The Effect of Trust Antecedents on the Performance of International Joint Ventures (IJVs) in Developing Countries: The Case of Iran

A Thesis Submitted for the Degree of Doctor of Philosophy

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Abstract

International joint ventures (IJVs), as organisational entities which are formed and controlled by local and foreign firms, are one of the most significant ways of expansion of international firms. IJVs have complex characteristics and the management of IJVs faces many problems. Due to these problems, IJV performance has attracted significant research attention – eventually any strategy has to be evaluated in terms of its success.

The aim of this study is to investigate the factors that affect inter-organisational trust and as a result, the performance of IJVs in Iran, a developing country, which is in the early stages of the development of IJVs. According to Abosag and Lee (2012), there are few studies that concentrate on IJVs in developing and Middle Eastern countries and more studies on these areas are required.

This empirical study is preceded by a systematic review of the relevant literature that led to the development of a conceptual model. The data were collected from a sample of managers in the industry sector of IJVs in Iran with their Asian partners by using a survey questionnaire, and analysed using the statistical package for social sciences, SPSS V.18.

The results from this study show that inter-partner fit factors and relational factors have a strong and positive impact on the level of trust; however, fairness was not found to be positive and significantly related to trust. Religion and country risk were found to have a negative and significant relationship with trust. Moreover, a strong and positive relationship between trust and performance features (satisfaction, goal achievement and learning) and between commitment and performance features (satisfaction, goal achievement and learning) were found.

This research provides empirical evidence for inter-organisational trust predictor variables for performance. A key contribution of this research is that it offers a robust framework that explains the antecedents of trust and demonstrates that trust has a definite positive impact on the performance of IJVs. The proposed framework is evaluated and tested against the original criteria of trust in IJVs, exactness and executability. Moreover, this study provides a novel contribution to the growing literature on trust in IJVs, particularly for developing countries such as Iran and the Middle East countries. The results of this research provide us with a meaningful managerial implication for the selection of competitors as IJV partners.

Dedication

This doctoral research effort is dedicated to my parents and my brothers, who believed in my ability to achieve this goal. For all your love, support and constant encouragement, this has enabled me to reach this milestone. I could not have imagined achieving this without you all.

Acknowledgements

Declarations

I declare that, to the best of my knowledge, no portion of the work referred to in this thesis has been submitted in support of an application for another degree, or qualification, to any other university, or institute of learning. The following publications have been produced as direct or indirect results of the research discussed in this thesis.

Journal articles

Mahmoudi, J., Al-Karaghouli, W. and Ayios, A. (2012). Investigating the Role of Trust on Performance of International Joint Ventures (IJVs) in Developing Countries: The case of Iran. Journal of International Management – Under Second Review.

Conference papers

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Mahmoudi, J., Al-Karaghouli, W. and Ayios, A. (2011). The Role of Trust in International Joint Ventures (IJVS) in Developing Countries. BAM2011 Conference, 13-15 September. Aston University, Birmingham, UK.

Mahmoudi, J., Al-Karaghouli, W. and Ayios, A. (2011). Antecedents of Trust in International Joint Ventures' (IJVS) Performance in Developing Countries: A Review of Empirical Evidence. European, Mediterranean and Middle Eastern Conference on Information Systems 2011 (EMCIS2011), May 30-31, Athens, Greece.

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Chapter 1: Introduction and Overview

1.1   Introduction

This chapter provides an outline of the overall study. This research investigates the factors that enhance or effect inter-organisational trust between foreign and Iranian partners in international joint ventures (IJVs) and how trust affects the performance of joint ventures in Iran. A brief description of the background and scope of the study is provided in this chapter, followed by aims and objectives. This chapter explains the context and the respondent base of the study, the methodology and methods used, the contribution of the study and finally, the structure of the thesis.

IJVs, as organisational entities that are formed and controlled by local and foreign companies, are one of the most significant routes to expansion used by international companies. The strategic importance of IJVs has been discussed in previous studies. IJVs can help companies to enlarge their market geographically, create economies of scale, decrease the risk, and achieve new technologies and skills (Luo and Park, 2004; Beamish and Lupton, 2009). Traditionally, because developing countries have some restrictions for foreign investing companies, entering and expanding a company in the Asian and Middle East regions needs international companies to set up joint ventures with local partners, particularly when the main motivation of the cooperation is capturing the opportunities of the market (Mohr and Puck, 2005). Moreover, by combining the resources and competencies of two or more companies, the partners in an IJV can accomplish objectives that cannot be accomplished on their own regarding speed, cost and human resources. Involvement in IJVs has therefore become a good strategy for companies to ensure their survival and to increase and sustain competitiveness in the global arena (Alhorr et al., 2012).

The problems this research addresses is the high rate of IJVs failure which requires investigation due to the importance of the topic in the developing countries, including Middle East region, gulf region and in particular Iran. As IJVs have complex characteristics, their management faces many possible problems such as involvement of partners in opportunistic behaviour. The problems are even more distinct when IJVs perform in transition countries such as Iran, where the companies face various difficulties in both the internal and the external environment: notably bribery, corruption, regulation changes, an inefficient legal system, compatibility of management styles, trust, control of resources, cultural differences,

compatibility, complementarity, communication and having different goals being the reasons for the failure of IJVs in Iran (Simiar, 1983; Khajehpour, 2001; Namazi, 2003; Thuy and Quay, 2005). Therefore, companies have learnt that the performance of their IJVs often does not meet their expectations (Mohr and Puck, 2005). According to Yan and Zeng (1999) the instability rate for IJVs is quite high (ranging from 28.8 percent to 70 percent) and many IJVs end up being dissolved or sold off. Additionally based on a study on the survival of IJVs in emerging markets, it has been stated that between 30 percent and 50 percent are broken up by the partners in the first 5 years (Meschi and Riccio, 2008). Therefore, IJV performance has attracted significant research attention over the last two decades because eventually any strategy has to be evaluated in terms of its success over a sustainable period of time.

Trust has been recognised to be a vital factor that contributes to the success of IJVs. According to Barney and Hansen (1994) and Chen et al. (2011), mutual trust between partners is a major competitive advantage for the company. In cooperative organisations, trust augments profits due to resource commitment. Building relationships between partners is a challenge for all strategic alliances, particularly for IJVs in emerging economies, in which building trust is especially hard as a result of the high levels of uncertainty and risk incurred by cross-border differences with regard to culture, politics and trade policy (Xiaosong, 2011).

Developing social capital which is attributed by trust (Adler and Kwon, 2000) in this setting may be especially crucial, because (1) Iran and other economies in developing countries are regarded as having poorly defined property rights and legal systems, and firms may need to rely on trust-based transactions, which are a replacement for effective market transactions (Nguyen et al., 2005; Nguyen and Rose, 2009); and (2) Iran has a high context culture with a strong relationship-based orientation (Baughn et al., 2011). High-context cultures tend to rely more on nonverbal cues as opposed to low-context cultures that value detailed factual information. Low-context cultures strongly utilise detailed factual information that is explicitly conveyed through either a verbal or a written medium. The Iranian culture, like most Asian cultures such as Japanese, Chinese, and Korean falls toward the high-context end of the continuum (Gudykunst et al., 1996; Yeganeh and Su, 2007). In addition, even though social capital has been recognised as an important factor in the function of any organisation, it is easy to see why it has been emphasised in the IJV literature: when two or more geographically separated partners create a company, it gives rise to loyalty issues, the

potential for disagreements and battles for control over the joint venture (Baughn et al., 2011).

The number of IJVs has increased dramatically in Iran during the last two decades (investiniran, 2011), but they do face some difficulties. The problems are due firstly to, a high rate of failure – mainly as the result of inefficiency of the relational exchange (trust) between partners and secondly the issues facing companies setting up IJVs in Iran. Therefore, a study of the problems faced by IJVs in Iran seems necessary in both practical and theoretical terms, especially when empirical research is very rare in the country.

1.2   Background and Motivation of the Study

Progressively more companies are finding that it is more desirable, and often essential, to compete globally in order to survive and to be successful. IJVs, as a kind of strategic alliance, are quite important for companies and managers to cope with this issue (Kwon, 2008). Since the 1980s, alliances have quickly become an important strategic management tool. Companies started to form alliances with their customers, suppliers and even their rivals. In addition, networks of companies are competing against other networks, changing the distribution of economic power in many industrial sectors and forcing more and more single companies, both large and small, into strategic alliances of their own (Turk and Ybarra, 2011).

IJVs, as organisational entities which are formed and controlled by local and foreign firms, are one of the most significant ways of expansion of international companies. IJVs can contribute to cost saving, risk sharing, transferring knowledge and skills, acquiring new technology and going over the core business lines (Turk and Ybarra, 2011). Also, the structure of IJVs is more hierarchical, and coordination and information processing costs are lower (Schrooten, 2009). Therefore, IJVs account for a large number of firms in many countries in order to gain the required resources (Schrooten, 2009). Even though the expansion rate of IJVs has decreased recently (Rahman, 2008), many scholars such as Ireland et al. (2002) and Rahman (2008), stated that the popularity of IJVs is still a real fact. This has been confirmed by Park et al. (2008) who stated that the rapid creation of IJVs is a worldwide phenomenon and therefore, this wave has been sweeping through a wide range of sectors.

There are many factors that lead to IJV creation, but one significant motivation for companies' desire to start joint ventures, rather than going it alone, is an ambiguous picture

of the problems related to the development of relationships in host country such as policies, the culture, society and the environment. So IJVs improve access to the foreign market by overcoming trade and political barriers, and make sharing of resources and risks easier (Talay and Cavusgil, 2009). Particularly, IJVs will assist in transferring technology, knowledge and innovation and heighten economies of scale (Osman et al., 2010; Sazali et al., 2010). Another important reason for foreign companies that inspires them to enter joint business ventures in emerging countries is due to the benefits from the host government, who gives many privileges to foreign companies which decide to make such investments. Especially in recent years for western companies that would like to increase their performance through joint ventures with companies in developing countries (Buckley et al., 2009).

Although such alliances are becoming an attractive strategic opportunity, some strategic alliances have been reported to be unstable, ineffective and poorly performing (Robson et al., 2002; Bstieler and Hemmert, 2008; Fang et al., 2008; Lin and Wang, 2008). Sometimes, alliances are doomed to fail without achieving any strategic benefits due to cultural differences, trust, goal and strategy differences and management difficulties.

Observers of IJVs have noted the importance of control mechanisms in developing predictability and the confidence that the other partner will behave in a way that is consistent with mutual benefits. Many observers have noted the distinction between formal controls (often related to majority ownership) and social control mechanisms. Formal control relies on the hierarchy, the planning, and reporting mechanisms with pre-specified behaviours or performance outcomes. On the other hand, social control entails the development of social relations and shared norms and values. Social controls, once established, were argued to be better suited to building partner cooperation in IJVs, reducing monitoring and contracting costs, and enhancing the flexibility and adaptability critical to long-term performance (Baughn et al., 2011; Huang et al., 2011; Sroka, 2011). IJV research has repeatedly emphasised the importance of developing social capital, especially trust. Many scholars have recognised trust as a key factor in improving the performance of IJVs (Mohr, 2004; Madhok, 2006; Ng et al., 2007; Wai-Kit et al., 2007; De Jong and Woolthius, 2008; Wilson and Brennan, 2008; Deitz et al., 2010; Baughn et al., 2011).

Recently trust has attracted much attention of scholars in management science, and considered as one of the most important issues in the twenty-first century (Ohara, 2004; Ohara, 2011). The management of trust should be considered comprehensively and carefully

for running any business activity. It has been shown in previous studies carried out in both developed and developing countries that trust is a strategic resource that should be considered as the source of competitive advantage and it is the key factor for the success of any cooperation, especially when it refers to companies from different countries. When the relationship is based on trust, there will be greater exchange of knowledge between partners, and this is one of the most important goals for strategic alliances.

The purpose of this study is to provide an empirical review of trust in IJVs and to investigate the impact of a number of trust antecedents in IJVs and the effect of trust on performance. In addition, this doctoral study provides a critical review of trust to support the concept of this study. With Iran becoming more open to foreign investment, IJVs are growing in number and consequences. This research attempts to add to the knowledge of IJVs using Iran as a case study and so contribute to a field that has so far been largely neglected by researchers. It is believed that with the author's access to IJVs in a climate in which such research is not easily conducted, a unique opportunity is provided to contribute to the research in this field.

1.3   Aim and Objectives

International joint ventures have received much attention from researchers and academics over the last 20 years. This is due to their importance as a strategic option in dealing with the increasingly competitive challenge of the globalisation of the world's economies.

The aim of this research is to explore and develop a framework of the factors that affect inter-organisational trust and as a result, the performance of IJVs in Iran, a developing country which is in the early stages of the development of IJVs. This doctoral study has five main research objectives:

- To conduct a comprehensive literature review in the area of trust in IJVs.
- To examine how the components of inter-partner fit factors and relational factors will affect the level of trust in joint ventures between Iranian companies and their expatriate partners.
- To identify the impact of both religion and country risk in the level of trust and their effect on IJVs.

- To analyse, validate and to present the role of trust and commitment in the success of IJVs in Iran.

- To develop a methodological approach of the conceptual framework that demonstrates the understanding of trust in IJVs.

1.4 Context of Iran

Since the 1979 Islamic Revolution, major changes have occurred in Iran's socio-economic, political, national, cultural, ideological and legal frameworks. Iran has undergone more than three decades of upheaval and change. Notwithstanding these upheavals and their consequences for the nation, Iran remains an important country in the Middle East strategically. With a population of 75 million, it is one of the largest countries in the region and has a highly educated workforce and an abundance of natural resources, including oil, gas and minerals. This wealth of natural and human resources, alongside the country's geo-strategic position, make it a unique economy (Namazi, 2003).

The growing number of multinational corporations (MNCs) entering the country and setting up IJVs testifies to Iran's status as an emerging economy (Namazi, 2003). However, they find the challenges of entering Iran onerous. The economic and political environments with which organisations interact in developing countries can be characterised by two critical factors: an unpredictable future and difficulty in obtaining resources (Namazi, 2003). In response to these issues, organisations adopt coping strategies in the management of their organisations. Also management can suffer from a lack of long-term planning, vision and goal-setting, lack of time management, moderate risk taking and lack of trust in the system, conditions which in turn give rise to a lack of trust in the firms.

Therefore, as a result of the importance of trust in IJVs in Iran, investigating the factors that may affect the level of trust is justified.

1.5 Methodology and Methods Used

This research has been developed based on a literature review and conceptual framework. The hypotheses of the research (sections 4.3 to 4.8) have been developed based on the conceptual framework in relation to independent and dependent variables. In order to collect data and for the analysis for this research, a quantitative approach has been adopted. According to Gilbert (2001), the positivism paradigm uses deduction, beginning with hypotheses. Hussey and Hussey (1997) suggest that the normal process under a positivistic paradigm is to study the literature to establish an appropriate theory and construct hypotheses.

There are specific reasons for choosing a quantitative approach in this research. First, in this study, the relationship between the variables will be measured. Second, the ontological position suggests the realist position. Third, the epistemological position allows independent observable facts. Finally, there are the methodological issues relating to the measurement and identification of underlying themes. Burrell and Morgan (1979) reveal that quantitative research seeks to explain and predict what happens in the social world by searching for patterns and causal relationships between its constituent elements. This method is more appropriate when the object of research is to collect data related to the frequency of occurrence of phenomena. According to Gilbert (2001), the aim is to develop valid and reliable ways of collecting "facts" about society, which can then be statistically analysed in order to produce explanations about how the social world operates.

Therefore, a quantitative method can be utilised to gain a deeper understanding of humans and behaviours regarding information about people through objective values. As a result of its descriptive nature, this doctoral study adopts a quantitative approach to gather data and test theories. The quantitative approach is one of the major approaches in business and social science research methodologies and uses a survey method to collect data (Churchill, 1979; Bryman and Bell, 2011). The quantitative approach focuses on what, where and when (Collis and Hussey, 2003). Therefore, this research addresses the following two research questions:

1- What are the factors that affect the level of trust within IJVs in Iran?
2- What is the role and outcome of trust or lack of it in IJVs in Iran?

Before conducting the main study, in order to establish the reliability of multi-item scale development, a pilot study was conducted. In order to check the reliability of the scales in the pilot study, Cronbach's coefficient alpha (α) was applied (Carmines and Zeller, 1979; Tabachnick and Fidell, 2007). Additionally, through the field experts, the survey questionnaire was validated. In this regard, a few surveys were sent to university professors in order to check the face validity. In the main analysis, missing data, descriptive statistics, outlier examination, linearity tests, normality of the data, homoscedasticity, exploratory factor analysis and reliability analysis tests were dealt with using the statistical package for social sciences (SPSS) V.18 for Windows (Hair et al., 2006; Tabachnick and Fidell, 2007).

1.6   Contribution

Although there has been extensive research that has investigated the impact of trust on the performance of IJVs, there has been limited empirical research on the process of inter-

organisational trust development in strategic alliances (Dyer and Chu, 2011; Silva et al., 2011; Thorgren and Wincent, 2011). Therefore, more empirical research about the creation of trust is needed.

Further, there has been little research examining whether or not the determinants of trust vary in different institutional (i.e. country) environments (Dyer and Chu, 2011). For example, most of the studies about inter-firm relationships concentrate on the USA, the UK and China, and there are few studies that concentrate on IJVs in developing countries. There are few studies that concentrate on IJVs in Iran; the attention of those studies in Iran has been mostly on human resource management (Simiar, 1983; Namazi, 2003) and recent articles concentrate on e.g. trust in electronic commerce (Meskaran et al., 2010), trust in e-banking (Feizi and Ronaghi, 2010) and trust in internet shopping (Dolatabadi and Ebrahimi, 2010).

The other contribution of this study is based on the development of a comprehensive theoretical framework that examines the impact of trust in IJVs in Iran. To the best knowledge of the author, this is the first time such a theoretical framework has been tested empirically and theoretically. This research establishes an integrative theoretical framework that combines a set of factors which affect the level of trust in IJVs in Iran.

Previous studies on mutual trust are mainly theoretical. There are few empirical studies that state mutual trust between partners as an essential factor for improving alliance performance in terms of learning, satisfaction and goal achievement. Few strategic alliance studies on IJVs have also offered empirical evidence (Wahab et al., 2011). In addition, Robson et al. (2008) and Silva et al. (2011) state that limited empirical evidence exists to substantiate the normative bias that trust between the partners enhances the performance in IJVs. According to Robson et al. (2008) and Silva et al. (2011), the impact of the antecedents of trust on performance is mixed, e.g. positive and negative. Some studies found a positive relationship between trust and performance (Cullen et al., 2000; Lane et al., 2001; Boersma et al., 2003; Mollering, 2003), other studies found no significant direct link between these two variables (Aulakh et al., 1996; Inkpen and Currall, 1997; Fryxell et al., 2002; Sarkar et al., 2001) and still another (Lyles et al., 1999) pointed out that trust may have a detrimental effect on alliance performance. Therefore, more investigation of the impact of trust on the performance of IJVs needs to be done (Silva et al., 2011).

Additionally, Seppanen et al. (2007) emphasise the need for more research on the link between trust and commitment. According to Wilson and Brennan (2008), trust and commitment are the social fabric of the relationship, and the impact of both trust and commitment on performance should be investigated. There is limited empirical research on how trust can create commitment in the relationships of IJVs (Wilson and Brennan, 2008). Therefore, there is a further need for empirical investigations of trust and commitment in IJVs. We will investigate environmental uncertainty as an important factor in developing countries, which has been neglected in most of the existing studies (Crosno and Dahlstrom, 2008; Hawkins et al., 2009). Moreover, the impact of religion on trust, which might be influential in the case of Iran, has been chosen for this research (Ruffle and Sosis, 2007; Li, 2008).

It is worth mentioning that the country risk factors are dependent on strategic condition of the countries under consideration. Also, depends on on-going internal and external political factors. In case of Middle East countries, no one can ignore the effect of religion. The latter has not been explored enough in the academic literature with regard to trust. These key factors play an important role in trust between the IJVs partnership.

In summary, as mentioned above there are a limited number of studies that concentrate on relational factors, mainly the inter-partner relationship development and maintenance factors, which are assumed to be very important in a high context and relationship-based country such as Iran.

1.7 Structure of the Thesis

This thesis consists of eight chapters along with references and appendices. The outlines are as follows:

Chapter 1 Introduction and Overview – The first chapter introduces and presents the background and scope of the study, the aims and objectives, the context and the respondent base of the study. It continues by presenting the methodology and methods adopted and the contribution of the study.

Chapter 2 Literature Review – Explores the relevant literature on IJVs, definitions of IJVs, the benefits and disadvantages of IJVs, strategic behaviour and joint venture motivations, the challenges to strategic alliance formation and implementation and alliance instability and

failure, popular theories that have been used in IJVs, and particularly, clearly explains social exchange theory and its benefits and implications in IJVs, trust, its definition, trust in IJVs, the concept of trust, the dimensions of trust, different levels of trust and the benefits and drawbacks of trust, a clear explanation of commitment, its definitions, commitment in the exchange relationship, the importance of trust and commitment, the relationship between the dimensions of trust and commitment and performance measures in IJVs. Moreover, a comprehensive review of the literature, from previous scholars, will be presented. Finally, the research gap is identified and discussed.

Chapter 3 Context of Iran – This chapter presents the background of Iran, the economic situation, the legal issues, the international business practices and the main trading partners, a summary of the IJVs operating in Iran and the reason for choosing Iran as the context of this research.

Chapter 4 Conceptual Framework – The construct of this chapter is to develop research hypotheses to examine inter-organisational trust predictors for performance. To address the hypotheses effectively, the researcher reviews and integrates subject areas such as inter-partner fit factors, relational factors, country risk factors and religion and their impact on trust and, as a result, the performance of IJVs. In addition, the relationship between trust and commitment and the impact of commitment on performance are hypothesised. This leads to the clarification of the research area and development of a conceptual approach and a theoretical framework.

Chapter 5 Research Methodology – This chapter describes in detail the empirical research methodology, including the data collection and data analysis procedure. The data collection section is described in five parts as (a) data collection; (b) sample selection and participation; (c) developing the survey questionnaire; (d) measurement scales; and (e) pilot study. After that, reliability and validity are discussed to justify the data. The chapter also discusses what kind of data is required to examine the variables. Then, the data analysis processes and statistical techniques are selected to analyse the data. Finally, the research ethical issues are discussed to ensure the data is unbiased and can support generalisability. The conclusions are presented in this chapter.

Chapter 6 Main Study Analysis and Findings – This chapter presents the analysis and findings of the main survey. The chapter begins with data management, data screening,

demographic characteristics, factor loading and exploratory factor analysis. The chapter ends by showing the outcomes of the hypotheses testing.

Chapter 7 Discussion – In this chapter, first, the population and sample issues and second, the results of the scale purification are presented and discussed. Third, the findings of all the hypotheses testing are reviewed and compared with past research. Finally, the results of the antecedents of trust in the performance of IJVs are discussed.

Chapter 8 Conclusions and Reflection – Summarises the results and outcomes of this study and the thesis. It discusses first the theoretical contribution of the thesis in terms of gaps in the research. Second, the managerial implications of the study's findings are described. This is followed by a discussion and reflection on the methodological and theoretical limitations of the research. Finally, future research directions are suggested.

Chapter 2: Literature Review on IJVs and Trust

2.1   Introduction

The previous chapter provided a brief setting of the study and justification of the research. This chapter explores in depth the relevant literature and issues that have a direct effect on trust and how trust affects the performance of IJVs. Importantly, these insights highlight the fact that trust and commitment are imperative for successful IJVs. Theories such as social exchange theory (see section 2.3); trust, commitment and the background of IJV research are the focus of this chapter. This chapter is divided into nine parts. Sections 2.2 to 2.2.5 provide general information about IJVs, the definition of an IJV, benefits and disadvantages of IJVs, strategic behaviour and joint venture motivations, challenges to strategic alliance formation and implementation, and alliance instability and failure. Sections 2.3 to 2.3.4 explain some popular theories that have been used in IJVs, and particularly provide a clear explanation of social exchange theory and its benefits and implications in IJVs. Sections 2.4 to 2.4.9 discuss trust, its definition, trust in IJVs, the concept of trust, dimensions of trust, different levels of trust, and the benefits and drawback of trust. Sections 2.5 to 2.5.2 will provide a clear explanation of commitment, its definitions, and commitment in the exchange relationship. Sections 2.6 to 2.6.2 demonstrate the importance of trust and commitment and the relationship between dimensions of trust and commitment. Sections 2.7 to 2.7.3 discuss antecedents and consequences of trust and different measures for performance of IJVs. Section 2.8 will provide a comprehensive review of the foregoing literature, and finally in Section 9, the research gap is identified and discussed.

The literature review is a critical analysis in business and management research that demonstrates that the current state of the research topic is understood and supports any conceptual framework (Maylor and Blackmin, 2005). It is the intention that the literature review will demonstrate a clear understanding of the research topic, identify the major studies related to the research area – including the different points of the views on the research topic – in order to identify the research gap, draw clear and appropriate conclusions, and demonstrate the relevance and importance of the research problems (Hart, 1998). The literature for this study ensures a solid perspective on the factors that may support the development of trust in IJVs. The scope of this thesis is to explore trust in IJVs and its effect on the success of IJVs.

2.2   International Joint Ventures (IJVs)

IJVs as organisational entities that are formed and controlled by local and foreign companies are one of the most significant ways of expansion for international companies. This central role of the IJV in the internationalization strategy of firms, particularly multinationals, was identified and stressed by Franko (1971) in his book, *Joint Venture Survival in Multinational Corporations*. However, between 1971 and 1990, the scope of IJVs was expanded significantly and their primary target was changed to secondary in comparison with new goals (Garrette and Dussauge, 1995). These objectives include accomplishing economies of scale, learning and shifting capabilities and information (Hamel, 1991; Puffer et al., 2012), and refocusing and reformation of a business portfolio (Nanda and Williamson, 1995). Simultaneously, the forming of new markets in new geographic areas accelerated, e.g. the WTO was formed and in a variety of developing countries, local policies in favour of foreign direct investment were established (Meschi and Riccio, 2008). These developments stimulated multinational companies to change the shape of the IJV by other methods of entry, such as wholly owned subsidiaries and acquisitions, which guaranteed complete management of local processes and resources, rather than the joint control related to IJVs. These two actions lead to a slow but unavoidable reduction in the number of IJVs as a mode of entry (Meschi and Riccio, 2008).

By the end of the 1990s, IJVs began resurgence. Generally emerging markets along with the unique development of the BRIC (Brazil, Russia, India and China) countries especially gave a new drive to IJVs. This was due to economic and political uncertainty and also the cultural characteristics of these countries which made IJVs popular as an entry mode (Farrell et al., 2004). When there is a cultural distance between partners and country risk is high, international companies are likely to choose an IJV as a method of entry into a country (Kogut and Singh, 1988).

