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**TRUST BETWEEN INTERNATIONAL JOINT VENTURE PARTNERS: EFFECTS OF
HOME COUNTRIES**

By

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ABSTRACT

Trust is an important factor in interorganizational relations. Interorganizational trust in cross-border relationships is likely to be influenced by the home countries of both partners. Using data on 165 international joint ventures (IJVs), we show that the perceived trustworthiness of an IJV partner is influenced by the general propensity to trust in the trustor's home country. Moreover, the trustworthiness perceived by a focal parent firm is also affected by the home country of the other IJV partner. This second effect is mitigated by experience between the partners.

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INTRODUCTION

Recent decades have witnessed a growing use of interorganizational relationships such as alliances and joint ventures (Contractor & Lorange, 2002; Reuer, Zollo, & Singh, 2002), and trust has emerged as an important factor for the success of these interorganizational relationships (Das & Teng, 1998; Gulati, 1995; Krishnan, Martin & Noorderhaven, 2006; McEvily, Perrone, & Zaheer, 2003). There has been particular interest in trust because it helps mitigate potential concerns in interorganizational relationships, related to mutual dependence and the consequent need for cooperation (Gulati & Sytch, 2007). Both parties in an interorganizational relationship have their own incentives. Therefore, given the impossibility of complete contracts and the lack of full hierarchical control, the presence of trust is an important success factor (Das & Teng, 2001; Gulati & Nickerson, 2008). Trust, defined as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer, Davis, & Schoorman, 1995: 712), reduces transaction costs, increases information sharing, and facilitates learning (Dyer & Chu, 2003; Nielsen & Nielsen, 2009; Nooteboom, Berger, & Noorderhaven, 1997). More generally, the balance of evidence so far suggests that higher levels of trust are generally associated with increased performance, efficiency, or satisfaction for one or more parties in interorganizational relationships (e.g., Zaheer, McEvily, & Perrone, 1998).

While trust plays an important role in interorganizational relationships in general, it is even more crucial when these relationships are between organizations from different countries (Child & Faulkner, 1998; Inkpen & Beamish, 1997; Krishnan et al., 2006; Madhok, 1995). Organizations that come from different countries are likely to be less similar, based on differences in the

institutions, culture, and business practices of their different home countries, than organizations that come from the same country (Hofstede, 2001). Cultural distance, while increasing the importance of effective cooperation, is likely to have a negative effect on the level and ease of development of trust (Gulati & Sych, 2007; Luo, 2001).

This highlights the importance of investigating factors that would influence the level of trust between partners from different home countries (Doney, Cannon, & Mullen, 1998). We consider trust in joint ventures (JVs), with a particular focus on international joint ventures (IJVs). While many of the issues that affect the level of trust in JVs more generally would also be relevant to IJVs, the international nature of IJVs introduces certain factors that are particularly important when studying the determinants of trust. IJV partners come from different countries and/or operate in countries different from their own (Geringer & Hebert, 1991). This is relevant for two reasons. Firstly, researchers have reported that the propensity to trust others differs across countries (Buchan et al., 2002; Delhey & Newton, 2005; Dyer & Chu, 2000; Huff & Kelley, 2003). The differences in culture, norms, and institutions that produce different levels of propensity to trust among individuals from different countries are also likely to be evident in the practices of companies from those countries (Hofstede, 2001). As a result, a focal parent firm in an IJV might trust its partner more or less based on the general propensity to trust in the former's home country. This is an important issue, as this level of trust may not be particularly well adapted to the characteristics of the IJV or to those of the partner firm. Secondly, partners from different home countries may also differ in their perceived trustworthiness. Social categorization plays an important role in intergroup processes (Tajfel, Billig, Bundy, & Flament, 1971) and influences the level of trust placed in partners, depending on the salient category in which a partner is classified (Brewer, 1981; Kramer, 1999). Since the home country of a given IJV partner is very likely to be

a salient category for the other partner, we expect this to be another factor determining the level of trust an IJV parent has in its partner. Similar to the level of trust, as influenced by the general propensity to trust in the home country, the level of trust, as influenced by the nationality of the partner, may not be particularly appropriate for the focal IJV either. Social categorization on the basis of country is associated with national character stereotypes (Terracciano & McCrae, 2007). Even if we assume that such stereotypes contain a kernel of truth – which is contested, see Chew (2006) – applying them to a particular partner from a country might lead to errors of judgment.

While focusing on differences in home country propensity to trust and perceived trustworthiness based on social categorization, we also consider the idea that the experience of IJV partners would play a role. The more experience IJV partners have in interacting with each other, either in the present alliance or in previous alliances, the more this source of first-hand information will influence the level of trust. Therefore, we argue that experience weakens the effect of categorization on the basis of nationality on the level of trust between IJV partners. We believe that this is also an important issue for the broader research on IJVs. The positive effects of experience on the success of alliances have been documented (e.g., Gulati, 1995), and we present one mechanism which could account for this effect: the diminished influence of stereotypes.

Although research investigating the antecedents and consequences of trust in interorganizational relationships is sizeable and growing, empirical studies directly investigating the implications of the home countries of the partners in interorganizational relationships on their levels of trust are scarce, and further investigation is called for (e.g., Zaheer & Kamal, 2011; Zaheer & Zaheer, 2006). We contribute to this literature by drawing upon the three mechanisms we have mentioned: propensity to trust, social categorization, and experience, in the context of business relationships between organizations from different home countries. This research agenda

is important for the international business literature, because it pertains to factors that are directly related to the *international* character of international business, but have so far received scant attention.

To test our hypotheses regarding the effects of the three trust mechanisms on how much a focal parent firm trusts the other partner, we use a dataset of 165 two-party IJVs. We find that there are indeed systematic effects of cross-country variation in propensity to trust and perceived trustworthiness, providing unique challenges for international business. Specifically, we find that a focal parent firm's trust in the other partner is higher (1) if firms from the focal parent firm's home country trust their partners more in general, i.e., if there is a higher general propensity to trust in the focal parent's home country, and (2) if firms from the other partner's home country are trusted more by their foreign partners in general, i.e., if firms from the partner's home country are socially categorized as being more trustworthy by their foreign partners. We also find, as predicted, that the category-based effect is mitigated by experience. In other words, if firms from a particular home country tend to be seen as more trustworthy, this effect is reduced by experience, and the same reduction by experience holds if firms from a particular country are seen as less trustworthy in general.

We make three contributions to the literature. Firstly, we contribute to the research on trust in international collaborations. We elaborate on and provide an empirical test of the effect of home country general propensity to trust, outlined in a recent paper (Zaheer & Kamal, 2011). Moreover, we also show that processes of social categorization on the basis of home countries influence perceptions of trustworthiness in international IJVs. Secondly, these findings illustrate that not only are the country traits studied in much of the international business literature important (Ricart, Enright, Ghemawat, Hart, & Khanna, 2004), but also important are perceptions and ascriptions

connected to specific countries. Thirdly, we theorize and empirically test a moderating effect of experience on the level of trust in international collaborations. The expectation that partner-specific experience is unequivocally associated with higher levels of trust has recently been challenged (Gulati & Sytch, 2008). While our primary focus, and contribution, is the literature on international collaborations, our findings also contribute to the emergence of a clearer picture of the role of experience, by showing that it may play a role in weakening the effects of non-experience-based trust mechanisms.

TRUST IN INTERNATIONAL JOINT VENTURES

While interorganizational relationships such as alliances or joint ventures have benefits in terms of market power, efficiency, access to resources and markets, learning or flexibility (Cuypers & Martin, 2010; Kale & Singh, 2009), they also entail problems of cooperation (Das & Teng, 1998). By entering into such voluntary interorganizational arrangements, a focal parent becomes vulnerable to the actions of the other partner and the fact that it does so means that it expects the other partner not to exploit this vulnerability (Das & Teng, 1998). Uncertainty about the other party's conduct and the risk based on dependence on the other party makes the level of trust in the other party crucial. This is reflected in one widely accepted definition of trust, as proposed by Mayer and colleagues (Mayer et al., 1995: 712) and quoted in full earlier. The higher a focal party's trust in another, the more the focal party would be willing to undertake actions that would leave itself vulnerable. As a result, a higher level of trust makes the uncertainty in such interorganizational arrangements palatable by reducing perceived risk (Nooteboom et al., 1997), thereby reducing obstacles to the realization of the full benefits offered by interorganizational relationships. Accordingly, research has found trust to be related to lower negotiation costs and

less conflict (Zaheer et al., 1998), lower transaction costs and greater sharing of information (Dyer & Chu, 2003), and overall increased performance of collaborative relations (Aulakh, Kotabe, & Sahay, 1996; Krishnan et al., 2006; Robson, Katsikeas, & Bello, 2008).

