

Causal Attribution for Interfirm Contract Violation: A Comparative Study of Chinese and American Commercial Arbitrators

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In this study, the authors examined differences between Chinese and American commercial arbitrators. They predicted and found that Chinese arbitrators make higher awards for interfirm contract violations than Americans. This difference is partially explained by differences in attributions. Prior theory suggests, and the authors found, that the Chinese tend to have more internal attributions for events when observing group actions. When evidence provided to arbitrators is mixed (evidence is provided for both internal and external attributions), Chinese–American differences in awards become even stronger.

Keywords: ambiguity, arbitration, attribution, Chinese, culture

Arbitration is an important form of third-party dispute resolution that has appeared increasingly in business and employment contracts. Studies have indicated that arbitrators' decisions can be affected by many factors, such as the gender of the grievant (e.g., Bingham & Mesch, 2000) or the age and experience of the arbitrator (Bemmel, 1991). Yet no one, to our knowledge, has studied how arbitrators from non-Western countries respond differently. This is an important gap because, with globalization, business practices that had been more common in the West—such as arbitration—are now spreading to other countries. Within China, in particular, the total number of international arbitration cases has increased from 203 in 1990 to 958 in 2005 (China International Economic and Trade Arbitration Commission, 2005). Moreover, arbitrators from many different countries are now included on arbitration panels in places such as Hong Kong and Singapore. It is important to know whether arbitrators from different cultural backgrounds solve cases in the same way.

In this study, we examined arbitrator decision making by comparing American and Chinese arbitrators, using a scenario research

method (as used, e.g., in Bemmel, 1991). We drew on a growing body of literature showing East–West differences in attribution. Although this literature is extensive (Choi, Nisbett, & Norenzayan, 1999), it is also limited in that most studies were done with college students, not employed adults. We tested whether prior findings could be extended to real-world arbitrators. We should note that the rules for commercial arbitration in the United States and China are roughly similar. Although there are differences in terms of court enforcement of arbitration awards (it is not as certain in China as in the United States; Peerenboom, 2001), the basic guidelines are similar, with rules requiring lack of bias, suggestions for how evidence is submitted, and so forth (Mo, 2001).

We draw on a *dynamic constructivist* view of culture (Morris & Fu, 2001). In this view, culture is not a unified worldview but, rather, is a “loose network of domain-specific knowledge structures, such as categories and implicit theories” (Hong, Morris, Chiu, & Benet-Martínez, 2000, p. 710) that are activated in different ways on the basis of the situation. Thus, we considered not just general cultural tendencies of arbitrators but also how those tendencies are affected by whether the observed actor is an individual or a group and by the degree of pressure faced by those arbitrators. Adopting the dynamic constructivist view of culture, we examined patterns of differences between Chinese and American arbitrators making award decisions in contract violation cases.

Theory

Arbitrators have some leeway in determining the awards they make. One factor that should affect those awards is arbitrator perceptions of how responsible each party is for any problem that has occurred.

Determining Responsibility: Attribution in Arbitration

Attribution theory explains how people interpret and respond to what happens to themselves and others. Using information at hand,

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people usually first interpret what causes outcomes, and then they react to the outcome on the basis of those causal judgments (Kelley & Michela, 1980). Many studies have confirmed that people engage in the attribution process when making decisions, such as when leaders evaluate subordinates' performance (Dobbins, 1985; Knowlton & Mitchell, 1980), when employees respond to a coworker's performance (e.g., Struthers, Miller, Boudens, & Briggs, 2001), and when labor arbitrators make decisions (Bemmel, 1991).

Although arbitrators would like us to believe that all their decisions are "objective" and based purely on law, we can expect that arbitrators are influenced by attribution processes. Bemmel (1991) argued that, although attribution does not apply in discipline arbitration cases in which the main question is whether an infraction did or did not occur, it does apply in (the more typical) cases in which the question is what penalty to apply to the employee with the infraction. In such cases, the key question facing an arbitrator is the extent to which the employee is responsible for what occurred. If one attributes the employee's behavior to the individual, then the employee should be punished; if one attributes the employee's behavior to the environment, then it is not appropriate to punish the employee. Bemmel found, in line with Kelley's (1967, 1973) theory, that discipline arbitrators upheld stronger penalties for an employee if that employee was shown to have acted the same way in the same situation before (high consistency), if that employee was shown to have acted the same way in other situations (low distinctiveness), or if other employees were shown not to act the same way in this situation (low consensus).

Bemmel's (1991) study focused on labor arbitrators making decisions about individual employees' actions; yet, we can also expect that attribution will influence commercial arbitrators who have to make judgments about the actions of organizations. In this case, the kind of negative behavior being observed is typically a real or perceived violation of some terms of a contract between two parties. If such a violation is shown to be attributed to the organization accused of the violation (internal attribution), arbitrators should make higher awards to the aggrieved party; if such a violation is shown to be attributed to some factor outside of the organization's control (external attribution), arbitrators should make lower awards to the aggrieved party.

