

DEVELOPING TRUST IN INTERNATIONAL JOINT VENTURES

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PROEFSCHRIFT

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te Leeuwarden

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Prof. dr E.J. de Bruijn

Prof. dr J. van de Meer-Kooistra

Prof. dr B. Nootboom

*'... and it is hard to see how the world
can be improved by keeping still.
Yet it should be obvious that action without wisdom,
without clear awareness of the world as it really is,
can never improve anything.
Furthermore, as muddy water is best cleared by leaving it alone,
it could be argued that those who sit quietly and do nothing
are making one of the best contributions to world'
(Watts, 1957: 155)*

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Groningen, Januari 1999

Margreet F. Boersma

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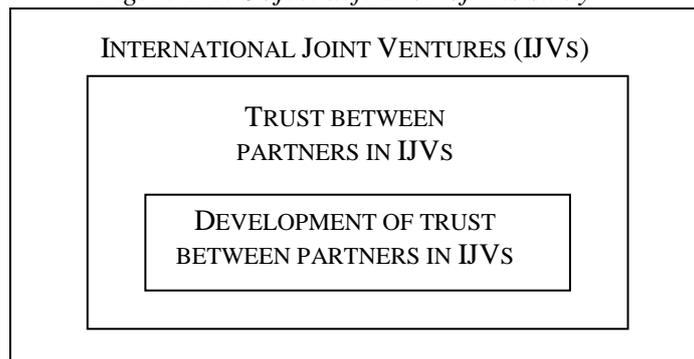
INTRODUCTION AND PROBLEM DEFINITION

This study is an inquiry into *the development of trust between partners in international joint ventures*. This inquiry leads to several introductory questions. These are:

- What are international joint ventures and why are they the focus of this study?
- What is trust and why is the focus on trust in international joint ventures?
- Why does this thesis focus on the development of trust between partners in international joint ventures?

The order of these three questions yields the limitations of this study. Our basic object of study is international joint ventures. Within international joint ventures, we focus on trust. Moreover, we are especially interested in the *development* of trust between partners. Figure 1-1 presents this demarcation schematically.

Figure 1-1. Object definition of this study



The following three sections will elaborate on these three questions.

1.1 INTERNATIONAL JOINT VENTURES: WHAT AND WHY

What are joint ventures? To answer this question, assume the following: you are member of the Board of Directors of company X that needs additional raw materials for its product. The production of this raw material is your responsibility. What can you do? Williamson (1975, 1985), based on Coase (1937), presents three main options (or governance structures) for obtaining the extra raw material. These three structures are markets, hierarchies, and intermediate or hybrid forms. In other words, you can buy the raw material from a third supplier, you can extend your own production capacity, or you can co-operate with another company. In order to choose between the different structures, managers have to weigh costs of production (including costs of organising and controlling) against costs of transacting. The latter costs include costs of drafting, negotiating and safeguarding an agreement (*ex ante* costs), in addition to costs of monitoring, settling disputes, renegotiating, arbitration, and litigation (*ex post* costs). International joint ventures belong to hybrid forms of governance (Lorange and Roos, 1992; Lu and Björkman, 1997). Resources are obtained neither via arm's length contract nor through full ownership of the activity, but through co-operation with other companies. Besides, both companies create a third, new legal entity to shape their co-operation. This distinguishes equity joint ventures from joint ventures. Whereas the latter refers to all contractual relationships between companies, such as license or supply agreements and contracts about technical assistance (Hennart, 1988), equity joint ventures are co-operative relationships between at least two firms that contribute resources to a newly formed, legally independent, joint subsidiary (Bell, 1996; Hennart, 1988). Joint ventures are called international when at least one of the partners is headquartered outside the venture's country of operation (Geringer, 1991). The focus of this thesis is on international equity joint ventures, from now on referred to as joint ventures or IJVs. The above discussion suggests that efficiency is the sole reason for creating IJVs (Hennart, 1988; Kogut, 1988). However, some studies mention other motives for forming IJVs. Lin, Yu and Seetoo (1997) propose two other main reasons, based on – amongst other things– Kogut (1988), Vernon (1983), Contractor and Lorange (1988), Killing (1983), and Hamel (1991). These motives are competition and learning. In other words, a joint venture can reduce competition or enhance market power, or it may give access to a partner's expertise or resources.

Efficiency reasons include, in addition to reducing transaction costs (compared to transaction through the market), gaining economies of scale and overcoming governmental restrictions or trade barriers.

Why are joint ventures an interesting research object? The strategic importance of joint ventures and other hybrid or network forms (Thorelli, 1986; Ouchi, 1980) is growing (Zaheer and Venkatraman, 1995). Two current trends, internationalisation (Ghauri and Usunier, 1996) and focusing on core competencies, have impelled companies to enter strategic alliances. The last few decades foreign business exchange has accelerated. Although companies have always traded with other countries, advanced communication possibilities like fax, e-mail, and video conferencing have reduced our world to a 'global village'. Such communication means facilitate fast interaction, and hence ease the management of foreign subsidiaries. Internationalisation has also increased competition. Small local firms have to face foreign companies that enter new markets. Focusing on core competencies has influenced the way in which companies enter new markets or try to face stronger competition. Because firms try to specialise on activities, outsourcing other activities has become more important. Joint ventures offer the advantage of controlling particular activities without merging completely.

The question arises why companies may choose an equity joint venture rather than a contractual relationship. The distinctive characteristic of equity joint ventures is that each company is partly owner of the subsidiary. This ownership means that the companies are interested in the joint venture's performance, because profits will directly contribute to total profits. Such direct self-interest is not present in contractual joint ventures. For example, a supplier will not notice the effect of bad supply on its profits directly, since the company to which they supply is not under their control. Therefore, firms may prefer an equity joint venture, as it increases the commitment of the partner.

Empirical evidence shows that the amount of international joint ventures increases at a rapid speed, especially in countries that have been inaccessible for a long period. For example, data show that the number of joint ventures in Central and Eastern Europe increased from 165 in 1988 to 25,845 in 1991 (Dunning, 1994). In China foreign investors created about 54,000 equity joint ventures in 1993 and 27,858 in 1994 – accounting for 52% of total FDI in

1994 (Luo and Chen, 1997). In other words, equity joint ventures are a popular means to penetrate foreign markets.

Hence, joint ventures are an interesting research object because of their popularity and also because they yield advantages that other co-operative structures cannot offer. Nevertheless, joint ventures also have certain drawbacks, which brings us to the following section.

1.2 TRUST IN IJVS: WHAT AND WHY

The distinctive characteristic of joint ventures, shared ownership, is at the same time its main obstacle (Killing, 1982; Geringer and Herbert, 1989). Shared control implies two or more companies instead of one deciding about the strategic direction and operational issues of the joint subsidiary. Shared control causes transaction costs. Transaction costs occur in joint ventures because the partner may behave opportunistically. Therefore, partners search for a suitable partner, negotiate the joint venture deal, write contracts, monitor, renegotiate, and deliberate. However, transaction costs do not occur in joint ventures only because of possible opportunistic behaviour. Transaction costs stem automatically from a joint venture structure: due to shared ownership, partners have to interact to set the direction for the joint venture. Numerous studies have been conducted on how to reduce these transaction costs in joint ventures. These are studies of the success or performance of a joint venture (see *e.g.* Contractor and Lorange, 1988; Special Issue of JIBS No.5, 1996; Beamish and Killing, 1997). For example, Killing (1982) made out a case for dominant parent control. Dominant parent control reduces costs of settling disputes and renegotiating, as one parent can enforce a decision. Other researchers show that a fit of strategy will have a positive effect on joint venture performance (Hamill and Hunt, 1994; Shamdasani and Sheth, 1995; Franko, 1971; Parkhe, 1991). After all, it leads to partners agreeing on the strategic direction of the joint venture, thereby reducing *ex post* costs. Beamish (1988), Lane and Beamish (1990) and Madhok (1995b) have stressed the importance of long-term mutual need, which is the *raison d'être* of any joint venture (Parkhe, 1991). If both partners need the joint venture, the perceived chance of opportunistic behaviour is reduced, resulting in less contracting and monitoring costs.

Trust has received special attention in research on inter-organisational exchange in general (Gabarro, 1978; Ganesan, 1994; Nooteboom, 1996, 1998;

Parkhe, 1993a; Ring and Van de Ven, 1994). Trust is defined as the expectation that the other will behave co-operatively. In other words, trust takes away the fear of possible opportunistic behaviour of the partner. When this perceived chance of opportunism diminishes or is even eliminated, contracts will be redundant. "Contract, in this context, reduces to a world of promise" (Williamson, 1985: 31). Trust receives little attention in transaction costs economics, because the emphasis is mainly on opportunism. Because some people might behave opportunistically and because it is too costly to find out who will and who will not, the risk of opportunism rules economic life and trust is only reserved for social relationships (Williamson, 1993). However, some scholars have a different opinion on this, and their studies yield great insight into the role of trust. For example, Zucker (1986: 56) claims that trust "is vital for the maintenance of co-operation in society and necessary as grounds for even the most routine, everyday interaction". Ganesan (1994: 1) states that trust "is necessary for the perception of a fair division of the pie of resources in the future". Buckley and Casson (1988) argue that trust reduces transaction costs and facilitates open and honest interaction. Sullivan and Peterson (1982, in Dwyer *et al.*, 1987: 23) finds that when trust is present, parties will find "ways by which the two parties can work out difficulties such as power conflict, low profitability and so forth". Zand (1972) shows that managerial problem-solving effectiveness is much lower when trust is non-existent. In addition, empirical evidence shows that trust reduces search costs. Doney and Cannon (1997: 45) show that "trust of the selling firm plays an important role in anticipated future interaction with the supplier". Nooteboom (1996: 990) also concludes that "trust and opportunism are likely to arise in transaction relations" and that trust mainly reduces the perceived propensity towards opportunism. In other words, trust plays an essential role in the reduction of transaction costs in joint ventures, hence contributes to the performance of the joint venture.

Moreover, it is argued that when trust is present all other factors that contribute to IJV performance become less important, except for mutual need (this is the *raison d'être* of the joint venture). For example, Hamill and Hunt (1994) state that a strategic fit positively contributes to IJVs' performance. However, when partners trust each other, they will find ways to solve problems that arise due to strategic divergence.

Sociologists (*e.g.* Powell, 1990; Granovetter, 1992; Larson, 1992; Uzzi, 1997) state that embedded relations, characterised by trust, fine-grained information exchange, and joint problem-solving arrangements, are essential for the formation and maintenance of economic relationships between firms. They argue that embedded relations offer sufficient social overlay to solve governance problems in other ways than by internalising the activity. Moreover, they argue that without trust economic relationships between firms would not even exist. Empirical evidence shows that ‘business relations are mixed up with social ones’ (Granovetter, 1992: 65). This thesis takes this view as a starting point. Hence, it acknowledges trust as an essential feature of IJV relationships. It is therefore worthwhile to investigate this concept in more detail. To this end, we follow Parkhe (1993a: 1), who “strongly endorses Kaplan’s (1964) position that no phenomena – soft or otherwise – are inherently beyond the reach of rigorous scientific investigation”.

1.3 WHY STUDY THE DEVELOPMENT OF TRUST

With trust being so essential in IJV relationships, building and sustaining trust becomes a main activity for partners in IJV relationships. After all, trust is person- and time-dependent and parties have to make a long-term effort to develop it. No person can be trusted right from the beginning; there is always a possibility of opportunism. Studies on trust have shed insufficient light on the question of how partners can develop trust. This means that much insight has been given in how trust affects IJV performance, but that less is known about how trust evolves over time. Although some researchers advocate a longitudinal approach to IJV research (Hyder and Ghauri, 1991; Parkhe, 1993b; Stafford, 1995), until now only limited work has been done in this direction (*cf.* Ring and Van de Ven, 1994; Madhok, 1995a; Spekman *et al.*, 1996; Ariño and De la Torre, 1996). Hence, research should focus more on this process dimension. Ring and Van de Ven (1994: 113) state:

As the uncertainty, complexity, and duration of economic transactions within and between firms increase, it becomes increasingly important for scholars and managers to understand developmental processes of how equity, trust, conflict-resolution procedures, and internal governance structures emerge, evolve and dissolve over time.

Consequently, there is a need for longitudinal research that will provide greater insight into the development of trust between partners in IJVs. The word ‘partners’ refers to the delegates who are on the board of directors of the joint venture. In other words, the main research question of this thesis is:

How does trust between partners in international joint venture relationships develop?

This question has two main subquestions. The first one is how partners in IJVs can build and sustain trust. The answer to this question will contribute to earlier literature about factors affecting trust. Our contribution is that we put these factors in a temporal dimension. The second subquestion relates to literature about sources of trust. Discussions in this context focus on whether trust is trust when there is a belief in the other party acting trustworthy for other reasons than moral ones, bonds of friendship, and/or emotions (*cf.* Hardin, 1990; Nooteboom, 1998). This study will investigate the sources of trust and find out if these sources change over time. If they change, this study will also examine the causes for this change. In order to answer these two subquestions, this study examines literature on IJVs and trust. In addition, it adds an empirical study to expand existing knowledge. In sum, this study will answer the following questions (Table 1-1):

Table 1-1. Subquestions of this thesis

Subquestion	Sources to answer the question
1. How can partners in IJVs build and sustain trust?	LITERATURE REVIEW + EMPIRICAL STUDY
2. How do perceived sources of trust in IJVs change over time?	EMPIRICAL STUDY
3. What is trust?	LITERATURE REVIEW
4. What are major sources of trust?	LITERATURE REVIEW + EMPIRICAL STUDY

1.4 PURPOSE OF THIS STUDY

As mentioned in the above section, there is only little known about how trust develops in IJVs. A more solid theory on trust development in IJVs is needed, based on empirical data. Therefore, the aim of this study is to contribute to a theory on trust in IJVs by way of a qualitative, empirical study. In addition, this study may be helpful to managers, involved in IJVs. As stated in the above section, the main problem in IJVs is shared control. Shared control gives rise to transaction costs that would not have occurred when a company could decide on its own. Trust makes the relationship between people not only more efficient but also more pleasant. This study may be helpful for managers in that it yields insight into how trust may be build and sustained in IJVs.

To summarise this chapter, Table 1-2 recapitulates the major key terms of this chapter.

Table 1-2. Key concepts of chapter 1

Key concept	Explanation
International Equity Joint Ventures	co-operative relationships between at least two firms that contribute resources to a newly formed, legally independent, joint subsidiary. They are called international when at least one of the partners is headquartered outside the venture's country of operation
Partners	the companies that co-operate by way of a joint venture
Board members	the delegates of the partner companies who are on the board of directors of the joint venture
Trust	the expectation that the delegates of the other partner who are on the board of directors will act co-operatively
Development of trust	factors that build and sustain trust and a change in perceived foundations of trust

1.5 OUTLINE OF THE THESIS

This thesis is organised as follows. Chapter 2 summarises the IJV literature. It shows that trust is an important factor that affects IJV performance. The chapter ends with a dynamic framework of trust development, thus indicating which factors directly influence trust. Hence, chapter 2 addresses our first subquestion. Chapter 3 elaborates on trust and two additional factors that are assumed to affect trust. These two variables emerge from the dynamic framework presented

in chapter 2. Chapter 3 addresses subquestion 3 and 4. Chapter 4 provides the methodology of this research. It elaborates on the case study approach, presents the design of this study and discusses the method of analysis. Chapter 5 presents the results of this study and provides a background description of our four cases. Because of the explorative approach, it again addresses subquestions 1 and 4, in addition to question 2. Chapter 6 contains conclusions and recommendations for further research. The answers to the subquestions can be found in the following sections (see Table 1-3).

Table 1-3. Subquestions related to the structure of this thesis

Subquestion	Discussed in chapter/section
1. What is trust?	Chapter 3, section 3.1.1 & 3.1.2
2. What are major sources of trust?	Chapter 3, section 3.1.3, Chapter 5, section 5.3
3. How can partners in IJVs build and sustain trust?	Chapter 2; chapter 5, section 5.2; chapter 6, section 6.2.2.2 & section 6.5
4. How do perceived sources of trust in IJVs change over time?	Chapter 5, section 5.3; chapter 6, section 6.2.2.1

2

A REVIEW OF INTERNATIONAL JOINT VENTURE LITERATURE

Numerous studies have been conducted on factors affecting IJV performance (see *e.g.* Contractor and Lorange, 1988; Special Issue of JIBS No.5, 1996; Beamish and Killing, 1997). These studies give managers an insight into how they can improve their joint venture's performance. This research is rather static. To elevate IJV research to a higher level, researchers have advocated a longitudinal approach to IJV research (Hyder and Ghauri, 1991; Parkhe, 1993b; Stafford, 1995). This longitudinal approach is important, because some factors do not just appear, they have to be build up. Hence, in order to understand how factors evolve we have to follow their development over time.

In order to initiate a more process oriented research, it is important that there is a clear understanding of factors affecting IJV performance. Only in this way, longitudinal research can build on former IJV research. However, gaining insight into the factors affecting IJV performance has been problematic, because, among other reasons, the literature on this subject has been very fragmented (Parkhe, 1993b). The use of different performance measures and the many variables put forward as affecting performance has not resulted in a proportionately greater understanding of IJVs. Therefore, this chapter provides a structured survey of the literature on IJVs. It devises a comprehensive review of performance indicators in order to come to an overall, synthesising overview of the IJV literature. Second, this chapter elaborates on the factors affecting IJV performance. This will then be the starting point of our study on trust in IJVs. Trust appears to be a central contributing factor to the performance of IJVs. Moreover, it shows that especially trust requires a process dimension, because trust not just emerges; it takes a long-term effort of partners to develop it.

This chapter is structured as follows. First, it elaborates on the method of this qualitative review. Next, it considers the different constructs and definitions of IJV performance employed in major contributions to the academic literature. Finally, an overview is provided of the variables that affect these different performance indicators, and a framework is presented that introduces a dynamic component to the investigation of IJVs in which trust plays an important role. To integrate the factors found into this framework, three paradigms will be used: the resource-based view of the firm (Penrose, 1959; Wernerfelt, 1984; Hamel, 1991); the transaction costs approach (Williamson, 1975, 1985; Hennart, 1988; Kogut, 1988); and economic sociology (Granovetter, 1985; Madhok, 1995b).

2.1 METHOD

The Online Contents (OLC) database was searched for articles containing the keyword 'joint ventures', in addition to words like 'performance', 'success', and other relevant words. The OLC database contains about 12,500 scientific and popular-scientific articles that are stored in Dutch libraries. Moreover, important references in other articles were added to the collection. The articles had to be quantitative in order to have generic results, and they should address the question of improving performance of IJVs. In the end, I was left with 30 major articles on IJVs and their performance that were useful for this study.

I first summarised the performance labels and their operationalisations. Next, I looked for similarities between these operationalisations. I rearranged the operationalisations in such a way that they referred to a same meaning. Finally, I labelled this common meaning. For an overview of factors affecting performance I collected all factors mentioned in the studied literature. The factors that appeared to be similar were grouped together after which I gave these factors an overlapping label. Such a method is also proposed by Hunter and Schmidt (1990).

2.2 INTERNATIONAL JOINT VENTURE PERFORMANCE: A REVIEW

2.2.1 Performance indicators

Only a few authors have attempted to devise an appropriate measure of IJV performance (Anderson, 1990; Geringer and Herbert, 1991). However, for

several reasons these studies do not adequately address the task of presenting an accurate measure of IJV performance. Fragmentation in the IJV literature is caused by three reasons. First, authors use the same constructs, however they operationalise them differently. Take, for example, the construct ‘success’. While Geringer and Herbert (1991), Blodgett (1992) and Barkema *et al.*, (1997) look at the time the joint venture has existed, Beamish (1988), Lee and Beamish (1995), Madhok (1995 a&b) and Hamill and Hunt (1993) take a managerial perception of success. Thus, although both groups say to investigate ‘success’, they use different operationalisations. Second, authors use different constructs which, on deeper analysis, have the same meaning. For example, while Beamish and Banks (1987) define ‘performance’ as managerial satisfaction, Inkpen and Birkinshaw (1994) call managerial satisfaction ‘satisfaction’. Third, some authors have used an indicator to measure a (latent) variable (for example, longevity as an indicator for the latent variable success), whereas others have used the variable itself. More examples can be found in Table 2-1, which summarises the literature on IJV performance.

Table 2-1. Performance measures used in IJV literature

Performance indicators	Operationalisations used	Authors
continuity	<ul style="list-style-type: none"> ▪ the degree of a partner firm’s expectation of continued co-operation in the future (longevity)¹ 	Madhok (1995 a&b), Shamdasani and Sheth (1995)
effectiveness	<ul style="list-style-type: none"> ▪ meeting initial objectives (effectiveness) ▪ perceived performance rating of the joint venture management (achievement) ▪ overall effectiveness (effectiveness) ▪ achievement of goals as specified in the documents of incorporation (effectivity) 	Lyles and Baird (1994), Zeira, Newburry and Yeheskel (1995)
evolution/ dissolution	<ul style="list-style-type: none"> ▪ continuance and ending of the co-operative relationship (longevity) 	Ring and Van de Ven (1994)
longevity	<ul style="list-style-type: none"> ▪ numbers of years the venture persisted (longevity) 	Barkema, Shenkar, Vermeulen and Bell (1997), Parkhe (1991)
(potential) failure	<ul style="list-style-type: none"> ▪ foreign general managers consideration about closing down the joint venture (longevity) ▪ age of the joint venture, duration (longevity) 	Pan, Vanhonacker and Pitts (1995), Park and Russo (1996)

¹ the notion between brackets indicates one of the five new categories

(Table 2-1 *continued*)

Performance indicators	Operationalisations used	Authors
(financial) performance	<ul style="list-style-type: none"> ▪ managers' overall satisfaction with the joint venture (achievement) ▪ return of investment, 2. return on assets 3. domestic sales growth, 4. export growth (achievement) ▪ managers' perception of profitability, pay-back period, customer service and market share (achievement) 	Beamish and Banks (1987) Geringer and Herbert (1989), Lee and Beamish (1995), Luo (1995)
satisfaction	<ul style="list-style-type: none"> ▪ foreign partner's satisfaction with the IJV (achievement) ▪ meeting of objectives (effectiveness) ▪ the degree of a partner's affective evaluation of the alliance relationship (achievement) 	Inkpen and Birkinshaw (1994), Shamdasani and Sheth (1995)
stability	<ul style="list-style-type: none"> ▪ unplanned equity changes or major reorganisations (stability) ▪ increase in ownership for party which contributes technology (stability) ▪ revision of contract (stability) ▪ total liquidation (stability) ▪ buy-out of one partner by the other (longevity) ▪ selling to an outsider (longevity) ▪ change in ownership (stability) ▪ liquidation or major changes in equity (longevity/stability) 	Beamish and Inkpen (1995), Blodgett (1991, 1992), Franko (1971), Gomes-Casseres (1987), Madhok (1995a&b), Stopford and Wells (1972)
success	<ul style="list-style-type: none"> ▪ managerial assessment of success (satisfaction of both sides about performance) (achievement) ▪ long-term viability (longevity) ▪ satisfaction and dyadic sales (achievement) ▪ endurance (longevity) 	Beamish (1988), Beamish and Banks (1987), Hamill and Hunt (1993), Lane and Beamish (1990), Madhok 1995a &b, Mohr and Spekman (1994), Spekman <i>et al.</i> (1996)
trust	<ul style="list-style-type: none"> ▪ a belief that the other person will act sincerely in future dealings (quality relationship) ▪ the desire to work hard in the future to establish a close relationship (quality relationship) ▪ reliance on the other person in their future dealings (quality relationship) ▪ the expectation that the future relationship with the other person will be good (quality relationship) ▪ the belief that the future behaviour of the other person will be consistent with past behaviour (quality relationship) 	Sullivan <i>et al.</i> (1981) Buckley and Casson (1988)

Column 1 presents the label that was used by the authors, mentioned in column 3, column 2 presents the operationalisation of the concept. A rearrangement is

given between brackets after the operationalisation. Table 2-1 illustrates that, although some overlap is evident, several concepts have been used in the literature to measure the performance of an IJV. This indicates that performance is seen as an overlapping concept, that is, a latent variable, encompassing several indicators. In the following discussion these indicators are classified into five groups, referring to the latent variable 'performance'. It may be helpful to keep in mind that the labels introduced are deducted from existing literature. The words have been chosen in such a way that they, in my view, reflect the definitions found best. Due to this, however, a duplication may arise of words found and the concepts introduced.

The first indicator of performance obtains the label 'longevity'. Longevity is a combination of the constructs, that authors have labelled 'continuity', 'evolution/dissolution', 'longevity', 'failure and the potential for failure', and some of the definitions of 'success'. Each of these variables is linked to the duration of the IJV. Some authors have measured these variables using perceptual data on the expected duration of the IJV (obtained, for example, from the managers of the IJV or the parent firms) or hard data such as the time the IJV has been operational.

The second indicator of performance proposed is the 'quality of the working relationship' between the partner firms in an IJV. This indicator encompasses the constructs, labelled as 'trust', 'harmony', 'morale' (Anderson, 1990), and co-operativeness (Deutsch, 1973). Naturally, only perceptual data can be used to quantify these indicators. Such interpartner relations may be treated as a long-term performance measure (Anderson, 1990).

The third indicator of performance is compiled from the constructs of 'performance', and part of the definitions of 'satisfaction' and 'success'. The similarity between these indicators is that they both infer something about the business performance of the IJV itself, as perceived by the partner firms or derived from hard data. Examples of such hard data may include financial indicators such as profitability or return on investment, as well as data on technology transfer flows and the productivity of human resources. As our latent variable is already labelled as 'performance', we call this third indicator of performance 'IJV achievement', thus distinguishing it from the latent variable 'performance'.

The fourth indicator of performance is 'effectiveness', which consists of the two constructs 'effectiveness' and 'satisfaction'. This indicator is often operationalised by measuring the partners' perception of whether or not their goals for entering the IJV have been achieved. The advantage of using this indicator is that the performance measure is coupled to goals characteristic of a particular joint venture. It therefore bypasses the problems inherent in using hard data as a measure of IJV performance. For example, profitability may not accurately quantify IJV success since firms are motivated to enter into joint venture agreements for other reasons, such as learning about the customs of other countries (Anderson, 1990) rather than generating short-term profit. When such knowledge about a country is obtained, a joint venture may be called effective and thus have a high performance, although it may not be profitable.

The final indicator incorporated is the often used measure of 'stability'. Most authors operationalise this as a change in equity shares. However, Blodgett (1992) also uses a change in contract but without a necessary change in equity. We include the case of a total buy-out of one partner by the other in our first indicator, namely 'longevity'.

These five indicators each highlight a different though important element of IJV performance. However, there is some overlap in these indicators. Consider, for example, the case in which the goal of one of the partners to a joint venture is to make a profit, while profit is generated in accordance with these expectations. This performance would register both on the indicators 'effectiveness' and 'IJV achievement'. Another overlap may occur with respect to 'longevity' and 'quality of the relationship': when a manager's perception on trust is negative, (s)he may also have a negative perception about how long the joint venture will last.

Notwithstanding this overlap, it is apparent that IJV performance is actually multi-dimensional. Consequently, in order to obtain a true understanding of IJV performance, researchers must incorporate each of the five indicators outlined above. Using just one of the five indicators described may not capture the precise circumstances of a particular IJV and therefore the overall performance may be evaluated inaccurately. For example, by considering just longevity issues such as profitability, trust and the nature of the relationship between the partner firms are ignored (Geringer and Herbert, 1989, 1991; Anderson, 1990; Beamish and Inkpen, 1995). The disadvantage of using

the third indicator, 'IJV achievement' as the sole indicator of performance is the short-term character of this measure.

2.3 FACTORS THAT AFFECT IJV PERFORMANCE

Having proposed a classification of the various performance indicators found in the literature and having considered issues regarding their operationalisation, we now turn to the second part of this chapter, which is to categorise the factors that are said to affect IJV performance (see Table 2-2). This categorisation is based upon models developed by Ariño and De la Torre (1996), Parkhe (1993b), and Ring and Van de Ven (1994). The categories identified are the following: 'partner characteristics', 'strategies of the partners', 'need of resources', 'structure of the IJV', 'behaviour of the parties', 'dependence', 'environment of the IJV' 'evaluation' and, 'trust between the parties'. In addition, the factors are divided into factors with a positive influence and factors with a negative effect on the performance of IJVs.