Some scholars assert that joint ventures are beneficial to accelerating harmony between partners due to their flexibility in highly uncertain conditions (Brouthers, 2002; Delios and Henisz, 2000; Meyer, 2001). Transaction costs economics defenders contend that, in spite of all these arguments, wholly owned subsidiaries are preferable in order to have control over firms and decrease the transaction costs in highly uncertain conditions (Lo et al., 2011). Other studies on the selection of production firms state that joint ventures are preferable when there is great uncertainty in the host country in order to reduce the financial burdens on them (Lo et

al., 2011). Scholars such as Anderson and Gatignon (1988) and Anil et al. (2011) confirm that joint ventures are the preferred mode in the case of entry of American production firms to high risk foreign markets. Researchers such as Parise and Casher (2003) have demonstrated that the number of IJVs as a type of strategic alliance is increasing rapidly, with an average increase of 20 percent per year globally. Therefore, due to the importance of IJVs, a deep and broad understanding of the IJV is vital and should be given greater consideration by executives than ever.

The existing literature of IJV predominantly looks at five streams: (1) the motivation for the creation of joint ventures; (2) the choice of governance structure of joint ventures; (3) the dynamic development of joint ventures; (4) the performance of alliances; and (5) the performance result for firms entering into joint ventures (Gulati, 1995). As such a broad range of studies cannot be reviewed in this research; the focus of this study is on exchange processes factors (inter-partner fit factors, relational factors, religion and country risk) and their effects on alliance performance.

Macher and Richman (2004) state that IJV is a type of entry mode in which capital is contributed from both partners to a mutually owned business, and there is a specific share of management, profit and loss. Also joint venture is defined as a kind of corporation that may occur when companies are not capable of developing (or are reluctant to develop) technology internally, allowing sharing of knowledge and capabilities.

When the joint venture is expanding, it can contribute to cost saving, risk sharing, and transferring knowledge and new technology. In addition, as a result of the local partner's knowledge, environmental uncertainty will be reduced and thus information costs will be saved. Also, the structure of the IJV is more hierarchical, and coordination and information processing costs are lower (Schrooten, 2009).

IJVs account for a large number of the firms in many countries, as a type of strategic alliance in order to gain the required resources (Bilton, 2007; Park et al., 2009a). While IJVs may have shown a recent deceleration (Rhaman, 2008), scholars such as Ireland et al. (2002) state that the popularity of IJVs is still a real fact. Park et al. (2008) perceive that the rapid advance of IJVs is a worldwide phenomenon, and that this wave has been sweeping through a wide range of sectors. According to Brouthers (2002), when the market is characterised by high legal restrictions or high levels of investment risks, firms choose IJVs as an entry mode.

Taking all the above into account, the number of new IJVs is still increasing (Lane et al., 2001; Turk and Ybara, 2011).

IJVs are created either for complementarity resource exchange, especially in developed countries, or in response to local regulations, especially in developing countries, and generally they are involved in a wide range of activities such as research, production, marketing, and distribution. The characteristics of an IJV are complex, and trust, cooperation and commitment between partners have been emphasised as key determinants of performance (Parmigiani and Rivera-Santos, 2011).

2.2.1 Definitions of an International Joint Venture

There are many mutual arrangements between firms from different countries, with different intentions including joint ventures, licensing agreements, supply agreements, marketing agreements and a range of other cooperations (Glaister et al., 1994). Accordingly, joint venture is only a subset of total cooperative activity. The various descriptions of an IJV that exist in the literature show the significant academic concern and its popularity in the fields of management, economics and law (Beamish, 1984; Kogut, 1988). The term joint venture is used to describe a relationship between entities; however, there seems to be a distinct lack of consensus as to what constitutes an IJV. In order to highlight commonalities that exist between the given definitions, it is important to understand the characteristics of IJVs.

Pfeffer and Nowak (1976) describe joint ventures' presence as the results of legally and economically distinct formal entities created by two or more parent firms that collectively invest capital and other resources to pursue certain strategic objectives, while Barringer and Harrison (2000) conclude that an IJV is an entity that is created when two or more firms pool a portion of their resources to create a separate jointly owned firm.

Young and Bradford (1977, p. 11) describe a joint venture as an

"enterprise, or corporation or partnership formed by two or more companies, individuals or organisations at least one of which is an operating entity which wishes to broaden its activities for the purpose of conducting a new profit-motivated business of permanent duration. In general the ownership is shared by the participants with more or less equal distribution and without absolute dominance by one party".

Edstrom and Hogbere (1989) state that a joint venture is a type of inter-organisational collaboration. They describe joint venture as a separate organisational entity which is jointly owned and controlled by the collaborating firms.

Therefore, it can be determined from the above that a joint venture should be managed and controlled by its parents, not just by one side, although management is often assigned to one of the sides.

Deresky (2003, p. 261) provides a useful explanation of an IJV: "a wide array of partnership between business companies whose headquarters are located in different countries, and who communicate for the execution of different stages or parts of their activities, such as joined marketing, integrated production or joined development".

There are of course many definitions, but the above definition by Deresky (2003), seems quite comprehensive and pertinent to our work. To be included in this research, a joint venture had to be owned and controlled by two or more legally distinct companies and one parent had to be in Iran and at least one of the other parent companies had to be headquartered in a country other than Iran.

2.2.2 Strategic Behaviour and Joint Venture Motivations

The existing strategic alliances literature identifies many of the motives for firms entering IJVs (Dong and Glaister, 2006). For example, Dong and Glaister (2006) observe the criteria for the selection of partners and the motivations behind the creation of Chinese and western JVs. Their findings show that partners operating in Sino-foreign JVs have different reasons to establish JVs in China; though, in their analysis, they do not compare the different formation motives between partners at the dyad level, partially as the result of lack of observation attained from partners from the same JV. A study by Bierly and Gallagher (2007) discusses the importance of a strategic fit between partners; but ignores the potential similarities that partner firms can have.

Lin et al. (1997) state that the most important reasons for creating IJVs are efficiency, competition and learning. Kogut (1988) mentions strategic behaviour, the transaction cost approach and organisational learning as the most significant factors for the formation of a joint venture and its behaviour. According to Harrigan (1985), internal benefits, competitive benefits and strategic benefits are the primary motives for forming an IJV.

Czinkota et al. (2003) categorise the reasons for starting IJVs as follows: (1) Government legislation; (2) one partner's need for the other partner's attributes or assets; (3) one partner's need for the other partner's skills. Merging of assets and sharing investments is particularly efficient for the venture when each participant can bring in and concentrate on specialised areas. But according to Czinkota et al. (2003) the most important reasons for the creation of IJVs are government-related issues, particularly in developing countries. In the case of having a joint venture with a local partner, this will make the relationship with the government and other organisations easier. With a local participant, certificates may be more easily obtained. The venture might be entitled to government funding or tax incentives. Benefits are also attained due to the insight provided into the local market conditions and local cooperation.

There are also several theories that explain the motives for the formation of IJVs such as resource dependency theory and Inter-organisational learning. Shaw and Kauser (2000) as well as Parkhe (1993) explain the motivation for forming IJVs by considering the resource dependency theory. In order for firms to compete efficiently in the market, there is a requirement to create dependency between firms to gain the necessary resources to reduce uncertainty (Shaw and Kauser, 2000). Inter-organisational learning is another significant theory that explains the creation of IJVs. In the case of IJVs, transferring of information, technology and know-how is easier and this will provide a strategic advantage for firms (Kogut, 1988; Hamel, 1991). Berg and Friedman (1978) assert that behind the creation of most joint ventures are sets of unique situations, and that joint ventures are formed for the achievement of economic objectives that none of the partners could accomplish alone.

In this study, prior work by Glaister and Buckley (1996) and Hennart (1988) are followed to address four classes of formation motives.

- **Knowledge/Technology Development**

Firms are willing to create JVs for the purpose of learning and to improve their capabilities. This is through the exchange of information and technology, which allows the partner firms to become more efficient and effective and have more capabilities. The market value of firms competing in emerging, knowledge-intensive industries is predominantly, if not entirely, based on their option to grow in the future. Therefore, developing, researching and exploiting the capabilities that organisations do not currently have are very important (Klijn et al., 2010).

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For instance, NUMMI is a joint venture which was created by GM and Toyota. The motivation for both sides for establishing this relationship was to learn from each other: for example, GM learned production and quality control and Toyota obtained design and manufacturing skills (Liker, 2004).

- **Risk and Cost Reduction**

IJVs are considered to be an attractive system for hedging risks as none of the partners take on the full risk or cost of the activities in the IJV. One of the partners manages the process, and the other brings capital and absorbs the failure risk of the relationship (Klijn et al., 2009). According to Contractor and Lorange (1988), partners' cost and risk will be reduced in the JVs as the risk and cost of a big project will be spread over more than one firm. In addition, IJVs can reduce the cost of total investment or risk of assets by merging expertise and facilities. Mobile phone software developer Symbian affords a good example of the creation of IJVs in order to reduce risk and cost. The aim of this IJV is to produce mobile phone software that has multiple functions such as email, web and entertainment. The partners were not willing to accept the whole development process due to high initial investment costs and associated risks with the technological development, resulting in the formation of this JV (Buckley et al., 2009).

- **Low-cost Sourcing**

After the IJV is created, similar industries will be able to rationalise production by outsourcing activities to each other. IJV formation will reduce costs by applying economies of scale and learning from each other, and reducing the uncertainties and difficulties of a full-scale merger. In addition, IJVs can result in lower location costs. For example, products which are made in different locations and various associated costs can be transferred to lower-cost locations. An example of this issue is the IJV between Damen Ship Yards and Group NV, which were located in the Netherlands and Vietnam, respectively. After the JV formation, the products were produced in Vietnam at a lower cost (Klijn et al., 2010).

- **Market Power**

IJVs can affect the way that an organisation competes with other firms. Partners in the joint venture start a friendly relationship with their potential competitors or other firms to stop a rival which is common to them in the same market. In this case, a partner can keep its position in the market. An example regarding the market power is the formation of MSNBC,

which is an IJV between Microsoft and NBC that was created to compete against other cable news networks such as CNN and Fox News (Klijn et al., 2010).

2.2.3 Challenges to the Formation and Implementation of a Strategic Alliance

Even though there may be different situations leading to the creation of strategic and the impact of intangibles is often difficult to predict, there are several identifiable challenges to the creation and implementation of an alliance as well as some factors that have been regarded to be important for success of alliances.

The literature shows general agreement between authors regarding the primary challenge that companies face in order to enter into a partnering relationship. According to Yankey and Willen (2010), these include the following:

- Incompatible mission, vision and values: when there is an ideological difference, a history of disagreement or debates that leave little room for flexibility, there will be unfavourable conditions for the creation and operation of alliances.

- Egos: the egos of the managers or the group members in order to demonstrate pride in their own team can stop or reduce the possibility of an alliance formation.

- Turf issues: when one of the partners is preeminent in some special field due to its size or scope, the possibility of treating the other side as an equal is low. A lack of shared missions and a good community will be the result in risky alliances.

- Cost (time required): In order to form an alliance, a large amount of money and time is required. On average, the creation of alliances requires 12 to 18 months from the starting point up to the operation.

- Cost (funds required): more integrated alliances require more funds to be developed and implemented. The cost is included in organisational analyses and due diligence such as legal fees, financial auditing, etc. But these are not *all* the expenses. After the alliance is formed and operating, there are other costs such as salaries, legal judgments, mortgages, lease payments, taxes and so on.

- Cultural differences: cultural difference is important to alliance formation. Cultural difference has been emphasised by a variety of scholars as an obstacle to the creation of alliances. Failure in considering one's own organisational culture and the culture of a future partner can put the staff and board morale at risk, and jeopardise the success of alliances.

2.2.4 Alliance Instability and Failure

As the result of uncertainty related to increased global competition, the creation of more new markets and rapid changes in technologies, recently more firms have started to join different types of cooperative arrangements. In this situation, it is difficult for the firms to have all the resources needed in order to maintain competitive advantage (Deitz et al., 2010). Therefore, previous studies have related the existence of strong inter-organisational relationships between partners to outcomes such as improving innovation, access to more markets, reduced costs and improved financial performance (Cannon and Homburg, 2001; Rindfleisch and Moorman, 2001). In spite of a dramatic increase in the number of strategic alliances, high rates of failure and dissatisfaction between partners have been reported by observers (Deitz et al., 2010). In addition, those joint ventures that finally became successful had very serious issues in the initial stage of the relationship (Bleeke and Ernst, 1993). After IJV creation and performance for a few years, ties between partners will be broken, and they will compete independently, sell their share to a partner company or another company from outside or they may shut down the company totally (Franko, 1971; Nguyen and Larimo, 2011).

- **Rate of Failure**

A large number of studies have documented the instability and breakdown of IJVs over the years. The literature on alliance termination has generated a mixed bag of findings. However, the general picture has been rather pessimistic. Franko (1971) is one of the scholars who started to work on the instability issue of IJVs. IJVs have been recognised as the most efficient way of expanding geographical market participation, but in spite of recognition of the attractiveness and importance of IJVs, there are mixed findings relating to the actual failure rate of IJVs. Bleeke and Ernst (1995) calculate the rate of failure of strategic alliances is around 50 percent; Parkhe (1993a) reports a failure rate of 80 percent, and Idris and Tey (2011) provide a figure of ranging from 28.8 percent to 70. Reynolds (1979) asserts that the IJV instability rate in LDCs is 45–50 percent, whilst Killing (1983) and Franko (1971) show results of only 30 percent in developed countries. In the study by Kogut (1989), from a sample of 92 US IJVs, it was reported that half of the IJVs were terminated before they reached their sixth year. Harrigan (1988) reported 3.5 years as the average life for IJVs. According to Mckinsey Consultancy Company, based on 200 research subjects, the average life of IJVs is 7 years and more than 80 percent sell their share to other partners (Bleeke and Ernst, 1995). Miller et al. (1996) in a study of 70 IJVs in six developing countries reported 27

percent were unlikely to survive. According to Pothukuchi et al. (2002), between 37and 70 percent of IJVs have poor performance, and Makino et al. (2007) have reported a 30–70 percent rate of failure for IJVs. Based on a study of the survival of IJVs in emerging markets, it has been stated that between 30 and 50 percent are broken up by the partners in the first 5 years (Lee and Beamish, 1995; Pan, 1996; Leung, 1997; Yan, 1998; Kale and Anand, 2001; Meschi, 2005; Nakamura, 2005). According to Hyndman, Kraiselburd and Watson (2011), as many as 7 in 10 IJVs fail due to a lack of trust between the partners.

IJVs have provided firms with a way to enter new markets, to access resources, and to search and obtain new capabilities, but they have also proven to be an unsteady type of cooperation with a high rate of terminations as mentioned above (Makino et al., 2007; Pajunen and Fang, 2011). Therefore scholars consider alliances as naturally fragile, unstable and transitional (Jiang and Gao, 2008).

Table 2.1 provides a summary of the rate of failure of IJVs. It can be seen that over the past forty years there was an increase in the case of IJVs failure. The reasons for failures will be illustrated in Table 2.2.

Table 2.1: Rate of Failure of International Joint Ventures

Author	Franko (1971)	Reynolds (1979)	Killing (1983)	Parkhe (1993)	Bleeke and Ernst (1995)	Spekman et al. (1996)	Brouthers et al. (1997)	Duysters et al. (1999)	Sadowski and Duysters (2008)	Idris and Tey (2011)	Mowla (2012)
Rate of failure	30%	45-50%	30%	80%	50%	60%	50%	40-70%	50-60%	28.8-70%	60%

- **Reasons for Failure**

The management of IJVs is difficult as a result of the existence of two or more partners with different managerial systems, philosophies, values and attitudes (Ozorhon, 2010). The reasons can be traced to some of the popular rationalisations based on theories such as transaction cost economics (Williamson, 1985; Al-Khalifa and Peterson, 2004; Sengun and Wasti, 2010), resource dependence (Pfeffer and Salanick, 1978; Steensma et al., 2007) and game theory (Parkhe, 1993; Girmscheid and Brockmann, 2010). These theories will be discussed and criticised in section 2.3.

Transaction cost economics stress the role of opportunistic behaviour and its negative impact on partners in inter-organisational relationships. It discusses that the alliance endures conflict, ineffectiveness and distrust, since the partners may conduct self-interested activities at the expense of other parties (Ring and van de Ven, 1992). Lewis (1992) discusses that trust is unattainable between partners. To prevent opportunism, it is necessary for alliances to use some kind of formal control system. This will result in *ex ante* contracts and *ex post* monitoring which might cause greater costs. For instance, joint ventures fail mostly due to opportunistic behaviours which induce unexpected leaks of replicable firm-specific assets (Han and Lee, 2012).

Game theory is another theoretical rationale that helps to understand the inherent instability and deficiency of strategic alliances (Parkhe, 1993b). Game theory recommends that strategic alliances engage the prisoners' dilemma situation (Luce and Raiffa, 1957), which means the partners are not confident about the motivation and purposes of their matching part, and they may not collaborate. A well-known example for illustrating game theory and the prisoner's dilemma tells of two persons accused of burglary: there is not much evidence so the statements of the prisoners will determine the prosecution. If both admit the robbery, they will each be in prison for 5 years. If both keep silent, they will be in prison for 1 year. If only one of them admits, he will be free and the other will serve a 20-year prison sentence. In this case, the prisoners are not sure about the actions of the other side, whether he will be silent or whether he will confess. For the best result, which is keeping silent on both sides, the prisoners should trust each other. In the case of game theory, a cooperative strategy is the best result. The problem of the rational choice approach is people do not always make conscious calculations nor do they have an organised set of preferences (March, 1994). The argument of this theory is that the payoff from non-cooperation is more than the result of collaboration. As long as the partners can get more benefits from cheating or taking advantage of the other party, it is clear that alliances will fail. But, game theory does not illuminate the reason for the involvement of partners in strategic alliances when there is the possibility of cheating.

Resource dependence theory recommends that firms rely on other organisations for the necessary resources (Pfeffer and Salanick, 1978). In order for firms to reduce their dependence on other firms, they start inter-organisational or alliance connections. In the case of strategic alliances, firms can control resources and decrease their dependence on other firms. Having relationships with other firms is not without problems. Inter-organisational relationships will cause a lack of autonomy and will result in the need for new investors to

preserve the relationship. The level of dependency of resources will change the balance of power, which will result in conflicts and might lead to the failure of alliances. In the case of imbalance between partners, there is a greater possibility of behaving opportunistically. When there is a power imbalance between partners, the partners may consider there to be exploitation in the relationship and as a result, try to take revenge (Steensma et al., 2007). In this perspective, "to have power is to see it" (Emerson, 1972: p.67). According to Frazier et al. (1989), manufacturers with more power than their dealers are more willing to have compulsory strategies in their relationships than manufacturers with less power. In addition, firms with lower power have a tendency to behave opportunistically to rectify their lack of power, and this will cause frustration for the exchange relationship (Steensma et al., 2007). For example, it has been stated that the more the supplier has control over the dealer's decision, the greater the possibility of acting opportunistically from the dealer's side (Provan and Skinner, 1989). In fact, it has been reported that dominant partners have a lower level of trust in their relationship (Young-Ybarra and Wiersema, 1999). On the other hand, when the power is equally divided between the partners in joint ventures, an environment of respect, trust, symmetric cooperation and stability will be created (Yan and Gray, 1994; Steensma and Lyles, 2000). Partners will be mutually dependent on each other and they will feel a lesser possibility of exploitation, which will result in longer relationships in joint ventures.

Conflict between partners is another reason for the failure of IJVs. One of the important issues that alliances face is that of conflict, which can result in high costs or a breakdown of the relationship. Trust can resolve and smooth such conflict between partners, i.e. when partners trust each other, they can understand each other's actions better which will help to stabilise the relationship (De Jong and Woolthuis, 2008). As Noorderhaven (2004) stated, when firms face an unexpected action from the other partner, it can lead to both good and bad intentions and with the existence of trust; the possibility of negative outcomes is lower. For example, a poor performance in the case of sales could be interpreted as an ineffective promotional campaign or considered as the result of lack of commitment of distribution firm. In such an ambiguous situation, trust will make mutual understanding easier and will remove doubt between partners. This will result in reducing the cost of inter-partner conflict as well as transaction costs (Zaheer et al., 1998; Dyer and Chu, 2003).

Kogut (1988) mentions joint ventures as a way of entering into a new market, as it can reduce transaction costs due to sharing the ownership, risk, monitoring and control rights. Also, in a situation where the firms are facing uncertainty about future development or when there is

not enough information, joint ventures are practical. However, having two or more owners which already had competition will lead to some difficulties between partners. These problems are more significant when the IJV's partners are operating in an environment where political instability and opportunistic behaviour is common and this will increase transaction costs due to the increased monitoring, communication and negotiation requirements. So, joint ventures can be successful when the benefits of the cooperation outweigh the costs (Wai-Kit et al., 2007).

Table 2.2 provides an overview of the literature on alliance failure by taking a dyadic point of view on strategic alliances.

Table 2.2: Reasons for Alliances' Failure

Authors	Goals and strategy	Nationality	Commitment	Strong-weak/weak-weak partner	Geographical/ Operational overlap	Asymmetric incentives	Uneven learning	Expectations	Trust
Beamish and Delois (1997)	●								
Wildeman and Kok (1998)		●	●						●
Lorange and Ross (1993)	●		●			●	●		
Chevalier (1995)			●		●				●
Schuler et al. (2002)			●						
Maljers (2001)		●	●	●	●				●
Khanna et al. (2007)						●			●
Douma (2008)	●			●		●			
Dacin and Hitt (2008)									●
Stafford (1981)	●	●		●				●	
Pothukuchi et al (2002)		●				●			●
Hyndman et al. (1994)									●
Walker et al. (1999)	●		●						●
Al Khattab (2012)	●	●							●

Table 2.2 above shows that trust has been regarded by many scholars as an essential factor for the success of IJVs in developing countries. Most reasons for strategic alliance failure have their origin in a badly managed partnership in which no trust exists between the partners

involved. If trust can be managed, it can be viewed as a means to speed the accomplishment of the objectives of an IJV (Wilson and Brennan, 2008; Deitz et al., 2010; Madhok, 2006). Moreover Table 2.2 shows other factors such as commitment, nationality, goal differences, strong–weak/weak–weak partner, uneven learning, asymmetric incentives and geographical/operational as reasons for the failure of strategic alliances. It is important to mention that the termination of strategic alliances does not necessarily mean the failure of those alliances (Jiang and Gao, 2008). Strategic alliances may be terminated after accomplishing their objectives. However, the sudden termination of alliances is a more serious issue; one of the aims of alliance management is to avoid the collaboration's sudden termination. These kinds of failures are costly and may influence the reputation of partner firms.

- **Contract vs. Trust**

Traditionally, academic investigations have concentrated on the effectiveness of formal control systems for controlling the alliance and managing conflicts between dyads (Williamson, 1975; 1985; Gulati, 1995). For successful alliances, legal procedures, agreements and contracts that clearly describe the relationship between the partners are necessary. In the case of an insufficient and weak legal contract between partners, the possibility of failure between the strategic alliance is high (Institute for Public–Private Partnerships (IP3), 2000b). The purpose of these contracts is to reduce the possibility of opportunistic behaviour by the partners (Kuttner, 1997; Reuer and Arino, 2007; Luo, 2008b) and to support the interests of the partners (Hennart, 1988). However, formal contracts and safeguards cannot guarantee the success of strategic alliances (Lu, 2011). Use of contracts might stop or reduce the possibility of failure of IJVs, but on the other hand, it is very time consuming and may take the concentration of partners away from the more important objectives of their strategic alliance, such as value creation and reaping benefits (De Jong and Woolthuis, 2008). As exchange relationships are long term, uncertainty may arise in the relationship that a formal contract cannot cover. It has been proven that monitoring and over controlling can be harmful for the relationship (Lorange and Roos, 1991), it can result in opportunistic behaviour by the partners (Ju et al., 2010) and it may also reduce relational factors such as trust (Carson et al., 2006; Hawkins et al., 2008; Laan et al., 2010). Furthermore contracts cannot predict all future developments. Even though the contract aims to set the course for the project, and its composition takes place at the very beginning of the

project, the members may have different understandings of the contract during different stages of the project. The reason for this is lack of trust and consequent inflexibility.

Therefore, scholars emphasise the important role of informal safeguards and social exchange processes, including trust-building, in preventing the opportunistic behaviour of alliance partners (Dyer and Singh, 1998; Meryem, 2011; Wahab et al., 2011). It has been stated in recent studies that the success of alliances is related less to the formal set of arrangements and more to the informal processes (Silva et al., 2011; Liu, 2012). In contrast to the formal contract, informal contracts are described as unwritten agreements between partners that cannot be imposed by an official authority or power, and they depend totally on the partners' desire to create and sustain integrity and fairness (Barney and Ouchi, 1986; Aryee et al., 2002; Luo, 2008a), as well as build trust (Zaheer and Venkatraman, 1995; Arino et al., 2001). It has been stated that alliances do not consider the formal contracts as important as they once did and that alliances mostly pay attention to the informal contracts (trust), which will provide efficient control of the partnership (Ivens, 2005; Zhang and Jia, 2010). Non-contractual systems of control are essential for the success of the partnership due to the difficulty of making a comprehensive contract (Lambe et al., 2001). A formal contract has been regarded as redundant and even in opposition to trust. Trust reduces the need for specifying and monitoring contractual clauses and makes contractual safeguards redundant.

There is much literature that focuses on governance mechanisms that decreases risk, and trust has been considered as one of them. Many researchers have recognised that trust is a crucial element in improving the performance of IJVs (Al Khattab, 2012; Currall and Inkpen, 2002; Inkpen and Currall, 2004; Madhok, 2006; Ng et al., 2007; Deitz et al., 2010; Rus and Iglic, 2005; Boersma et al., 2003; Mohr, 2004; Zahher and Zaheer, 2006; Svejenova, 2006; Madhok, 2006; Nielson, 2007; Wai-Kit NG et al., 2007; De Jong and Woolthius, 2008; Bstieler and Hemmert, 2008; Fang et al., 2008; Kwon, 2008; Lin and Wang, 2008; Wilson and Brennan, 2008; Thuy and Quang, 2005; Madhok, 1995; Inkpen and Beamish, 1997; Gabarro, 1978; Granovetter, 1985; Parkhe, 1993a; Ganesan, 1994; Ring and van de Ven, 1994; Nooteboom, 1996; Uzzi, 1997; Silva et al., 2011; Sayuti, 2011). According to Sadowski and Duysters (2008), the most important reason for the failure of strategic alliances is a lack of trust. Trust has mainly been seen as a universal construct. The relationships in international business strongly depend on trust, since it facilitates cooperation, altruism, voluntary deference, high quality information exchange, and problem solving effectiveness (Muethel and Hoegl, 2011).

According to Dyer (1997), trust should itself be considered as a capable governance system in inter-firm relationships, which reduces the transaction costs by substituting contracts (Madsen et al., 2011). The higher the level of trust, the less is the control required over the partners. In a similar way, Faulkner (2000) states that there is less need for control when trust is well developed. According to some scholars contracts might deter the development of trust (Hawkins et al., 2008; Laan et al., 2010). Making a detailed contract and relying on it strongly may be considered a sign of distrust and might result in opportunistic behaviour by partners. Moreover trust can stand in the way of the effective enforcement of contractual details. Therefore, when trust between partners is well formulated, firms' reliance on contracts will be reduced (Wang et al., 2011). Trust is critical for new IJVs as one of their primary concerns is the loss of technological advantages to partner firms (Li, 2012).

