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TRUST DEVELOPMENT IN INTERNATIONAL JOINT VENTURES

A case study of Finnish-Indian joint venture

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TABLE OF CONTENTS **Page**

LIST OF FIGURES

LIST OF TABLES

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ABSTRACT:

Most scholars agree that the importance of trust in IJV relationships is a key concern for partner's success in the intensely competitive and increasingly international modern business environment. This study examines the stage-wise development of trust and presents a model of stage-wise development of trust in IJV life cycle by using single case study.

In theoretical part of the study, firstly the nature of IJVs is studied by identifying different stages of IJV life cycle and underlying motives for IJV formation. Secondly, the characteristics of trust has been discussed by shedding light on complexity of the concept trust, trustor and trustee characteristics, levels of trust and, dimensions of trust. Thirdly, the stage-wise development of trust has been discussed and relationship characteristics have been identified to discover their effect on development of trust.

For the empirical study, the annual reports of the firm, company publications and, semi-structured face to face interview were used. The main conclusions are the following: trust starts with egoistic self interest motives called calculative based trust and then moves on towards more robust form of identification based trust. Before the IJV actually starts operating, calculative, competence, goodwill and contractual based trust dominate the partner search, selection and contractual agreement stages of IJV. Then knowledge based trust is produced when IJV starts operating. If every thing goes fine up to partner's expectations and when partners further invest in IJV, then good will trust is strengthened. At the end identification based trust is produced and opposed to IJV, partners take joint steps in future new ventures. Furthermore, findings revealed fourteen relationship characteristics that underlie the dimensions of trust and push the trust from one dimension to other dimension. Findings also reveal that trust is not always incremental; it may decrease and then may be restored in its development process.

KEYWORDS: International joint venture, Stages of international joint venture, Dimensions of trust, Stage-wise development of trust, Relationship characteristics.

1. INTRODUCTION

1.1. Background of the study

During the last couple of decades, the international business has changed its nature as more global, creating new opportunities as well as making the success and even survival of a firm more difficult. In this scenario, the tightening competition and the accelerating speed of technological development have made inter-firm cooperation more and more attractive to firms. Even the big multinationals companies (MNCs) may consider entering a new market too risky to do it alone and see the establishment of a cooperative relationship with another firm as feasible. For firms, cooperation with others has become almost a necessity or at least very beneficial when striving for a share in a foreign market. As a result, an international joint venture is often established.

International joint ventures are commonly seen as an entry mode to foreign markets, as a mode of inter-firm cooperation and as a strategic weapon in global competition (Hellman, Hovi & Nieminen 1993: 14-15). In this regard, the expansion strategy could be achieved easier with international joint ventures.

International joint ventures are motivated by various reasons, such as risk reduction, economies of scale, shared technology, co-opting or blocking competition, overcoming government-mandated investment or trade barriers (Contractor & Lorange 1988). It is quite logical that if two or more companies add resources together, they can achieve their common goals easier and more economic. The advantages of international joint ventures can be testified by the rapid increasing number of cases in which it is being used. Anderson (1990: 19) reported that, sine 1981; more alliances have been established than ever existed in the past and according to Scherling and Wang (1997: 53) in China alone, for example, the number of equity joint ventures has increased from 741 in 1981 to 27,890 in 1994.

Although, international joint ventures are so attractive, its results are not always satisfying and the significance of growing trend is somewhat overshadowed by the incident of high failure (Killing 1983). Despite their rapid proliferation, however joint ventures in general have been characterized as a very fragile form of organization.

Many of them die young or are reconfigured before they outline their usefulness (Geringer & Hebert 1991). In this regard, researchers have identified that international joint ventures eventually breakup from between 50% to 70% of total (Schuler et al. 1991: 52). The high failure rates of IJVs provide a clear indication that joint ventures face additional difficulties of coping with multiple parenthoods and major contributor of failed alliances is lack of trust between the parents (Peng & Shenkar, 1997). According to Buckley and Casson (1988), the lack of trust could be the hidden factor behind lost deals, poorly functioning collaboration or the lack of interest for closer cooperation.

Thus, it has been suggested that the relationship between partners is the most important factor in the endurance of international joint ventures. Without the elements of trust and commitment, the alliance will fail entirely or, at least will fail to reach its strategic potential (Cullen, Johnson & Sakano 2000: 224). The importance of trust in IJV has come to be recognised as a key factor for success in the intensely competitive and increasingly international modern business environment (Ring & Van de Ven 1992). In spite of increasing importance of trust and its development, there are only few studies that put light on its stage-wise development especially to international joint ventures context.

1.2. Objectives and limitations of the study

The main research question of the study is

- "How trust develops in different stages of international joint venture life cycle?"

To answer this research question, specific sub objectives for this study are given below

- To increase the understanding about the nature of IJVs and to identify the evolutionary stages of IJVs.
- To identify the characteristics of trust.
- To analyse the influence of relationship characteristics on the development of trust in IJV context and stage wise development of trust.
- To study the stage-wise development of trust and the relationship characteristics affecting on it in the case company Wartsila towards its IJV partner.

The purpose of first sub-objective is firstly to define the IJV in the present study and to discuss the reasons for the formation of IJV. To achieve the above purpose different types of IJV and motives of IJV formation are discussed. Secondly, the purpose is to identify the evolutionary stages of IJV life cycle. This is achieved by focusing on some relevant previous studies on the development of cooperative relationships in perspective of strategic alliances and particularly to IJV context.

The purpose of second sub-objective is to deeply study the complex concept of trust. This is done by identifying characteristics of trustor and trustee, levels of trust and, dimensions of trust.

The purpose of third sub-objective is to identify relationship characteristics and analyse their influence on the stage-wise development of trust. The present study identifies different relationship characteristics that affect on different dimensions of trust and push the trust from one dimension to other dimension. To analyse the stage-wise evolution of trust, previous studies that discuss the stage-wise development of trust in strategic alliances and particularly to IJV context are reviewed.

The purpose of fourth sub-objective is to get the primary data through semi structured interview questionnaire with open-ended questions from the case company Wartsila to analyse that how the case company develops trust towards its IJV partner. Furthermore, this primary data will help for further adjust and development of the theoretical framework.

Limitations of the study

The scope of this study is the manufacturing joint ventures formed in South Asia .The main focus on the trust development is from foreign partner from developed country.

Empirically, the study is based on only one case study. This case study cannot be the representative of all other manufacturing joint ventures. Generalization is possible by applying this model to further multiple case studies.

1.3. Previous studies

Main concepts studied in this research are international joint venture life cycle stages, trust (trust dimensions), and international joint venture relationship characteristics. Several studies have focused on these concepts separately, but some studies focused on more than one concept of this study. The most commonly used and relevant studies for the present study are now discussed.

Previous studies relating to international joint venture life cycle have shed valuable light on the development of IJV, but IJV life cycle stages has not been yet agreed in international joint venture literature. Styles and Hersch (2005) used multiple case study approach and studied seven International joint ventures between Australian and Malaysian firms. They provided a relationship development roadmap along the five stages of IJV (need determination, partner search and partner selection, negotiation, operating the IJV and, exceeding the expectations). In the same vein, Buchel (2000) conducted a longitudinal case study and provided a framework of joint venture development. He argued that joint venture develops through three overlapping stages of formation, adjustment and evaluation with cyclical periods. Dwyer et al. (1987: 15) presented in his theoretical study a relationship development process within buyer seller relationships and mapped out five phases of relationship development: awareness, exploration, expansion, commitment and dissolution. Although, his study did not focus on IJV, but his study can be used to understand that how the relationships develop.

Studies that discuss the concept of trust have shed valuable light on the conceptualisation of trust. Parkhe (1998a) conducted a theoretical study and studied trust in international alliances context. His study concentrated on important conditions for the existence of trust, the role and degree of trust in relationships and the basis on which trust can be generated in international alliances. Furthermore, Mayer, Davis and Schoorman (1995) also conducted theoretical study and discussed the characteristics of the trustor and trustee that lead to building trust. Janowicz and Noorderhaven (2005) in his theoretical study discussed the levels of inter-organizational trust. He divided the organizational members into boundary spanners and non boundary spanners and argued that in boundary spanners, it’s important to demarcate tope level boundary spanners trust from low level boundary spanners with the logic that they have different consequences for the collaboration. Regarding the dimensions of trust, Lewicki and Bunker (1996) conducted a theoretical study and provided a multidimensional

conceptual framework for understanding the facets of trust within interpersonal relationships. They identified three dimensions of trust calculus based trust, knowledge based trust and identification based trust. In the same vein, Sako (1992) in his theoretical study introduced three dimensions of trust: contractual based trust, competence based trust and goodwill based trust. In conclusion, all above studies which concentrated on trust and dimensions of trust are theoretical in nature.

Studies related to the stage-wise development of trust in international joint ventures are rare. It has been 10 years since Lewicki and Bunker (1996) published their multidimensional conceptual framework for understanding the facets of trust within interpersonal relationships and the processes by which trust relationships emerge and evolve over time. Within that framework, Lewicki and Bunker explained the developmental sequence by which calculus based (CBT) provided a foundation for knowledge-based (KBT), which in turn provided a foundation for identification-based trust (IBT). Similarly, Styles and Hersch (2005) based on multiple case study, discussed the development of trust and commitment during the five stages of international joint ventures. They studied seven international joint ventures between Australian and Malaysian firms and provided a relationship development roadmap depicting the stage vise development of trust along the five stages of IJV. In the same vein, Child (1998) used a case study method to analyze the stage-wise development of trust in strategic alliances by borrowing the trust dimension from the work of Lewicki and Bunker (1996).

Previous studies related to relationship characteristics are rare and only in strategic alliances. Saxton (1997) conducted a survey and based on the data from 98 alliances partners, he analysed which partner and partnership characteristics explain alliances outcome. Furthermore, Parkhe (1998b) conducted a theoretical study and studied trust in international alliances context. His study concentrated on the notion that how partners can proactively manage an alliance relationship in orders to develop trust. His study identifies some factors (basis) on which trust can be generated in international alliances. Nielsen (2001) conducted a theoretical study and studied that how the pre-alliance and post alliance formation factors affect on the development of trust and how moderating factors enhance the learning process. Although his study focused on antecedents of trust in relation to inter-firm learning across national boundaries, but his study is also useful to understand that how relational factors enhance trust. Table 1 presents the specific previous studies that will be used centrally in this study.

Table 1. Previous studies

International joint venture life cycle stages		
Author(s) / Year	**Methodology**	**Field the study**
Styles and Hersch (2005)	Multiple case study	Relationship formation in international Joint ventures, insights from Australian-Malaysian international Joint Ventures.
Buchel (2000)	Longitudinal case study	Framework of joint venture development: Theory building through qualitative research
Dwyer et al. (1987)	Theoretical	Developing buyer-seller relationships
Trust & trust dimensions		
Parkhe (1998a)	Theoretical	Understanding trust in international alliances
Mayer, Davis and Schoorman (1995)	Theoretical	An integrative model of organizational trust
Janowicz and Noorderhaven (2005)	Theoretical	Levels of inter-organizational trust: conceptualization and measurement
Lewicki and Bunker (1996)	Theoretical	Developing and maintaining trust in work relationships.
Sako (1992)	Theoretical	Price, quality and trust: Inter-firm relations in Britain and Japan
Stage-wise development of trust		
Styles and Hersch (2005)	Multiple case study	Relationship formation in international Joint ventures, insights from Australian-Malaysian international joint ventures.
Lewicki and Bunker (1996)	Theoretical	Developing and maintaining trust in work relationships.
Child (1998)	Case study method	Trust and international strategic alliances.
Joint venture relationship characteristics		
Saxton (1997)	Survey	Effect of partner and relationship characteristics on alliance outcomes
Parkhe (1998b)	Theoretical	building trust in international alliances
Nielsen (2001)	Theoretical	Trust and learning in international strategic alliances

1.4. Structure of the thesis

The dissertation has been structured as follows. In the **Chapter 1,** the aims of the study along with research problem and limitations of the study are presented. Previous studies are shortly viewed and structure of the study is presented.

Chapter 2: This chapter describes the nature of international joint ventures. This chapter unfolds with the definition of International joint venture and then further describes the motives for international joint venture formation. Furthermore, this chapter describes about the life cycle stages of IJV.

Chapter 3: This chapter opens up with the discussion of complexity of the concept trust followed by trustor and trustee characteristics and discussion about the levels of trust. Furthermore, this chapter describes about the different dimensions of trust as discussed in the literature. At the end, the summary of chapter is presented.

Chapter 4: This chapter first covers the issues related to effect of relationship characteristics on the development of trust and then discuss the stage-wise development of trust. At the end of this chapter, summary of theoretical framework is presented.

Chapter 5: This chapter explains the methodology used in the study. It opens up with the discussion of research method, case study research and, criticism and benefits of case study research. Furthermore, case study design for the present study is explained and at the end of this chapter, the validity and reliability of the study is discussed.

Chapter 6: This chapter introduces the case company and then describes the structure of the case company IJV. Furthermore, empirical results of the study are presented in this chapter.

Chapter 7: In this chapter, the summary and conclusions are drawn on the basis of framework and empirical findings. This chapter also presents the further adopted model of stage-wise trust development in IJV life cycle. At the end of chapter, managerial implications and implications for theory and future research are presented.

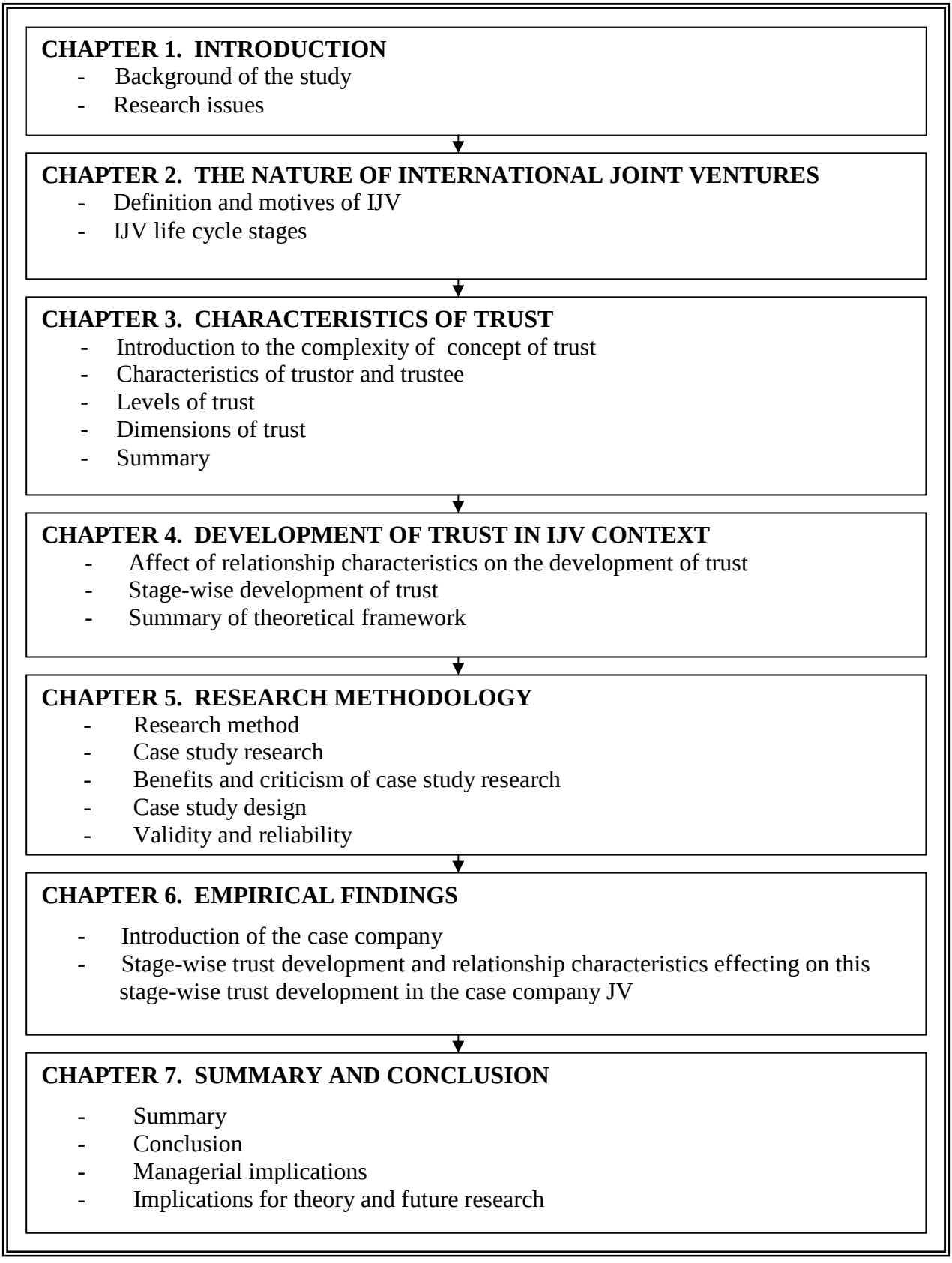

Figure 1. Structure of the study

2. THE NATURE OF INTERNATIONAL JOINT VENTURES

2.1. Definition and motives of international joint venture

In the battle for survival and success on the international level, multinational corporations have realised that it is better to cooperate (team up) with other companies instead of trying to face this growing ambiguity all alone. Cooperation between international firms can take many forms, such as cross-licensing of proprietary technology, sharing of production facilities, co-funding of research projects, and marketing of each others products using existing products. Such forms of cooperation are known collectively as strategic alliances. A joint venture is a special type of strategic alliance in which two or more firms join together to create a new business entity that is legally distant from its parents. Its importance, as compare to non-joint venture strategic alliances, increases because they offer extensive and long term relationships (Griffin & Pustay 1998: 451).