While trust plays an integral role in the functioning and governance of interorganizational relationships in general, in *international* collaborations, such as IJVs, it may be expected to be even more crucial, while at the same time less likely to arise (e.g., Zaheer & Kamal, 2011). When partners come from different home countries, the cultural distance between these countries results in lower similarity between the partners (all else equal) compared to partners coming from the same home country. Since similarity has been found to be a predictor of trust (Johnson, Cullen, Sakano, & Takenouchi, 1996; Robson et al., 2008), organizations coming from different home countries start with a disadvantage concerning the level of trust in the relationship. Even if the cultural distance between two different countries happens to be very small, the very fact that the organizations come from different home countries is likely to have the similar effect of reducing trust between them (Buchan et al., 2002; Huff & Kelley, 2003; McEvily et al., 2006). This makes it even more important to understand the determinants of trust in international collaborations.

Trust is a complex phenomenon, and a substantial literature has developed on its attributes, antecedents and consequences (for overviews, see Bachmann & Zaheer, 2006; Kramer, 1999). We are particularly interested here in the mechanisms through which trust is produced. Following earlier work (Ariño, de la Torre, & Ring, 2001; Zaheer & Zaheer, 2006), we suggest that in the domain of international collaborations, the general disposition to trust in the trustor's home country and the generally perceived trustworthiness of partners from the trustee's home country are particularly important. This is also in line with foundational contributions to the trust literature, most notably by Mayer and his colleagues (1995), referred to above, who distinguish the two main

factors of propensity to trust and perceived trustworthiness (comprising the three components of ability, benevolence and integrity). The distinction between these two main factors is also reflected in a meta-analysis performed by Colquitt, Scott and LePine (2007).

Dispositional trust is based on the general propensity of an actor “to be intentionally willing to be dependent on another, regardless of beliefs in the other” (McKnight, Cummings, & Chervany, 1998: 478). The general level of this source of trust, which does not discriminate between trustees, differs significantly between countries (Guiso, Sapienza, & Zingales, 2009; Inglehart, 2000). Hence it is also likely that IJV parents from a particular country will systematically express more or less trust in their partners than IJV parents from other countries (Zaheer & Kamal, 2011).

The generally perceived trustworthiness of partners from a specific home country is an example of a social categorization effect (Kramer, 1999). Assumptions or stereotypes connected to membership in a social category will matter for how much trust is placed in a partner who is a member of that category (Kramer & Lewicki, 2010). Social categorization is a cognitive shortcut: “we recognize something according to the likeness of some focal features to those of a prototype, which may be a stereotype, and on the basis of that attribute other features from the stereotype that are not in fact present. This can easily yield prejudice” (Nooteboom, 2002: 79). This type of heuristic is particularly prevalent in the context of tasks that are ambiguous and non-routine, as these consume much cognitive capacity (Williams, 2001). Decisions regarding the management of IJVs clearly fall in this category.

Nationalities are particularly strong categorizations in the context of international collaborations (Vaara, Tienari, & Säntti, 2003). Accordingly, we suggest that the nationality of the other party is indeed a very salient category in IJVs. For example, Salk and Shenkar (2001),

studying a British-Italian IJV, noted the “salience of national identities” (p. 167) and the “predominance of national social identification” (p. 173). Stereotypes rooted in social categorization on the basis of nationality may pertain to many characteristics, including trustworthiness (Burns, Myers, & Kakabadse, 1995).

Trust based on social categorization is independent of actual information about the partner, and hence liable to change if more of this information becomes available. This brings us to a third source of trust that we believe to be relevant in the context of IJVs: experience-based trust (Gulati, 1995). Experience-based trust, in contrast to both disposition and categorization, is based on specific experiences with the trustee. This is a factor that, by definition, can only gain importance over time, as a function of the interactions between trustor and trustee (Blau, 1964). While levels of trust between firms operating in an international context are initially influenced by categorization (i.e., does the partner firm come from a country that is categorized as trustworthy or untrustworthy), it seems likely that over time more specific experiences with the other partner would become more prominent.

In summary, we investigate two sources of variance in trust that are particularly important in a cross-national setting: (1) the general propensity to trust in the focal parent’s home country, and (2) the general level of trust placed in firms from the the other partner’s home country. These two sources are manifestations in the international context of the mechanisms of general disposition and social categorization, respectively. We also consider how the second effect is mitigated by prior experience with the same partner and by having collaborated longer in the focal IJV with that partner. This is a manifestation of the experience mechanism.

Home Country Propensity to Trust

The general propensity to trust, or generalized trust (Kramer & Lewicki, 2010; Yamagishi & Yamagishi, 1994), has been shown to differ between individuals (Rotter, 1971). Importantly for this study, there are also significant differences between the average levels of generalized trust in countries (Ferrin & Gillespie, 2010; Huff & Kelley, 2003). While there is no consensus yet on the underlying factors leading to these differences, recent work suggests that this phenomenon is deeply rooted in the social constitution of a country. Bjørnskov (2006) shows that generalized trust dispositions are negatively correlated with social distance between the citizens of a country, as indicated by income inequality. Income inequality, in turn, has been shown to be related to fundamental cultural dimensions, which are “extremely stable over time” (Hofstede, 2001: 34). Since the propensity to trust in a country is linked to such cultural characteristics, it is not surprising that it also tends to be remarkably stable (Bjørnskov, 2006).

Macro level studies have linked trust propensities in countries with important phenomena like economic growth, democratic values, corruption and life satisfaction (see Ferrin & Gillespie, 2010 and Bjørnskov, 2006). For the purpose of our study, it is important that the general propensity to trust at the societal level also has effects on the micro level. Ferrin and Gillespie (2010) report various experimental studies in which subjects from high-trust countries made more cooperative and trusting choices than subjects from low-trust countries. Closer to the subject of our study, respondents from a high-trust country tended to express greater future trust in the JV president than respondents from a low-trust country, in a scenario study regarding conflict resolution in an IJV (Sullivan, Peterson, Kameda & Shimada, 1981).

It is to be expected that organizations will also be influenced by the general propensity to trust in their home country. Parkhe (1991: 583) has argued that “the influence of a society’s culture permeates all aspects of life [...] including the norms, values, and behaviors of managers in its

national companies”. Cultural and institutional factors form an “institutional heritage” that influences the management of firms from a particular country (Calori, Lubatkin, Very, & Veiga, 1997). In the field of international business, this effect is reflected in Harzing and Sorge’s study of multinational corporations, of which the control strategies vis-à-vis foreign subsidiaries are “firmly and primarily impregnated by the country of origin” (Harzing & Sorge, 2003: 206). The effect of generalized trust at the national level on the tendency of organizations to trust their partners has also been gauged by Huff and Kelley (2003).¹

The above extension of differences in propensity to trust across nations to the level of organizations suggests that the average trust placed in others by firms from the focal parent firm’s home country would affect how much the focal parent trusts the other partner. Thus, we hypothesize:

Hypothesis 1. The general propensity to trust among firms from the focal parent firm’s home country will have a positive effect on how much the focal parent firm trusts the other partner in an IJV.

Trust in Firms from the other Partner’s Home Country

While the variance in general propensity to trust across different home countries affects the focal parent’s trust in the other partner, we also expect the variance in the overall perceived trustworthiness of firms from the other partner’s home country to matter. Perceived trustworthiness on the basis of home country is a manifestation of trust based on social categorization (Brewer,

¹ Huff and Kelley (2003) measure both general propensity to trust and trust in interorganizational relations, in eight countries and regions. From their Table 1, a significant positive correlation between the two constructs can be calculated.

