Institutional framework’s moderation of the effects of cultures fit on allies’ trust: Case of international alliances

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Abstract

This paper is an attempt to illuminate the effect of fit between allies’ cultures on their trust and to analyse the moderating role of institutional framework on this effect. A quantitative empirical analysis, adopting a hypothetico-deductive approach, was carried out in order to validate the causal model. The results, declined from a collected data by a survey distributed to 114 international alliances, evince that the cultural fit of allies influences positively the trust between themselves. Besides, they highlight the role of the institutional framework which moderates positively and reinforces the effect of the allies’ cultures compatibility on the trust between themselves. This can be explained by the fact that the rigour of the institutional framework represents for allies a guarantee of their tangible and intangible assets’ protection and collaboration.

Keywords: Organisational cultures fit, national cultures fit, intercultural intelligence, mistrust, goodwill.

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1. Introduction

Globalisation and increased investments needed to develop new products and keep margins in markets are pushing companies to alliances (Ouedraogo, 2003). Thus, to succeed an alliance and ensure its effectiveness, the partner selection must take into key factors, such as intercultural fit and relational capital. The cultures differences can affect the trust’s potential between allies.

Furthermore, to effectively deploy resources in a foreign country, partners must identify the differences between institutional environments of their countries and develop a strategy that goes with them (Gelbuda, Meyer & Delios, 2008). Institutional distance between countries plays an important role in achieving common strategic interests, transferring knowledge and determining cultural differences and performance. It can have a moderator effect on the causal relation between intercultural fit and trust. This study aims so to deepen cultural fit’s studies, to argue the moderator role of the institutional environment and to propose guidelines for a better partner choice, better alliances management and contract signature.

2. Alliances: strategy for common success

The alliance is a mutual, limited, progressive and reversible commitment between two or more partners to improve their performance and gain competitive advantage (Dodgson, 2018). It allows partners to maintain and improve their relative competitive positions (Rothaermel, 2015). It is a strategy that companies use to respond to various changes which increased customer needs and business complexity (Zaefarian, Thiesbrummel, Henneberg & Naude, 2017), to reinforce their competitive positioning, to supplement critical skills, to gain entry to new markets and to share the cost and risk of major development assignments (Rothaermel, 2015).

Companies rely on the alliance to fill in gaps in skills and to acquire other news (Zhang & Christmas, 1993). Partners form it in order to access additional resources, expertise, technologies and skills, to expand their operations in different markets, to share risks and costs (Filiou & Golesorkhi, 2014) like knowledge costs, to develop new products and technologies (Khanna, 2018). By the coalition, they expect to become stronger than competitors with a strategic gain (Hamel, Doz & Prahalad, 1989).

In sum, several factors are responsible for the formation of alliances. They can be classified into two types according to Rigamonti (2006). The first type includes internal factors and refers to the idea that the company may not achieve its objectives by resources’ lack (Evans, 2001; Zhao, 2014). An alliance allows partners to access resources and capabilities that they do not have and to use them as part of the covenant (Eisenhardt & Schoonhoven, 1996). The second type includes external factors since, to achieve its objectives, the organisation is subject to the pressure of external forces such as government regulation, barriers to entry, technology, globalisation, penetration and development of new markets (Evans, 2001). The macro-economic environment and the level of the competition and the demand have an impact on alliances formation and partner selection (Isik, Arditi, Dilmen & Birgonul, 2010).

3. Cultures differences and intercultural fit in international alliances

It becomes imperative for enterprises to develop the ability to distinguish cultural differences and to adapt their negotiation styles to the cultural contingencies they face (Caputo, Ayoko, Amoo & Menke, 2019). There is no doubt that cultural differences exist and work as barriers in international business environment and that the biggest discussion is how to eliminate them (Feldberga & Grike, 2015). Generally, these cultural differences of international allies can create managerial difficulties and lead to failure (Ivanova & Torkkeli, 2013; cited in Fellows & Lui, 2016). Even if alliance negotiators are aware of the cultural challenge, they may find it difficult to break cultural barriers due to differences in language, communication and decision-making between cultures (Kumar, 2014).
difference in the application of cultural patterns and communication styles can lead to misunderstandings and problems in business interactions (Ivanova & Torkkeli, 2013, cited in Fellows & Lui, 2016).