Table 2-2. Factors significantly affecting IJV performance

Factor	Positive effect	Negative effect
Partner characteristics	<ul style="list-style-type: none"> ▪ competence of alliance partner (Shamdasani and Sheth, 1995); ▪ dissimilarity of parent industries (Zeira <i>et al.</i>, 1995); ▪ experience with domestic joint ventures (Barkema <i>et al.</i>, 1997); ▪ experience with International wholly-owned subsidiaries (Barkema <i>et al.</i>, 1997); ▪ growth in experience fit between partners (Gomes-Casseres, 1987); ▪ longer-term perspective (Madhok, 1995b) ▪ parental differences in Hofstede's masculinity index (Zeira <i>et al.</i>, 1995) ▪ politically strong and well-connected Chinese partners (Pan <i>et al.</i>, 1995); ▪ presence of another competing IJV between the partners (Park and Russo, 1996); ▪ prior interaction (Madhok, 1995b); ▪ support from top management (Spekman <i>et al.</i>, 1996) 	<ul style="list-style-type: none"> ▪ concerns about legal and regulatory environment (Pan <i>et al.</i>, 1995); ▪ concerns about sourcing (Pan <i>et al.</i>, 1995); ▪ conflicts between role and interpersonal behaviours (Ring and Van de Ven, 1994); ▪ corporate culture differences (Parkhe, 1991); ▪ cultural distance (Barkema <i>et al.</i>; 1997); ▪ cultural diversity between the partners (Beamish and Inkpen, 1995); ▪ differences in partner firms' national context (Parkhe, 1991); ▪ direct competition between the partners (Park and Russo, 1996); ▪ diversity in the sponsoring firms' operating characteristics (Parkhe, 1991); ▪ growth in parent firm's international network (Gomes-Casseres, 1987); ▪ knowledge acquisition (Beamish and Inkpen, 1995); ▪ partner's acquisition of new capabilities (Gomes-Casseres, 1987)

Factor	Positive effect	Negative effect
		<ul style="list-style-type: none"> ▪ size differentials (Madhok, 1995b); ▪ societal culture differences (Parkhe, 1991)
Partner Strategy	<ul style="list-style-type: none"> ▪ IJV tied to strategic intent of firm (Spekman <i>et al.</i>, 1996); ▪ MNE follows a product diversification strategy (Franko, 1971); ▪ shared vision between partners on IJV direction (Spekman <i>et al.</i>, 1996); ▪ strategic compatibility (complementary goals, similar orientations) (Shamdasani and Sheth, 1995) ▪ strategic fit between partners (Hamill and Hunt, 1993) 	<ul style="list-style-type: none"> ▪ change in strategy (Franko, 1971); ▪ divergence in strategic directions (Parkhe, 1991); ▪ MNE follows a product concentration strategy (Franko, 1971); ▪ change in structure along geographical area lines by one of the partners (Stopford and Wells, 1972)
Need of re-sources	<ul style="list-style-type: none"> ▪ extent of desired partner need (Lee and Beamish, 1995); ▪ long-term need (Lane and Beamish, 1990); ▪ mutual need (Beamish, 1988; Madhok, 1995b); ▪ perception of long-term mutual need (Beamish and Banks; 1987); ▪ recognition of local partner needs (Lane and Beamish, 1990) 	
Structure	<ul style="list-style-type: none"> ▪ number of partners in the joint venture (Park and Russo, 1996); ▪ careful planning out of contract (Madhok, 1995b); ▪ contracts require binding arbitration instead of conferral; when a Japanese has to co-operate with an American (Sullivan <i>et al.</i>, 1981); ▪ control-parent strategy fit (Geringer and Herbert, 1989); ▪ foreign partner control (Killing, 1983) ▪ local control (Lee and Beamish, 1995); ▪ minority or equal share of ownership for foreign partner (Lane and Beamish, 1990); ▪ shared or local management control (Beamish and Banks; 1987); ▪ size of IJV (Lyles and Baird, 1994) 	<ul style="list-style-type: none"> ▪ adaptive structure (Luo, 1995); ▪ foreign partner control (Beamish; 1988) ▪ renegotiations of contracts before (Blodgett, 1991); ▪ unequal equity shares (Blodgett, 1991)
Behaviour	<p><i>Behaviour of the IJV</i></p> <ul style="list-style-type: none"> ▪ advertising (Lyles and Baird, 1994); ▪ application of HRM practices of the 	<ul style="list-style-type: none"> ▪ avoidance of conflict (Franko, 1971); ▪ centralisation (Franko, 1971); ▪ cost cutting (Franko, 1971);

Factor	Positive effect	Negative effect
	<ul style="list-style-type: none"> host culture (Zeira <i>et al.</i>, 1995); ▪ cultivation of good relationships with authorities and partners (Hamill and Hunt, 1993); ▪ employee advantages (Luo, 1995); ▪ operation according to clearly stated objectives (Zeira <i>et al.</i>, 1995); ▪ pricing (Lyles and Baird, 1994); ▪ product quality (Lyles and Baird, 1994); ▪ R&D intensity (Lyles and Baird, 1994); ▪ sales force expenditure (Lyles and Baird, 1994) ▪ strong alliance managers (Spekman <i>et al.</i>, 1996) 	<ul style="list-style-type: none"> ▪ escalating commitments to failing transactions (Ring and Van de Ven, 1994); ▪ excessive legal structuring and monitoring (Ring and Van de Ven, 1994); ▪ severe resolution techniques (Mohr and Spekman, 1994); ▪ smoothing over problems (Mohr and Spekman, 1994); ▪ standardisation of marketing function (Franko, 1971)
	<p><i>Behaviour between the partners</i></p> <ul style="list-style-type: none"> ▪ communication quality (Mohr and Spekman, 1994); ▪ co-operation (Inkpen and Birkinshaw, 1994); ▪ frank and immediate communication (Madhok, 1995b); ▪ frequent interaction (Madhok, 1995b); ▪ joint problem-solving (Mohr and Spekman, 1994); ▪ openness (Inkpen and Birkinshaw, 1994); 	
	<p><i>Behaviour of one partner</i></p> <ul style="list-style-type: none"> ▪ American partner requests mutual conferral to resolve disputes rather than binding arbitration (Sullivan <i>et al.</i>, 1981); ▪ assistance from the foreign parent (Luo, 1995); ▪ co-operative attitude of both partners (Lane and Beamish, 1990); ▪ domestic parent influence (Luo, 1995); ▪ participation (Mohr and Spekman, 1994) 	

(Table 2-2 *continued*)

Factor	Positive effect	Negative effect
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Factor	Positive effect	Negative effect
Trust	<ul style="list-style-type: none"> ▪ commitment (Beamish, 1988; Beamish and Banks, 1987; Mohr and Spekman, 1994; Shamdasani and Sheth, 1995); ▪ commitment to international business and to working in difficult conditions (Lane and Beamish, 1990); ▪ commitment towards the IJV (Lane and Beamish, 1990); ▪ co-ordination (Mohr and Spekman, 1994); ▪ interpersonal ties; which transcend the requirements of the business (Spekman <i>et al.</i>, 1996); ▪ personal bonds (Ring and Van de Ven, 1994); ▪ trust (Madhok, 1995b; Mohr and Spekman, 1994; Ring and Van de Ven, 1994); ▪ trust; embodying a structural part (complementary of resources) and social glue (Madhok, 1995a) 	<ul style="list-style-type: none"> ▪ conditions for violation of trust (Ring and Van de Ven, 1994)
Depen- dence	<ul style="list-style-type: none"> ▪ non-abuse of power (Hamill and Hunt, 1993); 	<ul style="list-style-type: none"> ▪ IJV dependence on parent company resources (Zeira <i>et al.</i>, 1995)
Envi- ronment IJV	<ul style="list-style-type: none"> ▪ restrictive investment policy of host country (Blodgett, 1991) 	<ul style="list-style-type: none"> ▪ host government policy (Gomes-Casseres, 1987)
Evaluation	<ul style="list-style-type: none"> ▪ basis of fair exchange (Lane and Beamish, 1990); ▪ minority parent satisfaction with equity distribution (Zeira <i>et al.</i>, 1995); ▪ perception of equity and efficiency (Ring and Van de Ven, 1994); ▪ satisfaction (Shamdasani and Sheth, 1995) 	

The first category, 'partner characteristics', mainly consists of factors derived from the firm characteristics of each partner such as industry, culture, size, and learning capabilities. In general, differences in culture between the partners (mainly on a country level) are observed to have a negative effect on IJV performance. However, when a culture is divided into the several dimensions mentioned by Hofstede (1980), differences in masculinity between the parent firms positively affect IJV performance. Zeira *et al.*, (1995:15) give the following interpretation:

one partner should be aggressive [masculine] and competitive and implement personnel policies.... . However, the other partner should be more yielding and more emotional, emphasising the importance of co-operation, teamwork, job security, pleasant human interaction and avoidance of job stress.

Differences in industry are seen to have a similar effect. This is because direct competition may lead to conflicts as both partners seek to increase their share in similar markets. Another effect is learning when partner firms are in the same industry. For example, Park and Russo (1996: 878) state that “learning is cumulative, and learning performance is greatest when the object of learning is related to what is already known” (see also Cohen and Levinthal, 1990). Learning from a partner via a joint venture is thus more likely to happen when the partners are active in the same industry. Furthermore, from a similar perspective, learning may influence joint venture performance negatively, in particular with respect to ‘stability’ and ‘longevity’, when the internalisation of the resources of one partner make the other partner obsolete (Hamel, 1991). On the other hand, it is evident that learning has a positive effect on joint venture performance when one of the partners has learned from earlier joint ventures, when the partners have had prior interaction or when one of the partners has operated in a foreign country by means of a wholly-owned subsidiary.

The second category of factors influencing IJV performance focuses on the strategies of both partners, in particular, the strategies that prompted the search for a partner. Examples of such strategies include product diversification strategies and market development strategies (or entering new markets with existing products). The strategies of the partners may be different but should be complementary, in order for the IJV to be viable. A subsequent change in initial strategies of one or more partners may result in less need for the IJV and thus to dissolution. However, other effects of incongruous strategies may also occur. For instance, a change of strategy may affect the relationship between the partners, because when partners change their strategy to a strategy that does not correspond to the goal of the joint venture, this may affect the amount of effort they put towards the joint venture. This may again negatively affect the other

party's perception of co-operativeness. Therefore, it is evident that a long-term strategic fit between the partners will positively affect IJV performance.

A third category proposed is 'need for resources'. Joint ventures are created if one partner needs a resource that the other partner holds (Pfeffer and Nowak, 1976). Mutual need for resources forms the *raison d'être* for the joint venture (Parkhe, 1991).

The fourth category we propose is 'structure', which refers to all formal agreements the partners have made and the structural characteristics of the IJV. This category includes the nature of the contract, the formal division of control, the share of equity between the partners of the IJV and the structural characteristics of the IJV (such as the capitalisation of the venture and the number of partners present). Surprisingly, Park and Russo (1996) found a positive and unexplainable relationship between the number of partners and the performance of the joint venture. In their study of Hungarian joint ventures Lyles and Baird (1994) also reported on a surprising result: an adaptive structure (*i.e.* a structure that can change its rules and strategies and is flexible and creative) negatively affects joint venture effectiveness. An explanation they give for this result is that adaptive structures may be considered as informal and creative arrangements that may threaten the former centrally-planned institutions, which rely heavily on documentation, and formal procedures. Outcomes concerning control are also contradictory. For example, although Beamish and Banks (1987) and Lane and Beamish (1990) find that *shared* or local management control systems enhance IJV performance, Killing (1983) reports that *dominant* partner control ventures are more successful.

The fifth category of factors that influence joint venture performance concerns the 'behaviour of the parties and of the management of the joint venture'. This category encompasses all actions carried out by at least one partner, or by the management of the joint venture. A group of factors can be identified, and divided into factors specific to the joint venture, factors specific to the interaction between the parties and factors specific to one partner alone. Studies indicate that conflicts have a negative influence on joint venture performance. However, with techniques such as joint problem solving, conflicts may not necessarily be destabilising to the joint venture, but may instead lead to resolutions that are beneficial to all parties involved. Harsh words and domination only lead to less satisfaction on the part of one of the partners (Mohr

and Spekman, 1994). It is likely that, through frequent and open interaction in which frank and immediate communication takes place, performance of a joint venture will improve.

‘Interdependence’ is another category of factors that influence joint venture performance. Dependence comes about through a company needing resources held by another firm, but distinguishes itself from this category in that need of resources will not lead to dependence directly. We will speak of dependence when the resources needed by a company are only available (or best available) at one particular company. On starting a new joint venture, firms attempt to manage this dependence relationship (Pfeffer and Nowak, 1976). Power is closely connected with dependence, as the power of one party resides implicitly in the subordination of the other (Ghauri, 1983). In the case of an imbalance in dependence, it is probable that non-abuse of power will affect joint venture performance positively.

Just like normal firms’ profits partly depend on the ‘environment’ in which they act, the environment plays also an important role in the performance of a joint venture. Examples of influences of the environment may be a devaluation of foreign currency, which may affect transferred profits, a shortage of raw materials reflected in the purchase price, or a decrease in demand through the introduction of an alternative good. All these changes will negatively affect profitability, and, therefore, IJV achievement. However, also the government may influence IJV performance: in some countries joint ventures are subject to specific regulations drawn up by the government (Aulin, 1990). For example, it has long been the case in Russia that foreign companies were not allowed to have a majority of equity in IJVs (Boersma, 1995).

‘Evaluation’ entails the partners’ satisfaction regarding joint venture performance, based upon both equity and efficiency (Ring and Van de Ven, 1994). Although efficiency has been the major criterion underlying the assessment of performance, fair dealing is seen as an equally important criterion. Ring and Van de Ven (1994: 93) assume that “the parties to a co-operative IOR [interorganisational relationships] are motivated to seek both equity and efficiency outcomes because of a desire to preserve a reputation of fair dealing that will enable them to continue to exchange transaction-specific investments under conditions of high uncertainty”. Evaluation, based on both

equity and efficiency, is an important factor that has been included in our model because both perspectives will influence managers' perceived outcome of the joint venture relationship. For instance, different viewpoints about fairness may influence the way managers perceive the quality of the relationship or whether profits are divided equitably.

The final factor that is discussed in this chapter, is 'trust'. Trust is defined as the expectation that the delegates of the other partner who are on the board of directors will behave co-operatively. Following Sako (1992), such behaviour can be divided into keeping promises, performing the role as competently as possible, and "open commitment to each other" (*ibid.*, p. 38). Commitment in this sense refers to the willingness to do more than is formally expected, and matches the operationalisation of commitment used by Beamish (1988). As has already been discussed in the introduction, trust plays an important role in the reduction of transactions costs, thereby improving performance (Buckley and Casson, 1988; Jarillo, 1988; Gulati, 1995; Cummings and Bromiley, 1996). Transaction costs occur because the transacting partner may behave opportunistically (Williamson, 1975, 1985). In order to protect against such behaviour, companies look for reliable partners, negotiate, write contracts, and monitor the other party's behaviour. However, when there is trust, the perceived chance that the other party will behave opportunistically decreases. Williamson (1985) states that when the risk of opportunism is eliminated, promises can replace the function of contracts. In other words, a perception of trust reduces contracting costs.

Transaction costs economics (TCE) is, however, rather static because it neglects changes in perception of opportunism (Nooteboom, 1996) and, thus, ignores the role of trust. Studies, especially from sociology, the IMP group (Håkanson, 1982) and economic sociology (Granovetter and Swedberg, 1992; Uzzi, 1997) state that trust plays an important role or is even essential to the formation and preservation of economic ties between firms. For instance, Uzzi (1997: 43) found that in embedded ties that include trust, "there was an absence of monitoring devices designed to catch a thief". He also found that information needed to assess the other party's trustworthiness (*i.e.* to find out whether the other party will behave opportunistically) was not systematically compiled. In other words, no special time and energy was devoted to evaluate the other's trustworthiness, which reduced *ex ante* transaction costs. Zand (1992) shows

that when trust is absent, managerial problem-solving effectiveness is much lower than when trust is present. Hence, trust reduces *ex post* costs of renegotiations and conferral. Corazzini (1977) states that trust is very much related to the effectiveness and efficiency of group processes, which also saves *ex post* costs. In addition, trust facilitates open and honest interaction (Buckley and Casson, 1988), thereby affecting the quality of the relationship. Nooteboom (1996) is another scholar who has made important contributions to a theory on trust in interorganisational relationships. He also stresses that in addition to an economic dimension (extrinsic utility), exchange often has a social dimension (intrinsic utility). In his view, transaction cost economics has largely neglected this latter dimension. As he states: "People may *prefer* to transact on the basis of trust and its concomitants of ethics, kinship, friendship or empathy" (*ibid.*, p. 992). He also believes that these ethics and friendship may motivate actors to behave trustworthy, which goes "beyond material interest in the form of maintaining a reputation as a basis for future material benefit" (*ibid.*, p. 993). Therefore, he distinguishes between a wide and a narrow concept of trust. "The wide concepts includes all sources of trust, ... the narrow concept would go beyond self-interest" (Nooteboom, 1998: 8).

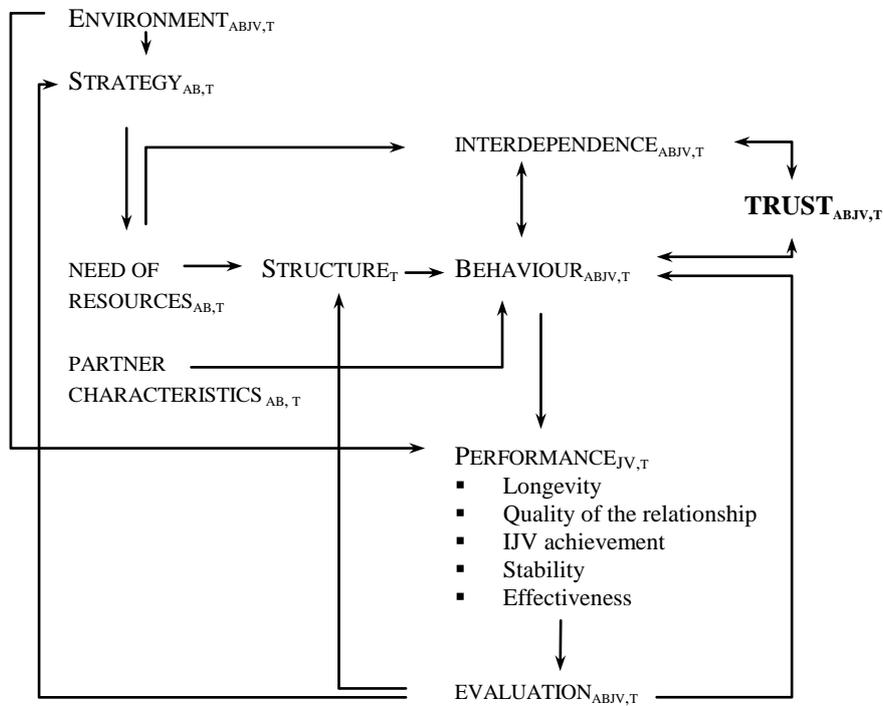
Summarising, trust has been recognised as an important feature (whether essential or complementary) in interorganisational relationships. Moreover, it is argued that when trust is present all other factors that contribute to IJV performance, except for mutual need and the environment, become less important. For example, Ring and Van de Ven (1994) state that excessive legal structuring and monitoring will negatively affect a joint venture's performance. Trust may change such behaviour. Likewise, trust may take away suspicion due to differences in partner characteristics.

2.4 TOWARDS A DYNAMIC FRAMEWORK OF TRUST DEVELOPMENT

The former section concludes with the finding that trust plays an essential role in IJVs. It is, therefore, important that partners acquire this feature. However, trust is not a property that can be deployed at any moment of time, parties have to make a long-term effort to develop it. The question of how partners in IJVs can develop trust requires a longitudinal approach. This is exactly the perspective that lacks in most of the IJV studies (Hyder and Ghauri, 1991; Parkhe, 1993b; Stafford, 1995). In order to build time in IJV research, and thus

to understand how trust develops in IJVs, this section places the nine factors found into a conceptual dynamic framework. This process is started by incorporating a dynamic element into this study. Integrating three paradigms – namely the resource-based view of the firm (Penrose, 1959; Wernerfelt, 1984; Hamel, 1991), the transaction costs approach (Williamson, 1975, 1985; Hennart, 1988; Kogut, 1988) and economic sociology (Granovetter, 1985; Uzzi, 1997)– will enhance our understanding about the development of trust within IJVs through time. The integration of these three paradigms is also proposed by De Jong (1999). This model is presented in Figure 2-1.

Figure 2-1. A conceptual model of trust development in IJVs



ABJV,T: partner A, partner B, management of the joint venture in period T
 Source: based on Ariño and De la Torre (1996), Parkhe (1993b), Ring and Van de Ven (1994)

This model suggest that a firm's strategy leads to a need for resources. From a resource-based perspective, a company is considered as a unique bundle of resources. When implementing such strategies, these resources may sometimes lack. For example, when a firm wants to expand internationally, it may lack the experience of operating in a foreign country, or more specific, of operating in that particular country. Building up this experience is possible, although this will be a gradual, time-consuming process. In addition, the firm may lack the time and money to invest in these extra capabilities (*e.g.* due to first mover advantages or turbulent environments). In such cases, co-operating or merging with another firm that possesses this unique combination of resources the firm itself lacks may be an option (Kogut, 1988). Hence, the resource-based view seems particularly relevant in explaining why firms enter an alliance such as an IJV rather than developing the resources themselves. This view also helps to explain why joint ventures may be dissolved at a certain time – for example, when one of the partners has obtained the resources of the other partner or when one of the partners has altered its strategy and no longer requires the resources for which the IJV was established.

Why firms may choose an equity joint venture can, however, not be explained by the resource-based approach, as this approach only points out why firms start to co-operate, but not why they choose a certain mode or structure. Transaction costs economics (TCE) may be of help here. In general, TCE explains why firms choose for market transactions or hierarchy. IJVs may be viewed as an intermediate or hybrid form of organisations (Lorange and Roos, 1992; Lu and Björkman, 1997); however, they are closer to a hierarchy than a market while non-equity joint ventures are closer to a market structure than to a hierarchy (Powell, 1990). Hennart (1988) and Kogut (1988) have used TCE to explain why some firms choose an equity joint venture while others favour a contractual, non-equity joint venture (including license agreements, distribution and supply agreements, and other kinds of contracts). The basic question from a TCE perspective is why hierarchical control is preferred over transactions via spot markets. To answer this question, standard reasoning of TCE can be used: when the costs of producing a resource internally are less than the transaction costs of buying this resource on the market, a hierarchy (and thus an IJV) will be chosen, whereas in the opposite situation (production costs are higher than

transaction costs), the resource will be obtained on the market. Another argument for internalising a resource instead of transferring it via the market is the tacitness of the resource, as “this intangible know-how typically needs ongoing, future co-operation from the seller to obtain the full benefit of the know-how purchased, since all of the learning and experience of the developer of know-how cannot be captured in the codified descriptions, drawings, and data that are amenable to physical transfer” (Teece, 1981: 90). This tacit part of technology is more efficiently transferred if the transferor and the recipient are linked through common ownership (Hennart, 1988).

The selected structure (the extent of the hierarchy and the formal agreements), together with partner characteristics and dependence, in time leads to a particular behaviour on the part of both partner firms and the management team of the equity joint venture (Zand, 1972). Both behaviour and interdependence affect trust. By including Economic Sociology (ES), ‘social embeddedness’ of economic relationships can be incorporated (Granovetter, 1985). ES tries to explain economic action by including a sociological perspective (Granovetter and Swedberg, 1992). By including the social aspect of human actors, latitude is created to explain economic human behaviour from a sociological perspective, thus giving leeway to the concept of trust (Madhok, 1995b). The behaviour (which, from an ES perspective is not driven by material gain only) of the parties involved leads to a certain performance on the part of the IJV, which in time is evaluated in terms of efficiency and equity (Ring and Van de Ven, 1994). Equity may also be considered as a concept from ES. Evaluation may take place jointly or individually. Naturally, evaluation may be both negative and positive. If the evaluation is negative (for example, when one of the parties or more is dissatisfied with the performance), several outcomes are possible. First, one of the partners or more may decide to change their strategy and leave the IJV. Second, both partners may decide to change the structure of the IJV. Third, one of the partners, or the management team of the IJV may decide to modify their behaviour. If the evaluation is positive, the partners and the management of the IJV may decide to maintain a status quo, but they may also change their behaviour in order to improve performance. During these iterative cycles of interaction, trust may develop or may be destroyed. This model, presented in Figure 2-1, suggests that behaviour and

interdependence directly affect trust. For this reason, these two variables will be dealt with in more detail in chapter 3.

2.5 CONCLUSIONS

This chapter has provided a structured overview of the literature on joint ventures. It has shown that the literature is very fragmented, which obscures the overview. This chapter has shown that IJV performance is a multi-dimensional concept that includes five indicators. The factors that influence IJV performance can be classified into nine main categories. The chapter has shown that the most important factor affecting IJV performance is trust. It was found that trust plays an important role in the reduction of transaction costs, and hence contributes to the performance of the IJV. Moreover, it can be argued that when trust is present, all other factors become less important, except for interdependence, mutual need and the environment. The first two factors –interdependence and mutual need– form the *raison d'être* of the joint venture, the latter –the environment– is beyond the control of the partners. In other words, when trust is present, partners will find ways to work out difficulties that may arise from differences in partner characteristics, diverging strategies, and structural configurations. Trust will also facilitate co-operative behaviour and positive evaluations. Therefore, it is worthwhile to focus on trust in IJVs, because it is a factor that overrules all other factors.

However, trust is not a factor that can be deployed at any moment of time; it requires a long-term effort of parties to develop it. About how parties can develop this feature only little is known. This is due to a rather static approach to IJV research. Therefore, some researchers propose a more longitudinal approach (Hyder and Ghauri, 1991; Parkhe, 1993b; Stafford, 1995). In order to include a time perspective in IJV research, this chapter is concluded with the presentation of a dynamic framework of trust development in IJVs. This model suggests that interdependence and behaviour are two variables that directly influence trust. Hence, to understand how trust develops, interdependence and behaviour need to be included in this study. Together with trust these two factors will be defined in chapter 3. Table 2-3 summarises the major key concepts of this chapter.

Table 2-3. Key concepts of chapter 2

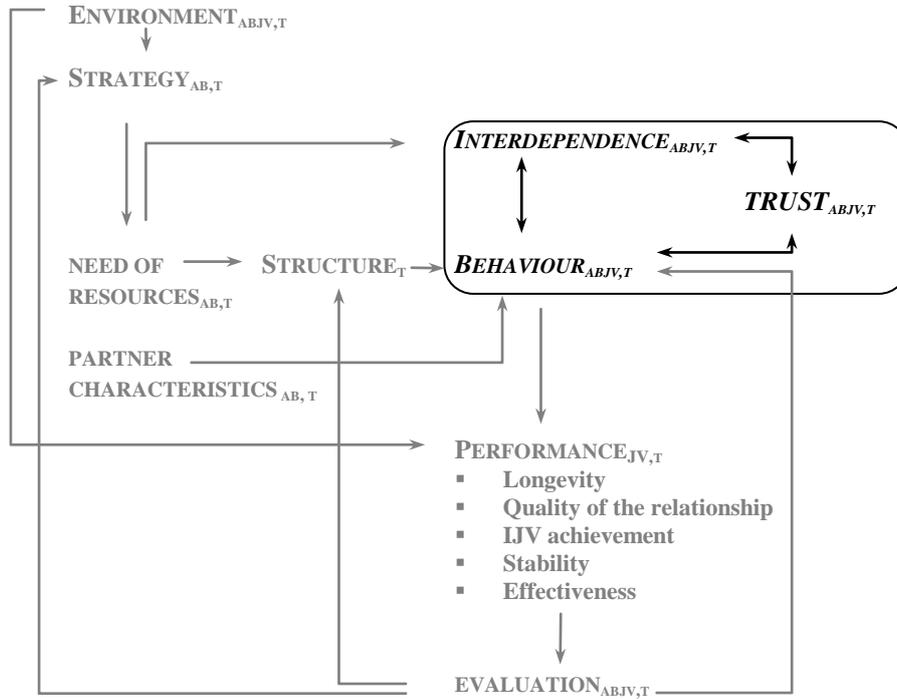
Key concepts	Explanation
Performance of an international joint venture	<p>a latent variable which can be measured by five dimensions, namely:</p> <ul style="list-style-type: none"> ▪ longevity: (expected) duration of the joint venture; ▪ quality of the relationship: perceptions about trust and co-operativeness; ▪ effectiveness: extent to which set goals are or will be achieved; ▪ achievement: financial performance of the joint venture; ▪ stability: changes in equity and/or the contract
Factors affecting performance	<p>nine main variables which positively or negatively affect IJV performance, namely:</p> <ul style="list-style-type: none"> ▪ partner characteristics: distinguishing features of the partner companies, like culture and size; ▪ partner strategy: the strategic direction of the partner; ▪ need of resources: the extent to which the partners need each other's resources; ▪ structure: key characteristics of the joint venture; ▪ behaviour: conduct of the partners or of the MIJV; ▪ trust: the expectation that the delegates of the other partner who are on the board of directors will behave co-operatively; ▪ interdependence: the extent to which the partners need each other's resources and the number of alternatives available; ▪ environment: factors that are outside the direct influence of the joint venture, such as earth quakes and currency devaluation; ▪ evaluation: partner's appreciation of IJV performance based on both equity and efficiency

3

MODEL FOR ANALYSIS

The previous chapter indicated that trust plays an important role in IJV relationships. With trust being so essential in IJV relationships, building and sustaining trust becomes a main activity for partners in IJV relationships. How trust develops is the main question of this thesis. To build on former research, chapter 2 presented a conceptual dynamic framework of trust development in IJVs. This conceptual model suggests that interdependence and behaviour directly influence trust. Hence, to understand how trust develops, we need to include interdependence and behaviour in this study, because changes in trust may come about through changes in interdependence and behaviour. In addition, focusing on the interaction between these three variables helps to study the development of trust in-depth. Therefore, this chapter concentrates on the three variables of trust, interdependence and behaviour. Figure 3-1 presents this focus.

Figure 3-1. A conceptual model of trust development in IJVs: the focus of this study



ABJV,T: partner A, partner B, management of the joint venture in period T
 Source: based on Ariño and De la Torre (1996), Parkhe (1993b), Ring and Van de Ven (1994)

This chapter starts by defining trust and elaborates on sources of trust. Next, it defines interdependence and behaviour. The chapter concludes with evidence from literature about the relationships between these three variables.

3.1 TRUST

Trust has been looked upon as a vague and elusive concept. Porter *et al.*, (in: Klein Woolthuis, 1996: 6) formulate this very clearly:

Trust... tends to be somewhat like a combination of the weather and motherhood; it is widely talked about, and it is widely assumed to be good (for organisations). When it comes to specifying just what it means, in an organisational context, however, vagueness creeps in.

Defining trust leads to some difficulty. The first discussion is about whether trust is a subset of risk taking (Corazzini, 1977; Gill and Butler, 1996; Luhmann, 1988) or has a moral undertone (Hosmer, 1995; Craswell, 1993). This discussion focuses on trust explaining particular behaviour. For example, “X loaned some money to Y. What might explain X’s behaviour?” (Craswell, 1993: 487). Deutsch (1962) argues that it would only be a matter of trust when the expected loss was greater than the expected gain, while otherwise “trust would be a matter of simple economic rationality” (Hosmer, 1995: 381). This is in line with Williamson (1993) who states that actors who take an apparent leap of faith, most of the time act in line with their calculated self-interest. He argues that trust is not the right word to use in such cases. In his opinion, trust should be reserved for family and other close relationships. Craswell (1993), however, also recognises instances in which persons take leaps of faith because they trust the other party. Thereby, he acknowledges that actors do not always act on the basis of calculative reasons although this may seem to be the case.

Second, trust may be a variable that has to be explained. For example, “X trusted Y and, therefore, X loaned some money to Y. What explains X’s trust?” Discussions in this context focus on whether trust is trust when there is a belief in the other party acting trustworthy for other than moral reasons (Hardin, 1990; Nooteboom, 1998). For example, when we know it is in the other party’s interest to behave trustworthy, the question arises whether or not trust is the right word. Nooteboom (1998) argues that trust based on non-egotistic sources corresponds more closely to common sense intuitions of trust: “it is proposed that you ‘really’ trust someone when you are willing to *forego* guarantees on the basis of coercion or self-interest” (*ibid.*, p. 8). Related to this are debates about trust and whether or not trust is similar to a belief, confidence, faith, hope or expectation (*cf.* Rempel *et al.*, 1985, Luhmann, 1988).