Furthermore, Luostarinen (1990: 157) differentiates the joint venture from mixed Venture and argues that a joint venture is partially owned by the mother and one or more local\domestic\third country private partner companies or partners and mixed venture exists when if one or more of the owners is\are government owned firm(s) or agency (ies), others being private ones. They further argue that the term joint venture is very commonly used term in today's international business vocabulary and it is important to notice that it has two major meanings: joint contractual venture and joint equity venture. A contractual joint venture comprises any form of association which implies collaboration for a certain purpose between partners for a stipulated period of time, without sharing equity of cooperation. In equity joint venture, both partners always share equity and risks and also participate in management between the partners (individuals or legal entities) forming a continuing, profit-seeking relationship (Luostarinen 1990: 158)

Empirically, an IJV can assume variety of forms. Based on combinations of equity distributions, contribution formulas and contractual agreements, structuring of an IJV unit may widely differ from another. This fact has precluded a broad-based agreement on a definition (Chowdhury 1989: 9). Here are some definitions that show the contradictions on the minimum equity level of the minority holder partner:

Beamish (1984: 1) defined IJV as

"*Joint Ventures are defined as shared equity undertakings between two or more parties, each of whom holds at least 5 % of the equity*" His research was concerned with joint ventures that had been formed between a company, group, or individual from a developed country with a similar entity in a less developed country.

Holton (1981: 256) defined IJV as

The term" Joint Venture" will be used here to refer to what may be the most common case, i.e., one in which a multinational cooperation from one of the industrialized countries has a significant share, say at least 25%, in an operation outside the multinationals home country, while the remainder of the equity held by a company located in the same country as the joint venture operation.

So, disagreement between the writers on minimum equity level in international joint venture has precluded a broad-based agreement on a definition. In the same vein, Makino and Beamish (1998: 797) took one step further and divided the JVs into three types based the percentage of equity held by the foreign partner. They argue that if the foreign parent has greater than 50% equity stake, the JV is called a majority-owned JV. If ownerships is equal to 50%, the JV is considered co-owned, and if equity holding is less than 50%, the JV is identified as minority owned. It is considered to be IJV when at least one parent is headquartered outside the country of operation, or if the joint venture has a significant level of operations in more than one country (Gringer & Hebert 1991: 249).

For the purpose of this study, an IJV is taken to include those arrangements between a foreign firm and host country firm having the following key characteristics:

- It is a separate legal entity which is created by two legally distinct and independent organizations (between foreign firm and host country firm).

- Equity of the new born entity is shared between the foreign partner and host country partner in such away that foreign partner holds 10 to 94% as the most commonly used limit for IJV (Larimo 2002).

- The new born entity is not a project i.e. there is no fixed time limit on the duration of the arrangement.

After picking up suitable arrangements of IJV for this study, it is important to identify the reasons for the increasing use of international joint ventures. Vaidya (2006) argues that the decision to enter into joint venture rests with the top management of an organization, which examine all the alternatives present and chooses a mode of entry from these alternatives. In this regard, Schuler et al. (1991: 53) argue that the regardless of previous international arrangements, the firms enter into IJVs and the common reasons for the formation of IJV are:
1) host government insistence 2) to gain rapid market entry 3) increased economies of scale 4) to gain local knowledge 5) to obtain vital raw material 6) to spread the risks 7) to improve competitive advantage in the face of increasing global competition 8) cost-effective and efficient responses forced by globalization of markets.

In the same vein, Kogut (1988) proposed that joint ventures exist primarily due to three reasons. He discussed these three reasons in terms of three perspectives or approaches to joint venture formation. They are
1) Transaction cost approach: joint ventures are formed to minimize the cost of production for a firm. When the production costs of internalizing exceeds the cost of externally sourcing, then formation of a joint venture is a viable option.
2) Strategic behavior approach: This approach posits that joint ventures are formed as a response to external environment pressures. He stated that firms that choose to maximize their profits by improving their competitive position opt for a joint venture.
3) Organizational learning approach: joint ventures allow firms to acquire knowledge or know-how from another firm.

Furthermore, it is evident from many studies that the reasons for forming IJVs are manifold and reach into all areas of business strategy. Although there may be very diverse motivations, the motivations can probably be distilled into three broad categories: a) resource-driven IJVs, 2) market driven IJVs, and risk-driven IJVs (Parkhe 1996; Wille 1988). The three categories are often interrelated, and several of the IJVs established in late 1980s and in the 1990s are distinguishable from the earlier counterparts by their straddling of multiple objectives (Larimo 2002). An additional, often referred dividation of motives for IJV formation is the one presented by Harrigan

(1985). She has divided the motives into three groups: internal, external, and strategic. Internal motives deal with sharing risks and expenses, exposure to innovation, and increasing access to resources. External motives include easing political tensions and combating global competition. Strategic motives underlying IJVs involve the possibility of diversification and future business.

In conclusion, there could be single or multiple reasons for the formation of international joint venture and for many firms, several of these above mentioned motives may be the reasons for entering into an IJV.

2.2. International joint venture life cycle stages

The development of the joint venture is usually described as a process that develops through consecutive, although overlapping stages. However, IJV life cycle has not been clearly defined and agreed in international joint venture literature. Therefore, researchers have divided the IJV life cycle into different stages depending on the focus of the study. When focusing on the cooperative side or inter-partner relations development, researchers have divided IJV life cycle into different number of stages like Buchel (2000) divides IJV life cycle into formation stage, adjustment stage, and evaluation stage. Styles and Hersch (2005) suggest five stages of international joint venture: need determination, partner search and partner selection, negotiation, operating the IJV, exceeding expectations or non-contractual contributions. Dwyer et al. (1987) suggests the five stages of buyer-seller relationship development: awareness, exploration, expansion, commitment and dissolution. Kogut (2002) suggests three stages of joint venture: creation, institutionalization, and termination, his research focused on only two stages: creation and termination. In same vein, Shortell and Zajac (1998) constructed IJV life cycle into three stages including formulation, implementation and reformation.

When focusing on IJV success, researchers' often distinct IJV life cycle into only two stage: formation and termination (Reuer 2000).

While other researchers have divide the IJV life cycle into four stages, such as Raben (1992) works with assessment stage, planning and design stage, implementation stage

and development stage. Brouthers, Brouthers and Harris (1997) work emphasizes on cooperative strategy process, divided IJV life cycle into five stages including entry mode selection, partner selection, negotiation agreement, managing the venture and venture valuation.

The most detail of IJV life cycle is from Parkhe (1996) study with eleven stages consisting of introspection and internal audit, partner scanning, pre contractual negotiation, courtship, partner selection, negotiation stage, formal contract design/informal role specification, JV initial, JV implementation, organizational learning and JV outcome.

In sum, there are different ways to structure IJV life cycle stages, depending on the focus of the research. In the present study, the focus is on stage-wise development of trust in IJVs and trust develops slowly. So, in order to thoroughly study the stage-wise development of trust, the present study divides the international joint venture life cycle into six stages of partner search, partner selection, contractual agreement, operating the IJV, exceeding the expectations or the non contractual contributions and, internalizing the IJV partner. This study has derived these six stages of IJV relationships from the work of Buchel (2000), Dwyer et al. (1987) and Styles and Hersch (2005). In the following, these stages are described in detail.

1. Partner search stage

The first stage in the formulation of IJV is partner search stage. This initial phase begins with the recognition that to gain competitive advantage, partnering is essential and that one or more players could be potential partners. The benefits deriving from the synergistically engaging with partner motivates the firm towards partner searching. Usually firms make a profile of desired features and start searching for a compatible partner (Hamill & Hunt 1996).

2. Partner selection stage

The next stage which is considered very crucial in international joint venture formation is the “selection of the appropriate partner”. From the list of potential candidates, firm

starts screening and spend considerable time and effort as they scout for compatible partner to complement their own resources to contribute to developing new capabilities (Hamill & Hunt 1996).

The criteria for the selection of international joint venture partner drops in the following two categories:

- If the potential partners are unknown, then firm could evaluate their reputation for performance and trustworthiness (Wilson 1995).
- If some of the potential partners are known and have been engaged in some previous exchanges, then those partners should be chosen. It's all because there is a "learning curve" between the partners which effect in cooperation (Hamill & Hunt 1996).

In this stage many informal meetings (informal negotiations) also take place with the potential partners to access the compatibility of the goals and interests of the potential partners (Buchel 2000). According to Hamill and Hunt (1996), in these informal meetings, the senior executives of the partner companies try to reach on the broad agreement on the business plan for the international joint venture.

3. Signing of the international joint venture agreement (contractual agreement)

If the informal meeting results in partner's agreement on the joint business plan for the international joint venture, then the partners enter into a new formal stage of "Signing of the IJV agreement. This stage of contractual agreement should specify the relationship between the parent companies and between the child and parent companies. For the healthy partnership, this contractual agreement should allow for the changes in the business plan over time to account for unforeseen circumstances (Hamill & Hunt 1996). In the same vein, Bolmqvist et al. (2005: 3) argues that humans have bounded rationality and they cannot anticipate all future uncertainties which make incomplete contracts and the need for trust emerges.

4. Operating the international joint venture

The contractual agreement in the formation stage ends up in a congruent understanding about the business plan, now organization members of the international joint venture

have to implement this agreement (Buchel 2000). In reality, this phase is very crucial because the actual interactions between the partners start in this stage. There is a tentative attempt to lay the groundwork for a lasting relationship in the form of norm adaptation for the mutual conduct and “setting the ground rules for the future exchanges” (Dwyer et al. 1987).

Although in this stage, informal communication exchange commences, but still conflicts occur due to misinterpretations of events (Buchel 2000). At this stage, the relationships still remain very fragile with minimal investment and interdependence. Gradually and slowly, partners try to build common social bonds which are crucial for achieving mutual goals (Wilson 1995).

5. Exceeding the expectations or the none contractual contributions

If the results from the previous stage are satisfactory, then the partners enter into an advanced stage of relationship i.e. “exceeding the expectations or non contractual contributions”. This phase is characterized by higher levels of interdependence, investment and technology sharing between partners. Partners adapt processes and products/services to accommodate each other and solidify the relationship. There is increased risk-taking as a result of mutual satisfaction and greater trust. The high dissolution costs coupled with positive outcomes at this stage of evolution result in higher perceptions of goal congruence and cooperativeness (Dwyer et al. 1987). This spawns increase interactions that go beyond the call of partnership protocol. Karthi (2002) argues that here, the alliance partners move beyond probing each other and towards enlargement of the kinds of rewards they supply one another. A wider range of problems are discussed, and at a much deeper level. In this phase, loyalty results from satisfaction with the partnership and is reflected in the consistently significant mutual inputs to the association. He further argues that in this phase, reciprocal investments are made, and each partner's resources are more advantageously accessed and leveraged for both business expansion and value creation purposes. In conclusion, the main agenda in this phase is to resolve conflicts, adapt strategies and making investments armed with a better knowledge of each other's competencies and goals (Buchel 2000).

6. Internalizing the international joint venture partner

This phase denotes the most advanced state in the international joint venture relationships. Dwyer et al. (1987) note that at this stage, "significant economic, communication and emotional resources may be exchanged. According to Wilson (1995), structural bonds create barriers to such an extent that it may be very difficult to terminate the relationship at this point. Boundaries between the partners have very little significance. Wilson (1995) argues that at this stage of evolution, trust, performance, and satisfaction from the alliance experience becomes so much embedded as to need very little attention from the partners. Common norms and values are so well established that a stable atmosphere prevails (Wilson 1995). Commonality of purpose, very high level of interdependency, mutual learning processes, multiple levels of personal and emotional relationships, and psychological contracts instead of formal legal ones are all clearly evident in this phase. According to Dwyer et al. (1987), the distinguishing feature in this phase is that parties purposefully engage resources to maintain the relationship. In conclusion, this phase is characterized by psychological contracts, emotional relationships between partners and, the partners internalize each other in the sense that opposed to the IJV and maintaining the relationship, the partners may consider additional ventures to leverage their relationship. In the following figure, the content of these stages are described.

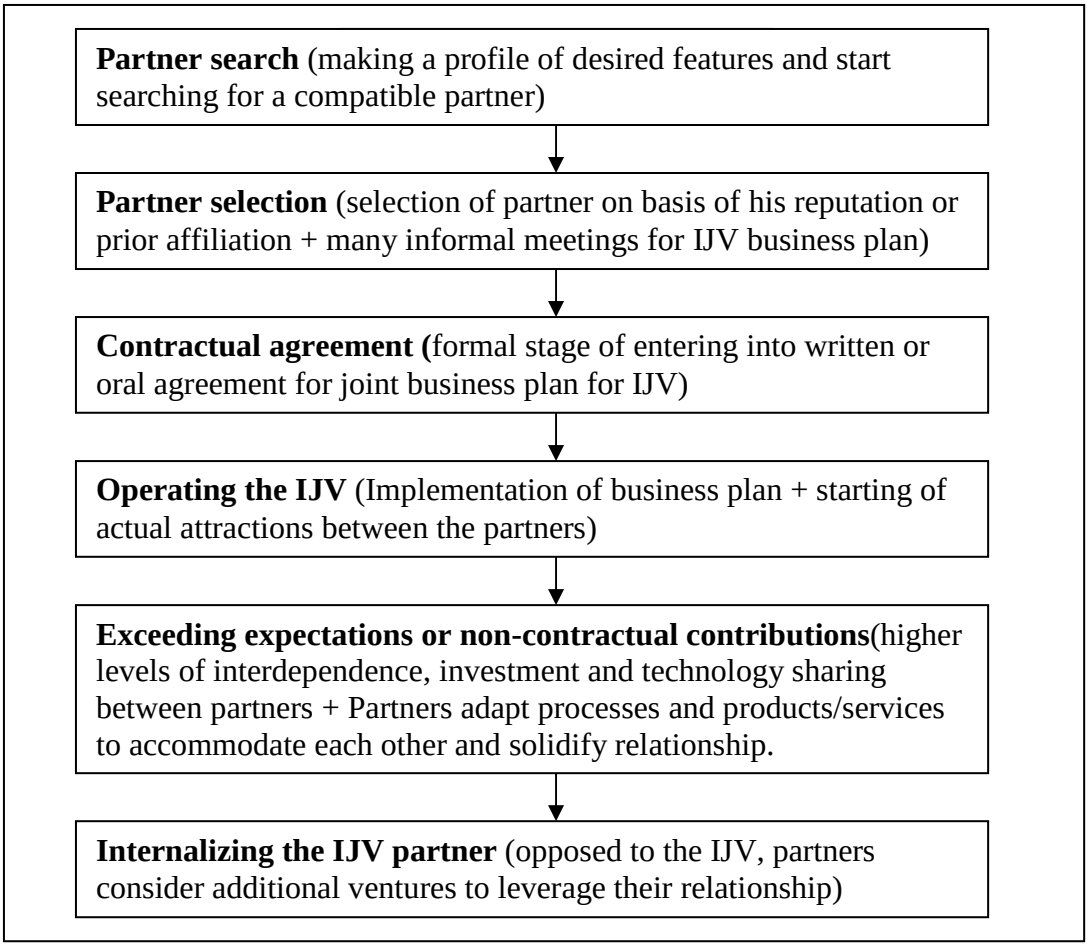

Figure 2. Life cycle stages of IJV

3. CHARACTERISTICS OF TRUST

3.1. Introduction to the complexity of concept of trust

Traditionally, the importance of trust has been stressed in interpersonal relationships. In this context, it has been argued that trust is a social good that glues social actors together, enhances social stability, and enables participants to cope with uncertainty and vulnerability (Huemer 1998). With the passage of time, trust was studied through the lens of different academic disciplines along with the sociology including economic, psychologists, and management and organizational theory. Economists tend to view trust as either calculative or institutional, psychologists commonly frame their assessment of trust in terms of attributes of trustors and trustees and focus upon a host of internal cognitions that personal attributes yield, sociologists often find trust in socially embedded properties of relationships among people or institutions (Zucker 1986). In conclusion, the authors from different disciplines attempted to craft definition of trust in their own circle of the discipline. Parkhe (1998a: 223) sheds light on the concept of trust and argues that in the context of alliances, trust is seen to have important psychological, sociological and economic properties simultaneously.

Although there is considerable agreement among scholars that trust is a critical determinant of cooperative behavior, but there is little consent among the scholars about the appropriate definition and conceptualization of trust (Mayer, Davis & Schoorman 1995). Conceptually and methodologically, trust is a complex area to investigate with any degree of either rigour or consensus. In the context of IJV, Inkpen and Currall (2004) call for more refine research on trust and argues that “although there is widespread agreement that trust in IJVs is central to their success, there is limited understanding of the nature and mechanisms that firms use to build and maintain trust.” Huemer (1998) argues that the researchers have been unsuccessful in defining a clear trust definition, because there seems to be need for one universal, single neat definition of trust.

Parkhe (1998a) identifies some common thoughts that stand out in different definitions of trust:

1. Trust inherently involves uncertainty about the future. There are two types of uncertainty in alliances: uncertainty regarding future events, and uncertainty regarding partner's responses to those future events. It is in this environment of double uncertainty that trust emerges as a central organizing principle in alliances.

2. Trust implies vulnerability, that is, the risk of loosing something of value. The magnitude of this potential loss from untrustworthy behaviour is typically much greater than the anticipated gains from trustworthy behaviour.

3. Trust is placed in another whose behaviour is not under ones control, so that each partner exercises only partial influence over alliance outcomes.

In the similar vein, Gargiulo and Ertug (2005) argue that trust is a belief that reflects an actor expectations (the trustor) about another actor (the trustee). They further argue that these expectations should not only be based on trustee good intentions towards trustor but also on his ability to honour his intentions. They elaborate this concept with an example that a person may want to honour the trust we place in her but she may be unable to do so due to circumstances that are beyond her immediate control. Regarding the intentions of the trustee, these authors argue that "The trustor expects that the trustee does not intend to behave opportunistically"

In the light of above common thoughts from Parkhe(1998a) and, Gargiulo and Ertug (2005), this study prefers the definition of trust by Mayer et al. (1995):

"The willingness of a party(the trustor) to be vulnerable to the actions of another party(the trustee) based on the expectation that the trustee intends and is able to perform in ways that will not harm the trustor in a particular situation, irrespective of the trustors ability to control the trustees behavior".

The above definition incorporates the notion of risk as precondition for trust, and generalises trust as a belief that reflects trustor expectations that the vulnerability resulting from the acceptance of risk will not be taken advantage by the trutee in the relationship. The above definition also shows that the trustor has a beief about the trustee's ability to do something, about her\his character and this belief is somehow important for the trustor who may be at odds if the trustee doesn't live up to what the

trustor expects him\her to do or be. According to Nooteboom (2002), real trust goes beyond self-interest. It entails loyalty to an agreement or to a partner, even if there are both opportunities and incentives for opportunism.

