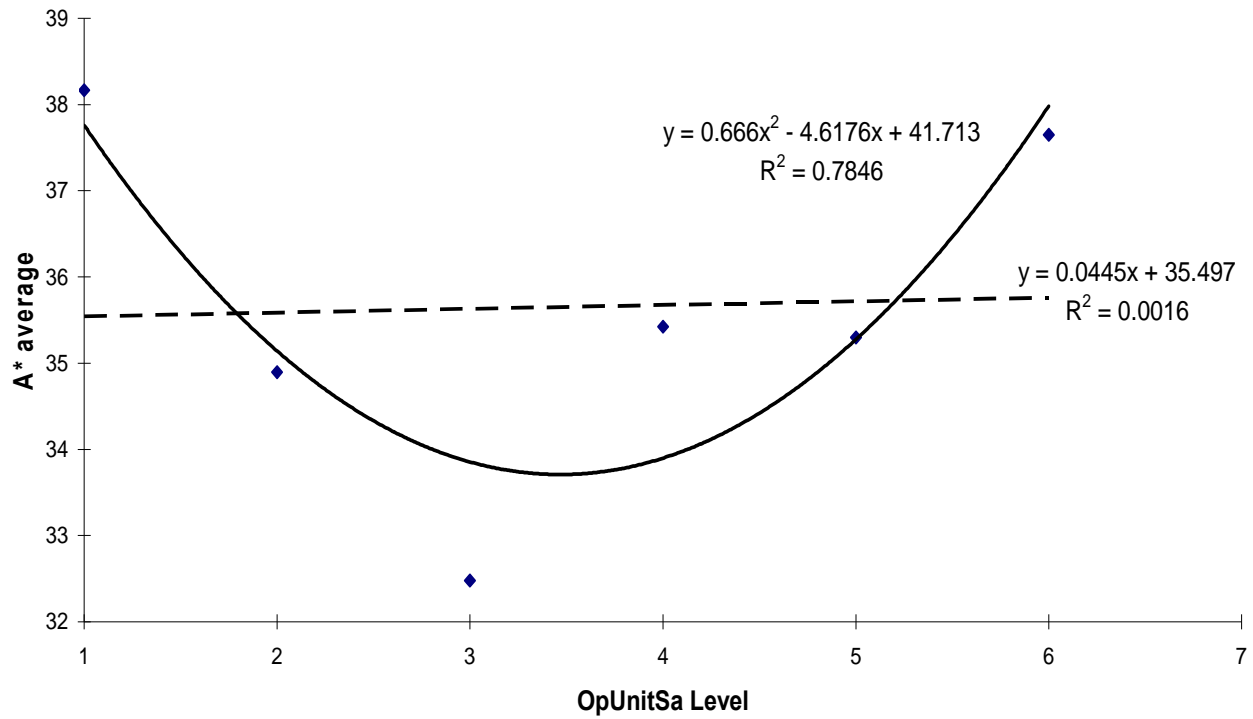
Level	Independent Variable	B	Beta	Signif.	R <sup>2</sup> <sub>adj</sub>	R <sup>2</sup> <sub>adj</sub> Change
1. Individual & Organizational Demographics	(Constant)	2.759		0.000		
	Industry Transaction oriented (Yes=1, else=0)	0.435	0.193	0.009		
	Nation4 (German=1, else=0)	0.803	0.175	0.015		
	Opunitsa_6 (over 1,000 mil\$ =1, else 0)	0.654	0.281	0.000		
	OrientEd (Low=Task, High=Transact)	0.057	0.165	0.020		
	Opunitsa_4 (71 to 199 mil\$ =1, else=0)	0.475	0.182	0.015		
	Cotosa_5 (1= 2.5 to 7.2 bil\$, else 0)	-0.342	-0.153	0.041	0.171	
2. Adding Bs	(Constant)	3.377		0.000		
	Industry Transaction oriented (Yes=1, else=0)	0.426	0.189	0.009		
	Nation4 (German=1, else=0)	0.745	0.163	0.022		
	Opunitsa_6 (over 1,000 mil\$ =1, else 0)	0.635	0.273	0.000		
	OrientEd (Low=Task, High=Transact)	0.058	0.167	0.017		
	Opunitsa_4 (71 to 199 mil\$ =1, else=0)	0.457	0.175	0.017		
	Cotosa_5 (1= 2.5 to 7.2 bil\$, else 0)	-0.308	-0.138	0.061		
	B3 Risk PI fails in new product launch (Yes=1, else=0)	-0.121	-0.188	0.007	0.202	0.031
3. Adding C Factors	(Constant)	3.480		0.000		
	Industry Transaction oriented (Yes=1, else=0)	0.264	0.117	0.094		
	Nation4 (German=1, else=0)	0.698	0.152	0.024		
	Opunitsa_6 (over 1,000 mil\$ =1, else 0)	0.646	0.277	0.000		
	OrientEd (Low=Task, High=Transact)	0.077	0.221	0.001		
	Opunitsa_4 (71 to 199 mil\$ =1, else=0)	0.396	0.152	0.029		
	Cotosa_5 (1= 2.5 to 7.2 bil\$, else 0)	-0.320	-0.143	0.042		
	B3 Risk PI fails in new product launch (Yes=1, else=0)	-0.108	-0.168	0.012		
	FC3_Cultural Proximity with partner's management	0.725	0.245	0.000		
	FC6_Transparency of client	0.198	0.157	0.019	0.281	0.079
4. Adding Single Cs	(Constant)	2.935		0.000		
	Industry Transaction oriented (Yes=1, else=0)	0.220	0.098	0.098		
	Nation4 (German=1, else=0)	0.584	0.127	0.057		
	Opunitsa_6 (over 1,000 mil\$ =1, else 0)	0.597	0.256	0.000		
	OrientEd (Low=Task, High=Transact)	0.076	0.219	0.001		
	Opunitsa_4 (71 to 199 mil\$ =1, else=0)	0.399	0.152	0.026		
	Cotosa_5 (1= 2.5 to 7.2 bil\$, else 0)	-0.324	-0.145	0.036		
	B3 Risk PI fails in new product launch (Yes=1, else=0)	-0.111	-0.172	0.009		
	FC3_Cultural Proximity with partner's management	0.711	0.241	0.000		
	FC6_Transparency of client	0.222	0.176	0.008		
	C61 Partner's support (Benevolence)	0.120	0.171	0.011	<b>0.306</b>	0.025