Third, definitions differ in their focus. Some definitions only emphasise (the absence of) negative behaviour of mankind (*e.g.* Nooteboom, 1996), including cheating, while others focus on more positive conduct, such as doing more than is expected (*e.g.* Sako, 1992).

Although a conceptual, interpretative debate about trust is interesting and necessary in order to come to a acceptable definition of trust¹, it is not within the scope of this chapter to elaborate on this discussion in more detail. It is, however, not my intention to pass over this debate. The case studies that are presented in this thesis may shed a new light on trust, which may help us to reach more agreement about a definition in the near future. For the moment, trust will be defined as the expectation that the delegates of the other partner who are on the board of directors will behave co-operatively. This chapter will elaborate on three aspects of trust. The following section (3.1.1) will deal with trust as an expectation or, put differently, a perception. Section 3.1.2 will discuss the various dimensions of trust. Section 3.1.3 deals with trust and the perception on the motives for the other party to behave co-operatively.

3.1.1 Trust and perception

Perception comes from the Latin word *percéptio*, related to the word *percápere*, which literally means ‘to take in’. In other words, perception refers to the absorption or assimilation of an environment that consists of objects and happenings. Considering this definition, it can be concluded that perceptions are blank. In fact, it is data that reach us through our five senses without any judgement. Hence, perceiving can be compared to the way in which children absorb their environment: they see, hear, taste, touch, and smell without recognising and labelling their environment. As adults, most will have lost this open and clear mind. Through experiences, adults gradually learnt to see situations and objects in a certain way, and lost the ability to really perceive, (*i.e.* sensing without presupposed expectations and judgements).

Examining definitions of trust, it can be concluded that trust is one of those expectations that changes our perception from an open to a specific one. Hosmer (1995) comes to the conclusion that in most definitions “trust is generally

¹ Hosmer (1995) has written an excellent article, including an overview of literature on trust and an attempt to come to a synthesizing definition.

expressed as an optimistic expectation on the part of an individual about the outcome of an event or the behaviour of a person” (*ibid.*, p. 390). And: “it is the expectation of generous or helpful, or, at the very least, non-harmful behaviour on the part of trusted person, group, or firm” (*ibid.*, p. 392). Thus, trust changes our blank perception into a positive one: we expect the outcome of an event or the behaviour of a person to be positive rather than have no expectation or a negative one. Following from this, it can be stated that trust is a construction of the mind, since it does not change an unfolding situation in itself, but only the perception of an individual of this situation. Therefore, “trust can vary between individuals, even in otherwise identical conditions” (Nooteboom, Berger and Noorderhaven, 1995: 3).

3.1.2 Trust in co-operative behaviour

Hosmer (1995), who compiled definitions by other researchers, characterises trust as a positive expectation about the outcome of an event or the behaviour of a person. Because this thesis focuses on trust between partners within IJVs, we will focus on the latter part of Hosmer’s definition, that is, the behaviour of persons. While behaviour has many dimensions, trust in this behaviour needs to be demarcated, since otherwise the concept remains too vague and too broad. In this, we follow Sako (1992) because of her clear distinction between different dimensions of trust in interfirm relationships. The three dimensions she distinguishes are contractual-based trust (later renamed by Butler and Gill (1996) into promissory-based trust), competence-based trust² and goodwill-based trust.

Promissory-based trust occurs due to explicit written or oral agreements partners make during the joint venture relationship. When making such agreements, it should be possible to rely on a party to stick to this agreement. Agreements may vary in scope. For example, contracts may be regarded as a promise with a large scope, while agreements made during a chat down the corridor may be regarded as agreements with a small scope. This study will take into account all kind of agreements that are made, both large and small in scope.

² Ganesan (1994) combines both promissory-based trust and competence-based trust in the label ‘credibility’.

Promissory-based trust will be defined as follows: ‘the expectation that a party can be relied upon to keep a verbal or written promise’.

The second dimension of trust is competence-based trust. It refers to ‘the expectation that a party will perform its role competently’. The role of the partner will often be related to the contribution of the partner in the joint venture. For example, a company may be chosen as a joint venture partner because it has a network of consumers who will buy the joint venture’s products. In such a case, its role may consist of maintaining this client base. Especially when parties cannot comprehend the expertise of the other party, performance of the other may be controlled by trust (Barber, 1983: 15).

The third dimension Sako (1992) mentions is goodwill-based trust³. “The key to understanding goodwill-based trust is that there are no explicit promises which are expected to be fulfilled, as in the case of contractual trust, nor fixed professional standards to be reached, as in the case of competence trust” (Sako, 1992: 39). Comparing Sako’s definition of goodwill-based trust with others (Barber, 1983; Hosmer, 1995; Nooteboom, 1996), it may be noticed that Sako’s definition does not allow for a belief in absence of negative actions of the partner. Therefore, this thesis applies a broader definition of goodwill-based trust and, hence, refers to “the expectation that the other party will take care of the interests of ego (Hosmer, 1995) and may be willing to do more than is formally expected” (Sako, 1992). Taking care of the interest of the other party may entail that a party will engage in actions which benefit the other or refrains from actions which will work at the disadvantage or will damage the interests of the other party (Butler and Gill, 1996: 4).

The question arises of what is a promise, what is competent, and what is taking care and doing more than that is expected. People within IJV relationships may have different norms concerning these issues. For instance, a person may regard an agreement following from a chat down the corridor as a promise, whereas others will regard the words of someone else as meaningless, unless they are written down. In order to avoid confusion, this thesis takes the norm set by the person who trusts as the starting point. This refers back to our

³ Other labels for this type of trust are, amongst others, character-based trust (Gabarro, 1978), behavioral trust (Nooteboom, 1996) and benevolence (Ganesan, 1994).

statement in section 3.1.1 that trust is a construction of the mind. Table 3-2 on p. 46 summarises this definition of trust.

3.1.3 Major sources of trust

Section 3.1 discussed the main problems associated with defining trust. One of the arguments about trust is whether trust is really trust when the person who trusts believes the other will act co-operatively for other than moral reasons (Hardin, 1990; Hosmer, 1995). Most authors ignore this discussion, including every motive of the other to behave co-operatively. For example, when X believes Y will keep her promise, it may be that X trusts Y because X thinks Y has a clear self-interest in keeping her promise. Can we really call this trust? In other words, we need an insight into the drives behind people's co-operative behaviour, while determinants of co-operative behaviour may also be seen as sources of trust. Nooteboom's (1996, 1998) definition of trust inspired me to classify the drives behind co-operative behaviour into three groups. His definition of (goodwill-based) trust is the following (Nooteboom, 1996: 993):

X trusts Y to the extent that X chooses to co-operate with Y on the basis of a subjective probability that Y will choose not to employ opportunities for defection that X considers damaging, even if it is in the interest of Y to do so. The trustworthiness of Y depends on Y's true propensity to employ those opportunities.

Thus, Nooteboom speaks of trust when Y has a self-interest to defect, when Y has opportunities to defect, but has no propensity to use these opportunities to satisfy her self-interest. The propensity to behave untrustworthy is restricted by two main factors, namely, 1) ethics, norms/values, bonds of kinship or friendship and emotions; 2) the parties' self-interest in the relationship. Whereas the latter is egotistic, the former is related to the other party's interest, and is based on emotions. Hence, three main motives explain parties co-operative behaviour: a) they have no opportunity to do otherwise (Deutsch, 1962); b) it is in their own self-interest; c) it is in the other party's interest. Combinations of these three main motives of behaviour are also possible; they are visualised in Table 3-1.

Table 3-1. Combinations of motives for behaviour and their outcome

No opportunity	Self-interest	Partner's interest	Outcome
+	-	-	Neutrality
-	+	-	Advantage/ Possible opportunism
-	-	+	Possible altruism/ ethics, norms and values
-	-	-	Satisfaction/ Mutual forbearance
+	+	-	Incapacity
+	-	+	Incapacity
-	+	+	Joint gain
+	+	+	Incapacity

Source: based on Nooteboom (1996)

Incapacity (rows 5, 6, and 8) occurs when X has no opportunity to behave co-operatively, although such conduct would benefit X (row 5), or Y (row 6), or both (row 8). *Neutrality* appears when there is no opportunity to be taken, where neither party has the interest to behave differently. It is a status quo at that particular moment. *Satisfaction*, on the other hand, is a situation in which an opportunity arises to change things, but where both partners have no interest to take that opportunity. It is also the *mutual forbearance* situation described by Buckley and Casson (1988). Mutual forbearance occurs when both parties are vulnerable to actions carried out by the other party and are taking into account the longer term. Hence, although the opportunity to be taken may satisfy X's self-interest in the short-term, her action will be unfavourable in the longer term. *Advantage/opportunism* occurs when the opportunity to be taken will benefit X but not Y or will even harm Y. The opposite situation is that of *altruism/ ethics, norms and values*, which arises when an opportunity for X is not beneficial for X but for Y. *Joint gain* is the ideal situation, because of the win-win situation for both parties. This is the situation where an opportunity arises which, if taken, will benefit both parties.

In this thesis, trust refers to trust in co-operative behaviour. Hence, X may trust Y to behave co-operatively because X believes that: a. Y has no

opportunity to behave differently; b. Y has a self-interest to behave in such a way or has no self-interest to behave differently; c. Y takes care of X's interest, because of emotions. Trust based on perceived self-interest and/or emotions corresponds with Nootboom's (1998) wide concept of trust, whereas a narrow concept of trust goes beyond self-interest and is based on emotions.

3.2 THE TWO VARIABLES AFFECTING TRUST

Figure 3-1 indicates that trust may be affected by two other variables: behaviour and interdependence. Together with trust they form the scope of this study. This section defines these two variables.

3.2.1 Behaviour

In section 3.1.2 it was explained that the definition of trust contains a behavioural element (Cummings and Bromiley, 1996). Therefore, this definition presents indications for defining behaviour, since we can use similar dimensions. Thus, members of the Board of Directors of the IJV behave cooperatively when they keep their word (promissory-based behaviour), when they execute their role as competently as possible (competence-based behaviour) and when they take care of the other party's interest and may be willing to do more for the joint venture than is formally expected (goodwill-based behaviour). On the other hand, people may behave competitively (Deutsch, 1962). In this thesis this is the case when parties do not keep their word, when they do not perform their role as competently as possible, or when they do not take care of the other party's interests or do not more than what is formally expected of them.

3.2.2 Interdependence

International joint ventures are created because the partner holds particular resources the focal firm needs. This need for and control over particular resources indicates a dependence relationship from the focal firm on the partner. IJVs are, usually, characterised by mutual interdependence: both partners need the other partner's resources. Hence, interdependence forms the economic justification for the existence of joint ventures (Parkhe, 1991). Furthermore, firms form joint ventures to manage this interorganisational interdependence: "in order to manage resource interdependence with other organisations, linkages are used to stabilise exchange relationships" (Pfeffer and Salancik, 1978: 157).

Being dependent, however, requires something else: the partner must control resources that are unique or of a higher value than similar resources that are held by other firms. Nooteboom (1996) calls this the relative value of the partner⁴. ‘Relative’ indicates that other firms hold similar resources, but that the partner’s resources are valued higher than these alternatives. If not, the focal firm could obtain the resources elsewhere, which would make it independent of its partner. Uniqueness of resources may apply to one or more resources. For example, several firms may control one particular resource, but additional resources can make this company more attractive than other firms. The more unique the (bundle of) resources and the more the partner needs these resources (*i.e.* the more important these resources are), the more dependent this company will be on its partner, and therefore on the joint venture.

3.3 EVIDENCE FROM THE LITERATURE ABOUT THE RELATION BETWEEN THE THREE VARIABLES

This section provides more theoretical and empirical evidence for the presupposed relationships between trust, behaviour and interdependence. Each of the following sections will deal with two of the three variables.

3.3.1 Trust and behaviour

Empirical evidence on the relationship between trust and behaviour comes from several studies. Anderson and Weitz (1989) and Good (1988) found that the extent of two-way communications (extensive and intensive communications between the two parties) increases the level of trust within this relationship. On the other hand, the more trust, the greater the extent of this two-way communication. Madhok (1995b) found that interaction facilitates trust and commitment within IJVs. This is in line with Zucker’s study (1985), which presents three modes of trust production, process-based trust being one of these. Also Blau (1992) and Gabarro (1978) identify this mode. Process-based trust is “tied to past or expected exchange such as in reputation or gift-exchange” (Zucker, 1986: 60). In such past exchange, parties have been able to show their trustworthiness through co-operative behaviour. For example, both reputation and gift-exchange are manifestations of behaviour. Concerning gift-exchange,

⁴ Switching costs also contribute to interdependence. This thesis leaves this

reciprocity plays an important role (Blau, 1992). Reciprocity requires trust, in that the person who has done another person a favour, may expect something in return, yet when and what is not stipulated in advance. This type of exchange requires one actor to take the first step. Therefore, such exchange relations “evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved” (Blau, 1992: 94). Zand (1972) investigated the interaction of trust with information flow, influence, and control. He found that when a group was told to expect untrustworthy behaviour from the other group, managerial problem-solving effectiveness was much lower than when a group was told to trust the other group. Distrust frustrated the belief that the other party would act sincerely; therefore, a lot of discussion took place to find out the hidden agenda of the other group. Sullivan *et al.*, (1981) investigated whether the manner in which conflicts were resolved influenced the level of future mutual trust in Japanese-American joint ventures in Japan. They distinguished two modes of conflict resolution, namely, mutual conferral and arbitration. They found that Japanese partners perceive a high level of trust when conflicts are resolved through mutual conferral, albeit, only when the person in charge of operations was non-American. If American, arbitration was the preferred mode.

Particular behaviour, though, may also lead to trust. Ganesan (1994), Williamson (1985) and Gundlach and Cadotte, (1994) found that making transaction-specific investments (also called credible commitments or pledges) signals the intentions and expectations of the firm regarding the quality of the relationship, thus increasing trust. Finally, Ring (1993) made a distinction between fragile and resilient trust. He suggests that over time repeated successful transactions based on fragile trust will enable trust relationships between economic actors to evolve to resilient trust. However, resilient trust may facilitate information sharing during negotiations and frequent exchanges of tacit know-how in networks.

In sum, we can say that trust facilitates, amongst other things, open and direct communication, more effective problem-solving, informal conflict resolution (which are all manifestations of behaviour), and that trust may come about through repeated, successful prior interaction.

factor out of consideration.

3.3.2 Interdependence and trust

Gill and Butler (1996) found that the pattern of interdependencies affects the development of trust between the partners in joint venture relationships. Within sequential interdependence relationships (*i.e.* the output of partner A is the input for partner B) both partners may be competitive, which reduces the degree of trust between the partners. On the other hand, they found that in pooled interdependence relationships direct competition is less likely, which may stimulate the development of trust. Kumar, Scheer and Steenkamp (1994) found that when dependence asymmetry increases, trust and commitment between partners in channel relationships decreases: “as asymmetry increases, the more powerful firm has no need to be trusting or committed, as it can use its relative power to obtain co-operation” (*ibid.*, p. 5). This imbalance of power affects the less powerful party. For example, Anderson and Weitz (1989: 315) indicated that “when one party possesses inordinate leverage over the other party, the weaker party becomes mistrustful”, (*i.e.* they will be afraid that the stronger party will take advantage of their dependence). On the other hand, increasing total dependence enhances trust and commitment, as both partners are likely to strive to build and strengthen the relationship given the relatively high exit barriers (Kumar *et al.*, 1994: 5). They conclude that in case of asymmetry of interdependence, increasing the less dependent party’s dependence is a better option than decreasing one’s own dependence. In the latter case total mutual dependence decreases, reducing relational cohesion (*i.e.* trust and commitment).

In sum, it can be concluded that sequential and asymmetric dependence may lessen the degree of trust, whereas pooled, symmetric and high-magnitude (the sum of dependence) interdependence increases the amount of trust.

3.3.3 Interdependence and behaviour

In a situation where both partners are (highly) dependent on the joint venture relationship, it is more likely that neither firm will cheat, since they both are equally vulnerable. “A party is vulnerable if some course of action that might be chosen by another party would significantly reduce its welfare” (Buckley and Casson, 1988: 35). Any action against one of the partners may stimulate an adverse response, and may thus reduce their own welfare. This gives both partners the incentive to forbear on a reciprocal basis. Gundlach and Cadotte (1994) come to a similar conclusion: “Each party’s possession of power,

coupled with benefits obtained from the relationship, fosters an atmosphere of co-operation and curbs the potential for conflict” (*ibid.*, p. 517). In addition, higher total dependence on the other party may also affect people behaving trustworthy because of affective reasons (Geyskens *et al.*, 1996: 306): “increasing total interdependence demonstrates to a channel member that efforts to maintain the relationship are reciprocated by its partner”, which may increase the willingness to continue the relationship because of loyalty and a sense of belonging. Gundlach and Cadotte (1994) found that when joint dependence increases, parties will use non-coercive strategies, such as rewards, promises and information persuasion, earlier than coercive strategies (such as threats, demands, and negative normative strategies). In case of asymmetry in dependence, the company with the most bargaining power can use this power to influence the behaviour of the other party. “The more power an organisation has, the more influence it has to determine the nature of the inter-organisational exchange; that is, to determine the form of the interaction and the ratio of exchange” (Cook, 1977: 66). Whether or not a company will transform this power into coercive rather than noncoercive actions to attain its goals remains the question. Williamson (1975) has argued that when interdependence is asymmetric, the more powerful party will often use ideology as a unifying and co-operation-inducing force. While these noncoercive strategies are perceived as fairer by the more dependent party, the atmosphere of the relationship will stay in tact. The party that remains dependent on the joint venture relationship will probably have more incentives to sustain the relationship and will thus refrain from non-trustworthy behaviour. Trustworthy behaviour may also increase one’s dependence on the relationship; by making transaction-specific investments a party will make itself more dependent on the relationship (Ganesan, 1994; Williamson, 1985; Gundlach and Cadotte, 1994). However, such actions require one party to take the first step, which again requires trust. When the other party reciprocates X’s behaviour, *i.e.*, makes itself more dependent on the relationship as well, total mutual dependence may increase, which in turn may lead to more trust.

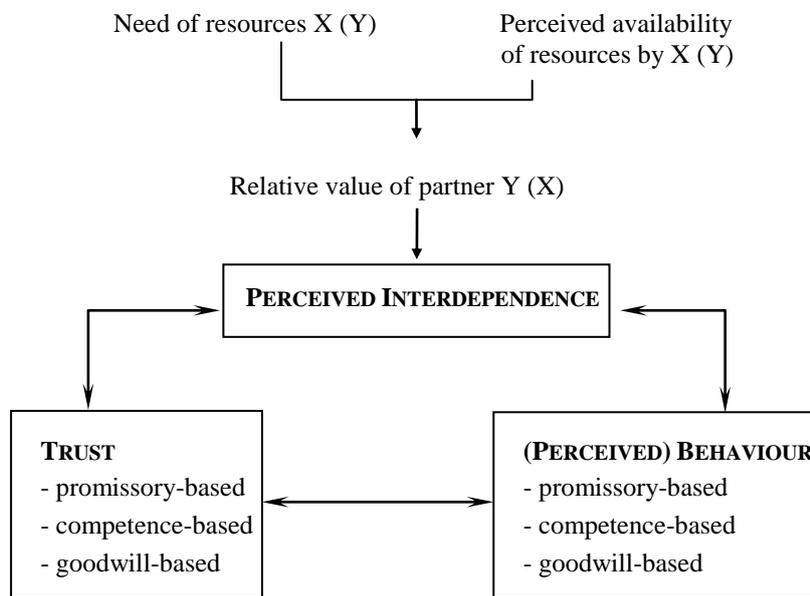
Summarising, when both partners depend equally on the relationship, both will refrain from cheating since both are equally vulnerable. In addition, high total dependence leads to efforts and noncoercive strategies. Asymmetric dependence leads to situations in which the more powerful party has

possibilities to determine actions and in which the less powerful party will refrain from behaving opportunistically because of their vulnerable position. Investments may increase a party's dependence on the relationship, because it may lead to sunk and switching costs.

3.4 CHANGE IN TIME

This chapter defined trust and two other factors that are assumed to affect trust. The interrelatedness between these three variables is presented in Figure 3-2.

Figure 3-2. Trust, behaviour and interdependence interrelated

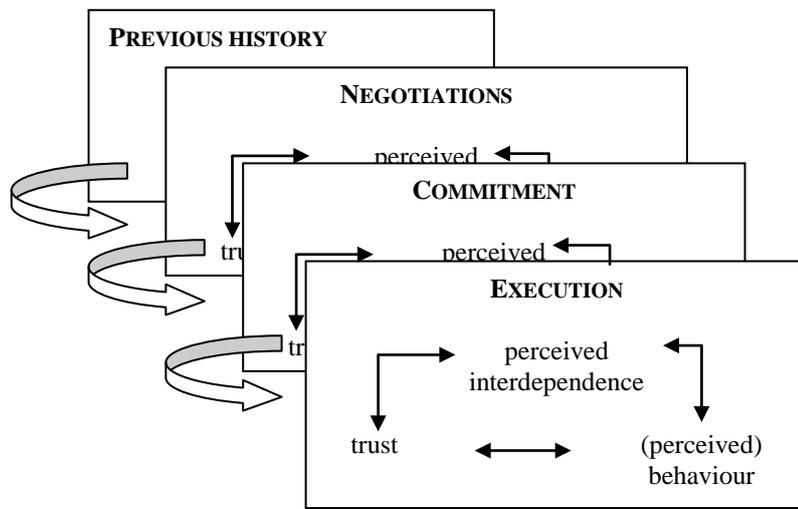


Source: based on Sako (1992), Butler and Gill (1996), Cummings and Bromiley (1996), Pfeffer and Salancik (1978), Nooteboom (1996)

However, what lacks in this model is a process dimension. In other words, we need a process framework on the basis which we can describe the development of trust. Because a time perspective lacks in IJV research, this thesis combines

the work of Ring and Van de Ven (1994), and Larson (1992)⁵. These authors presented a process framework for the development of interorganisational relationships, in which economic as well as social dimensions are central. Model M₀, presented in Figure 3-3, combines their work.

Figure 3-3. Model M₀: A process model of trust development in IJV relationships



 : time relationship
 : causal relationship

Source: based on Ring and Van de Ven (1994), Larson (1992)

Previous history is the stage before the parties meet to negotiate the joint venture. During this stage parties may construct an initial mental image of the party with whom they will start the joint venture. The parties come together in order to negotiate the joint venture during the negotiation stage. “In the commitment stage, the will of the parties meet, when they reach an agreement on the obligations and rules for future action in the relationship” (Ring and Van

⁵ I am grateful to Rosalinde Klein Woolthuis for bringing these models to my attention.

de Ven, 1994: 98). “In the execution phase, the commitments and rules of action are carried into effect” (*ibid.*, p. 98). During this phase the joint venture is managed and meetings are held between board members and the management of the IJV (MIJV) in order to discuss strategic, tactical and operational issues. This execution stage ends when the joint venture ceases to exist.

3.5 CONCLUSIONS

This chapter defined trust, behaviour and interdependence. It stated that trust is a perception of the behaviour of the other party. It provided three sources of trust. It also gave evidence from existing literature on the relation between the three variables. Figure 3-3 presents the model of analysis, M_0 . This model yields the basis for the empirical work. Table 3-2 addresses the major concepts of this chapter.

Table 3-2. Key concepts of chapter 3

Key concept	Explanation
Trust	<p>the expectation that the delegates of the other partner who are on the board of directors will behave co-operatively. Trust entails three dimensions, which are:</p> <ul style="list-style-type: none"> ▪ promissory-based trust: the expectation that a party can be relied upon to keep a verbal or written promise; ▪ competence-based trust: the expectation that a party will perform its role competently; ▪ goodwill-based trust: the expectation that the other party will take care of the other party’s interests and may be willing to do more than is formally expected
Behaviour	any kind of actions that the board members of the IJV may carry out. Might be co-operative or competitive. Has the same dimensions of trust.
Interdependence	the degree to which a partner is of value to the other partner. Entails two dimensions, namely the need for particular resources and the availability of these resources elsewhere.
Process framework	the stages through which trust develops in IJVs. Consists of four stages, namely previous history, negotiations, commitment, and execution.

4

METHODS

This chapter provides an overview of the methods used in this study. Section 4.1 elaborates on the research strategy; it explains why a particular strategy was considered most appropriate for answering the research question. Section 4.2 explains how the research was designed; this implies the choices to be made regarding the nature of the cases, the number of cases, the unit of analysis and how the data should be collected. Finally, section 4.3 shows the method of data analysis.

4.1 RESEARCH STRATEGY: CASE STUDY APPROACH

The strategy a researcher can follow depends on the type (*i.e.* goal) of the study. First, the aim of the research might be to *describe* certain events. In this case, the researcher aims to systematise and categorise particular information, without preceding expectations (Baarda and de Goede, 1995). Appropriate research strategies to use in these instances are archival analysis or the survey method (Yin, 1989). The survey method or experiments are appropriate if the aim is to *test* expectations (*i.e.* hypotheses). In between descriptive and testing research is the *explorative* type of research (Baarda and de Goede, 1995). If only little is known about the subject, and the researcher aims to build new theories, exploration rather than testing hypotheses is recommended. Case studies can serve this purpose in particular (Eisenhardt, 1989; Yin, 1989).

This study can be characterised as an explorative type of research, and it follows a case study approach. A case study is the investigation of a temporary, empirical phenomenon within its real context (Yin, 1989). In this study, trust is the phenomenon to be investigated, the joint ventures are the cases. Case research differs from other qualitative methods in that it involves numerous other data

sources, some of which are quantitative (Bonoma, 1985; Hartley, 1994). There are three major issues that lead to this choice (Yin, 1989; Ghauri, 1985; Eisenhardt, 1989; Marschan, 1996; Parkhe, 1995b; Stafford, 1995), namely:

1. the research question,
2. the depth of analysis,
3. a process perspective.

Each of these points will be discussed in the following paragraphs.

Recapitulating from chapter 1, the main research question of this thesis is ‘how does trust develop between partners in international joint venture relationships?’ Yin (1989), who is an authority on the field of case research, poses that experiments, histories and case studies are particularly suitable to answer such ‘how’ questions, in contrast to surveys and archival analyses, which are appropriate for answering ‘who’, ‘what’, ‘where’, ‘how many’ and ‘how much’ questions. This is because such questions are more explanatory, and do not try to describe the incidence or prevalence of a phenomenon. In addition, Yin (1989: 16) poses two other conditions that determine the type of research strategy. These are:

- the extent of control an investigator has over actual behavioural events, and
- the degree of focus on contemporary as opposed to historical events.

First, I do not want to control the behaviour of its respondents but aim at investigating the development of trust between partners in a real-life context. Second, this study focuses on contemporary events, rather than on a ‘dead’ past. Therefore, a case study approach is the best strategy to choose. Table 4-1 summarises these selection criteria.

Table 4-1. Relevant situations for different research strategies

Strategy	Form of research question	Requires control of behavioural events	Focuses on contemporary events?
Experiment	how, why	yes	yes
History	how, why	no	no
Case study	how, why	no	yes

Source: Yin, 1989

Second, this study aims at investigating *in depth* the development of trust. Case studies are particularly suitable for this, because they allow for greater flexibility during the inquiry (Eisenhardt, 1989). As Ghauri (1983: 49) states: “one of the advantages [of case studies] is that it is possible to make intensive studies of the object”. This is less true for quantitative studies, which require predetermined questions and fixed categories of answers. Especially when only little is known about a subject, set questions and answers are not possible. In other words, when exploration and theory building rather than theory testing are the aim of a study, a qualitative approach is recommended instead of a quantitative one. The choice for exploration stems from the lack of a time perspective in IJV research. Although chapter 2 identified two factors that directly affect the development of trust, this research aims at identifying more factors that might influence the development of trust.

Third, this study focuses on the *development* of trust, therefore it needs a longitudinal approach. “The case study is a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989: 534). “A major methodological strength of case studies is that they are not limited to static assessments, but rather permit the tracing of changes over time” (Parkhe, 1993b: 250). Stafford (1995) also recommends a case study approach for studying dynamics within IJVs.

4.2 CASE STUDY DESIGN

There are several choices to be made before collecting data. In other words, the case study has to be designed first. Four major choices can be inferred from the literature, which have to be made before entering the field (Eisenhardt, 1989; Ghauri, 1985; Hartley, 1994; Van der Meer-Kooistra, 1993; Yin, 1989), namely:

- 1) developing a theory/definition of the research question;
- 2) selecting cases (including nature of the companies and amount of cases);
- 3) choosing the unit of analysis
- 4) designing a data collection protocol.

Chapter 1, 2 and 3 provided the theoretical base for this study. The following three sections elaborate on each of the remaining three steps.

4.2.1 Selecting cases

Hartley (1994) poses several questions a researcher should address when selecting cases. Typical questions are, for example, what kind of organisation is the researcher looking for?; is it intended to be typical of the phenomenon to be studied, or should it be an extreme example?; what are the resources available?

This research aims at investigating the development of trust in IJVs. Hence, the cases should be joint ventures. A joint venture is defined as a co-operative relationship between at least two firms that contribute resources to a newly formed, legally independent, joint subsidiary. This means that one case involves at least three companies, *i.e.*, the joint venture and two or more parent companies. In addition, there are three other criteria. First, the focus of this study is on *international* joint ventures in particular. Hence, at least one parent should be headquartered outside the joint venture's country of operation. Second, in order to ease access to the parent companies and the IJV management, one of the parent companies should have its *location in the Netherlands*. Furthermore, the focus is on Dutch *multinationals*, since they are involved in most of the joint ventures. I contacted the following companies: Philips, Shell, DSM, Akzo Nobel, Hoogovens, Cap Gemini (at that time Cap Volmac), Océ, and Nutricia. Third, it is important that I can speak to all the board members of both partners and to the management of the IJV. Only in this way can this study explore how trust develops *between* parties. One-sided information will not give an accurate, synthesising understanding of this development. Only some Dutch companies allowed me to contact their joint ventures. These joint ventures were (the first joint venture wants to remain anonymous):

- ABG, an IJV of Alpha, Beta (the Netherlands) and Gamma (Scandinavia);
- Kemax, an IJV of Akzo Nobel (the Netherlands) and Kemira Oy (Sweden);
- Lusosider Aços Planos, an IJV of Hoogovens (the Netherlands) and Usinor (France);
- DSM•BASF, an IJV of DSM (the Netherlands) and BASF (Germany).