Furthermore, Mayer et al. (1995) unfolds the concept of trust by distinguishing the word “trust”from several terms that have been used synonymously with trust, and this has obfuscated the nature of trust. Among these are cooperation, confidence, and predictability. Mayer et al. (1995) stress the need of distinction of the concept of trust from these constructs.

1. Trust is not a necessary condition for **cooperation** because cooperation does not have to put a party at risk; nether less it is possible to cooperate with someone you don’t trust (Mayer et al. 1995).

2. The distinction between trust and **confidence** lies on the perception and attribution. If you do not consider alternatives (every morning you leave the house without a weapon), you are in a situation of confidence. If you choose one action in preference to others in spite of the possibility of being disappointed by the action of others, you define the situation as one of trust (Mayer et al. 1995). Luhmann (1988) differentiation between trust and confidence recognizes that in the former risk must be recognized and assumed, and such is not the case with confidence.

3. According to Mayer et al. (1995) to be meaningful, trust must go beyond **predictability**. To equate the two is to suggest that a party who can be expected to consistently ignore the needs of others and act in a self-interested fashion is therefore trusted, because the party is predictable. What is missing from such an approach is the willingness to take a risk in the relationship and to be vulnerable. Another party's predictability is insufficient to make a person willing to take a risk. If a person's superior always "shoots the messenger" when bad news is delivered, the superior is predictable. However, this predictability will not increase the likelihood that the individual will take a risk and deliver bad news. On the contrary, predictability can reduce the likelihood that the individual will trust and therefore take actions that allow vulnerability to the superior.

In order to better understand the concept of trust, in the following the characteristics of actors, levels of trust and, dimensions of trust will be discussed.

3.2. Characteristics of the trustor and trustee

Mayer et al. (1995) argue that there are certain reasons why trustor trusts the trestee and the amount of this trustors trust depend upon the characteristics of both the trustor and trustee. They identify a single characteristic of trustor: propensity to trust and three characteristics of trustee's trustworthiness: ability, benevolence and integrity that are responsible for the trust. These characteristics of trustee's trustworthiness help the trustor to determine whether he could expect to hold his part of the deal and with this stain of information trustor can anticipate future events and trustee's behaviour. In the following, these trustor and trustee characteristics are discussed in detail:

The trustors characteristic of "**propensity** to trust" is the general willingness to trust others. Propensity influences how much trust one has for a trustee prior to data on that particular party being available. People with different developmental experiences, personality types, and cultural backgrounds vary in their propensity to trust (Mayer et al, 1995). Trust in others is developed in conjunction with the formation of an inner sense of trustworthiness, which provides a basis of a stable self-identity.

The trustee's characteristic of **competence** is that group of skills, abilities, and characteristics that enable the trustee to have influence within some specific domain (Mayer et al. 1995). According to Barber (1983) competence refers to trustees technically competence performance. He has to function efficiently in relation to his rivals in the same situation. Mayer et al. (1995) further argues that the domain of the competence is specific. It means that trustor can only trust in those areas where the trustee has skills.

Benevolence is the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive. Benevolence suggests that the trustee has some special attachment to the trustor and wants to help the trustor (Mayer et al. 1995). It means that intentionally, the trustee does not want to harm the trustor, but also that the trustee wants to help the trustor if needed (Luhmann 1988). Benevolence is the

perception of a positive orientation of the trustee toward the trustor and normally it is impossible to determine such trustee behaviour at the first meeting. These intensions become clear as the relationship evolves and parties share information about each others (Cummings & Bromiley 1996).

Regarding **integrity** Mayer et al. (1995) argues that the relationship between integrity and trust involves the trustors perception that the trustee adheres to a set of principles that the trustor finds acceptable. Furthermore, a set of principles like consistency of the trustees past actions, credible communications about the trustee from the other parties, belief that the trustee has a strong sense of justice, and the extent to which the trustees actions are congruent with his or her words all effect the degree to which the party is judged to have integrity.

From the above insights, present study assumes that trustor characteristic of propensity to trust can help in initial trust development and trustee characteristics of ability and integrity can constitute good reputation in the eyes of trustor and can help the trustor in initial trust development towards trustee. But benevolence trust can be produced when relationships develop after many years of working together.

After distinguishing trust from its synonymous words and discussing about the characteristics of the actors, the issue of “who trusts whom” is important to elaborate. In the following the levels of trust are discussed in detail.

3.3. Levels of trust

Janowicz and Noorderhaven (2005) argues that socio-psychological research views trust as a characteristic of an individual, while the studies on International Joint Ventures examine the trust between the organizations. Many authors do not account for the difference between these perspectives, and when analysing trust between companies refers to research that has its focus on inter-personal trust without giving reasons for this transfer. In this regard, McKnight and Chervany (2001: 42), try to clarify the conceptual basis for this typology and say that trust is like a sentence, with a subject (trustor), verb (trust), and direct object (trustee). It is the direct object that determines many of the types of trust in use. If the direct object of trust is a person, the construct is interpersonal

trust; if the object is general other people, the construct is disposition to trust. This assumes that the subject of trust is one person, but this could produce different levels of trust.

In literature, most common discussion on the levels of trust comprises of the distinction between the interpersonal trust and inter-organizational trust. This sub-chapter will discuss these two levels of trust and will provide the conceptual basis from literature to tackle the question of what it means by inter-organizational trust. In the following these two levels of trust are discussed in detail.

Interpersonal trust is trust among the individuals. It is based on continual interaction and mutual understanding between the individuals (Giddens 1990). Within cooperating organizations there are only certain individuals, who relate with each other across organizational boundaries. The ones who promote trust between the partner organizations have a key role and trust that exists between organizations arises from mutual trust among the certain individuals (Child & Faulkner 1998). Being so, the development of trust in inter-firm context relies not upon all the individuals involved in cooperative actions but upon those whose role in partnering is central. According to Child and Faulkner (1998) trust is an interpersonal phenomenon, upon which a similar approach: inter-organizational cooperation occurs between organizations but it is always among individuals on the micro level of partnership. The effects of the individual's encounters cumulate to the macro level inter-organizational relations. Most important quality of individuals in partnerships is the ability to build this relation (Heino 2004).

Inter-organizational level trust is a shared attitude held collectively by members of a given organization (Zaheer et al. 1998). Thus, it provides conceptual link between trusting individual and trusting in an inter-organizational context. Here, Janowicz and Noorderhaven (2005) take one step further and argue that organizational trust as the shared attitude of individual organizational members is likely to be heterogeneous; individual trust may stem from different sources, be of different strength and have different consequences. So, shared attitude of all organizational members may not be a very exact predictor of an organization's collaborative behaviour. So, they distinguish trust at the strategic level from the trust at the operational level. They base their claim on the work of Salk and Simon (2003): Inter-organizational relations constitute a very specific context where those who frame the strategic intentions of collaborating organizations are often distinct from those who actually implement them.

<table>
<tr><td colspan="2" rowspan="2"></td><td colspan="2">Who is trusted? (i.e. trustee)</td></tr>
<tr><td>Individual</td><td>Organization</td></tr>
<tr><td rowspan="3">Who trusts? (trustor)</td><td>Individual</td><td colspan="2">Top-level Individual ⟶ Individual\ Organization
Strategic-level trust</td></tr>
<tr><td></td><td colspan="2">Operational-level Individual ⟶ Individual\ Organization
Operational-level trust</td></tr>
<tr><td>Organization</td><td>Organization → Individial</td><td>Organization → Organization</td></tr>
</table>

Figure 3. Strategic and operational level of inter-organizational trust (Janowicz & Noorderhaven 2005)

In the above figure, the lower two quadrants are quite problematic, because in the strict sense organizations cannot rust; only an individual can trust and the notion: organizational trust as shared attitude held by organizational members is also not exact predictor of organizational level of trust. So, the horizontal division of upper field differentiates between levels in a hierarchy and considers an individual as the subject, but it can have its object as another individual or partner organization. To justify their claim, Janowicz and Noorderhaven (2005) argue that strategic level trust have quite different consequences for the functioning of the alliance than trust held by the operational level actors and conceptualise the strategic level trust as, “The shared attitude of the company’s top boundary spanners towards the partner firm and its members”.

In contrast to top managers, organizational actors at lower hierarchical levels play quite different roles and are responsible for the actual implementation of the collaboration and are conceptualised as “trust shared by the non-executive boundary spanners of the

collaborating organizations towards the partner organization and its individual members".

In the whole above discussion, Janowicz and Noorderhaven (2005) assume the individual as the subject of the inter-organizational level trust. The two levels of inter-organizational trust delineated according to who is the trustor and independent of whom is the object of trust (an individual or an organization).

3.4. Dimensions of trust

It has been discussed earlier that cooperative relationships develop over time through various stages. Lewicki and Bunker (1996) argued that trust at different stages of relationship development would be qualitatively different, and that variation in the nature of trust matters because relationships at different stages of maturity serve different purposes. Due to this dynamic nature of trust, writers have put the concept of trust into different dimensions to analyze its development in the alliances. In an attempt to put the concept of trust into dimensions, different writers have identified different dimensions of trust and still clear dimensions of trust have not been presented in previous studies. However, below table presents the dimensions of trust presented by many writers.

Table 2. Identified dimensions of trust in previous studies

Author /Year	Dimensions of trust
Sako (1992)	contractual, competence and goodwill trust
Lewicki and Bunker (1996)	calculus, knowledge and identification based trust
Styles and Hersch (2005)	Personal, contractual, competence and good will trust
McAllister (1995)	Cognition and affect (identification) based trust

The above table gives a clear picture that different writers have identified different dimensions of trust and there seems for a comprehensive study discussing many of these important dimensions together. The present study attempts to give a comprehensive view of dimensions of trust and identifies the dimensions of trust from the work of Sako (1992), Lewicki and Bunker (1996), McAllister (1995) and, Styles and Hersch (2005). These identified dimensions of trust are calculative based trust, competence based trust, contractual trust, knowledge based trust, goodwill trust and identification based trust. In the following the main characteristics of these dimensions of trust will be discussed.

Calculative based trust

Calculative based trust is a fragile form of trust which develops on the bases of calculation. It emerges when the trustor perceives that the trustee intends to perform an action that is beneficial. It appears to correspond with new situations or relationships. It involves a level of uncertainty and risk and is based, in the absence of more certain or concrete information, upon the reputation of a potential partner. In calculative trust, the parties consider and assess the expected costs and benefits of working together in specific ways (Lewicki & Bunker 1996). They also argue that calculation-based trust might be driven by both the value of benefits and the costs of cheating and many business relationships begin and end in calculative trust. Lewicki and Bunker (1996) had also added deterrence element along with the calculative based trust for the behavioural consistency of the trading partner. The deterrence element was grounded in the threat of punishment, if the partner fails to provide what he had promised. This element of deterrence was seen as negative factor for the development of trust (Ratnasingam 2003).

Competence based trust

Trust in social exchange situations not only means that the opposite party is expected to support or at least not obstruct our goal achievement; it also includes the belief that the partner is actually capable of doing so. Thus, competence based trust is the confidence that the partner has the intent and ability to meet their obligations (roles) and make their promised contributions to the alliance (Sako 1992). In the context of IJV Wicks, Berman and Jones (1999) argue that trusting implies that the opposite side is regarded as having certain competences and resources which increase the likelihood that our goals for the IJV will be achieved. Competence is based on the various resources and

capabilities of a firm. Resources may include capital, human resources, physical properties, market power, technology, and others. These resources and capabilities provide the basis for the competence or expertise that is needed in alliances.

In conclusion, Competence trust (Sako 1992) is confidence in partners' abilities to perform their respective role in the IJV. In general, it develops from demonstration of a partner's abilities and, in some cases, from the reputation of the partner (Styles & Hersch 2005).

Knowledge based trust

In literature, some writers like Child (1998) and McAllister (1995) have used the word "cognition" to describe the same construct. Knowledge based trust is grounded in the others predictability-knowing the other sufficiently well so that others behaviour is anti-citable. Knowledge based trust occurs when a history of interaction builds sufficient information base that behaviour can be predicted. This type of relationship is grown and maintained with constant and diverse interaction (Lewicki & Bunker 1996).

Knowledge-based trust relies on information rather than deterrence (Lewicki & Bunker 1996). It develops over time, largely as a function of the parties having a history of interaction that allows them to develop a generalised expectancy that the others behaviour is predictable and that he or she will act trustworthily (Rotter 1971). According to this explanation interacting partners collect information from their shared passed experiences and anticipate partner's trustworthiness.

According to Shapiro et al. (1992) information contributes to the predictability of the other, which contributes to trust. The more accurate information of others behaviour is, the better his\her actions can be predicted. Predictability also enhances trust even if counterpart acts untrustworthy because the way he violates trust can be predicted. These accurate predictions require an understanding which develops over repeated interactions in multidimensional relationships (Shapiro et al. 1992). Regular communication and courtship are key processes to this type of trust. Communication consists of continuous contact with the other, exchanging information about wants and approaches to problems. Courtship is kind of behaviour which is targeted for relationship building and understanding partners views and interests (Lewicki & Bunker 1996).

The assumption of fragility contained in the calculative view of trust is relaxed somewhat in knowledge based trust, because the trust here is founded upon the security and the comfort that the partner is well understood and is known to share important assumptions with other partner (Lewicki & Bunker 1996).

Identification based trust

In literature different words have been used to describe the same construct. McAllister (1995) had used the word affect based trust and Child (1998) used the word normative trust to describe the same phenomenon. According to McAllister (1995: 26) identification based trust is found on the emotional bonds of care and concern between the people. It is the most resilient and robust form of trust that develops through fairly intensive relating between people on “person to person” basis over a quite a long period of time. In strategic alliances, identification based trust will therefore be difficult to achieve, and if it emerges at all this is only likely after alliance has been operating successfully, and up to partner expectations, over a period of some years. Identification based trust is the advanced level of trust and is enhanced through affirming similar motives, interests, needs, and goals; displaying empathy, compatibility, and similar reactions to common situations; and sharing some situational relevant values and principles. Basis for this type of trust is the effective understanding and appreciation of others wants. It occurs finally when deep understanding allows one party to identify with the others values and goals. At this level one party internalizes the needs and wants of the other sufficiently to act others best interests, allowing one to “think” like the other (Lewicki & Bunker 1996).

Furthermore, at this level one can let the other serve as his agent and substitute for him in interpersonal transactions. One can be sure that his interests will be fully protected and there is no need for monitoring and controlling the others behaviour. In some cases may appear that ones agent “the other” is willing to defend ones interests more aggressively than one itself. Increased identification enables one to think, feel and respond like the other (Lewicki & Bunker 1996).

Contractual trust

Alliances require some degree of agreement to exchange goods, services and information. Relationships between exchange partners can be stabilized through either formal or informal mechanisms. Formal mechanisms require a written document or agreement through which desired patterns of partner behaviour and to extract penalties from failures to perform can be enforced. Informal mechanisms such as implicit contracts are defined as unwritten agreements between firms which are enforced not by formal authority and power but rather by the desire to create and maintain a positive reputation for fairness. In other words, informal mechanisms may provide a valuable alternative compared to written contracts as a way to encourage mutual interest without written legal obligation (Frankel, Whipple & Frayer 1996: 49).

Present study prefers the definition of contractual trust provided by Sako (1992): "contractual trust is the trust that exists between the partners to ensure adherence to the specific written or oral agreements". Contractual trust is the expectation that partners will fulfill their contractual obligations. It develops in response to the negotiation of the IJV contract (Styles & Hersch 2005). Some writers like Boersma, Buckley and Ghauri (2003) have used the term "promissory based trust" to describe the same construct.

Goodwill trust

Goodwill trust is based on the partners' intentions for the long-term existence of the relationship. Sako (1992) describes goodwill trust as resulting from a mutual commitment to the long-term maintenance of the relationship. (Styles & Hersch 2005) argues that goodwill trust develops after the IJV begins operating, when partners make non-contractual contributions to the relationship, or when a partner's expectations are exceeded. In essence, partners trust each other to do the right thing for the IJV regardless of the immediate impact on one side or the other. Therefore, goodwill trust increases relationship strength because it provides partners with a sense of security in the long-term existence of the relationship.

3.5. Summary

This chapter unfolds with the introduction to the complexity of the concept of trust. The concept of trust has been studied from the lens of many academic disciplines like economists tend to view trust as calculative or institutional, psychologists relate concept of trust on the attributes of trustor and trustee and the sociologists relate the concept of trust with the socially embedded properties of relationships among people or institutions. In the context of IJV, trust can have important psychological, sociological, and the economical properties simultaneously.

Although the concept of trust has been studied from the lens of many disciplines, one comprehensive definition of trust does not exist. However, researchers have been able to identify some common thoughts that stand out in different definitions of trust. First, there are always two parties, **trustor** and **trustee** and there is trustors **expectancy** about the trustees good intentions and his ability to honour these intentions. Other underlying elements that affect the trust between the parties are **uncertainty, vulnerability** and **control**.

Researchers have identified that the amount of trustor's trust on the trustee depend on the characteristics of both the trustor and trustee. The trustor's characteristic of **propensity to trust** is the general willingness to trust others and this characteristic of trustor helps him in deciding the amount of trust on the trustee prior to getting trustee data. The three characteristics of trustee like **competence (**group of skills, abilities, and characteristics in some specific domain), **benevolence (**trustee intentions of helping the trustor) and **integrity (**adheres to a set of principles that the trustor finds acceptable) constitutes the sign of trustworthiness and helps the trustor to decide the amount of trust on trustee.