However, it is important to note that the difference between cultures can be beneficial to the extent that there may be frequent communication and closer cooperation. It should not be considered as a disadvantage insofar cross-border and culturally distant partners can complete a fit through cultural complementarities (Gibson & Marcoulides, 1995; Mittal, 2010). Several studies argue the importance of the cultural fit among allies since it is one of the most important factors of the alliances' performance and the trust between allies (Kobernyuk, Stiles & Ellson, 2014, Sirmon & Lane, 2004). This fit enhances partners’ relationships in terms of efficiency, commitment, reciprocity and mutual trust (Filiou & Golesorkhi, 2014; Gomez-Mejia & Palich, 2015; Kumar, 2014; Lopez-Duart, Vidal-Suarez & Gonzalez-Diaz, 2015; Mittal, 2010).

In addition, the cultural fit represents a situation where the cultural congruence between two or more partners has an added value for their relationship in terms of effective communication, mutual trust, commitment, reciprocity, caring and learning (Mittal, 2010).

3.1. Fit of national and organisational cultures

There is a wide recognition of the national culture importance in the training of managerial behaviour and dynamics of alliances (Das & Kumar, 2009; cited by Fellows & Lui, 2016). However, organisational culture has received relatively little attention compared to the national one (Gomez-Mejia & Palich, 2015). It is clear that national and organisational cultures are different constructs and the second is embedded in the first (Fellows and Liu, 2016; Mittal, 2010).

Organisational culture has more impact on the allies’ relational quality and alliance success than the national one. Its degree of rootedness in the national culture has an influence on the level of cultural fit (Mittal, 2010). The fit between the organisational cultures and the capabilities of the partners affects their ability and the synergistic potential of the alliance (Das & Kumar, 2010; Seymen, 2006). Besides, managers have significant cultural differences in their managerial interactions (Das & Kumar, 2010; Fellows & Liu, 2015). Their interdependence must be recognised to comfort behaviours that reinforce performance and adaptation to the differences of national and organisational cultures (Fellows & Liu, 2015). Work units perform better when management practices are compatible with national culture (Mittal, 2010).

The diversity of organisational cultures affects the sense of identity of the employees and the perception of the other. Differences in management styles, organisational attitudes, behavioural characteristics and communication styles may be related to organisational culture. Companies, with dissimilar organisational cultures, spend more time and energy establishing mutually consistent practices and routines. This generates higher costs and more mistrust than those with similar organisational cultures (Seymen, 2006).

Several studies posit that organisational culture is one of the most important factors of the alliances' performance (Kobernyuk et al., 2014; Sirmon & Lane, 2004). When organisational cultures have different styles, values and philosophies that are not compatible, they can drift into a culture shock (Kobernyuk et al., 2014). Failure to share vision and/or culture can inhibit the effectiveness of inter-organisational relationships (Boddy et al., 2000; cited by Rajaguru & Matanda, 2013). Besides, if the organisational cultures are different, it will be difficult for the partners to achieve common goals and their relationship might fail. The difference in the application of cultural patterns and communication styles can lead to misunderstandings and problems in the interactions of business (Ivanova & Torkkeli, 2013; cited by Fellows & Lui, 2015; Mittal, 2010).
3.2. Communicative cultures fit

Culture is communication and vice versa (Zakaria, 2000; quoted by Seymen, 2006). When communication is continuous, it ensures the synchronisation of allies’ operations and reduces the uncertainty associated with the cooperation (Moore, 1998). Allies who intend to create new products have a strong orientation to conduct open communication in the alliance and the greatest potential to be clearly cooperative about the needed knowledge to achieve the common goals (Carlson, Frankwick & Cumiskey, 2011).

As a result, communication has a positive impact on alliance’s efficiency, trust and commitment and can generate creative abilities with additional value (Moore, 1998). Communicate accurately in the right time reduces information asymmetries between partners that can hinder their ability to work together. This helps them to identify opportunities for value creation (Schreiner, Kale & Corsten, 2009).