1981; Kramer, 1999). Social categorization goes hand in hand with stereotyping: to the extent that individuals are seen as members of a particular group, their individual characteristics become less important, and the ascribed prototypical characteristics of the group become more important (Hogg, 2001). If social categorization takes place on the basis of nationality, national stereotypes assume importance. National stereotypes are shared beliefs about the personality traits of the members of a culture (Terracciano & McCrae, 2007).

The stereotypes we are interested in pertain to trustworthiness. Guiso and his colleagues (2009) study perceptions of trustworthiness between European countries. They find that lower perceived trustworthiness is associated with less trade, less portfolio investments and less direct investment, showing that trustworthiness stereotypes have important economic implications. The authors also discuss results of a micro level study of venture capitalists, whose propensity to invest in a start-up from a particular country is related to the general trust in that country (Guiso et al., 2009: 1128). Stereotypes at the level of nationality can also influence interorganizational relations, as suggested by MacDuffie (2011: 42-43), who puts forward that “historical mistrust between Japan and China at the national level may translate into identity-based attributions, on both sides, regarding the trustworthiness of Japanese automakers and Chinese suppliers.” This illustrates that perceptions of trustworthiness (or the lack of it) can “spill over” from the category (nationality) to a specific organization (Kostova & Zaheer, 1999).

Therefore we expect there to be an association between the nationality of an IJV partner and the trust placed in it by the focal parent firm. Zaheer and Zaheer (2006) also articulate this expectation, and even make predictions about differences in firms from certain countries being trusted differently by firms from particular countries, i.e., not only might firms from country X be trusted less than firms from another country, but, firms from country A might trust firms from

country X even less compared to how much firms from country B trust firms from country X. These predictions become very specific to a particular set of countries. We formulate the more general argument that firms from some countries tend to be perceived as more trustworthy or less trustworthy, on average, than firms from other countries. This is congruent with the finding that raters from different countries tend to agree on the national characters ascribed to particular nations (Peabody, 1985). More specifically, it corresponds to the tendency observed in Eurobarometer data that citizens from some countries are more trusted than others irrespective of where the respondents are from (Guiso et al., 2009: Table 1). For instance, Denmark is the country that on average receives the strongest trust, and citizens from all other fourteen countries in the sample on average trust Denmark more than they trust other countries. Hence, there is “a remarkable cross-cultural consensus that certain nationalities can be trusted more than others” (Inglehart, 1991: 145). Thus we hypothesize:

Hypothesis 2. The average level of trust placed in firms from the other partner’s home country will have a positive effect on how much the focal parent trusts the other partner in an IJV.

Experience and Category-Based Trust

Trust based on social categorization results from cognitive shortcuts (Brewer, 1981; Chew, 2006), and we expect its effects to become weaker as the IJV partners get to know each other better (Zaheer, Lofstrom, & George, 2002). The cognitive shortcut of categorization on the basis of home country provides an initial “anchor,” but the assessment of the IJV partner’s trustworthiness will subsequently be adjusted incrementally on the basis of first-hand information (see Nooteboom,

2002: 79). There is a wealth of studies showing that a history of interactions influences trust, both in general (e.g., Kramer, 1999) and in interfirm relations more specifically (e.g., Currall & Inkpen, 2002; Gulati, 1995; Poppo, Zhou, & Ryu, 2008). Experience allows the partners opportunities to observe each other's activities directly and make inferences regarding their trustworthiness.

To the extent that direct information about the other is gained through a history of interactions, the effect of the initial stereotype may be expected to weaken. According to the "contact hypothesis" in social psychology, interaction between groups reduces the effects of stereotypes, and this hypothesis has been confirmed in a meta-analysis across 515 studies (Pettigrew & Tropp, 2006). The mechanism at work is that personal contacts promote de-categorization (Messick & Mackie, 1989; Pettigrew, 1998), necessitating a shift from representations at the level of the group (in our case: nationality) to the level of interpersonal perceptions and behavior (Brewer & Kramer, 1985). Hence experience allows a firm greater opportunity to observe how the other partner might deviate, in any direction - whether in a more "positive" or "negative" way, from the stereotype-based expectations regarding firms coming from the other partner's country. In terms of trustworthiness, interactions with a partner from another country are likely to reveal information which would allow the focal parent to better assess the other partner's trustworthiness, based on first-hand experience, therefore allowing the focal partner to rely less on the indirect information linked to social categorization. Hence, experience may influence concerns regarding both the risk of opportunistic behavior and the risk that the objectives of the alliance might not be met in spite of full cooperation by the partners (cf. Das & Teng, 1996).

The information gained through interaction may be positive (the other partner is more trustworthy than expected based on its home country) or negative (the other partner is less trustworthy than expected based on its home country), but in either case, the effect of

categorization on the basis of home country itself is likely to become weaker as experience between the partners increases, since such experience provides direct information and the focal parent subsequently has a larger stock of direct experience on which to base its trustworthiness assessment of the other partner.

Different types of alliance experience can be distinguished. The forms most frequently discussed are general alliance experience and partner-specific alliance experience (Hoang & Rothaermel, 2005). The effect of partner-specific experience can be expected to be stronger (cf. Zollo, Reuer, & Singh, 2002), and as we are interested in country-specific effects, general alliance experience is less relevant for us. If we focus on partner-specific alliance experience, we can look at possible interactions in previous alliances between the same partners, and at the length of time the partners have interacted in the focal alliance. First, the focal parent would have had greater opportunity to observe the actions of a partner with which they have had prior interactions, compared to one with whom they have had no such experience (Gulati, 1995). Therefore, we focus on whether or not the two partners have had similar *prior* relationships. Second, the focal parent would have had greater opportunity to observe the actions of a partner if the current IJV with that partner has been ongoing for a longer duration, as the accumulation of trust-relevant experiences requires time (Das & Teng, 1998). Accordingly, we also consider the age of the current IJV. The experience accorded by either of these factors would allow the focal parent to observe how the other partner behaves and form an assessment of its trustworthiness, increasingly independent of what the category-based assessment would suggest. Therefore we hypothesize:

Hypothesis 3a. The effect proposed in Hypothesis 2 will be weaker when the focal parent has had similar prior relationships with the other partner.

Hypothesis 3b. The effect proposed in Hypothesis 2 will be weaker when the age of the current IJV is higher.

We expect experience to weaken the effect of trust based on social categorization, but not that based on general disposition. The reason is that the general propensity to trust, according to most theorists, is very strongly anchored early in life. Consequently dispositional trust is not influenced by experiences with specific partners (Uslaner, 2008). It is “a world view, not a summation of life experiences” (Uslaner, 1999: 138). Perceptions of trustworthiness of other nationalities, in contrast, seem to be learned and are more malleable (Inglehart, 1991). In the section on robustness analyses, we also report on interaction effects between experience and dispositional trust. These are negative, but not significant, suggesting, as consistent with past research, that trust based on disposition is less influenced by experience than is trust based on the social category of the nationality of the partner.

RESEARCH DESIGN

Sample and Data Collection

We collected data through a survey of IJVs in Asia. Countries in Asia have become substantial recipients of foreign investment originating from a wide range of countries and IJVs are an important vehicle for foreign investors to enter these countries. This allowed us to survey IJVs with partners originating from a wide range of different home countries, making our sample suitable to test our hypotheses.²

² Our sample contains IJVs with focal parents from 12 countries (on average 13.8 observations per country), and other partners from 16 countries (on average 10.3 observations per country).

We followed the same sampling procedure in all countries and collected data in two phases. In the first phase, we approached a large number of MNEs that had IJV operations in Asia and negotiated participation in our survey with senior executives at the corporate headquarters or Asian regional headquarters. Subsequently, the multinational corporate contact identified the most competent informant in a specific IJV. Typically, this was the most senior manager or executive sent by the MNE to the IJV. This top-down approach provided an assurance that the most qualified person would complete the survey, that the respondents would be at the JV-level, and that each responding manager would fill out only one questionnaire about one specific JV only.