The next section explains and criticises theories that have been used in IJVs, and particularly explains social exchange theory and its benefits and implications in IJVs.

2.3   Theories

There are a large number of theories that can be applied to test the validity of IJVs such as transaction cost theory (Hennart, 1988), bargaining power theory (Yan and Gray, 1994) and resource based theory (Das and Teng, 2000). However, one theory, which is the social exchange perspective, still applies to inter-organisational relationships (Bignoux, 2006). Social exchange theory (SET) is one of the frequent theories which has been used in the literature in relation to the inter-organisational relationship. Below a brief explanation of theories will be provided and any criticisms that have been levelled at them, while section 2.3.1 comprehensively explains social exchange theory which is the core theory of this study due to its relevance to the current research.

Williamson (1985) states that firms decide how to perform according to the criteria of reducing their transaction costs. Transaction costs refer to the costs of writing and enforcing contracts, for haggling over terms and contingent claims, for deviating from optimal kinds of investments in order to increase dependence on a party or to stabilise a relationship, and for administering a transaction. Transaction cost economics (TCE) considers firms and markets as another form of control, and recommends that the exchange process is based on firms' desire to reduce the opportunistic costs of exchange (Rindfleisch and Heide, 1997). These costs in TCE are called transaction costs (Williamson, 1975). Transaction cost theory

proposes that firms seek the most efficient form of governance to support their exchange relationships.

A critical insight presented by transaction cost theory regarding joint ventures is the problem of opportunistic behaviour and safeguards against such behaviour in the organisation. As Beamish (2008, p.56) argues, "the organisational structure reduces the costs of opportunism at the expense of increasing bureaucratic or administrative costs". If properly developed, trust can decrease the risk of opportunism and make the IJV develop the most competent form (Beamish and Banks, 1987). So, "In the deficiency of opportunistic behaviour there would be no need to effort such costly planning.... If transactions costs are thought of as friction in the economy, then trust can be seen as an extremely effective lubricant" (Lorenz, 1988, p. 197). In addition, TCE uses common economic assumptions about humans and their behaviours. For example, it is supposed that opportunistic behaviour by one or more of the alliance members is possible. This statement does not consider the role of trust. As such, TCE does not address the essential social and relational processes regarding trust in alliance relationships.

Resource dependence theory describes how organisations look to reduce ambiguity by making constructive exchange relationships. Provan and Milward (1995) state that in order to accomplish economic advantages and improve market survival, individual organisations make strategic choices to cooperate with other organisations. If the benefits outweigh the costs, the relationship is worthwhile. Uncertainty is created by a shortage of resources, by insufficient knowledge about the fluctuations of the environment and by the availability of exchange partners (Cook, 1977). Resource dependence theory argues that as firms are not self-sufficient, they seek long-term relationships to decrease ambiguity and improve access to resources. Both the transaction cost and the resource dependence theories have emphasized the relevance of partner opportunism in inter-organisational relationships and both have been criticised because they do not illustrate the formation procedure of IJV, nor do they recommend methods for sustaining the IJV once created (Hill et al., 1990).

Power bargaining refers to the ability of the negotiating/bargaining partner to constructively change the bargaining set (Lax and Sebenius, 1995) and to impact the outcome of negotiations (Schelling, 1956). Argyres et al. (1999, p.55) define bargaining power as "the ability of one party to a contract to be able to influence the terms and condition of that contract, or subsequent contract, in its own favour". In general, the bargaining power between

IJV firms is based on the relatively vital need for cooperation, available resources, commitments (Nalebuff and Brandenburger, 1996; Inkpen and Beamish, 1997), the ability to secure another party's agreement on one's own terms (Rojot, 1991) and the strengths and weaknesses between the partners (Schelling, 1965). However, elements of bargaining are deficient in a situation where one party assumes total control over the other (Rojot, 1991). Robinson (1969) notes that the joint venture relationship cannot be a zero-sum game and each partner must expect to gain from the other. Sociologists such as French and Raven (1959) state power as an important factor that can be used by one of the partners to control the other side. Beier and Stern (1969) are the first scholars who have applied power for the control of IJVs, but this concept has been stated to have a restriction regarding the conflict that it might create between partners (Lambe, 2001).

Table 2.3 below compares the different elements of trust and power in IJVs. For example duration element in bargaining powers is short and medium term whilst in trust is long term. Or communication in power is intensive and unidirectional, but in trust is bi-directional. All these elements show the advantage of trust over power in the relationship.

Table 2.3: Comparing Power and Trust in IJVs

Elements	Power	Trust
Duration	Short and medium term	Long term
Attitude	Independent and competitive	Open, confident and cooperative
Communication	Intensive, but predominantly unidirectional	Complex and bi-directional
Information	Owner	Shared
Planning and goals	Individual, short-term	Group, long term
Benefits and risks	Individual	Shared
Troubleshooting	Top-down	Mutual integrated

Recently, theories based on trust have emerged in order to improve the quality and reduce the cost of transactions (Talamini and Ferreira, 2010). As a result of the inability of these theories to describe relational governance, studies have mostly focussed on social exchange theory (Lambe et al., 2001), which concentrates on the relationship between partners in IJVs. The core part of social exchange is the relational interdependence, or the relational contracts, that will develop through the interactions of exchange partners (Hallen et al., 1991).

2.3.1 Social Exchange Theory (SET)

Social exchange theory was developed and expanded by Homans (1958), Thibaut and Kelly (1959) and Blau (1964), who were all sociologists and social psychologists, rather than economists (Emerson, 1976). Social exchange theory (SET) is one of the most significant theoretical paradigms for investigating workplace behaviour. The root of SET can be tracked to at least the 1920s (Malinowski, 1922; Mauss, 1925), with several influential studies in fields such as anthropology (e.g. Firth, 1967; Sahlins, 1972), social psychology (Homans, 1958; Thibault and Kelley, 1959; Gouldner, 1960) and sociology (Blau, 1964). Homans (1958) "developed the first systematic theory that focuses on social behaviour [social exchange theory]" (Blau, 1968, p. 453). It is believed that Blau (1964) is the first scholar who used the phrase "theory of social exchange" to explain his conceptualisation "of social interaction as an exchange" (Cropanzano and Mitchell, 2005).

Social exchange theory is one of the oldest theories of social behaviour – any relations between individuals in exchanging resources (Homans, 1958). It is worthwhile noting that not only tangible resources such as goods and money can be exchanged, but also intangible resources such as social amenities or friendship can be exchanged. The main concept behind social exchange theory is that partners behave in ways that increase the outcomes they value positively and decrease those they value negatively in the relationship. Outcomes can be divided into different categories and may depend on the partner's own behaviour (independence), the other partner's behaviour (dependence) or some combination of behaviours from both actors (independence). Social exchange theory is content-free and does not make assumptions about what partners value. This means that actors will behave similarly when valuing money or social appreciation. Therefore, the theory is applicable to different contexts. The theory recognises that relationships of dependence and interdependence may be developed through interaction (Rodriguez and Wilson, 2002).

Although social exchange originally focused on the individual level, it has been expanded to the organisational and inter-organisational levels (Levine and White, 1961; Jacobs, 1974). Social exchange is described as "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically in fact bring from others" (Blau, 1964, p. 91). Homans (1974) asserts that exchange is the basic process that makes people's actions particularly social. In conditions of exchange, the actions of one side create rewards or punishments for the actions of another side and vice versa, but it should be noted that a one-

time exchange in business where the buyer completes an exchange with a seller and another time with other sellers based on the offered prices is not considered as a relationship, while continued contact and exchange that engage mutual trust, reciprocity and power sharing develop into strong social relationships.

Relationships between partners grow, expand, worsen or are abandoned as a result of a social exchange and the cooperation process, which may be considered as an exchange of rewards and costs between the partners (Homans, 1974). Several different sources have illustrated the complete explanation of the social exchange principle (Thibaut and Kelly, 1959; Blau, 1964; Homans, 1974). The main precept of social exchange theory stressed in the existing literature is that social interaction is an exchange of mutually rewarding activities in which the receipt of a needed value is contingent on the supply of a favour in return. Blau (1964, p.94) describes the social exchange process with an interesting example:

"Only social exchange tends to engender feelings of personal obligation, gratitude, and trust; purely economic exchange as such does not. An individual is obligated to the banker who gives him a mortgage on his house merely in the technical sense of owing him money. But he does not feel personally obligated in the sense of experiencing a debt of gratitude to the banker, because all the banker's services, all costs and risks, are duly taken into account and fully repaid by the interest on the loan he receives. A banker who grants a loan without adequate collateral, however, does make the recipient personally obligated for this favourable treatment, precisely because this act of trust entails a social exchange that is superimposed upon the strictly economic transaction."

According to the social exchange paradigm, social capital, containing such attributes as trust, goodwill, commitment, reciprocity and benevolence, plays an important role in successful inter-firm relationships. Social capital is defined as the fabric of trust, shared values and understanding that allows diverse participants to work together towards collective outcomes and common goals (Huppé et al, 2012). In particular, it has been acknowledged that mutual trust particularly (Adler and Kwon, 2002; Spence et al., 2003; Zeng at al., 2012; Field, 2008; Jiang et al., 2011; Livshin, 2011; London and Siva, 2011; Szczepanski and Swiatowiec-Szczepanska, 2012) and commitment between partners are positioned as a central construct of social capital (Kwon, 2008; Tsai et al., 2011). The fundamental principle of SET is that trust and commitment will increase as a result of positive outcomes from exchange and that; overtimes norms form that govern the relationship. International marketing researchers also

apply the constructs of commitment and trust derived from social exchange theory in their relationship studies (Gao et al., 2012). According to Morgan and Hunt (1994, 1999), commitment and trust are essential determinants in relationships and a key factor for further relationship building. When "both commitment and trust— not just one or the other—are present, they produce outcomes that promote efficiency, productivity, and effectiveness" (Morgan and Hunt 1994: p. 22). Commitment in the relationship appears only when an actor in the relationship trusts another party and considers the relationship valuable enough to ensure maintenance. In this theory, trust is the central concept as it contributes to the embeddedness between the members in a network by developing commitment in the customer. In the existence of trust, the possibility of opportunism by members will be decreased as being involved in such actions will increase costs. If partners involve themselves in opportunism and ignore the rights and privileges of their dyad, it will result in the loss of long-term benefits, such as commitment, that are embedded in the relationship (Chung and Jin, 2011).

According to social exchange theory (SET), a mutual relationship is like a marriage and a steady relationship is associated with the improvement of trust (Liu et al., 2008). As social exchange is based on "obligations" rather than contracts, trust is one of the most important aspects of social exchange theory (Blau, 1968, p. 454). When one partner provides benefits for the other side, they trust those benefits will be returned or will be reciprocated. In fact, the mutual return of actions that benefit the other partner throughout time creates trust (Rodriguez and Wilson, 2002). Therefore, the procedure of forming trust produces obligations among the exchange partners (Lambe et al., 2001, Wong et al., 2011). Social exchange theory posits trust as the most important key variable in relational exchange (Blau, 1964; Homans, 1958; Lambe et al., 2001). In the initial stages of exchange relationships, trust does not exist or it has a very limited presence. Thus, the early exchange period may be relatively small or carry low risk. As a partner finds out about the benefits of transactions, firms will have more transactions, be involved in more risky behaviour (e.g. share important information) and provide more benefits for the other side. As one side provides more benefits for the other partner, the receiving party must return the benefits. Over time, mutual behaviours including social exchange and the fulfilling of promises will develop trust (Lambe et al., 2001). Overall, SET recommends that the process of trust-building between two parties starts with small transactions, and as the rewards value that one side receives increases, the values of the reward that will be given in return will likewise increase: as the number and the

size of the transactions increase, trust increases (Lambe et al., 2001). Houston and Gassenheimer (1987, p. 11) note that "[i]f reciprocation occurs, a pattern of behaviour [and trust] begins to be established".

According to social exchange theory, in an exchange relationship partners will perform in a way that maximises their benefits and minimises their negative loss. In social exchange, the benefits which are offered by one firm to the relationship are totally voluntary. This causes a responsibility for the other partner to provide benefits in response; e.g. reciprocity (Voss et al., 2006). Not only will the cost of writing and policing contracts be reduced by trust, but trust also motivates the partners to stick to the spirit of cooperation and go further than the contract when facing ambiguity and doubt (Das and Teng, 2002). Because of the essential role of trust and expected reciprocity, social exchanges rely on partial and informal contracts (Blau, 1964).

There are many theories about trust which are rooted in social exchange theory (SET), which is about the emergence of trust between partners as a result of the repeated exchange of benefits. Because this theory addresses the process of creation and expansion of social capital which is underlined by trust, it shows the motivational mechanism for having trustworthy behaviour in relationships (Cropanzano and Mitchell, 2005). SET is one of the most important theoretical issues of the era of globalisation that shows how people with cultural differences are able to trust each other and engage in fair or mutual social exchange (Takahashi et al., 2008). In 15 studies by different researchers on inter-organisational trust for the period 1990 to 2003 (Nooteboom et al., 1997; Young-Ybarra and Wiersema, 1999; Mollering, 2002), it was shown that the most frequent theoretical approaches behind the 15 empirical studies were sociological and psychological. Social exchange theory was used in four studies; literature on marketing channels was used in three studies; and transaction cost economics also in three (Seppanen et al., 2007).

As stated above, commitment as a consequence of trust constitutes a significant factor in social exchange theory. According to SET, the fundamental relationship of trust and commitment comes from the reciprocity between partners, which holds that "mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges" (McDonald, 1981, p. 834). According to social exchange theory, relational mechanisms such as trust and commitment are necessary to strengthen partner relationships and reduce the risks coming from

unpredicted changes in the logistics chain (Tsai, 2011; Karatepe and Shahriari, 2012; Lew and Sinkovics, 2012).

Further, the importance of trust and commitment in social exchange theory will be explained.

2.3.2   A Social Exchange Perspective of Alliance Formation

- **Interdependence**

One of the most crucial elements of strategic alliances is their formation. A variety of theoretical explanations exist, which are rooted in transaction cost economics (Hennart, 1988), the resource-based view (Das and Teng, 2000a) and strategic behaviour (Glaister and Buckley, 1996). Based on the social exchange perspective, the focal point is the exchange conditions in which alliances are created (Das and Teng, 2002).

One of the key exchange conditions in alliances is the interdependence between partners that will be created in the case of insufficient resources (Levine and White, 1961). Exchange concerns "voluntary transactions involving the transfer of resources between two or more actors for mutual benefit" (Cook, 1977, p. 64). When the partners are looking for resources which are owned by others, interaction commences between the partners and will cause the formation of alliances (Das and Teng, 2002). Mutual dependence or interdependence between partners is related to interactions between partners (Alter and Hage, 1993). Accordingly, resource dependency theory also recommends that firms resort to different arrangements (including alliances) to decrease the level of dependency on other firms (Pfeffer and Salancik, 1987).

Therefore, the formation of alliances will likely increase, if the level of interdependence increases between partners (Das and Teng, 2002). It has been stated by Pfeffer and Nowak (1979) that a joint venture's activity and the level of interdependence have a positive relationship with each other.

- **Environmental Uncertainty**

According to social exchange theory, firms start an exchange relationship as they seek for resources in order to decrease environmental uncertainty (Thompson, 1967). In the case of exchange relations, such as in alliances, firms can negotiate their environment better, so that it becomes more predictable (Cook, 1977). Environmental uncertainty can be created from the general environment or industry. Political, social and macro-economic elements are

considered as general environmental uncertainties, and product market and competitive factors are considered as industry uncertainties. All the uncertainties in the relationship can be controlled or at least reduced with additional resources, whether they are provided by internal or external arrangements. When there is no possibility of providing the resources from internal sources, alliances are the only way (Das and Teng, 2000a). In alliances, partners are committed to offer the resources and receive the resources in return. When firms are involved in these exchanges, there will be a significant reduction in environmental uncertainty (Das and Teng, 2002).

2.3.3   Social Exchange Theory in International Joint Ventures

IJVs are new legal firms that are formed by separate firms but are owned jointly by the partner firms. As joint ventures are the result of joint subsidiaries of two or more firms, a joint strategy should be applied. For better performance and to get more benefits from the joint venture, the partners must commit sufficient resources and facilities to the joint venture. Creating equal and sufficient competitive advantages for the joint venture is the key, other than for each firm in isolation. Therefore, the common interest is more important than the private interests of the partners (Das and Teng, 2002).

Social exchange theory is particularly important in the joint venture form of alliances, which concerns incomplete and open-ended contracts between parties. Partners in joint ventures choose the share of contribution, the members of the board of directors, operational control, the primary target of the venture, how to share benefits and how to terminate the cooperation if necessary. There will be many areas that fall outside of the contract, particularly flexible interaction between the parties. As a joint venture is founded on continuous cooperation, the strategies and processes should be adjusted to any new situation, and anything that is not possible to predict in the contract. Setting up a joint venture is a long-term process with tangible results taking longer to achieve. It is possible that the partners in the joint venture consider there to be a trial-and-error period before they can judge the success of their relationship. Joint ventures are considered as the most open-ended type of alliance and large numbers of them do not specify a termination date (Das and Teng, 2002).

To run joint ventures properly, partners rely on reciprocity. Since incomplete contracts are a part of joint ventures, most of the processes are based on the partners' cooperation with each other and cooperation occurs with the existence of reciprocity between partners. Therefore, if one side is honest in its relationship, another partner may reciprocate by providing important

information. Over time, trust will be created between partners, which is very important for the success of IJVs (Siddiqui, 2010). If there is no trust between partners, the partners will not contribute critical technology, the best personnel and commitment.

Social exchange theory (SET) is considerably different to other theories such as transaction cost theory and resource-based theory in the field of IJVs. The most important aspect is that SET identifies that most of the exchanges between parties in alliances are naturally social rather than economic. According to this theory, the exchange process in alliances is based on voluntary actions rather than on contracts, increases as time passes, is dependent on positive actions from the other and is relational context-based (Das and Teng, 2002).

The different viewpoints that stress the relational processes such as relational contracting (Manceil, 1980), social embeddedness (Granovetter, 1985) and the game theoretic notion of reciprocity and mutuality (Axelrod, 1984) are strongly embedded in social exchange theory.

2.3.4   The Benefits of Social Exchange Theory in Business

There are many benefits in evaluating strategic alliances based on social exchange theory. A clear look at exchange partners shows that strategic alliances are analysed as a unit rather than individual partners. Although the individual character of the partners and the social environment in which they are working affect the alliance relationship; in order to capture the developmental process of the relationship, studying the interaction and coordination processes is necessary (Ring and van de Ven, 1994). It has been identified that inter-organisational relationships can be analysed by social exchange theory (Blau, 1964; Eisenstadt, 1971; Homans, 1971; Ring and van de Ven, 1994). Social exchange theory has been successfully validated at both the individual and the organisational (including inter-organisational) levels.

There are some special features for social exchange theory to be taken into account when considering an alliance's relationship. For example, one of the most important characteristics of social exchange is trust which is related to the improvement of emotional bonds between cooperating parties (Blau, 1964). Trust refers to "positive expectations about another's motives with respect to oneself in situations entailing risk" (Boon and Holmes, 1991, p. 194). Since trust makes transactions easier and enhances effectiveness (Arrow, 1972), partners in social exchanges are required to progressively express their trustworthiness and build up a sense of trust between themselves. The other key element of joint ventures is that informal

relationships and mutual understanding are very important between partners for them to be successful (Granovetter, 1985). Any ambiguities and opportunistic behaviour between partners will be sorted out through the establishment of mutual understanding that is based on collaboration between firms (Alter and Hage, 1993). Social exchange processes perform as social contracts and prevent opportunism. They are also recognised as a form of self-enforcing protection. For example, in the case of Toyota, a Japanese automobile company, there has been an emphasis on trust rather than contractual systems to protect themselves against opportunism (Dyer, 1996). Moreover, the social exchange paradigm also effectively concentrates on socio-psychological processes – how to maximise collaboration and minimise disagreement. From this point of view, an exchange is an essentially productive relationship, but it has to be carefully fostered. Additionally, as alliances are in-progress processes, exchanges between partners will occur over time rather than suddenly. As parties often face difficult and unfolding conditions (Das and Teng, 2002a), the expectations of the parties need to be adjusted. So, alliances have a long-term perspective, which is the character of social exchange. Also, exchanges in alliances will not happen all at once. This is due to partners' needs to adjust their actions based on the actions of another side, as cooperative behaviour is usually reciprocal and dependent on the behaviour of the other side. It has been found that reciprocity is more important than efficiency (Ring and van de Ven, 1994). Cooperation will create more cooperation in alliance relationships, and this kind of reciprocity is a crucial feature of social exchange. Finally, trust and relationships are crucial factors in sustaining alliances as they are elements of social exchange. With the existence of trust, exchange partners will use incomplete contracts and will take risks in the relationship (Das and Teng, 1998a; 2001). Even though trust and relationships are difficult to evaluate in terms of objective economic value, they are crucial for the success of alliances. Hence long-term trust is of even more importance than short-term economic achievement. In the same way, social exchange places a higher priority on long-term relationships rather than being involved in transactions with clear economic value.

Overall, strategic alliances and social exchanges have a number of common important features. Consequently, it seems appropriate to use social exchange theory to examine strategic alliances. The following section discusses trust, its definition, trust in IJVs, the concept of trust, dimensions of trust, different level of trust, and benefits and drawbacks of trust. Also commitment as another important component of social exchange theory will be explained in sections 2.5 to 2.5.2.

2.4 Trust

2.4.1 Definitions of Trust

Trust is an abstract and multi-dimensional concept that has been used in different scientific approaches such as psychology (Rousseau, 1995), sociology (Fukuyama, 1995), social psychology (Lewicki and Bunker, 1996), economics (Williamson, 1993; Dasgupta, 1988), strategic management (Barney and Hansen, 1994), organisational behaviour (Zaheer et al., 1998) and international business (Inkpen and Currall, 1997). Each of these approaches has been used with different theoretical backgrounds, which has let in different conceptual frameworks with different emphases on the components. Therefore, a comparison between the differences and outcomes is difficult (Endrissat and Kuhlmann, 2003).

As trust is a complex subject, there are numerous definitions of trust in the literature review. Trust is one of the most important elements in joint ventures relationships. According to de Ruyter et al. (2001), trust has become a central point in IJVs in recent years. Trust has been researched from different points of view, but remains a complex element (Lewicki and Bunker, 1996). Hakansson and Snehota (2000, p. 77) state that trust is "built up over time in a social exchange process whereby the parties learn, step by step, to trust each other". According to Blau (1964), trust is described as partners' belief that their partner and their promises are reliable and that the partner will complete its obligations in an exchange relationship. Rotter (1971, p. 444) describes trust as "an expectancy held by an individual or a group that the word, promise, verbal, or written statement of another individual or group can be relied on". Mayer et al. (1995, p. 712) state that trust "is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor".

Referring to the relational perspective, inter-organisational trust has been described as the belief that an actor 1) is reliable for fulfilling the obligations; 2) has predictable behaviour; and 3) is ready for negotiation in a fair manner when there is a possibility of opportunism.

Ganesan (1994, p. 2) considers trust from the marketing channel point of view, social exchange theory and inter-organisational exchange behaviour, and describes it as "the willingness to rely on an exchange partner to whom one has confidence". This explanation is in harmony with social exchange theory (Seppanen et al., 2007).

Good (1988) defines trust as "based on an individual's theory as to how another person will perform on some future occasion, as a function of that target person's current and previous claims, either implicit or explicit". This definition indicates that trust is a dynamic process, with a past; present and future, which all interact in the relationship. Zucker (1986, p.54) describes trust as

"a set of expectations shared by all those involved in an exchange. It includes both broad social rules and legitimately activated processes. This definition takes the background of any given transaction into account, rather than simply examining the proximate terms of the exchange".

These definitions have led to the definition of trust by Ayios (2003):

1. Consists of the theoretical (i.e. uncertain) expectations of individuals interacting within a relationship, or by extension, groups of individuals within a relationship;

2. Is based on explicit and implicit signals and acts that are given, received and interpreted within the business relationships;

3. Is socially constituted;

4. Is dynamic – past, present and future interact.

Sabel (1993) asserts "trust is the mutual confidence that no party to an exchange will exploit another's vulnerabilities" (Barney and Hansen, 1994, p. 176). In addition, according to Mayer et al. (1995, p. 712),

"trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party".

General thoughts which are noticeable from these definitions (Parkhe, 1998) are:

1. Trust inherently involves uncertainty about the future.

2. Trust implies vulnerability; that is, the risk of losing 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 one's control, so that each partner exercises only partial influence over the alliance's outcomes.

2.4.2 Levels of Trust in IJVs

According to Ganesan and Hess (1997), trust can be categorised into four levels in organisational relationships: 1) interpersonal trust, which is between individuals; 2) inter-organisational trust, which has been described as having trust from a member of one organisation towards another organisation; 3) intra-organisational trust, which is the trust between an employee and an employer (McAlliester, 1995); and 4) organisational trust which is trust between organisations. Intra-organisational trust is not important in the case of IJVs as it can be understood from its definition none of the partners are involved. Trust between organisations is related to inter-organisational trust, because a group of individuals will shape the organisations and people communicate between the organisations (Larson, 1992; Ganesan and Hess, 1997).

Therefore, both the interpersonal and the inter-organisational level will be investigated. It is important to distinguish between these two categories as the antecedents of trust may be different at the personal and organisational levels (Macintosh, 2009).

2.4.3 Inter-organisational vs. Interpersonal Trust

Recently, understanding the sources and outcomes of trust in economic exchanges has been of interest to a variety of scholars. This has resulted in new research from different perspectives such as social psychology (Kramer, 1999; Lount et al., 2005), organisational theory and strategy (Zaheer and Venkatraman, 1995; Uzzi, 1997; Gulati and Nickerson, 2005; Gulati, 2007), business history (Fukuyama, 1992; 1999) and economics (Berg et al., 1995; Guth et al., 1998). During the last few years, research has separated inter-organisational trust from interpersonal trust (Guati and Sytch, 2008). Inter-organisational trust refers to the level of trust between two entities, and interpersonal trust refers to the level of trust between individuals. The basic principle of this division is that trust may happen between both individuals and organisations.

Currall and Inkpen (2002) have recently recommended that it is essential to consider different levels of trust in IJV research. Zaheer et al. (1998) asserts that interpersonal trust and inter-organisational trust are different constructs and they have a mutual influence on each other.

- **Inter-organisational Trust**

Inter-organisational trust can be described as a positive perception of the partner's behaviour, that is, the perception by the respondent of the focal firm that a partner organisation will not engage in opportunistic behaviour, even in the face of opportunities and incentives to do so (Hosmer, 1995; Guati and Sytch, 2008). Trust can emerge in circumstances such as: (1) the trustee in the business relationship shows self-control from opportunism; (2) the trustee is known to perform cautiously and with concern (integrity, goodwill and benevolence); and (3) the trustor shows an absence of monitoring behaviour (De Jong and Woolthuis, 2008).