Fluid communication is also imperative for resolving conflicts, for deciding and achieving the goals of the alliance. The quality of the communication among partners shows the ability to manage and to maintain the quality of closer relationships. Indeed, the conditions for effective communication consist of: cooperation, collaboration, commitment, frequency of informal interactions between members and trust (Daraskeviciute-Raginiene & Savaneviciene, 2011). Through open and honest communication, partners can better understand the obligations of the commitment to the alliance and to recognise the need to adapt them when circumstances change. Open and honest communication between allies demonstrates also their credibility and reliability (Schreiner et al., 2009). The information exchange is a motivation for the commitment and a way to increase the mutual trust between allies.

3.3. Intercultural intelligence/intercultural competence

The intercultural fit in international alliances can be ensured by creating a third coherent and unique culture that combines the different elements of the partners and incorporates cognitive diversity (Rodriguez, 2005). Among the skills necessary for the development of intercultural competence, or intercultural intelligence, we can identify: a productive and a constructive dialogue, the sense of cooperation and the ability to design and to communicate relevant representations (Meier, 2008).

Allies need to develop intercultural competence to succeed their alliance. Only culturally competent businesses will know which culture and skills are needed to work effectively with a different ethical group. The teams’ cultural diversity can be a factor of adaptability and creativity. Nevertheless, it can make the common work problematic (Zolkos, 2005). Intercultural fit is assured when there is a cooperative culture among allies (Cummings & Holmberg, 2012). In international alliances, it can be achieved by creating a third coherent and unique culture which combines the various elements of the partners and incorporates cognitive diversity (Rodriguez, 2005). It is also the ability to know how to analyse, to manage and to promote different cultures and to align them towards the corporate goals (Meier, 2008).

So, with internationalisation and globalisation, a need for highly mobile employees seems to be very important. Leaders are increasingly driving multicultural team employees from diverse nations and cultures (Dimitrijevic, Starcevic & Marjanović, 2019; Henriette, 2005) and they need to develop complementary skills. Thus, the notion of intercultural competence appeared (Laine, 2004, cited in Henriette, 2005). With increased opportunities to experience cultural diversity and to be involved in intercultural communication, it has become apparent that people are differently able to handle such interactions. This requires, therefore, the need to scientifically capture, to understand and to predict individual differences in what has been called intercultural competence or intercultural effectiveness.
The concept of cultural intelligence is considered as an important factor for management and organisation studies (Triandis, 2006; cited in Caputo et al., 2018). To date, it has been studied across various domains like team work (Adair et al., 2013; cited in Caputo et al., 2018), knowledge management and conflict management. In a multi-cultural situation, an individual with high cultural intelligence is able to better understand cultural differences and, thereupon, to adapt the behaviour to ‘fit in’ with these different values, norms and beliefs (Caputo et al., 2018). When allies’ cultures are compatibles, they can develop an intense trust between themselves (Evangelista & Hau, 2009; Filiou & Golesorkhi, 2014; Meier, Lutkewitte, Mellewigt & Decker 2016).

4. Inter-organisational trust

The inter-organisational trust has an important role. An atmosphere of trust between allies allows cooperation to last longer and provides the best solutions for problems that suddenly arise (Benavides-Espinosa & Ribeiro-Soriano, 2014). It is the belief in the partner’s future loyalty (Blanchot, 2007). Cummings and Holmberg (2009) presented it as a result of social networks and organisational and cultural similarities. It can be defined and measured by the partner’s credibility and benevolence (Jiang, Jiang, Cai & Liu, 2015; Savaneviene et al., 2011). These are also called, respectively, confidence in skills or trustworthiness (Paik, 2005) and beneficence (Cullen, Johnson & Sakano, 2000) or goodwill. Trust in skills, in other words credibility, emphasises the objective credibility of the partner in the alliance where a written statement can be invoked.

As for benevolence or goodwill, it refers to the fact that the company is undeniably interested in the well-being of its ally and motivated to seek common gains (Daraskeviciute-Raginiene & Savaneviciene, 2011). It describes the belief that the partner is willing to provide the resources needed to make a successful alliance, or if he or she will rather be opportunistic (Das & Teng, 2001; Gulati, 1995).