The cases were selected before the investigation began. I studied four cases in total. In this I followed Eisenhardt (1989: 545) who states that “while there is no ideal number of cases, a number between four and ten cases usually works well. With fewer than four cases, it is often difficult to generate theory with much complexity”. Within the given time frame (one year for data

collection) and because the aim of the study is to have an in-depth investigation on trust in IJVs, this study was restricted to four cases, which meant that 13 companies would be involved in the study (joint venture ABG has 3 parents).

In the first two cases, I called the general manager of the joint venture and asked for an interview. In the other two cases, an acquaintance introduced me for a first interview. This first interview mainly served the purpose of introducing myself and finding out whether the joint venture was suitable for investigation. If this was the case, and if the general manager was amenable to the study, he would ask his superiors (*i.e.* the board of directors) if I could interview them. If they were willing to participate, I would receive their telephone numbers in order to make an appointment. The case studies were carried out sequentially, in the above order. The interviews were carried out between April 1997 and January 1998. Each case took about 9 weeks for interviewing and first analysis. Chapter 5 gives more information about the background of the joint ventures.

4.2.2 Unit of analysis

The unit of analysis entails the hierarchical levels and persons to be involved in the study. In order to understand the development of trust between *partners* in IJVs, it is necessary to approach those delegates from the partner companies, who form the Board of Directors of the joint venture. Mostly, they manage the strategic level of the IJV. The delegates come together twice or three times a year in order to discuss and approve the plans and budget of the joint venture. In some joint ventures their role is pure ceremonial, while in others their influence may be stronger. The management team of the joint venture (mostly represented by delegates from the mothercompanies) control the daily issues of the joint venture. I interviewed both board members and management team members. The latter were included to obtain a completer picture of the joint venture and to verify answers given by board members. Concluding, this study explores the development of trust from the parents' perspective and, more specifically, from the delegates who are on the board of directors of the IJVs.

4.2.3 Data-collection

I carried out pilot interviews before I did the case study interviews (see Table 4-2). These interviews served three purposes. First, they gave me the

opportunity to experience what was going on in IJVs in general and whether the variables selected were relevant for in-depth analysis. It turned out that two of the three variables were interesting for detailed investigation. The third variable, behaviour, was added on the basis of the literature (see chapter 2). Second, the pilot interviews gave me the opportunity to formulate the questions that should be used in the case study interviews. Third, I wanted to see whether the joint ventures of Dutch multinationals were suitable for in-depth case research. For example, during some of the interviews it turned out that what the newspapers called a joint venture was in fact a participation. The interviews had an open character, so that the respondents could address issues they considered to be important. The main question in these interviews was what they found important factors improving performance. In total, I carried out 20 pilot interviews (including five interviews at the case companies), with a total time of about 32 hours (see Table 4-2). The pilot interviews were carried out during the period January 1996 – January 1997.

Table 4-2. The pilot interviews

Date	IJV/Company	IJV's birth year	Function of the respondent within the IJV	Number of interviews	Number of interview hours
96/01/18	Unicharm-Molnlycke	1993	General manager (GM)	1	1
96/02/16; 09/12	Delamine	1976	Manufacturing manager	2	3
96/02/20	Delesto	1983	GM	1	1
96/06/26; 09/10; 10/01	PMBC	1969	ex-GM, staff	3	6.45
96/07/09	Nutricia	-	Division manager	1	1
96/07/09	Wavin	-	Controller	1	1.30
96/09/10	BW-Nichibei	1991-1993	Director Corporate Development	1	1.30

(Table 4-2 *continued*)

Date	IJV/Company	IJV's birth year	Function of the respondent within the IJV	Number of interviews	Number of interview hours
96/09/19	Strikolith B.V.	negotiations	Financial manager	1	1.45
96/09/23	Twinsoft	1989	Director Corporate Development, GM	2	4
96/10/04	Sara Lee/DE Shanghai	-	Director R&D	1	1.45
97/01/23	Oce Yang-zhong Office Equipment Ltd.	1996	Division manager	1	1.30
Total				15	24.45

During the case studies I mainly obtained information by interviewing the respondents. Interviewing is “one of the most important sources of case study information” (Yin, 1989: 82). The interviews were focused (rather than open-ended), because I already had particular ideas about how trust could develop (*i.e.* through interdependence and behaviour). A focused interview allowed me to study in detail the selected phenomenon and also facilitated comparison between the several cases.

In order to keep the focus, I developed two questionnaires: one for the partners and one for the members of the management team (see appendix 1). Whereas the former focused on the relationship between the partners, the latter emphasised the relationship between the joint venture and its parents. In addition, the questionnaire for the members of the management team was designed to crosscheck the answers given by the board members, thereby increasing the reliability of the data.

Although the interviews were carried out following predetermined questions, I liked the respondents to elaborate on these questions. This gave me the opportunity to discover unexpected matters related to the three variables

(*i.e.* trust, behaviour, and interdependence). Therefore, I did not hand out the questionnaire but used it as a guideline during the personal interview. In retrospect, this choice proved to be a good one, because the respondents felt free to elaborate on items that would not have come to light when they had stuck to the questions.

The questionnaires were designed on the basis of the pilot interviews, the literature review, and my own creativity. The model for analysis formed the structure of the questionnaire: it contained three main parts, which were questions on interdependence, trust and behaviour. The contents of the questionnaire for the parents was as follows (the questionnaire for the MIJV differed slightly):

I) INTERDEPENDENCE

- 1) Dependence of the focal firm on its partner and vice versa
 - a) Relative value of the partner and change in time
 - (i) Importance of the resources for A and for B, as perceived by A
 - (ii) Availability of the resources for the focal firm

II) BEHAVIOUR AND TRUST

- 1) Competence-based behaviour of A
- 2) Competence-based trust in B at the moment and change in time
- 3) Promissory-based behaviour of A
- 4) Promissory-based trust in B at the moment and change in time
- 5) Goodwill-based trust in B and behaviour of A at the moment and change in time

The structure of the questionnaire corresponded with the variables as defined in chapter 3 (see Figure 3-2). I pre-tested the questionnaire with experts in order to see whether the questions were clear and whether they addressed the right issues. Since I was not allowed to follow the joint ventures over time, the questions focused on personal experiences regarding interdependence, behaviour, and trust. Such a retrospective approach is appropriate when studying trust, because trust is built on images from the past¹. By interviewing

¹ A drawback of this method is that people might forget about initial distrust as soon as they trust the other.

several members of the board of directors and members of the management team, the reliability of the stories was checked. Especially when the joint venture was quite old, it was important to talk to people who had been involved right from the beginning. Some stories were also cross validated with written histories (*e.g.* public relation material). In total, I interviewed 29 people; the interviews lasted about an hour and a half on average (Table 4-3).

Table 4-3. Cases and respondents

Place/ Company	Respondent	Years working for the IJV ²	Number of interviews	Hours of interviews
Case 1: ABG (1976 ³)			8	13.45
Alpha	GM ⁴	7	2	3
	BM	3	1	1.45
	ex-BM	17	1	2.5
Beta	BM	7	1	2
	BM		1	1.5
Gamma	BM	9	1	1.5
	ex-BM	17	1	1.5
Case 2: Kemax (1993)			8	11.45
Delfzijl/ Akzo Nobel & IJV	Grootendorst (GM)	3	2	2
	Jessen (new GM)	1	1	1.45
		4	2	2
	Kruizinga (process controller)	4	1	1.45
	Prins (BM)			
Amersfoort/Akzo Nobel	Scheffers (BM)	4	1	2.15
Helsingborg, Sweden /Kemira	Christensson (BM)	4	1	2

² Until December 1997

³ Starting year of the joint venture

⁴ GM: general manager of the IJV, BM: board member

(Table 4-3 *continued*)

Place/ Company	Respondent	Years working for the IJV	Number of interviews	Hours of interviews
Case 3: Lusosider Aços Planos (1995)			10	17.15
Beverwijk/Hoogovens	Candel (BM)	2	2	2.45
	Doeleman (BM)	2	1	2
Paris, France/Usinor	Depardon (BM)	2	1	1.5
	Cornier (BM)	2	1	1.5
Seixal, Portugal/IJV	Soury-Lavergne (GM)	2	1	1.5
	Ypenberg (financial)	2	2	5
	Almeida (commercial)	2	1	1
	Figueredo (production)	2	1	2
Case 4: DSM-BASF (1996)			9	12.15
Zwolle/DSM & IJV	Seitz (GM & marketing)	1	2	3
	Prooi (BM)	1	1	1.45
	Koning (R&D)	1	1	1
	Slooff (sales)	1	1	1
Ludwigshafen, Germany/BASF	Eckhardt (BM)	1	1	2
	Keck (control)	1	1	1.5
	Schanninger (production)	1	1	1.5
	Wurmb (initiator)	-	1	0.5
Total			35	55

All interviews were recorded and transcribed. The transcribed interviews were sent to the respondents for factual data verification. The purpose of this data verification was to allow the respondents to verify what they had said, to add information or to indicate passages containing sensitive

information. One week later the respondents were asked to send back their comments.

In addition to this factual data verification, I wrote an overall report about the first case (*i.e.* ABG). This report was sent to two former board members, who were two of the three initiators of the joint venture, and to the current general manager. The two former board members discussed this report and reported the outcome of this discussion to me during a follow-up letter and conversation.

During the writing of the case reports, however, it turned out that there was a risk interpreting too rashly. Therefore, concerning the other three cases, I verified my interpretations by means of open coding (Strauss and Corbin, 1990). The following format was used:

<u>Label</u>	<u>Quote</u>
Cell 1	Cell 2
XX-I:	Cell 3

Cell 2 contained a quote from the original transcribed interview. Cell 1 showed the key concepts of the quote. Cell 3 summarised the quote, using the key concepts from cell 1. These code reports were sent to the respondents for comments. This format was also the first step in the data analysis.

In addition to the data obtained from the interviews, I used other material to obtain a completer image of the joint venture. The use of different data sources is called triangulation: “The triangulation of data by multi-method approaches is essential to answer many of the most important questions in organisational research, where we are concerned with very complex processes involving a number of actors over time” (Cassell and Symon, 1994: 4). In addition, “extensive data-collection offers the possibility of gaining an in-depth and holistic understanding of the [phenomenon]” (Marschan, 1996: 43). First, I obtained a section from a book on the history of Gamma, and in particular on ABG. A second source of additional information was interview material about ABG from a colleague. Third, I read the minutes from most of the board meetings. These minutes gave me an insight into what had happened over time.

Fourth, I used public information, such as annual reports, public relations material, press releases, and information from the World Wide Web.

4.3 METHOD OF ANALYSIS

One of the biggest concerns regarding qualitative research remains the analysis of the data (Miles, 1984). “Qualitative research methods are often criticised for lack of rigour in analysis, as the evaluation methods tend not to be equally well-formulated as, for instance, the statistical data manipulation for quantitative analysis” (Marschan, 1996: 59). In order to provide a clear insight into the analysed data, this thesis presents the steps that were taken during the analysis. I will elaborate on each of these steps in the following sections.

4.3.1 Open coding

Open coding was the first step in our analysis (Strauss and Corbin, 1990). Open coding entails the labelling of phenomena as they are actually present. In this research, open coding was done in the following way. The transcribed interviews were read and divided into meaningful segments. Next, I coded the segments and summarised each segment in one or two sentences, using the codes. Section 4.2.3 presented the format already. The interpretation of the segments was verified by sending the list to the respondents. The revised lists were used during the following step.

4.3.2 Grouping the codes

After the relevant segments were coded, I grouped them into the categories specified in chapter 3 (Miles and Huberman, 1994) (for more details, see appendix 2). When a sentence (*i.e.* code) did not match any of the specified categories, I introduced a new category. For example, the first step generated the following quote with codes:

social relationship, effect, consensus (SR-EFF-CONS)	<i>You have become a very good friend of the other board member. Do you see him during the board meetings as an Alpha man, or as a friend. No, we talk about business and about everything. But you forget that you have to defend Gamma's side? No, we are open about it. We don't need that. Because when you are open from the beginning you continue. And you know that when there is a conflicting business interest, you talk about that: how you see it, how they see it and then you make a deal. It is not difficult to distinguish between being friends and disagreeing on a business matter. So you can have different interests indeed, but because you are friends you can make it to a good deal which is profitable for both parties. Yes, that is the whole idea. It may be a little naive to talk that way, and a lot of people will not agree with me, but it is a matter of temperament. That you give in. Yes, very.</i>
AHA-XI: During official meetings, the delegates defend the interest of their mother company when the interests are conflicting. This is their role. A personal friendship, however, means that differences in interests can be solved in consensus, so that the outcome is profitable for both parties.	

Because the quote did not fit into any of the categories presented in chapter 3 (*i.e.* trust, interdependence and behaviour), a new category was introduced: 'social relationships'. The codes were grouped in a table that had the following format:

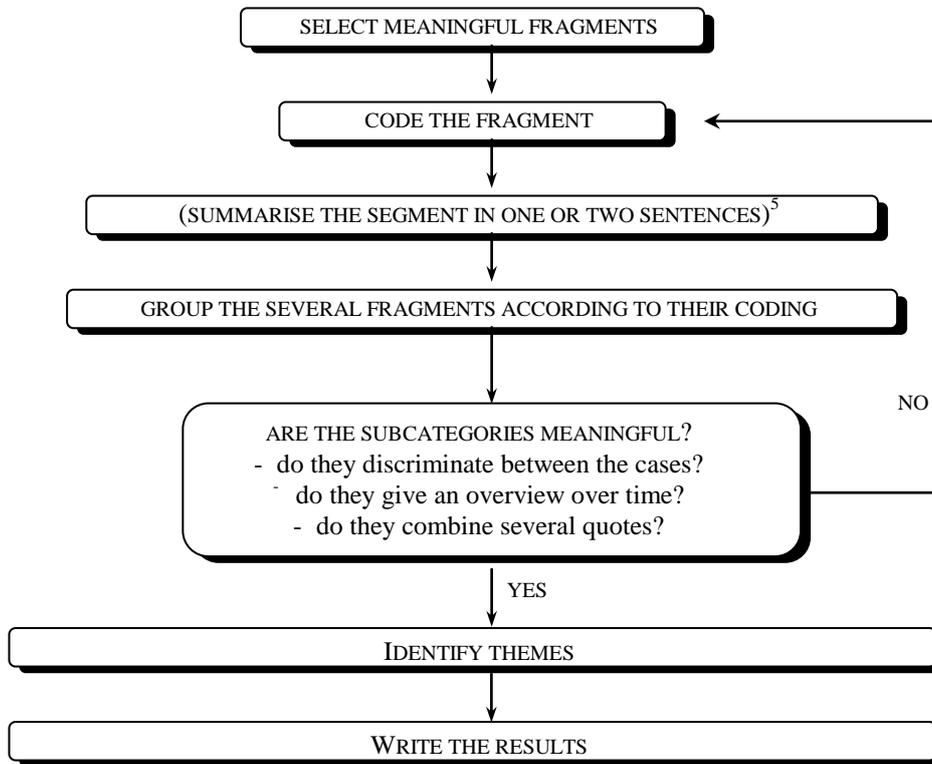
<u>Category (e.g. Social Relationship)</u>	<u>Abbreviation (e.g. SR)</u>	<u>Quote</u>
Cell 1 (e.g. effect-consensus)	Cell 2 (e.g. SR-EFF-CONS)	Cell 3 (e.g. AHA-XI)

Cell 1 contained the codes by which the relevant segment of the interview was summarised. Cell 2 contained the abbreviations of these codes. Cell 3 referred to the quote in the interview, so that the segment of the interview could be found quickly. The result of this second step was a convenient arrangement of the segments of the interview. With a quick glance, the contents of the interviews would be clear. In addition, the coding provided subcategories within the main categories. These subcategories formed the building blocks for chapter 5, containing the results. The codes are listed in alphabetical order in the third column of appendix 2.

4.3.3 Identifying themes

After I coded one case, I picked out a category and wrote a section of chapter five to test if the subcategories were meaningful. Subcategories were meaningful when they a) discriminated between the cases; b) gave an overview over time; c) linked or combined several quotes. Especially b) was important, since this study aims at providing an insight into how trust develops over time. It appeared that some subcategories had to be substituted in order to make the arrangement more convenient. Subsequently, I coded the interviews of the other cases and grouped them in line with the steps specified above. When all interviews were coded, I looked for similarities between the subcategories. Similar subcategories would be categorised under one theme. The last column of appendix 2 presents these themes. Ultimately, thirteen themes were identified. Chapter 5 describes these themes. The steps of data analysis can be summarised as follows (Figure 4-1):

Figure 4-1. Model for qualitative data analysis



Sources: based on Miles and Huberman (1994) and Strauss and Corbin (199)

4.4 CONCLUSIONS

This chapter described the method of research. Four international joint ventures were selected. Data was obtained by interviewing most board members and members from the IJV management team. The data was analysed by means of a combination of techniques developed by Miles and Huberman (1990) and Strauss and Corbin (1994). Table 4-4 presents the major concepts of this chapter.

⁵ This step is important for data verification

Table 4-4. Key concepts of chapter 4

Key concept	Explanation
Case study	the investigation of a temporary, empirical phenomenon within its real context. In this study, trust is the phenomenon to be investigated; the four joint ventures are the cases.
Case selection	the joint ventures are all equity-based and international. At least one partner is a Dutch multinational. Access to both parties was an additional criterion for selection.
Unit of analysis	the delegates who are on the board of directors of the IJV.
Method of data collection	mainly using the interview technique. Other sources of data are a part of a book, additional interview material from a colleague, minutes, annual reports, information from the WWW and other public available material.
Method of data analysis	a combination of open coding, categorising and identifying themes.
Open coding	coding fragments of the interview.
Categorising	grouping the codes according to predetermined categories. In this thesis, these categories were trust (promissory, competence and goodwill) and behaviour (promissory, competence and goodwill). Two categories were added, namely social relationships, and contract and other agreements, because some fragments did not fit in any of the other categories. The interdependence relationship between the partners was described and verified by the partners or general manager of the IJV.
Identifying themes	similar subcategories are grouped under a similar theme. This process resulted in thirteen themes, which formed the basis for chapter 5.

5

RESULTS

This chapter presents the results of the case studies. Section 5.1 presents a background description of the cases. Section 5.2 shows how trust may be built and sustained. This section presents ten of the thirteen themes –that were identified during the data selection– in four stages: ‘previous history’, ‘negotiations’, ‘commitment’ and ‘execution’. These stages were defined in chapter 3. Section 5.3 reveals sources of trust and how these sources may change. These sources of trust are the remaining two themes. Section 5.3 also presents the remaining factor that affects the development of trust.

5.1 BACKGROUND INFORMATION ABOUT THE CASES

This section presents background information about the case companies. It highlights the interdependence relationship between the partners. Discussing the interdependence relationship gives us the motives for starting a joint venture.

5.1.1 ABG

ABG is an IJV producing an intermediate chemical product (ICP). The joint venture is situated in the Netherlands and has two Dutch parents, Alpha and Beta, and one Scandinavian partner, Gamma. The joint venture was created in two steps: in 1970 Alpha (50%) and Beta (50%) created the joint venture called AB; in 1976 a second joint venture was created between AB (55%), Gamma (40%) and Delta (5%), called ABG. This study focuses on the second joint venture: ABG. However, to understand the interdependencies between Alpha and Beta the establishment of the first joint venture will also be explained.

In the 1970s, Alpha owned a plant for the production of ICP in the west of the Netherlands and wished to expand and modernise its technology. By

starting a second plant Alpha could utilise the cheap government gas¹ for their production of ICP (gas is a raw material of ICP and fuel for its production). Beta was at that time owned by the government and thus involved in the industrialisation of the gas. Since Beta was interested in setting up a chemical division, it saw an opportunity to utilise the gas for the production of ICP. Both parties used ICP as a raw material for some of their other products. In 1970 Alpha and Beta decided to construct a plant at Alpha's site in the north-east of the Netherlands.

In 1976, a joint venture was created between AB, Gamma, and Delta, called ABG. In the early 1970s, Gamma's government discovered gas fields in the North Sea. Gamma saw an opportunity to utilise this gas and planned to build an ICP plant in the north-west of Germany (the foreign gas pipe line would go ashore here). ICP would be one of Gamma's most important raw materials for the future. Such a plant, and thereby securing supply, became even more necessary when oil from the OPEC was rationalised and prices rocketed. Security of supply was also the reason why Delta joined the group.

5.1.1.1 Relative value of the partner

Why did the involved parties choose for co-operation instead of a greenfield investment? Economies of scale determined Beta's value for Alpha and vice versa. Their prospective plant had to produce at least 300.000 tons of ICP a year in order to be competitive. Co-operation guaranteed a fixed amount of sales, since both partners would then have captive use. So although starting an ICP plant was rather an opportunity than a necessity, when the decision was taken a partner was required. Alternative partners for Alpha and for Beta were not really considered:

[Q 1] The motive to co-operate with Beta was the supply of gas. Beta was entirely owned by the government. The Dutch government did not really know what to do with the gas, so they thought Beta could utilise it. In addition, it would be good if this were to happen in the north of the Netherlands because of the high unemployment rate in that area. Well, Alpha had a site over there, so Beta thought they should talk to Alpha.

¹Because the Dutch government wanted to stimulate economic activities in the north of the Netherlands, it supplied gas against a lower price to firms that were willing to start activities in this region.

Sharing the risks of building an ICP plant set AB's value for Gamma and for Delta. Gamma looked for a partner in Germany and Scandinavia to share the financial risk; however, there were no firms willing to participate. Eventually, AB turned up. By joining AB, the financial risk were reduced, and Gamma and Delta could use the facilities already present on the Alpha site in the Netherlands. In addition, Gamma's need for ICP did not justify a plant of its own. Co-operation with AB would mean an increase in sales. In the spring of 1975, AB contacted Gamma for information on Gamma's plans in the northwest of Germany. They had been thinking about expansion but lacked sufficient captive use to implement their plan. Co-operating with a potential competitor meant a double advantage: they would prevent the entrance of a rival and they would be able to expand.

Summarising, the value of the partners was determined by:

- captive use. Economies of scale determined the amount of output (Alpha for Beta and vice versa);
- captive use, sharing of financial risks, facilities already existing at Alpha's site (AB for Gamma and Delta);
- sharing financial risks, captive use, supply of gas (Gamma for AB).

5.1.1.2 Change in time

The interdependence relationship between the parties has decreased over time. This change has two main reasons. First, ICP has become more available on the world market. Due to the rise of the cheap gas countries, like Trinidad, Chile and Venezuela and the low transporting costs of ICP, many small scale ICP plants in Europe were forced to shut down. Not many new plants are built in Europe, as they have to be very large-scale to be competitive and the price of gas is relatively high. This increased availability (has) decreased the necessity for backward integration for Gamma and Delta, as ICP can be obtained on the market for prices similar to the joint venture's prices. However, without the joint venture the companies would loose the additional profits (or losses). Therefore, Delta decided to leave the joint venture after about four years. The other three parties agreed to AB taking over Delta's share. Second, firms have also changed their policy regarding their activities. From diversification during the 1970s the focus has shift to core competencies since the 1990s. An

evaluation of the activities has led to the conclusion that the production of ICP is not a core business. However, since performance is still high, all partners have decided to keep the plant at least until the year 2000.

5.1.2 Kemax

Kemax is a joint venture between Kemira Oy (Kemira), Finland and Akzo Nobel, the Netherlands. Kemax was established in 1993, is located in Delfzijl, the Netherlands and produces calcium chloride. Calcium chloride is used for a variety of products, like dog food and defrosting activities. Kemira holds 51% of the joint venture's equity, Akzo Nobel owns the remaining 49%.

In 1993 a German company called CFK stopped its calcium chloride production. Kemira Chemicals Oy (Kemira) in Sweden, part of the group Kemira Oy in Finland, saw an opportunity to take over this market in Europe. As calcium chloride is one of the core businesses of Kemira, taking over CFK's market meant a great opportunity to expand. Needing additional production of calcium chloride, they looked for a partner who could supply this. It was important to find this additional production capacity as quickly as possible, since Kemira had to stop its clients from looking for another supplier. Five firms were approached, namely Akzo Nobel, Rhone Poulenc, ICI, Solvay, and BASF/Kalli & Saltz, CFK's parent company. Eventually, they chose Akzo Nobel as the best partner. Akzo Nobel produces soda ash, amongst other things. A by-product of soda ash is calcium chloride.

Until Akzo Nobel was approached by Kemira, they already had calcium chloride as a by-product of their main product soda ash. This by-product was, however, dumped in the sea. Akzo Nobel did not sell it, since the market was already full with players. Obtaining a market position in calcium chloride was not a priority of Akzo Nobel, however, co-operation with a strong market player would yield the following advantages. First, Akzo Nobel would obtain a position without having to build it themselves. Second, the joint venture would contribute to the environmentally friendly image of Akzo Nobel, while the by-product would now be used rather than be dumped in the sea. Third, the calcium chloride production would contribute to the profitability of the soda ash plant. In August 1993 both partners agreed on the creation of a joint venture; in April 1994 building activities started in Delfzijl, the Netherlands. The first tons of calcium chloride were produced in October 1994.

5.1.2.1 *Relative value of the partner*

Why did Kemira look for a partner when they were one of the biggest producers of calcium chloride themselves? Was it not possible to expand their business in Sweden? Or they could have taken over CFK's production facilities.

The choice for a partner was mainly determined by the type of product. Theoretically, Kemira could have done the following:

- a) Kemira could have set up an extra production facility for the production of calcium chloride. In practice this was however not an option, as the production of calcium chloride would also lead to the production of one of the main products that have calcium chloride as a by-product. The market for these main products had, however, matured. In addition, the plant would need extra people to operate the plant.
- b) Kemira could have taken over CFK's production facility. This option was not preferred, because it would have led to soda ash production, which Kemira does not need (Kemira obtains calcium chloride from a different raw material). Moreover, the technology of CFK was outdated.
- c) Kemira could have served the market with their own production in Sweden. However, substitution did not suit the strategy of expanding business. Moreover, delivering from Sweden would lead to extra transport cost, which are crucial to the market price of calcium chloride. Moreover, CFK's clients would think of Sweden as too far away. Also, Kemira mainly produces solid calcium chloride in Sweden and Finland; switching to the production of liquid calcium chloride would lead to less capacity for the solid type. This option was not preferred, as the solid calcium chloride already has an established market.

Hence, the best option was to find a partner. The partner should already produce one of the main products and have calcium chloride as a by-product; the partner should be located near to CFK's market. Co-operation would take away the need for extra people, because the personnel of the soda ash plant would also work for the calcium chloride plant (as these two plants are highly integrated). From the five alternatives, Akzo Nobel was chosen mainly for logistical reasons: the plant of Akzo Nobel in Delfzijl has a good harbour and other infrastructure facilities; a harbour near the site matched the philosophy of Kemira. Besides, the site of Akzo Nobel was close to CFK's market. The second reason for choosing Akzo Nobel was the personal contact between the initiators of the joint venture. They had met four years ago, since they were both selling

sodium sulphate for their companies. A third reason for choosing Akzo Nobel was that the culture of Sweden and the Netherlands were felt to be quite similar, which would ease co-operation. Fourth, Kemira was in a hurry as they had taken over the market already before having guaranteed extra production. This hurry influenced the attractiveness of ICI, since taking the decision to co-operate with Kemira would take at least six months. Thus, although calcium chloride was available at several locations, a dependence relationship was created with Akzo Nobel since they were considered the most attractive option.

Akzo Nobel chose to co-operate rather than sell the calcium chloride itself, because now they did not have to build up a market position first. Creating a market position was not a desired option before or during the request by Kemira, as it was too risky to diversify. Especially nowadays firms focus on their core competencies, which makes it rare to diversify outside one's core business. Moreover, it would have taken a lot of time and money to build up a market position. Taking over CFK's market was not an option, as it would require specific market knowledge which Akzo Nobel lacked. Also, if Akzo Nobel had tried to build up a market position, it would have lacked an additional plant as a back-up, necessary for a reliable supply to clients.

Summarising the findings on the relative value of the partner, the following is concluded. Whereas taking over CFK's market was an opportunity for Kemira, finding a partner was absolutely necessary. From five firms, Akzo Nobel was selected. Therefore, the value of Akzo Nobel for Kemira was and is relatively high. To Akzo Nobel, joining Kemira was just an opportunity: there was no real need for a partner. However, by committing itself to the joint venture, Akzo Nobel created a dependence relationship with Kemira. Therefore, the value of Kemira for Akzo Nobel was relatively low but increased when the joint venture was created.

5.1.2.2 Change in time

In December 1997 Akzo Nobel announced the sale of their soda ash production to an English company. Since the soda ash plant and the calcium chloride plant are highly integrated, the question was what the effect on the joint venture would be. Until now (November 1998) no decision has been taken.

5.1.3 Lusosider Aços Planos

Lusosider Aços Planos (LAP) is a joint venture between Usinor, France, and Koninklijke Hoogovens, the Netherlands. LAP was established in 1995, is situated in Seixal, Portugal, and transforms hot rolled coils into cold rolled sheets, galvanised sheets, and tinplates. These products are used in, for example, tin cans and constructing. Usinor and Koninklijke Hoogovens each hold 50% of the joint venture's equity.

The joint venture has its foundation in the privatisation of a Portuguese steel company, Siderurgia Nacional (SN). Since the 1980s, the Portuguese government tried to privatise this company. As Hoogovens supplied to this company, the government saw Hoogovens as a serious candidate to take over SN. SN had three production sites: a rolling-mill for flat products in Seixal (SN Planos); an integrated steel plant plus a rolling mill for long products in Seixal (SN Longuos); and an electric arch furnace plus rolling mill for long products in Maia. As Hoogovens was only interested in SN Planos, Hoogovens looked for a candidate that could take over the rest of SN. Because no attractive partners were available in Portugal, they looked in Spain and found two serious candidates, namely Megasa en Celsa, of which Celsa was most attractive. The problem was, however, that Celsa was already committed to the French company Usinor. These two companies had set up a joint venture, called Lusosider Projectos Siderurgicos (LPS). This joint venture had only one goal, which was the investigation of steel projects, and there was only one serious project, SN. The deal in this joint venture was that Usinor would take over the flat rolling mill of SN (*i.e.* SN Planos). Celsa would take over SN Longuos. Thus Usinor and Hoogovens were in fact competing for SN Planos.