Hypothesis 1: When commercial arbitrators make award decisions in response to contract violation claims, those awards will be higher when they attribute the contract violation to causes internal to the accused party.

East–West Differences in Attribution

Although early research on attribution presumed universality in attribution processes, recent work has shown that, given the same information about people's behavior, observers from different cultures may give different explanations for those behaviors. There are two streams of findings comparing people in Asia with those in the West. The first relates to attributions about the behaviors of individuals. The second relates to attributions about groups.

Americans tend to make more dispositional attributions about individual behaviors, whereas Asians tend to make more situational or contextual attributions about individual behaviors. Schweder and Bourne (1982) found that, compared with Ameri-

cans, Hindu Indians tended to use more context-centered descriptions when they described their acquaintances, and Miller (1984) found that Indians used situational attributions more than Americans, whereas Americans gave dispositional attributions more than Indians. More recently, Morris and Peng (1994) found that Chinese students made more situational attributions, whereas American students made more dispositional attributions.

These results, however, are reversed when considering attributions about groups. Menon, Morris, Chiu, and Hong (1999) argued that people differ in their implicit theories of *agency*, that is, who or what controls behavior in situations. In some cultures (those in the West), it is the individual that has agency, as the group is merely the context within which individuals act. In some cultures (those in the East), it is the group that has agency. In Asian cultures, individual agency is constrained by family roles and social rules so that there is less individual "innovation and improvisation" (Morris, Menon, & Ames, 2001). Menon et al. (1999) showed that, when describing several well-known business scandals, American newspapers referred more to the individual involved in each scandal, whereas Japanese newspapers referred more to the institution, implying a focus on the group rather than the individual as agent for the Japanese. They also showed subjects from the United States and Hong Kong three vignettes in which either an individual or a group was described to be acting in inequitable ways. In line with their expectations, whereas Americans made stronger dispositional attributions than Chinese when observing individual actors, Chinese made stronger dispositional attributions than Americans when observing group actors. In sum, Menon et al. reported, "the relative reluctance among East Asian perceivers to make dispositional attributions for acts by individuals does not extend to acts by groups" (p. 714).

In the world of commercial arbitration, the actor is typically an organization, not an individual. Therefore, for commercial arbitrators, we would expect Chinese arbitrators to be more likely to make internal attributions than American arbitrators.

Hypothesis 2: Given the same causal information about a company's contract violation, Chinese commercial arbitrators will make greater internal attributions than their American counterparts.

As a result of this difference in attributions, we expected, on the basis of our first hypotheses, that

Hypothesis 3: Chinese commercial arbitrators will make higher awards than American commercial arbitrators for company contract violations.

Hypothesis 4: Chinese–American differences in awards are mediated by internal attribution.

We focus here on attribution as a mediating mechanism because it has been well established in the cross-cultural literature and has also been identified in the research on arbitration. However, we would not expect attribution to drive all of the variance in arbitrator award decisions. There could be other psychological differences that serve as mediators, unknown to researchers because this is the first cross-cultural study of arbitrators. We, therefore, propose partial rather than full mediation.

Causal Ambiguity and Cultural Tendencies

One question that has been asked recently about cross-cultural research is, When are these differences likely to be more pronounced? The dynamic constructivist model of culture (Chiu, Morris, Hong, & Menon, 2000) examines how cultural knowledge is activated. One factor that can activate cultural tendencies is *need for closure* (NFC). Those high in NFC have an epistemic need to reach a decision and stick with that decision. They tend to “seize” and “freeze” on the most easily accessible interpretation when making decisions, which drives them to use the most chronically accessible cultural theory available to them. NFC can also be induced by situations, such as when people are multitasking (Knowles, Morris, Chiu, & Hong, 2001) or need to make decisions under time pressure (Chiu et al., 2000). Under high time pressure, Chinese are more likely to see the group as the agent in a story than are Chinese under low time pressure, whereas the opposite occurs for Americans. Thus, under conditions of stress, people revert more strongly to their base cultural tendencies.

In arbitration, one of the key sources of stress is likely to be the presence of conflicting information. In many arbitration cases, the two sides make conflicting claims, with one side providing arguments that their transgressions were due to factors beyond their control (external attribution), and the other side providing arguments that the transgressions were indeed under their control (internal attribution). Such conflicting reports create more ambiguity for the arbitrator. Under such stress, we argue, cultural differences between Chinese and American arbitrators will become more pronounced. Therefore, we hypothesized

Hypothesis 5: In causally ambiguous situations, that is, when there is both internal and external causal information for contract violation, Chinese arbitrators will make attributions similar to Chinese arbitrators in the internal attribution condition, and American arbitrators will make attributions similar to American arbitrators in the external attribution condition.