In the second phase, we sent out 300 questionnaires in 1998 to the IJV managers and executives identified in the first phase. 165 questionnaires were returned and contained sufficient information for our analysis. The 57% final response rate compares favorably to surveys of IJVs in similar countries (for response rates in Asia see, e.g., Gong, Shenkar, Luo, & Nyaw, 2007; Krishnan et al., 2006; Li & Hambrick, 2005; for response rates in mail surveys in general, see Harzing 1997; 2000).

To check for potential non-response bias, we compared available IJV and parent characteristics for respondents and non-respondents. The results showed no significant differences between these groups ($p > .25$). Armstrong and Overton (1977) argued that late respondents are representative of non-respondents. Therefore, we also compared early and late respondents, and found no significant differences between these groups either.

Dependent Variable: Perceived Trustworthiness

When trust is studied at the interorganizational level, a level of analysis issue arises (Janowicz & Noorderhaven, 2006). We are interested in the trustworthiness of the other partner in an IJV as perceived by the focal parent. Hence, the *trustee* is a collective, but this is not

problematic, as trustworthiness can very well be attributed to an organization (Inkpen & Currall, 1997). However, when conceptualizing an organization as a *trustor*, we run the risk of “anthropomorphizing” the organization (Zaheer et al., 1998: 142). This problem is avoided if we conceptualize interorganizational trust as the level of trust in the other organization “perceived by an individual who enacts the relation with the partner organization” (Nooteboom et al., 1997: 312). Therefore we asked our respondents to speak on behalf of their firm about a specific relationship with another firm. This is an approach that avoids common level of analysis pitfalls in the study of interorganizational trust (Janowicz & Noorderhaven, 2006).

More specifically, we measured the trustworthiness of the other IJV partner as perceived by the focal parent using an eight-item scale that captures the three dimensions outlined by Mayer et al. (1995): benevolence, integrity, and domain-specific ability. Our eight-item scale has high statistical reliability ($\alpha = .86$). The individual items of the scale are listed in Appendix 1.

Independent Variables

The propensity to trust among firms from the focal parent’s home country (H1). In testing the effect of propensity to trust, we are interested in whether the level of trust placed by a firm from country X in its IJV partners is likely to be related to the level of trust placed by other firms from country X in their IJV partners, since all of these firms from country X experience similar cultural, institutional, and historical home country factors, all of which are likely to have an impact on the propensity to trust (Bjørnskov, 2006). We expect these factors to systematically affect the trust placed by firms from a particular home country in their partners. To measure the propensity to trust among firms from the focal parent’s home country, we average the perceived trustworthiness of their partners, as expressed by firms from that home country across our survey, *excluding* the trustworthiness evaluation made by the focal firm. Averaging across dyadic evaluations is

commonly used in network studies (e.g., Burt, 2007; Gargiulo, Ertug, & Galunic, 2009). Furthermore, various commonly used country-level measures in the international business literature also aggregate individual survey responses in a similar way to construct country-level variables (e.g., Hofstede, 2001; Kaufmann, Kraay, & Mastruzzi, 2007).

To see whether our measure provides values for general propensity to trust similar to those observed at the individual level, we checked the validity of our measure by using data from the trust items from the World Value Survey. To do this, we averaged the level of trust people from a given country have in all the available nationalities asked about in the survey. This provides an overall index about how much people from a particular country trust people from other countries. The correlation between this measure and our measure is 0.86 ($p < 0.001$) across the set of countries we have in our sample. Different from our measure, the measure derived from the World Value Survey is based on a single item and does not capture the multiple dimensions of trust. Furthermore, it is a measure at the individual level. While we expect there to be a close correspondence between the individual and the organizational level, which we indeed find (as suggested by the strong correlation), because our measure taps into organization-level trust, it is a more appropriate measure for studying organizational phenomena (see our discussion of levels of analysis issues earlier in the paper). Therefore, we opted to use the measure based on our survey.

The average perceived trustworthiness of firms from the other partner's home country (H2). We measure the level of perceived trustworthiness of firms from the other partner's home country as the average trustworthiness of firms from that home country as perceived by their partners across our survey, *excluding* the trustworthiness perception of the focal firm. To check whether this measure captures differences in trust founded on country-based categorization adequately, we looked at the correlation between our measure and Transparency International's

Corruption Perceptions Index for the year of our survey. Although Transparency International's Corruption Perceptions Index is closely related to only one dimension of trust (i.e. integrity) the correlation between that index and our multiple item measure is 0.82 ($p < 0.001$).

The experience IJV partners have with working with each other (H3a, H3b). As discussed above, we look at two sources of partner-specific experience: experience gained in prior alliances and experience gained in the present IJV. For the first type of experience, *prior experience*, we use an indicator variable which equals one if the partners had similar arrangements prior to the focal IJV, and zero otherwise. Second, we measured the *age of the IJV* as the number of years since the focal IJV has been established.

Control variables. We controlled for factors that could influence the focal parent's perception of the trustworthiness of the other partner but are not part of our theoretical model. First, interpartner competition could be related to trust (e.g., Park & Ungson, 2001). To capture the effect of interpartner competition, we controlled for the level of *competitive overlap* between the two partners using a single item. Second, prior research suggests that cultural distance might affect trust (e.g., Luo, 2002). In our study we are interested in culture only as far as it affects the general propensity to trust and trust founded on social categorization based on nationality. Therefore, we controlled for cultural differences between the two IJV partners using Kogut and Singh's (1988) *cultural distance* measure, which is based on Hofstede's (1980) four cultural dimensions. Third, environmental uncertainty may have an impact on trust (e.g., Geyskens, Steenkamp, & Kumar, 1998; Wasti & Wasti, 2008). We controlled for the level of external uncertainty using two measures. Specifically, we controlled for *technological uncertainty* surrounding the IJV, using a single item. In addition, we captured the level of *uncertainty in the host country* of the IJV using the International Country Risk Guide's composite index which

captures the host country's political, financial and economic conditions. In order to facilitate the interpretation of this variable, we reverse-coded it so that higher values indicate higher levels of uncertainty. Fourth, similar to Gulati and Nickerson (2008), we controlled for the level of *asset specificity* of both the focal parent's and the other partner's investments in the IJV, using two separate items. Fifth, we controlled for the *strategic importance* of the IJV, as firms might be more willing to adapt to partners in more important relationships (Beugelsdijk, Koen, & Noorderhaven, 2006). We asked respondents to rate the importance of the IJV both for their own firm and for the other partner. Sixth, we controlled for the effect of whether the IJV is located in the home country of the focal parent. If this is the case, the focal parent firm can monitor activities in the IJV relatively easily, making trust possibly less relevant (Das & Teng, 1998). Seventh, and finally, we included a continuous measure that captures the *equity stake* the focal parent has in the IJV. Several studies have shown a relationship between trust and ownership decisions (e.g., Gulati & Nickerson, 2008; Zaheer & Venkatraman, 1995). All the items of our control variables that are derived from our survey can be found in Appendix 1.

Common Method Bias

All of our theory-driven independent variables are either calculated in a way that excludes the focal respondent's response or are factual in nature. Hence, we do not expect common method bias to be a problem. Nevertheless, to mitigate risks of common method bias and retrospective reconstruction, and to check whether they exist, we conducted a number of ex ante and ex post approaches as suggested by Chang, van Witteloostuijn and Eden (2010). We report each of these steps in Appendix 2. These procedures left us confident that common method bias and retrospective reconstruction are not serious problems in our study.

Model Specification

We use ordinary least squares (OLS) regression models in our estimations. To adjust for possible non-independence within the IJV host country and the IJV industry, we report clustered robust standard errors. We also check the robustness of our results with a number of different model specifications that we discuss in more detail below, in the robustness section.

RESULTS

The correlation matrix and descriptive statistics are reported in Table 1. The correlations do not suggest that collinearity might be a problem. This is confirmed by the variance inflation factors (VIFs) for all our variables appearing in the models. We observe the largest VIF, equaling 2.97, in the model that contains both interaction terms. This is well below the accepted rule of thumb value of 10 (Neter, Wasserman, & Kutner, 1985).