Hoogovens initiated a meeting with Usinor because it was impossible to talk with Celsa without talking with Usinor. During this and follow-up meetings Usinor and Hoogovens discovered that their goals were not competitive. For Hoogovens, the main goal was to secure their supply to SN Planos; Usinor's main goal was to increase their hold and thus stabilise the Iberian market (providing higher quality and prices). After lengthy negotiations, the parties agreed to co-operate in order to take over SN Planos. The initial construction was that LPS would buy SN, and Hoogovens would take a 50% stake in Usinor's flat part. However, the bid then made by LPS was not accepted by the

Portuguese government. Next, in 1995, Celsa decided to leave the joint venture, and Hoogovens took over Celsa's 50% share.

By this time, the Portuguese government had decided to split SN. Now it was possible for both parties to take over SN Planos only under the name LPS, without having to bother about SN Longuos. Hoogovens and Usinor made a second bid on the 90% of SN Planos' shares that then were put on sale. Hoogovens financed two third, Usinor one third, to reflect the differences in supply rights (for Hoogovens, securing supply was most important). LPS made the highest bid and won the tender on January 1996. SN Planos was renamed Lusosider Aços Planos (LAP). The result is that in the end Usinor and Hoogovens have equal rights in LPS, which owns 90% of the shares of LAP, while Hoogovens two third holds of the rights to deliver hot rolled coils to LAP.

5.1.3.1 Relative value of the partner

The main reason for Usinor to choose Hoogovens was their uncertainty about winning SN. Hoogovens had a very good relationship with the Portuguese government, which was less true for Usinor. Having Hoogovens in their joint venture 'Lusosider Projectos Siderurgicos', meant Usinor would not have to compete with Hoogovens for SN. Besides, Usinor could share the risk of buying SN Planos. As a due diligence (fact finding of the company) was not allowed before the sales of SN, there was a risk that the purchase would be 'pig in a poke'. In a word, the main things Usinor needed from Hoogovens were goodwill from the Portuguese government and sharing financial risk. Additional resources were contributed to the joint venture by Hoogovens; these were a security in supplying hot rolled coils (Usinor was unsure whether they would have been able to supply SN without the supply of Hoogovens), technical and commercial assistance. Other partners were not available and not considered.

The Portuguese government approved of Hoogovens buying SN. Then why would Hoogovens co-operate with Usinor? During their initial co-operation in the joint venture with Celsa, Hoogovens had learnt that Usinor financially participated in important clients of SN Planos. Without continuing with Usinor in the conquest for SN Planos, SN Planos would have difficulty selling their products. Developing such positions would take much time and without Usinor SN would have to start without clients. This is reflected by the fact that at the time of the take-over, the order book of SN Planos was completely empty.

Mainly, the Usinor network, and to a lesser extent the Hoogovens network, was needed to sell. Another attractive partner for Hoogovens would have been CSI, a Spanish steel company. They were, however, less attractive, because Hoogovens believed CSI would not be accepted by the Portuguese government.

5.1.3.2 Change in time

The relative value of Usinor for Hoogovens has not changed in time. The main resource, the client participations of Usinor, is still needed, although LAP has been able to develop and restore some client relationships itself. However, the two main clients are still partly owned by Usinor. The relative value of Hoogovens for Usinor was high, due to Hoogovens' contacts with the Portuguese government. However, now that the plant has been purchased and is owned for almost 100% by LPS, Usinor is no longer dependent on the goodwill of Hoogovens. Therefore, Usinor would be able to continue LAP without Hoogovens. A failed participation of 35% in CSI looked like it would have an effect on Usinor's interest in the joint venture. Considering their strategic orientation towards the Mediterranean region, this participation meant an important step for Usinor. The failure could have led to a strategic re-orientation, and could have implications for their participation in SN. However, they confirm: "The Usinor Group will continue to actively strengthen its position in the Spanish market, building on the relationships established with its partners" (http://www.usinor.com/english/com_300797.htm).

5.1.4 DSM•BASF Structural Resins

DSM•BASF Structural Resins (further referred to as DB) is a joint venture between DSM, the Netherlands, and BASF, Germany. The joint venture was created in 1996, is located in the Netherlands and produces unsaturated polyester resins. These resins are used in a variety of products since the 1950s, for example in the production of sailing boats, sanitary products and white goods. DSM holds 60% of the joint venture's equity; BASF owns the remaining 40%. This division reflects the strategic importance of the business to both partners. Whereas structural resins are one of the core products for DSM, the joint venture has merely an outlet function for BASF.

By the late 1980s, the market for structural resins experienced a slow-down. Questions about their recyclability were raised and the market had

become so fragmented that none of the suppliers had the wherewithal to develop new, innovative solutions (brochure joint venture). Moreover, DSM had to contend with an overcapacity of 30-40%. Furthermore, clients became larger (e.g. the automobile industry), which put pressure on the profit margins. One of the solutions for these problems was economies of scale. Hence, in order to survive DSM planned to grow, either internally or through acquisition. At the same time, BASF faced similar problems. BASF and DSM knew about each other's problems since two delegates had talked to each other on exhibitions. In 1994, the delegate from BASF contacted a delegate from DSM in order to discuss any type of co-operation. ("People from your competitor, you meet them at exhibitions, so you get their business card, which gives you all the information needed to call"). After having studied the possibility of co-operation, the two men discussed their ideas with their mother companies. In 1996 both parties signed the contract; the official start of the joint venture was on 1 January 1997.

5.1.4.1 Relative value of the partner

Expanding the business in order to attain economies of scale without combining several businesses did not seem an answer to the above mentioned problems. However, one of the parties could have taken over the business of the other party. A joint venture was preferred over an acquisition in order to keep as many clients as possible. There was a chance that the acquiring party would lose customers when the business was sold. Furthermore, DSM wished to have the commitment of BASF to develop the joint venture.

Why did DSM choose for BASF? DSM preferred to co-operate with BASF because of several reasons. First, considering the product BASF was their strongest competitor. Second, their geographical position was the most complementary to the positions of DSM. Third, BASF's had a three-party alliance in R&D; co-operation with BASF allowed DSM to participate in this alliance too. Finally, the business philosophy and size of BASF matched those of DSM best. Using public information, BASF made a list in order to select a partner. Seven parties were screened on, amongst other things, their market share in several countries, the extent of R&D, and production costs. The list used a three-point scale ranging from good, to satisfactory to unsatisfactory.

Two companies were selected, one of which was not willing to co-operate. DSM was left.

5.1.4.2 Change in time

No major changes in the interdependence relationship have taken place from January 1996 to January 1997.

Table 5-1 highlights the major characteristics of the four joint ventures.

Table 5-1. Survey of the four case joint ventures

	ABG	Kemax	LAP	DSM•BASF
parents	Alpha, Beta & Gamma	Akzo Nobel & Kemira	Koninklijke Hoogovens & Usinor/Usinor	DSM & BASF
year of creation	1976	1993	1995	1996
country of the joint venture	the Netherlands	the Netherlands	Portugal	the Netherlands
country of the parents	the Netherlands; the Netherlands; Scandinavia	the Netherlands; Sweden	the Netherlands; France	the Netherlands; Germany
division of equity	30/30/40	51/49	50/50	60/40
branch of industry	chemicals	chemicals	steel	chemicals
motives to enter/continue business	opportunity; diversification	opportunity; expansion current business	securing outlet; geographical expansion	expansion; securing outlet
motives to start joint venture	economies of scale, sharing financial risk	obtaining market position; need for calcium chloride	securing outlet for SN; increasing chance of take-over, sharing financial risk	economies of scale, survival
pattern of interdependence	pooled	sequential	sequential	pooled

5.2 BUILDING AND SUSTAINING TRUST

This section presents the results of the interviews that were held during the period April 1997-January 1998. The section follows the stages as they are

defined in chapter 3. Each section describes factors that partners use to build and sustain trust. Hence, it aims at answering subquestion 1 (see Table 1-1, p. 7).

5.2.1 Previous history

The previous history proved to provide valuable information on the prospective partner. All four cases revealed factors that established a basic level of trust. These factors are:

- the overall reputation of the company;
- prior exchange between the companies on organisational level; and
- direct personal contact between the initiators.

The following subsections will discuss each of these factors separately.

5.2.1.1 Overall reputation

The overall reputation of the company was an important, general factor that mainly contributed to the building of competence-based trust in the prospective partner. Thereby, it contributed to the perceived value of the partner in the joint venture. For example, a respondent of Akzo Nobel states:

[Q 2] We trusted Kemira to be a good partner to manage the market, based on the manner of how they reacted on the closure of CFK and their market position in calcium chloride (KK-II).

This quote shows that general information set an initial expectation about the competencies of the prospective partner. Delegates from DSM in the case DB had similar experiences:

[Q 3] BASF was our best competitor. They had particular resources that we liked to have. In this way, we gained an insight into their competencies (DP-IX).

[Q 4] We tried to gain access to particular clients and that did not work. It appeared that BASF was the supplier. Furthermore, we were the numbers 1 and 2 on the European market: together we had 30% of the market. Then you have to know each other. In this way, we had a positive feeling about BASF's sales organisation (DSF-XI).

BASF made a comparison between several potential partners, based on general information about the other's reputation. DSM was selected because they seemed to be the best choice. Thus, BASF immediately had the expectation that DSM would perform their role competently. The case of ABG also shows examples of knowledge being available about the prospective partners. For instance, Gamma knew Alpha and Beta as leading companies in the petrochemical industry. Alpha and Beta believed Gamma to become a strong party. Proof of this is Alpha's and Beta's reaction to Gamma's plans to build an ICP plant in the northwest of Germany: in order to prevent competition they contacted Gamma about possible co-operation.

In a word, the overall reputation gives an initial idea of the competencies of the possible partner, hence it builds competence-based trust. It also gives information on the partner's activities and whether these activities match.

5.2.1.2 Prior exchange

Prior exchange means that both parent companies interact before coming together to negotiate the joint venture. There are two cases where the respondents indicate that such prior exchange contributed to the mental image of the other party. The data suggest that the information obtained is still quite general, second-hand and company-related. However, it may stimulate or confirm ideas based on the perceived reputation of the other party. For instance, before Akzo Nobel acquired Nobel (1994), Kemira made also a bid on Nobel. This contributed to the image Kemira's delegate had about Akzo Nobel's competencies. Usinor also indicates that such prior experience contributed to the building of competence-based trust. To the question 'Please indicate how important the following sources were for your perception of Hoogovens' (non-) reliability regarding its resources/ competencies', they answered:

[Q 5] It is a huge company, we've known them for years. We bought raw materials from them before we started the joint venture (LU-X).

5.2.1.3 Direct personal contact

The third factor that contributed to the building of trust, is of a more distinct nature than the other two. Whereas the former two types of information

constitute a kind of trust that is rather company-specific, trust that comes about through direct personal contact is much more focused on the persons that represent a specific company. In other words, direct personal contact establishes trust in a person rather than trust in the company as a whole. Because of the difference in focus, this factor had more effect on the building of promissory-based trust and goodwill-based trust than on competence-based trust. Two cases (*i.e.* Kemax and LAP) provide this insight. Both cases show that congruent industries increase the likelihood of prior interaction, since delegates of similar industries may meet on trade fairs. For the Akzo Nobel delegate these meetings provide an insight into the promissory-based behaviour of Kemira's delegate:

[Q 6] We already knew each other before we started this joint venture; we were competitors. Then we also met and I noticed that he kept his word (KP-II).

A delegate of DSM had also met his counterpart from BASF before the joint venture started, which gave him insight into the character of the other:

[Q 7] I already knew Seitz before we started negotiations, we had had contact frequently. It is a chemical organisation setting, so we had already met several times. Then I thought that he was a person with whom one could co-operate well. So there was no unpleasant previous history (DSF-IX).

Hence, prior interaction between the delegates gave an insight into the character of the other and that they would keep their promises.

Summarising, it can be concluded that initial information about a potential partner's trustworthiness is obtained during the previous history. Altogether, the partners use this information to assess the other's partner potential economic interest in a joint venture and their emotional commitment.

5.2.2 Negotiations

It appeared from the interview data that trust that was built during the previous history played a role in selecting a partner. Naturally, the companies selected the corporation with the largest added value to the joint venture. Largely, the perceived qualities of the prospective partner, and to a lesser extent the perceived trustworthiness of the people involved, set the perceived value of the prospective partner. Since firms would not enter a joint venture with a partner

they did not trust, negotiations would already start with a basic level of trust. That trust and respect are important to gain business is explained by a respondent from Kemira:

[Q 8] In order to gain credibility you should be reliable. I think reputation in business is extremely important. Don't try to be too smart in business, because you will lose in the end. You shouldn't make promises that you can't keep, although that doesn't mean that you shouldn't take risks. Also, the community as such is not very big, we all know each other very well. *So what you mean is that you keep a promise because your reputation would otherwise be at stake.* I'm not that afraid of my reputation, but many deals are done on the basis of respect, and I see a lot of people who try to be too smart, and it always fails in the end. A lot of the people I know have been in the business for almost 20 years, so I know who I can trust. And a lot of business emerges from the fact that people trust each other. You get a lot of extra credits when business is based on this (KC-XI).

Negotiations started after the companies had selected a potential partner. In the case of ABG, AB contacted Gamma to consider co-operating. In the case of Kemax, Kemira took the initiative. Hoogovens took the initiative in the case of LAP, and it was BASF who called DSM for a first meeting. The interview data show several factors that built and/or developed trust. These factors are:

- putting yourself in someone else's shoes;
- starting with trust;
- the actual behaviour of the other;
- befriending.

The following sections discuss each of these factors.

5.2.2.1 Putting yourself in someone else's shoes

In order to find out whether the other party was long-term oriented, was open and did not have a hidden agenda, most of the interviewees stressed the importance of mutual economic advantage. To illustrate this, typical responses included:

[Q 9] I personally would not trust the other party without any economic interest, as if I wonder whether I can be trusted if our economic interest were to change a lot. Hence, from an economic viewpoint you have to understand whether the other party will be loyal (LC-XXIV).

[Q 10] *How can you know that the other party is entirely open?* You never know that for sure, especially when the other party is new to you. However, I think you can make an assessment in the case you know the market and your partner a little; for example about their motivation, although they don't tell everything. Through critical questions you should be able to find out. In our case, we know Kemira, we know how they behave in the market, we know their strategy. In such case you should be able to develop a feeling about whether the joint venture matches or not (KS-IV).

[Q 11] You always have to try to understand the position of your partner (DW-VI)

The above comments demonstrate the importance of the other party's economic self-interest in a potential joint venture. The belief that the other party will benefit from a joint venture strengthens the belief that they will be trustworthy, because such behaviour will be in their own interest. In order to find out about the other party's interest, the parties tried to put themselves in the other party's shoes. Based on knowledge about the market and the partner (from annual reports and their activities), in combination with answers from the partner's delegates to critical questions, they created a picture of the other party's economic self-interest in a potential joint venture.

An exception to these answers is the reaction of a board member of ABG, who read one of my publications (Boersma & Ghauri, 1997):

[Q 12] Can you understand that when you have particular expectations, that you are mainly occupied with finding out whether those expectations can be met? Do I have to put myself in the other party's shoes? I think, the wish to implement an idea, the over-capacity problem, that is what you focus on. And I am not busy finding out whether the other party has a hidden agenda. First, I always assume that I can trust those people. And when this is not the case, I will kick those people far away, and I will not try to make something of it (AW-V).

In other words, the delegate started with trust rather than distrust. The following section discusses this factor in more detail.

5.2.2.2 *Starting with trust*

The parties of ABG started without any experience with each other before this joint venture. Only general knowledge about the company as a whole was available. Hence, promissory-based trust and goodwill-based trust between the people had to be build up. This was done in a variety of ways. The following

quote illustrates how a delegate from Gamma tried to assess whether the other party could be taken at their word and whether they were sincere:

[Q 13] You have to make up your mind whether the fellows on the other side of the table are just like yourself. First class fever, ha ha, I am joking but I think it is very important. I said to myself, I am open, I can stand for what I am saying, I am always truthful, I do not try to put in some snares. We are like that, so why shouldn't the people on the other side of the table be of the same kind. And that you find out fairly quickly (AHA-VII)

Thus, the respondent used his own attitude as a reference towards his partner and trusted them until the opposite was proved. In other words, he started with trust rather than distrust. Such an attitude also emanated from the belief that only by acting in good faith good long-term business deals could be made:

[Q 14] You have to be trustworthy from the beginning, since when you are not, how can the business be successful in the long run. When you start to hold back information or to not tell the entire truth, it is sure that you can't live together for a long time. And if you have that feeling, most probably they will think along the same line. This is long term co-operation, it is not a question of making a quick deal with a lot of money and then goodbye. ...You get more out of business when you trust people than when you distrust them. My mother always said: "nothing will come into a closed hand". I don't know how other people think about this, but this is my philosophy (AHA-X).

The previous section also showed that the Alpha delegate started with trust. His attitude resulted from considering himself as being naive, from lessons from other (Japanese) joint ventures, and from the idea that the joint venture was a business opportunity rather than a necessity. Hence, when he would not trust the people (he would use his own judgement and intuition in order to find this out), he would quit negotiations.

5.2.2.3 *Perceived behaviour*

In contrast to ABG, the people of Kemax already started with a basic level of promissory-based trust, which has been built up during the previous stage. Therefore, as one respondent noted, the psychological process of constructing a perception of the other party's trustworthiness took less time. During this stage

promissory-based trust increased due to the actual behaviour of the other, as the following remark by Akzo Nobel's initiator of Kemax reveals:

[Q 15] When somebody says 'I will sell a 100.000 ton', you can only check this after three years. So maybe it starts with small things, that somebody says he will be somewhere at 8 and he is there at 8. In this way somebody gets a certain reputation of 'a man a man, a word a word' (KP-II).

Similarly, two board members of Usinor explained:

[Q 16] You know, it is gradually built up. When you started deciding on who would do what, and when you progress, you notice that they do what they have said, that is the way trust develops. I think that it would have been different if we had noticed that it looked like they didn't care about us. Or that they promised things they didn't prove. Then we would have said, guys: we have problem. But this did not happen (LU-XI).

The above comments show that keeping one's promises in situations of minor importance gradually leads to reputation of trustworthiness. A similar pattern of developing competence-based and promissory-based trust was identified at Hoogovens:

[Q 17] You try to assess whether you can trust the man or woman. For instance, personally I had not much in common with my counterpart from Usinor with whom I mainly created this joint venture. However, gradually I became aware that he was a person with whom you knew where you were at. He keeps his word, internally he is a person of some weight and he does not change ideas quickly. I can understand and trust what he is like, and thus how he will behave in the future (LC-IX).

When asked to elaborate on this issue of assessment, he answered:

[Q 18] He gave his opinion about what he saw at Hoogovens very correct and very to the point. Due to this, I knew for sure that it was a man who knew what he was talking about (LC-X).

Hence, the actual behaviour of the other party contributed to a specific perception of the other party. Keeping to minor agreements yielded an image that the other party would keep his word in the future, competence-based

behaviour led to competence-based trust. However, the interview data also demonstrate that trustworthy behaviour is not always necessary in order to raise trust. A management team member of DB, who was also involved in the negotiations and preparations of the joint venture reveals this in the following comment:

[Q 19] *And do you trust your counterpart from BASF to be open and honest from the beginning?* Well, look, you know from the beginning that every party wants to strengthen or weaken specific positions. Against that background you talk with each other. However, I have been open with the information I had, and in hindsight I can say that I never had the feeling that I was cheated (DSF-IX).

In other words, the DSM delegate did not believe that his colleague from BASF would be entirely open from the very start. The quote, however, suggests that this did not lead to goodwill-based distrust, because the delegate understood the role of the other party. The respondent also mentioned the effect of a previous history with the counterpart (see [Q 7] on p. 76). In order to learn about the actual behaviour of the other party frequent face-to-face meetings were very important. During such meetings, the people could experience and get a feeling for each other. In addition to such business meetings, social meetings were important in order to develop a certain degree of trust.

5.2.2.4 *Befriending*

The final factor the data reveal is the factor of befriending the delegates of the other party. Befriending refers to the process of getting to know each other personally and professionally. The data demonstrate that business meetings as well as social meetings play an important role in this process. This is revealed in the following comment:

[Q 20] We had some common interests, but you need something more to be able to make the joint venture, you must trust the people. We met many times, and of course we dined together, had a few drinks, and we came to know each other (AHA-VII).

Another board member of Gamma mentioned the following effect:

[Q 21] You get to know people better, including their body language. I am better able to understand the way the other person thinks and feels. The people know each other by now, and when mister X says something, you know that that is the truth (AT-IV).

The above comment shows that non-verbal communication was as important as verbal communication in order to understand and learn about the other party. Getting to know each other created understanding. This, in turn, created trust. A BASF board member supports this view:

[Q 22] It is certainly different when you deal with Chinese people. Personal trust is important, but it is much more difficult to understand the way Chinese people think than to understand how people from the West think. *Why?* Because we have the same education, same background. However, with Chinese people it always difficult to understand what they are really thinking (DW-XI).

In addition to these social events, for the development of such personal relationships it was important that the characters of the people involved matched and that there was mutual respect and appreciation. This is revealed in the following comments:

[Q 23] *So, that friendship between you and Gamma's delegate, that was there right from the beginning?* Yes, immediately I liked that man. *And what did you like about him?* On the one hand, he had much appeal for me personally, and I always had to laugh because of his writing during our meetings (AW-III, AW-VIII).

[Q 24] It depends on the personality, but I must say that the people I know at ABG are all very social people; they can get along with the others fine. Otherwise, of course, they would not have such a high position within the company. In 1994 one of the board members left, he had too many activities. He is great with people, he is a good manager (AT-VI).

[Q 25] And, what was very essential was that we liked each other a lot. We appreciated and respected each other, and when such a basis lacks you can simply forget about the whole thing (DP-II).

[Q 26] The whole process towards the joint venture has a strong influence on the development of personal relationships. Our process towards the establishment of

the joint venture took a long time, so we grew close. And in such a process an important factor is that people get on with each other (LD-I).

In other words, these meetings facilitated a setting in which the delegates could learn about each other, and discovered that they can get along with each other. The match between characters could be start of a personal bond. One case shows, however, that getting on with each other personally is not a necessary condition for the development of trust. [Q 17] on p. 80 already showed that the two initiators could not really get on with each other personally. However, Hoogovens' delegate discovered that he was highly professionally skilled, which created promissory-based and competence-based trust.

To sum up, the interview data show that the negotiation stage is important in order to built trust. It was shown that when trust had been created during the previous history, the negotiation process could strengthen this trust. The four cases do not show any decrease in trust during negotiations². The above comments demonstrate that trust may come about or may be strengthened due to four main factors: putting yourself in someone else's shoes; starting with trust; actual behaviour of the other party; and befriending. All of these factors mainly strengthen the image of the other party's economic self-interest, but also insight is gained into the character of the persons representing the company.

5.2.3 Commitment

The commitment stage is the stage "in which the will of the parties meet, when they reach an agreement on the obligations and rules for future action in the relationship" (Ring and Van de Ven, 1994: 98). Two kinds of safeguards appear to influence the development of trust during this stage. The first safeguard is the contract. Although the respondents mention many other functions of the contract and other written documents, one of the functions is still making the other party stick to the agreement. This security yields trust in the other party. A second factor that proved to establish trust is the mode of co-operation. In other words, it made a difference whether the parties set up a joint venture or a non-equity alliance. It can be stated that this stage confirms the expectations raised during

² This is not surprising, since any negotiations characterised by a decrease in trust would probably not have resulted in a joint venture

the former stage. While the partners have to find out whether the other party will have an economic advantage during the negotiation stage, the other party confirms this perception by signing the joint venture contract. The following two sections discuss these two factors into more detail.

5.2.3.1 *Contracts and minutes*

Contracts and other written documents appeared to be useful documents to make sure that the other party would keep to the agreement. It was felt that in the end they could use these documents in order to force the other party to keep to the agreement, because the documents were legally binding³. The following quotes are illustrative for the trust-building function of the contract and other written documents:

[Q 27] An example: Kemira thinks we will sell a lot, so we put this objective in our minutes. We have to invest for this amount of sales, so it cannot be that when these investments have been made that Kemira says “yes, we have said that but that was then and this is now...”. That is the reason why you put these things on paper; as a piece of evidence. If something goes wrong, we need to know who is responsible (KJ-III).

[Q 28] *Do you believe Gamma or Beta will keep to their promises and if so, why?* Yes, and I think for the same reason that we keep to our promises. ..When you start to cheat, the relationship will not last long. In addition to the fact that when you do not keep to essential matters, you can make someone legally liable. However, when the conflicts are about small issues that are minor concerning the contents, such legal action will be fatal to the relationship (AM-VI).

[Q 29] *So without the minutes you would trust them less to keep their side of the deal? Yes. And because they would forget about this agreement or because of unwillingness?* Well, the former, and it may be that priorities are put differently in time. The chance of sliding down is too big. We are all human (LC-XV).

One respondent also mentioned this function of the contract, although he refused to accept this function:

[Q 30] Putting things on paper is like a protection, normally legal. However, when things function you could discuss them over a cup of coffee as well as at a formal

³ The awareness that contracts could be incomplete was not mentioned.

meeting. I feel it is more because of a lack of confidence, that you would like to have things on paper, because then you have your back covered. I don't have that need and I think that is there is nothing wrong with a failure sometimes (KC-XIII).

In other words, when the matter is essential and cannot be solved in another way, partners have the feeling that they can fall back on the contract and make someone legally liable. Therefore, they put major issues that involve a large perceived risk on paper. However, partners will not often use the contract to enforce decisions, as [Q 28] showed. Partners rather try to work things out in other ways than by pointing at the contract. Using the contract in order to make the other party keep to the agreement is perceived to be damaging to the relationship. The following two quotes illustrate this point:

[Q 31] We never have to use our documents after we have signed them. But that is not unique for ABG, we have this in all our joint ventures. We are of the opinion that when a problem arises, we have to solve it in a friendly way, and to discuss it irrespective of what has been written in the legal documents. And this has turned out very well. You'll become friends, and you'll have a baby (*i.e. joint venture*) together. What happens to a marriage when you start to discuss legal matters, you start separating (AHA-III).

[Q 32] If you don't keep to the agreement, you can be held legally liable. However, in practice this will never happen in such a way, because you are together on one ship and it is a matter of give and take. When there is one who often falls by the wayside or when you have conflicts many times, the relationship will not work (AM-IV).

Hence, although the contract built trust in the sense that partners perceived the contract as a 'last resort', the partners were hesitant to use it. The data reveal the following other functions of putting things on paper:

- Remembering. Most of the respondents stressed that writing things down had the function of remembering on which they had agreed. It appeared that most of the interviewees had more roles than just being on the board of the joint venture, and therefore it was difficult for them to remember everything on which they had agreed.

- Documentation. Writing things down gave a record of the history of the joint venture. With this documentation board members who leave the joint venture could pass on some continuity to their successors.
- Creating understanding. The respondents mentioned that writing things down contributed to the understanding about of matters on which parties had agreed, thereby avoiding misunderstanding. It could, therefore, save negotiation time, since they did not have to discuss matters on which parties had agreed.
- Keeping the superiors informed.
- Formality. It appeared that some of the interviewees wrote things down, simply because the law required them to do so. Moreover, in Portugal the MIJV was obliged by law to have hand-written minutes of all the meetings.

5.2.3.2 *Mode of co-operation*

A second factor that built trust appeared to be the mode of co-operation. For Akzo Nobel, starting a joint venture instead of a non-equity agreement gave an extra foundation of trust, as the following comment reveals:

[Q 33] We have started a joint venture because we wanted to create commitment towards both processes (production and marketing). ... Kemira has several production locations. Therefore, it would be relatively easy for them to drain this plant in case of a bad supply agreement and to deliver from their own production locations. And you never know how such things develop in the future (KP-I).

Hence, the creation of a joint venture aligned the interest of the parties and therefore the parties trusted each other to do their best for the joint venture, since it was in their own interest to do so. Starting a joint venture also meant joint ownership of investments made. This also built goodwill-based trust of Akzo Nobel in Kemira:

[Q 34] *Did you trust Kemira not to misuse you?* Yes, they committed themselves to an investment, with a synergy effect. Then you trust that it will not be a short relationship (KK-IV).

Summarising this section, we can state that during the commitment stage trust develops mainly because of two typical safeguards, namely the contract and

other written documents (*i.e.* articles of association, minutes), and the mode of co-operation. These two factors confirm the partners' ideas about the other party's interest in a joint venture. This section also showed that partners prefer to work things out without threatening with the contract.

5.2.4 Execution

5.2.4.1 Monitoring

The data suggest that trust built during the previous phases gets a chance to prove itself during this stage. The data show one additional factor through which trust is maintained. This is monitoring (through management positions and audits). The following four quotes illustrate this point. To the question "Do you have an evaluation system to review the activities of your partner in this joint venture?", several respondents answered:

[Q 35] No, except that we share the same reporting documents. They receive the same reports from the management team as we do. So for example when Lusosider is unable to produce because they did not receive the raw material from Hoogovens, I would pick up my telephone and call Hoogovens. But it is not a formal report. It is not in the interest of the management to hide this information, since delay in production would give bad results. So it is much better to explain such results when Hoogovens is not performing well. And we are aware of this (LU-VII).

[Q 36] In the operational relationship Usinor supplies to the joint venture. We monitor this activity through the joint venture. It is not the nature of our relationship to set up an independent monitor system (LD-VII).

[Q 37] No, we only monitor Alpha's performance through the management team of the joint venture. For example: maintenance was not carried out well under the supervision of Alpha. The management team reports this to us (AA-IX).

[Q 38] We have allowed each other to have an audit every year. This has been done until now. *And would you trust the other party without this audit?* It is not a matter of trusting the man or not. Such an audit confirms that the process is carried out carefully. It is nothing more than business-like distrust, not personal (KP-VII).

Hence, through constant *indirect* monitoring the partners remain posted on changes in their partner's behaviour, strategy, or environment. Changes may be an indication of a changing self-interest in the joint venture. Since an economic self-interest is one of the main sources of trust (section 5.3 elaborates on this point), it is important to check whether this interest changes. Furthermore, I found similar factors that were also present in the previous phases. Especially behaviour confirmed the image that was already built during the former phases, as the following two comments show:

[Q 39] The Gamma board member is open and faithful. His behaviour contributes to such an image. When you co-operate with somebody, you constantly communicate. And during this communication you get a feeling whether or not this man can be trusted. This is not different from private life (AA-III).