After shedding light on the complexity of the concept of trust and the characteristics of actors, the issue of "who trusts whom" is studied in more detail. Trust is like a sentence, with a subject (trustor), verb (trust), and direct object (trustee). It is the direct object that determines many of the types of trust in use. If the direct object of trust is a person, the construct is interpersonal trust; if the object is general other people, the construct is disposition to trust. This assumes that the subject of trust is one person, but this could produce different levels of trust. Socio-psychological research views trust as a characteristic of an individual and the notion of organizational level trust rests on a shared attitude held by members of a given organization. This organizational level trust

as the shared attitude of individual organization members is heterogeneous because trust from boundary spanners is different from non-boundary spanners trust. In boundary spanners the strategic level of trust (shared attitude of company top boundary spanners towards the partner firm and its members) has quite different consequences from the operational level trust (trust shared by non-executive boundary spanners of the collaborating organizations towards the partner organization and its members). In the context of IJV, trust is first produced on strategic level and the notion that organizations trust rest upon only few peoples who actually involve in formation of IJV (strategic level).

Since, cooperative relationships develop over time through various stages and trust at different stages of relationship development would be qualitatively different. Due to this dynamic nature of trust, writers have put the concept of trust into different dimensions to analyze its development in the alliances. Commonly identified dimensions of trust by many writers are calculative based trust(assessment of value of benefits and cost of cheatings), competence based trust(partner ability to meet their obligations), contractual trust(adherence to the specific written or oral agreement), knowledge based trust(knowing the other sufficiently well so that others behaviour is anti-citable), goodwill trust(mutual commitment to the long-term maintenance of the relationship) and identification based trust (the most resilient and robust form of trust that develops through fairly intensive relating between people on “person to person” basis).

Figure 4 summarizes all the concepts reviewed in this chapter. There are two organizations (trustor and trustee) that interact to form the IJV. Trustor characteristic of propensity to trust and trustee characteristics of competence, benevolence and integrity help the trustor in deciding the amount of strategic level of trust towards trustee. This study views that strategic level trust on inter-personal level is much important and it causes the development of trust on operational level and thus takes the form of inter-organizational trust. Furthermore, different dimensions of trust are shown.

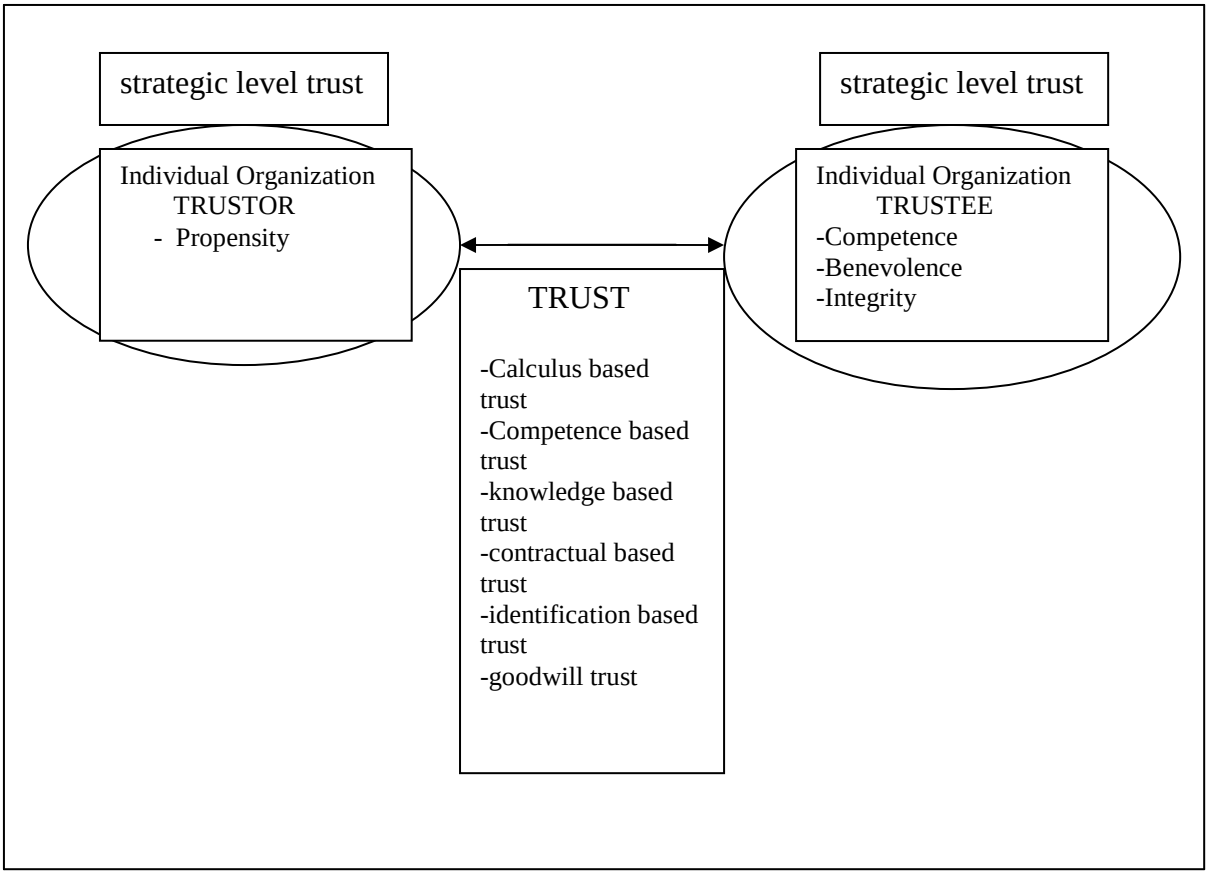

Figure 4. Summary of characteristics of trust

4. DEVELOPMENT OF TRUST IN IJV CONTEXT

4.1. Affect of relationship characteristics on the development of trust

Relational factors comprise the history of direct interactions between the actors and their indirect interactions through common third parties. In literature, there is no comprehensive study that describes the complete set of relationship factors that effect on the level of trust. Present study has identified some relationship characteristics from the studies of Saxton (1997), Parkhe (1998a,b) and Nielsen (2001). These identified relationship characteristics are prior affiliation, reputation, shared decision making and involvement, learning about the partner, communication, and adjustment. In the following these relationship characteristics are discussed in detail.

Prior affiliation

In partner selection stage companies usually prefer those potential partners which are known and have been engaged in some previous exchanges. It's all because there is a "Learning curve" between the partners which effect in cooperation. In this regard companies restrict their transactions to those who have shown themselves to be trustworthy (Hamill & Hunt 1996). According to Nielsen (2001: 10) the desire and willingness to expend resources in the development of trust and long-term relationships is closely linked to a firm's prior experiences with that partner and the extent to which positive or negative expectancies have been fulfilled. Parkhe (1998a: 233) argues that in looking backward; firms look partner's cooperative history and reputation. Trust earned from prior engagement serves as evidence to justify subsequent risky steps beyond the accumulated evidence. The partners cooperative history affects in a way that the older the relationship between partners, the greater the likelihood that it has passed through a critical "shake-out" period of conflicts and influence attempts by both sides. When the relationship has survived this period, the foundation is laid for personal trust, mutual liking, and a good working relationship. Therefore, deeply rooted in historical engagement, trust is more likely to be the accumulation of prior satisfactory experiences. Hence, it can be expected that the extent to which the firms (or essentially the individuals) forming the alliance have a history of trust and cooperation significantly will influence the degree of initial trust in the alliance (Nielsen 2001: 10)

Reputation

The importance of reputation for trust production emerges especially when cooperative history between the partners does not exist and locating a partner with a good reputation seems to be an effective and logical starting point for building trust. A good reputation provides the assurance for continuity of trustworthy behavior in future. The greater the good reputation, the greater the trust emerged (Parkhe 1998a: 233). Reputation can reflect professional competence (Powell 1996) or the other trusting believes benevolence (Dasgupta 1988), honesty and predictability. According to the resource based theory, positive reputation is a valuable intangible asset that may allow a firm to establish a sustainable competitive advantage. Resource depending assumption in this arguments is that firms in an alliance believe a partner's positive reputation enhances the potential for a satisfactory relationship with the other firm (Saxton 1997: 3). Therefore locating a partner with a good reputation seems to be an effective and logical starting point for building trust.

Shared decision making and involvement

Here, involvement refers to the extent to which the partners jointly decide the goals for the international joint venture and try to achieve those goals. This high involvement gives signals of partner interest in IJV and produces goodwill in the eyes of other partner. According to Dwyer et al. (1987), input to decisions and joint goal setting are important aspects of the involvement that help the partnership to succeed. Saxon (1997) also predicted that a high degree mutual involvement in the strategic decision making of alliance will positively affect outcomes as such involvement builds trust.

Furthermore, high involvement in joined decision making signifies the partner commitment to and interest in outcomes, which decreases the likelihood of opportunistic behavior.

Learning about partner

Learning about the partner serves as a vehicle that provides the opportunity to enhance trust between the partners. Hyder and Ghauri (2000) learned from two cases that more partners learn about each other, the more relationship develops in a positive direction. According to Sabel (1993), the creation of trust is actually a process of learning by

economic actors. Learning about the partner starts from the partner search and partner selection stage of international joint venture: where partners collect information about the complementary abilities and trustworthiness of partner and at this stage, learning is unilateral. According to Inkpen and Currall (2004), once the joint venture is formed and if the initial conditions support continued collaboration (as opposed to termination), the movement toward deeper cooperation involves a willingness by partner firms to make irreversible commitments to alliances such as learning about the partner. At this stage, learning is mutual and makes the partners predictable. The positive predictability enhances the level of trust of what Lewicki and Bunker (1996) called " knowledge based trust".

Communication

Regarding communication, Mohr (2004) argues that communication increases transparency of the partners' agendas and contributes to avoiding the existence of 'hidden agendas'. Communication allows partners to get to know each other better, which enables them to more accurately envisage the opposite's future behavior. Communication furthermore facilitates comparisons between words and actions of the partner, and thus allows firms to make inferences about the trustworthiness of their partner. In the same vein, Aulakh et al. (1996) observe the positive effect of communication on the level of trust in the fact that partners' perceptions and expectations are aligned, which is seen as conducive for the development of trust. Das and Teng (1998: 504) argue that there are several reasons why communication and information processing play important role in the trust development.

1. Open and prompt communication among partners is believed to be an indispensable characteristic of trusting relationships.
2. Firms need to collect evidence about their partner's credibility and trustworthiness, and communication facilitates this process.
3. Communication helps to build trust because it provides the basis for continued interaction, from which partners further develop common values and norms.

In the same vein Nielsen (2001: 21) identifies the importance of communication in strategic alliances and says that communication is glue that holds together a channel of exchange and can be broadly defined as "the formal as well as the informal sharing of meaningful and timely information between firms". Communication fosters trust by

assisting in resolving disputes and aligning perceptions and expectations and it would be impossible to theorize about trust in international strategic alliances without paying due attention to communication. The notion of timely communication is, however, important because the past communication is an antecedent of trust. He further argues in subsequent periods, this accumulation of trust leads to better communication, suggesting that communication and trust are interrelated and likely to affect each other depending on the period in time one is focusing.

Adjustment

Here, adjustment refers to the behavioural adjustment between the partners and also that partners adjust themselves according to the needs of cooperation in IJV. Trust is earned from partners if one adjusts to the needs of cooperation in partnerships. Das and Teng (1998: 505) argue that Inter-firm adjustment refers to the adjustment of ones own behavioural pattern in order to bring about a fit between the partners or between the alliance and the environment. Flexibility and the willingness to accommodate deviations from the contract when necessary are to inter-firm adaptation. It has recognized that the willingness to carry out such adjustments is essential for the trust building, and has proposed that bilateral adaptations in IJV provide incentives for acting for mutual interests rather than self interest (Das & Teng 1998: 505).

Mohr (2004: 13) argues that a firm's willingness to adjust to the needs of the IJV and/or the partner signals benevolence and increases trustworthiness in the eyes of the partner. He, further suggest that adjustment leads to the development of trustworthiness in buyer-supplier relationships and for the case of IJVs, he argues that a co-operative attitude which includes the ability and willingness to adjust, is a necessary condition for a high level of trust between JV partners. Furthermore, adjustment by partners can be regarded as a sign of commitment to, and an interest in, the long-term development of, the JV relationship and thus be conducive to the development of trust between the partners.

This study views all above mentioned elements (prior affiliation, reputation, shared decision making, learning about the partner, adjustment, and communication) as relationship characteristics that affect on the development of trust during the different stages of IJV. Prior studies have not linked all of these relationship characteristics to the

specific type of trust dimensions. The present study will identify the effect on relationship characteristics on the development of trust during the different stages of IJV on the base of research findings.

4.2. Stage-wise development of trust

Usually trust is seen as an outcome of a process, ie. trust relationships develop gradually. The process of trust building is seen as a self-enforcing process; trust creates trust and distrust creates distrust. Trust is difficult to initiate, slow to grow, but always easy to break, which makes it most fragile: Once betrayed trust is difficult to heal (Heino 2004). According to Child and Faulkner (1998) "Trust in the beginning of relationship is quite fragile but becomes more resilient as relationships develop and parties share information and become aware of each others needs and objectives".

Development of trust in partner relationships is essential, because only in confidential relationships people can coordinate all their resources in accomplishing required tasks. The more trust is conditional; the more resources are needed in accomplishing these tasks. Efficient cooperation requires a strong basis of trust, especially in such partnerships where precondition for success is integration and utilization of tacit-type experience-based knowledge capital (Heino 2004).

The further the relationships grow, the more emphasis is placed on observed and experienced reality of how the counter part acts. To be able to trust each other, partners need lot of information concerning each other. Trust is built on certain facts and experiences which are always needed in all partnerships concerning the work (Heino 2004). For the development of relationships:

- Partners must be able to trust each others competence
- Partners must have same kind of value grounds
- Partners must be assured that their intention toward each other are good

Thus, cooperative relationships develop over time, supported by a corresponding evolution of trust. As Smith et al. (1995) noted that several writers have suggested that cooperative relations develop through a number of stages. Ring and Van de Ven (1992) argue that there are feedback loops in this process whereby the partners evaluate their

experience and decide whether to continue to cooperate and if so, in what form. Parkhe (1998b: 417) argues that alliances go through various stages of life cycle, and at any particular stage of a relationship, the level of trust must approximately "match" the life-cycle stage. In this vein, Lewicki and Bunker (1996: 124) proposed a model of "the stage wise evolution of trust" in which "trust develops gradually as the parties move from one stage to another". They argue that trust first develops on the basis of **calculation**. This is the stage which people are prepared to take some risk in entering into dependence on others, because they are aware of some institutional safeguards or deterrents against reneging. For some relationships, trust may remain of this kind that at this level, as in repeated but arms-length market transactions between people. Furthermore, Lewicki and Bunker (1996) argued that many business and legal relationships begin and end in calculative trust. Calculative trust approximately to the stage at which people in different organizations decide, often somewhat gradually, that "OK", i am prepared to work with you.

If initial relationship activities serve to confirm the validity of the calculative trust and thus encourage repeated interaction and transaction, then the parties will also begin to develop a knowledge base about each other. In other words, a process of "going to know you" is now underway. The conditions are generated for a transition to trust based on mutual understanding. This is the stage in a relationship at which a person feels comfortable with a partner in the knowledge that he or she has proved to be consistent and reliable, and that the partner shares important expectations about the relationship. As a result, the partner is proving to be predictable. In this way, the parties' experience of a calculative trust relationship (i.e. feedback) is critical for their willingness to undergo the shift to knowledge based trust. If the feedback is negative, and trust is broken, they will probably move to terminate the relationship. Even short of fracture, if the experience of relating on a calculative basis is not strongly positive, or if the relationship is heavily regulated, or if the interdependence of the partners is heavily bounded, they will have little cause to develop **knowledge-based** trust (Lewicik & Bunker 1996)

A further transition may come when **identification trust** builds on the depth of knowledge which the parties have acquired of each other and on the mutual confidence they have developed. These outcomes from the relationship may encourage the parties to identify with each others goals and interests. A certain amount of mutual liking will probably now enter into the relationship, so that this stage is typically one at which the

partners have become friends. It is the stage of “going to like you”. Lewicik and Bunker (1996) believe, however that, whereas stable cognitive (knowledge based) trust characterizes many relationships, trust based on personal identification may be less common especially in business or work transactions where some difference of interest is usually inherent in the relationship.

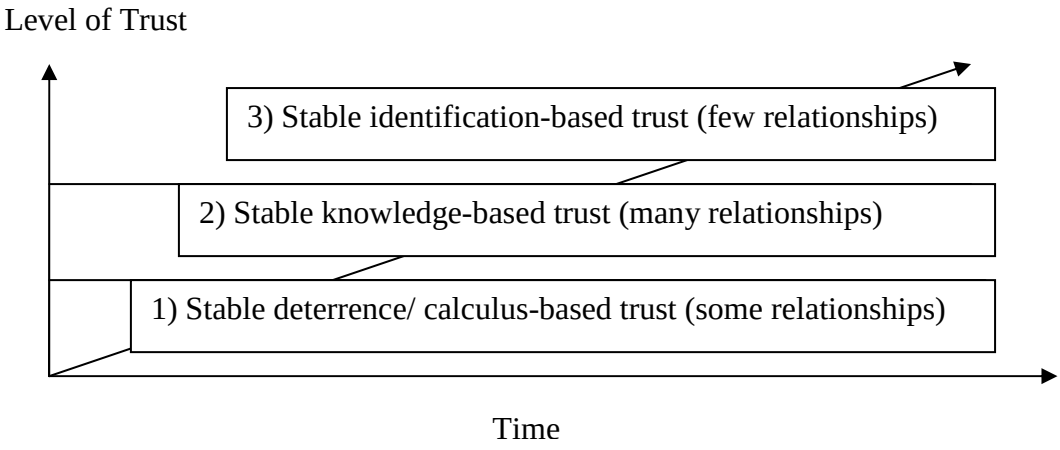

Figure 5. The stages of trust development (Lewicik & Bunker 1996)

In the context of strategic alliances, Child (1998) borrowed the dimensions of trust from the work of Lewicik and Bunker (1996) and examined trust between for-profit companies and suggested that trust develops sequentially from calculative, to knowledge based trust (cognitive), and to identification based trust (normative) during the alliance formation process.