For joint ventures commonly, and high-tech joint ventures specifically, the performance of the partner organisation is considered rather than the performance of individuals (De Jong and Woolthuis, 2008). With the existence of trust in inter-organisational relationships, sharing of information, relationship investment and performance are promoted, and information asymmetry, costs and opportunistic behaviour are reduced (Smith and Barclay, 1997; Selnes and Sallis, 2003). So in the case of joint ventures with trusted partners, firms face fewer risks as a result of more information and lower costs (Fang et al., 2008). Inter-organisational trust is important because of the increase in diversity and uncertainty, as much as the development of mutual trust provides one mechanism for doing things more effectively and increases the implementation of inter-organisational cooperation (Shou et al., 2011). With a lack of trust, conflict between organisations may stop future collaborations or even cause the removal of existing collaborations.

- **Interpersonal Trust**

Interpersonal trust is referred to the "extent of a boundary-spanning agent's trust in her counterpart in the partner organisation" or in other word "interpersonal trust is the trust placed by the individual boundary spanner in the individual opposite member (Zaheer at al., 1998, p.142). Interpersonal trust is a person-specific perception; one person will rely on specific other person. It is also a situation-specific perception; it is appropriate for a particular situation. Interpersonal trust is an intentional state; the person is keen to rely on the other in the situation.

It is broadly recognised that interpersonal trust makes the relationship between partners smoother and reduces transaction costs relating to control. Other studies, for instance, have discovered that interpersonal trust makes the relationship easier, reduces the control of partners and resolves conflict (De Jong and Woolthuis, 2008).

Also, interpersonal trust is a very important aspect in developing knowledge and learning in the organisation (Herting, 2002; Smid et al., 2005).

- **Why Inter-organisational Trust**

This paper does not refute the significance of studies on inter-personal trust, but considers another viewpoint. Due to the nature of this study which takes into consideration the different levels of analysis with respect to inter-firm alliances, this work focuses on inter-organisational trust in terms of the characteristics of inter-firm relationships and alliances' performance.

There are five reasons for choosing inter-organisational trust in this study.

First, Zaheer et al. (1998) find that inter-organisational trust has a superior impact on the positive outcome of IJVs than interpersonal trust. Interpersonal trust is weak and subject to changes in key personnel and the possible collapse of interpersonal relationships (Dodgson, 1993), and, therefore, to keep long-term cooperation between business partners, trust should be embedded within the norms and values of the organisation. Second, it directly relates to the nature of inter-firm alliances, which is the main focus of this research. Third, even though there has been a long history of interpersonal trust, from a comparative viewpoint, there is little knowledge about inter-organisational trust and we aim to contribute to this lack of knowledge (De Jong and Woolthuis, 2008). Fourth, Zaheer et al. (1998) show that there is a strong connection between interpersonal and inter-organisational trust and that even though theoretically different, it is inter-organisational trust that mainly develops inter-firm performance. The suggestion is that the measurement of inter-organisational trust should include the partner firm as the referent or objective of trust. And finally, although it has been argued that trust ultimately exists between individuals, many scholars have extended interpersonal trust to inter-organisational trust. The justification for the extension of interpersonal trust to inter-organisational trust comes from many resources. For instance, Ring and van de Ven (1992) state that even though the individuals in the organisations are transitory, their roles are stable and permanent. Therefore, trust is created within the rules and regulations of the organisations and not essentially from individuals (Ybarra and Turk, 2009).

2.4.4 The Concept of Trust

There is much research about trust and trust creation in the area of psychology, sociology, economics, political science, philosophy, anthropology and management; and several different approaches regarding trust (Schumacher, 2006).

Despite their sources, most scholars of trust recognise several main factors (Parkhe, 1993; Johnson et al., 1996; Bhattacharya and Devinney, 1998; Gambetta, 1988). First, in an environment of uncertainty and risk, trust exists. If parties could undertake a transaction with complete certainty, then trust would not be required and the concept would be trivial. Rousseau et al. (1998, p. 395) assert that there is a mutual relationship between trust and risk: "risk creates an opportunity for trust, which leads to risk taking". In brief, trust is making decisions under condition of ambiguity or risk. The uncertainty or risk relates to the prospect that the other partner may adopt untrustworthy behaviour. Second, trust involves vulnerability to a partner. The level of the possible loss as a result of untrustworthy behaviour is normally more than the gains from truthful behaviour. Third, in an interdependent or mutual environment, trust exists. The partners in an exchange should consider that they cannot achieve their targets without relying on the other partner. Trust is thus both situation- and person-specific. However, it is expected that the level of trust may differ based on the conditions and partners. Fourth, trust describes some degree of predictability. The statement "I trust this person" reflects a prediction of this person's behaviour. The statement also implies that the expectancy that he or she will perform a specific action is high enough for us to consider engaging in some form of interaction. Therefore, the concept of trust can embody some form of expectation. Fifth, the action, and therefore the risk, of trusting someone is avoidable. If someone is forced to interact with a specific other, then we do not need the concept of trust to explain behaviour (Casson, 1997; Dasgupta, 1988; Lorenz, 1988). These conditions define alliance trust as the decision to rely on the alliance partner under conditions of uncertainty and vulnerability, with the expectation that each party will act in a way that is not detrimental to the other.

2.4.5 Dimensions of Trust

Trust is a multi-dimensional construct with many aspects. In the case of international strategic alliances (ISAs), it has been proven that trust has three important properties simultaneously, which are psychological, sociological and economic. Barney and Hansen (1994) divide trust into three forms: weak, semi-strong and strong. Although each type of

trust reflects the confidence that one's vulnerabilities will not be exploited in an exchange, the reasons underlying this confidence vary. In the case of limited opportunities for opportunism, weak trust arises. This form of trust is called weak trust because its existence does not rely on the formation of complicated governance mechanisms or on the commitment of partners to highly trustworthy standards of behaviour. The second form is semi-strong trust or can be called "trust through governance" (Barney and Hansen, 1994). A variety of governance procedures such as sequential contracts or reciprocal agreements may cause costs for the partners that behave opportunistically, and result in higher costs in such behaviour than benefits (Parkhe, 1998). The third form of trust can be called "hard-core trustworthiness" (Barney and Hansen, 1994). For two reasons, a company can have a strong form of trustworthiness. It may possess a culture and associated control systems that reward the strong form of trustworthy behaviour, or the specific individuals representing the company in an alliance may have a strong form of trustworthiness.

Lewis and Weigert (1985) divided trust into (a) emotional trust, where trust is the result of "strong affect for the object of trust"; and (b) cognitive trust, where there are reasonable motives for vesting trust in another. Usually trust results from a combination of both of these elements.

According to Zucker (1986), trust is a combination of these elements, and he identifies trust as:

A) Process-based trust, "where trust is tied to past or expected exchange such as in reputation or gift exchange";

B) Characteristic-based trust, "where trust is tied to the person, depending on characteristics such as family background or ethnicity" and the resultant norms of obligation and cooperation;

C) Institution-based trust, "where trust is tied to formal societal structures, depending on individual or firm-specific attributes (e.g. certification as an accountant) or on intermediary mechanisms (e.g. use of escrow accounts)".

According to previous studies, trust is often conceptualised as a multi-dimensional construct. In the research on inter-firm relationships, the dimensions of trust examined include credibility, benevolence, reliability, honesty, integrity, ability, dependability, responsibility, faith, judgment, goodwill, contract trust, competence trust, reciprocity, fairness, predictability

and frankness, among others (Smith and Barclay, 1997; Sako and Helper, 1998; Dyer and Chu, 2000; Seppänen et al., 2007). Mayer et al. (1995) provide a widely accepted classification of trustworthiness that features ability, benevolence and integrity, though other scholars (Das and Teng, 1998; 2001) combine integrity and benevolence into a concept of goodwill, because these two elements both relate to the trustee's subjective intention to engage in a cooperative relationship (the overlap problem). In this research, this simpler taxonomy of character trust and combined integrity and benevolence into goodwill has been adopted (Shou et al., 2011).

The most common dimensions used for trust are reliability, credibility/competence and benevolence. Reliability is a belief that partners will constantly deliver in terms of promises made. Benevolence is a belief that the partner firm will treat the other side well under new conditions. Competence is the belief that partner firms have the ability to perform what they promise. Even though there are different dimensions for trust in order to measure the concept of trust, some of these dimensions are vague and overlapping, which makes the assessment of trust difficult. For example, the definition of dependability resembles those of goodwill and benevolence (the overlap problem). The meaning of credibility is similar to that of competence trust (Shou et al., 2011).

In order to solve this problem, Sako (1992) creates a typology of trust. Sako (1992) is one of the researchers who clearly identify three different phases of trust in inter-firm relationships. The aspects she clarifies are: contractual-based trust, competence-based trust and goodwill-based trust.

Contractual-based trust comes from the explicit written or verbal agreements that partners build through the joint venture relationship. In this kind of agreement, a party should be loyal to keep to that agreement. The second form, competence-based trust, refers to "a belief that a party will carry out its job capably" (Barber, 1983, p. 15). The third aspect, goodwill-based trust, is illustrated by Sako (1992, p. 39) in the following way:

"the solution to understanding goodwill-based trust is that there are no clear promises which are expected to be accomplished, as in the case of contractual-based trust, nor set specific standards to be achieved, as in the case of competence-based trust".

Goodwill-trust is the most abstract form, which focuses on whether a partner firm has the intention to honour its agreement (Hsieh, 2012). So it is a less self-interested, non-egotistic

form of trust. Goodwill trust centres on whether a person is genuinely interested in the other's welfare (Das and Teng, 2001). Even though all three factors are essential to trust, each of them may be independent from the others (Mayer et al., 1995). Different elements of trust may be more important in different situations. For example, in some situations competence-based trust might be more important than the two other factors. In other situations, which are just about a simple task, integration from the other side might be enough. When all three elements of trust are high, there is a high level of trust; equally, there is the possibility that a lack of any elements of trust will undermine trust. Therefore, the role of each of the elements of trust is important to be examined empirically. This study considers trust with three different dimensions and tests their effect on alliance outcomes.

There are other researchers who agree with the above dimensions but with minor differences. For example, Boersma (2003) describes promissory-based trust (instead of contractual-based trust) and Shou et al. (2011) describes calculative trust instead of contractual-based trust.

Using more dimensions will provide a higher level of accuracy with regard to the definition. Moreover using multiple dimensions will result in better outcomes than using single or dual dimensions (McKnight et al., 2002).

2.4.6 The Benefits of Trust

The literature on the theme of trust includes various insights regarding cooperative relationships and the role of trust. For three important reasons, trust is essential for strategic alliances. Firstly, no contract or agreement, regardless of how complete or detailed it is, can predict or identify all the events and changes that might happen over the lifetime of the strategic alliance; secondly, an alliance between two or more firms creates strong potential for conflict and mistrust as the partners differ in organisational cultures and management philosophies. Thirdly, learning as one of the most important motivations for alliance creation may be affected if partners do not trust each other. Trust is considered as a necessary element for a relationship to be started and completed. Trust makes communication easier, increases relationship commitment, results in a continued relationship and continued business, and mitigates uncertainties (Sanchez et al., 2011).

2.4.7 The Drawbacks of Trust

Negative aspects of trust are addressed less frequently in the literature. Still, it is argued that trust is only useful up to a certain point; once trust passes this point and becomes "excessive" the disadvantages will outweigh the advantages (Gargiulo and Ertug, 2006). Trust is not linear. "There may be an 'optimal' level of trust and … additional investments aimed at enhancing trust may hinder the probability that benefits will accrue to the actors involved" (Gargiulo and Ertug, 2006, p. 183). As Gargiulo and Ertug (2006) state, excessive trust may lead to "blind faith". As a result of such blind faith, monitoring may go below a reasonable level from the trustor. Lack of monitoring from the trustor may increase the possibility of being "betrayed" or "let down" by the trustee.

Another drawback of excessive trust is that it turns commitment into complacency. This may affect the ability of the trustor to assess the performance of a trustee. Before the trustor can respond to a negative development of trust, there is a possibility of large losses (Gargiulo and Ertug, 2006). The last point is that excessive trust may result in unnecessary obligations. Such unnecessary obligations may have a limited effect on reducing uncertainty in comparison with the agreed obligations (Gargiulo and Ertug, 2006).

2.4.8 Trust in IJVs

Strategic alliances are increasingly important for companies seeking competitive advantage; as a result the elements that contribute to the success or failure of strategic alliances become an important focus of investigation.

Companies have begun to create strategic alliances with their customers, their suppliers and even their competitors. There are several reasons for creating strategic alliances, such as greater potential for creating new products, lower costs, finding and entering more markets, stopping competitors, creating more revenue and creating value. These advantages are evident, as alliances provide the channel for transferring knowledge, technology and opportunities for organisational learning (Anand and Khanna, 2000). They are also more practical and more powerful for creating better competitive positions than traditional mergers and acquisitions. It has been demonstrated that a strategic alliance with an efficient structure and management can generate more value for the firms than if they were alone. For instance, Coopers and Lybrand in their study show 11 percent higher profit and a 20 percent higher rate of growth compared with firms which are not involved in alliances (Segil, 1998). A

continuous and persuasive proposition in the literature shows the level of trust between partners as an important and critical factor for the success of IJVs as a type of strategic alliance (Levin et al., 2012; Anderson, 2012; De Jong and Woolthuis, 2008; Dyer and Chu, 2003; Krishnan et al., 2006; Blomqvist, 2002; Ford et al., 1988; Parkhe, 1998; Sako, 1998; Beamish and Banks, 1987; Buckley and Casson, 1988; Currall and Inkpen, 2002; Inkpen and Currall, 2004; Madhok, 2006).

Studies use different approaches and different theoretical backgrounds regarding trust and the chosen empirical context (Seppanen et al., 2007). Beamish (1993; 2006) argued that trust plays an essential role in the success of IJVs in developing countries, and trust can be viewed as a way of accomplishing the goals of IJVs (Sheppard and Tuchinsky, 1996). Trust is an essential social exchange system that enhances collaboration and the success of inter-organisational cooperation (Granovetter, 1985; Magbagbeola et al., 2012). Studies on trust have considered the impact of trust on increasing collaboration and the quality of the relationship (Arino, de la Torre and Ring, 2001; Das and Teng, 1998; Robson et al., 2008; Birru, 2011), improving the flexibility of the alliance (Young-Ybarra and Wiersema, 1999; Nielsen and Gudergan, 2011), lowering control and transaction costs particularly in emerging markets marked by weak safeguards and governance structures (Dyer, 1996; Li, 2011; Niedergassel and Leker, 2010; McDonnell et al., 2011; Simonet, 2012), reducing conflict (Zaheer et al., 1998; Thorgren et al., 2010), reducing the risk of opportunism (Freitas et al., 2012; Lopez-Perez and Rodriguez-Ariza, 2012; Granovetter, 1985; Young and Macinati, 2012) and facilitating learning (Connell and Voola, 2007; Kale et al., 2000; Muthuswamy and White, 2005; Nielsen and Gudergan, 2011). Trust also eases open communication, information sharing and conflict management (Creed and Miles, 1996; Blomqvist, 2002; Abdullah et al., 2011; Nithisathian and Walsh, 2011; Wahab et al., 2012) and brings good faith, reliability and fairness between partners (Krishnan et al., 2006; Wahab et al., 2011). A certain amount of trust has been recognised as an essential factor for inter-organisational cooperation to develop (Whaba et al., 2011).

Once trust is formed, the outcome of joint alliances will usually outperform what can be achieved acting alone. Although some research point to possible negative effects of a high level of trust on the performance of alliances (McEvily et al., 2003; Langfred, 2004), a positive relationship between trust and the performance of alliances has been verified by recent empirical research (Dyer and Chu, 2003; Krishnan et al., 2006; Connell and Voola, 2007; De Jong and Woolthuis, 2008; Ybarra and Turk, 2009).

Inter-organisational exchange scholars have reported trust as the focal point for durable, productive relational exchanges (Inkpen and Currall, 2004; Argyres et al., 2007). Gulati (1995) stated that inter-organisational trust can substitute for hierarchical contracts in many exchanges and serves as an alternative control mechanism. There is a variety of theories that recommend that trust in relationships is essential for having efficient inter-organisational cooperation, particularly in developing countries (Lui and Ngo, 2004; Nguyen et al., 2005; Connell and Voola, 2007; Wong et al., 2010; Song, 2011). Additionally, De Clercq et al. (2010) state that countries with emerging markets that are characterised by unpredictable regulatory institutions rely on relational norms such as trust in their relationship.

It has been stated that the development of trust between firms drives the use of more informal self-enforcing safeguards (Barringer and Harrison, 2000). A high level of mutual trust in a relationship strongly indicates that the partners: 1) accept each other as friends rather than competitors, 2) show their commitment by not behaving opportunistically or taking advantage of the other partner's weaknesses or vulnerabilities, and 3) are keener to offer information for knowledge sharing and learning; especially when partners are hesitant about each other's opportunistic behaviours.

Trust is also the key success factor of any cooperation, especially when it relates to companies from different countries (Lui and Ngo, 2004). Arino and de la Torre (1998) state that, in the absence of a reserve of trust, IJVs that experience threats to stability often dissolve. According to Sherman (1992, p. 78), "the biggest stumbling block to the success of alliances is the lack of trust". Overall trust is thus a critical part of the process of developing inter-organisational relationships and considered to be essential to the success of inter-organisational systems. Indeed, organisational relationships where the objective is to pursue mutually beneficial goals only exist where trust is well developed. Furthermore, they are focused on cooperation and collaboration rather than domination and control. Consequently, a lack of trust is among the most frequently cited reasons for failures in organisational cooperation (Westergren and Holmström, 2012).

Gargiulo and Ertug (2006) explain three main benefits of trust. Firstly, trust decreases the cost of information-processing because it is cheaper to maintain trust-based relationships than those with lack of trust (Zaheer et al., 1998; Dyer and Chu, 2003). The second benefit was described by Gargiulo and Ertug (2006): that trust improves the level of satisfaction in the relationship. Because when trust is established between partners, relationships are more likely

to be perceived as successful (Zaheer et al., 1998). Finally, uncertainty will reduce with trust. It has been shown that the higher is the level of trust between partners; the lower is the possibility that partners may think a loss might result from the relationship (Nooteboom et al., 1997; Zaheer et al., 1998). Mayer et al. (2006, p. 99) state that a trustor compares

"the level of trust (with) to the level of perceived risk in a situation. If the level of trust surpasses the threshold of perceived risk, then the trustor will engage in a risk- taking relationship (RTR). If the level of perceived risk is greater than the level of trust, the trustor will not engage in the RTR."

The following section will provide a clear explanation of commitment as a part of social exchange theory, its definitions, and importance of commitment in the exchange relationship.

2.5   Commitment

Commitment is another important part of social exchange theory, as partners will put effort into making an investment to produce mutually desirable outcomes (Dwyer et al., 1987; Ganesan, 1994).

According to Young (1996), evidence proves that commitment to an alliance increases the continuity, flexibility and performance of that alliance and is therefore a critical factor in the alliance's success (Turk and Ybarra, 2011). Trust as an important part of SET considerably contributes to the level of commitment in social exchange relationships (Homans, 1959; Blau, 1964; Ritala et al., 2009; Turk and Ybarra, 2011). Even though commitment can develop without trust, trust can promote commitment to a relationship (Sigfusson and Harris, 2012). According to SET, the trust and commitment fundamental to the relationship comes from the reciprocity between partners, which holds that "mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges" (McDonald, 1981, p. 834).

2.5.1   Definitions of Commitment

There are varieties of definitions of commitment. Commitment has been defined as "an exchange partner believing that an on-going relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely" (Morgan and Hunt, 1994, p. 23).

Mohr and Spekman (1994) define commitment as the keenness of joint venture partners to put forth attempts on behalf of the joint venture relationship. According to Gundlach et al. (1995), commitment can be defined based on three aspects. The first dimension is input or instrumental, which is a positive action by one of the partners, which is a self-interest risk, and is more than a promise in the relationship. Attitudinal is the second dimension of commitment. This dimension is about continuing the intention of the partners to keep a long-term relationship. The third dimension is temporal. This dimension requires that both the inputs and the attitudes dimensions must be consistent with each other in a long-term relationship.

Commitment has been defined as an attitude that represents the desire to carry on a relationship which is valuable (Moorman et al., 1992) and the keenness to sacrifice short-term benefits for the relationship (Anderson and Weitz, 1992). There is a broad range of fields that commitment has been used in such as consumer contexts (Verhoef et al., 2002), workplace contexts (Allen and Meyer, 1990; Luthans, 2006) and business-to business contexts (Morgan and Hunt, 1994; Gruen et al., 2000). Yaqub (2010), who extends Luthans's view of commitment, defines commitment as a partner's willingness to 1) have a long-term relationship; 2) agree to the values and norms that manage the relationship; and 3) make a maximum contribution to the welfare of the relationship. This paper will be relying on this definition.

2.5.2   Commitment in the Exchange Relationship

The positive relationship between commitment and cooperation (Morgan and Hunt, 1994), long-term relationships (Ryu et al., 2007) and satisfaction (Mohr and Spekman, 1994) is evident in joint ventures, strategic alliances, buyer-supplier relationships, etc.

According to SET, social and economic rewards which are received in the relationship will significantly affect the level of commitment. In the case of receiving benefits in a relationship, firms will consider maintaining the relationship as very important (Lambe, 2001). According to Morgan and Hunt (1994), commitment will impact positively on the level of cooperation and negatively on the tendency of the partners to leave. It has also been discovered that trust, shared values and relationship termination costs are related to the level of commitment. There is support for the trust–commitment relationship in a meta-analysis by Geyskens et al. (1999). Partners with commitment mostly consider long-term benefits rather than the short-term. In this situation, the level of conflict is lower between partners and

consequently, a high level of commitment will affect the performance and satisfaction of the partners (Demirbag and Mirza, 2000). It has been stated that with the existence of commitment, both partners can achieve individual and joint goals without having opportunistic behaviour issues (Mohr and Spekman, 1994).

Commitment between firms in IJVs is a very important factor for the success of alliances. Accordingly, when partners trust each other and are committed, joint ventures are very successful (Demirbag and Mirza, 2000). In the case of high levels of commitment, a situation will be provided in which both partners can attain individual and joint goals without being involved in opportunistic behaviour. Because partners with more commitment will put forth more effort and balance short-term problems by prioritising the accomplishment of long-term goal, then a higher level of commitment is related with the success of strategic alliances (Mehta et al., 2006). When partners consider alliances as long-term commitments, there is a lesser possibility of taking advantage of each other or stopping cooperation, and the possibility of acting unilaterally for long-term benefits is greater (Gulati et al., 1994; Johnson et al., 1996; Muthusamy and White, 2005).

Commitment by helping partners to achieve the goals and objectives of the relationship will lead to increased effort and concentration on the alliance (Saxton, 1997; Johnson et al., 2002). When firms are committed to each other, they want an effective alliance (Anderson and Weitz, 1992; Johnson et al., 1996). Morgan and Hunt (1994) assert that commitment will increase cooperation and good cooperation will result in the success of alliances (Johnson et al., 2002; Skarmeas et al., 2002; Muthusamy and White, 2005). With the existence of commitment, partners will be less interested in other activities or seeking other partners (Morgan and Hunt, 1994; Aulakh et al., 1996). The level of opportunism will decrease as partners have a long-term outlook and will not sacrifice long-term benefits for short-term gains (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995; Aulakh et al., 1996).

Opportunistic behaviour and switching behaviour create extra costs for alliances. When partners are committed, they try to keep these costs to a minimum (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995). Therefore, alliance partners will desist from self-seeking behaviour such as shrinking or withholding resources and they will not look for another partner. Commitment will increase cooperation and reduce opportunism, which will improve the performance of alliances (Cullen et al., 1996; Skarmeas et al., 2002; Muthusamy and White, 2005). Commitments between partners act as a way of preventing the failure of

strategic alliances. Shamdasani and Sheth (1995) established that commitment will result in satisfaction and continuous relationships between partners (Ramasehan and Loo, 1998).

The next section demonstrates the importance of trust and commitment, and the relationship between dimensions of trust and commitment.

2.6   Trust and Commitment

2.6.1   Why Trust and Commitment are Important in IJVs

Commitment and trust are important for many reasons.

First, no contract can perfectly predict what will happen in the future of an IJV; likewise, it is not feasible that partner companies rewrite an agreement every time a new issue or situation arises. Necessarily, much of what happens between partners in alliances develops informally in the alliance relationship. Ultimately, especially in evolving or long-term alliances, managers must default to trust and commitment, the social fabric of the relationship, to fill the gaps in the formal agreement and to keep the relationship running smoothly. Second, as the companies are from different backgrounds and cultures, with different policies and different management styles, without trust and commitment they will lose stability and durability. In fact, without trust and commitment they will not put sufficient effort into problem solving as they think it is not worth such effort. If there is commitment between partners, the relationship will be based on a fair exchange. In this case, both partners feel that they will gain from the relationship. Without trust, partners will not share their information nor try to find an opportunity for more benefits. Additionally, trust and commitment are very important for the promotion and inspiration of IJVs – one of the purposes of joint ventures is transferring technology, skills and resources. If partners do not trust each other and are not committed, all of these factors will be inhibited (Cullen et al., 2000).

Overall, trust and commitment will reduce any opportunistic behaviour that can cause extra costs and conflict between partners while increasing harmony from the knowledge and the resources that are exchanged between the partners (Kale et al., 2000).

In addition, trust and commitment will encourage partners to:

1- Work at the protective relationship investment by collaborating with exchange partners;

2- Refuse to accept a short-term relationship in order to benefit the long-term relationship by staying with the current partner;

3- Consider potentially high-risk actions by being prudent as a result of the belief that their partner will not behave opportunistically.

As a result, when there is both commitment and trust, they will result in greater efficiency, productivity and effectiveness (Morgan and Hunt, 1994; Goo et al., 2009). According to Walker et al. (2000) trust and commitment strengthens the three crucial elements of partnering and alliancing: (1) mutual objectives; (2) problem resolution; and (3) continuous improvement. Gu and Wang (2011) state that a high-quality relationship is defined in terms of greater trust and commitment. Collaborative relationships, based on trust and commitment with partners, are essential to achieve efficiencies and flexibility, and sustainable competitive advantage (Torkman et al., 2007; Panayides and Lun, 2009; Cao and Zhang, 2011; Chen et al., 2011).

2.6.2 Relationship between the Dimensions of Trust and Commitment

The growth of trust and commitment in joint ventures is highly related to the relationship between the dimensions of commitment and trust. From the point of view of the partners, mutual trust and commitment are important in relationships: trust creates the basis of commitment. Trust elements, including benevolence and credibility, are strongly linked and associated with each other. The managers of the firms develop beliefs about reliability and delivery on expectations in alliance activities, which is related to the credibility, and at the same time they believe that the other partner will not damage their relationship, which is related to the benevolence. Based on the dyads' point of view, these dimensions will contribute to the growth of commitment, especially the instrumental aspect of commitment. Commitment will first improve on the relational or instrumental side and then on the attitudinal side, which is more emotional and needs longer to develop.