[Q 40] *Do you think Kemira will be able to develop their future competencies in such a way that the joint venture will keep in line or ahead of its rivals? if yes, why do you think so?* They are the leaders in their market segment, and under normal circumstances they will defend that position. They look like that. I don't have any reason to question that; however, I can't look into the future. But all their actions, their orientation, give trust (KP-IX).

Summarising, the execution stage shows that trust is maintained through constant indirect signals that the other party can be trusted. These signals are given by the management of the joint venture and the accountants. In addition, the partners use the factors mentioned to maintain trust.

5.3 SOURCES OF TRUST AND HOW THEY MAY CHANGE

This section addresses the second part of our research question (subquestions 2 and 4, presented in Table 1-1 on p. 7). The data reveal that economic self-interest and emotions are two main sources of trust. The following two sections discuss these sources in more detail. The first section discusses trust based on economic self-interest. LAP is used as an example that is emblematic of both Kemax and DSM•BASF. Section 5.3.2 will elaborate on trust based on emotions.

5.3.1 Sources of trust: economic self-interest

The data suggest that economic self-interest is one of the main sources of trust. This economic self-interest emanates from interdependence. This section discusses this proposition. The data reveal two dimensions of interdependence that yield trust, namely interdependence between the partners and interdependence on the joint venture.

5.3.1.1 *Interdependence between the partners*

The following quotes indicate that Hoogovens' trust in Usinor is mainly based on Usinor's economic interdependence relationship with Hoogovens:

[Q 41] You have to know whether the joint venture partner has an interest in the agreement made. If they have no self-interest, you should not trust them. So their welfare is important to us. We have to strive for win-win situations (LC-XIX).

[Q 42] *But how can you trust this man's words? Do you trust him because it is in his own interest to behave that way or do you feel he cares about you?* The latter. You really need signals that he considers his relation with you as important. And that he makes an effort for that relationship. *But suppose the long-term perspective will eliminate, will you still trust him?* No, there should be an economic interest that makes you realise that it is important for them to keep the relationship in the right direction. If you had to rely on the good will of other persons only, I think the basis is too weak (LC-XXIV).

[Q 43] I believe they will keep to the agreement since this is in the best interest of all parties. So according to me, a motive of Usinor to keep to the agreement is to sustain the business relationship. Not keeping the agreement may ruin the relationship. And that will be at the expense of the joint venture and thus at the expense of Usinor (LD-XII).

[Q 44] So because of a huge change in the steel industry another attractive partner has appeared. *And that might be a reason for you to switch partners?* No. Two reasons. [a] you cannot force the other party contractually to sell their share. [b] you cannot say 'go away'; that is not the kind of relation we have in this joint venture. You can always make someone's life a misery. Although, then you risk more than this relationship; then you have to question whether you want to jeopardise the other relationships you have with similar companies. We also have other relationships with Usinor, so you will provoke particular reactions (LD-II).

The above comments reveal that Hoogovens' delegates trust Usinor to behave co-operatively, because they think Usinor has an economic self-interest to do so. This corresponds with Usinor's real motives, as the following quote illustrates:

[Q 45] *Would Usinor also keep to the agreement if it had not been written down?*
 If we don't keep to the agreement, it is impossible to say that we trust the people. And you should also understand that we have many other relationships. So nobody would just spoil the relationship for the sake of a small gain (LU-XIII).

The interdependence relationship between the companies manifests itself in the IJV relationship. However, the comments also show that the relationship goes further than the particular joint venture within the chemical and steel industry. Because the partners operate in similar markets they support each other with technical problems and run into one another at trade fairs. Because of this interdependence, people behave co-operatively in order to maintain the good atmosphere of the interpersonal relationship. Spoiling such relationships makes it hard or even impossible to call upon the other party for economic purposes. The delegates are careful about such relationships, because they realise they are part of a bigger organisation. Their behaviour may affect their company's reputation and thus other relationships⁴. Once co-operating in a joint venture relationship, they are careful about the interpersonal relationship, because they believe a negative atmosphere will negatively affect the interaction process. For example, the partner might become firmer in their demands, give less and take more, and might be less willing to sympathise with the other party. This will negatively influence the decision-making process. In addition, it will be less pleasant to work in a rather negative atmosphere. In other words, it will influence a persons' job satisfaction negatively.

⁴ The data show that people's personal motivations to cling to this economic reasoning is rather negative: people are afraid to lose their position or job. This fear makes them eager to live up to the expectations (*i.e.* to play their role). However, most of the respondents also mention they are not driven by these expectations only. They stress that they like to take up the challenge of doing their outmost. The eagerness to win, not liking to fail, wanting to create new things, taking pride in proving yourself and more job variation are key statements in this respect.

In sum, this section shows that trust may be based on the following: economic interdependence between companies promotes co-operative behaviour of the employees in order to maintain the good interpersonal relationship. The partner's economic self-interest emanates from this interdependence.

5.3.1.2 *Interdependence on the joint venture*

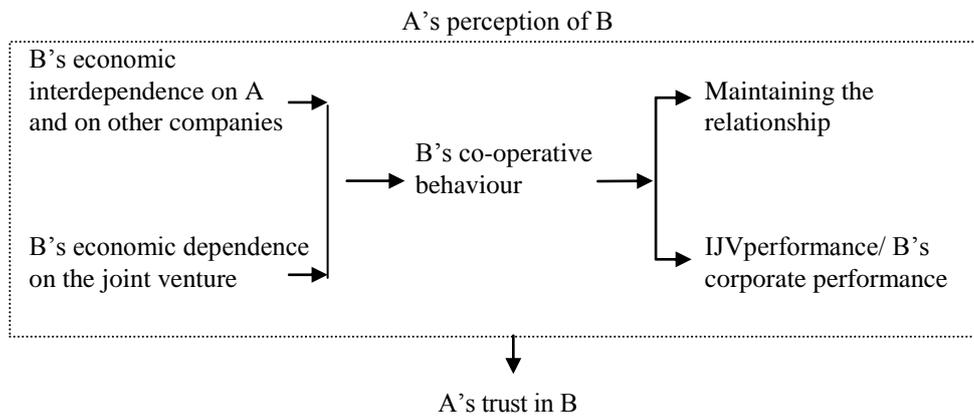
In addition to interdependence between companies, the data show a second dependence relationship in IJVs. The commitment stage already demonstrated that the mode of co-operation plays an important role in the building of trust. Opting for a joint venture means being part owner of the operation, hence being responsible for IJV performance (see *e.g.* [Q 33] on p. 86). This interdependence relationship also promotes the efforts partners put into the IJV relationship, since this will directly contribute to the performance of the company as a whole. The data reveal that trust in the other party is based on this reasoning.

A good example is Kemax, where failing to meet expectations did not lead to distrust for a long time, because Kemira believed Akzo Nobel to have a self-interest to solve the problem. In this case, the calcium chloride plant did not perform optimally since the start of the joint venture. This was due to Akzo Nobel's failure to solve a technical problem. Kemira, however, believed that Akzo Nobel made an effort to solve the problem, since it was in the interest of Akzo Nobel to solve the problem as soon as possible. After all, low performance of the plant directly affected Akzo Nobel's performance as a whole. Hence, since Kemira understood that Akzo Nobel's behaviour was not on purpose and that they made effort to solve the problem, Kemira maintained their goodwill-based trust in Akzo Nobel for quite a long time. Moreover, Kemira did not monitor Akzo Nobel's endeavours; they trusted the information presented by Akzo Nobel. This is a proof of Kemira's promissory-based trust in Akzo Nobel, which had been developed during the former stages. However, the case also shows that trust does not last forever. After four years, Kemira thought about sending their own people to find out about the problems. There had been no results and Kemira started to think that Akzo Nobel was not competent enough to solve the problem. Note that only competence-based trust had decreased and that Kemira kept its goodwill-based trust and promissory-based trust in Akzo Nobel. Moreover, the partners arranged an extra board meeting to discuss the

problem. However, before this happened, Akzo Nobel managed to solve the problem, thereby taking away Kemira’s worries and distrust. In other words, Kemira trusted that Akzo Nobel’s failure was not on purpose, because Kemira believed Akzo Nobel had a economic self-interest to solve the problem.

Summarising, section 5.3.1 discussed trust based on the economic self-interest of the partner. This economic self-interest is caused by economic interdependence between the partners. Economic interdependence manifests itself in two ways. The first one is interdependence between companies. Because companies depend on each other (*i.e.* they need each other’s resources), people behave co-operatively in order to maintain the interpersonal relationship. When this relationship is spoiled, calling on the other party for economic purposes will be more difficult or even impossible. Once co-operating in the joint venture, preserving the interpersonal relationship becomes important because it is believed that a negative atmosphere will negatively affect the interaction within the joint venture relationship. The second dimension of economic interdependence is dependence on the joint venture. It is believed that co-operative behaviour will affect the joint venture’s performance, thereby directly contributing to the performance of the company as a whole. Figure 5-1 presents trust based on economic self-interest.

Figure 5-1. Trust based on economic self-interest



5.3.2 Sources of trust: emotions

The data reveal a second source of trust, namely ‘emotions’. The case of ABG illustrates this point. During the years 1978 and 1979 ABG suffered huge losses due to low market prices and high gas prices. Extra financing was needed to continue the joint venture. This could, however, get Gamma as a company into financial problems. Gamma openly discussed these problems with the Dutch partners. It turned out that both Dutch partners were prepared to solve ABG’s problems on their own by financing Gamma’s part as a loan to ABG.

What made Alpha and Beta decide to make this financing? In other words, what made them behave co-operatively? Economic self-interest did *not* stimulate the behaviour of Alpha’s delegate; AB could continue the joint venture without Gamma. The gas Gamma contributed was not essential to keep the joint venture going. Hence, it was not necessary to keep Gamma in the joint venture and therefore, Alpha and Beta could have left the problem with Gamma.

Alpha’s delegate explains that he sympathised with the man and, therefore, felt sorry for him. The following quote demonstrates this point:

[Q 46] I sympathised with Gamma’s delegate and his colleague: if we had followed the rules of the game, they would have gone down. So I made a lot of effort to find all kinds of ways to help him, without betraying Alpha and Beta. I knew the joint venture was his baby, so I did not want to let him down, because I liked him too much for that. ... So, it was not self-interest, but rather pity for the other partner (AW-III).

However, this sympathy involved more than ‘getting on with each other’. A close friendship was the basis of these feelings. This personal relationship started during negotiations, when they discovered that they got along with each other very well (see *e.g.* [Q 23] on page 82). Their sympathy for each other grew into a friendship that involved feelings of warmth and affection. Moreover, the delegates met each other also outside the joint venture relationship⁵. The following comment illustrates this:

[Q 47] I often go fishing in Scandinavia with Gamma’s delegate, on Gamma’s fishing grounds. And sometimes another ex board member joins us and when I see

⁵ Even after their retirement the two delegates kept visiting each other.

him again I am overwhelmed with warm feelings. I just like that (AW-III, AW-IX).

In order to understand whether this behaviour built trust, the question arises of how the Gamma delegate interpreted AB's behaviour. As discussed in chapter three, 'trust can vary between individuals, even in otherwise identical conditions' (Nooteboom, Berger and Noorderhaven, 1995: 3). Gamma's delegate interpreted the behaviour as is revealed in the following comment:

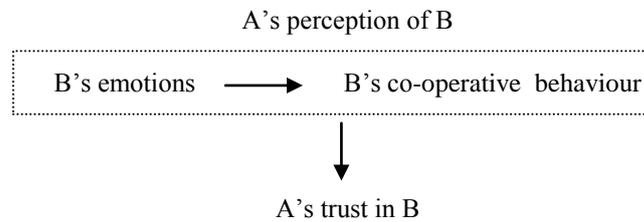
[Q 48] We had a long discussion in Amsterdam and then Alpha's board member, who has become a good friend of mine, a very good friend, he is coming up next week, he said to me: 'I see you are in big trouble and we are going to finance on behalf of what is needed from your side, so that the joint venture can go on. We can find some arrangement, so that you can pay back when you are in a more profitable situation'. *Why did he propose this?* Well, and then he said something, and I will never forget, which he had learned from a Japanese joint venture. They had said to him 'a joint venture is not an ordinary business arrangement, a joint venture should be considered as a sacred thing'. That is a beautiful phrase! And he used that, and as a matter of fact, he lived up to it at that crucial time. *But did he propose this because he depended on the joint venture? If he had not depend on the Scandinavian gas you gave access to, do you think he would also have made this proposal?* Oh yes, I think it was not necessary for him personally, of course it would be a failure for Alpha if ABG had gone into liquidation, so better give some money for some time to keep it together. So also from a business point of view it was a wise decision. No doubt about that. So there were many motives playing at the same time (AHA-II, AHA-IV).

In this case, the perceptions of the parties match partly: whereas Alpha's delegate says his behaviour was emotional, Gamma believes his behaviour was also driven by economic self-interest. However, the quote also demonstrates that Gamma did not perceive economic self-interest to be the main motive for AB's behaviour. This was confirmed after a telephone call on 23/06/1998: he also believed that emotions were Alpha's delegate's main drive to support him.

In sum, this section shows that emotions may overrule economic self-interest. In this case, the delegate helped out the other party, just because he liked the other person and not because of economic arguments. After all, AB could go on with the joint venture without Gamma, or even end the joint venture, which could have been a wise decision at that time because the joint venture was making losses.

The ABG case shows that the action may develop trust based on emotions. Figure 5-2 presents the relationship between trust, emotions and behaviour.

Figure 5-2. Trust based on emotions



5.4 CONCLUSION

We started this study with the proposition that trust develops through changes in interdependence and behaviour (see chapter 3). The empirical study confirms this proposition, yet, it also reveals other factors that contribute to the development of trust.

First, this study confirms the important role of interdependence as a main source of trust. The partners believe that economic interdependence between companies promotes co-operative behaviour of employees in order to preserve the interpersonal relationship and to improve IJV performance. This way of thinking yields trust, because they believe that their partner has an economic self-interest to behave co-operatively. This study could not confirm Gill and Butler's (1996) finding that different patterns of interdependence (*i.e.* pooled or sequential) affect the development of trust (see section 3.3.2). The findings suggest that this is due to the fact that sequential dependent partners realise that they might need the other party in the future. This shadow of the future may take away direct competition that may arise from sequential interdependence. It also diminishes the effect of possible asymmetry at a particular moment.

In addition to this economic self-interest (which emanates from interdependence) as a source of trust, the data reveal a second source: emotions. Section 5.3.2 shows that the difference between trust based on emotions and trust based on economic self-interest is the intensity of the personal relationship.

This study suggests that trust based on emotions means a lot more than ‘getting on with each other’; it calls for a deep and intensive friendship.

Second, this study also confirms the important role of behaviour in the development of trust. Several manifestations of behaviour appear in section 5.2. For example, partner A *monitors* changes in B’s economic self-interest. Also B’s actual behaviour affects trust. For example, quote [Q 16] shows that keeping to minor agreements gradually builds a reputation of trustworthiness. This confirms Blau’s (1992) finding that exchange relations “evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved” (*ibid.*, p. 94). It also confirms Madhok’s (1995b) and Zucker’s (1986) findings that interaction builds trust. The study also supports Zucker’s (1986) finding about the effect of reputation as a trust building factor. Next, it is shown that perceived interdependence leads to perceived co-operative behaviour in order to preserve the atmosphere of the interpersonal relationship (Williamson, 1975; Gundlach and Cadotte, 1994; Geyskens *et al.*, 1996).

Next to behaviour this chapter presents additional factors that affect the building and sustaining of trust; factors that were not included in model M₀. These factors are presented in Table 5-2 (behaviour included).

Table 5-2. Building and sustaining trust

Phase	Factors that build and sustain trust
Previous history	the overall reputation of the company; prior exchange between the companies on an organisational level; direct personal contact between the initiators.
Negotiations	putting yourself in someone else’s shoes; starting with trust; actual behaviour of the other party; befriending.
Commitment	contract and other written agreements; mode of co-operation.
Execution	monitoring; developing bonds of friendship.

Section 5.3.2 added factor ‘developing bonds of friendship’, a factor that promotes trust based on emotions. Each of these factors should be regarded as an additional factor. For example, managers use information obtained from prior exchange especially during the previous history, but they will also take this information into account during negotiations and following stages. Thus, each phase adds factors that increase the certainty about the other party’s motivations (*i.e.* an economic self-interest and/or emotions) to behave in a trustworthy fashion.

6

SUMMARY AND CONCLUSIONS

6.1 INTRODUCTION

International joint ventures (IJVs) are a popular means to penetrate foreign markets. Statistical evidence shows that the number of joint ventures in Central and Eastern Europe and in China increases rapidly (Dunning, 1994; Buckley and Ghauri, 1994; Luo and Chen, 1997). This popularity is due to the fact that they offer numerous advantages, like gaining access to the partner's expertise, obtaining economies of scale, and overcoming governmental restrictions (Lin, Yu and Seetoo, 1997).

However, joint ventures also have certain disadvantages. Their main drawback is that partners have to share control over the joint venture (Killing, 1982; Geringer and Herbert, 1989). Shared control raises transaction costs. Several studies have stressed the importance of trust in reducing these transaction costs (Buckley and Casson, 1988; Nooteboom, 1996, 1998; Parkhe, 1993a, Ring and Van de Ven, 1994). Moreover, most scholars state that trust is indispensable for the formation and maintenance of economic ties between firms (*cf.* Granovetter, 1992; Nooteboom, 1998).

This thesis provides an insight into the development of trust between partners in IJVs. Studying developmental processes requires a longitudinal approach. Although some scholars advocate such an approach to IJV research (Hyder and Ghauri, 1991; Parkhe, 1993b; Stafford, 1995), only some studies have been done on developmental processes (*cf.* Ring and Van de Ven, 1994; Gulati, 1995; Madhok, 1995a; Spekman *et al.*, 1996; Ariño and De la Torre, 1996). This is the reason why this study has been conducted. This study will fill the gap in the IJV literature on developmental processes and will contribute to a

theory on trust in IJVs. Furthermore, understanding how trust develops will improve the management of IJVs.

6.2 CONTRIBUTIONS OF THIS STUDY

6.2.1 Background and theory

Chapter 1 explains the role of trust in IJVs and clarifies the importance of studying its development. Whatever its sources, trust reduces transaction costs (Buckley and Casson, 1988; Nooteboom, 1998). It lowers the costs of searching for a suitable partner, the costs of contracting and the costs of monitoring. It facilitates open and honest interaction, makes people less secretive, and improves managerial problem-solving effectiveness (Zand, 1972). Despite the importance of trust, empirical research regarding the development of trust in economic transactions has been limited. This thesis aims to fill this gap. To that end, the study tries to answer the following research question:

How does trust between partners in international joint venture relationships develop?

The research question is divided into four subquestions. First, how can partners in IJVs build and sustain trust? This question adds to the literature on factors affecting trust by putting these factors into a temporal dimension. Secondly, how do perceived sources of trust change in time? To build on former research, chapter 1 adds two more subquestions, which are: 3. what is trust?; 4. what are major sources of trust?

Chapter 2 lays the foundation for answering the first subquestion. It summarises international joint venture literature on factors affecting IJV performance. The study indicates the significance of trust as a factor influencing performance. First, chapter 2 demonstrates that IJV performance is a multi-dimensional concept, encompassing five dimensions. These are longevity, the quality of the working relationship, IJV achievement, effectiveness, and stability. Next, chapter 2 presents nine factors that affect IJV performance. These factors are partner characteristics, partner strategy, need of resources, structure, behaviour, interdependence, environment, evaluation, and trust. Trust stands out in this classification, because it overrules most of the other factors.

For example, when partner's trust each other, they will be able to solve problems that might arise from differences between them (Zand, 1972). Chapter 2 ends with a conceptual model of trust development in IJVs (see Figure 2-1 on page 26). Among other things, this conceptual model shows that interdependence and behaviour directly influence trust. These three variables form the basis for the empirical study.

Chapter 3 concentrates on trust, interdependence and behaviour, and thus elaborates on questions 3 and 4. It shows that trust is a positive perception of or expectation about the behaviour of the other party. Trust has three dimensions, namely promissory-, competence- and goodwill-based trust (Sako, 1992; Butler and Gill, 1996). Nootboom (1996) provides insight into the major sources of trust. The chapter distinguishes between a self-interest, care about the other party's interest (related to emotions), and no opportunity to behave untrustworthy. Trust based on economic self-interest and/or emotions refers to Nootboom's (1998) wide concept of trust; the narrow concept only includes emotions. After having discussed trust, the chapter defines interdependence and behaviour. Chapter 3 continues with empirical evidence from literature about the relations between the three variables. The last section presents this study's conceptual model, model M_0 .

The methods for this study on developing trust are discussed in **chapter 4**. This study follows a case study approach and concentrates on four international joint ventures. This selection involves 13 companies and 35 interviews. A questionnaire was developed to structure the interviews around trust, interdependence, and behaviour. Furthermore, chapter 4 presents the method of analysis. The data was analysed according to a three-step approach, based on Miles and Huberman (1990) and Strauss and Corbin (1994). First, the interview data were divided into meaningful segments. Next, these fragments were coded; and finally, the codes were grouped.

6.2.2 Empirical findings

Chapter 5 presents the empirical results of this study. First, it describes the background of the case companies. Section 5.1 highlights the interdependence relationship between the partners. Section 5.2 presents the data that are necessary to answer subquestion 1. Section 5.3 discusses two major sources of

trust and shows how these sources may change in time, thus presenting data to answer subquestion 2 and 4.

The following section discusses subquestion 2 and 4. Section 6.2.2.2 will give an answer to subquestion 1.

6.2.2.1 Major sources of trust and how they change in time

The first major conclusion is that economic self-interest and emotions are the two main sources of trust (which answers **subquestion 4**). However, chapter 5 shows that trust is only based on emotions when a bond of friendship develops. Hence, the answer to **subquestion 2** (how do perceived sources of trust change in time) is: trust based on economic self-interest does not change in time unless a bond of friendship develops. The remainder of this section will elaborate on this proposition.

Trust based on economic self-interest and/or emotions corresponds with Nooteboom's (1998) wide concept of trust, which was already discussed in chapter 3. Chapter 5 shows that most board members find it difficult to fully trust the other partner without any perceived economic self-interest for the other party (see *e.g.* quote [Q 41] on page 89). In the end, delegates reason as follows: when the partner's economic self-interest ceases to exist (*i.e.* when they are not dependent on us through the joint venture), they will lose their motive to maintain good, personal relationships, so that every kind of behaviour will become possible (see chapter 5, section 5.3.1). Furthermore, chapter 5 shows that such economic self-interest goes beyond the joint venture (see quotes [Q 41] to [Q 45] on page 89). Chapter 5 proposes that perceived network interdependence urges delegates to maintain good personal relationships, since only then they can use their network in the future. Consequently, a good atmosphere has certain long-term economic benefits (*cf.* Provan, 1993). Moreover, the data suggest that opting for a joint venture means being part owner of the company, hence being responsible for performance. This interdependence relationship also stimulates the efforts partners put into the IJV relationship, since this will directly contribute to the performance of the company as a whole (see section 5.3.1 and Figure 5-1).

Trust is only based on emotions when a bond of friendship develops. The case of ABG presents evidence for this proposition. Such a friendship means more than 'getting on with each other'. It includes feelings of affection

and warmth, and the persons involved meet each other also outside the joint venture (see quote [Q 47] on page 93). Chapter 5 reveals that these deep emotional feelings may overrule economic self-interest (see *e.g.* [Q 46] on page 93). The case of ABG shows that the delegate strove for the other party's interest, just because he liked the other person and not because of economic arguments. The case shows that this action develops trust based on emotions.

To summarise, economic self-interest and emotions are the two main sources of trust. The difference between trust based on emotions or trust based on economic self-interest is the intensity of the personal relationship. This study proposes that trust based on emotions requires more than 'getting on with each other'; it calls for a deep and close friendship.

6.2.2.2 *How partners can build and sustain trust*

This section answers **subquestion 1** (how can partners in IJVs build and sustain trust?). Chapter 5 presents empirical material to answer this question. The chapter presents eleven factors that affect trust based on economic self-interest and/or emotions (see section 5.2.1 to 5.2.4 and section 5.3.2). To summarise, chapter 5 presents the following factors (section 6.5, Managerial implications, elaborates on each of these factors):

Table 6-1. Building and sustaining trust

Phase	Factors that build and sustain trust
Previous history	the overall reputation of the company; prior exchange between the companies on an organisational level; direct personal contact between the initiators.
Negotiations	put yourself in others shoes; starting with trust; actual behaviour of the other party; befriending.
Commitment	contract and other written agreements; mode of co-operation.
Execution	monitoring; developing bonds of friendship.

These findings contribute to other studies on the factors that affect trust by putting these factors into a temporal dimension. Each factor should be regarded as an additional factor. For example, the overall reputation of the company mainly matters before the partners meet each other to negotiate, but delegates will also take this information into account during negotiations and following stages. Thus, each phase adds factors that increase the certainty about the other party's motivations (*i.e.* an economic self-interest and/or emotions) to behave trustworthy. The more positive information available, the more trust there will be.

Most of the factors presented in Table 6-1 are particularly useful for assessing and confirming the other party's economic self-interest. For example, partners monitor changes in each other strategy, which may give clues for a shift in the other party's economic self-interest. The contract strengthens the belief that the other party has indeed a self-interest (otherwise, the joint venture would not have been started up).

Chapter 5 and section 6.2.2.1 show that one factor is particularly interesting when partners want to develop trust based on emotions. This factor is 'developing bonds of friendship'. The joint venture ABG shows how delegates can develop bonds of friendship. First, the delegates spend time to build personal relationships. Every two years the board member spend a weekend together with their spouses. Before and after every official meeting they also arrange social events. Second, the friendship develops because of the matching characters. Third, the people involved are socially able people (*i.e.* emotionally intelligent). According to Cooper and Sawaf (1997), this includes authenticity, empathy, and self-consciousness.

To summarise, this study proposes eleven factors that build and sustain trust. The factors presented provide information about the other party's motivations to behave in a trustworthy fashion. These motivations are identical to sources of trust (*i.e.* economic self-interest and emotions). Table 6-2 summarises the study's main questions and answers to these questions. These answers fill the gap in the IJV literature on developmental processes and contributes to a theory on trust in IJVs.

Table 6-2. Answers to this study's main questions

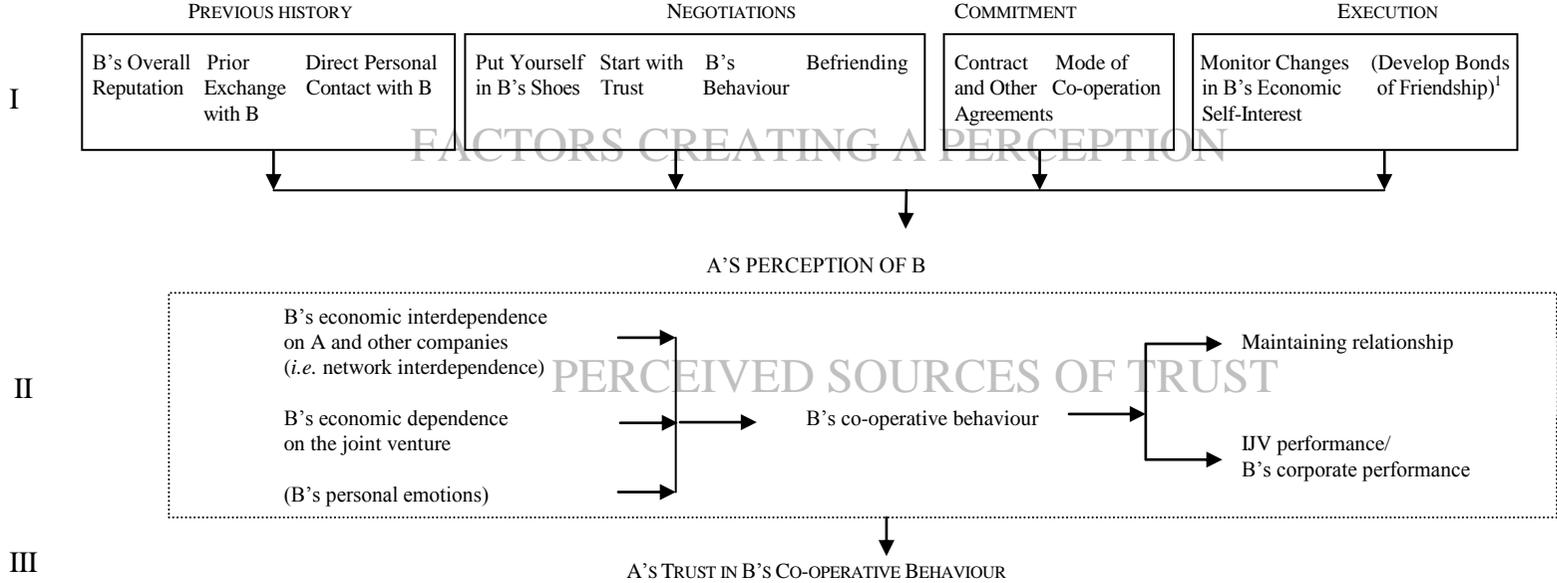
Subquestion	Answer to the question
What is trust?	Trust is the expectation that the delegates of the other partner who are on the board of directors will act co-operatively.
What are the major sources of trust?	Economic self-interest and emotions.
How can partners in IJVs build and sustain trust?	This study presents 11 factors that build and sustain trust (see Table 6-1 on page 103).
How do perceived sources of trust change in time?	Trust based on economic self-interest does not change in time unless bonds of friendship develop.

Having answered the main research question, model M_0 (presented in Figure 3-3 on page 45) can be improved. This will be done in the section below.

6.3 THE NEW MODEL, M_1

Model M_0 assumes that partners may build and sustain trust through interdependence and behaviour. In turn, trust will affect these variables. Through these interactions, trust will develop. Based on the conclusions, model M_0 can be improved. Figure 6-1 presents an integral model of trust development in IJVs (model M_1), and links the results to the earlier research model.

Figure 6-1. A model for developing trust in IJVs



¹ the factors between brackets are related to trust based on emotions. The remaining factors are relevant for assessing the other party's economic interdependence (and economic self-interest).