Insert Table 1 here

Table 2 displays the results of the OLS regression models we estimated. Model 1 is the baseline model. In Models 2 and 3 we introduce each of our explanatory variables separately, while in Model 4 we add them together. Finally, in Models 5, 6 and 7 we introduce the interaction effects.

Insert Table 2 here

Some of the significant control variables are worth mentioning. First, we find a positive relationship ($p < 0.05$) between the asset specificity of the investments made by the other partner in the focal IJV and the focal parent's level of perceived trustworthiness of the other partner. This is consistent with the idea that such investments create switching costs for the partner and hence makes it less attractive to the partner to behave opportunistically (Nooteboom et al., 1997).

Similarly, we find in most of the models a marginally significant positive effect of the strategic importance of the IJV to the other partner. This result is also consistent with the idea that the partner would be expected to be more inclined to safeguard the continuity of an important relationship (Nooteboom et al., 1997). In Model 1 we also find a very strong positive effect of the location of the IJV in the home country of the focal firm. In the other models, in which we account in a more refined way for the effects of the home country of both the focal parent and the other partner, this effect disappears. Finally, prior experience and IJV age both have a marginally significant positive main effect.

In Models 2 and 4 we find that the propensity to trust among firms from the focal parent's home country has a positive and significant effect ($p < 0.01$) on the trustworthiness of the other partner as perceived by the focal parent. This is consistent with Hypothesis 1. Similarly, as predicted in Hypothesis 2, we find a positive and significant ($p < 0.05$) relationship between the average level of perceived trustworthiness of firms from the other partner's home country (based on social categorization) and the trustworthiness of the other partner as perceived by the focal parent (Models 3 and 4).

Examination of the practical magnitudes of the hypothesized effects confirms the above inferences. The effect of prior experience is well established and considered important in the literature, which makes it suitable to benchmark the effect sizes of our variables of interest (Dyer & Chu, 2000; Gulati, 1995; Inkpen & Currall, 2004). Accordingly, we compare the practical magnitudes of the effects of our two variables of interest with that of the effect of prior experience, by comparing the effect on the dependent variable of a one standard deviation change in the continuous variables, and a change from 0 to 1 in the dummy variable. This comparison reveals that the effect of the propensity to trust among firms from the focal parent's home country on the

partner's trustworthiness as perceived by the focal parent is about two and a half times as large as the effect of prior experience. Similarly, the effect of categorization on the basis of the other partner's home country on the other partner's trustworthiness as perceived by the focal parent is almost twice as large as the effect of prior experience.

In Hypotheses 3a and 3b, we predict that prior experience and the age of the focal IJV will moderate the relationship between social categorization and the partner's trustworthiness as perceived by the focal parent. To test this, we add the interactions of social categorization based trust with prior experience and age separately in Models 5 and 6. In Model 7, we include the two interaction terms together. We find that the interaction term with prior experience is significant and negative ($p < 0.05$). In other words, the effect of social categorization weakens when both partners had a similar arrangement prior to the focal IJV. Thus, Hypothesis 3a is supported. Similarly, we find that that the interaction term with the age of the IJV is significant and negative ($p < 0.05$). Hence, the effect of social categorization also weakens when both partners have been collaborating longer in the focal IJV. This is consistent with Hypothesis 3b. Overall, these findings support our reasoning that as experience with a particular partner accumulates, a process of "de-categorization" as described by contact theory takes place (Pettigrew, 1998), and specific characteristics of the partner become a more important source of information, relative to national stereotypes. Our statistical analysis of the experience factor as a moderator of categorization effects does not exclude the possibility that firms actively seek out experience with partners from particular countries, in order to overcome more superficial category-based decision-making.

To facilitate the interpretation of our findings, we plot our two interaction effects in Figures 1 and 2. Specifically, based on the unstandardized regression coefficients from the complete model (Model 7), we plot the relationship between social-categorization based trust and the partner's

trustworthiness as perceived by the focal parent at different levels of prior experience (Figure 1) and IJV age (Figure 2). Figures 1 and 2 depict the statistically significant support for Hypotheses 3a and 3b.

Insert Figures 1 and 2 here

Additional Analysis

As far as our dataset allowed, we performed the following additional analysis to test an extension of the framework we build.³ While we have focused on partner-specific experience, it is also consistent with the moderation of the social-categorization mechanisms we draw from to expect that home-country-specific experience would play a similar role. In other words, just as the focal parent's experience with a particular partner moderates the effect of social-categorization, the focal parent's experience with any given partner from a given home country would likewise be expected to moderate the effect of categorization based trust on the perceived trustworthiness of a particular partner from that home country. While we do not have our full dataset available to us to empirically verify this extension, since the survey was conducted anonymously, 82 of our respondents nevertheless voluntarily disclosed their identity. Therefore, we were able to gather the relevant data for this smaller set of 82 observations. Despite this limitation in sample size, using the same model specifications reported in Table 2, and using "prior experience with the other partner's country" (instead of *prior experience* with the same partner as an indicator variable to capture experience) as a moderator to test H3a, the resulting interaction variable once again has a negative and significant ($p < .01$) coefficient. This result lends further support to the interaction between experience-based and social-categorization mechanisms in determining perceived

³ We thank an anonymous reviewer for suggesting this significant extension.

trustworthiness. Our research design did not anticipate the full exploration of this particular extension, and as a result we have only a small number of observations available to us to empirically study it. While we find support for it even in this small sub-sample, this particular extension, and others that would further add to and refine the relationships between experience-based trust and category-based trust in determining the overall perceived trustworthiness of a partner, clearly call for further research. Both our main results and the test of this particular extension demonstrate the value of this approach and how it can better inform our understanding of trust in international collaborations.

Robustness Checks

To ensure that our results are robust and to test some ideas that our data do not allow us explore in depth, we performed a number of additional analyses.

First, we checked the robustness of our results by using a number of alternative clustering approaches. In our main models we reported clustered robust standard errors to adjust for possible non-independence within the IJV host country and the IJV industry. Alternatively, we also clustered to adjust for possible non-independence within, respectively, the focal parent's home country and industry, and the other partner's home country and industry. These yielded results that are consistent with those we report in the main models.

Second, every observation in our sample comes from a respondent who is associated with only one particular IJV and we limit our sample to a single response from each IJV. However, we have a small number of IJVs that have the same ultimate parent (on average 1.3 JVs for a given parent). Although we have no theoretical reason to expect that respondents belonging to the same parent company would be related in the way they form their trustworthiness assessments (of

separate IJVs), we also tried clustering by parent company. This again yielded results which are consistent with the ones we report in our main models.

Third, as an alternative to clustering, we also checked the robustness of our results using random effects for, respectively, the IJV host country, the focal parent firm's home country, and the other partner's home country. The results from these estimations were again consistent with our hypotheses.

Fourth, recall that we measured the propensity to trust among firms from the focal parent firm's home country and the level of trustworthiness of firms from the other partner's home country using the trustworthiness evaluations that all firms in our sample made, *excluding* that made by the focal firm. In doing so, we have on average 13.8 observations for the focal parent firm's home country and 10.3 observations for the other partner's home country. To assess whether the results for the hypothesized effects remain consistent, we constrained our sample in two ways. First, to construct these two measures, we constrained our sample to have an average of 26 observations for the focal parent firm's country and 22 observations for the other partner's country, instead of 17 observations for the focal parent's country and 11 observations for the other partner's country. These are the highest possible values we can use to constrain our sample while still having a reasonable number of observations and degrees of freedom. Second, we excluded all countries for which we did not have more than 5 observations in calculating our two measures. Both approaches again yielded results that are consistent with our reported results.

Fifth, our data comprise two levels, i.e. the country level and the IJV level. Therefore, we also considered using multilevel models to evaluate the robustness of our results. More specifically, we used multilevel mixed-effects linear regressions to estimate our coefficients. Although the results of these models are consistent with our hypotheses and the main results we

report, the likelihood-ratio test comparing the mixed model to ordinary least squares regression indicates that ordinary regression models are preferred.