Hypothesis 6: In causally ambiguous situations, that is, when there is both internal and external causal information for contract violation, Chinese arbitrators will make award decisions similar to Chinese arbitrators in the internal attribution condition, and American arbitrators will make award decisions similar to American arbitrators in the external attribution condition.

Given these predicted effects, Chinese and American arbitrators will react in opposite ways to an ambiguous condition; each group will revert to its more culturally preferred perceptions, enhancing the effect of culture on arbitrator awards and attributions.

Hypothesis 7: Chinese–American differences in attributions and awards will be greater in ambiguous than nonambiguous conditions.

Method

Research Design

We conducted a field experiment to test our hypotheses, using scenarios that were constructed to provide internal, external, or ambiguous information. Chinese and American arbitrators were

provided one of these scenarios. After reading the scenario, arbitrators were asked several questions to see whether the manipulations had the desired effects. In addition, they were asked questions about their attributions and then asked to make an award decision. Thus, we had a 2 (Chinese vs. American) \times 3 (internal vs. external vs. ambiguous causal information) between-subjects experimental design.

Sample

Participants were all experienced arbitrators, with one set from the United States and another set from China. Participants were recruited with the assistance of one (in China) or two (in the United States) arbitration associations that emphasize commercial arbitration (as opposed to employment or labor arbitration). The sample included 68 American arbitrators and 68 Chinese arbitrators. The two samples were equivalent in terms of sex, $\chi^2(1, N = 136) = .47, p > .40$, whereas the Americans were somewhat older (median age for Americans was over 60 years, compared with 45–50 for Chinese), $\chi^2(7, N = 136) = 65.73, p < .001$, and had more experience with arbitration (median experience for Americans was 50–100 cases, whereas the median for Chinese was 11–50 cases), $\chi^2(3, N = 136) = 28.38, p < .001$. Differences in experience are likely due to the fact that arbitration as an institution is much younger in China than it is in the United States. Differences in age may be due to the fact that arbitration in the United States is often done by people who are retired from full-time work. The other difference between the two samples was education, $\chi^2(5, N = 136) = 129.78, p < .001$; 93% of arbitrators in the United States sample had a graduate law degree (a JD), whereas none of our Chinese arbitrators had a graduate law degree. Chinese arbitrators in our sample were typically college graduates (79% college, 14% master’s, 7% high school). Given these differences in age, experience, and education, we added these three variables as controls in all models. We should also point out that both Chinese and American samples included arbitrators with little or no international arbitration experience; therefore, they were not likely to be highly informed about the other culture. The Chinese association’s members were allowed (by law) to manage domestic cases only. Members of the American arbitration groups were not limited in this way, but the odds are low that they would have had much experience with arbitration in Asia.¹

Scenarios

The scenarios were written and revised after consultation with several active arbitrators. The scenarios described a dispute between a wool supply company and a clothes company (see the Appendix for a sample scenario). A wool supply company (called State Wool Company in the English version and Grassland Wool Company in the Chinese version) was supposed to ship a certain amount of wool to a clothes company every day, but for 2 weeks it failed to do so. Differences between the internal, external, and ambiguous versions of this scenario are shown in Table 1. For

¹ The main arbitration association in Hong Kong that handles much of the international arbitration work in East Asia—the Hong Kong International Arbitration Centre—includes only 15 Americans among its 172 listed arbitrators.

Table 1
Internal, External, and Ambiguous Conditions

Condition	Manipulation	Scenario
Internal attribution condition	Low consensus	"Most other companies managed to fulfill the contract, despite electrical problems in the city."
	High consistency	"The wool company was reputed to be highly unreliable."
External attribution condition	High consensus	"Most other companies also failed to supply products during that period because of problems in the city electric supply."
	Low consistency	"The wool company was reputed to be highly reliable."
Ambiguous condition	High and low consensus	One witness provided the internal attribution information listed above, and another witness provided the external attribution information listed above.
	High and low consistency	

Note. We did not include a manipulation for high distinctiveness because trying to incorporate this third factor in Kelley's (1967) model would require creating a story that was excessively complicated. It was not our purpose here to verify Kelley's model in an arbitration context, which had already been done by Bemmels (1991). Rather, our purpose was to examine cross-cultural differences in response to attribution-relevant information.

Chinese, the scenarios and survey instrument were provided in Chinese. This was done by translating the English version into Chinese, back-translating, and then correcting any problems that the back-translations revealed (Brislin, 1970).