Trustworthiness refers to good faith, good intentions and the integrity of the partner. The question is whether it has a reputation for treating equitably and for ensuring the well-being of other companies in the strategic alliance (Das & Teng, 2001; Patzelt & Shepherd, 2008). This can, therefore, curb opportunistic behaviour (Gulati, 1995; Jiang et al., 2015, Silva, Bradley & Sousa, 2012). With trust, the partners behave reliably and credibly and deliver products according to the promised resources and expertise. Thus, it can reduce the transaction cost, the need for negotiation and monitoring (Chen & Li, 2008; Jiang et al., 2015; Silva et al., 2012).

In social and relational exchange theory, trust is introduced as a convenience for allies that can result in cost savings (Rahman, 2007). It ensures that cost gains through relational contracts will be translated into alliance performance and trust (Jiang et al., 2015; Rahman, 2007). Silva et al. (2012) state that trust among allies increases their satisfaction, which is reflected in their perception of performance and improves the performance of alliances in terms of both financial and non-financial aspects. Nevertheless, could these relations between the intercultural fit of the allies and the trust between them be moderated by the institutional framework?

5. Institutional environment

To effectively deploy resources in a foreign country, partners must identify the differences between institutional environments of their countries and develop a strategy that goes with them (Gelbuda, 2008). Institutional distance between countries plays an important role in achieving common strategic interests, transferring knowledge and determining cultural differences and performance (Pogrebnyakov & Maitland, 2011). It can have a moderator effect. Thus, to succeed an alliance and to ensure its effectiveness, the partner selection must take into key factors. For example, to forge an alliance with a foreign partner, companies must consider the institutional environment of the country.
and the legal provisions of the contract to sign. The institutional environment is critical for activity and organisational behaviour (Gelbuda, 2008).

Differences in institutional environments or institutional distance between partners can have a significant influence on the shareholding equity (Hernandez & Nieto, 2015). They determine exchange, sharing of knowledge and learning in alliances. Market liberalisation can strengthen the aspects of national institutions through time, stimulate innovation, promote entrepreneurial ideology and encourage local capacity to learn (Filiou & Golesorkhi, 2014; Ho and Wang, 2014).

Institutional distance between allies’ countries plays an important role in achieving the common strategic interests, the knowledge transfer between them, the determination of cultural differences and the performance of their investments. This is largely the result of the differentiation of these countries not only from the point of view of economic structures and income level, but above all cultures. Various contractual characteristics can stem from asymmetric information and opportunism. They include various agreements concerning trade unions, security, etc. (Li & Zahra, 2012). So they can influence the values and cultures of allies. A strong institutional framework can improve fostering trust and commitment among allies. So, we suppose that it can moderates the effects of cultures fit on the allies’ trust. The research’s model is presented as below:

![Theoretical model](image)

**Figure 1. Theoretical model**

### 6. Empirical methodology and results

To study these effects, a quantitative study was conducted using a questionnaire that was administered to a sample of 114 companies have formed international alliances with foreign firm(s) from European countries, Asia, Latin America and the USA. They are operating in the industrial sector and the service sector particularly in technology services. The questions are quantified by Likert scales five points from completely disagree to strongly agree. For the treatment of data, various methods and software for data analysis (SPSS and AMOS) are mobilised.

#### 6.1. Exploratory analysis

The Principal components Analysis of the variable ‘cultures fit’ shows a limit value of KMO equal to 0.5 and allows obtaining an acceptable factor solution. Bartlett’s test is significant at the 1% risk. The PCA shows that the culture consists of two components: the first presents a percentage of explained variance equal to 42.745%. The items, making up this axis, are related to the compatibility of national values and philosophies of allies. They have a good quality of representation superior to 0.5 and the Cronbach’s alpha value is equal to 0.705. The second is represented by a single element linked to the compatibility of allies' organisational goals and explains 33.377% of the variance.