Sixth, we repeated our analysis also including interactions between general propensity to trust and our two measures of experience. As we have discussed before, in the paragraph following H3a and H3b, our expectation is that while experience would weaken the effect of trust based on social categorization, it would not do so for trust based on general disposition. The reason is that the general propensity to trust, according to most theorists, is very strongly anchored early in life. The coefficients of the interaction terms were negative (as would be expected), but not significant, confirming that propensity to trust is not affected by experience.

Seventh, we used a bootstrapping approach to assess the stability of our results and to confirm that the results are not driven by outliers. We ran 10,000 repeated re-estimations of our coefficients using random samples drawn with replacement from the original data. The bootstrap confidence intervals are consistent with the results of our main models and our hypotheses.

DISCUSSION

In this paper we extend the international business and trust literatures by investigating the role of country contexts as an important determinant of trust in interorganizational relationships. Our results advance knowledge of how partners' home countries matter for trust between them. Specifically, we find that the general propensity to trust in the home country of a focal parent firm matters: the perceived trustworthiness of the other partner increases as firms from the focal parent's home country have a higher propensity to trust their partners in general. We also find that categorization on the basis of the partner firms' home countries matters: a focal parent firm perceives the other IJV partner to be more trustworthy when firms from the other partner's home

country are perceived as more trustworthy by their partners in general. Finally, we find that the latter effect – the categorization on the basis of home country effect – is mitigated by experience in the form of a having prior relationships or a longer-running relationship.

These findings contribute to the research on trust across borders in interorganizational relationships. The literature on interorganizational trust has increasingly acknowledged that the level of interorganizational trust is influenced by various contingencies, in particular the level and kind of uncertainty surrounding transactions between alliance partners (Dyer & Chu, 2011; Gaur, Mukherjee, Gaur, & Schmid, 2011). More specific to international collaborations, Zaheer & Kamal (2011) theorize about the effects of (differences in) home country propensity to trust on the level of trust in international alliances. Our study provides a partial test of their propositions by showing that the general propensity to trust in a home country does indeed influence the level of trust in an alliance. Furthermore, we complement this work by showing that processes of social categorization on the basis of home countries also influence perceptions of trustworthiness in international collaborations.

Our study also contributes to the international business literature in a broad sense. A “good chunk” of international business research focuses on identifying and elaborating the various dimensions on which countries differ (Ricart et al., 2004: 180). This type of research is mostly based on an “essentialist” epistemology (see Vaara, Tienari, & Säntti, 2003). In this approach, characteristics of and differences between countries are seen as having an objective reality. Our research confirms the importance of this type of research, by highlighting the impact of country-level differences in the general propensity to trust. But our research also shows that *ascribed* country characteristics may be equally important, as illustrated by the effect of social categorization on the perceived trustworthiness of IJV partners. Hence, not only are national traits

important, but so is how actors (firms or individuals) from a certain country are perceived by their counterparts from other nations. By investigating both objective differences and perceptions and social constructions, our study brings together the essentialist approach and the constructionist approach (Vaara, 1999). Both are vital for acquiring a good understanding of collaboration across national boundaries, but so far international business research has been dominated by essentialist approaches, while attention to social categorization processes opens up the field for more constructionist advances.

Even though we see our primary contribution as advancing research on international collaborations, and the study of trust in those collaborations, our findings also speak to the relationship between experience and trust. In a recent paper, Gulati and Sych (2008: 183) focused on partner-specific experience as a basis of trust in supplier-buyer relationships, and concluded that their study “discourages research from the unqualified use of history as an antecedent of trust.” Instead of a direct effect of experience on the level of trust, these authors found a moderating effect, in that a common history at the level of boundary spanners was positively associated with interorganizational trust. We see our findings as complementary. We also find a moderating effect of partner-specific experience, but in our case the trust-inducing factor that is moderated is social categorization on the basis of home country. This illustrates the importance of considering relationship-specific factors influencing trust (such as experience) in conjunction with more general factors, such as disposition to trust and social categorization (explicitly left out of consideration by Gulati and Sych). The effect of experience on trust in interorganizational relations has been hypothesized without much theoretical underpinning in much previous work (Gulati & Sych, 2008). Our invocation of contact theory (Pettigrew & Tropp, 2006) may point in a promising direction, as contact theory has evolved beyond the early simple hypothesis that more

contact leads to more understanding into an elaborate theory of the conditions under which this effect is more or less likely to occur (Pettigrew, 1998). The study of trust and experience in business relations can benefit from this progress.

Our findings have important implications for future research on trust in international collaborations. First, systematic differences across countries should be considered and incorporated in studies of interorganizational relationship across borders, where trust is expected to play a role. Characteristics and effects that are inherent to the relationships studied can only be identified when dispositional and category-based tendencies to trust are taken into account. Second, by investigating prior experience and age, we only started to explore how firms can mitigate the effects of category-based trust on the level of trust. We expect there to be other factors that mitigate the effect of category-based trust, such as the reputation (Fombrun & Shanley, 1990), or status (Podolny, 1993, 2008) of the other partner, which would provide the focal parent with additional information about the trustworthiness of a partner, in particular about its ability or the quality of its products, thus potentially mitigating the importance of the nationality-based effect. It is important to study these factors to better understand where category-based trust would have a greater/smaller effect on perceived trustworthiness and the interorganizational relationship. Finally, it is also important to study the factors causing actors from a given country to trust others more or less, or to be trusted more or less by others. The limited research studying causes of the general disposition to trust suggests that these tendencies are a product of both nature and nurture (Dasgupta, 2009), as well as societal institutions (Bjørnskov, 2006). Social categorization on the basis of nationality is interlinked with national stereotypes that typically have deep historical roots (Chew, 2006; MacDuffie, 2011). While we did not explore these factors, they are important and call for future research.

Our study also has practical implications. Both the general disposition to trust and trust based on nationality as a category can lead to levels of trust that are not founded on a realistic assessment of the characteristics of an alliance partner. These trust bases can lead to a level of trust which is too high or too low, both of which may have negative consequences (Gargiulo & Ertug, 2006). A more reflective attitude towards both the general disposition to trust and the tendency to trust partners more or less, based only on their home country, can help managers reduce these cognitive biases. If managers involved in IJVs are aware of these tendencies, this may also motivate them to pay more attention to first-hand experience, and in this way accelerate learning from experience.

Our paper has its limitations. First, the size of our sample keeps us from being able to study possible differences in trust based on social categorization across different pairs of countries. Scholars could in future studies either strive for a larger sample, enabling them to gauge country-pair specific effects statistically, or explore a few such pairs in greater depth in a number of case studies. Second, we concentrated on one particular region, Asia. As trust processes differ between cultures (see, e.g., Yuki, Maddux, Brewer & Takemura, 2005; Zaheer & Zaheer, 2006) this may have influenced our results and further studies in different cultures would be valuable in further verifying or refining our results/predictions. Third, some of the mechanisms can also be explored in additional ways. In our additional analysis we report that, as different from partner-specific experience, prior experience with (other) firms from the other partner's home country is also expected to play a similar role in moderating the effect of social category-based trust on the level of trust. While we do not have sufficient data to explore this valuable extension in depth, the analysis we undertook nevertheless confirmed its presence and validity. Future research should explore this, and other, experience-based moderators, since our results show that they have the

potential to contribute to a better understanding of the determinants of trust in international collaborations. Likewise, studies with a dedicated design might also gather sufficient data to compare the relative importance of partner-specific experience and experience with (other) firms from the partner's home country, for example, in how and where they moderate the effect of category-based trust. In addition, future research could also explore whether the moderating effect of experience, of either of the two kinds above, would be better captured with an indicator variable (as we have done here) or through a continuous variable. While we did capture age-related experience with a continuous variable, and while the indicator variable for prior experience and the continuous variable for age behave similarly in their moderating effects, we do not have the data to test this for prior experience.