Measures

Internal attribution was assessed using four items, adapted from Dobbins (1985), measured on a 7-point scale from *strongly disagree* to *strongly agree*. These included two positively coded items (e.g., "The delivery problems were caused by some characteristics of State Wool") and two reverse-coded items (e.g., "The delivery problems were caused by some aspect of the situation"). Scale alpha for internal attribution was .85. Award decisions were measured by asking arbitrators to identify what percentage of the requested compensation should be provided to the complaining party, from 0% (no award) to 100% (full award). They were provided with options in 10% increments (e.g., 0%, 10%, 20%, and so on).

Table 2
Descriptive Statistics and Correlations

Variable	Chinese (<i>n</i> = 68)		American (<i>n</i> = 68)		Difference tests ^a	Correlation					
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>		1	2	3	4	5	6
1. Age	4.39	2.09	7.34	1.05	$\chi^2(7) = 65.73^{**}$	—	.08	.19	.33**	-.14	.01
2. Education	2.19	0.94	3.99	0.27	$\chi^2(5) = 129.78^{**}$	.10	—	-.26*	-.02	.17	.14
3. Case experience	1.85	0.89	2.84	1.15	$\chi^2(3) = 28.38^{**}$	.31**	.01	—	.08	-.04	.06
4. Gender	0.81	0.39	0.86	0.35	$\chi^2(1) = 0.47$	.28*	-.13	.00	—	.03	.14
5. Internal attribution	4.46	1.44	3.06	1.08	$t(135) = 6.51^{**}$	-.08	.03	-.15	.16	—	.46**
6. Award	7.63	2.85	3.80	3.74	$t(122) = 6.58^{**}$	.01	-.07	-.06	.19	.43**	—
7. Culture						-.67**	-.79**	-.44**	-.06	.48**	.51**

Note. In the correlation matrix, correlations below the diagonal are for Chinese arbitrators, and correlations above the diagonal are for American arbitrators. Because age, education, and case experience are all ordinal variables, all correlations relevant to them are Spearman's rhos. Other correlations are Pearson's correlations. Age is an 8-category variable, with 1 = below 30, 2 = 30–35, 3 = 36–40, 4 = 41–45, 5 = 46–50, 6 = 51–55, 7 = 56–60, and 8 = above 60; education is a 5-category variable, with 1 = high school, 2 = bachelor, 3 = master, 4 = JD, and 5 = PhD; gender was coded 0 = female and 1 = male; case experience is a 4-category variable, with 1 = 1–10, 2 = 11–50, 3 = 51–100, and 4 = above 100; Culture was coded 0 = American and 1 = Chinese.

^a For all chi-square statistics, *N* = 136.

* *p* < .05. ** *p* < .01.

Results

Preliminary Analyses

Table 2 reports the descriptive statistics and Pearson correlations for each measure for the Chinese and American samples separately. To ensure that there was proper understanding of our attribution manipulations, we examined two manipulation check items ("State Wool is known as a reliable supplier" and "Many companies failed to deliver their products during those weeks"). For those in the internal condition, mean responses were 3.32 (*SD* = 1.70) and 2.82 (*SD* = 1.70); for those in the external condition, mean responses were 5.15 (*SD* = 1.59) and 5.00 (*SD* = 1.93). These differences were significant, $t(94) = 5.47$, $p < .001$, $d = 1.11$, and $t(94) = 5.86$, $p < .001$, $d = 1.20$, respectively.

Chinese–American Differences in Attributions and Awards

We used hierarchical linear regression to test Hypotheses 1, 2, and 3 (see Table 3). Model 1 shows that internal attribution was

Table 3
Regressions Predicting Award and Internal Attribution

Predictor	Model 1: Award		Model 2: Internal attribution		Model 3: Award	
	β	ΔR^2	β	ΔR^2	β	ΔR^2
Step 1		.15**		.14**		.15**
Age	-.12		-.15		-.12	
Education	-.26*		-.17		-.26	
Case experience	-.09		-.18*		-.09	
Step 2		.21***		.08***		.10***
Culture (Chinese = 1)			.51***		.57***	
Internal attribution	.49***					
Overall R^2		.35		.24		.25
Adjusted R^2		.33		.22		.23
Overall F		16.10***		10.23***		9.88***
df of overall F		4, 122		4, 131		4, 118
n		123		136		123

* $p < .05$. ** $p < .01$. *** $p < .001$.

associated with awards ($\beta = .49, p < .001$), and that it accounted for a significant level of variance of awards ($\Delta R^2 = .21, p < .001$) after controlling for age, education, and experience. Thus, Hypothesis 1 was supported. Model 2 shows that Chinese arbitrators had significantly higher levels of internal attribution than American arbitrators ($\beta = .51, p < .001, \Delta R^2 = .08$), providing support for Hypothesis 2. Model 3 shows that Chinese arbitrators made significantly higher levels of awards than American arbitrators ($\beta = .57, p < .001, \Delta R^2 = .10$), providing support for Hypothesis 3.