The PCA of ‘trust’ shows a KMO equal to 0.538 and can retain two axes, namely, the first is the trust of benevolence and the second is the risk of confidence, qualified yet as mistrust between the allies. These two axes enable the selection of 84.701% of the information. The benevolence dimension is reliable because the value of alpha Cronbach is greater than 0.7. Similarly, the risk of confidence or mistrust is very reliable and alpha is equal to 0.905. Bartlett’s test is significant at 1%.
The measuring scale of institutional framework has been purified. The item related to legal
dependence of allies was eliminated for its low representation quality. The PCA shows that this
variable is uni-dimensional and allows obtaining a factorial solution with a single axis explains 75.727% of the total variance. Bartlett’s test is significant at 1%. The values of KMO and Cronbach’s alpha are, respectively, equal to 0.876 and 0.906.

6.2. Confirmatory analyses

The results of confirmatory analyses are presented in Table 1:

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Rhô Joreskog</th>
<th>Rhô convergent validity</th>
<th>Discriminant Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>National cultures and visions of partners</td>
<td>0.732</td>
<td>0.583</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Communication</td>
<td>0.983</td>
<td>0.949</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Trust of confidence</td>
<td>0.764</td>
<td>0.619</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Mistrust</td>
<td>0.901</td>
<td>0.819</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

The compatibility of organisational cultures is presented by one item. For this reason, convergent and discriminate validities are not treated.

6.3. Adjustment model quality and hypothesis’ tests

The adjustment’s quality of causal models have been evaluated and verified by a series of indexes provided by the AMOS software. We note that the model has a good fit. Residues RMR and RMSEA are below the threshold of 0.1 which confirm the adequacy of the causal model CM between intercultural fit and allies’ trust. All other conditions are satisfied. They are presented in Table 2:

<table>
<thead>
<tr>
<th>Indices</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
<th>RMR</th>
<th>NFI</th>
<th>TLI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CM</td>
<td>0.761</td>
<td>0.724</td>
<td>0.071</td>
<td>0.078</td>
<td>0.766</td>
<td>0.791</td>
<td>0.793</td>
</tr>
</tbody>
</table>

We noted that the model has a good fit. Residues RMR and RMSEA is below the threshold of 0.1. GFI, TLI, CFI and AFM are greater than or equal to 0.9. The results of the hypothesis’ model test validate the two assumptions according to which cultural fit influences allies’ trust in one hand, and in other hand, the institutional framework moderates this effect.

7. Discussion

The results prove that trust’s feeling between allies, which is important for the international alliances’ success, is positively affected by the compatibility of their cultures. Cultural differences
should not be considered as a disadvantage. Their complementarity improves partner relationships in terms of reciprocity and mutual trust (Filiou & Golesorkhi 2014; Gomes et al., 2014; Kumar, 2014, Lopez-Duart et al., 2015; Mittal, 2010).

The results show that fit between organisational cultures, in terms of social values, organisational objectives and visions of international allies improves and reinforces positively their goodwill, in other words, their confidence of benevolence. However, having different organisational cultures does not affect or develop mistrust between allies. This later is build up by incompatibilities between national cultures and values. Furthermore, even the allies realise national cultures fit, this does not prove the development of the goodwill between them in business context and alliance’s management.

This paper highlights also the role of the institutional framework which moderates positively and reinforces the effect of the compatibility of allies’ national cultures on the mistrust between themselves. It reinforces this negative effect by the national values fit. This can be explained by the fact that the rigor of the institutional framework represents for the allies a guarantee of their tangible and intangible assets’ protection and collaboration. It exercises also a negative moderation of the positive effect of organisational cultures fit on Goodwill. Surely, it reduces this effect since it goes against trust and limits it.

As to communicative cultures fit and unlike Moore (1998), a fluid communication does not develop or affect trust between allies. So, these later do not have to aim frequent communication to improve trust between them. This shows that even there is frequent communication, trust among the allies is not reinforced and mistrust between them is not diminished. They remain insensitive. Inciting fluid communication is not an explicative factor of trust. So, it is possible that allies hold a frequent communication between them while remaining suspicious of each other.

Accordingly, companies must choose the partner on the base of national and organisational values and on the rigour of institutional framework which is a moderator factor. They must ensure organisational cultures and values to reinforce trust and goodwill. Besides, they have to resort laws and to define the contract clauses without exceeding to not mitigate the positive relation between organisational values and goodwill.

References