Model M_1 shows that behaviour and interdependence play an important role in the development of trust. Both variables recur in our final model on line II. Line II presents people's perception on which trust is based. It is a way of thinking that causes trust: it says that A believes that B will behave co-operatively because of two main reasons. First, representatives of the partner who are on the board of the joint venture will behave co-operatively because they have an economic self-interest to do so. This economic self-interest has two dimensions, namely economic interdependence on other companies, also outside the joint venture relationship, and economic dependence on the joint venture. The second main reason is personal emotions (these sources were also discussed in section 6.2.2.1). Co-operative behaviour will keep the interpersonal relationship sound, and will affect the joint venture's performance and thus corporate performance. In order to create this way of thinking, the delegates need input. Line I shows several factors that help to create A's perception of partner B, discussed in section 6.2.2.1. Each phase adds several factors, enriching his or her picture of the other partner. The richer and more consistent the picture, the more certainty, and the more trust.

How do the model M_1 and M_0 relate to each other? Model M_1 confirms the importance of interdependence and behaviour in the development of trust. Behaviour returns in model M_1 as a factor assessing partner B's motivations of behaviour (*e.g.* partner A *monitors* changes in B's economic self-interest) and as a perception of B. Also B's actual behaviour is incorporated in model M_1 . Interdependence is the main drive behind the other party's trustworthy behaviour, since this interdependence creates an economic self-interest to behave trustworthy.

The main refinement is that model M_1 distinguishes between perceived sources of trust on the one hand and factors that increase the certainty about the other party's trustworthiness on the other hand. Model M_1 suggest that, for example, the other party's behaviour confirms the idea about *why* the other party is behaving in this particular way, rather than that behaviour directly develops trust. Put differently, trust is not based on the perception of the other party's behaviour, as model M_0 suggested, but on the perception of the other party's *reasons* for behaving that way. The actual perceived behaviour of the partner's delegate confirms either this idea or does not. Furthermore, the new model adds several factors and specifies particular behaviour that shapes a delegate's

perception of foundations of trust. Moreover, these factors are put into a temporal dimension by categorising the factors in four stages (*i.e.* previous history, negotiations, commitment and execution).

6.4 THEORETICAL IMPLICATIONS

Chapter 1 starts with a discussion on the role of trust in IJV relationships. The crux of the matter is if trust plays an essential role in economic relationships. Whereas Williamson (1993) prefers to speak in terms of risk, other researchers have stressed the important or even essential role of trust (*cf.* Doney and Cannon, 1997; Granovetter, 1992). This thesis takes trust as an essential feature of IJV relationships (see section 1.2).

Nooteboom (1998) gets to the heart of this discussion when he defines trust in a wide and narrow sense. Whereas “the wide concepts includes all sources of trust, ... the narrow concept would go beyond self-interest” (*ibid.*, p. 8). His definition is related to the question if we can speak of trust when there is a belief in the other party acting trustworthy for other than moral reasons (Hardin, 1990; see chapter 3). Williamson (1993) states that the word trust should be reserved for social relationships. Hence, he implicitly argues that we can only speak of trust when trust is based on emotions and other non-egotistic sources of trust. Other researchers just speak of trust, whatever its sources (*cf.* Ganesan, 1994).

This study shows that managers confirm the essential role of trust, and that they speak of trust in a wide sense. Trust is important to gain business (see *e.g.* [Q 8] on page 77) and to maintain good business relationships. In their view, trust is based on economic self-interest and/or emotions (see section 6.2.2.1). These sources of trust are identical to the other party’s motivations for co-operative behaviour. During the life-cycle of a joint venture, they gather all kinds of information to form a perception about the other party’s motivations. The study suggests that bonds of friendship can only develop trust that is based on emotions. Therefore, this study confirms the importance of studying social processes within economic relationships (Granovetter, 1992; Uzzi, 1997), because trust and social processes really matter in these relationships. However, to clarify the discussion on trust, it is important that in all cases its sources are made clear.

6.5 MANAGERIAL IMPLICATIONS

The factors, presented in section Table 6-2, provide guidelines for managers on how to build and sustain trust in international joint venture relationships. This section summarises these categories and explains how partners within IJVs can build and sustain trust.

6.5.1 Phase 1: assessing the other party's trustworthiness

The first phase is important to assessing a potential partner's trustworthiness. Based on this assessment and other criteria, a company should select the partner with the highest relative value, which includes the reputation of being trustworthy. There are three factors that build an image of potential partners (*cf.* Larson, 1992).

The most general source of information is **the reputation of the potential partner**. Examples of such information are advertising and annual reports. Because the company itself generates this information, it will give a one-sided, mainly positive image of the company. Therefore, the reliability of this kind of information can be questioned. Other studies confirm the effect of reputation on building trust (Anderson and Weitz, 1989; Zucker, 1986; Ganesan, 1994; Doney and Cannon, 1997).

The perception of the other party's trustworthiness can be enriched with information that is available internally. **Prior exchange** (*e.g.* supply or buy relationships, knowledge transfer) with potential partners will provide information that is more reliable because it is provided by colleagues. However, because the information comes from colleagues rather than from direct personal contact, it is still second-hand.

A third source of information that may flow from one's own experience is earlier **personal contact** with person(s) that will be involved in the future joint venture. This information will present a picture about the persons behind the company, rather than about the company as a whole. Such personal encounters may take place on trade fairs or even in working groups between companies that operate in similar industries.

Altogether, this information will give an indication of the other party's potential economic interest in a joint venture and about their emotional commitment. Such information is important, as it determines the company's attraction. After all, companies will not start a joint venture when the initial

image is negative (assuming that there are alternative parties). Finally, companies select the company with the highest relative value, which includes, amongst other things, the reputation of trustworthy behaviour, network relationships, and financial resources (Nooteboom, 1996). Summarising, phase 1 in the process of building trust can be formulated as follows:

PHASE 1: assessing trustworthiness

In order to select a partner for an IJV, you judge several companies on their promissory-, competence, and goodwill-based behaviour. Sources of information are the overall reputation of the company, prior exchange between your company and the other party, and direct personal contact between you and representatives of the other company. Select the company with the highest relative value for your company, which includes the reputation of trustworthy behaviour.

6.5.2 Phase 2: building trust

Negotiations are the stage in the process at which the initial image can be adjusted. What matters during this stage is whether the words of the partner's representatives can be trusted. After all, a confirmation of these words can only be obtained during the following two phases. There are four aspects that contribute to a building of trust.

The first source of information are the words of the partner's delegates about their interest in a joint venture. In order to find out whether they are telling the truth and are fully open, delegates can **put themselves in the other party's shoes**. In this way, they can compare the words of the other party with information obtained during the former stage. This image can be completed by asking critical questions. If the information gained matches, a consistent image will appear, which increases trust. Ghauri (1996) also mentions this technique. What matters is that delegates try to understand the position of the other party. Because they can never collect enough information to be totally sure about the other party's interest, intuition matters greatly (Bell, 1996). Intuition is related to Uzzi's (1997) 'heuristics', which refers to "the decision-making processes that economise on cognitive resources, time, and attention processes, but do not necessarily jeopardise the quality of decisions" (Uzzi, 1997: 44). Non-verbal language, such as facial expressions and body language, also affect intuition.

Starting with trust until the opposite is proved is an attitude that may help to set an initial atmosphere of trust. This attitude depends on the character of the persons and various notions, like the belief that good business deals can be made only with a trusting attitude. Rotter (in: Good, 1988:32) also found that “those who are willing to trust other people are likely to be equally trustworthy in that they are less likely to lie, cheat, or steal”.

Furthermore, the **behaviour** of the representatives also matters. This behaviour mainly provides an insight into the other party’s promissory-based behaviour. Keeping to minor agreements may indicate that the partner will also keep to major agreements. This corresponds with Blau (1992: 94), who states that “exchange relations evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved”.

A fourth important factor that may contribute to the building of trust is the **development of a personal bond**. Personal meetings, both business and social, play an important role, as well as the social behaviour of the people involved. By developing personal bonds, the people involved get to know each other better, including their body language. Due to this, they are better able to understand the way the other person thinks and feels.

Summarising the negotiation phase, it can be stated that trust is mainly built during this phase. Whereas trust focuses mainly on the company as a whole during the previous history, during the negotiation phase its focus shifts towards the persons behind the company. The following phase can now be formulated.

PHASE 2: building trust

The negotiation stage can be used to assess whether or not your initial perception of the potential partner is confirmed. Several factors are useful to adjust the image that was already shaped during the previous history:

1. put yourself in the other party's shoes. Ask yourself questions like: what kind of role does the other person have to play; what are the economic interests of the other party in a potential joint venture? Ask the other persons critical questions and compare their answers with facts. Finally, a consistent image should appear;
2. pay attention to non-verbal language. Use your intuition to judge non-verbal, untrustworthy signs;
3. in order to create an initial atmosphere of trust, start with trust. Being critical is fine, but be subtle. Put your social and emotional abilities into practice;
4. pay attention to representatives' behaviour. Manifestations of co-operative/ competitive behaviour may be a sign of such behaviour in the future;
5. build personal relationships. Although this depends on the character of the people involved, social events can stimulate such a bond. If characters do not match, you can consider to replace persons. Again, use your social and emotional abilities.

6.5.3 Phase 3: confirming trust

The perceptions of the other party's economic interest are confirmed during the commitment stage when **the contract** is signed. Usunier (1996: 115) even states that "trust is taken to its highest point when the parties sign a written agreement". Despite the importance of the contract, delegates should regard the contract as a last resort. Putting too much emphasis on the contract may destroy interpersonal relationships (*cf.* Ghauri, 1983, 1996; Macaulay, 1963).

In addition to the contract and other written documents, the **mode of co-operation** is also important. By starting a joint venture the partner will obtain a direct interest in the shared subsidiary (see section 5.2.3.2). This makes them directly responsible for the joint venture's performance. This notion will also create trust. Gulati (1995) also mentions the trust-building function of equity joint ventures. Summarising, the commitment stage confirms the partner's economic interest in the joint venture.

PHASE 3: confirming trust

Draw up a clear and unambiguous contract that will form the basis for the joint venture relationship. Try to use this contract as little as possible. Overusing, or threatening with the contract may decrease trust. Set up a joint venture instead of a non-equity alliance to increase the partner's economic interest in the co-operation.

6.5.4 Phase 4: maintaining trust

During the execution stage, trust that has been build in the former phases has to be maintained or strengthened. During this phase, it is important that the partner's self-interest to behave trustworthy does not decrease. Hence, in order to maintain trust, it is important that delegates **monitor** the partner's action. For example, a change in strategy may imply a decreasing economic self-interest, due to a change in the partner's dependence. However, delegates should be careful with this. Excessive monitoring may create an atmosphere of distrust. Therefore, delegates should use indirect channels, like the management team of the joint venture –which includes people from the own company– or through audits that have been agreed upon in advance.

In addition, it is important to **remain attractive** to the partner, so that the partner's economic self-interest will not decrease. Nooteboom's (1996) model provides tips to maintain the relative value for the partner. An example of this model is that companies improve their knowledge base, so that it becomes more attractive.

Finally, **behaving trustworthy** yourself is an important aspect in order to maintain trust. This implies that delegates live up to the agreements, that they perform their role as competently as possible, and that they are sincere. The following box summarises these instruments for maintaining trust.

PHASE 4: maintaining trust

During the execution of the joint venture trust has to be maintained or made sturdier. First, behave trustworthy yourself: keep to your word, perform your role as competently as possible, and be sincere. To maintain trust in the other party, it is important to monitor changes in your partner's economic interest. An indication of a shifting self-interest may be a change in your partner's strategy. Remain attractive to your partner and keep them interdependent, also outside the joint venture relationship. Finally, you can use the techniques and information of the former phases and adjust this information.

6.5.5 Phase 5: expanding sources of trust

If delegates want to build trust based on emotions, this study indicates how this can be reached. It is most important that delegates become friends. Friendship can take a joint venture relationship through difficult periods, because friends will care about and make an effort for the other party's interest.

First, becoming friends takes **time**. Delegates should spend time together before and after board meetings to really get to know each other. Social weekends together with spouses may also contribute to the development of a personal relationship.

Second, it is important that there is a **fit of characters**. In case the characters of the persons do not match, delegates should consider replacing these people.

Third, the persons involved have to be **socially skilled**, which requires a high E.Q. (*i.e.* emotional intelligence). The fact is that building personal relationships requires, among other things, respect, empathy, listening skills, genuine interest in the other person, and openness. Phase 5 shows how economic sources of trust can be expanded with emotional sources.

PHASE 5: expanding sources of trust

Place a lot of emphasis on the personal relationship between you and the other board members. This requires:

1. time for social events after and before official board meetings. Let spouses join in on social events;
2. a fit of characters;
3. people with social and emotional capabilities.

6.6 LIMITATIONS AND FURTHER RESEARCH

This study has several limitations that provide possibilities for future research. First, in this study the dimensions of trust are still intertwined. Further research on trust may try to distinguish more clearly between the different dimensions of trust. This study has shown that especially goodwill-based trust and promissory-based trust are difficult to distinguish. Furthermore, this study suggest that goodwill-based trust and competence-based distrust can go together (see section 5.3.1).

Second, further research on trust should focus on real events, rather than on what-if situations, in order to avoid compliance. After all, the question remains whether managers give answers that correspond with their role and function, rather than with their personal beliefs. This is confirmed by the notion that three retired respondents put more emphasis on emotional foundations of trust rather than on economic ones. Subsequent research can also ask what-if questions and follow the joint venture to see what happens when such situation really occur.

Third, future research can refine or test the final model (Figure 6-1) by means of a qualitative study or quantitative analysis, such as LISREL. LISREL allows for a joint estimation of both the measurement model (the indicators that measure the same latent variable) and the testing model (the relationship between the dependent and the independent latent variables). This approach is recommended because it helps to test very complex causal relationships, *i.e.*, relationships between variables that lack a one-on-one relationship. Qualitative studies can address the question whether or not trust develops differently in distinct joint ventures. For example, the question arises if trust is build up differently when distinguishing between dominant parent control or shared control.

Finally, further research may consider investigating the effect of biological influences on the development of trust in international joint ventures. Recent research (Adolphs, Tranel and Damasio, 1998) has shown that the so-called amygdala (a nerve junction) plays an important role in assessing an unknown person's trustworthiness. It was found that if suffering bilateral amygdala damage, a person will judge unfamiliar faces as more accessible and more trustworthy than 'normal' people will do. In other words, whether or not IJV partners trust each other might depend on biological factors. Moreover,

biology instead of, for example, culture might be an important explaining variable in how trust starts to develop in IJVs.

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APPENDIX ONE
THE QUESTIONNAIRES

Q1. QUESTIONNAIRE FOR THE PARTNER

Name of the joint venture: _____
Name of the respondent: _____
Working for: _____
Function within the joint venture: _____
Date of the interview: _____ Time: _____

INTERDEPENDENCE

1. Please tell me why the joint venture was created

I. Dependence of the focal firm on its partner

A. Relative value of the partner and change in time

1a. Importance of the resources for A and for B, as perceived by A

1. Why did A/B need certain resources

ρ without the joint venture the business unit would not survive

ρ we needed the resources to carry out a planned strategy (what was this strategy?)

ρ we not really needed the resources, but they seemed complementary to our activities

a) Are these motive(s) still valid?

2. What resources/competencies did A/B need from B/A

- in terms of tangible resources (raw materials, hardware etc.)

- in terms of knowledge:

- in terms of amount of people:

- other, *i.e.*.

a) has the need for these resources changed in time and if yes, how?

3. How important was it for A/B to obtain these resources

0 0 0 0 0

very important important neutral unimportant very unimportant

a) why this answer?

b) has this importance changed in time? If yes, how and why?

4. Which other resources has B/A contributed, which A/B not really needed at that moment, but which were complementary to the contributions of B/A to the joint venture?

- in terms of tangible resources (raw materials, hardware etc.):

- in terms of knowledge:

- in terms of amount of people:

- other, *i.e.*

a) has the need for these resources become more or less important in time?

5. Was the joint venture intended to strengthen the core-business of A/B or was it to be used to expand non-core business
- a) has this changed in time?

2a. Availability of the resources for A and for B, as perceived by A

1. Why did A/B not develop the resources by itself but did it choose for a partner which could complement her/him?
2. Would A/B be able to develop the resources by itself at this moment
 - a) if yes, why has this not been done until now
3. How many firms were in the possession of the resources wanted by A/B
 - a) has this changed in time? Have alternative, more attractive partners than B/A appeared in time. If yes, why does A/B stick to B/A
4. When B/A was the not the only firm in possession of these resources, why did A/B then choose for B/A and not for another firm. Please explain your answer.
5. What should another partner have that B/A doesn't have which would make A/B switch from partner? How high do you assess this chance? If it is very high, does B/A work on it to improve this gap?

BEHAVIOR AND TRUST

Competence-based behavior of A

1. For which activities is A/B responsible? Has this changed in time?

Activities	the joint venture	A	B
buying raw materials			
production			
logistics			
R&D - product - process			
maintenance and repairs of the production process			
marketing activities/selling			
other, i.e. _____			

- a) Is there a difference between responsibility and the actual execution of the activities? If yes, why is that?

2. Has there ever been a situation in which A has not carried out these activities as competently as possible? yes/no
 - a) if yes, please tell
 - i) what was the reason for not performing as well as possible?
 - ii) if not, please indicate why A carried out these activities as competently as possible:
 - π because A had no opportunity to do otherwise
 - π because it was also in A's self-interest to carry out these task as competently as possible
 - π because it was in B's interest to carry out these task as competently as possible
 - π a combination of the above
 - b) would A also carry out these activities as competently as possible when this would be more in the interest of B than of A and A would have an opportunity to not performing as well as possible? yes/no
 - i) Can you give examples of such behavior in the past?
 - c) idem i), but now that it would negatively affect A, but positive for the joint venture relationship?
3. From which party is the general manager?
 - a) why from that party/an external one? What if it would be from another party/an external one?
 - b) has this changed in time? If yes, why?

Competence trust in the B and change in time

1. On what base has B been selected? (*indien dit nog niet duidelijk is geworden uit de afhankelijkheidsvragen*).
2. See the table on page 11. Do you have a kind of evaluation system to review the activities of B in this joint venture?
 - a) if yes, what are these systems?
 - b) how important is it for A to have this evaluation? Why is that? When you would not have this system, would you trust your partner to perform well within this joint venture?
 - c) *if not*, then how do you get insight into the performance of B in this joint venture?

- d) if you don't need such an insight, why is that?
3. Do you fully understand the activities/expertise of B regarding their contribution?
- a) if yes, has this changed in time, or did A have this understanding from the beginning. Why then doesn't A carry the activity out by itself?
- b) *if not*, do you think B can give A misleading information regarding their activities within this joint venture ? yes/no
- i) *If yes*, do you believe them to do so? What are you going to do about it?
- ii) *If not*, why not?
- iii) has this feeling changed in time? If yes, through what?
4. Do you feel B is underperforming regarding its contributions?
- a) if not, why not? Has this feeling changed in time?
- b) if yes, why do you think so.
- i) do you expect her/him to perform better into the future? If so, why do you think so? If not, why not? If not, what are you going to do about it?
5. Do you think B will be able to develop their competencies into the future in such a way that the joint venture will keep in line or ahead of its competitors?
- a) if yes, why do you think so
- b) if not, why not? What are you going to do about it?
6. I will now mention several sources which may be important for your perception of B's (non-) reliability regarding its resources/competencies. Please indicate how important these resources were for A:
- a) has the importance of these sources changed in time?

Sources of trust	very important	neutral	very uimportant	change in importance
prior experience with the same company	0	0	0	0
kinship ties	0	0	0	0
reputation of the company	0	0	0	0
same background of negotiators (e.g. same sex, same culture)	0	0	0	0
personal bond between the	0	0	0	0

Sources of trust	very important	neutral	very uimportant	change in importance
negotiators				
information from third parties	0	0	0	
other sources, i.e.	0	0	0	

Promissory-based behavior of A

1. Are major agreements, made between A and B, always written down?
 - a) if yes, why is that?
 - i) is the fact that agreements are written down a motive for A to keep to the agreements?
 - ii) Would A also keep to the agreement when it was not written down? If yes, why?
 - b) Has this changed in time? Is there more/less emphasis on minutes etc. then in the beginning? If it has changed, why is that?
2. Has A always kept to its promises? yes/no [deze vraag is misschien dubbel na vraag 1.a.i]
 - a) please indicate why A kept its promise:
 - π because we had no opportunity to do otherwise
 - π because it was also in our self-interest to keep the promise
 - π because it was in B's interest to keep the promise
 - π a combination of the above
 - b) When A not always kept to its promises, why is that?
3. Suppose the following: during a meeting with the other partner some promises have been made. During the execution of these promises by A it appears that keeping the promise will be in the interest of B, but not in the interest of A. Will A keep its promise, assuming that they will have an opportunity to not keep the promise? Why?
 - i) Can you give examples of such behavior in the past?
 - b) idem i), but now that it would negatively affect A?

Promissory trust in B and change in time

1. Is the fact that agreements are written down a motive for B to keep to the agreements?

[or: why do you think B is keeping to the agreement, although it is not written down?)

- a) Would B also keep to the agreement when it was not written down? If yes, why does A believe so?
2. Has there ever been a situation in which B had promised something but did not keep to this promise?
 - a) if yes, please tell. Why did they not keep their promise?
 - i) has this affected A's believe in B that it will always keep its promises? If not, why not? (*dit is de vertrouwen vraag*)
 - b) can you imagine that B will not keep its promise once? Why (not)?
3. Suppose the following: during a meeting with the other partner some promises have been made. During the execution of these promises by B it appears that keeping the promise will be in the interest of A, but not in the interest of B. Do you think B will keep its promise, assuming that they will have an opportunity to not keep the promise? Why (not)?
 - i) Can you give examples of such behavior in the past?
 - b) idem i), but now that it would negatively affect B?

Goodwill trust in B and behavior of A at the moment and change in time

1. Do you think B will be able to develop *your* competencies into the future?
 - a) If yes, do you think A will actually do in the future? Why do you think so?
 - i) if not, why not?
 - b) Will that harm your business?
2. We have designed some propositions. Please give your opinion:
 - a) [*behavior*] *Whenever we have to make an important decision in a situation we have never encountered before, we will be concerned about the welfare of B*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

- i) Why this answer?
- ii) Can you remember situations in which this (not) happened?
- iii) Has this behavior changed in time?
 - a) If yes, through what?

b) If not, why not?

b) *[trust] Whenever we have to make an important decision in a situation we have never encountered before, I know B will be concerned about the welfare of A*

ρ ρ ρ ρ ρ
strongly agree agree agree/disagree disagree strongly disagree

i) Why this answer?

ii) Can you remember situations in which this (not) happened?

iii) Has this feeling changed in time?

a) If yes, through what?

b) If not, why not?

c) *[behavior] When it comes to things which are important to B concerning the joint venture, B can depend on our support*

ρ ρ ρ ρ ρ
strongly agree agree agree/disagree disagree strongly disagree

i) Why this answer?

ii) Has this behavior changed in time?

a) If yes, through what?

b) If not, why not?

iii) Has such behavior ever occurred in the past?

iv) What would be your answers if I add: 'even if it is not in B's interest to do so'

d) *[trust] When it comes to things which are important to us concerning the joint venture, we can depend on B's support*

ρ ρ ρ ρ ρ
strongly agree agree agree/disagree disagree strongly disagree

i) Why this answer?

ii) Has this feeling changed in time?

a) If yes, through what?

b) If not, why not?

iii) Has such behavior ever occurred in the past?

iv) What would be your answers if I add: '*even if it is not in B's interest to do so*'

e) [*behavior*] *We will do more for the joint venture than that is formally expected of us (Sako 1994:38)*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

i) Why this answer?

ii) Has this feeling changed in time?

a) If yes, through what?

b) If not, why not?

iii) Have such situations ever occurred? Please give examples.

f) [*trust*] *We believe that B will do more for the joint venture than that is formally expected of her/him (Sako 1994:38)*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

i) Why this answer?

ii) Has this feeling changed in time?

a) If yes, through what?

b) If not, why not?

iii) Have such situations ever occurred? Please give examples.

a) why do you think B did this?

Q2. QUESTIONNAIRE FOR THE JOINT VENTURE ABOUT PARTNER A, B

Name of the joint venture: _____
Name of the respondent: _____
Working for: _____
Function within the joint venture: _____
Date of the interview: _____ Time: _____

INTERDEPENDENCE

Importance of the resource for the joint venture and change in time

1. Which resources does the joint venture need for a proper execution of the joint venture?
 - in terms of tangible resources (raw materials, hardware etc.)
 - in terms of knowledge:
 - in terms of amount of people:
 - other, *i.e.*:
 - a) has this changed in time? Have additional resources been added or have some resources disappeared?
2. Which resources are the most important for the joint venture?
 - a) Why is that?

Availability of the resource for the joint venture and change in time

1. Which of the current resources do you obtain from:
 - a) your parents (please specify per partner)
 - i) has this changed in time? If yes, how
 - ii) would the joint venture be able to develop these resource by itself at this moment?
 - a) if yes, why has this not be done already
 - iii) have alternative, more attractive parties than the parents appeared in time, from which the resource may be obtained?
 - a) if yes, why then does the joint venture stick to its parents?
 - b) from third parties (please specify)
 - i) has this changed in time? If yes, how
 - ii) would the joint venture be able to develop these resource by itself at this moment?
 - a) if yes, why has this not be done already
 - iii) have alternative, more attractive parties than these third parties appeared in time, from which the resource may be obtained?
 - a) if yes, why then does the joint venture stick to these third parties?
 - c) does the joint venture has itself
 - i) has this changed in time? If yes, how

ii) is it possible to obtain the resources from outside the joint venture at this moment?

a) if yes, why do you keep the resource in-house

2. Please give your opinion on the following proposition:

a) *If the parents would stop the joint venture relationship, the company would be able to continue without the resources of the parents*

0 0 0 0 0
 completely true almost true neutral not true not true at all

Degree of independence in the control of the joint venture and change in time

1. Who is carrying out the following activities?

Activities	the joint venture	A	B
buying raw materials			
production			
logistics			
R&D - product - process			
maintenance and repairs of the production process			
marketing activities/selling			
other, i.e. _____			

a) has this changed in time? If yes, why is that?

2. Can you specify the role of the Board of Directors?

a) how often do they meet

b) what are the meetings about

i) has this changed in time (in frequency and time?). Why?

3. how often does the management team contact the Board of Directors to discuss issues concerning the joint venture:

i) officially: _____ times a year. Change in time

ii) unofficially: _____ times a year. Change in time

b) which issues/decisions have to be approved by the Board of Directors?

Has this changed in time. If yes, why?

4. From which party is the general manager?

- a) why from that party/an external one? What if it would be from another party/an external one?
 - b) has this changed in time? If yes, why?
5. Has there ever been a difference of opinion between the Board and the management of the joint venture on issues concerning the joint venture?
- a) if yes,
 - i) on what issue(s)?
 - ii) how was this solved?
 - b) if not, if this would happen, how then would the difference in opinion be settled?

BEHAVIOR AND TRUST

Competence-based behavior and change in time

1. See the table at page 4 and concentrate on the activities which the joint venture has to carry out. What is, in your opinion, a well performance of these activities?
- a) has the MIJV always met these performance 'standards'?
 - i) if not, can you give some examples?
 - ii) if yes, then please indicate why the MIJV carried out these activities as competently as possible (*let the respondent tell the answer*):
 - π because the MIJV had no opportunity to do otherwise
 - π because it was also in the MIJV's self-interest to perform as well as possible
 - π because it was in A/B's interest to perform as well as possible
 - π a combination of the above
 - b) would the MIJV also carry out these activities as competently as possible when this would be in the interest of A/B but not in the interest of the MIJV and the MIJV would have an opportunity to not perform as well as possible? yes/no
 - i) Can you give examples of such behavior in the past?
 - c) idem i), but now that it would negatively affect the MIJV

Competence-based trust and change in time

1. Have there been activities in the past which the joint venture should have carried out formally, but which the parents carried out actually? Or is this so at this moment?
 - a) if yes, what were (are) those activities
 - b) why was (is) that
 - c) how has this affected your belief in their competencies?
2. Have there been activities in the past which the parents should have carried out formally, but which the joint venture carried out actually? Or is this so at this moment?
 - a) if yes, what were (are) those activities
 - b) why was (is) that
 - c) how has this affected your belief in their competencies?
3. Do you have a kind of evaluation system to review the activities of A/B regarding this joint venture? yes/no
 - a) *if yes*, what are these systems?
 - i) how important is it for the MIJV to have this evaluation? Why is that? When you would not have this system, would you trust your parents then to perform well within this joint venture?
 - b) *if not*, then how do you get insight into the performance of A/B
 - c) if you don't need such an insight, why is that?
4. Do you feel A/B is underperforming?
 - a) if not, why not? Has this feeling changed in time?
 - b) if yes, why do you think so.
 - i) do you expect them to perform better into the future? If so, why do you think so? If not, why not? If not, what are going to do about it?

Promissory-based behavior and change in time

1. Are major agreements, made between the parents and the MIJV always written down?
 - a) if yes, why is that?
 - i) is the fact that agreements are written down a motive for the MIJV to keep to the agreements?
 - ii) Would the MIJV also keep to the agreement when it was not written down? If yes, why?

- b) Has this changed in time? Is there more/less emphasis on minutes etc. then in the beginning? If it has changed, why is that?
- 2. Has the MIJV always kept to its promises? [deze vraag is misschien dubbel na vraag 1.a.i]
 - a) please indicate why the MIJV kept its promise:
 - π because we had no opportunity to do otherwise
 - π because it was also in our self-interest to keep the promise
 - π because it was in A/B's interest to keep the promise
 - π a combination of the above
 - b) When the MIJV not always kept to its promises, why is that?
 - c) can you imagine a situation which would drive you away from keeping a promise?
- 3. Suppose the following: during a meeting with the parents some promises have been made. During the execution of these promises by the MIJV it appears that keeping the promise will be in the interest of the parents, but not in the interest of the joint venture. Will the MIJV keep its promise, assuming that you will have an opportunity to not keep the promise? Why?

Promissory-based trust and change in time

- 1. Is the fact that agreements are written down a motive for A/B to keep to the agreements?

[or: why do you think A/B is keeping to the agreement, although it is not written down?]