To test Hypothesis 4 that internal attribution would (partially) mediate the relationship between culture and award, we used structural equation modeling, as suggested by James, Mulaik, and Brett (2006). Figure 1 depicts the model and the results (EQS 6.1, Bentler, 1995), along with the fit indices. The path from culture to internal attribution, $\lambda = .49, p < .001$, was significant, as was the path from internal attribution to awards, $\lambda = .47, p < .001$. However, the path from culture to awards, $\lambda = .35, p < .01$, was also significant. These results suggest that, although internal attribution did not explain all of the association between culture and

award decisions, it did account for a significant amount of it, providing support for Hypothesis 4.

Chinese–American Differences in Response to Ambiguity

Hypotheses 5 and 6 suggest that Chinese and American arbitrators will respond in opposite ways to ambiguity, each moving toward their own culturally “typical” ways of thinking. Before conducting the planned comparisons that would test these hypotheses, we first conducted two analyses of covariance (ANCOVAs), with controls for age, education, and case experience, to see whether there was a significant interaction between culture (Chinese or American) and condition (internal, external, or ambiguous; see Table 4). One ANCOVA tested for effects on internal attribution; the other tested for effects on awards. Figure 2 shows the adjusted means for internal attribution, and Figure 3 shows the adjusted means for awards.

The ANCOVA for the effects of culture and condition on internal attribution showed no significant interaction effect between culture and condition, $F(2, 127) = .36, p > .50, \eta^2 = .01$. In contrast, the ANCOVA for the effects of culture and condition on awards showed a significant interaction effect between culture and condition, $F(2, 114) = 5.42, p < .01, \eta^2 = .09$ (see Table 4). Given these results, we rejected Hypothesis 5, but we proceeded with a priori contrasts to test Hypothesis 6.

To examine patterns predicted by Hypothesis 6, we conducted four planned contrasts—two for Chinese arbitrators and two for American arbitrators. To evaluate these contrasts, we made family-wise Bonferroni adjustments to the required p value, reducing it from .05 to .025. For Chinese arbitrators, awards under ambiguous conditions ($M = 8.48, SD = 3.70, n = 27$) were significantly higher than those in the external condition ($M = 6.55, SD = 3.44, n = 19$), $F(1, 116) = 4.36, p < .025$, one-tailed, $d = 0.54$, and the same as those in the internal condition ($M = 8.34, SD = 3.54, n = 22$), $F(1, 116) < .01, ns, d = 0.04$, confirming that when information is ambiguous, Chinese arbitrators make awards similar to the internal attribution condition. For American arbitrators, awards under ambiguous conditions ($M = 2.09, SD = 3.60, n = 20$) were

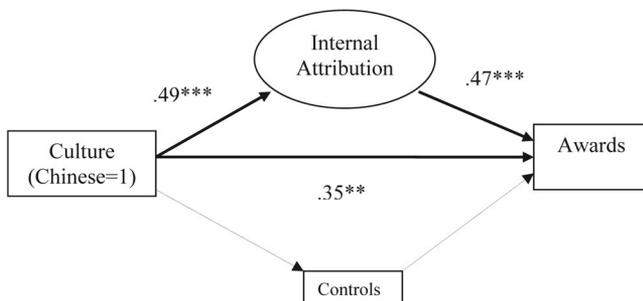


Figure 1. Partial mediation model. Controls were age, education, and case experience. The paths from culture to controls were all significant, with λ s ranging from $-.43$ to $-.77$; however, none of the paths from controls to awards was significant, $\chi^2(22, N = 119) = 47.89, p = .001$, comparative fit index = .95, nonnormed fit index = .92, standardized root-mean square residual = .069.

Table 4
ANCOVA Results for the Effects of Culture and Condition on Internal Attribution and Award

Predictor	Internal attribution			Award		
	<i>F</i>	<i>df</i>	η^2	<i>F</i>	<i>df</i>	η^2
Covariates						
Age	0.17	1, 127	.001	0.51	1, 114	.004
Education	1.10	1, 127	.009	0.19	1, 114	.002
Case experience	1.03	1, 127	.008	0.03	1, 114	.0
Main effects						
Culture (Chinese = 1)	16.69***	1, 127	.12	16.76***	1, 114	.13
Condition	14.44***	2, 127	.19	8.29***	2, 114	.13
Interaction effect						
Culture \times Condition	0.36	2, 127	.01	5.42**	2, 114	.09
<i>R</i> ²			.38			.38
<i>n</i>			136			123

** $p < .01$. *** $p < .001$.

lower than those in the internal condition ($M = 6.53$, $SD = 3.50$, $n = 14$), $F(1, 116) = 17.05$, $p < .001$, $d = 1.25$, and the same as those in the external condition ($M = 2.53$, $SD = 3.91$, $n = 21$), $F(1, 116) < .30$, ns , $d = 0.12$, confirming that when information is ambiguous, American arbitrators make awards similar to the external condition. Therefore, Hypothesis 6 was supported.