Child (1998: 247) argues that each type of trust not only builds upon the foundation of the preceding type, but also “generates the conditions for the transition” to the next type. Lane (1998: 4) observes that many theorists “envisage a multidimensional concept of trust and elaborate a typology of trust which rests on more than one basis,” and that there may be “common combinations” of these dimensions. The parallel lines in Child’s depiction of the “evolution of the bases for trust” (see in below figure 6) suggest that there need not be a contradiction between the concept of identifiable stages, on one hand, and the possibility of different types of trust occurring simultaneously, on the other. Indeed, the following statement by Child makes this quite clear: A hierarchy of foundations for trust and co-operation is, in effect, being posited here with calculative trust at the base, cognitive trust in the middle, and normative trust at the apex (Child 1998: 253).

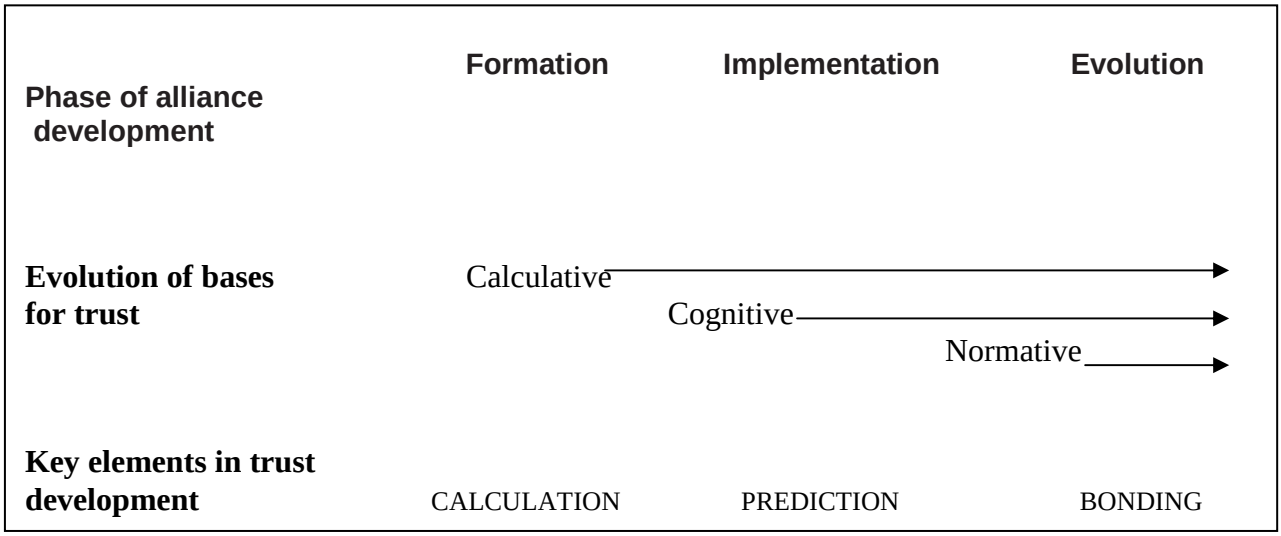

Figure 6. Development of trust in strategic alliances **(**Child 1998: 252)

In the context of IJV, Styles and Hersch (2005) discussed the development of trust and commitment during the five stages of international joint ventures. They studied seven International joint ventures between Australian and Malaysian firms and provided a relationship development roadmap depicting the stage wise development of trust along the five stages of IJV (need determination, partner search and partner selection, negotiation, operating the IJV and, exceeding expectations or non-contractual contributions.

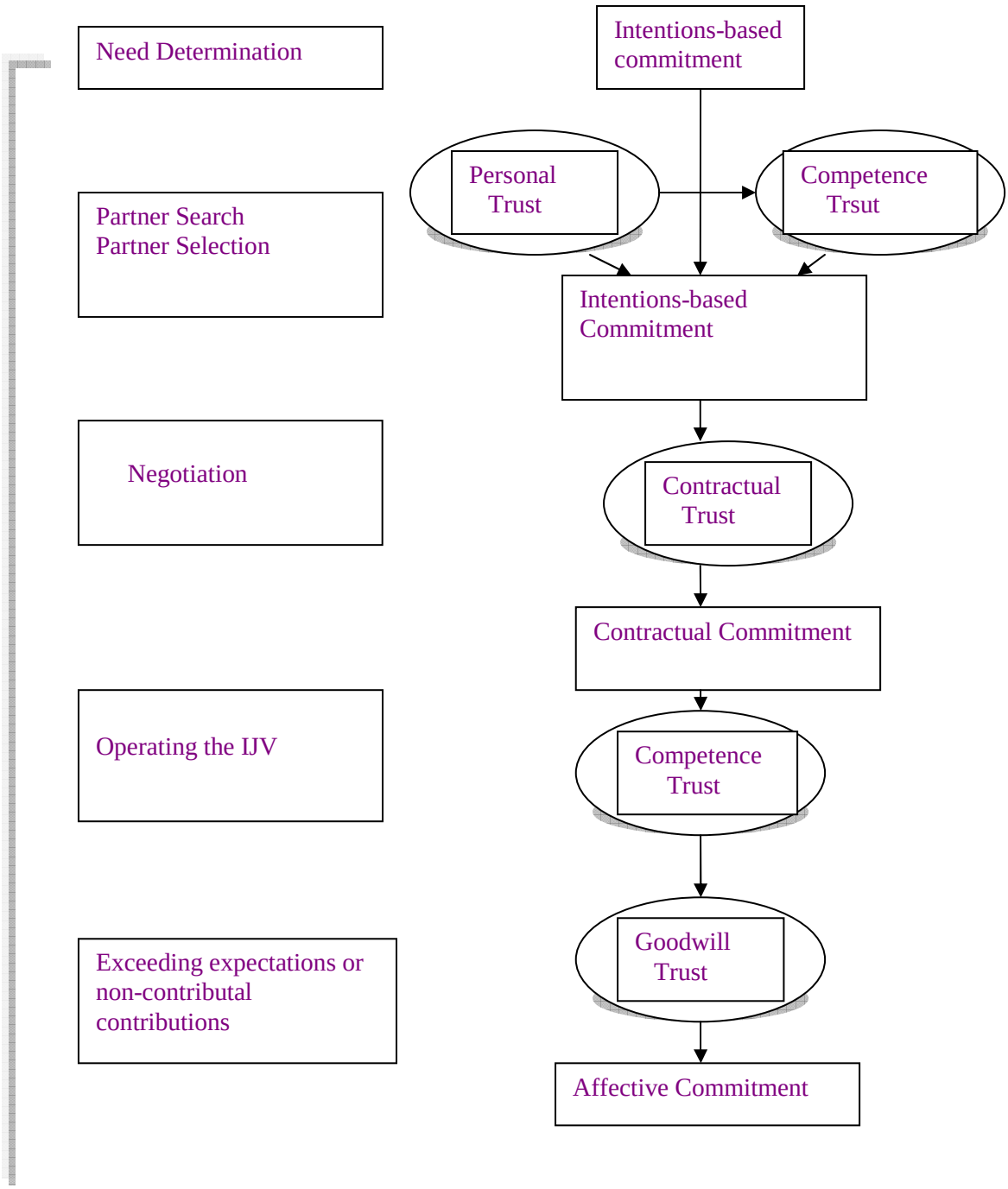

Figure 7: Relationship Development Road Map (Styles & Hersch 2005)

Their analysis revealed that companies initially develop intentions-based commitment (Commitment to form an IJV) on their own accord through the need determination stage. Companies then begin the partner search stage and Personal trust develops. Alternatively, competence trust may develop independently on the basis of the reputation of a potential partner. Intentions based commitment (commitment to form the

IJV) continues to develop as companies select their partner. During the negotiation stage, contractual trust develops as companies negotiate with the expectations that the parties will fulfill their contractual obligations. Contractual commitment develops as the partners sign the agreement and the partners commit to their respective contributions. After the IJV begins operating, competence trust develops on the basis of experiencing the partners' abilities. As the IJV continues operating, goodwill trust develops as partners genuinely desire to continue the IJV relationship. When expectations are exceeded through non-contractual contributions, affective commitment develops. By this stage, partners become committed to each other as opposed to the IJV and may consider additional ventures to leverage their relationship.

In conclusion, prior studies have attempted to unfold the stage-wise development of trust, but these studies have not included all the trust dimensions in the trust development process. Lewicki and Bunker (1996) have generally discussed the stage-wise development of trust in inter-personal relationships and argued that trust develops from CBT (calculative based trust), to KBT (knowledge based trust), to IBT (identification based trust). Child (1998) has discussed the stage-wise development of trust in strategic alliances. He identified the same sequence of trust development as by Lewicki and Bunker (1996), but argued that different stages of trust can develop simultaneously. Styles and Hersch (2005) have discussed the stage-wise development of trust in the context of IJV and argued that trust develops from personal trust and independently developed competence based trust to contractual trust, to strengthening competence trust, to goodwill trust.

In order to give a comprehensive view of stage-wise development of trust, present study includes six dimensions of trust: calculative based trust, competence based trust, contractual trust, knowledge based trust, goodwill trust and identification based trust. It is suggested that trust first develops on the basis of calculation called **calculative based trust**. In it, partners calculate the costs and/ or rewards of interacting with another partner. Then **competence trust** develops from the reputation of partner with believe that opposite side is regarded as having certain competences and resources which increase the likelihood that our goals for the IJV will be achieved. Then **contractual trust** develops with the expectations that partner will fulfill their contractual contributions. Further, when the history of interaction builds sufficient information (i. e., a series of positive, consistent, and reliable behaviors) between the partners, then the **knowledge based trust** occurs making the other party behavior predictable. On the

predictability of reliable behavior, partners make the intentions for the long term existence of the relationship, thus **goodwill trust** occurs. Goodwill trust provides partners with a sense of security in the long-term existence of the relationship. If the IJV operates up to partner's expectations for a long period of time, then a robust form of trust called **identification based trust** occurs on emotional bonds of care and concern between the partners on person to person basis.

4.3. Summary of theoretical framework of the study

Figure 8 summarizes the main concepts of the present study. As seen in the figure, International Joint Venture develops sequentially though six stages of partner search, partner selection, contractual agreement, operating the IJV, exceeding the expectations or the non contractual contributions and, internalizing the IJV partner. During this sequential development of international joint venture, the level of trust does not remain static. Trust also develops along with the development of IJV. Parkhe (1998b: 417) argues that alliances go through various stages of life cycle, and at any particular stage of a relationship, the level of trust must approximately "match" the life-cycle stage. Due to this dynamics nature of trust, writers have put the concept of trust into different dimensions of trust. In the figure 8, trust is broken down into six dimensions of calculative based trust, competence based trust, contractual trust, knowledge based trust, goodwill trust and identification based trust. Arrow signs show that trust develops sequentially from calculative based trust to competence based trust, to contractual based trust, to knowledge based trust, to goodwill trust, and to identification based trust. It is however very possible that same sequence of stage-wise development of trust can be present in international joint venture life cycle. However, present study has left this issue on the empirical findings.

Furthermore, present study identifies six relationship characteristics of prior affiliation, reputation, shared decision making and involvement, learning about the partner, communication and, adjustment. These relationship characteristics affect on the stage-wise development of trust during the life cycle of IJV and push the trust from one dimension to other dimension. Prior studies have not linked these relationship characteristics to the specific type of trust dimensions. The present study will identify the effect on relationship characteristics on the stage-wise development of trust during the different stages of IJV on the base of research findings.

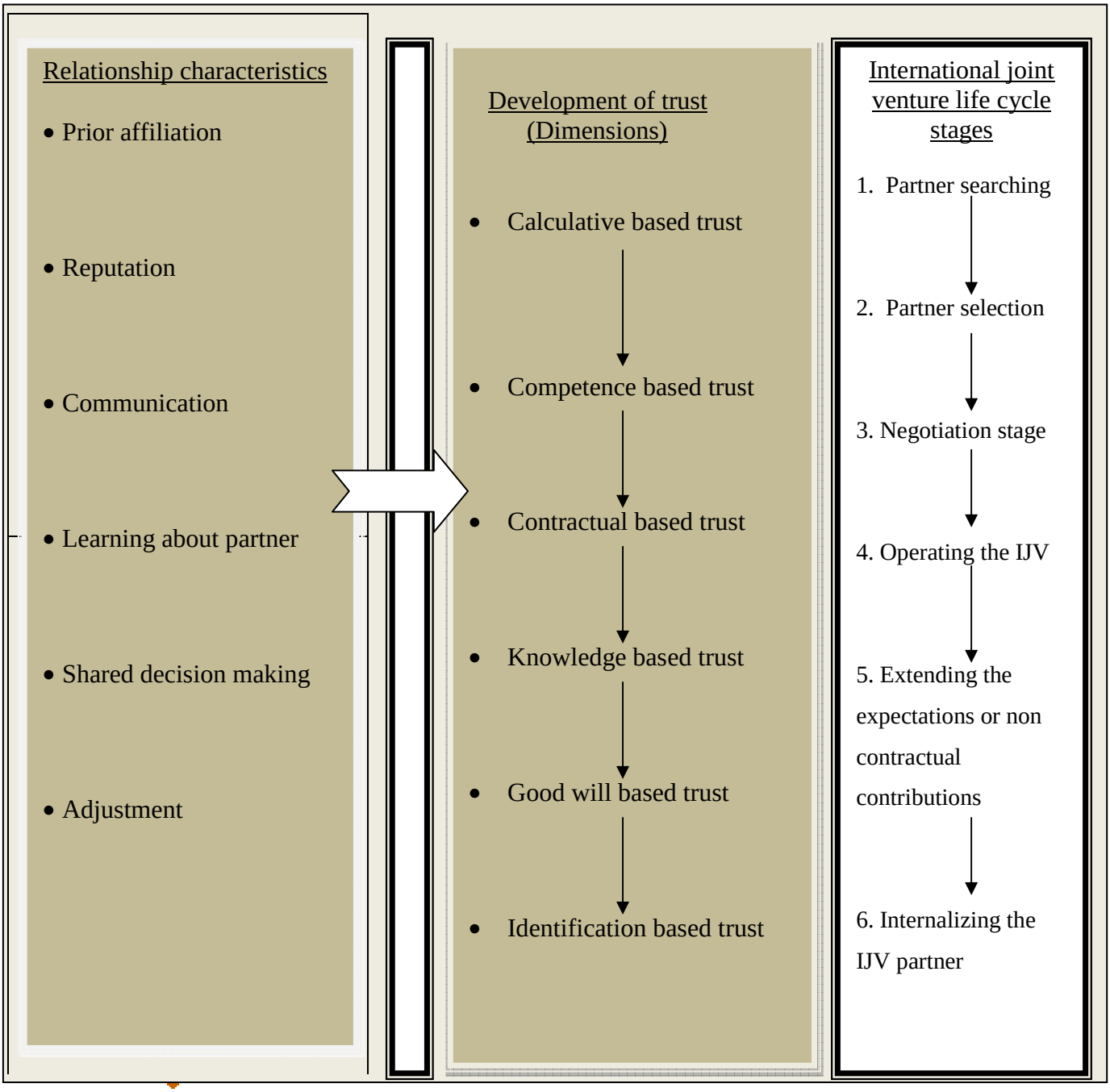

Figure 8. Summary of theoretical framework

5. RESEARCH METHODOLOGY

The purpose of this section is to explain the methodology used in the study. In the following, research method, case study research, criticism and benefits of case study research and case study design for the present study is explained. Moreover, the chapter describes the validity and reliability of the study.

5.1. Research method

For business studies, a research phenomenon can be studied with different approaches, which all offer an alternative view of the research object. Since there are number of methods available for gathering and analyzing data, the onus is on the researcher to choose the best method, which is more aligned with the research objectives of the study.

Researchers have long debated the relative value of qualitative and quantitative inquiry. Quantitative research uses experimental methods and quantitative measures to test hypothetical generalizations for large sample size. This method is a systematic research method with a structured approach. It has little flexibility and it has high ability to replicate the results. The aim of quantitative approach is to measure and explain the phenomenon by statistical analysis of the collected data. It is a method commonly used, when an ambition of the researcher is to provide answers to the questions like how much, how many and how often. The qualitative approach, on the other hand uses a naturalistic approach that seeks to understand phenomena in context-specific settings and it provides answers to the questions like what, why and how (Saunders et al. 2007: 472). It aims at deep insight to the research subject. It also refers to several methods of data collection and represents higher flexibility than quantitative research. This flexibility allows the researcher to pursue new areas of interest. Qualitative research should be well planned to eliminate the risk of not producing anything useless. In Qualitative research, the researcher is closely involved with the respondents; hence giving him a chance to get deep insight into the subject under study.

According to Ghauri, Gronhaug and Kristianslund (1995: 81), qualitative methods are suitable when study is exploratory in nature and when emphasis is on understanding and observing a phenomenon in natural setting as opposed to quantitative methods that

focus on hypothesis testing and verification, and where the investigator has control over the phenomenon.

In previous studies, mostly qualitative research has been widely used to explore the complex concept of trust and its stage-wise development in international strategic alliances and particularly to IJV context. The main reason for this is that there is tremendous complexity inherent in the complex concept of trust and its stage-wise evolution in IJVs and still this concept is underdeveloped. Parkhe (1993a) argues that, qualitative case study methods are more appropriate than traditional quantitative approaches because of (1) the limited amount of existing theory in this area and (2) the nature of the core concepts underlying IJV relationships. Still there is a need to study this phenomenon qualitatively, and this is powerfully reflected in the fact by Huemer (1998): that still there is need for one universal, single neat definition of trust.

In conclusion, qualitative method is usually used to investigate a study, however quantitative data can also be considered in business studies. In this thesis the focus is on the qualitative research methods rather than the quantitative research methods. It is because qualitative approaches give the opportunity to explore the phenomenon under study, than quantitative research techniques which are only helpful to test already existing theories (Strauss & Corbin 1990).

5.2. Case study research

The tradition of a case study belongs to a qualitative research tradition and forms a special research strategy and approach. A case study is an empirical research method, which examines a contemporary phenomenon in a real life situation; when the boundaries between phenomenon and the context are not clearly evident; and in which multiple sources of evidence are used (Yin 2003: 13).

The choice of the case study method depends on three factors listed below.