In looking at the state of international management research, Peter Buckley, some ten years ago, lamented that, "the agenda is stalled because no [...] big question has currently been identified" (Buckley, 2002: 370). We think that the quintessential big question for international management remains the effect of nationality. Our study can be seen as an illustration of how being from a particular country influences both an IJV partner's tendency to trust and its likelihood of being trusted. This is a fundamental issue that deserves to be explored further, as in spite of globalization, nations continue to dominate not only political and geographical reality, but also our image of the world.

APPENDIX 1: SURVEY ITEMS

The focal parent's trust in the other parent ($\alpha = .86$).

Do you agree or disagree with the following statements about the other parent?

The other parent will stick to the promises they made in the contract even if it may cost them, (2)

The other parent company may violate the contract if it were in their interest (reverse coded), (3)

The other parent is a highly competent partner, (4) The other parent may not always be capable of performing its responsibilities in the partnership (reverse coded), (5)

Even if it is not required by the contract, the other parent will readily make extra efforts to move the joint venture forward, (6)

The other parent's commitment to the partnership goes far beyond what they promised in the contract, (7) If the situation changed to their benefit, they would readily demand changing the terms of the contract (reverse coded), (8)

The other parent would be quite prepared to take advantage of a situation not covered in the contract, even if it could hurt our side (reverse coded).

For all items, the response options ranged from 1, "*strongly disagree*," to 7, "*strongly agree*."

Asset specificity of the investments by the focal parent and the other partner.

To what extent are the investments made in this JV's facilities by the other parent useful only for this joint venture and cannot be easily transferred to other businesses?

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

To what extent are the investments made in this JV's facilities by your parent useful only for this joint venture and cannot be easily transferred to other businesses?

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Strategic importance of the JV for the focal parent and the other partner.

If this joint venture were to fail, how much damage would it cause to the overall performance each parent company?

To your parent company: *Very marginal damage 1 2 3 4 5 6 7 Very critical damage*

To the other parent company: *Very marginal damage 1 2 3 4 5 6 7 Very critical damage*

Competitive overlap.

How much overlap is there between the parents' served markets?

No overlap 1 2 3 4 5 6 7 Direct competitors

Technological uncertainty.

What is your general evaluation of the technology in the market in which this joint venture operates? *Slow changes in technology 1 2 3 4 5 6 7 Rapid changes in technology*

APPENDIX 2: COMMON METHOD AND SINGLE RESPONDENT BIAS

Remedies	Implementation
Ex Ante Procedural Approaches	
<i>Confidentiality:</i>	We assured the respondents of complete anonymity and confidentiality.
<i>Item ambiguity:</i>	We carefully phrased all our questions in a concise and simple way avoiding ambiguous and unfamiliar terms or double-barreled questions. We piloted the survey with a number of managers to ensure all our questions were easy to comprehend.
<i>Fact-based items:</i>	We used fact-based items wherever possible.
<i>Separating scale items:</i>	We made sure that the key items of interest in our study were separated as far apart from each other as practically possible.
Ex Post Statistical Approaches	
<i>Harman's one factor test:</i>	An unrotated factor analysis on all the items from the survey that are used in the variables in our models revealed 5 factors with eigenvalues greater than 1, which together accounted for 77% of the variance. Furthermore, the largest factor did not account for the majority of the variance (30%).
<i>Partial correlation adjustments:</i>	We used market growth as the marker variable. Market growth is theoretically unrelated to our dependent variable, and most of our

independent variables. After the partial correlation adjustment, all of our significant zero-order correlations remain significant.

*Triangulation
using archival
sources:*

We compared two of our measures (JV age, prior experience), with secondary data from Thompson Financial's Security Data Corporation (SDC) and found the data to be fully (100%) consistent with the survey data for the observations we could match.

Complex model:

Using average measures without the respondent's own trust assessment, and using interaction effects reduces the possibility that our results are an artifact of the respondents theorizing the relationship between these variables and our dependent variable.

TABLE 1: Descriptive Statistics and Correlations

Variable	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Focal parent's perceived trustworthiness of the other partner	33.91	10.34														
2 Technological uncertainty	4.67	1.56	0.09													
3 Host country uncertainty	-70.37	9.85	-0.13	-0.14												
4 Cultural distance	3.31	0.95	-0.09	-0.06	0.04											
5 Competitive overlap	2.32	1.67	0.06	0.04	-0.18	-0.10										
6 Asset specificity focal parent	4.50	2.04	0.02	-0.02	0.17	-0.06	-0.03									
7 Asset specificity other partner	4.62	2.01	0.16	0.01	0.03	-0.02	-0.01	0.32								
8 Strategic importance of the JV for the focal parent	3.23	1.79	0.24	0.04	-0.12	-0.08	0.10	0.05	-0.06							
9 Strategic importance of the JV for the other partner	3.98	1.91	0.12	0.01	0.00	-0.13	0.01	0.05	0.12	0.16						
10 IJV in the focal parent's home country	0.31	0.46	0.32	0.20	-0.12	0.03	-0.05	0.07	0.01	0.22	-0.23					
11 Equity stake focal parent	52.67	16.85	-0.10	-0.08	-0.02	0.05	0.09	-0.16	-0.05	0.05	-0.08	-0.23				
12 Prior experience	0.48	0.50	0.19	-0.02	-0.14	-0.03	0.08	-0.03	-0.11	0.12	0.08	0.12	0.08			
13 IJV age	8.93	10.02	0.31	0.01	-0.11	-0.05	0.02	0.09	0.05	0.20	-0.02	0.32	-0.19	0.08		
14 General propensity to trust in focal parent's home country	33.83	5.06	0.38	0.21	0.04	0.15	-0.09	0.14	0.02	0.14	-0.15	0.67	-0.20	0.10	0.27	
15 Category-based trust placed in firms from the other partner's home country	33.93	5.45	0.35	0.27	-0.33	-0.13	0.01	0.04	0.05	0.09	-0.21	0.64	-0.31	0.07	0.33	0.45

n = 165

TABLE 2: Results of OLS Regressions

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Constant	21.726 ** (7.084)	0.150 (10.146)	8.025 (8.892)	-9.594 (9.895)	-13.674 (9.971)	-5.081 (10.040)	-9.238 (10.113)
Technological uncertainty	0.175 (0.389)	-0.037 (0.387)	-0.011 (0.429)	-0.214 (0.376)	-0.102 (0.384)	-0.237 (0.374)	-0.120 (0.380)
Host country uncertainty	-0.058 (0.078)	-0.081 (0.073)	0.029 (0.086)	-0.010 (0.079)	0.017 (0.076)	0.014 (0.078)	0.042 (0.075)
Cultural distance	-0.686 (0.713)	-1.205 (0.848)	-0.193 (0.755)	-0.721 (0.772)	-0.924 (0.793)	-0.944 (0.740)	-1.160 (0.752)
Competitive overlap	0.096 (0.417)	0.230 (0.390)	0.303 (0.398)	0.321 (0.367)	0.289 (0.364)	0.433 (0.347)	0.403 (0.343)
Asset specificity focal parent	-0.311 (0.315)	-0.457 (0.390)	-0.375 (0.370)	-0.538 (0.394)	-0.574 (0.398)	-0.601 (0.394)	-0.640 (0.395)
Asset specificity other partner	0.854 * (0.368)	0.913 * (0.408)	0.814 * (0.359)	0.887 * (0.375)	0.979 ** (0.361)	0.881 * (0.376)	0.978 ** (0.363)
Strategic importance of the IJV for the focal parent	0.609 (0.471)	0.749 (0.508)	0.725 (0.493)	0.749 (0.494)	0.788 (0.479)	0.636 (0.504)	0.674 (0.488)
Strategic importance of the IJV for the other partner	0.479 (0.492)	0.502 (0.501)	0.840 † (0.442)	0.781 † (0.427)	0.716 † (0.417)	0.790 † (0.438)	0.722 † (0.428)
IJV in the focal parent's home country	5.689 *** (1.247)	0.306 (2.098)	2.582 (1.613)	-1.399 (2.050)	-1.042 (2.034)	-1.201 (2.074)	-0.823 (2.061)
Equity stake focal parent	-0.024 (0.045)	-0.010 (0.048)	0.014 (0.049)	0.015 (0.047)	0.015 (0.046)	0.020 (0.047)	0.020 (0.047)
Prior experience	2.586 † (1.444)	2.409 † (1.403)	2.788 † (1.487)	2.585 † (1.428)	2.731 * (1.354)	2.736 † (1.378)	2.892 * (1.307)
IJV age	0.162 † (0.088)	0.163 † (0.089)	0.167 † (0.099)	0.147 (0.090)	0.159 † (0.087)	0.309 ** (0.108)	0.325 ** (0.108)
General propensity to trust in the focal parent's home country	<i>H1</i>	0.681 ** (0.233)		0.637 ** (0.225)	0.639 ** (0.225)	0.609 ** (0.225)	0.610 ** (0.226)
Category-based trust placed in firms from the other partner's home country	<i>H2</i>		0.466 * (0.185)	0.407 * (0.185)	0.578 ** (0.207)	0.353 * (0.171)	0.530 ** (0.194)
Category-based trust placed in firms from the other partner's home country x Prior experience	<i>H3a</i>				-0.458 * (0.221)		-0.479 * (0.212)
Category-based trust placed in firms from the other partner's home country x IJV age	<i>H3b</i>					-0.038 * (0.017)	-0.039 * (0.017)
Observations	165	165	165	165	165	165	165
R-squared	0.24	0.29	0.28	0.32	0.33	0.34	0.36
F-statistic	6.44 ***	6.21 ***	5.19 ***	6.36 ***	8.62 ***	6.59 ***	9.24 ***