**Figure 1: A Model of the Willingness to Rely on Trust**

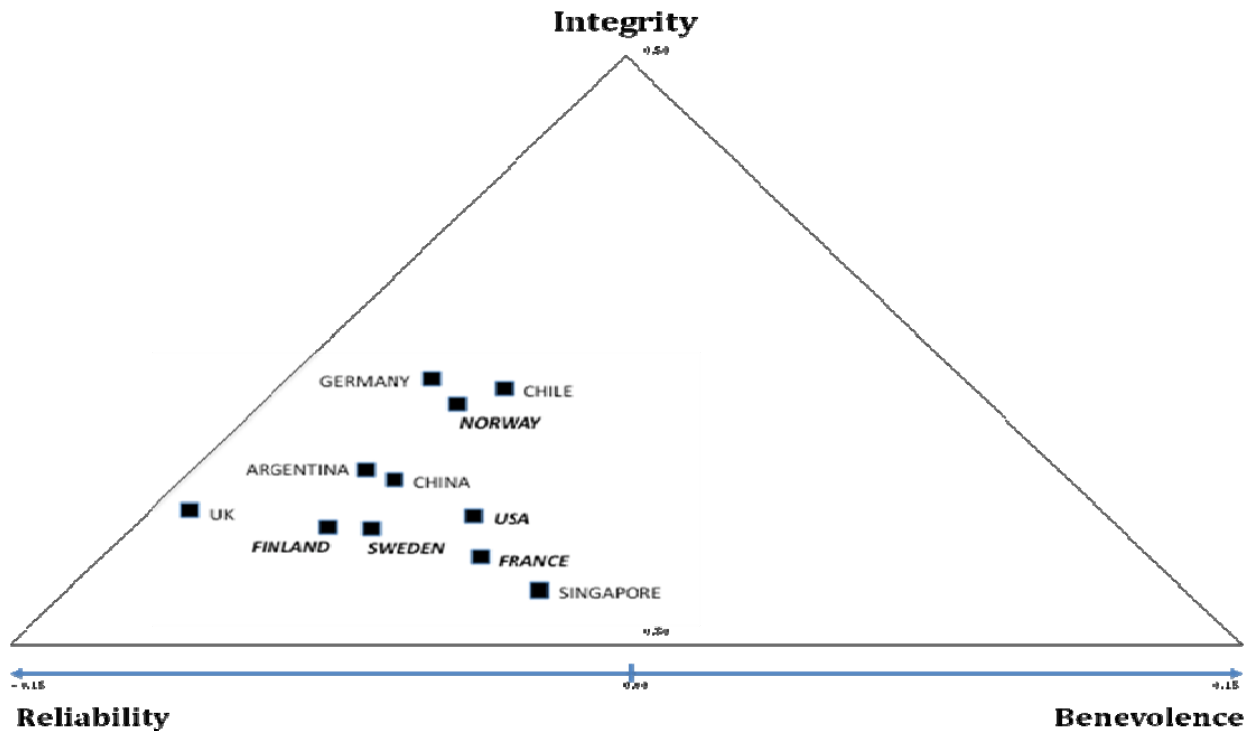
**Given a certain economic, technical and relational context, WTRT depends on**



**Figure 2: Trust A\* vs. Sales at Business Unit Level**



**Figure 3: Average Weighted Scores on 3 Dimensions of Trustworthiness by Nationality**



Countries in **BOLD ITALICS** are significant covariates (at 5% level) of all three measures of WTRT in a Multivariate Analysis of Covariance on the effects of each of the three dimension (corners of graph) and their interactions.



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<p>Nurse-To-Patient Ratios in Hospital Staffing: A Queueing Perspective</p> <p>Francis de Véricourt, ESMT Otis B. Jennings, Duke University</p>	08-005	Management and Technology





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