When the parties are suspicious about each other, this can cause hesitation in the relationship as the partners do not show their real motives and pause the transferring of technology which indicates less commitment between partners. If the firms perceive such behaviour from each other, it can decrease the level of trust. On the other hand, partners demonstrating proper behaviour have a high level of trust. For example, by giving concessions, being flexible and

helpful when the partners are faced with crises, sharing information, and so on (Cullen et al., 2000).

The next section will provide a review of antecedents and consequences of trust in IJVs.

2.7 Antecedents and Consequences of Trust

2.7.1 Antecedents of Trust

In the trust literature there are three distinctive groups that focus on inter-firm relationships based on trust (see section 2.8). The concentration of most studies on trust in IJVs are on different factors such as complementarity, compatibility, strategic bonds which are categorised as inter-partner fit factors (Ozorhon et al., 2010), fairness, flexibility and two-way effective and continues communication which are categorised as relational factors (Aulakh et al., 1996; Zhang et al., 2003; Ferguson et al., 2005; Thuy and Quang, 2005; Yaqub, 2010) and religion and country risk particularly in developing countries. Different authors (tables 2.4 and 4.1) investigated the impact of these variables on trust and the result on performance of IJVs.

Below brief descriptions of the variables are provided. The full explanation of the constructs and their relation to trust will be provided in Chapter 4 of this research. The comprehensive description of performance measures as consequences of trust will be provided in section 2.7.2. Further in section 2.8 the implementations of these variables in different studies are presented (Table 2.4).

- **Inter-partner fit factors**

Inter-partner fit factors should be reviewed at least at the time that the IJV is formed. It has been noted that inter-partner fit factors, including complementarity, strategic bond, cultural compatibility, etc., perform important functions in the construction of trust between partners in inter-firm relationships, including IJVs (Morgan & Hunt, 1994; Rotter, 1967; Sarkar et al., 1997).

Complementarity: one of the most important reasons for creating a joint venture is the partners' complementarity regarding resources and capabilities. Thus, the basic principle of joint venture creation is the accomplishment of the necessary skills that the partners would not be able to gain on their own (Park and Ungson, 1997). If the partners have sufficient abilities and resources, they do not need to start a joint venture. So firms look for new

resources to maximise benefits which can be gained through resource complementarity (Johnson et al., 1997; Sarkar et al., 1997; Chung et al., 2000; Kwon, 2008).

Compatibility: compatibility is about the level of co-operation between partners and the anticipation of synergies from the joint venture (Morris and Cadogan, 2001). Based on the suggestions of several studies, compatibility is a crucial element to ensure successful IJV performance (Yan and Duan, 2003; Hill and Hellriegel, 1994), as compatibility between partners in IJVs reduces the costs of managing the IJV through improving transaction efficiency (Linares et al., 2012). According to Lane and Beamish (1990), compatibility can create stability and strengthen the relationship between partners in joint ventures. Compatibility shows harmony between partners in terms of cultural similarity.

Strategic bonds: strategic bonds specify goal congruence between the partners in an IJV. Strategic bond means both sides should have common interests in their relationship with each other and share them, otherwise it can cause conflict and problems in IJVs (Kwon, 2008). Goals illustrate the end state that organisations struggle to accomplish. They are described as performance standards, quotas, work norms or deadlines to provide a direction and have a beneficial effect on the organisation's achievement (Thuy and Quang, 2005).

- **Relational factors**

In addition to inter-partner fit factors, the requirements of relational factors should be satisfied in order to strengthen mutual trust between partners. On the basis of the literature review, three types of relational factors are assessed in this study. These include fairness, flexibility, and informational exchanges between partners (Aulakh et al., 1996; Zhang et al., 2003; Ferguson et al., 2005; Thuy and Quang, 2005; Yaqub, 2010).

Fairness: fairness means that the actions and criterion used for making and implementing decisions are unbiased, ethical, transparent and correctable (Boyd et al., 2007). The effects of organisational justice in IJVs have attracted research attention in recent years (Choi and Chen, 2007; Luo, 2008). Organisational justice is defined by Greenberg (1987) as the level to which people perceive organisational events as being fair.

Flexibility: flexibility has been described as both parties being ready for any changes in their relationship and adapting themselves to new situations (Kwon, 2008). There are always unpredicted problems in the processes of IJVs, especially as a result of changes in the

competitive environment. In this situation, the flexible attitude of each partner confirms the homeostasis of the partnership (Aulakh et al., 1997).

Two-way effective and continues communication: two-way effective and continues communication in inter-organisational partnerships is defined as "formal and informal sharing of meaningful and timely information between partner firms" (Anderson and Narus, 1994, p. 44). Two-way effective and continues communication helps partners to share information at an appropriate time and stop any misunderstandings or false expectations between partners.

- **Religion**

Religion is one of the challenges that has been brought to business as the result of globalisation. As firms develop their markets internationally through cross-border alliances, they need to cope with the issue of partners from different countries holding different religious values and backgrounds. Today the significance of religion in the success of business ventures in developing countries is broadly discussed and, religion and values create the environment of the operations (Mariotti and Piscitello, 1995). The more dissimilar the religions are between the countries, the larger the cultural distance (Shenkar, 2001).

- **Country risk**

Country risk can be defined as instability of the political, economic and social elements of the target country (Henisz, 2000). Even though the country risk research is more relevant than ever, it has mostly concerned developed countries and there has been little attention to this topic in developing countries like Iran. The studies indicate that high country risk has been the main reason behind trade reductions, even in the presence of other reasons like high inflation and new competition (Zohari, 2008; Becker-Ritterspach and Dorenbacher, 2010).

The next section will provide an explanation of five performance measures of IJVs (Ren et al., 2009). These five indicate the consequences of trust and commitment in partnerships.

2.7.2 Performance Measures for IJVs as Consequences of Trust and Commitment

The concept of the performance of IJVs and its determinants remain important matters in IJV studies (Reus and Richie, 2004). The performance of IJVs has been categorised in the following way: survival and financial outputs (objective measures); and overall satisfaction, achievement of individual or joint goals, and learning (subjective measures) (Bensaou and

Venkatraman, 1995). However, there is much argument about the validity and reliability of these performance measures (Krishnan et al., 2006).

- **Survival**

Survival is one of the most popular ways of measuring the performance of IJVs and it has been used by many scholars (Steensma and Lyles, 2000; Dhanaraj and Beamish, 2004; Lu and Xu, 2006; Gaur and Lu, 2007; Meschi and Riccio, 2008). The fundamental statement of this approach is that the longer the survival of an IJV, the more successful the IJV is, and this is because the IJV will be continued only as long as it represents the optimum organisation mode (Inkpen and Beamish, 1997). In this case, durability is a sign of IJV success, and discontinuation is an indication of IJV failure. However, this statement is not always valid. Assume one IJV was formed ten years ago while another was formed five years ago. By relying on the duration, it is not possible to say that the IJV formed ten years ago is performing better than the IJV formed five years ago just because it has (so far) survived for five years longer (Lyles and Baird, 1994). So, even though the first IJV may still be the most capable mode for its two parents, this information presents a deficient basis on which to compare its performance with other IJVs. Additionally, using termination as a way of measuring failure has a considerable limitation because it is difficult to declare that all ended IJVs are unsuccessful. First, because of the good performance of an IJV, one parent firm may buy out the other and turn the venture into a wholly owned subsidiary (Berg and Friedman, 1978). In addition, an IJV breakdown may actually be the sign of its success because IJVs may be terminated once the partners have successfully achieved their primary objectives (Kumar, 2005). In these cases, conceptualising durability as a sign of failure would be improper (Yan and Zeng, 1999).

- **Financial Output Measures**

Scholars have become progressively more interested in both profitability measures (e.g. return of investment or asset turnover) and market performance measures (e.g. market share) as favourite approaches to determining the performance of IJVs (Luo, 2002a; 2002b; 2005; 2007a; 2008; Robins et al., 2002; Lu and Xu, 2006; Zhang et al., 2007). However, there is criticism relating to financial output measures of IJVs as they have a propensity to be rolled into consolidated corporate data. As a result, they are difficult to isolate and are often not available at all.

- **Overall Satisfaction**

Managers' subjective appraisals of the IJV's overall performance have been treated as a collection measure of IJV performance in a number of studies (Demirbag and Mirza, 2000; Isobe et al., 2000; Yeheskel et al., 2001; Zhang and Li, 2001; Boateng and Glaister, 2002; Luo and Park, 2004; Li and Hambrick, 2005; Kwon, 2008; Nakos and Brouthers, 2008). Subjective measures develop on Anderson's (1990, p. 23) logic that "joint ventures should be evaluated primarily as stand-alone entities seeking to maximize their own performance, not the parent's", and use items designed to measure IJV managers' assessments of their venture's overall performance.

Even though this is a typically used performance measure for IJVs, this measure may often increase risks to validity because of sampling errors. Satisfaction might be regarded in different ways by different respondents, and because researchers are different in who they survey, sampling differences may influence the validity of these methods. For example, a foreign side may evaluate satisfaction using a different set of criteria than a local side. In addition, IJV managers may depend on appraisal criteria that are dissimilar to those used by the IJV's parents. Therefore, the satisfaction level with the IJV's performance may vary based on who is surveyed. Such inadequacies can be eliminated by sampling several respondents at the same time, including the managers of the IJV and both partners. For example, Fey and Beamish (2001) used a single item – subjective satisfaction of IJV performance. They combined a total of six respondents (two from each parent firm and two from the IJV) to assess the overall satisfaction level. Similarly, Dhanaraj et al. (2004) and Lane et al. (2001) used the local parent, foreign parents and IJV general managers to appraise the IJV's overall performance. In the same way, Gong et al. (2005; 2007) examined IJV and parent firm managers' assessments and tested the precision of the former's evaluations by comparing them with the assessments of the latter.

- **Achievement of Individual or Joint Goals**

Compared to the earlier measures (i.e. IJV survival, financial output and IJV overall performance), accomplishment of individual or shared goals is calculated from each of the partner firm's points of view – partners start IJVs to accomplish their strategic objectives by fulfilling each other's needs. When such goals are clearly presented, some measures such as survival and IJV overall performance may not be able to capture precisely the success of the IJV. For example, where an IJV is formed to transfer technology, survival may inaccurately

capture the IJV's success. Therefore, when each partner's goals are determined, this measure is a subjective evaluation of the level to which the partner's goals were satisfied (Yan and Gray, 2001a).

One of the most frequently used performance measures is the managers' subjective evaluations of IJV parents' goal accomplishment (Fryxell et al., 2002). For example, Robson et al. (2008) concentrate on joint goal attainment as an IJV performance measure. They observe IJV performance as a second-order construct including several elements containing effectiveness, efficiency and responsiveness, and mutual goal attainment was used as a key point of alliance performance. Other studies (Luo, 2002c; Child and Yan, 2003; Brouthers and Bamossy, 2006; Ng et al., 2007) have also developed a merged measure to cover a variety of objectives of IJV parents. Even though this evaluation is the most frequently used measure in IJV research, criticisms can be levelled at it because the parents' evaluations of the importance of the goals may differ. Additionally, the overall assessment of the IJV could be dissimilar based on the goals of the parents. For example, when the US parent of a highly regarded joint venture in China was bought out by a large British firm, the new "parent" considerably cut support to the IJV because the IJV was less strategically important to the new owner than to the previous one. This meant that the original US parent had very different objectives for the IJV than the new British parent. Krishnan et al. (2006) developed a subjective performance assessment by mixing overall satisfaction and specific goal accomplishments to overcome the limitation of this measure.

- **Learning**

Ever since Vernon's (1977) introduction of the notion of an obsolescing bargain, IJV scholars have been interested in partner learning as a measure of IJV success. From the knowledge-based point of view, the shift of essential knowledge and skills from the parents to the IJV is fundamental to the IJV's success. Dhanaraj at al. (2004) and Lane et al. (2001) used knowledge transfer as one way of measuring performance.

There are two issues that are concerned with using learning as an IJV performance assessment. Firstly, similar to goal attainment, learning is a perceptual measure. As a result, different respondents might present different answers, which threaten the validity of this measure. Secondly, learning has a tendency to be a subsidiary goal in IJVs (Gong et al., 2007), and therefore this measure has been criticised in that partners' learning is not the same as the performance of the IJV as a stand-alone entity.

2.7.3 Performance Measures Used in This Research

As was discussed above (Section 2.7), there are two ways of measuring the performance of IJVs: objective (survival and financial outputs) and subjective (overall satisfaction, achievement of individual or joint goals and learning) (Bensaou and Venkatraman, 1995). However, there is much argument about the validity and reliability of these performance measures (Krishnan et al., 2006). According to Dixon et al. (1990), performance measurements in the literature until the 1980s largely concentrated on financial indicators, such as profit, return on investment, sales per employee, and productivity. From the late 1980s onwards, less tangible and non-financial measures have been extensively employed (Rosil, 2011). During the past few years, some scholars have selected the phrase "instability" (survival) for the explanation of the performance of alliances (Ramaseshan and Loo, 1998). In contrast, it has been asserted that an alliance will be ended as a consequence of its success rather than its non-performance. Therefore, some scholars suggest that the performance of joint ventures should not be assessed in terms of longevity or stability as recommended primarily by Franko (1971), Gomes-Cassaras (1987), Harrigan (1987) and Killing (1982). These scholars have recommended that the performance of alliances should be measured by subjective evaluation. In addition, as a result of limitations and the problems of objective measures for evaluating the performance of IJVs (e.g. unavailability of financial and objective measures for affiliates and business units), many researchers concentrate on subjective measures to evaluate the performance of IJVs (Tatoglu and Glaister, 1998).

For this research, subjective measures are used for measuring the performance of alliances, rather than objective measures such as profitability and so on. Objective measures are difficult to track (Bucklin and Sengupta, 1993) and normally they are too sensitive in nature for many organisations to reveal for research. Therefore the focus of this research is on subjective measures. The subjective measure in this thesis is the level of satisfaction in the inter-firm relationship, whether there has been progress with time and whether the partners are willing to continue the cooperation in future. It has been demonstrated that satisfaction as a subjective measure is the most common way of measuring the performance of inter-organisational relationships (Lin and Wang, 2008; Laan et al., 2010).

In order to remove the limitation of satisfaction and for the accuracy of results, the goal achievement factor will be included in the measurement of performance (Krishnan et al., 2006). Additionally, to achieve more precise results and due to an emphasis on learning

recently by different scholars, learning will be also be measured (Johanson and Vahlne, 2009; Nielsen and Nielsen, 2009; Srivastava and Frankwick, 2011). Evidence from transnational studies indicates that trust fosters knowledge acquisition behaviours because it promotes norms of reciprocity (May, 2010).

Next section will present the implementation of mentioned variables in different studies in IJVs.

2.8   Background of International Joint Venture Research on Trust

As mentioned above, there are three groups that have been involved in the study of inter-firm relationships based on trust. In this section a brief of some of the studies that focused on the above variables (section 2.7) are provided. The first group talks about the antecedents of trust. Simiar's (1983) research was mostly based on the reasons for failure and mistrust in 29 Iranian joint ventures, and the problems that they were facing. Simiar's findings show that trust, an important element for the success of an IJV, is missing in their relationships. Cultural differences, goal congruency, communication, complementarity and governmental rules and regulations which affect the level of trust were amongst the most important constructs.

Table 2.4: Summary of Relevant Studies on Trust

Author	Aim of Research	Independent variables	Dependant variables	Empirical design	Main findings	Limitations
Simiar (1983)	The reason for mistrust and failure of IJVs in Iran	Cultural differences, goal congruency, communication, complementarity and governmental rules and regulations	Trust	Interview	Trust is missing in the IJVs of Iranian firms	
Aulakh (1996)	Extending behavioural approach by identifying the antecedents of trust in cross-border marketing partnership	Relational norms and monitoring mechanism	Performance via trust	Survey questionnaire	The significance of bilateral relational norms and informal monitoring system in creating inter-organisational trust and enhancing performance was proved	Results are based on information from one side, only behavioural dimensions of trust were considered
Inkpen and Currall (1998)	Developing a conceptual understanding of JV trust	Prior cooperative, habitualization, individual attachment, organisational fit and assessment of	Trust, forbearance, governance structures, relationship investment, increase in JV			

Author	Aim of Research	Independent variables	Dependant variables	Empirical design	Main findings	Limitations
		partner competence	scope, JV performance			
Boersma et al. (2003)	Examining the development of trust in IJVs over the time	Previous history, executions (role interactions and personal interactions), negotiations, commitments	Trust	Four case studies	Trust can be seen as both input and output	Just based on four case study and cannot be generalised
Mohr (2004)	Investigating the mechanisms that link trust and control to performance	Trust, control, exchange, communication, adjustment	Performance	In depth interviews and questionnaire	Trust has a positive impact on performance and control has a negative impact	Variables are not chosen based on a coherent theoretical framework
Thuy and Quang (2005)	Examining the link between relational capital and relational factors	Flexibility, cultural sensitivity, goal clarity, information exchange and conflict management	Performance	Survey questionnaire	Significant relationship between relational factors, relational capital and performance of IJVs were discovered	
Nielson (2007)	Using multidimensional approach for measuring the performance of ISA	Prior experience, partner reputation, country risk, collaborative know-how, trust, protectiveness, complementarity, cultural distance	Alliance performance	Survey questionnaire	A significant relationship between alliance performance and host country risk as well as partner reputation	
Wai-Kit et al. (2007)	How trust will improve the performance of IJVs	Local reliance, cultural distance, experience of executives	Trust and performance	Survey questionnaire	Trust has a significant impact on achievement of IJV's goals	There is no globally accepted measure of cultural distance
De Jong and Woolthuis (2008)	Investigating the institutional arrangements of innovation processes in high-tech alliances focusing on the role of trust	Shared past, inter-firm contracts, relational openness, mutual dependence	Inter-organisational trust and alliance performance		Supports the value of inter-organisational trust in durable business relationships	The data were collected from Netherland companies and cannot be generalised
Bstieler and Hemmert (2008)	Develop and test a model of factors which influence the formation of trust in R&D partnerships in two different cultures	Communication quality, fairness and unsolved conflicts	Trust	Survey questionnaire	Communication and fairness have a positive impact on trust and conflict has a negative impact	Data are collected from a narrow segment and cannot be generalised. Also there is difficulty reaching full cross-cultural equivalence

Author	Aim of Research	Independent variables	Dependant variables	Empirical design	Main findings	Limitations
Fang et al. (2008)	Investigating the effect of trust in three different organisational levels		Trust	Survey questionnaire	Inter-organisational and agency trust motivate resource investments in the coentity. whereas intraentity trust promotes coordination within the coentity, and inter-organisational trust and a differentiation strategy magnify that effect	Data were collected by IJVs in China and impact of different cultures and nationality needs to be explored
Kwon (2008)	Investigating antecedents and consequences of trust in IJVs	Structural and social conditions of trust and commitment	Trust and commitment	Survey questionnaire	Positive impact of trust on structural and social conditions	
Li (2008)	Investigating the impact of religion on entry mode of IJVs	Religion	Opportunism	Survey questionnaire	In the case of different religions, there will be more possibility of opportunism	The focus is on Christianity and atheism and more religions need to be investigated
Lin and Wang (2008)	Examining the effect of trust, legalism and ownership on the level of IJV satisfaction	Trust, ownership and legalism	IJV satisfaction	Survey questionnaire	The relationship between trust, legalism and performance varies across cultures	Using cross-sectional data, more variables can be used in order to measure directly the nature of technology or industry
Luo (2007)	How opportunism is influenced by environmental uncertainty factors	Environmental Volatility	Opportunism and performance	Survey questionnaire	The mediating role of opportunism between environmental uncertainty and performance of IJVs were found.	Data were collected from a single country
Wilson and Brennan (2008)	Investigate the impact of trust and commitment on performance of IJVs	Trust, commitment, cooperation and satisfaction	Performance	Interview	It was stated that trust is the most important factor that affects the performance of IJVs	Difficulty in gaining data from Chinese side
Robson et al. (2008)	Developing a theoretical framework that investigated the factors that create trust and affect the	Distributive fairness and partner similarity	Inter-partner trust and performance	Interview	Inter-partner trust will affect the performance of strategic alliances. In addition, similarity and distributive fairness	

Author	Aim of Research	Independent variables	Dependant variables	Empirical design	Main findings	Limitations
	performance of strategic alliances				have a significant impact on the level of trust	
Gulati and Sytch (2008)	Explored how history of interaction will contribute to the formation of trust between firms	History and organisational similarity	Trust	Survey questionnaire	History of interaction influences the creation of trust and organisational similarity will affect trust through the history of the relationship	
Ybarra and Turk (2009)	Investigating the factors that contribute to the success of strategic alliances	Asset specificity, balanced asset, interdependence, duration, communication, shared values, relationship equity	Change in communication, change in asset specificity, change in dependence, learning and alliance performance via inter-organisational trust	Survey questionnaire	Social exchange theory factors including communication, shared values and relationship equity will contribute to the development of trust, and trust will improve the performance and learning of strategic alliances	The results of the study cannot be generalised as it was based on R&D department
Deitz et al. (2010)	Investigating the reason for failure of IJVs	Resource complementarity and trust	JV stability	Survey questionnaire	Resource complementarity and trust has a positive impact on the stability of JVs	
Anderson et al. (2011)	Analyse the relationship between the cooperative learning process and innovation through a JV in firms from the service sector.	Trust and commitment	Learning and innovation	Survey questionnaire	A positive and direct impact between the cooperative learning process and partners' commitment to innovation.	The data collected on JVs were supplied by just one of the partners. This study is specific to service firms and a particular type of cooperation
Islam et al. (2011)	Investigate the relationship between organisational cultural elements and knowledge sharing.	Trust, communication, leadership and reward systems	Knowledge sharing	Survey questionnaire	Trust, communication between staff, and leadership were found to have a positive and significant relationship with knowledge sharing.	The findings of this study might not be generalized to other cultures and countries as this study was conducted in Bangladesh service industry. The other major limitation of this study is the small sample size

Author	Aim of Research	Independent variables	Dependant variables	Empirical design	Main findings	Limitations
Stahl et al. (2011)	To develop a model that synthesizes our current understanding of the antecedents and consequences of trust in acquisitions, with target firm members' trustworthiness perceptions as a key mediating process	Relationship history, interfirm distance, integration approach	Trust and performance	150 case studies of M&A completed over a 25-year period (1980–2005)	Integration process variables, such as speed of integration, communication quality, and acquirer multiculturalism are major factors influencing trust.	The case sample is small by traditional survey standards, and it was not drawn randomly from the overall M&A population.

Boersma et al. (2003) studied the creation of trust in IJVs and developed a process model of trust building (Figure 2.1). In an analysis of four case studies, they discovered that trust can be examined as both inputs and outputs in different stages of the building process. Previous history, negotiation, commitment and execution were stated as the antecedents of trust. At every step, the outputs of trust will be the inputs of the next step.

Figure 2.1: Illustration of a Process Model of the Development of Trust in IJV Relationships
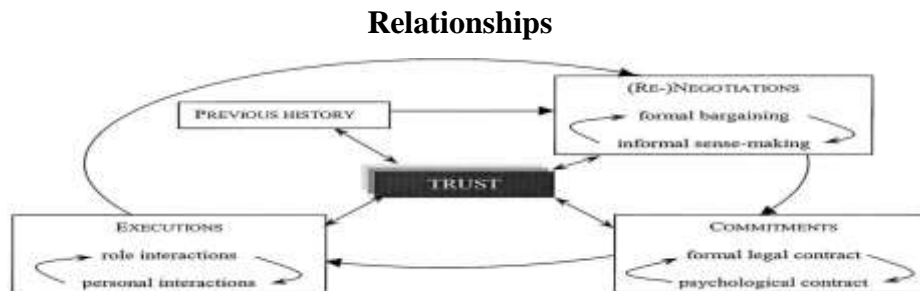
Source: Boersma et al. (2003), p.1033

Bstieler and Hemmert (2008) investigated vertical R&D partnerships in South Korea and Austria, countries with cultural differences. Their argument, based on their model, is that the creation of trust in R&D partnerships depends on some special circumstances that promote or prevent the creation of trust. Communication quality and fairness were chosen as the factors that foster trust, and history of conflict as a factor that obstructs trust (Mohr and Spekman, 1994; Morgan and Hunt, 1994). In addition, Bstieler and Hemmert (2008) included national culture as a factor for creating trust, their results demonstrate that communication quality, fairness and unresolved conflicts had an impact on trust formation for both countries, and national culture also had a moderating effect on the formation of trust.

Gulati and Sytch (2008) explore how the history of interaction will contribute to the formation of trust between firms. Their findings show that history influences the creation of trust in a complex non-linear fashion. In addition, organisational similarity will enhance the level of trust through translating the benefits of the joint history.

Li (2008) investigated the impact of religion on opportunism in the case of IJVs. Li (2008) discovered that in the case of different religions, there will be more control and less trust between partners. This statement accords with the views of several different scholars, such as Ruffle and Sosis (2007).

Some scholars such as Crosno and Dahlstrom (2008) and Hawkins et al. (2009) investigated the impact of country risk on the level of trust in IJVs. Based on their findings in the case of country risk in the host country, there will be more possibilities for opportunistic behaviour and as a result, less trust between partners.

Deitz et al. (2010) started their investigation regarding the failure of IJVs due to relationship and resource-sharing problems (Figure 2.2). The data were collected from the Corporate Affiliations Plus database. The results of their study showed that trust and resource complementarities are very important for the stability and cooperation of JVs. Also, it was shows that trust is more important in new JVs than in old ones.

Figure 2.2: Conceptual Model
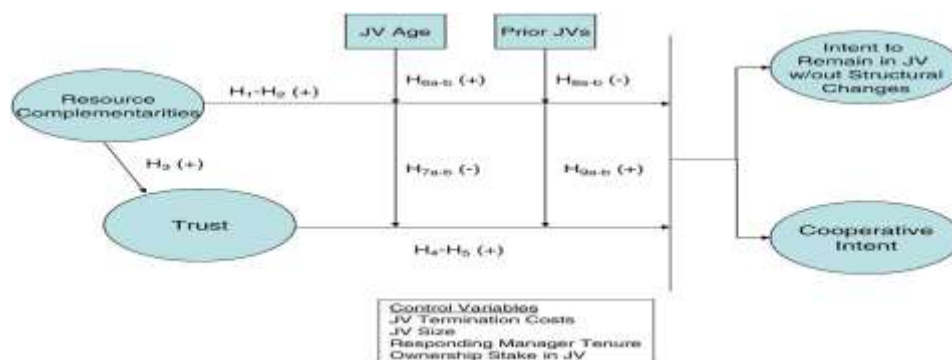
Source: Deitz et al. (2010), p.867

The second group investigates the impact of trust on performance in inter-firm relationships.