Robust standard errors, clustered for partner country groups, are in parentheses. All tests are two-tailed: † $p < 0.10$ * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$.

FIGURE 1: Conditional Effect of Prior Experience on Perceived Trustworthiness

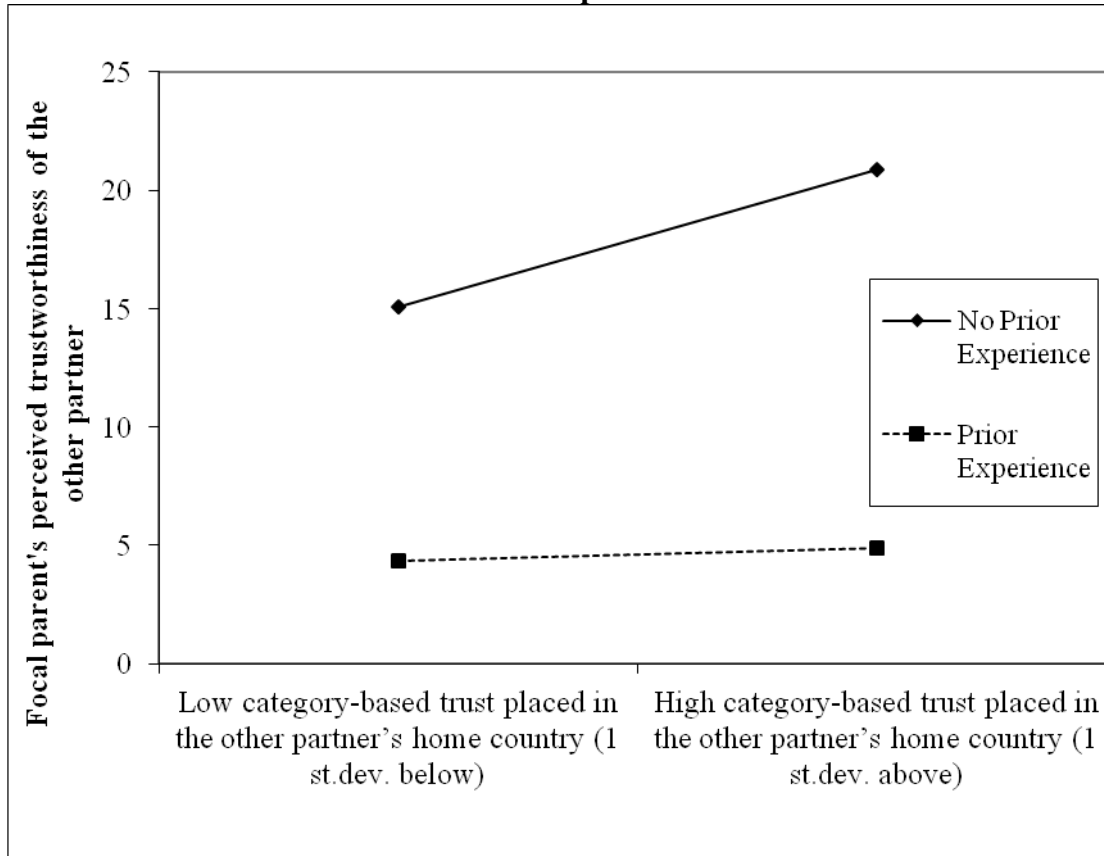
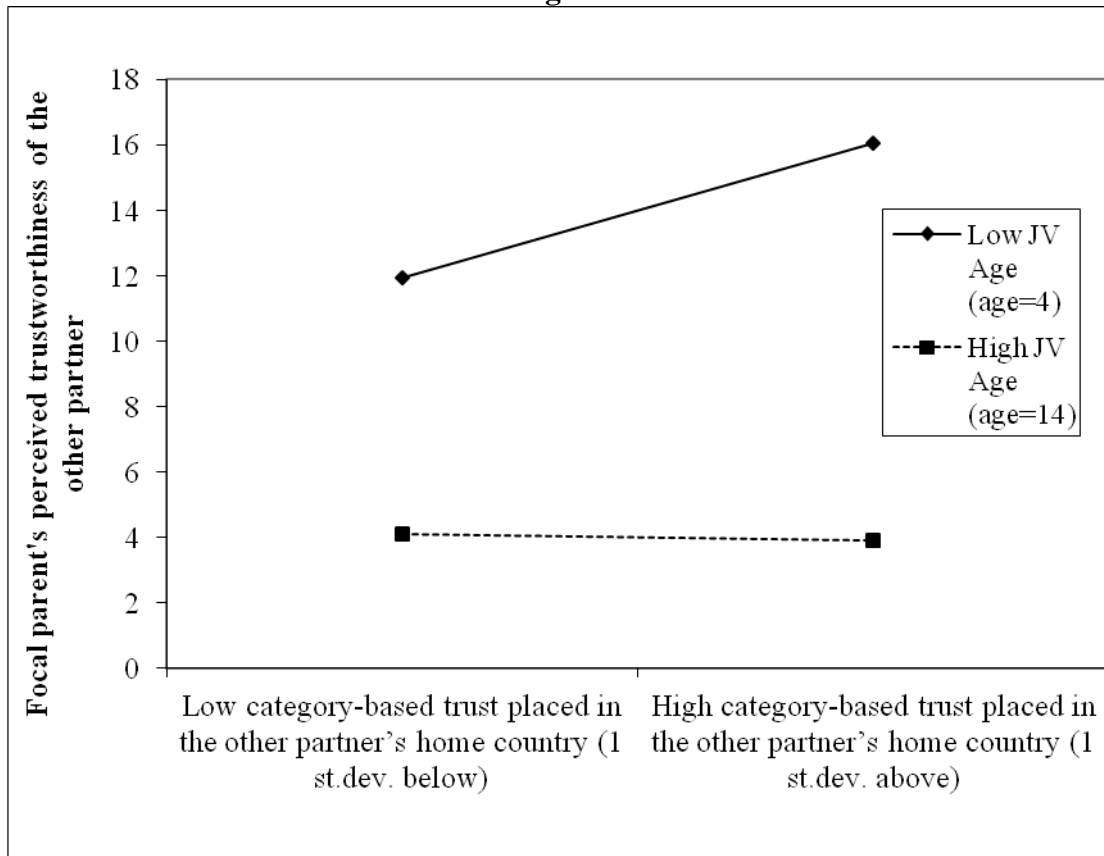


FIGURE 2: Conditional Effect of IJV Age on Perceived Trustworthiness



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