To test Hypothesis 7 that Chinese–American differences are amplified under conditions of ambiguity, we regressed attribution and award on culture, ambiguous condition (internal and external condition were coded 0; ambiguous condition was coded 1), and Culture \times Ambiguous Condition (with controls for age, education, and experience; see Table 5). The interaction term was significant

for award ($\beta = .33$, $p < .05$, $\Delta R^2 = .04$) but not significant for attribution ($\beta = .01$, $p > .90$, $\Delta R^2 = 0$). This result suggests that, although ambiguity enhances cross-cultural differences in awards, this added effect of ambiguity does not occur as a result of enhanced cross-cultural differences in internal attribution. In the discussion below, we explore possible alternative explanations for this pattern.

Discussion

This study extends prior research on attribution in arbitration (Bemmel, 1991) to a non-Western setting where attribution processes are thought to operate differently (Menon et al., 1999;

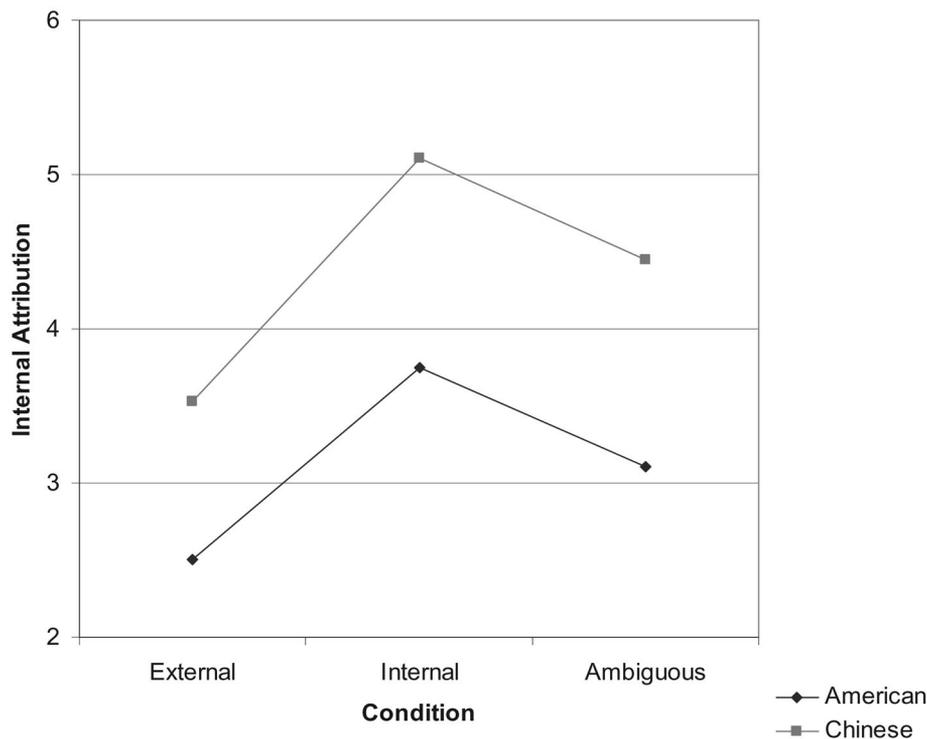


Figure 2. Adjusted means of internal attribution in three conditions made by American and Chinese arbitrators.

Morris & Peng, 1994). We found that, for Chinese as well as American arbitrators, arbitration awards are affected by whether the arbitrator attributes the cause of the action to internal versus external causes. At the same time, Chinese arbitrators did differ from American arbitrators in that they were more likely to make internal attributions for the organizational behaviors that they judged, and these attributions partially explained higher levels of awards. This result contributes to a growing literature on cross-cultural differences in attribution in three unique ways.

First, none of the prior cross-cultural studies of attribution assessed adults responsible for consequential decisions. This study shows that cross-cultural differences in attribution affect real-world decision makers and, thus, can have a major impact on international business, law, and dispute resolution. The practical implication of this result is that where one chooses to have a case arbitrated and who is chosen on the panel may well influence the nature of the awards provided. Given the same evidence, Chinese commercial arbitrators are more likely to provide severe penalties for organizations that violate terms of their contracts. Thus, if one is on the side of the complaining party, the selection of a Chinese arbitrator could be to his or her advantage; the converse would be true if one is the accused party. (However, this pattern may not apply for American companies filing a case against a Chinese company, given that there is some concern that Chinese arbitrators favor domestic companies; Peerenboom, 2001.) In addition, this pattern, if implicitly understood by businesspeople in China, may make it more likely that aggrieved parties initiate arbitration in China; the expected outcome is more in their favor.