Mohr (2004) emphasises the necessity of trust more comprehensively by considering the relationship between control, trust, performance and relations between the partner firms in IJVs. The results of the study reveal a positive relationship between trust and performance and a negative relationship between control and performance. Also, Mohr shows that high

performance will create trust and decrease the level of control. Additionally, in the case of an IJV which was regarded as successful by its managers, they showed considerably better assessments of the interaction elements: exchange, communication and adjustment (Mohr, 2004).

In order to reduce the weaknesses of other research which was regarded by Madhok (2006) as lacking a link between trust and performance, Nielson (2007) adopted a multi-dimensional approach for measuring the performance of ISAs (Figure 2.3). Nielson (2007) considered different constructs before the formation of the alliance (pre-alliance formation factors) and during the process of the alliance (post-alliance formation factors), and the impact of them on multi-dimensional measurements of alliance performance. Nielson's (2007) work again stresses the important role of trust (among other factors) in the performance of ISAs.

Figure 2.3: Showing the Conceptual Model of ISA Performance
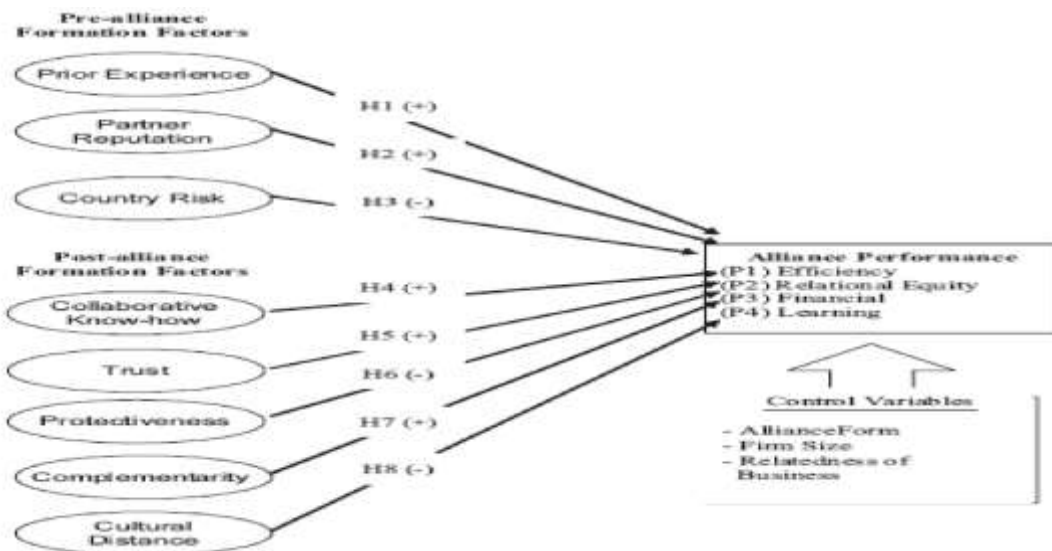
Source: Nielsen (2007), p.340

Trust is considered as one of the factors in post-alliance formation that is strongly related to the performance of ISAs, as it increases firms' access to external knowledge and increases their ability for greater innovation, and better combining and use of resources. Neilson also made an important contribution to understanding the role of both the structural and alliance processes in the performance of strategic alliances.

Wilson and Brennan (2008) investigated the effects of trust and commitment on the performance of IJVs between UK and Chinese companies. In this research, qualitative research was conducted in order to determine the impact of trust and commitment on the

performance of IJVs. It was discovered that trust is the most significant factor that affects the level of the joint venture's satisfaction. In addition, Wilson and Brennan (2008) stated the importance of commitment in the performance of IJVs as a significant factor along with trust.

Lin and Wang (2008) examined the effects of trust, legalism and ownership on the level of satisfaction of IJVs. The samples were chosen from Chinese, western and Asian firms based in China. The results of this research suggest that trust, legalism and ownership are different across national borders. It was shown that trust will affect the level of satisfaction in all countries. Conversely, legalism has a considerable effect on the level of satisfaction and will impact on the level of trust.

The third category looks at both the antecedents and the consequences of trust.

According to Aulakh et al. (1996), the current research on international partnerships concentrates on the *ex-ante* structuring of inter-organisational relationships. Aulakh et al. (1996), in their research, include the behavioural approach to understand the *ex post* maintenance of cross border marketing partnerships. A conceptual model was developed by them in order to identify the antecedents of trust and performance in such partnerships (Figure 2.4). The sample was empirically tested in US firms which had distributor and licensing relationships with firms from Asia, Europe and Central America. The findings support the significance of bilateral relational norms and informal monitoring systems in building inter-organisational trust and enhancing the performance of international partnerships.

Figure 2.4: Conceptual Model of Relational Norms and Monitoring Mechanisms of Partnerships
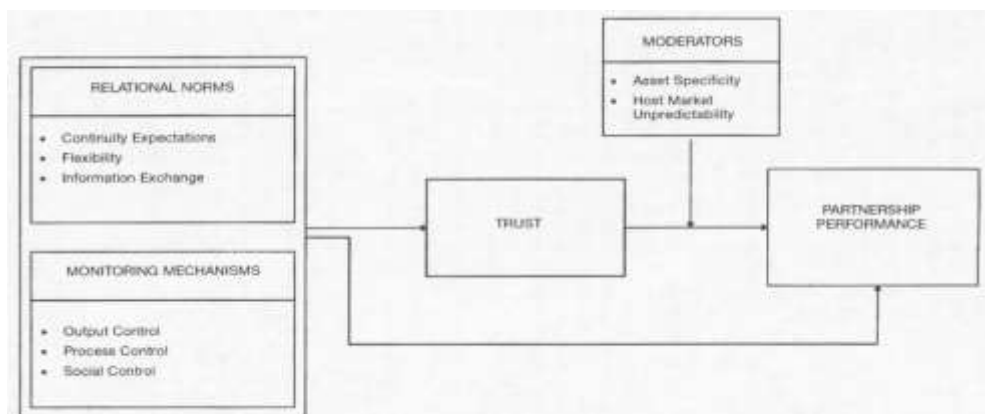
Source: Aulakh et al. (1996), p.1010

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Thuy and Quang (2005), in their research, examined the link between relational capital (trust) and relational factors such as inter-partner flexibility, cultural sensitivity, goal clarity, information exchange and conflict management, and as a result how relational capital affected the performance of IJVs in Vietnam (Figure 2.5). Thuy and Quang (2005) contend that there is a limited amount of research that focuses on measuring these concepts or the antecedents or consequences of IJVs, and provide a comprehensive model which measures both the antecedents and the consequences of trust. Based on the results of their survey, a significant relationship between these variables and trust and the ultimate performance of IJVs was found. The findings recommend the critical role of investment in relational capital between partners for the success of the IJV.

Figure 2.5: Conceptual Model of the Relationship between Relational Capital and Relational Factors
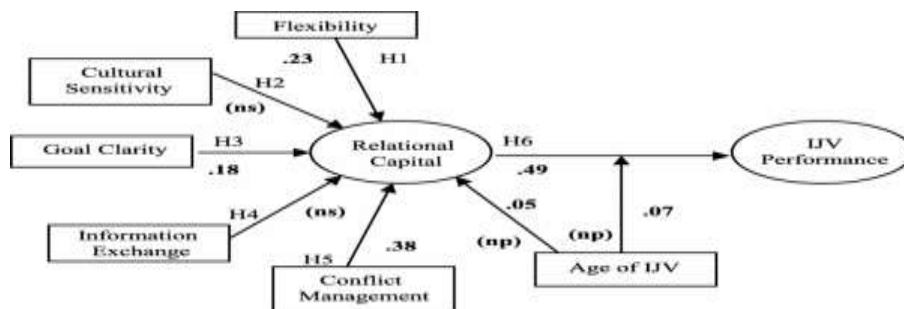
Source: Thuy and Quang (2005), p.405

Madhok (2006) again stresses the role of trust in inter-firm relationships and demands more work on cross-disciplinary research to increase our knowledge about IJVs. He posits that the basic question for his research was why alliances are becoming dramatically more popular, despite the frequent failure of IJVs. Madhok (2006) believes that his research in 1995 has moved the emphasis from ownership to relationship, from governance type to process, from hierarchical governance systems to more horizontal relationship management mechanisms and from a more static and structural approach to a more dynamic and longitudinal one. He discusses issues for future research such as trust creation having been studied increasingly, but without considering performance (with some exceptions). Similarly, those variables in the relationship that have been linked to performance, the variables in the level of trust and the relationship to performance should be examined. In addition, Madhok (2006) stated that the differences in cultures and systems across countries and how these variables affect the level of trust and eventually performance should be investigated. According to Madhok (2006), a

trust-orientated approach will create greater avenues for learning and finally, the implication for competitive advantage.

Ng et al. (2007) concentrated on the impact of trust on improving the performance of IJVs in China. Ng et al.'s (2007) research is based on Boersma et al.'s (2003) process model and Zaheer and Zaheer's (2006) model of trust symmetry and asymmetry, and explores the trust level of both the senior executives of IJVs and the parent companies. This study was conducted based on the direct relationship between the trust and performance of IJVs from the points of view of both general managers and local partners. NG et al. (2007) found out that relationships are stronger when goodwill trust develops, when the personal trust between partners increases and when affective commitment develops. So accordingly, trust is regarded as an important variable that determines whether the objectives of the IJV are achieved or not. Moreover the moderating effects of trust on the relationships between IJV performance and local reliance and the experience of executives were confirmed for the senior executive sample, but the moderating effect of cultural distance was not consistent between the firm-level measures.

De Jong and Woolthius (2008) explored how the innovative cooperation of ISAs creates trust and how trust affects the performance of ISAs in R&D partnerships (Figure 2.6). Their study considers both the antecedents and consequences of trust. De Jong and Woolthius (2008) concentrate on inter-organisational trust as they consider ISAs in general and particularly high-tech cooperation. According to them, the activities of the partner are more important than the individual. They categorise antecedents of trust into four groups: a shared past, detailed contracts, inter-firm openness and mutual dependence (Sheppard and Shermang, 1998; Des and Tang, 2003). They expected that in their model, inter-organisational trust would have a direct impact on performance.

Figure 2.6: Theoretical Model of the Connection of Inter-organisational Trust and High-tech ISA Performance
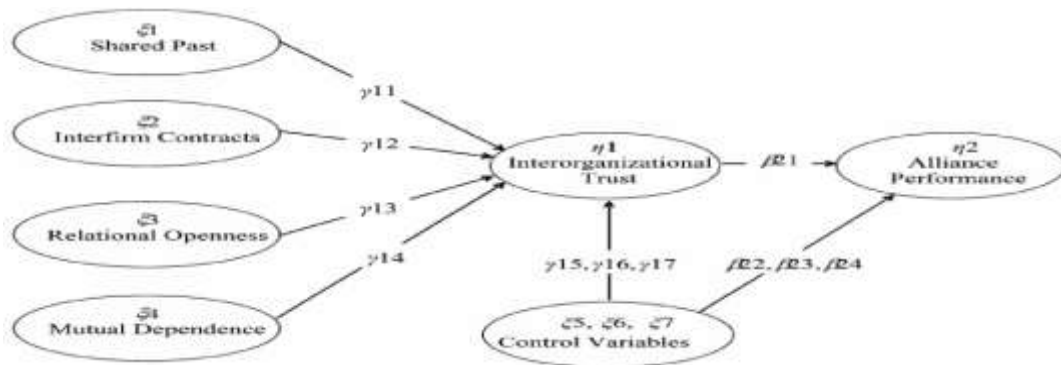
Source: De Jong and Woolthuis (2008), p.54

So overall, the contribution of De Jong and Woolthuis (2008) is how inter-organisational trust will improve the performance of ISAs in high-tech industries.

Robson et al. (2008), in their study based on a theoretical framework, investigated the factors that create trust and affect the performance of strategic alliances. Based on personal interviews with 177 strategic alliances for data collection, their findings proved that inter-partner trust will affect the performance of strategic alliances and this will be stronger when the size of alliances declines. They found that partner similarity and distributive fairness have a significant impact on the level of trust.

Kwon (2008) based his research on Madhok's (2006) work on the importance of both the structural and social conditions of trust. He considered the antecedents and consequences of IJV partnerships on the basis of social exchange theory (Figure 2.7). The data were collected and analysed from 94 JVs between Korea and the US, and European and Japanese firms. In his research the structural and social conditions of trust and commitment and their impact on the effectiveness of IJVs were determined. Additionally, trust and commitment in joint ventures between Koreans and the Japanese is higher than joint ventures between Korean and western firms. Kwon (2008) also added two more variables, which are national culture and the competitive relationship between partners. The results showed that culture has a positive influence on IJVs' trust and commitment partnerships, but competitive relationships between partners do not have a negative influence on trust and commitment partnerships of IJVs.

Figure 2.7: Research Model Based on Structural and Social Conditions on the Level of Trust and Commitment
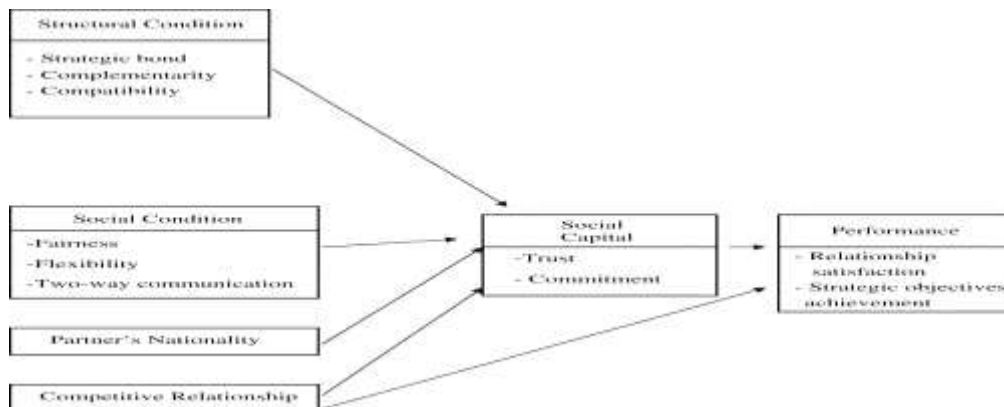
Source: Kwon (2008), p.566

Ybarra and Turk (2009) investigated the factors that contribute to the success of strategic alliances (Figure 2.8). It was determined that trust is an important factor for the success of strategic alliances. In this research a longitudinal survey was used in order to investigate the antecedents and consequences of trust in strategic alliances. The results suggest that the factors from social exchange theory including communication, shared values and relationship equity will contribute to the development of trust. In addition, it was found that formal incentive systems that stop opportunistic behaviour will prevent the development of trust. Additionally, the impact of trust on the level of dependence, higher level of learning and higher level of performance was discovered.

Figure 2.8: Conceptual Model
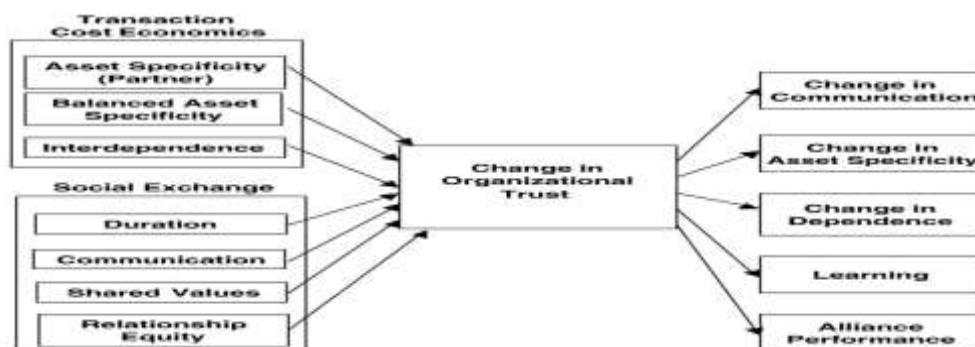
Source: Ybarra and Turk (2009), p.65

In the finally section, the research gap is identified and discussed.

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2.9   Research Gaps

The review of literature reveals several directions for research in the field of trust in IJVs. The previous studies, which is about the role of antecedents of trust and their impact on the level of performance, is categorised into the three levels which were mentioned above. Within the literature there is an extensive debate on whether trust can perform as a replacement or complement for formal control as it emerges, and the need for further research is recognised (Arnott, 2007).

Although there has been extensive research investigating the impact of trust on the performance of IJVs, there has been limited empirical research on the process of inter-organisational trust development in strategic alliances (Dyer and Chu, 2011; Frens, 2011; Silva et al., 2011; Thorgren and Wincent, 2011; Westergren and Holmström, 2012). Therefore, more empirical research about the creation of trust is needed.

Further, there has been little research examining whether or not the determinants of trust vary in different institutional (i.e. country) environments (Dyer and Chu, 2011). For example, most of the studies about inter-firm relationships concentrate on the US, the UK and China, and there are few studies that concentrate on IJVs in developing and Middle Eastern countries (Abosag and Lee, 2012). Likewise, there are few studies that concentrate on IJVs in Iran; the attention of such studies as do exist has been mostly on human resource management (Simiar, 1983; Namazi, 2003) and recent articles concentrate on trust in electronic commerce (Meskaran et al., 2010), trust in e-banking (Feizi and Ronaghi, 2010) and trust in internet shopping (Dolatabadi and Ebrahimi, 2010).

Previous studies on trust are mainly theoretical. There are few empirical studies that state mutual trust between partners as an essential factor for improving alliance performance in terms of learning, satisfaction and goal achievement. Few strategic alliance studies on IJVs have offered empirical evidence (Frens, 2011; Wahab et al., 2011).

In addition, Robson et al. (2008), Silva et al. (2011) and Levin et al. (2012) state that limited empirical evidence exists to substantiate the normative bias that trust between partners enhances performance in IJVs. According to Robson et al. (2008) and Silva et al. (2011), the review of literature about the impact of antecedents of trust on performance shows a mix picture (See sections 2.4.6 and 2.4.7, and Table 2.4). Some studies find a positive relationship between trust and performance (Cullen et al., 2000; Lane et al., 2001; Boersma, Buckley and

Ghauri, 2003; Mollering, 2003), other studies find no significant direct link between these two variables (Aulakh et al., 1996; Inkpen and Currall, 1997; Sarkar et al., 2001; Fryxell et al., 2002) and still another (Lyles et al., 1999; Grayson and Ambler, 1999) asserts that trust may have a detrimental effect on alliance performance. Therefore, more investigation of the impact of trust on the performance of IJVs is needed (Silva et al., 2011).

Additionally, Seppanen et al. (2007) states the need for more research on the link between trust and commitment. According to Wilson and Brennan (2008), trust and commitment are the social fabric of the relationship and the impact of both trust and commitment on performance should be investigated. Existing studies generally examine the effect of only a single behavioural attribute, such as trust or commitment, without a holistic analysis of multiple attributes. Therefore there is limited empirical research on how trust can create commitment in the relationships of IJVs (Wilson and Brennan, 2008; Park et al., 2012). Therefore, there is a need for empirical investigations of trust and commitment in IJVs (Gammoh and Voss, 2012). According to Robson et al. (2006), in studies carried out on strategic alliances, the importance of commitment has been undervalued, whilst trust has been overvalued as an influential factor in development and cooperation results.

In addition, we will investigate environmental uncertainty as an important factor in developing countries, which has been neglected in most of the studies (Crosno and Dahlstrom, 2008; Hawkins et al., 2009). Moreover, the impact of religion on trust, which might be influential in the case of Iran, has been chosen for this research (Ruffle and Sosis, 2007; Li, 2008).

Finally, the few existing studies in this area lack perspective, and are limited to a single participant focus (Wright and Grace, 2011).

In summary, there are a limited number of studies that concentrate on relational factors, mainly the inter-partner relationship development and maintenance factors, which are assumed to be very important in a high context culture and relationship-based country such as Iran.

2.10   Conclusion

This chapter presents a review of extant literature relating to the research issues. It has outlined general information about IJVs, theories and particularly SET, trust, commitment and background of IJV research. First general information about IJVs, definition of IJVs,

strategic behaviour and joint venture motivations, challenges to strategic alliance formation and implementation and alliance instability and failure were discussed. The chapter stated popular theories that have been used in IJVs, and social exchange theory and its benefits and implications in IJVs were discussed and presented. Then, trust, its definition, trust in IJVs, the concept of trust, dimensions of trust, different levels of trust, and benefits and drawbacks of trust were presented, followed by a clear explanation of commitment, its definitions, and commitment in the exchange relationship. The importance of trust and commitment and the relationship between dimensions of trust and commitment were then demonstrated, and finally the research gaps were discussed.

Researchers have used different theories to investigate and examine the reasons for the failure of IJVs, and most agreed that trust as an attribute of SET is one of the most important elements for the success of IJVs. Recently trust has attracted much attention of scholars in management science, and considered as one of the most important issues in the twenty-first century (Ohara, 2004; Ohara, 2011). The management of trust should be considered comprehensively for running any business activity. It has been demonstrated in studies undertaken in developed and developing countries that even though trust is a strategic resource that should be considered as the source of competitive advantage, it is also a rare good. But it is the key factor for success of any cooperation, especially when it refers to companies from different countries. When the relationship is based on trust, there will be greater exchange of knowledge between partners, and this is one of the most important goals for strategic alliances. Therefore, the purpose of this study is a comprehensive presentation of the issue of trust in alliance networks. This chapter has highlighted the problems face by IJVs from which the research gap of lack of trust within IJVs has been highlighted.

The next chapter relates to the study settings.

Chapter 3: Iran as the Context of the Study

3.1 Introduction

The study was conducted in Iran where new reforms have been announced by the government for IJVs (www.iio.ir, 2011). A brief description of the setting of the study is presented in this chapter, providing the background of Iran, economic situation, legal issues, international business practices and main trading partners, summary of the IJVs operating in Iran and the reason for choosing Iran as the context of this research.

3.2 The Background of Iran

Iran is one of the largest countries in the Middle East (1,648 thousand sq. km) and has a population of 75 million (Iran Statistical Centre, 2010), with a highly educated labour force and a wealth of natural resources such as oil, gas and mineral. Strategically, Iran is one of the most important regions globally – partly because of its natural resources such as crude oil, and also due to its location in Eurasia (the combined land mass of Europe and Asia) with politically significant borders: the Persian Gulf and the Sea of Oman to the south, Turkey and Iraq to the west, Afghanistan and Pakistan to the east and the newly independent ex-Soviet republics of Armenia, Azerbaijan and Turkmenistan to the north. Furthermore, Iran is the link between the newly developed Caspian basin and the warm waters of the Persian Gulf, two of the main hubs of oil and gas development in the world.

Iran has faced difficult problems in the past 25 years, such as the Islamic revolution in 1978/9, the Iraq–Iran war, the US sanction against Iran since 1979, and an ideological shift, which all had a socio-economic impact on Iran. Since the Islamic revolution in 1979, there have been major changes in the socio-economic, political, national culture, ideological and legal frameworks. Despite these changes, Iran's position in the Middle East has remained as important as ever. A rich amount of natural resources, along with the geo-strategic position of the country, makes Iran a unique economy.

The nationalisation of industries, the politicisation of trade and economic decisions, the reallocating of government employees, the changing restrictions for women's employment, and the stress on beliefs are all aspects of the socio-political and socio-economic shifts that have emerged after the revolution. The resulting gap in skilled management capabilities has led to a major deficiency in the country's business practices. According to Khajehpour

(2000), mismanagement and corruption have caused damage to the economy and business mentality in Iran.

Although there have been major changes and problems in Iran in the past 25 years, the increasing number of IJVs and foreign companies entering Iran over the last 8 years demonstrates that Iran is becoming a country to invest in.

3.3   Economic and Political Risks in Iran

- **Economic Risk**

The lack of clear government policies in various economic sectors is one of the most important issues that foreign investors face. Iran has not had a stable economic policy for a long time, and with periodic changes of governments and various political factions in power, the economic programme of the country has suffered from huge changes. As a result, foreign investment in this area is confused and is faced with the risk of economic instability.

Fluctuations in the currency market are also important economic risks to foreign investment in the country. The government in recent years has made numerous reforms in the monetary market; for example, the stability of dollar policy by the Central Bank of the Islamic Republic of Iran. However, foreign investors are faced with the risk that in the case of severe fluctuations in the currency, especially dollars, they will lose profits on returning capital to the country of origin – as will happen when the dollar is faced with a sudden increase (Omidvar, 2011).

- **Political Risk**

Considering the structure of the government and foreign relations with other countries, Iran is in a complex situation, and changing internal and external conditions can easily affect the economic situation and consequently may affect foreign investment. The tense political relations that the government has with other countries have given rise to the current economic situation, and foreign investment is affected by it. This is important as the increase or decrease of these tensions affects the demands for investment and foreign investment activities in the country. Some of the most important challenges for the government's foreign policy in relation to investment risk in Iran are mentioned below (Omidvar, 2011).

• Iran's nuclear activities are the principal crisis in the area of foreign policy. Sanctions against Iran by Security Council can affect Iran in different ways and causes problems, directly or indirectly, for the foreign investment in the country.

Since 1979, US economic sanctions against Iran have been used not only as a way of demonstrating foreign policy, but also with an aim to damage Iran's economic situation at times. These methods, which have been hardened with new regulations in 1992, 1996 and 2000, have been sorted into three types. First, the US Department of Treasury leads efforts to execute a complete US business and investment prohibition against Iran. Second, the Department of State legislates laws opposing foreign parties being involved in "proliferation or terrorism-related activities" with Iran. Third, either the Department of Treasury or Department of State designates that parties which are involved in proliferation or terrorism-related activities involving Iran are subject to financial sanctions (Omidvar, 2011).

Generally speaking, the aim of an economic sanction is either to change the activities of the sanctioned country or to weaken the stability of the country and the government. Sometimes sanctions can cause a war without this being the intention of either side. For example, a long time ago in the fifth century BC, after trading was banned between the Athenian Empire and Megra, it led to a 30-year war between them. Alexander George argues the possible "boomerang effect" of "coercive diplomacy" when he recommends that Japan's decision to invade Pearl Harbor, and the following entry of the US into the Second World War, came from economic sanctions. In the same way, Louis Kreisberg recommends that sanctions can "widen the conflict, add to its destructiveness, and sometimes prolong it". Sanctions are also harsh for the society under-attack. A 1999 study contends that post-Cold War sanctions may have caused more deaths than all the "weapons of mass destruction" used in history (Smith, 2004).

• Iran's relations with regional Middle Eastern countries, and especially the issue of peace between Palestinians and Israelis, is another problem that affects Iran's foreign policy. In the affairs of neighbouring countries, especially Afghanistan and Iraq, Iran is routinely accused of intervening and preventing the establishment of governments under the protection of the USA.

If the alliance between partners is in a country with high levels of political risk, and an unstable government and policies, the risk of operation on the foreign side will increase and will influence the stability of the alliances (Ji and Huang, 2010).

- **Law Enforcement Problems**

Despite implementing new policies to encourage and support foreign investment in order to attract foreign investors, their enforcement gives rise to problems. A lack of coordination and the complexity of different parts of the regulations cause confusion and uncertainty, especially in relation to foreign investment, and bureaucratic governing agencies can exacerbate this. As a result, in many cases, despite the law and regulations, the implementation of new policies for foreign investors is difficult. Several reasons for the problems related to laws and regulations have been briefly noted as follows (Omidvar, 2011).