- Research question
- Control over behavioral events
- Focus on contemporary events

(Yin 2003: 5)

The above listed factors are analyzed according to the current study. Firstly, the research question is a crucial matter in choosing the research method. In the current study the research question was stated as: “How trust develops in International Joint venture life cycle”. According to Yin (2003: 5) “how” and “why” questions are best suited for case study research. Secondly, control over behavioral events is not necessary in the case study research method (Yin 2003: 5). Though in almost all research methods control over behavioral events is not necessary, especially in the current study it is not favored or possible as it concerns the complex concept of trust and its stage-wise development in IJVs. Thirdly, the focus is on contemporary events and therefore the case study research method is suitable. In conclusion, under the light of above discussed factors, the case study research method allows a highly in-depth research to study the trust development in IJVs.

5.3. Benefits and criticism of case study research

Here, an important decision that has to be made is to choose the number of cases. A case study can be either single or multiple case studies. The advantage of a single case study is that it helps in examining the vertical depth of phenomenon. Other advantages are the uniqueness or extremeness of the object and revelatory aspect. It means that the case represents new insights into the subject under investigation (Yin 2003: 39-54). Furthermore, the case study includes various techniques in gathering information that builds the method to be very reliable and current. The main sources are

- Administrative documentation
- Archival records
- Interviews
- Direct observations
- Participant observations
- Physical artifacts

(Yin 2003: 83)

On the other hand, the case study method has also faced a great deal of criticism. The first criticism against case studies is that they are not commonly known to be quite exact (Yin, 2003). The case study research is, however, a different concept, where sloppiness is not acceptable, though it has occurred (Yin 2003: 10). The second criticism concerns an important issue. One cannot create scientific generalizations of the results of case study (Yin 2003: 10). The third common criticism towards the case study method is that

they take a great deal of time and produce massive amounts of documents (Yin 2003: 11). The fourth criticism is the accuracy of the case study. It is claimed that the probability of the researcher to make mistakes or biased views may have a negative impact on the results and conclusions.

In conclusion, case study method has many benefits and it has also got much criticism. However, if the researcher is aware of the disadvantages of the case study, it is possible to increase the reliability and validity of the case study (Yin 1994: 9-10). Furthermore, it may be said that case studies, if well done by keeping in mind the all above criticisms, are highly explorative, descriptive and explanatory providing thorough insight to the subject matter.

In this thesis, the qualitative approach has been used with a case method. Since the research question was to study that how stage-wise trust develops in different stages of international joint venture life cycle, so lack of existing knowledge on stage-wise trust development in IJVs has made the thesis a case study. As, I study in University of Vaasa, Finland which is the same town where Wärtsilä has its production premises, so Wärtsilä became a choice to study due to availability of information and long history of its international presence in other countries.

5.4. Case study design

Every empirical research needs to have an implicit, if not explicit, research design where empirical data is connected to the initial research questions and then to the conclusions of the study (Yin 2003: 20). The design explains the different steps, which need to be taken into consideration while defining study questions and the conclusions phase. According to Yin (1994: 20), the research design of a case study should include: study questions, units of analysis, data collection and analysis of case study evidence.
In the following, the research design of this study is presented.

Study questions and units of analysis

The aim of this study is to analyze: how stage-wise trust develops in different stages of international joint venture life cycle. This study uses case study type 1 from a matrix developed by Yin (2003). This points out that the study concentrates only on one case. This is a holistic model and there is only one main company as a research object. As

Yin (2003) points out, using multiple case research findings is more convincing than when there is on findings from one case. But when using more than one research cases, the same vertical depth of phenomenon might be harder to achieve than when using only one case. This model is often suitable to use, when studied a well-known phenomenon and when the intent is to do an explorative study for a profound post-study. (Yin 2003; Ghauri et al. 1995.)

	one case	multiple cases
Single unit of analysis (holistic)	Type 1	Type 3
Multiple units of analysis (embedded)	Type 2	Type 4

Figure 9. Basic models of case-studies (Yin 2003: 40)

This study concentrates on the case company Wärtsilä, so main unit of analysis is Wärtsilä top management which acted on the initiating side of the trust development in IJV. According to Yin (1994), the focus should be kept on the main unit of analysis, which in this case is Wärtsilä top management acting on the initiating side of trust development.

Data collection

In order to achieve the goal of this study, multiple sources of data is used. Tracking the joint venture in real time was not possible, so retrospective data is collected from interviews with the concerned person who had been working for Wartsila India joint venture and had good knowledge about it. Furthermore, Interview was recorded. For basic information about the company and company joint venture, company website, company annual reports and company old magazines were used.

Interviewing is the most widely used methods of finding out what users want. Interview can be either structured, semi structured or unstructured. A totally structured interview gives the respondent a limited space to answer and data gathered will lack the richness because the number of possible responses is often limited and participants may be forced into giving responses which do not reflect their true feelings about an issue., while unstructured interviews gives the respondent the allowances to talk freely. Semi-structured lies in between, where the interviewer use an interview guide with questions and areas that should be covered, even if the questions might vary (Saunders et al. 2007: 314).

For this study, face to face interview was conducted with a semi structured interview questionnaire with open-ended questions. Primarily because such kind of questions gives the respondent recall freely and can take up a direction in the response. The response may then be followed up with more specific questions from the interviewer (Saunders et al. 2007: 320). Saunders et al. (2007: 321-324) say that an interviewer should, during the interview, be open minded for new questions and approaches on the problem in order not to lock the interviewer and the respondent to a specific line of argument. However, the interviewer should be attentive so no digression appears in the interview. Furthermore, for this study I used the judgment selection, which is a common method in qualitative research. Judgment selection takes place when the interviewer, from certain criteria, chose respondents that in advance can be estimated interesting for the study. It is important that a respondent possesses much knowledge of the subject that is being studied, which will increase the information content.

Data interpretation

Data interpretation is working with data, organizing it, breaking it into manageable units, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others. In qualitative research, critical themes emerge out of the data and researchers require some creativity to place the raw data into logical, meaningful categories; to examine them in a holistic fashion; and to find a way to communicate this interpretation to others (Patton 1990; Bogdan & Biklen 1982). In simple words, interpretation is about making sense out of text and imaged data. According to Saunders et al. (2007: 479), the goal of data interpretation are comprehending and managing data, integrating the related data and identifying key patterns or themes emerging out from them.

In this study, during the process of data interpretation, author has tried his best to eliminate superfluous material such as deviations and repetitions and to distinguish between essential and unessential, theoretical framework has been used as lens. The existing knowledge about the topic was used as a lens when the author tried to make sense of the collected data. Yin (2003) argues that by using the existing knowledge one can separate what is important for this investigation. It is preferred to use the existing knowledge when analyzing the collected data.

5.5. Validity and reliability

From the reliability point of view, it can be considered as an ideal of a research, according to which if the later investigator followed exactly the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator, should arrive at the same findings and conclusions (Yin 2003: 37). In this study, only one interview was conducted and that lasted for 55 minutes. It would have been better for the study if I would have been able to interview more than one person, but this is a limitation in the study that I was able to interview only one concerned person. The interviewee had been working for Wartsila India from 1999-2001 and had background knowledge about the Wartsila Indian joint venture and was keen in providing information. However, remaining information was gathered by sending mail to that specific person. Furthermore, the results of this study are based on subjective evaluation of situations by respondent and also subjective interpretation of the results by the author, so results can vary if another person from joint venture would answer.

Validity in qualitative study like this is not just related to the data collection, but to the fact that all parts of the study are coherent. Validity is concerned with whether the findings are really about what they appear to be about (Saunders et al. 2007: 150). According to Yin (2003: 35), one of the most widely used methods of analyzing the quality of the case studies is construct validity. It concerns the establishment of correct operational measures for the concepts studied. To meet the test of construct validity, specific type of changes that are to be studied should be selected and the study should demonstrate that the selected measures of these changes do reflect the specific types of change that have been selected (Yin 2003: 35-36). However, as it was stated already before, trust is a complex concept and comprehensive technical measures for trust yet

don’t exist. In this study trust has been broken down into different dimensions and some underlying features under each dimension have been identified to serve the purpose of this study.

Secondly, the question of external validity is related to whether the findings of the study can be generalized (Yin 2003: 37). In case studies, instead of statistical generalization, the results rely on analytical generalization. In this study an exploratory type of single case company is used as study unit and analysis of received data is done on the base of existing knowledge. So, in this way analytical generalization can be made to some extent.

6. EMPIRICAL FINDINGS

The chapter presents empirical findings of the current study. Firstly, the case company is introduced briefly. Then the physical structure of Wartsila joint venture in India is explained. Later on findings on stage-wise development of trust and impact of relationship characteristics on the stage-wise development of trust are presented.

6.1. Introduction to the case company

Wärtsilä is the truly global company Listed on the OMX Exchanges, headquarters in Helsinki, Finland and it focuses on the marine and energy markets with products, solutions and services. The deep understanding of machinery, propulsion, automation and design in ship power market, the flexible power plant solutions in selected niches (for developing world) in power plants market and, truly global service provider to its customers throughout the lifecycle of their installations has made Wartsila a market leader. It supports customers throughout the lifecycle of their installations with their own worldwide service stations. The company has more than13, 000 employees in 130 offices and close to 70 countries worldwide. In short, Wärtsilä has two major business divisions, Power plant and Ship Power. The company has also strong presence in services for these markets. In all main segments Wärtsilä holds a strong position (Wartsila website).

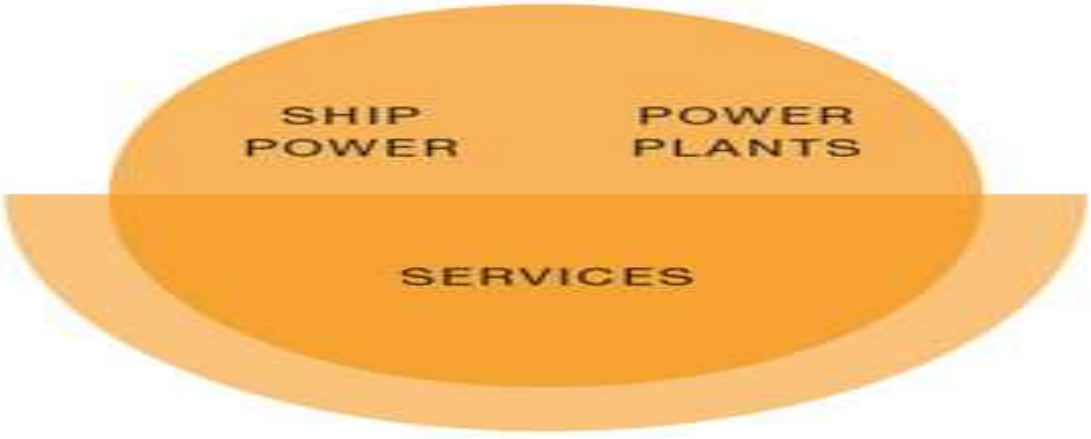

Figure 10. Industry in which main activities are concentrated (Wartsila website)

Wärtsilä power plants are used for industries such as oil and gas, mining, textile, cement, as well as municipalities with self-generating needs and remote installations. Wärtsilä offers power plant solutions based on oil, gas and dual-fuel engines as well as bio-mass fuelled heat and power plants. Moreover, Wärtsilä is the leading provider of ship machinery, propulsion and maneuvering solutions. Wärtsilä supplies engines and generating sets, reduction gears, propulsion equipment, control systems and sealing solutions for all types of vessels and offshore applications (Wärtsilä website). The company sales for the year 2006 were 3,189.6 million Euros (app).

The physical structure of the joint venture (Wartsila India)

Wartsila India was a joint venture between Wartsila Ab, Finland and Shapoorji Pallonji & Co. Pvt. Ltd., Banaras House Ltd and some financial companies of India. The joint venture was established in 1986 and was listed as Wartsila India in Mumbai stock exchange in 1988, was located in India for the manufacturing of high power diesel generating sets/engines in the range of 500 KW to 7500. The reasons for listing of joint venture in Mumbai stock exchange was because of high import duties (import back of output to Finland) from Indian Government. Wartsila Finland was the majority holder with 51% of joint venture equity and remaining was hold by Indian partners. The manufacturing process of joint venture was connected with Wartsila Finland. It means that Wartsila Finland was providing technology for production of engines along with supervision for joint venture. The Indian partners were providing human resources and infrastructure for production along with the market channel for the selling of engines in Indian market. Some out put of joint venture was going back to Wartsila Finland and remaining was sold in Indian market through the market channel provided by Indian partners. The advantage for Wartsila Finland and Indian partners of joint venture were clearly not the same. Wartsila Finland was getting extra profitability because of cheap labor and access to the big Indian market though the partners market channel. Indian partners were getting new technology. For Wartsila Finland, joint venture was a great business opportunity and a necessity at the same time.

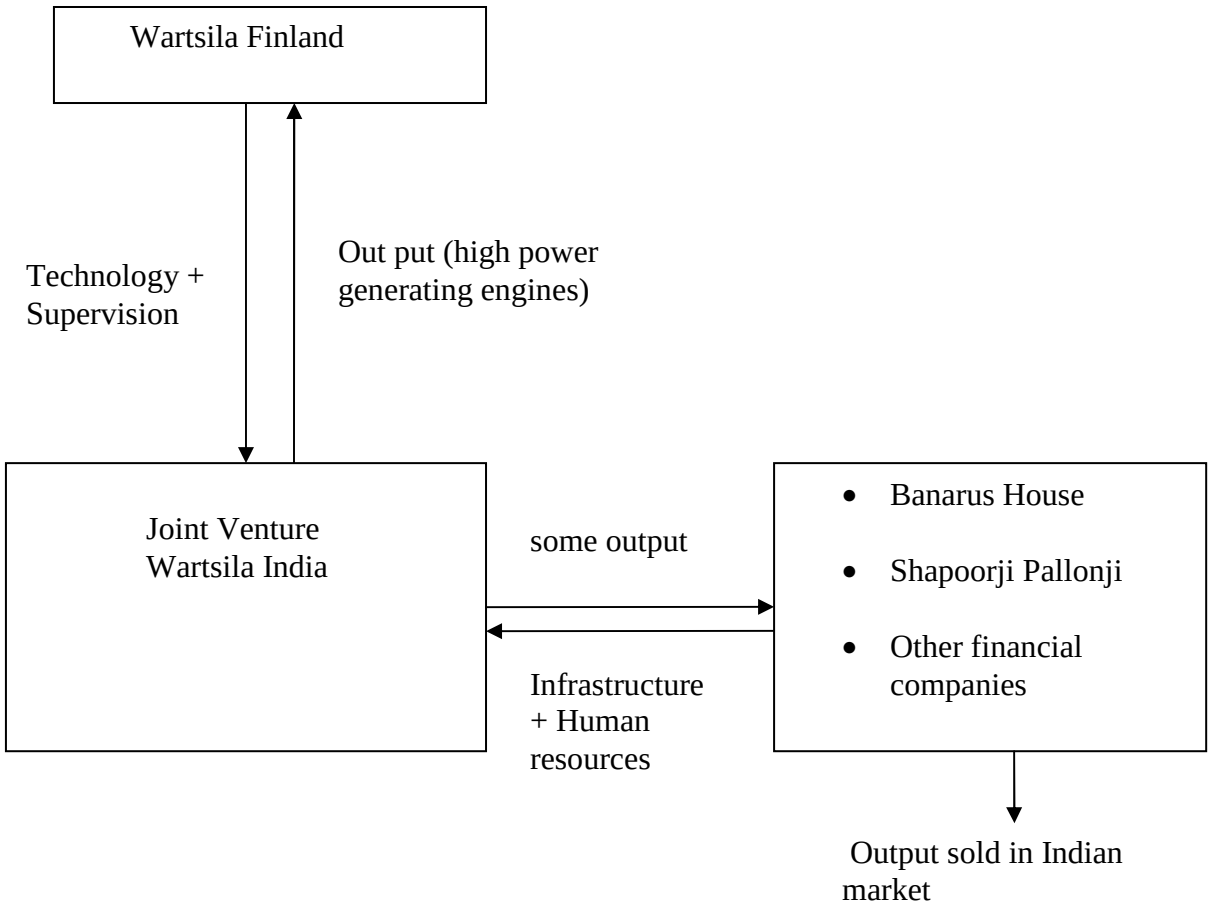

Figure 11. The physical structure of the joint venture Wartsila India

In the above case, partners were operating in different industries, so in long run one partner can wish to wholly own the joint venture. It was in best interest of Wartsila Finland to wholly own the joint venture in long run. In 1998, Wartsila India became a wholly own subsidiary of Wartsila Finland, which is one of the largest power genset suppliers in the world. The main reasons for Wartsila Finland to wholly own the joint venture were because

- Main technology was coming from Wartsila Finland
- They intended for long term commitment to serve Indian market
- Local knowledge could be achieved after couple of years

- Later on Indian Government reduced import duties
- Wartsila Finland was expanding their operations in India and it was difficult for local partners to finance its share of expansion

6.2. Stage-wise trust development and relationship factors effecting on this stage- wise trust development

This section analyses the theoretical model of this study in the light of findings from the above case study. The discussion of each joint venture stage examines the six dimensions of trust and relationship factors effecting on stage-wise development of trust in stages of joint venture. In the following, the dimensions of trust in particular stages of joint venture and the relationship factors effecting on this stage-wise development of trust are discussed in detail.

6.2.1. Partner search stage

This initial stage begins with the recognition that to gain competitive advantage, partnering is essential and that one or more players could be potential partners. Usually firms make a profile of desired features and start searching for a compatible partner (Hamill & Hunt 1996). In this case, Wartsila Finland had intentions to be present in Indian market because 1) India is the big and fast growing market and 2) To gain competitive advantage, it was in best interest of Wartsila Finland to produce in India because of cheap labor. But, the lack of local knowledge and huge import duties on equipment from Indian Government compelled Wartsila Finland to look for influential and potential partners in India.

Coincidently, the head of Wartsila Finland met with head of Banarus House India in an aero plane journey and together discussed the issues. This direct personal contact between the initiators of Wartsila Finland and Banarus House, gave an insight into their behavior and character and Wartsila Finland got that it’s in their best interests to have something together. It was the start of interaction and later on Wartsila Finland had many meetings with Banarus House and during these meetings, it appeared that Banarus House is best in their interest and that the people who had to set up the IJV could get along with each other and that they could be taken at their word. So Wartsila

Finland started calculating the the costs and/ or rewards of interacting with Banarus House.