A second unique aspect of our results is our focus on group rather than individual agency. We confirmed the finding of Menon et al. (1999) that the typical Asian tendency to make more external attributions for individual behavior is reversed when observing group actors. This result suggests that arbitration researchers—in the U.S. as well as in Asian cultures—need to be careful to note whether they are studying arbitrator responses to group or individual actions. Attribution findings based on studies of group

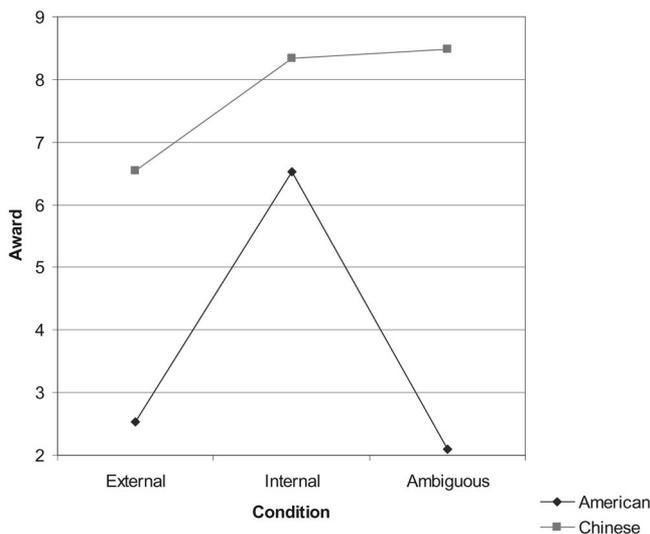


Figure 3. Adjusted means of awards in three conditions made by American and Chinese arbitrators.

Table 5
Interaction Effect of Ambiguous Condition and Culture

Predictor	Internal attribution		Award	
	β	ΔR^2	β	ΔR^2
Step 1		.16***		.15***
Age	-.15		-.12	
Education	-.17		.26*	
Case experience	-.18*		-.09	
Step 2		.08***		.11***
Culture	.51***		.56***	
Condition	.03		-.05	
Step 3		.00		.04*
Ambiguous				
Condition \times Culture	.01		.33*	
Overall R^2		.24		.29
Adjusted R^2		.20		.25
Overall F		6.77***		7.91***
df of overall F		6, 129		6, 116
n		136		123

Note. Culture was coded 0 = American, 1 = Chinese. Both external and internal conditions were coded as 0, and ambiguous condition was coded as 1.

* $p < .05$. *** $p < .001$.

actions (as is typical of commercial arbitration) may not apply to situations in which individual actions are being judged (as is typical of labor and employment arbitration), and vice versa. Indeed, we may find that our results would be exactly the opposite if we had studied Chinese and American labor arbitrators, where the typical actor is an individual employee. Thus, it is cross-cultural differences in perceptions of agency that tend to drive decision makers toward or away from the fundamental attribution error (Ross, 1977)—that is, the tendency to see others' behavior as driven by dispositional tendencies rather than external factors. Chinese arbitrators tend to be more susceptible to this error when observing groups because groups are where agency exists for Chinese. American arbitrators, we speculate, may be more susceptible to this error when observing individuals because individuals are where agency exists for Americans.

The third unique aspect of our study is our examination of ambiguous information. Although it is experimentally clearer to have pure external and pure internal conditions, in real arbitration cases (and, indeed, in many cases when people make decisions), arbitrators are typically faced with conflicting claims and information. That is, in fact, one of the key challenges they face. In this study, we found that, when facing ambiguity, arbitrators tend to lean in the direction that is culturally more natural for them. When Chinese arbitrators are provided with evidence for both internal and external causes, award levels are at the same high level as those in the purely internal condition; when Americans are provided with evidence for both internal and external causes, award levels are at the same low level as those in the pure external condition. The practical implication is that arbitrators need to be careful to weigh all information because the natural tendency will be to respond primarily to information that fits prior expectations. For arbitrators working in international settings, they may need training to ensure that they understand potential differences between themselves and those from other countries. Also, any pre-

existing biases may be exacerbated in complex cases (as we have shown here) or when under time pressure (as Chiu et al., 2000, showed). Although it may be impractical to simplify the information that arbitrators hear to reduce biases, it may be possible to avoid time pressures that could also enhance arbitrator biases. In this sense, expedited arbitration may not be a wise way to set up arbitration in international contexts; this tactic, and others designed to speed up the process, may drive parties from different cultures in opposite directions, undermining the coherence of arbitration panels.