 - a) Would A/B also keep to the agreement when it was not written down? If yes, why does the MIJV believe so?
- 2. Has there ever been a situation in which A/B had promised something but did not keep to this promise?
 - a) if yes, please tell. Why did they not keep their promise?
 - i) has this affected the MIJV's believe in A/B that it will always keep its promises? If not, why not?
 - b) can you imagine that A/B will not keep its promise once? Why (not)?
- 3. Suppose the following: during a meeting with the A/B some promises have been made. During the execution of these promises by A/B it appears that keeping the promise will be in the interest of the IJV, but not in the interest

of A/ B. Do you think A/B will keep its promise, assuming that they will have an opportunity to not keep the promise? Why (not)?

- i) Can you give examples of such behavior in the past?
- b) idem i), but now that it would negatively affect the joint venture?

Goodwill-based behavior en trust and change in time

1. Please give your opinion:

- a) *[behavior] The MIJV will put the interests of the parents above the interests of the joint venture*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

- i) Why this answer?
- ii) Can you remember situations in which this (not) happened?
- iii) Has this behavior changed in time?
 - a) If yes, through what?
 - b) If not, why not?

- b) *[trust] The MIJV beliefs the parents will put their own interests above the interests of the joint venture*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

- i) Why this answer?
- ii) Can you remember situations in which this (not) happened?
- iii) Has this belief changed in time?
 - a) If yes, through what?
 - b) If not, why not?

- c) *[behavior] We will do more for the joint venture than that is formally expected of us (Sako 1994:38)*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

- i) Why this answer?
- ii) Has this behavior changed in time?
 - a) If yes, through what?

b) If not, why not?

iii) Have such situations ever occurred? Please give examples.

d) *[trust] The MIJV believes that A/B will do more for the joint venture than that is formally expected of him*

ρ	ρ	ρ	ρ	ρ
strongly agree	agree	agree/disagree	disagree	strongly disagree

i) Why this answer?

ii) Has this belief changed in time?

a) If yes, through what?

b) If not, why not?

iii) Have such situations ever occurred? Please give examples.

a) why do you think A/B did this?

APPENDIX TWO

LIST OF CODES

COMPETENCE-BASED BEHAVIOUR

Manifestations of competence by the partner or the management team of the IJV during each stage¹

Stage	IJV ²	Codes	Major theme
NEG:	D	motivation-challenge/part of yourself	economic interest
EXEC:	K	motivation-profit/personal challenge	“
EXEC:	K	motivation-proud/preventing annoyance	“
EXEC:	K	motivation-self interest/keeping a promise	“
EXEC:	L	motivation-avoiding failure/(prestige?)	“
EXEC:	L	motivation-economic goals	“
EXEC:	A	default-partner	-
EXEC:	A	motivation-relationship	economic interest
EXEC:	A	motivation-self interest/short versus long-term	“
EXEC:	D	different effort-reason-different point of view	-
EXEC:	D	motivation-responsibility/reputation/ dedication	economic interest
EXEC:	K	default-both partners-effect-preserving relationship/negative effect joint venture performance	“
EXEC:	K	default-reaction-understanding	-
EXEC:	A	motivation-self interest	economic interest

COMPETENCE-BASED TRUST

Manifestations of competence-based trust between the partners during each stage

Stage	IJV	Codes	Major theme
PH:	D	general knowledge	overall reputation
PH:	D	market reputation	“

1 PH: previous history; NEG: negotiations; COMM: commitment; EXEC: execution

2 D: DSM•BASF; K:Kemax; A: ABG; L: LAP

PH	K	actual behaviour/market position	“
PH:	K	prior experience	prior exchange
PH:	K	reputation (market position)	overall reputation
NEG:	L	actual behaviour/management position	perceived behaviour
COMM:	K	actual behaviour & commitment	mode of co-operation
EXEC:	D	self interest	economic interest
EXEC:	K	default-reaction-starting distrust	-
EXEC:	K	image/actual behaviour	perceived behaviour
EXEC:	K	incompetence but no distrust- reason- understanding	-
EXEC:	K	presentation of the tasks of the other person/results	perceived behaviour
EXEC:	K	reaction-no distrust-reason- transparency/ understanding	-
EXEC:	L	actual behaviour	perceived behaviour
EXEC:	L	monitoring through management positions	monitoring
EXEC:	L	self interest	economic interest
EXEC:	L	through MIJV/same reporting systems/personal contact	perceived behaviour

PROMISSORY-BASED BEHAVIOUR

Manifestations of promissory-based behaviour of the partners during each stage

Stage	IJV	Codes	Major theme
COMM:	K	motivation-written down	contract and other agr.
COMM/EXEC:	L	motivation-written documents	“
COMM/EXEC:	A	motivation-legal sanctions	“
EXEC:	D	motivation-relationship	economic interest
EXEC:	D	motivation-self interest/ethics	“
EXEC:	D	motivation-tit for tat	“
EXEC:	K	default-good reason- no reputation effects	“
EXEC:	K	default-reaction-give and take/acceptance	“
EXEC:	K	motivation-norms	“
EXEC:	K	motivation-reputation/long term interest/ feeling of responsibility for employee	economic interest
EXEC:	L	default-reaction-understanding	-
EXEC:	L	motivation-ethics/self interest/ policy of the company	economic interest
EXEC:	L	motivation-relationship/ calculated self interest	“
EXEC:	L	motivation-self interest	“
EXEC:	L	motivation-self interest/ not spoiling relationship because of a small gain	“
EXEC:	A	default-other interest-latitude of other	“

EXEC:	A	partners to discuss-change agreement	“
		motivation-preserving relationship	“

PROMISSORY-BASED TRUST

Manifestations of promissory-based trust between the partners during each stage

Stage	IJV	Codes	Major theme
NEG	K	actual behaviour (keeping minor agreements)/reputation	perceived behaviour
NEG	L	actual behaviour (keeping minor agreements)	“
COMM	K	written down	contracts and other ag.
EXEC	D	relationship	economic interest
EXEC	K	knowing what to expect from people	“
EXEC	K	philosophy/similar characters/ care for reputation	“
EXEC	L	actual behaviour-motivation-?	perceived behaviour
EXEC	A	legal sanctions-negative effect on atmosphere	-
EXEC	A	other party's behaviour/communication/ understanding/norms & values	-

GOODWILL-BASED BEHAVIOUR

Manifestations of goodwill-based behaviour of the partners during each stage

Stage	IJV	Codes	Major theme
NEG	A	motivation-long term success	economic interest
EXEC	D	give and take	-
EXEC	D	motivation-?	-
EXEC	D	motivation-best for both parties	economic interest
EXEC	D	motivation-sense of duty/self interest	“
EXEC	D	motivation-success joint venture/ integration people	“
EXEC	D	motivation-success merger/joint venture	“
EXEC	K	default-motivation-balance of interest	“
EXEC	K	motivation-?	-
EXEC	K	motivation-depending on credits the partner has	economic interest
EXEC	K	motivation-low performance joint venture	“
EXEC	K	motivation-loyalty/pride in proving yourself	“
EXEC	K	motivation-part of the relationship	“
EXEC	K	motivation-reciprocation (give and take)	“
EXEC	K	motivation-will to continue	“
EXEC	L	motivation-broad relationship/no possibility	“
EXEC	L	motivation-reputation/respect/self interest	“
EXEC	L	motivation-self interest	“
EXEC	L	only when not disadvantageous for themselves	“

EXEC	A	assistance	-
EXEC	A	consensus-motivation-relationship	economic interest
EXEC	A	decision making-maximising self interest within boundaries interest JV-motivation-relationship	“
EXEC	A	decision making-taking care of self interest but taking other party's interest into consideration	-
EXEC	A	decision making-taking care of self interest- consensus by taking into account other's interest	-
EXEC	A	default-acceptance from partner-reason- part of give and take	-
EXEC	A	give and take	-
EXEC	A	investment-one partner against proposal- non forcing of other parties	-
EXEC	A	motivation-integration with other organisations	-
EXEC	A	motivation-other's interest	friendship/emotions
EXEC	A	motivation-relationship	economic interest
EXEC	A	motivation-relationship-long term interest	“
EXEC	A	motivation-self interest	“
EXEC	A	motivation-self interest (=joint interest)	“
EXEC	A	non openness-confidentiality	-
EXEC	A	not open-hindered by hierarchy	-
EXEC	A	problem solving-friendly way/ irrespective of legal documents-motivation-relationship	friendship/emotions
EXEC	A	problem solving-take into consideration each other's problems/open discussion- motivation-keeping the joint venture together	economic interest
EXEC	A	sacrifices/give and take	“
EXEC	A	selection MIJV-consultation/taking into account other's desire-motivation-satisfaction	“
EXEC	A	support within extreme boundaries self interest	“
EXEC	A	understanding	-

GOODWILL-BASED TRUST

Manifestations of goodwill-based trust between the partners during each stage

Stage	IJV	Codes	Major theme
PH	D	prior contact/experience	personal contacts
NEG	D	default-reaction-no disclosure secret information	-
NEG	D	default-reaction-understanding role	-
NEG	K	answers to critical questions/ third party information	economic interest
NEG	A	actual behaviour-default-colour own behaviour-effect on discussions	-

NEG	A	judgement	economic interest
NEG	A	setting-social meetings- insight into other's character	befriending/emotions
NEG	A	setting-social meetings-getting to know the other	befriending/emotions
NEG	A	starting with trust-naivety	starting with trust
NEG	A	starting with trust-own behaviour as reference	“
COMM	K	contract-evidence	contract and other agr.
COMM	K	investments/self-interest	mode of co-operation
COMM	K	self interest	“
COMM	K	sunk costs/economic advantage through co-operation	“
EXEC	L	contract and other agreements	contract and other agr.
EXEC	D	actual behaviour/understanding	-
EXEC	D	building-addressing problems/ looking for solutions	-
EXEC	D	effect-overcome difficult situations	-
EXEC	D	effect-understanding role of other	-
EXEC	D	understanding their reasoning	-
EXEC	K	actual behaviour	-
EXEC	K	distrust-self interest	economic interest
EXEC	K	feeling partner is part of own company	“
EXEC	K	loyalty/pride	“
EXEC	K	management positions	monitoring
EXEC	K	monitoring (accountants control)	“
EXEC	K	self interest	economic interest
EXEC	K	self interest (longer term)/ norms and values	“
EXEC	K	understanding/personal knowledge	“
EXEC	L	actual behaviour	-
EXEC	L	personal relationships (respect and appreciation)	economic interest
EXEC	L	default (non openness)-reaction- understanding	-
EXEC	L	default-changing market position of Usinor	-
EXEC	L	default-own behaviour =guarding own interest	-
EXEC	L	default-reaction-alertness	-
EXEC	L	default-restored through involvement top managers	-
EXEC	L	management positions	monitoring
EXEC	L	self interest	economic interest
EXEC	L	self interest (win-win situation)	“
EXEC	A	actual behaviour (contact with management)	economic interest
EXEC	A	understanding-bond/acquaintance	economic interest
EXEC	A	actual behaviour (non openness)- understanding-confidentiality	-
EXEC	A	actual behaviour (non openness)-	-

		understanding-hierarchy	-
EXEC	A	actual behaviour-empathy and support from partner-other's interest and self interest	friendship/emotions
EXEC	A	actual behaviour-experience/past	economic interest
EXEC	A	actual behaviour-experience-effect-feelings	friendship/emotions
EXEC	A	actual behaviour-experience- understanding-self interest	economic interest
EXEC	A	actual behaviour-motivation preserving relationship	“
EXEC	A	actual behaviour-understanding-motives	“
EXEC	A	expected behaviour-role/relationship	“

SOCIAL RELATIONSHIPS

Degree of social relationship between the partners during each stage

Stage	IJV	Codes	Major theme
PH	D	building-fairs-effect-easier to get in touch with	personal contacts
PH	D	fairs-getting to know each other	“
PH	D	working groups-effect- easier to get in touch with	“
PH	D	personal liking (respect and appreciation) -effect-unofficial negotiations	“
PH	K	between business people-knowing each other-effect -trust-immersing business from that people trust each other	“
NEG	D	respect-effect-solving difference of opinion /smoothing neg.	-
NEG	L	frequent contact-learn about the other	befriending
NEG	L	no personal liking-still comp.-based trust	economic interest
NEG	L	on speaking terms-effect-looking for other solutions	-
NEG	A	building-personal liking-character of the other	befriending
NEG	A	building-social events-effect-liking each other	“
N/E ³	K	building-diners	“
N/E	K	effect-openness/direct	-
N/E	A	building-feeling sympathy/other's behaviour	social bond/emotions
N/E	A	building-personal attention/social events/diners	“
EXEC	D	effect-doubt whether you will get everything out of business	-

³ N/E: Negotiations/Execution

EXEC	D	between manufacturing director and BASF and manufacturing manager DSM-effect-finding pragmatic solutions	-
EXEC	D	between manuf. director and mark. manager-effect-mediating role mark. manager	-
EXEC	D	meaning-openness/jointly looking for solutions	-
EXEC	K	personal contact-effect-more difficult not to fulfil a promise	“
EXEC	K	personal liking-effect-openness	“
EXEC	K	effect-listen more carefully/support	“
EXEC	L	building-diners-effect-feeling more comfortable	“
EXEC	L	no personal liking-role behaviour	-
EXEC	A	building-emphasis on people instead of money-motivation-enjoying life	-
EXEC	A	building-personal liking	friendship/emotions
EXEC	A	building-social skills of partners (EQ)-effect-new people feel welcome and accepted	“
EXEC	A	effect-bond/glue	“
EXEC	A	effect-communication/give and take/understanding (if interest are different)	“
EXEC	A	effect-consensus when interests are different (give in)	“
EXEC	A	effect-co-operation-open/relaxed	“
EXEC	A	effect-effort/taking care of well-being of the other (other's interest)	“
EXEC	A	effect-goodwill-based behaviour-motivation-other's interest	“
EXEC	A	effect-understanding what others feel and think	“
EXEC	A	friendship	“

CONTRACT AND OTHER AGREEMENTS

Role of the contract and other agreements

IJV	Codes	Major function
D	between board and MIJV-written-motivation-law/evidence/continuity	legal
D	between operational people-written-effect-worse atmosphere	-
D	written-motivation-large scope of the agreement/saving negotiation time	remembering
D	changing-disadvantage for partner->specifying advantage for future	“
D	changing-restricted by procedures and hierarchy	-
D	verbal-motivation-time/trust	-
D	written-motivation-remembering	remembering
K	use	-
K	written-motivation-formality	formality

K	written-motivation-confirmation	documentation
K	written-motivation-understanding	understanding
K	deviation-motivation-good for the joint venture	-
K	deviation-motivation-more practical	-
K	evidence	legal
L	between board and MIJV-written-motivation-keeping to the agreement	“
L	between board and MIJV-written-motivation-law	“
L	between board and MIJV-written-motivation-making situation clear	understanding
L	verbal-motivation-relationship	-
L	written-motivation-back up/continuity/ give account to superiors	superiors
L	written-motivation-remembering/basis for discussions/ avoiding misunderstandings	remembering
L	written-motivation-remembering/keeping other to agreement	legal
L	verbal-motivation-basis clear and simple	-
A	between board & MIJV-operational-verbal-motivation-effort	-
A	verbal-motivation-disliking paperwork/ waiting for unfolding moment	-
A	written-motivation-evidence	legal
A	written-motivation-reminding	remembering
A	MIJV-non operational-written-motivation-clarity (preventing misunderstandings)	understanding

NEDERLANDSE SAMENVATTING

Het strategische belang van internationale joint venture (IJVs) neemt toe. Joint ventures zijn samenwerkingsrelaties tussen 2 of meer bedrijven, die bepaalde middelen (bijv. grondstoffen, mensen of kapitaalgoederen) bijdragen aan een nieuw op te richten, juridisch onafhankelijk, gezamenlijke onderneming. De oorzaak van dit toenemende belang ligt in het feit dat bedrijven meer zaken over de grens doen en dat bedrijven kiezen om zich te concentreren op hun kernactiviteiten. Joint ventures bieden in zulk soort gevallen de mogelijkheid om een land te betreden zonder bepaalde kennis te verwerven om de activiteiten goed uit te voeren. Immers, de partner kan deze lacune opvullen. Verder kunnen joint ventures leiden tot schaalvoordelen of kunnen ze een effectief middel zijn om te voldoen aan overheidsrestricties.

Joint ventures hebben echter ook hun nadelen. Het belangrijkste nadeel is dat de bedrijfsvoering over de joint venture gedeeld moet worden. Deze gedeelde controle brengt zogenaamde ‘transactiekosten’ met zich mee; kosten die voorkomen uit het zoeken naar een geschikte partner, de onderhandelingen, het opstellen van een waterdicht contract, het monitoren en verdere interactie met de partner. Transactiekosten kunnen nooit geheel worden opgeheven, omdat deze kosten inherent zijn aan een joint venture relatie. Partners kunnen echter wel proberen ze te minimaliseren. Immers, hoe lager deze transactiekosten, hoe beter het resultaat (*ceteris paribus*).

Literatuur over relaties tussen organisaties onderschrijft het belang van *vertrouwen* als factor die transactiekosten minimaliseert en daarom een positieve invloed heeft op de gehele resultaat van een samenwerkingsrelatie. Vertrouwen is gedefinieerd als de verwachting dat de partner zich coöperatief zal gedragen. Indien vertrouwen aanwezig is tussen partners, zal er minder tijd en geld gespendeerd hoeven te worden aan het zoeken naar een geschikte

partner en zal het contract niet alles hoeven te dekken, omdat je de partner vertrouwt dat eventuele lacunes vriendschappelijk zullen worden opgelost als de tijd daar is. Verder verwacht je bijvoorbeeld ook dat de partner eventuele conflicten in gezamenlijke harmonie oplost indien je die partner vertrouwt.

Als vertrouwen zo belangrijk is, rijst de vraag hoe partners in internationale joint ventures dit vertrouwen kunnen opbouwen. Over dit onderwerp is maar weinig bekend in de literatuur over relaties tussen bedrijven. Daarom behandelt dit proefschrift de ontwikkeling van vertrouwen in internationale joint ventures. De volgende onderzoeksvraag staat centraal:

Hoe ontwikkelt vertrouwen zich tussen partners in internationale joint venture relaties?

Deze vraag omvat twee sub-vragen. Ten eerste probeert dit proefschrift inzicht te geven in hoe partners vertrouwen kunnen ontwikkelen. Deze vraag sluit aan bij voorgaande literatuur over factoren die vertrouwen beïnvloeden, en zet deze factoren in een tijdsdimensie. Ten tweede onderzoekt dit proefschrift de bronnen van vertrouwen en zoekt het uit of (en zo ja, hoe) deze bronnen veranderen in de loop der tijd. Om voort te bouwen op reeds eerder gedane studies, zijn er twee additionele vragen gesteld: (3) wat is vertrouwen; en (4) wat zijn bronnen van vertrouwen.

Om tot de conclusie te komen dat vertrouwen een cruciale rol speelt in internationale joint venture relaties, zet **hoofdstuk 2** de factoren op een rijtje die het resultaat van een joint venture positief en negatief beïnvloeden. Hiervoor werden 30 belangrijke artikelen uit de joint venture literatuur geselecteerd. Ten eerste wordt het begrip ‘resultaat’ onder de loep genomen. Het blijkt dat het begrip ‘resultaat van een IJV’ vijf dimensies heeft. Deze zijn:

- de levensduur van de joint venture;
- de kwaliteit van de interpersoonlijke relaties (mate van coöperatie)
- de interne prestaties van de joint venture (omzet- en winstcijfers, perceptie van succes)
- de stabiliteit van de joint venture (verandering aandelenpercentages, frequentie waarin het contract wordt gewijzigd);
- effectiviteit (het behalen van voorafgestelde doelen).

Ten tweede laat hoofdstuk 2 zien dat er negen factoren te onderscheiden zijn die het resultaat van de joint venture positief of negatief beïnvloeden. Deze zijn 1. partner karakteristieken, zoals cultuur en ervaring; 2. partner's strategie; 3. behoefte aan de middelen van de partner, 4. de structuur van de joint venture; 5. het gedrag van de partners en van het management team van de joint venture; 6. de mate van wederzijdse afhankelijkheid tussen de partners; 7. de omgeving van de joint venture; 8. de manier van evaluatie; 9. het vertrouwen tussen de partners. Vertrouwen springt er in deze classificatie uit, omdat zij alle andere factoren (behalve de behoefte aan de resources en de omgeving) beïnvloedt of minder belangrijk maakt. Gebaseerd op deze negen factoren eindigt hoofdstuk 2 met een conceptueel model welke aangeeft hoe vertrouwen zich kan ontwikkelen in IJVs.

Hoofdstuk drie gaat dieper op vertrouwen in, en op 2 factoren die vertrouwen direct beïnvloeden. Deze factoren komen voort uit het conceptuele model van hoofdstuk 2, en zijn wederzijdse afhankelijkheid en gedrag. Allereerst vat het hoofdstuk de literatuur over vertrouwen in bedrijfsrelaties samen. Hieruit volgt ten eerste dat vertrouwen een positieve perceptie is over het gedrag van de ander. Het begrip wordt als volgt gedefinieerd: 'de verwachting dat de partner zich positief zal gedragen'. Ten tweede worden er drie dimensies van vertrouwen onderscheiden, te weten 'het nakomen van afspraken' (promissory), 'het competent verrichten van de taken' (competence) en 'welwillendheid' (goodwill). Ten derde presenteert dit hoofdstuk drie bronnen van vertrouwen, te weten een eigen belang, het belang van de ander (verbonden aan emoties en persoonlijke banden) en geen mogelijkheid om zich onbetrouwbaar te gedragen. Het hoofdstuk vervolgt met het definiëren van wederzijdse afhankelijkheid en gedrag en vat literatuur samen die de relaties tussen de drie geselecteerde variabelen weergeeft. Het hoofdstuk eindigt met het conceptuele onderzoeksmodel M_0 , dat de basis vormt voor de empirische studie. Dit model omvat drie variabelen, te weten vertrouwen, wederzijdse afhankelijkheid en gedrag. Daarnaast geeft het model een dynamiek in de ontwikkeling van deze drie variabelen door fasen te onderscheiden. Deze fasen zijn: de voorgeschiedenis, de onderhandelingen, de overeenkomst en de uitvoering van de joint venture.

Hoofdstuk vier geeft de methoden van onderzoek en analyse weer. Om de onderzoeksvraag te kunnen beantwoorden blijken case studies de geschikte onderzoeksstrategie. De keuze voor deze strategie vloeit voort uit drie criteria, te weten de onderzoeksvraag, de mate van diepgang van het onderzoek, en de proces dimensie. Het onderzoek concentreert zich op 4 IJVs, waarvan 3 met elk twee partners, en 1 met drie partners. Ik interviewde 35 leden van de Raad van Bestuur van de IJV, alsmede leden van het management team. Tijdens de gesprekken maakte ik gebruik van een gestructureerde vragenlijst. De gesprekken werden hierdoor enigszins geconcentreerd op de drie geselecteerde variabelen, maar het gaf ook ruimte voor uitweidingen.

De data werd in drie stappen geanalyseerd. Ten eerste werden er relevante interview fragment geselecteerd, welke werden samengevat door codes. Deze code bestaat uit een aantal (sub-)categorieën. Daarna werden alle codes per case samengevoegd, gerangschikt naar hun categorieën. Op basis van de subcategorieën werden thema's onderscheiden. In dit onderzoek resulteerde dat in 13 belangrijke thema's, die de basis vormden voor hoofdstuk 5.

Hoofdstuk vijf geeft de resultaten van het empirische onderzoek. Allereerst geeft het hoofdstuk de achtergrond van de 4 joint ventures weer. ABG is een joint venture tussen Alpha, Beta (Nederland) en Gamma (Scandinavië). De joint venture is gepositioneerd in Nederland en produceert een chemisch halffabrikaat voor de partners en voor verkoop. Kemax is een joint venture tussen Akzo Nobel (Nederland) en Kemira (Zweden). Ook deze joint venture bevindt zich in Nederland. Ze produceert calcium chloride voor de markt van de Zweedse partner; Akzo Nobel levert de grondstof waaruit calcium chloride wordt gedestilleerd. Lusosider Aços Planos bevindt zich in Portugal en is een joint venture tussen Koninklijke Hoogovens (Nederland) en Usinor (Frankrijk). De joint venture produceert stalen en tinnen platen voor o.a. de conserveringsindustrie. Terwijl Hoogovens de joint venture ziet als 1 van haar afvoerkanalen voor staal, gebruikt Usinor de joint venture om meer grip te krijgen op de Iberische markt. DSM•BASF is een joint venture tussen DSM (Nederland) en BASF (Duitsland). De joint venture bevindt zich in Nederland en produceert harsen. De partners zijn gaan samenwerken vanwege schaalvoordelen.

Na deze achtergrondbeschrijving wordt in hoofdstuk 5 de data gepresenteerd om antwoord te krijgen op de onderzoeksvraag. Allereerst laat het hoofdstuk de factoren zien die partners gebruiken om vertrouwen op te bouwen. Deze data zal gebruikt worden om sub-vraag 1 te beantwoorden. De factoren worden gepresenteerd per fase zoals die gedefinieerd zijn in hoofdstuk 3. We vinden de volgende factoren (tabel 1):

Tabel 1. Het opbouwen en in stand houden van vertrouwen

Fase	Factoren die bijdragen aan het opbouwen en in stand houden van vertrouwen
De Voorgeschiedenis	de algemene reputatie van het bedrijf; eerdere interactie tussen de bedrijven op organisatorisch niveau; direct persoonlijk contact tussen de oprichters.
De Onderhandelingen	jezelf verplaatsen in de schoenen van een ander; beginnen met vertrouwen; het werkelijke gedrag van de ander; elkaar leren kennen.
De Overeenkomst	het contract en andere schriftelijke overeenkomsten; vorm van samenwerking (wel of geen 3e nieuw bedrijf)
De Uitvoering	monitoren; ontwikkelen van vriendschap.

Deze bevindingen dragen bij aan andere studies over vertrouwen door de factoren die van invloed zijn op vertrouwen in een tijdsdimensie te plaatsen. Elke factor moet worden gezien als een additionele factor, bovenop de voorgaande. Bijvoorbeeld, het blijkt dat de reputatie van het bedrijf een belangrijke rol speelt tijdens de voorgeschiedenis, maar deze informatie wordt ook nog wel gebruikt tijdens de onderhandelingen. Al deze factoren worden door de partners gebruikt om inzicht te verwerven in de bronnen van vertrouwen. Dit brengt ons bij sub-vraag 2.

De belangrijkste propositie aangaande sub-vraag 2 (hoe veranderen bronnen van vertrouwen in de loop der tijd) is dat economisch eigen belang en emoties twee belangrijke bronnen van vertrouwen zijn. Vertrouwen is echter

alleen op emoties gestoeld indien de afgevaardigden een vriendschap hebben opgebouwd. Dus, het antwoord op vraag 2 is: vertrouwen gebaseerd op economisch eigen belang verandert niet in de loop der tijd, tenzij er een vriendschap wordt opgebouwd. Deze propositie wordt nu uitgelegd.

De bevindingen laten zien dat de afgevaardigden het moeilijk vinden de ander te vertrouwen wanneer die ander geen economisch eigen belang heeft om zich vertrouwenswaardig te gedragen. Uiteindelijk redeneren afgevaardigden als volgt: 'indien het economische eigen belang van mijn partner wegvalt (dus, als ze niet meer afhankelijk van ons zijn via de joint venture), zullen ze geen motieven meer hebben om een goede persoonlijke band met ons aan te houden. Hierdoor wordt elke vorm van gedrag mogelijk'. Verder laat hoofdstuk 5 zien dat zo'n afhankelijkheidsrelatie boven de joint venture relatie uitstijgt. De afgevaardigden zijn zich bewust van het feit dat ze deel uitmaken van een netwerk van bedrijven, waarin ze elkaar over en weer nodig hebben. Alleen als ze zich 'goed' gedragen zullen sociale banden in tact blijven, die van belang zijn om gebruik te maken van dat netwerk. Met andere woorden: goed gedrag en een goede atmosfeer heeft lange termijn economisch nut. Ten tweede leidt de keuze voor een joint venture tot een directe verantwoordelijkheid voor het resultaat van de joint venture. Deze afhankelijkheidsrelatie stimuleert de inzet van de partner, omdat het resultaat van de joint venture een directe bijdrage zal leveren aan het resultaat van de eigen onderneming.

Zoals gezegd is de propositie van dit proefschrift dat vertrouwen alleen op emoties is gebaseerd indien de afgevaardigden een vriendschap hebben opgebouwd. Dit houdt meer in dan 'met elkaar kunnen opschieten'. Het vereist gevoelens van affectie en warmte, en de afgevaardigden zien elkaar ook buiten de joint venture relatie om.

Hoofdstuk 6 vat de theoretische en empirische bijdragen van dit proefschrift samen, zoals die ook worden weergegeven in deze Nederlandse samenvatting. Tabel 2 geeft nog eens een overzicht van de sub-vragen en de antwoorden daarop.

Tabel 2. Antwoord op de vragen van deze studie

Sub-vraag	Antwoord
Wat is vertrouwen?	vertrouwen is de verwachting dat de andere partij zich coöperatief zal gedragen.
Wat zijn de belangrijkste bronnen van vertrouwen?	economisch eigen belang en emoties.
Hoe kunnen partner in IJVs vertrouwen opbouwen en in stand houden?	deze studie presenteert 11 factoren die partners gebruiken om vertrouwen op te bouwen en in stand te houden (zie tabel 1).
Hoe veranderen gepercipieerde bronnen van vertrouwen in de loop der tijd?	vertrouwen gebaseerd op economisch eigen belang verandert niet, tenzij er een vriendschap ontstaat.

Hoofdstuk 6 vervolgt met een verfijning van het model M_0 zoals dat is weergegeven in hoofdstuk 3. Het nieuwe model, M_1 geeft aan dat afhankelijkheid en gedrag nog steeds een belangrijke rol spelen in de ontwikkeling van vertrouwen. De belangrijkste verfijning is dat model M_1 een onderscheid maakt tussen gepercipieerde bronnen van vertrouwen en factoren die deze perceptie beïnvloeden. Daarna worden de theoretische gevolgen van de resultaten besproken. In deze paragraaf wordt voorgesteld dat het juist is om over vertrouwen in economische relaties te spreken, ook als dit vertrouwen gebaseerd is op economisch eigenbelang. Het proefschrift eindigt met beleidsaanbevelingen voor managers en suggesties voor verder onderzoek.