- **Taxes**

One of the biggest concerns of foreign investors is the tax payment rate. Fortunately, in the new tax law (2008), many uncertainties and problems related to the activities of foreign investors in the country were resolved, and based on interviews conducted with some foreign companies in Iran by Organisation for Investment Economic and Technical Assistance of Iran, there is no particular problem regarding this issue. However, some areas still experience problems; for example, the tax on labours in a foreign company. Unlike income tax rates that are the same for Iranian and foreign companies, there are dramatic differences in the tax that is deducted from staff salaries between foreign and domestic companies; this is a cause of unhappiness in foreign companies that are active in Iran, who are requesting a resolution to this problem (Omidvar, 2011).

- **Foreign Investment Law**

Iran has a comprehensive legal regime that was set up almost half a century ago; however, some of the laws are not suited to the challenge of present day foreign investment and so do not secure foreign investments. Foreign investment law is attempting to facilitate foreign investment in Iran; however, this law also includes *restrictions* on foreign investment. The labour law, for example, was re-written in 1985 during the Iran–Iraq war at a time when it was important to give workers more confidence in the stability of their jobs. The law remains very pro-employee and makes companies very hesitant to employ people on permanent contracts, preferring temporary ones. Also the ban of ownership of immovable property for foreign investors is noteworthy. According to Iranian domestic law, immovable property

ownership for foreigners is prohibited. To solve this problem, the investment law has given foreign investors the opportunity to register as an Iranian company and continue their activities in the format of an Iranian company. In this case they are allowed to have the full ownership of the company. In any case, it should be noted that foreign investors cannot enjoy property rights while maintaining their foreign identity. In addition, the instability in the laws and regulations, as well as the overall policies of the country, have been a discouragement to serious private sector activity. It is very unlikely that partners in joint ventures would be able to mitigate the risk that is created in such uncertain conditions. In reality, there is a higher level of structural instability for foreign joint ventures than for local firms as a result of the underdevelopment of joint venture laws, the infancy of government policies and the lack of experience of government bodies in coping with foreign firms (Luo, 2002). As Khajehpour (2001) and Javidan and Dastmalchian (2003) state, the most considerable obstructions to private sector investment in Iran are unstable policy making, the lack of stability in the regulations, foreign exchange regulations, labour law regulations, financing problems and corruption. In the past few years, the government's emphasis has been on privatisation, the breaking of government monopolies and giving more freedom to the private sector. Further, in order to attract more foreign investment, the government has provided legislation to assist foreign companies' performance in Iran, but unfortunately foreign companies merging with Iranian firms are still not performing as expected (Omidvar, 2011).

3.4   International Business Practices and Main Trading Partners

Iran has always intended to emulate western advances in technology, management, systems and structure. Notwithstanding all the changes and upheavals, the list of the countries that Iran is dealing with remains unchanged and includes Germany, Japan, Italy and the UK (www.iio.ir, 2011). It is worth mentioning that trading with the US has been reduced dramatically due to their sanction against Iran. Over the past 20 years this has led Iran to follow a more eastward approach towards some countries such as Turkey, China, Russia and India and some regional and Arab countries such as the UAE. Iran's export-orientated trade policies have translated into greater trade links with her neighbouring countries. The export orientation has caused Iran to struggle increasingly in the international market. Overall, the effect of these developments is directing Iranian companies to becoming more international, abiding by international laws and regulations, and to do so they must improve the quality and

standards of their organisations and infrastructures to achieve a cleaner, leaner, more transparent type of company and management.

Iran has enhanced its business environment gradually in order to encourage greater foreign investment. Iran's most significant actions in this regard were the creation of a new foreign investment law entitled the Foreign Investment Promotion and Protection Act (FIPPA), a new Tax Code, and liberalising the capital markets. As a consequence of these actions foreign companies started to enter the Iranian market in different forms such as JVs, strategic alliances, manufacturing licences and so forth (www.iio.ir, 2011).

3.4.1 IJVs in Iran

There are two types of multinational cooperation (MNC) entries into Iran: a branch of a subsidiary which is usually registered in one of the free zones, or as an IJV. Depending on the activity of the companies, they choose different routes. If their purpose is access to the domestic market, a wholly owned subsidiary will be chosen, but if the company is looking at the region rather than just Iran, they will start a manufacturing base for both the domestic and the regional market. For instance, Unilever is performing as a wholly owned subsidiary in Iran and at the moment importing its products but also planning to produce products in the Iranian market, either by greenfield activity or as an IJV. The latest list (which was not easy to attain) from the Minister of Finance and Economy (January 2011) indicates that there are more than 900 registered joint ventures operating in Iran and the number of IJVs is increasing every year (Figure 3.1). This corresponds to over $38 billion of foreign investment in Iran in the last two decades. The establishment of IJVs in Iran goes back to the 1960s, with companies from the US, the UK, Germany and Japan. The majority of today's joint ventures are with eastern countries (60 percent) and the rest are western countries (40 percent) (www.iio.ir, 2011).

Figure 3.1: Number of IJVs in Iran
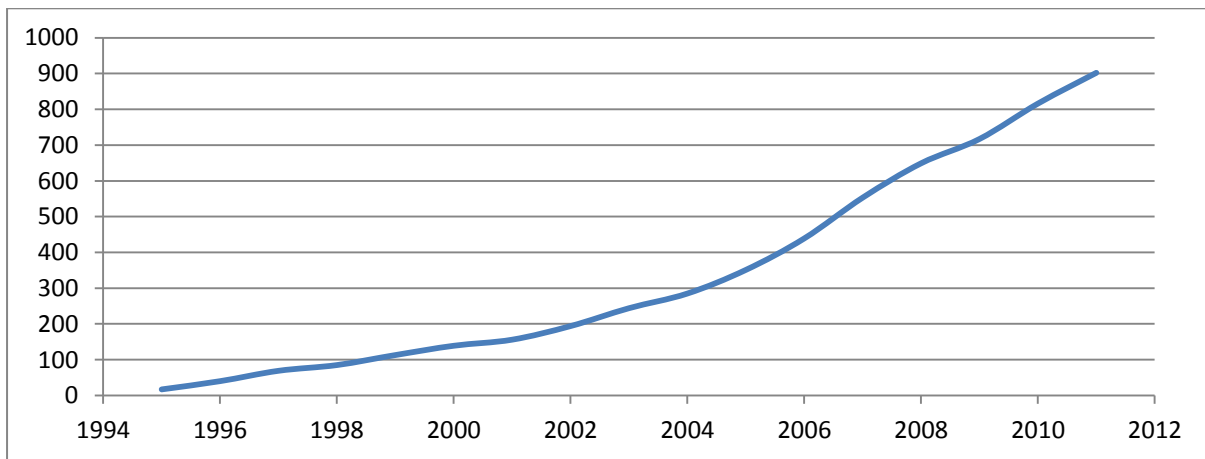
Source: www.iio.ir (2011)

The most popular countries creating joint ventures with Iran are Germany (46 registered JVs), Turkey (52), Italy (29), Korea (15), Indonesia (11), India (32), Japan (17), the UAE (39), Afghanistan (34), Holland (6), Singapore (29), Canada (6), France (11), Sweden (11), Switzerland (14), Oman (23), Spain (11), the UK (9), Luxembourg (6) and Kuwait (11). From the 1980s to the present, the following countries have each held between one and four JVs with Iran: Armenia, Austria, Azerbaijan, Bahrain, Belgium, China, Cyprus, Denmark, Greece, Ireland, Jamaica, Liberia, Malaysia, Mauritius, Pakistan, Panama, Romania, Saudi Arabia, Slovenia and Taiwan. There are some companies that have been registered in Iran through their subsidiaries; for instance, a JV from South Africa is registered through its German subsidiary, and some American companies, in order to avoid sanctions, have been registered through their European subsidiaries (www.iio.ir, 2011). Some IJVs were established between the US and pre-revolutionary Iran and have since been terminated. Favoured industries are those such as telecommunications, automotives, textiles, machinery and equipment, mine exploration, foodstuffs and chemicals (www.iio.ir, 2011).

3.5   Why Iran?

There is no doubt that Iran has much to offer and has a potential domestic market of over 75 million, 11 percent of the world's oil, 15 percent of the world's gas, three major steel plants and much more.

The following factors may illustrate possible motivations for investing in Iran:

1- Strategic location: Iran has a unique location which connects the Middle East, Asia and Europe at the heart of a crossroads, empowered by many inter- and trans-regional trade, customs, tax and investment arrangements.

2- Market potential and proximity: Iran has a massive domestic market as well as quick access to the markets of neighbours with populations totalling more than 300 million.

3- Labour privilege: Iran has a large, capable and trained workforce with low costs in a broad industrial base and service sector.

4- Low utility and production costs: Iran has a diversified range of energy, telecommunications, transportation, as well as public utilities.

5- Abundant natural resources: a variety of natural resources such as oil, gas, metallic and non-metallic substances provides easy access to raw materials in the country.

6- Fiscal incentives: Iran has reduced the tax in different activities in favour of foreign investors as shown in Table 3.1.

7- New investment legislation: the enactment of the new Foreign Investment Promotion and Protection Act (FIPPA) to substitute the former Law Concerning Attraction and Protection of Foreign Investments in Iran (LAPFI) provides full security and legal protection to foreign investments based on transparency and international standards.

Table 3.1:   Tax Exemption

Activity	Level of exemption	Duration of exemption
Agriculture	100%	No limit time
Industry and mining	80%	4 years
Industry and Mining in less developed area	100%	10 years
Tourism	50%	No time limit
Exports	100%	No time limit

Source: www.iio.ir (2011)

The increasing number of MNCs for setting up IJVs in Iran testifies to Iran's emerging economy status. However, IJVs face some challenges in their operations.

The creation of an IJV is essentially a risk-taking procedure under bounded rationality, opportunism, uncertainty and environmental complexity. IJVs in Iran will typically experience problems such as a lack of long-term planning, different visions and goals, risk taking and a lack of trust in systems resulting in a lack of trust between partners. In such a situation, IJVs are required to develop social capital, and trust as a means of accessing reliable business information to overcome information asymmetry. In order to integrate and

release resources that are required for business activities, social capital is essential (Livshin, 2011). When there is trust between partners, it is not necessary to use regulated contracts in the business. "Not all business relationships need to be regulated via contracts, thus allowing him/her [an entrepreneur] to reduce the transaction costs" (Welter and Smallbone, 2006, p. 466). Hence, social capital (trust) makes it easier for a business to gaining the competitive advantage, succeeding and surviving in a competitive market environment. In general, social capital can provide a considerable source of business activity, which in turn helps entrepreneurs, and increases the likelihood of a new venture's success (Chuluunbaatar et al., 2011).

3.6 Conclusion

This chapter has attempted to review the context of study and to justify the area of research. The main body of this chapter focused on the background of Iran, economic and political Risks in Iran including economic risk, political risk, law enforcement problems, taxes, foreign investment law, international business practices and main trading partners, summary of the IJVs operating in Iran, and reasons for choosing Iran as the context of this research. Iran prioritised IJVs as an important factor in its economic development. However due to the low performance of IJVs, the government has initiated new rules and regulations for IJVs in order to attract more investment in the country. Even so there is still a high rate of failure or poor performance in IJVs in Iran; therefore, investigating the reasons for the poor performance of IJVs in Iran is necessary and of interest to many scholars.

Chapter 4: Conceptual Framework

4.1 Introduction

The purpose of Chapters 2 and 3 were to identify the research gaps by exploring the published literature of IJVs with a particular emphasis on the role of trust in IJVs. The purpose of this chapter is: (a) to develop a comprehensive conceptual model that explains inter-partner fit factors, relational factors, country risk factors and religion on trust, commitment and performance in IJVs; (b) to present the hypotheses of this study; and (c) to examine the effects of inter-partner fit factors, relational factors, country risk factors and religion on trust and how trust will affect the performance of IJVs. In addition the effect of trust on commitment and how commitment will affect the performance of IJVs will be investigated.

The chapter is divided into eight sections. It begins with a brief introduction and the development of the theoretical framework of this study in Sections 4.1 and 4.2. Sections 4.3 to 4.3.3 provide explanations about inter-partner fit factors and their linkage to trust. Sections 4.4 to 4.4.3 discuss relational factors and their linkage to trust. The linkage between religion and trust is discussed in Section 4.5, and country risk and trust is explained in Sections 4.6 to 4.6.3. The linkage between trust and performance is provided in Section 4.7, and Section 4.8 establishes the linkage between commitment and performance. Finally Section 4.9 presents the conclusion of this chapter.

4.2   Framework Build-up

As IJVs have complex characteristics, the management of them faces numerous problems. The problems are even more distinct when IJVs perform in transition countries such as Iran, where difficulties exist in both the internal and the external environment – notably corruption, regulation changes, an inefficient legal system, compatibility of management styles, trust, control of resources, cultural differences, compatibility, complementarity, communication, and having different goals (Simiar, 1983; Khajehpour, 2001; Namazi, 2003; Thuy and Quay, 2005).

Developing social capital which is underlined by trust in this setting may be especially crucial, because (1) in Iran and other economies regarded as having poorly defined property rights and legal systems, firms may need to rely on trust-based transactions, which are a

replacement for effective market transactions (Nguyen, 2005; Nguyen and Rose, 2009; Yiu et al., 2012); and (2) Iran has a high context culture with a strong relationship-based orientation (Baughn et al., 2011). High-context cultures tend to rely on more on nonverbal cues as opposed to low-context cultures that value detailed factual information. Low-context cultures strongly utilise detailed factual information that is explicitly conveyed through either a verbal or a written medium. The Iranian culture, like most Asian cultures such as Japanese, Chinese, and Korean falls toward the high-context end of the continuum (Gudykunst et al., 1996; Yeganeh and Su, 2007). In addition, even though social capital has been recognised as an important factor in the function of any organisation, it is easy to understand why it has been emphasised in the IJV literature. When two or more geographically separate parents create a firm, it gives rise to loyalty issues, the potential for disagreements and battles for control (Baughn et al., 2011). As the number of IJVs has increased in Iran during recent decades, the rate of failure has also increased. There are several reasons for this, such as the inefficiency of the relational exchange (trust) between partners. Weaknesses in the country's law-enforcement regime create considerable potential for opportunistic behaviour. As a result, it appears that contract-based governance, which involves enforcement of the law, may be both insufficient and inefficient in managing opportunistic behaviour in inter-organisational relationships in the country (Lai et al., 2011). Therefore, a study into this issue seems necessary in both practical and theoretical terms, especially when empirical research is very rare relating to the country.

Trust has been recognised as a key relationship norm of various inter-firm relationships, including IJVs, under social exchange theory (Wu and Cavusgil, 2006; Nielsen, 2007; Kwon, 2008). So what can create trust between partners in IJV relationships? In research on trust, it must be acknowledged that the antecedents and consequences of trust vary depending on the actors and the context in which the actors operate (Schoorman et al., 2007).

Based on the existing literature (Sections 2.7 to 2.8), and the summary of studies based on social exchange and transaction cost economic theories (Table 4.1, p. 84), this study posits a number of factors that are likely to shape the development of trust which is an attribute of social capital in IJVs. Therefore a conceptual framework has been developed based on antecedents of trust on the performance of IJVs in emerging markets such as Iran predicting inter-partner fit factors (complementary, compatibility, strategic bonds and shared past), relational factors (fairness, flexibility and two-way effective and continues communication),

country risk, religion, commitment, trust and performance in partnerships as shown in Figure 4.1 (p. 90). This conceptual framework has been developed based on combining theories which include: social exchange theory (trust, commitment, fairness, flexibility and two-way effective and continues communication, compatibility and strategic bonds), transaction cost economics (religion and country risk) and resource-based theory (complementarity).

Based on the conceptual framework, the impact of the components of inter-partner fit, relational factors, religion and country risk on the level of inter-organisational trust will be investigated. Additionally, the relationship between inter-organisational trust and commitment, which is a mutual relationship, will be assessed. Finally, the impact of trust and commitment on the performance of IJVs (satisfaction, goal achievement and learning) will be evaluated.

Table 4.1: A Summary of Relevant Research on Inter-firm Relationships: Social Exchange and Transaction Cost Economic Perspectives

Researchers	Types	Antecedents	Social capital	Consequences
Anderson and Narus (1990)	Manufacturers–Distributors	Communications	Trust	Improvement of cooperation, relationship satisfaction
Morgan and Hunt (1994)	Suppliers–Retailers	Communications, shared values, etc	Trust, commitment	Improvement of cooperation
Mohr and Spekman (1994)	Manufacturers–Dealers	Communications, solving conflicts	Trust	Relationship satisfaction, sales increase
Ganesan (1994)	Retailers–Vendors	Investments for harmony/adaptation	Credibility, benevolence	Long-term relationships
Johnson and Raven (1996)	Exporters–Buyers	Communications, fairness	Commitment	Performance improvement, relationship satisfaction
Kumar (1996)	Manufacturers–Retailers	Communications	Trust	Sales increases
Aulakh et al. (1997)	Distributors–Licensors	Information exchanges, flexibility	Trust	Performance improvement
Bandyopadhyay and Robicheaux (1997)	Manufacturers–Dealers		Solidarity, mutuality, trust, etc.	Relationship satisfaction
Sarkar et al. (1997)	IJV Partners	Partner fit, communication, sharing norms	Trust, commitment	Project effectiveness, performance improvement, strategic relationship benefit
Inkpen and Currall (1997)	IJV Partners	Forbearance, perceived risks, management control	Trust	Performance improvement
Johnson et al., (1997)	Alliance Partners	Complementarity, cultural sensitivity, compatibility	Trust	Strategic integration

Researchers	Types	Antecedents	Social capital	Consequences
Campbell (1998)	Exporters–Buyers	Relation-specific investment (time, etc)	Trust	Improvement of cooperation
Ramaseshan and Loo (1998)	Alliance Partners		Trust, commitment conflict, communication	Alliance performance
Paswan and Young (1999)	Buyer–Seller		Solidarity, role integrity, mutuality	Long-term orientation
Young-Ybarra and Wiersema (1999)	Alliance Partners	Previous relations, attachment, communication, shared values	Trust	Flexibility
Demirbag and Mirza (2000)	IJV Partners		Conflict/control, commitment	JV performance, parent firms' satisfaction
Hausman (2001)	Buyers–Suppliers	Communications	Trust, commitment, solidarity, etc.	Relationship satisfaction, performance improvement, long-term relationship
Gilliland and Bello (2002)	Manufacturers–Distributors	Pledge of investment (human resources, time, program, etc.)	Commitment	
Homburg et al. (2002)	Foreign Buyers–Suppliers	Product quality, flexibility, information sharing		Customer satisfaction
Griffith, Harvey and Lusch (2006)	Supply chain management	Procedural and disruptive justice	Long-term orientation, relational behaviour, conflict, satisfaction	Performance
Wu and Cavusgil (2006)	Alliance Partners	Learning intention, partner sensing, relationship initiation	Commitment	Alliance performance, firm performance
Nielsen (2007)	Alliance Partners		Trust, protectiveness, etc.	Alliance performance (i.e. efficiency, financial relational equity, etc.)
Nguyen and Rose (2008)	Partners	Formal institutions, social network, sharing information, personal rapport	Trust	Inter-firm relationship
Hawkins et al., (2009)	Buyer–Supplier Relations	Country risk factors	Opportunistic behaviour	Performance
Ybarra and Turk (2009)	Alliance Partners	Duration, communication, shared values and relationship equity	Trust	Performance, learning, communication, asset specificity, dependence
Thorgren et al. (2010)	Multi-partner alliances	Size and exchange	Trust	Performance
Li (2008)	IJVs	Religion	Control and trust	Less entry mode to set up joint ventures in the case of different religions
Wong et al. (2011)	Joint ventures	Distributive justice, Procedural justice, Perceived organisational support	Trust	Organisational citizenship behaviour
Mukherjee et al. (2012)	Vitual organisations	Previous relations, communication, shared values and goals	Trust	Trust development

In addition, as Iran is a country where 95 percent of the population are Muslims, the role of religion and its impact on levels of trust will be investigated. Furthermore, Iran is a country which is facing an unstable political and economic situation; the effect of country risk will be evaluated as well.

Although not all the antecedents of trust are comprehensively gathered here, the most frequent antecedents which are used by prior research for the formation of trust have been collected.

We examine below the link between inter-partner fit factors, relational factors, country risk and religion, and trust. In addition the link between trust, commitment and performance will be explained based on the conceptual framework (Figure 4.1).

Figure 4.1: Conceptual Framework for Understaning Trust in International Joint Ventures (IJVs)
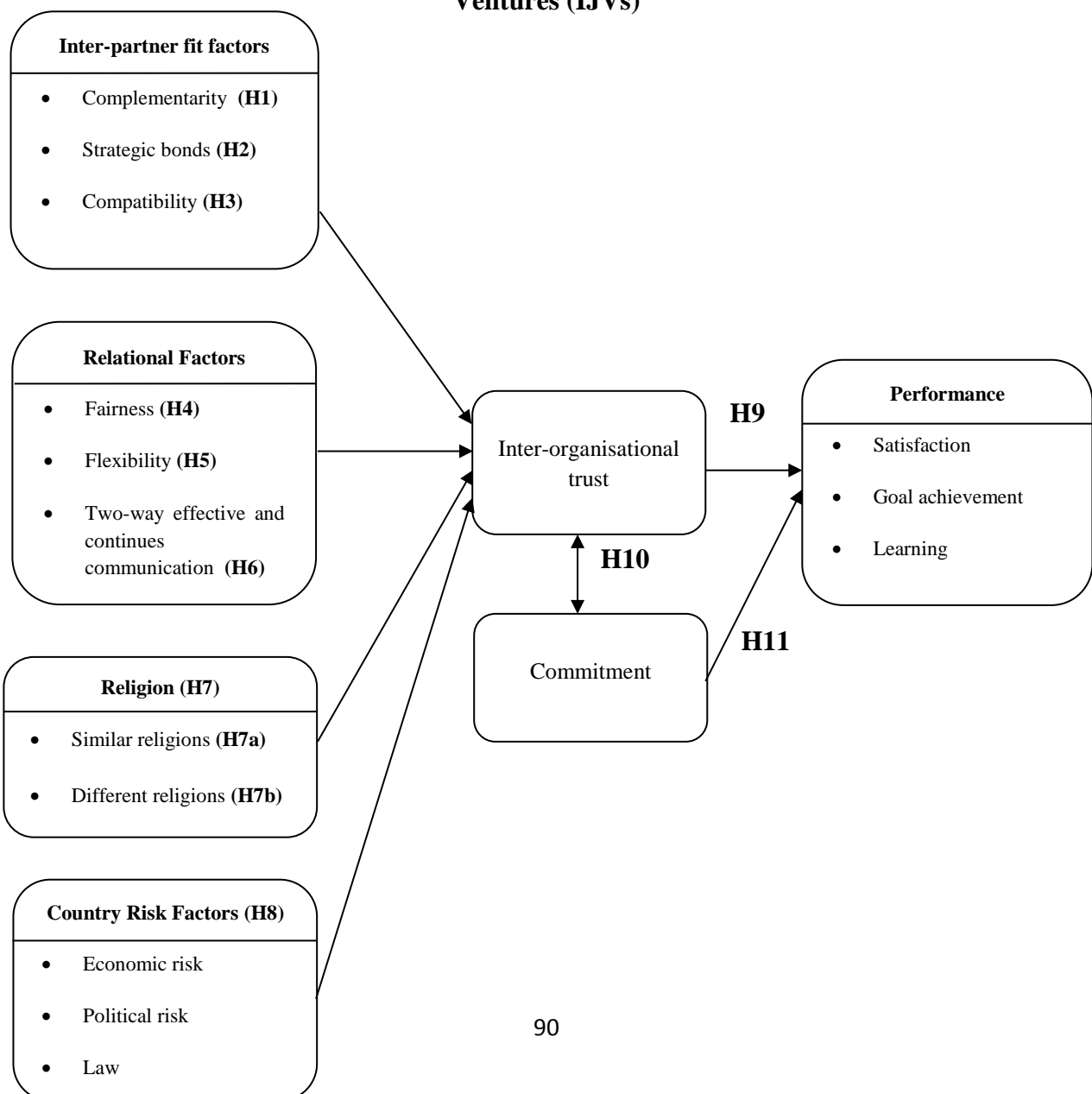
4.3 Inter-Partner Fit Factors

Inter-partner fit factors should be reviewed at the time IJV formation. It has been noted that inter-partner fit factors, including complementarity, strategic bond, cultural compatibility, etc., perform important functions in the construction of trust between partners in inter-firm relationships, including IJVs (Morgan & Hunt, 1994; Rotter, 1967; Sarkar et al., 1997).

Inter-partner fit is about the extent to which the cooperating partners in cooperation can cope with each other and realise the expected synergy from the IJV. Inter-partner fit is a complex and multi-dimensional concept that develop from a combination of factors, and it is included in strategic fit, resource fit, operational fit, organisational fit and cultural fit. In this paper the focus is on strategic fit and organisational fit. Strategic and organisational fit is included in goal congruency between partners, adequacy of management skills, technical skills and human resources, quality of the relationship, complementarity and management systems (Ozorhon et al., 2010).

4.3.1 Complementarity

The first component of inter-partner fit factors is complementarity (see Figure 4.1). One of the most important reasons for creating a joint venture is the partners' complementarity regarding resources and capabilities. Thus, the basic principle of joint venture creation is the accomplishment of the necessary skills that the partners would not be able to gain on their own (Park and Ungson, 1997).

If the partners have sufficient abilities and resources, they do not need to start a joint venture. So firms look for new resources to maximise benefits which can be gained through resource complementarity (Johnson et al., 1997; Sarkar et al., 1997; Chung et al., 2000; Kwon, 2008). Complementary technical skills and resources, and mutual dependency are crucial to the successful implementation of a joint venture. This complementarity eases the achievement of the various important tasks required to complete the research project and facilitates access to a richer range of data sites than are available to any individual. Also, the competitive environment and risk of opportunistic behaviour in an IJV can be diminished when each partner can consider the joint venture and the other partner as a basis of mutual benefit (Teagarden, 1998). Covering another party for resources is very important in the interdependency of partners and this can contribute to building trust (Madhok, 1995; Teagarden, 1998). The interdependence and reciprocity that will be created as a result of

complementarity should decrease the possibility of self-interested actions and improve partner trust (Deitz et al., 2010). Also, switching and sharing information and resources, which come from the mutual interdependency between parties, is an important part of complementarity. Equality, and sharing resources and information, can lead to symmetry between partners and where there is symmetry the level of trust will increase (Teagarden, 1998).

In order to understand interdependence, it is useful to find out what it is not. In general, a partner can have three attitudes towards another party (Homans, 1961; Blau, 1964): (a) independence (outcomes are totally based on one's solo attempt); (b) dependence (outcomes are based totally on the other's attempt); and (c) interdependence (outcomes are based on a mixture of the parties' attempts). It should be noted that total independence and total dependence are not considered as social exchanges, as such. The reason is that exchange involves a bidirectional interaction and it is based on a give and receive process. That is the reason for considering interdependence, which includes mutual and complementary arrangements that are regarded as characterising of social exchange (Cropanzano and Mitchell, 2005).