The one puzzle that remains, however, is why Chinese and American differences were exacerbated under ambiguous conditions. Our expectation was that such differences would be driven by enhanced differences in attribution. There were indeed significant Chinese–American differences in attribution in the ambiguous condition, but these differences were not especially large and did not account for the much greater Chinese–American difference in awards given. Some additional factor seemed to drive higher levels of awards by Chinese arbitrators in this situation. At this point, we can only speculate about causes, leaving the final answer for future research.

One possibility is to think about Chinese–American differences in approaches to punishment given that making award decisions could be seen as a form of punishment for bad behavior. In cultures with duty-based morality (such as Chinese), in which there is a focus on meeting socially established obligations (Shweder & Miller, 1985), there tends to be an implicit theory of agents as fixed (Chiu, Dweck, Tong, & Fu, 1997). The purpose of punishment is not to shape future behaviors of individuals but, rather, to ensure moral order. Thus, punishments should always be strong and visible. In cultures with rights-based morality (such as American), in which the focus is on protecting individual rights, there tends to be an implicit theory of agents as malleable: Punishment may or may not be used, depending on its expected effect on the rule violator.

Another way of looking at differences in punishment is to say that Chinese are more likely to be “lay prosecutors” than “lay scientists.” Intuitive prosecutors, according to Tetlock (2002), tend to “place greater weight on punishing norm violators (minimizing Type 2 errors of acquitting the guilty) and less weight on protecting the innocent from the wrath of the collective (minimizing Type 1 errors of convicting the innocent)” (p. 462). Those operating with a prosecutorial mind set are less likely to be lenient because of extenuating circumstances and are less likely to tolerate “justifications and excuses for conduct that falls short of organizational expectations” (Tetlock, 2002, p. 463).

There also may be institutional reasons why Chinese and American arbitrators act differently. American arbitrators tend to be lawyers, whereas Chinese arbitrators are not lawyers, which may make Americans more aware of contextual issues. The legal principal in the United States of *force majeure*, in which parties are not held responsible for “acts of god,” may not be present in the Chinese legal system. It may also be that, because arbitration is fairly new in China, Chinese arbitrators may be trying especially hard to assert their role as enforcers of contracts, erring on the side of being more punishing. In addition, the very fact that American arbitrators are lawyers may be another reason that they lean toward the idea that guilt must be proven “beyond a reasonable doubt.”

We should also point out several limitations of this research. First, we studied commercial arbitrators only. As we mentioned above, it is likely that labor and employment arbitrators will show a very different pattern. Second, we used one particular scenario. It may be that different scenarios generate somewhat different responses. Third, we measured attribution as a unidimensional construct, considering external attributions as the inverse of internal attribution. Some scholars prefer to treat internal and external attributions as orthogonal constructs.

Despite these limitations, our study extends the literature by being the first to directly assess arbitrator decision making in China, which is greatly needed given the sudden rise of arbitration in China. It is also the first to look at how arbitrators respond to ambiguous information, which is needed because this type of situation is what arbitrators often face in real-world decisions. It is also the first to consider attributions in arbitration focused on groups rather than individuals.

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Appendix

The Sample Scenario

Case: Highwater–State Wool Dispute (External Attribution Version)

Stipulation of Fact

Mr. Johnson is the CEO of Highwater Clothes Company, and Mr. White is the CEO of State Wool Company. In May, Mr. Johnson and Mr. White signed a continuous supply agreement. The agreement specified that State Wool Company would ship 3,000 kg of ISQ-99 standard wool to Highwater Clothes Company every day for 1 year. Highwater Clothes would pay for the wool on a monthly basis, making payment on the last day of every month. The amount to be paid monthly was \$60,000. If the quality of the wool were found to be lower than “standard” quality, the price would be adjusted to reflect that lower quality. In case of unusual, extraordinary, sudden, and unexpected events, each party agreed to use its best efforts under the circumstances to overcome the difficulties. Any disputes related to this contract would be resolved through arbitration.

Four months after the start of the contract, State Wool delivered only 2,000 kg of ISQ-99 wool, not 3,000 kg, for a 2-week period. As a result, Highwater Clothes was unable to fulfill its contract

with a major client, resulting in a loss of \$200,000 in sales to this client. During this 2-week period, the city’s electrical supply had failed repeatedly, causing most companies in the wool industries to fail to deliver their products to customers. An expert witness from the city’s economic development bureau testified that problems with the electrical system caused many companies to fail to deliver their products to customers during those weeks. He also pointed out that all portable electricity generators in stock in the city were sold out by the second day of the problem, making it difficult for most companies to respond, and added that State Wool has a reputation for being reliable.

Mr. Johnson, the owner of Highwater Clothes, is asking for \$200,000 from State Wool to compensate for lost revenues due to the lack of wool supply. Mr. White, the owner of the State Wool Company, argued that the problem was not his fault, and that there was really nothing that he could do about it. It would be very unfair, Mr. White argued, to penalize him for problems caused by others, which they could do nothing about.

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