As Lewicki and Bunker (1996) argue that calculative based trust emerges when the trustor perceives that the trustee intends to perform an action that is beneficial. It involves a level of uncertainty and risk and is based, in the absence of more certain or concrete information, upon the reputation of a potential partner. But in this case, calculative based trust is produced on the basis of economic self interest motives of Finnish partner (Indian big and fast growing market and cheap labor) and personal contact facilitated this process that Wartsila Finland started calculating the costs and/ or rewards of interacting with Banarus House and then they started collecting information about the reputation of Indian partner.

In conclusion, calculative based trust is produced on the basis of economic self interest motives and Personal contact between the initiators (Wartsila Finland & Banarus House) facilitated this process. Finnish partner found that Indian partner is very influential and is beneficial for us.

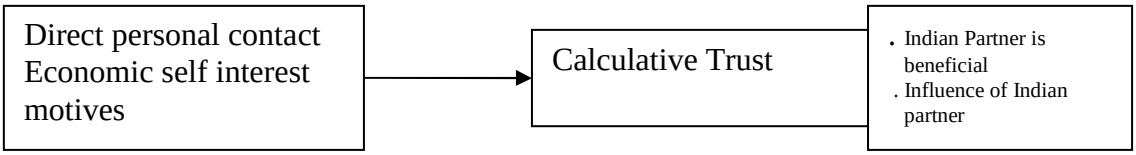

Figure 12. Relationship factors effecting on stage-wise trust development during partner search stage

6.2.2. Partner selection stage

The reputation of the Indian partners played a key role in this stage. Wartsila Finland believed that Indian partners are very strong potential partners.

"They had local knowledge, lot of contacts in India and market channel for selling of products. In this way, we gained insight that they are potential and valuable partners (Interviewee)"

So, Indian partner had reputation for local knowledge, having strong local contacts and marketing channel for selling of the joint venture output. But that was not enough to start the relationship because Wartsila Finland had intentions of long term commitment to serve the Indian market and they were looking for a long term partnership. As the partners did not have prior working experience with each other, so many personal visits and informal meetings helped the Finnish partner in judging the behavior of opposite party. According to Sako (1992), goodwill trust is based on the partners' intentions for the long-term existence of the relationship and Styles and Hersch (2005) argues that goodwill trust develops after the IJV begins operating, when partners make non-contractual contributions to the relationship, or when a partner's expectations are exceeded. But in this case, Wartsila Finland had intentions to be present and serve the Indian market for long period of time and they made heavy investments in the beginning and many informal meeting helped them in the development of goodwill trust. It's all because these informal meetings enhanced the communication level with the Indian partners and they got insights about the Indian partner's intentions for long term partnership and that Indian partner will keep up their words. The following quote illustrates that Wartsila Finland had long term commitment to serve the Indian market and lot of personal visits and enhanced communication with Indian partner helped them in judging the behavior of opposite party and caused the development of good will trust.

"The whole process towards joint venture formation effects on future relationships. We had intentions to be present and succeed in Indian market and we did heavy investment in start and this is really when you come close and know the partner's intentions very well (Interviewee)".

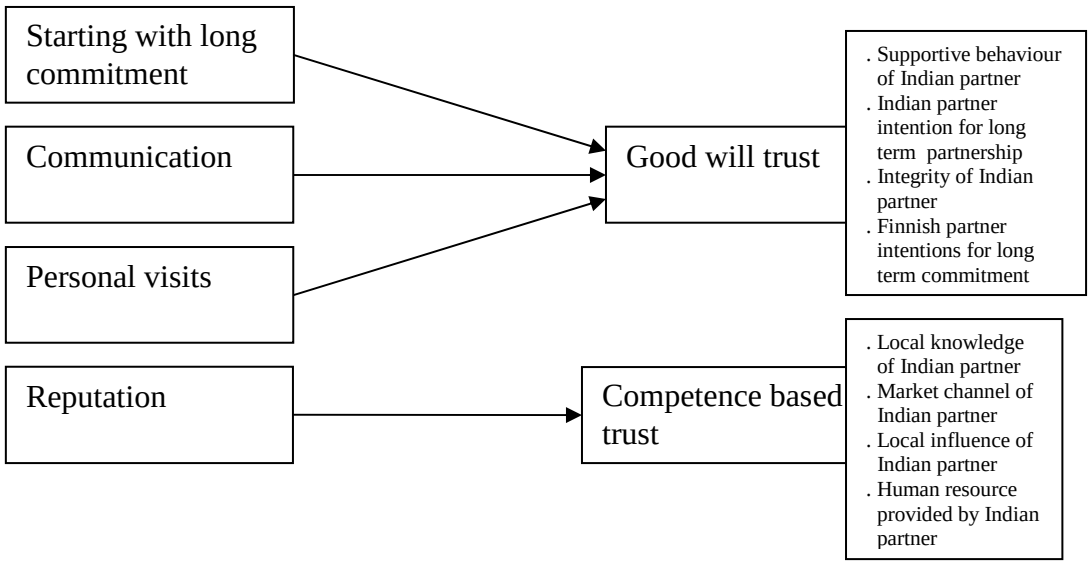

Figure 13. Relationship factors effecting on stage-wise trust development during partner selection stage

6.2.3. Contractual agreement stage

In the contractual agreement stage, the parties make the expectations and get psychological security through either formal or informal mechanisms that partners will fulfill their contractual contributions (Frankel, Whipple & Frayer 1996: 49). In partner selection stage of IJV, the Finnish partner got deep insights about the intentions, behavior and reputation of Indian partner and it really helped them in deciding the nature of the contract. The future relationships between both partners were decided through formal written contract and the nature of contract was that they did not specify penalties on failures to perform an action. The formal written contract without specifying any penalties on failure gave the psychological security to Wartsila Finland that Indian partners are committed to the joint venture and this produced the contractual based trust. In formal contract, partner companies did not specified the fix time limit of joint venture which was a signal for partners that both parties are long term oriented and they are committed to the joint venture which ensured goodwill trust in the eyes of Finnish partner.

In addition to not specified fix time limit for joint venture, the combined decision making for future relations also produced goodwill trust that both partners hands in hands are looking for long term commitment.

"Contracts are security guidelines for promises and direct how to work together and how together have to take decisions on each other behalf for healthy long term future (Interviewee)".

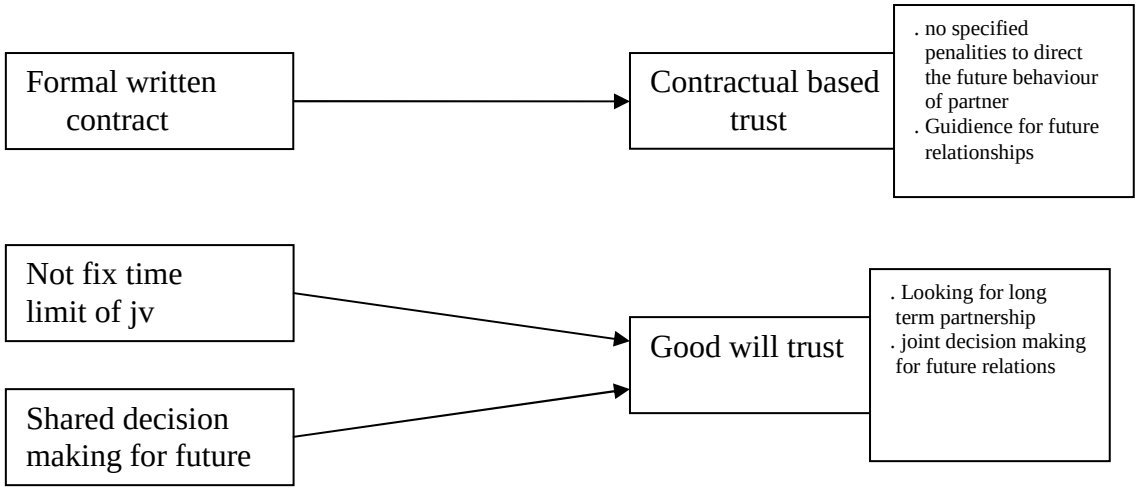

Figure 14. Relationship factors effecting on stage-wise trust development during contractual agreement stage

6.2.4. Operating the joint venture

This phase is very crucial because the actual interactions between the partners start in this stage. During this stage, the expectations raised during the previous three stages are confirmed or confounded. Partners learn about each other and either expectation from previous three stages is confirmed or not, partners anticipate the future behaviour of other partner. In this phase, production quality and efficiency of Indian partner showed a decrease in competence based trust in time.

"Whatever their production efficiency was, it was still better than nothing. We had major quality problems in beginning and it took many years to over come. Quality wise, they were not fulfilling our requirements, although our expectations were not that they will make perfect quality. But I say that they kept on improving the efficiency and we

were pretty much sure that in long run they will come up through this issue" (Interviewee).

Thus, the actual learning that Indians partners lacked efficiency and that they kept on trying to improve the things produced knowledge based trust and Wartsila Finland got intentions that Indian partners will come out of quality issue problem.

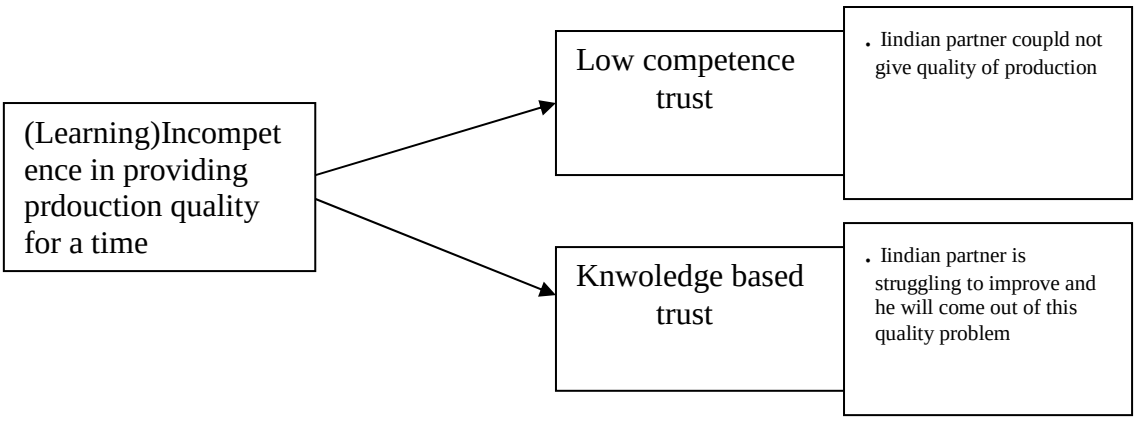

Figure 15. Relationship factors effecting on stage-wise trust development during operating the IJV stage

6.2.5. Exceeding the expectations or the none contractual contributions stage

This phase is characterized by higher levels of interdependence, investment and technology sharing between partners. Partners adapt processes and products/services to accommodate each other and solidify the relationship. When Indian partners had product quality problems, it happened that Wartsila Finland kept on sending expert supervisors to help the Indian partners to improve the production quality. Indian partners kept on adjusting the efficiency and after their performance improved, competence based trust was restored.

"Our target was always to improve in India. We had expert supervisors from Finland and some times we sent bigger delegations to India to provide the training that they can overcome quality issue and they improved. You can see that here in Wartsila Finland: so many Indians are working and thanks to that joint venture portal that we got competent engineers from India (Interviewee)"

On the other hand, joint venture needed more investment for upgrading the equipment and new equipment for production. Indian partners were not able to do heavy investment. So, Wartsila Finland did investment in joint venture. This further investment in Joint Venture strengthened the goodwill trust and Indian partners' adjustment to a quality level production restored competence based trust.

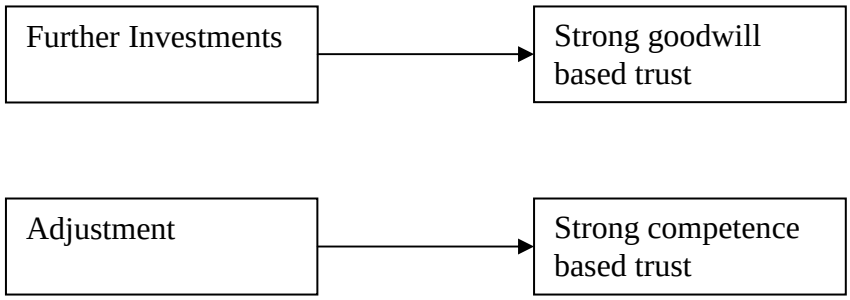

Figure 16. Relationship factors effecting on stage-wise trust development during Exceeding the Expectations or the None Contractual Contributions Stage

6.2.6. Internalizing the International Joint Venture Partner stage

In this stage, partners internalize each other in the sense that opposed to the IJV and maintaining the relationship, the partners may consider additional ventures to leverage their relationship. In this case, an interesting thing which came out is that in 1998, Wartsila Finland wholly owned the joint venture and at that time they were quite satisfied from the performance of Indian partners (The reasons for wholly own the joint venture has been described above in physical structure of Wartsila India joint venture section). But still, top management of Indian partner companies are still in close contact with them.

"Of course now its 100 % wholly owned subsidiary, but still those partner companies' top management people are in close contact with us. We are friends and really trust them and still talk and discuss with each other, as in the joint venture we were the majority shareholder and they were also in board of directors, if those people were not to be trusted then we could change them (Interviewee)"

Moreover, the personal bond which started during partner search stage, when the top executives from Wartsila Finland and Banarus House found out that they could get along with each other very well and later on that bond stimulated cooperative behaviour (i.e., sending expert superviors from Wartsila Finland and giving training support) when Indian partners began to have production quality problems and now at this stage, they had come so close to each other like friends that they took joint steps in other markets.

Like in 2002, Wartsila Finland (10%) and Banarus House (10%) together along with Aitken Spence(51%) of Sri lanka and CDC Globeleq of UK (29%)and with some other shareholders(10%) produced thermal power plants that includes two 20 MW plants and a third 100MW plant and that generates 14% of the national grid in Sri lanka. So, it means that both partners are so close that still they are taking joint steps together.

Furthermore still in 2007, Banarus House is promoter of Wartsila India Limited through its group company Banarus House Engineering Limited. Banarus House Engineering Limited is also a member of IMC (Indian Member Committee) who has active role in WEC (World Energy Council).

Figure 17 summarises the relationship factor of friendship that play an important role in the development of identification based trust in Internalizing the International Joint Venture Partner stage.

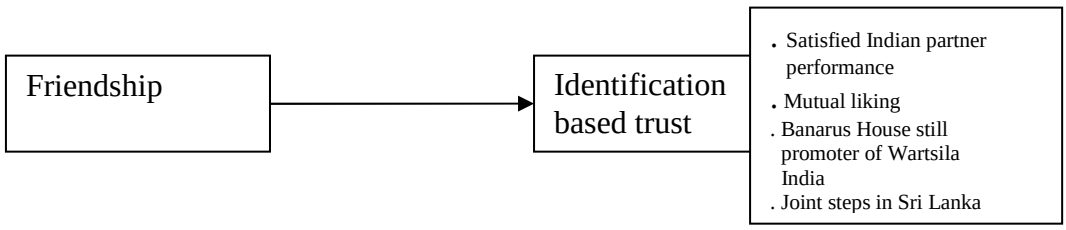

Figure 17. Relationship factors effecting on stage-wise trust development during internalizing the international joint venture partner stage

7. SUMMARY AND CONCLUSIONS

This chapter summarises the theoretical side of the study and then concludes the findings from empirical part. Furthermore, concluding model of stage-wise trust development in international joint ventures is presented. Finally, managerial implications and some implication for theory and further research are suggested that emerge from the present study.

7.1. Summary

The objective of the present study is "How trust develops in different stages of international joint venture life cycle". Keeping in line with the objective, the scope of this study is the manufacturing joint ventures formed in South Asia. To answer this research question, the sub-objectives of the study are 1) to increase the understanding about the nature of IJVs and to identify the evolutionary stages of IJVs. 2) To identify the characteristics of trust 3) To analyse the influence of relationship characteristics on the development of trust in IJV context and stage wise development of trust 4) To study the stage-wise development of trust and the relationship factors affecting on it in the case company Wartsila towards its IJV partner. In the following, the short discussion of chapters to give answers of the sub-objectives of the study is discussed.

Chapter 2 concentrates on the first sub-objective of the study. To answer this sub-objective, the definition of International joint venture for the present study, motives for international joint venture formation and life cycle stages of IJV were discussed in detail.

International joint venture can take many forms depending on combinations of equity distributions, contribution formulas and contractual agreements. For the purpose of present study, an IJV is taken to include the following arrangements between a Foreign firm and host country firm 1) It is a separate legal entity which is created by two legally distinct and independent organizations (between Foreign firm and host country firm 2) Equity of the new born entity is shared between the foreign partner and host country partner in such away that foreign partner holds 10 to 94% as the most commonly used limit for IJV (Larimo 2002). 3) The new born entity is not a project i.e. there is no fixed time limit on the duration of the arrangement.

After specifying the arrangements for the definition of IJV, the motives of IJV formation were discussed in detail and it was said that there could be one or several reasons for entering into an IJV.

Furthermore, the development of the joint venture was described as a process that it develops through consecutive, although overlapping stages. For the purpose of present study, the international joint venture life cycle was divided into 6 stages of **partner search** (making a profile of desired features and start searching for a compatible partner), **partner selection** (selection of partner on basis of his reputation or prior affiliation + many informal meetings for IJV business plan), **contractual agreement** (formal stage of entering into written or oral agreement for joint business plan for IJV), **Operating the IJV** (Implementation of business plan + starting of actual attractions between the partners), **exceeding expectations or non-contractual contributions** (higher levels of interdependence, investment and technology sharing between partners + Partners adapt processes and products/services to accommodate each other and solidify relationship) and**, internalizing the IJV partner** (opposed to the IJV, partners consider additional ventures to leverage their relationship).

Chapter 3 concentrates on the second sub objective of the study. To answer this sub-objective, the complex concept of trust, characteristics of trustor and trustee, levels of trust and, dimensions of trust are discussed in detail.

The meaning of trust has been emphasised in many disciplines of psychology, sociology, and economy. In the context of IJV, trust can have important psychological, sociological, and the economical properties simultaneously. Although the concept of trust has been studied from the lens of many disciplines, one comprehensive definition of trust does not exist. However, researchers have been able to identify some common thoughts that stand out in different definitions of trust. First, there are always two parties, trustor and trustee and there is trustors expectancy about the trustees good intentions and his ability to honour these intentions. Other underlying elements that affect the trust between the parties are uncertainty, vulnerability and control. This study prefers the definition of trust by Mayer et al. (1995): "*The willingness of a party (the trustor) to be vulnerable to the actions of another party (the trustee) based on the expectation that the trustee intends and is able to perform in ways that will not harm the trustor in a particular situation, irrespective of the trustors ability to control the trustees behaviour"*.

Furthermore, researchers have identified that the amount of trustor's trust on the trustee depend on the characteristics of both the trustor and trustee. The trustor's characteristic of Propensity to trust (general willingness to trust others) and three characteristics of trustee like competence (group of skills, abilities, and characteristics in some specific domain), benevolence (trustee intentions of helping the trustor) and integrity (adheres to a set of principles that the trustor finds acceptable) help the trustor to decide the amount of trust on trustee.

Regarding the level of trust, socio-psychological research views trust as a characteristic of an individual and the notion of organizational level trust rests on a shared attitude held by members of a given organization. In the context of IJV, trust is first produced on strategic level and the notion that organizations trust rest upon only few peoples who actually involve in formation of IJV (strategic level).

Since, cooperative relationships develop over time through various stages and trust at different stages of relationship development would be qualitatively different. Due to this dynamic nature of trust, writers have put the concept of trust into different dimensions to analyze its development in the alliances. Commonly identified dimensions of trust by many writers are calculative based trust(assessment of value of benefits and cost of cheatings), competence based trust(partner ability to meet their obligations), contractual trust(adherence to the specific written or oral agreement), knowledge based trust(knowing the other sufficiently well so that others behaviour is anti-citable), goodwill trust(mutual commitment to the long-term maintenance of the relationship) and identification based trust(the most resilient and robust form of trust that develops through fairly intensive relating between people on "person to person" basis).

Chapter 4 concentrated on the third sub-objective of the study. Present study identified relationship characteristics of prior affiliation, reputation, shared decision making and involvement, learning about the partner, communication, adjustment, direct personal contact, economic self interest motives, starting with long term commitment, personal visits, formal written contract, not fix time limit of JV, further investment and, friendship. These relationship characteristics affect on the stage-wise development of trust during the life cycle of IJV and push the trust from one dimension to other dimension. Prior studies have not linked all of these relationship characteristics to the specific type of trust dimensions.

Regarding the stage-wise development of trust, only few studies shed light on the stage-wise development of trust in alliances and particularly to IJV context (e.g. Lewicki & Bunker 1996; Child 1998 and, Styles & Hersch 2005). Most of these studies assume an incremental process of trust development as parties repeatedly interact. But, while describing the incremental process of trust development, these studies did not include all dimensions of trust.

At the end of chapter 4, theoretical model of stage-wise development of trust was presented. This model presented some relationship characteristics from previous studies that effect on stage-wise development of trust in different stages of IJV. Theoretically, it was hard to describe that which relationship characteristic affects on which dimension of trust in which stage of IJV and how stage-wise trust develops. So, this is presented in conclusions of the study.

Chapter 5 presents the reason of using qualitative case study as the method for empirical study. This is because, the qualitative case study is suitable for the research objective that deals with "how and why" questions and case study is suitable for gaining the deeper understanding of the stage-wise development of trust in the case company JV in India. Data collection is done by using face to face interview with the semi structured questionnaires. Tracking the joint venture in real time was not possible, so author collected retrospective data by interviewing from the GM that had been working for Wartsila India. Multiple sources of evidence such as company annual report, company website and company magazines were used for further information.

Chapter 6 concentrated on the fourth sub-objective of the study that how the case company Wartsila Finland developed trust towards its IJV Indian partner and which relationship characteristics affected on this stage-wise development of trust in that IJV.

The research findings reveal that before the International joint venture actually start operating, calculative, competence, goodwill and contractual based trust dominates the partner search, selection and signing stage of IJV. First, calculative based trust is produced as parties look for their economic self interest. Then competence based trust dominates and helps in selection of the partner. If the partner's intentions are for long term commitment with each other and they do not fix the time limit of joint venture and have intentions to invest heavy in start, then goodwill based trust is produced.

Furthermore, contractual based trust is produced along with the goodwill trust, when partners sign the contract of IJV.

Knowledge based trust is personal oriented and start actually when IJV starts operating. Here, the expectations raised during the previous three stages are confirmed or confounded. If the partners confirm the expectations and adjust to the needs of IJV, then it gives confidence to partners and they further invest in IJV. This investment further strengthens the goodwill based trust. Identification based trust is more personal oriented and is produced when IJV is producing optimal results. Furthermore, friendship strengthens this relationship and opposed to JV, partners take joint steps in future new ventures.

The study has also brought out fourteen relationship characteristics that underlie the dimensions of trust and push the trust from one dimension to other dimension of trust. These relationship characteristics are prior affiliation, reputation, shared decision making and involvement, learning about the partner, communication, adjustment, direct personal contact, economic self interest motives, starting with long term commitment, personal visits, formal written contract, not fix time limit of JV, further investment and, friendship. Most of the relationship characteristics establish goodwill based trust between the partners.

7.2. Conclusions

Most scholars agree that the importance of trust in IJVs relationships is a key concern for partner's success in the intensely competitive and increasingly international modern business environment. In spite of this, the emerging literature has paid insufficient attention to the stage-wise development of trust in international joint ventures. This study has focused on this issue and several key findings of the study are: **First**, to analyze the nature of trust development in IJV relationship is best served by breaking down the trust into different dimensions. This study has included six dimensions of trust to analyze its stage-wise development in IJV relations and this has given a comprehensive picture of stage-wise trust development which the previous studies could not. If we consider only the incremental process of trust development, then the research findings confirm the Lewicik and Bunker (1996) development model of trust that it starts with egoistic self interest motives called calculative based trust and then move on towards more robust form of identification based trust. In this case, Before the IJV

actually starts operating, calculative, competence; goodwill and contractual based trust dominate the partner search, selection and signing stage of IJV. Then knowledge based trust is produced when IJV starts operating. If every thing goes fine and when partners further invest in IJV, then good will trust is strengthened. At the end identification based trust is produced and opposed to JV, partners take joint steps in future new ventures.

Second, previous studies on stage-wise development of trust (Lewicki & Bunker 1996; Child 1998 and, Styles & Hersch 2005) only concentrate on its incremental process and ignore that in incremental process, trust may decrease and then it can be restored again. A good example of this is that when Indian partners could not produce quality of production, then competence based trust was reduced in the eyes of Finnish partner. Competence trust was again restored when Indian partner improved production quality.

Third, goodwill based trust can be produced in early stages of IJV. This finding is different from Styles and Hersch (2005) findings that goodwill trust develops after IJV begins operating, when partners make non-contractual contributions to the relationship, or when partner's expectations are exceeded. But this study finds that goodwill based trust can be produced in early stages of IJV formation, if the partners intentions are for long term commitment with each other and they do not fix the time limit of joint venture and have intentions to invest heavy in start. Goodwill based trust is further strengthen when partners further invest in IJV.

Fourth, forbearance plays an important role in the process of trust development. It acts as glue that holds the partners together and do not let the trust to take back steps if one partner fails to perform a beneficial act for other partner for a short time. A good example of this is that when Indian partners could not give high production quality, Finnish partner showed forbearance for many years and kept on sending supervisors and some times bigger delegations to improve Indian partners performance, because they were pretty much sure that Indian partners will come out of these low production quality issues and later on Indian partners came out of this low quality production issue.

Fifth, the research findings confirm that identification based trust is end stage of trust development and this is similar to Lewicik and Bunkers (1996) theoretical findings. But in this case it was observed that identification based trust is produced when IJV has

produced optimal results and it (IBT) continued even when IJV was terminated. So, Lewicik and Bunkers (1996) findings that identification based trust is produced when there is mutual liking between the partner, so this study adds further that this mutual liking is possible when IJV has produced optimal results and it (IBT) can continue even IJV is terminated.

Sixth, by including relationship characteristics in the study gives a comprehensive picture of stage-wise trust development in IJV life cycle. Present study has incorporated fourteen relationship characteristics that push the trust from one dimension to other dimension in IJV life cycle.

Figure 19 shows the adopted model of stage-wise development of trust in IJV life cycle. Model combines the theory and main empirical findings and depicts a rich picture that how stage-wise trust develops in the life cycle of IJV and which relationship characteristics affect on which dimension of trust and pushes it from one dimension to other dimension of trust.

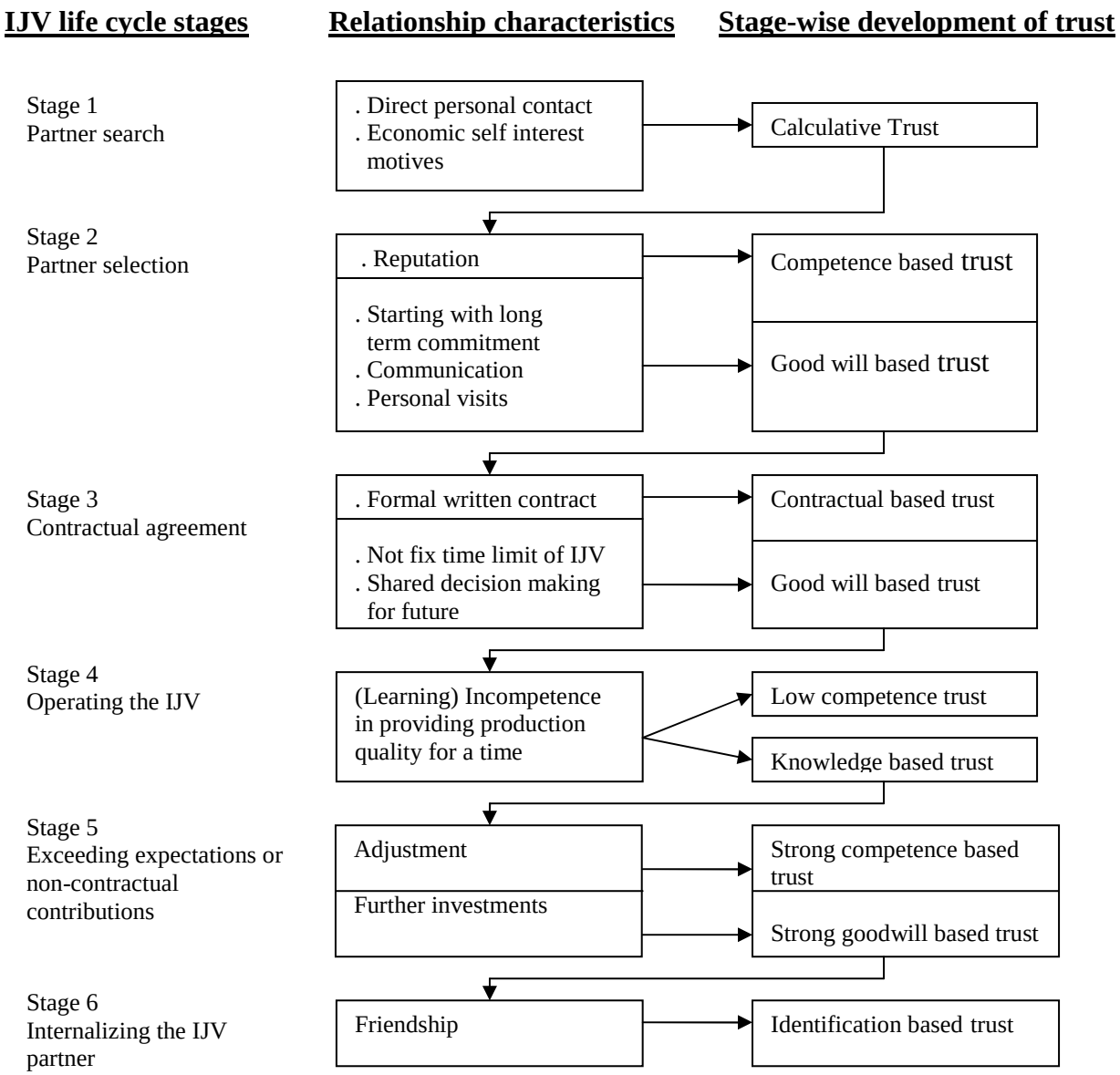

Figure 18. Further adopted model of stage-wise trust development in IJV life cycle

The above figure depicts that first calculative based trust is produced on the basis of economic self interest motives and personal contact facilitates this process in partner search stage of IJV. Companies then enter into partner selection stage and competence based trust is produced from the reputation of the partner and furthermore relationship characteristics like starting with long term commitment, communication and, personal visits help in the development of goodwill based trust. During the signing stage of IJV,

contractual based trust produces when companies sign the joint future business plan that the parties will fulfil their contractual contribution. Furthermore, relationship characteristics like no fix time limit of IJV and, shared decision making ensures the goodwill based trust. After the IJV starts operating, learning produces knowledge based trust and this knowledge based trust can strengthen the competence based trust or can decrease competence based trust. If the IJV continues and if partner further invest in IJV, then goodwill based trust is further strengthened. In last stage of internalizing the IJV partner, achievement of IJV objectives strengthen the friendship and partners like each other and this produces identification based trust. At this stage, even if IJV is terminated, partners take joint steps in future ventures.

7.3. Managerial implication

This study adds relationship characteristics to develop an understanding about the trust development in the life cycle of IJV. The findings suggest that managers need to recognize the nature and importance of relationship characteristics that lie under different dimensions of trust and push the trust from one stage to other stage in IJV. Different dimensions of trust require an emphasis on different relationship characteristics that back up the trust development. Paying attention to these relationship characteristics may provide practitioners with valuable cues as how these relationship characteristics change the role of trust in the life cycle of IJV.

Recognition of different stages in the life cycle of IJV may help the managers to understand the development process of IJV. Although, IJV life cycle stages have not been clearly defined and agreed in international joint venture literature. Present study has tried to divide IJV life cycle into six stages to serve the purpose of present study. But during the empirical part it was realized that these stages are still overlapping, particularly partner search and partner selection stage. As it was not main focus of this study, so this study leaves this issue for future researchers.

This case has brought out the importance of forbearance for the managers to understand its role. In this case forbearance played an important role in the process of trust development. A good example of this is that when Indian partners could not give production quality for many years, Finnish partner showed forbearance for many years and kept on sending supervisors and some times bigger delegations to improve Indian

partner’s performance because they were pretty much sure that Indian partners will come out of these quality issues.

7.4. Implications for theory and future research

This research study has given results on the stage-wise development of trust in international joint venture life cycle. A major contribution of this study is that it has placed relationship characteristics that underlie different dimensions of trust and push the trust from one stage to other stage in IJV. Identification of specific relationship characteristic under each dimension of trust has presented a richer picture than just saying that these relationship characteristics effect on development of trust.

This study also adds to theory of trust by finding strong evidence that trust is not always incremental. Previous studies on development of trust only concentrated on its incremental process and ignored that during incremental process, trust may decrease and then it can be restored again.

This research has given deep insights to practitioners to understand how the role of trust changes in the life cycle of IJV to effectively manage trust in IJV relationships. However, this research has done by using case study as the method to answer the research questions. It will be more interesting if the further research apply this adopted model to longitudinal multiple case studies to find out some new insights. Moreover, extent literature sheds light on the importance of culture on the development of trust. So, it is also interesting to know the cultural effect on stage-wise trust development in the life cycle of international joint venture. Furthermore, this joint venture was between the developed country and developing country and it will be interesting to conduct comparative study to know the pattern of stage-wise trust development in IJVs between the developed countries.

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INTERVIEW FORMAT AND QUESTIONS

A questionnaire for analyzing the stage-wise development of trust in international joint ventures

Company Name and Address

Interviewee's Name and Title

Date of Interview

Preliminary Questionnaire

(A) General Background of your company

(1) Company's Name:

(2) Year of establishment:

(3) Industry in which main activities concentrated:

(4) When did your firm's established IJV with…….?

(5) What's the name of your partner company?

(6) What was your initial contribution in new joint entity (in more detail)?

- Financial resource ( )
- Managerial resource ( )
- Technological resource ( )
- Physical resource ( )
- Others (please describe) ( )

(7) What was your equity stake in joint venture and has it changed over time, please describe?

- 50 % ( )
- More than 50 % ( )
- Less than 50 % ( )

(8) Was there any fix time limit for the duration of IJV?

(9) Name of joint venture and physical structure of IJV?

(B) Development of trust in International Joint Venture

Q1 Can you shortly describe your motives for IJV formation?

Q2 In partner search and selection stage of IJV, how you went through the following activities?

- Number of potential partners you evaluated
- Desired features you looked for in your partner
- Selection of Indian partner

1. On the basis of his reputation
2. Or you had prior relation with that partner

- Level of confidence that Indian partner will fulfill his promises
- Reasons of Indian partner to join the cooperation in IJV
- How the communication process with Indian partner went through

Q3 Can you shortly describe?

- About the nature of the contract between you and your Indian partner (hints: written contract or unwritten agreement, flexible written contract or detailed written contract and if that then why).
- Importance of this agreement for your company

Q4 Can you shortly describe that how the interaction process with your partner proceeded when the IJV started operating?
Regarding the following activities

- Some crucial issues of this stage (hints: misinterpretations of events, different working styles, etc)
- How both partners had come out through these issues?
- Learning about partner from his response to those issues
- How the communication went through this stage (compare with the level of

communication in partner search and selection stage)

Q5 Do you and your partner further invested (form of investment) in IJV? Describe the reasons for this investment?

Q6 Do you think that positive outcomes from IJV relationships can cause mutual liking between the partners?

Q7 What do you think that two or three key manager's turn off in your partner company can affect on the existing relationships with the partner?

Q8 Finally, how you describe relationships (between you and your partner) in terms of its achievements?