A number of studies point out that complementarity of both tangible and intangible resources is essential for alliances to accomplish the best possible results (Walff and Reed, 2000; Das and Teng, 2002). For example, Walff and Reed (2000) have discovered that the complementarity of joint venture resources can create constructive results where both partners can be satisfied. Johnson et al. (1996) study of the US–Japanese alliances found that complementary resources allowed greater trust from the US partner but not their Japanese counterpart, as measured by their perception of success (Srimon and Lane, 2004).

In addition, the resource-based perspective stresses the significance of a partner's resource complementarity for a successful strategic alliance (Das and Teng, 2000).

H1. The higher the level of complementarity, the higher the level of inter-organisational trust between partners.

4.3.2 Strategic Bonds

The second component of inter-partner fit factors is strategic bond (see Figure 4.1). The strategic bond specifies goal congruence between the partners in an IJV. Strategic bond

means both sides should have common interests in their relationship with each other and share them, otherwise it can cause conflict and problems in IJVs (Kwon, 2008).

Goals illustrate the end-state that organisations struggle to accomplish. They are described as performance standards, quotas, work norms or deadlines to provide a direction and have a beneficial effect on the organisation's achievements (Thuy and Quang, 2005).

In creating an IJV, the partners often have different goals or interests. Some of the interests and goals even conflict with each other. No matter the differences between the targets and goals, the partners must have a mutual intention to make a decision on how to cooperate with each other in the IJV and they need to agree on their common interests and sustain harmony in the IJV. Having a specific purpose and the details of the particular expected goals plays a considerable role in bettering the performance of IJVs. Regarding this, Von Krogh et al. (1994) mention that having specific goals allows the members to concentrate on the same idea and mission, and will reduce or prevent close monitoring of a member's behaviour. As described, having common goals and objectives is important for creating and sustaining trust between partners in IJVs (Thuy and Quang, 2005; Zhen et al. 2010).

In the case of goal compatibility, both foreign and local parents have similar strategic targets about the direction of the IJV. The compatibility of the aims and objectives of the partners is an important and constructive predictor of trust in IJVs (Mukherjee et al., 2012; Ren et al., 2009). Goal congruity decreases ambiguity about the other party's behaviour and will create personal connections within IJVs, thus increasing trust (Luo, 2001). On the other hand, disagreement regarding parents' goals causes an opportunistic environment (Luo and Park, 2004) and creates conflict (Luo, 2001).

The first step towards accomplishing goal congruence between partners is to concentrate on the corporate vision and the purpose of the partnership. The corporation needs to have a good fit with the top management's vision and the long-term strategy for both organisations (Scott and Gable, 1997).

There is empirical support for the relationship between trust and goal congruency in the case of coalitions between US and Japanese firms (Johnson et al., 1997).

H2.　　The stronger the strategic bond between partners, the higher the level of inter-organisational trust between partners.

4.3.3 Compatibility (Organisational Culture)

The third component of inter-partner fit factors is compatibility (see Figure 4.1). Compatibility is about the level of co-operation between partners and the anticipation of synergies from the joint venture (Morris and Cadogan, 2001). Based on the suggestions of several studies, compatibility is a crucial element to ensure successful IJV performance (Yan and Duan, 2003; Hill and Hellriegel, 1994), as compatibility between partners in IJVs reduces the costs of managing the IJV through improving transaction efficiency (Linares et al., 2012).

According to Lane and Beamish (1990), compatibility can create stability and strengthen the relationship between partners in joint ventures. Compatibility shows harmony between partners in terms of cultural similarity. Compatibility between the organisational cultures is included in the management method, the organisational structure, personnel management policies and types of decision making. Cultural similarity can create synergy in decision making, and the aims and goals between partners. When there is a cultural similarity and especially when it is high, the partners understand each other better and it can decrease disagreements (Fey and Beamish, 2000). In the context of JVs, Saxton (1997) states that when there are organisational similarities between the partners, trust will be built and improve as they will be more willing to share information and knowledge. Inkpen (1995) discovered that where partners in IJVs are not compatible enough there will be a breakdown in trust. Partner compatibility will develop from different factors, such as similar corporate cultures and values, compatible control and decision-making systems, common time horizons for performance assessment and convergence of strategic goals for the JV. The problem with the concept of partner compatibility is difficulty of measurement, as a variety of factors contribute to organisational compatibility (Osborn and Hagedoorn, 1997).

As joint ventures are normally a mix of two or more independent firms, any differences in organisational structures and processes can cause problems in the cooperation and can lead to dissolution of the joint venture (Gray and Yan, 1992; Lane and Beamish, 1990). In contrast, having similar organisational structures and processes between partners can make mutual understanding and cooperation easier (Fey and Beamish, 2001; Yeheskel et al., 2001; Pothukuchi et al., 2002; Malhotra et al., 2011).

The importance of organisational compatibility in IJV relationships has been demonstrated in empirical research. For example, the effect of cultural similarity on the level of trust and

commitment has been supported between US and Chinese firms (Lin and Germain, 1997), as well as between US and Japanese firms (Johnson et al., 1997).

H3. The stronger the organisational cultural similarity (compatibility) between partners, the higher the level of inter-organisational trust between partners.

4.4 Relational Factors

In addition to inter-partner fit factors, the requirements of relational factors should be satisfied in order to strengthen mutual trust between partners. According to Aulakh et al. (1996), Zhang et al. (2003), Ferguson et al. (2005), Thuy and Quang (2005); Yaqub (2010) and on the basis of the literature review, fairness, flexibility and two-way effective and continues communication are categorised as the top three factors that constitute relational factors in the case of IJVs (Aulakh et al., 1996; Zhang et al., 2003; Ferguson et al., 2005; Thuy and Quang, 2005; Yaqub, 2010).

4.4.1 Fairness

Fairness is the first component of relational factors (see Figure 4.1). In general, fairness means that the actions and criterion used for making and implementing decisions are unbiased, ethical, transparent and correctable (Boyd et al., 2007).

The effects of organisational justice in IJVs have attracted research attention in recent years (Choi and Chen, 2007; Luo, 2008). Organisational justice is defined by Greenberg (1987) as the level to which people perceive organisational events as being fair.

According to Johnson and Raven (1996), when partners realise and feel that they share everything such as profits, risks and information, and both parties participate in decision-making fairly, they trust each other more and they become keener to commit themselves to each other. Conversely, if they feel the joint venture is not moderately managed, conflict will occur. Especially in cases in which competitors partner each other; keeping a long-term relationship is difficult without operational fairness (Kwon, 2008). Organisational justice is widely regarded as taking three major forms: distributive justice, procedural justice and interactional justice (Greenberg, 1987). Distributive justice is the perceived fairness of decision outcomes, such as pay. Procedural justice refers to the perceived fairness of the procedures used to make decisions. Interactional justice describes the perceived fairness of how decisions are enacted by people in authority (Greenberg, 1993). All three dimensions of

justice have been found to be directly and positively related to IJV performance (Luo, 2007a). Additionally, the indirect effect of justice has also been examined. For instance, Luo (2008) observed the mediating role of trust in the relationship between procedural fairness and performance outcomes, and Robson et al. (2008) found that distributive fairness also influences performance through trust.

Fairness has been mentioned as a concept to improve the quality of corporations in general and particularly in the improvement of trust (Bstieler and Hemmert, 2008). Fairness can be defined in terms of a partner that will be treated well throughout the project – procedural fairness – and how profits and losses are divided in comparison with the tangible or intangible investment of each partner – distributive fairness (Kumar et al., 1995; Frazier et al., 1988; Culnan and Armstrong, 1999). With the existence of fairness, partners feel that their suggestions and contributions are considered in the relationship, that they are valuable partners, and that they have an influence over the outcome of the cooperation. When partners feel that they have an impact on the relationship, they feel more comfortable and this is certainly related to relationship quality (Bstieler and Hemmert, 2008), thus improving trust (Chen et al., 2011). To explain, manufacturers with the reputation of being fair in their relationships were found to create greater trust (Anderson and Weitz, 1989). In contrast, lack of fairness by partners is expected to damage the improvement of trust in the partnership (Demir, 2011).

There is much research on trust and organisational justice in western countries and the result of those studies cannot be generalised to other countries. For example, according to some scholars, distributive justice does not have any effect on the level of trust in western countries (Sweeney and McFarlin, 1993; Konovsky and Pugh, 1994). On the other hand, Wong et al. (2002) report the positive impact of distributive justice on trust in Chinese organisations. The same result was found by Aryee et al. (2002) in the case of Indian organisations (i.e. job satisfaction and turnover intention). In other studies, there are mixed results about distributive and procedural justice. For example, even though some researchers have shown that distributive justice does not considerably affect trust in organisations (Konovsky and Pugh, 1994); more researchers have found that both have an impact on the level of trust in organisations (Tyler and Lind, 1992; Kumar et al., 1995; Nguyen, 2011).

The perception of fairness is introduced by social exchange theory (Blau, 1964), which stresses that the participants in a relationship search for: (1) reciprocity, which means one

side is ethically obligated in terms of receiving something to give something; (2) fair levels of exchange between the costs and benefits in a transaction; and (3) distributive justice between the parties. In addition, if a partner is behaving fairly in spite of behaving opportunistically to maximise their benefits, the other side should also return it by behaving fairly as well to ensure balance between the partners. This approach makes a relationship more like polygamous friendships than monogamous marriages.

H4. The greater the fairness between partners, the higher the level of inter-organisational trust.

4.4.2 Flexibility

The second component of the relational factor is flexibility (see Figure 4.1). Flexibility has been described as both parties being ready for any changes in their relationship and adapting themselves to new situations (Kwon, 2008).

As the IJV partners execute activities, they encounter different uncertainties regarding, for example, the similarities and differences in the objectives of the JV partners, the lack of knowledge about the resources of the partners and the way of combining the resources of the IJV partners to achieve a mission (Thuy and Quang, 2005). Moreover, there are always problems in the processes of IJVs that cannot be predicted, especially those resulting from changes in the competitive environment. As a result of these ambiguities, it is difficult for an IJV to follow the wording of a legal contract. Thus, in order to moderate all possible conflicts and create reciprocal trust between parties, a flexible system should be sustained to confirm the homeostasis of the partnership (Aulakh et al., 1997). Flexibility indicates the level to which the parties regulate their own behaviour to settle each other's aims (Pearce, 2001). Flexibility also produces the circumstances for creating an informal, friendly and trusting working environment in the IJV.

In cross-border relationships, flexibility is more important as partner firms often work in various political, cultural and economic environments. Therefore, making environmental changes is essential in order to cope with dissimilar and changing environmental conditions.

As problems happen in IJVs, flexibility is very important and it shows both partners are happy to adapt to new situations (Heide and John, 1988). Flexibility is very important for the partners' relationship; it can smooth cultural differences and avoid partner disagreements (Kwon, 2008). This element has been broadly documented in empirical research. The positive

impact of flexibility on the level of trust between US distributors and firms from Asia, Europe, Central America and South America has been recognised (Aulakh et al., 1997).

Regarding social exchange theory, trust can be developed through adaptation between the firms, because it has been assumed in the theory that the process of exchange over time expresses trustworthiness (Blau, 1964). The logic of this statement is that one firm adjusts with the changes and another firm in return makes an adjustment to complement the first one, which will cause more adjustments between the parties (Hallen et al., 1991). Therefore, exchanges made on behalf of adjustments lead to the construction of trust between alliance partners.

H5. The greater the level of flexibility that partners have, the greater the inter-organisational trust between partners.

4.4.3 Two-way Effective and Continues Communication

The third component of the relational factor is two-way effective and continues communication (see Figure 4.1). Two-way effective and continues communication in inter-organisational partnerships is defined as "formal and informal sharing of meaningful and timely information between partner firms" (Anderson and Narus, 1994, p. 44).

Two-way effective and continues communication helps partners to share information at an appropriate time and eliminate any misunderstandings or false expectations between partners. Two-way effective and continues communication can solve problems and stop disputes between parties, especially in the case of different nationalities. These, in turn, will increase trust (Morgan and Hunt, 1994; Carey and Lawson, 2011; Shin et al., 2011; Ryan et al., 2012). In addition, the probability of getting complete information facilitates the partner firms to deal better with internal processes and external market conditions (Heide and John, 1992). More particularly, quality communication which is timely, precise and sufficient, and complete information exchanges facilitate developing a shared understanding, improve commitment, and are necessary for capable and successful mutual new product expansions. Research recommends that high-quality communication with an external partner supports the development of trust and is a key element in that partnership's success (Mukherjee et al., 2012; Thuy and Quang, 2005).

According to Wilson (1995), the need for trust and information exchange is less extensive, but as the relationship continues and matures, there will be a positive relationship between

trust and communication, and trust between partners will increase with the exchange of information. Therefore, a positive relationship between trust and communication will be expected (Young-Ybarra and Wiersema, 1999). As social behavioural theories have indicated, honest and full communication and information exchange arise with the existence of trust (Chadwick-Jones, 1974).

Particularly, constructive and continues communication is very important in the case of IJVs, as cooperation is complicated due to cultural differences, caused by dissimilarity in, for example, language (including body language) and expected behaviour. In the absence of any type of communication (face-to-face, letters, e-mails, etc.), there is no possibility of collaboration. Continues and high-quality communications between partners will contribute for having a successful organisation. When organisations cannot communicate efficiently, conflict between the partners and the organisation itself will occur (Waal et al., 2010). Transparency and communication among partners enhance the shared understanding of mutual expectations and alleviate the fears of partner misconduct, and can engender trust and group identity (Gulati et al., 2012).

There is evidence for the communication–trust path, which can be found in the industrial marketing literature. Anderson and Narus (1990) discovered evidence for the positive effect of communication on trust in manufacturer–distributor partnerships. A positive relationship between relationship characteristics (i.e. communication) and trust was mentioned by De Ruyter et al. (2001) in their study on high-technology markets. Finally, Smith and Barclay (1997) posit a direct relationship between trust and communication in their study on partnership selling effectiveness.

To explain communication in terms of social exchange theory, it has been assumed that trust will be created in an environment where communication and information exchanges occur, as these exchanges are part of social exchange theory (Chadwick-Jones, 1974).

H6. The better and stronger the communication that partners have, the higher the level of trust.

4.5   Religion

One of the challenges that has been brought to business as the result of globalisation is that, as firms develop their markets internationally through cross-border alliances, they need to cope with the issue of partners from different countries with different religious backgrounds.

Today the significance of religion in the success of business ventures in developing countries is broadly discussed and religion as a proxy for culture create the environment of the operations (Mariotti and Piscitello, 1995). The more dissimilar the religions between the countries, the larger the cultural distance (Shenkar, 2001; Lopez-Perez and Rodriguez-Ariza, 2012). For example Iran as a Muslim country is different to western countries, and religion plays an important role in shaping the different aspect of social and traditional life (Al-Hujran et al., 2011). Muslims are encouraged to conduct business with other Muslims and to entrust them with their funds whenever possible. Therefore Muslims assume that they are contributing to Islamic values by conducting business with other Muslims and Islam provides an institutional vehicle for instant reciprocal trust (Schotter and Adbelzaher, 2012).

There is a large amount of research that explores the influence of cultural distance between partners on trust levels (Namazi, 2003; Williamson, 1993; McAllister, 1995; Chen et al., 1998; Das and Teng, 1998; Elangovan and Shapiro, 1998), as a cross-border strategic alliance is about partner firms from different countries. Even though religion has formed people's values and cultures throughout history, little empirical research has been done on how religion affects trust in IJVs.

According to Hamid et al. (1993, p. 132), "Culture in this setting may be taken to refer to those entire social, political and other factors which influence individuals' behaviour. As such, religion is admissible as a cultural factor". Research shows that religious beliefs impact attitudes towards the government, legal rules, thriftiness, cooperation, and women in the workforce, and these factors have an impact on economic attitudes, growth and per capita income (Guiso et al, 2003). Barro and McCleary (2003) show that religion has an influence on individual traits which influence economic outcomes. In this research the approach of Stulz and Williamson (2003), Ahern et al. (2011) and Ma et al. (2012) was followed which showed that religion is a proxy for culture and affects cross-border mergers. Therefore it is expected that this factor will impact other contractual forms and in particular cross-border joint ventures. However, the impact of religion on levels of trust in IJVs has not been studied in the case of Iran.

The reasons for justifying the study of religion are as follows:

1) Dominant religions of nations are different and recently in the world there has been a religious revival (Ali et al., 2005).

2) There is a deep impact on managers' values, behaviour and business ethics based on religion.

3) There is limited research about the religious values in different business models.

Religion can be defined as people's connection to God. It can also be defined as those standards of behaviour and belief which blind us (Miller, 1995). One of the crucial factors for trust and trustworthiness is religion. The principles of religion guide its followers in ethical, moral and social behaviour (Tan and Vogel, 2008). Religion also, through psychological bases, increases trust (distrust) between societies (Ruffle and Sosis, 2006 and 2007). Business ethics scholars have signified that religion either directly or implicitly has a big influence on ethical behaviour in business organisations (Weaver and Agle, 2002). Also, considering religion at the individual level will result in moral consequences. According to Jong et al. (1976), the moral consequences of the individual relationship are related to religious belief. Business managers in the US and England, as the two most powerful countries, have shown strong connections to religious belief (Ali et al., 2005).

Singhapakdi et al. (2000, p. 314) investigated religiousness and marketing ethics at the macro level, and they stated that

"*as religiousness intensifies in a society, ethicality of marketing behaviours is likely to intensify too. Religiousness may strengthen the moral fiber of both marketers and consumers, which mutually reinforce each other and thereby contribute to a more ethical marketing environment*".

Based on this perspective, it is logical to predict that the dominant religion of a country has a considerable influence on the business ethics environment of that country, and impacts the overall trend of managers to be involved in opportunistic behaviour.

It is important to mention that even though some research does explore the impact of the religion of an individual on his or her behaviour, little research has been undertaken to investigate the influence of a country's dominant religion on trust in IJVs. This is especially important as theoretical developments of religion recently hypothesised the important role of trust in creating the cooperatively derived advantage that religious groups are supposed to offer (Sosis and Alcorta, 2003). Economists (Iannaccone, 1992; 1994; Berman, 2000), cognitive scientists (Bulbulia 2004a, b) and evolutionary anthropologists (Cronk, 1994; Irons, 1996a; 2001; 2004; Sosis, 2003; 2004; Sosis and Alcorta, 2003) have broadly assumed the

impact of religion on intra-group trust (e.g. rational choice, evolutionary game theory, etc). These scholars have stated that religious behaviours indicate group commitments, therefore improving intra-group trust and making collective actions easier.

In order to establish links between religion and inter-organisational trust, this research will examine this relationship through transaction cost economics (TCE). One of the key features of TCE is the opportunistic behaviour of partners. Transaction costs are related to the costs that are associated with different issues of dealing with other firms, such as the cost of monitoring the other side to confirm what they are doing, the cost of identifying what firms should do and imposing particular conditions (Williamson, 1975). Opportunism is described as "self-interest seeking with guile" (Williamson, 1975, p. 9). Opportunism indicates that people consider their own interests and take advantage of circumstances if they are not controlled by the market (e.g. by a particular contract that can prevent them from behaving opportunistically). Opportunistic behaviour in strategic alliances is represented by cheating, shirking, distorting information, misleading partners and providing substandard products/services (Williamson, 1975).

There is a risk of failure of IJVs, which is caused by the opportunistic behaviour of the partners. In the case of a lack of trust between partners, the IJV will fail or at least a costly safeguard will be required in order to stop the opportunistic behaviour of the partners, which will result in high transaction costs. In contrast, inter-organisational trust decreases the partners' need to control each other and will result in lower transaction costs. In addition, trust positively affects the development of cooperation, thereby enhancing the benefits of collaboration.

Nooteboom et al. (1997) recommends that partners will be involved in opportunism for three reasons: room for opportunistic behaviours, the motivation for partners to be involved in opportunistic behaviours, and partners' tendency for opportunism. A study on opportunism has shown that it is not hard to build up organisational control systems to decrease the opportunity and motivations for partners to develop opportunistic behaviours. For example, in the case of more hierarchical alliance forms such as joint ventures, they can decrease opportunism by implementing legitimate rules, by more efficient controlling of behaviour and by offering more aligned motivations (Klein et al., 1990). The third reason that causes opportunistic behaviours, i.e. partners' tendency for opportunism, is more difficult to control than the other issues as it is embedded in people's hearts and minds. In order to decrease or

eliminate the risk of individual or organisational opportunistic behaviour it is necessary to use a variety of strategies. Implementing more laws and rules, and the establishment of codes of corporate governance, may decrease the threat, but cannot remove it totally (Drennan, 2004). It has been proven in history that it is hard to legislate ethics and beliefs as they are embedded in religious and cultural principles rather than the legal system (Stevens, 2004). Thus, it is deficient to rely only on organisational control systems such as selecting the joint venture mode to accomplish the aim of reducing opportunistic behaviour. The impact of religious morals on managers' trends in opportunistic behaviour should be understood, particularly because (i) many opportunistic behaviours are not managed specifically by laws; and (ii) unlike the opportunity and motivations for managers to behave opportunistically, the tendency of managers to behave opportunistically cannot be controlled efficiently during the selection of the joint venture mode. It has been demonstrated that when people are religious, they trust other people more, they trust the government more, they are reluctant to break the law and they have more belief in the fairness of the market. Religion may impact a broader range of manners or behaviours than often thought. Religion is a very important factor in many countries. For example, religion has always been regarded as an important aspect in the forming of American life (Ibrahim and Angelidis, 2005). In reality, most US executives who state a personal concern in business ethics are usually stimulated by religious faith (McCann, 1995). For nearly 1.3 billion Muslims worldwide, Islam is a way of life, not just a religion. For example, Islam may strongly influence business relationships in Iran, in a country where the majority are Muslim (99 percent) (Shaari et al., 1993; Malley, 2004).

Consequently, in the other aspects of a Muslim's daily life, business ethics cannot be detached from morals (Beekun and Badawi, 2005). It is relevant to investigate how the main religion of a country may impact on its business people's behaviours. Although there is considerable influence of religion on people's values and business ethics, there has been little consideration by scholars on the impact of religion on opportunistic business behaviours. Calkins (2000) argues that business ethics has ignored its religious traditions and concentrated mostly on applied philosophy and social science. Empirically, it has been demonstrated by scholars that there is a negative relationship between levels of religion and motivation to engage in opportunistic behaviour (Kennedy and Lawton, 1998). Based on O'Fallen and Butterfield's (2005) empirical research, religion has a positive connection with moral decision making.

So the question is why people with religion may not be involved in opportunistic behaviour in their relationships with other partners.

The principles and their managerial implications signify that religion creates moral restraint for managers to refrain from opportunistic behaviour, even if they have the chance and opportunity to do so. The moral restraint is related to the awareness of the person to God. This control is due to the person's belief that God knows every hidden thing and will be responsible for his or her actions. This kind of religious restraint is more powerful and practical than any government control (Beekun and Badawi, 2005).

It is essential to mention that many managers from atheist countries do not get involved in opportunistic behaviour, and some managers from religious countries ignore the moral issues and do become involved in opportunistic behaviour. It may be unrealistic to expect a religion's moral restraint to be completely effective on each and every person within a country.

H7.   Religion has a significant relationship with inter-organisational trust.

H7a.   In the case of similar partner religions, the level of inter-organisational trust is higher.

H7b.   In the case of different partner religions, the level of inter-organisational trust is lower.

4.6   Country Risk

Country risk can be defined as instability of the political, economic and social elements of the target country (Henisz, 2000). Even though the country risk research is more relevant than ever, it has mostly concerned developed countries and there has been little attention to this topic in developing countries like Iran.

The previous research indicated that high country risk has been the main reason behind the trade reduction, despite other reasons like high inflation and new competition (Zohari, 2008; Becker-Ritterspach and Dorenbacher, 2010).

4.6.1   Joint Ventures in Unstable Environments

Joint ventures have been stated as a better form of control than other types of entry modes, including a Greenfield investment, contractual agreements, and licensing, in the case of high

levels of uncertainty. Joint ventures in comparison with other types of entry modes perform better in the environment with high uncertainty as a result of sharing risks and resource-sharing effects (Luo, 2007).

Therefore, there are more possibilities for selecting joint ventures rather than other types of entry modes in uncertain environments, which means environmental uncertainty is a reason for choosing joint ventures as an entry mode. According to Kogut (1988; p. 320), "high uncertainty is the best-suited situation for joint ventures as it is difficult for partners to monitor performance".

Harrigan (1988) states that uncertainty in the market increases the possibility of the creation of joint ventures, particularly in high risk industries. Beamish and Banks (1987), Contractor and Lorange (1988) and Killing (1983) are amongst the scholars who state that joint ventures are chosen in order to decrease the environmental risk in developing countries. According to Brouthers (2002), Delios and Henisz (2000) and Meyer (2001), the possibility of using joint ventures in emerging markets with governmentally deregulated sectors is more (compared with wholly owned subsidiaries) due to environmental uncertainty.

On the other hand, there is the possibility of internal uncertainty in IJVs as a result of the possibility of opportunistic behaviour by partners seeking private gains. As it is impossible to predict environmental change that may affect joint ventures, the contract between the partners is incomplete. An incomplete contract will create the potential for opportunism and create moral hazards in the relationship (Luo, 2007).

As a result, opportunism may reduce the motivation in the collaboration, and stop the development of confidence and trust (Nooteboom et al., 1997; Poppo and Zenger, 2002; Luo, 2007). 'Opportunism' is generally defined by Williamson as "self-interest seeking with guile" and specifically as "the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse" (Williamson, 1985, p. 47). As Williamson (1975) stated, opportunism arises from uncertainty which is part of environmental uncertainty. Environmental uncertainty limits the partner risk adjustment in transactions and reduces the possibility of predicting the income (Dixit and Pindyck, 1994). Logically, when the partners cannot predict the income or gains in an uncertain environment, the tendency for behaving opportunistically is higher and the level of trust is lower (Brown et al., 2000).

In the case of environmental uncertainty which will result in opportunism, neither partner will be willing to contribute the resources which are needed. Therefore in a joint venture operating in an uncertain environment, the cost of strategic planning, monitoring, execution and transaction will increase, as a costly safeguard is required in order to stop partners from opportunistic behaviours.

There are several reasons that show environmental uncertainty is a major reason for opportunism. First, according to transaction cost theory, such uncertainty makes high transaction costs, for example searching, monitoring, and enforcement costs; therefore, it curtails the partners' expected returns from the transaction and reduces their anticipated relationship stability. When these costs become excessive and above a party's tolerance level, the partners will start behaving opportunistically rather than monitoring each other. Hence, when outsourcing relationship partners perceive a high degree of environmental uncertainty, they will be likely to behave more opportunistically. Second, in the case of high environmental uncertainty, the outsourcing contracts can become very complex, making it more difficult to govern the relationship and creating more space for opportunism. Additionally, such difficulties in contract governance may reduce relationship commitment, which further spurs opportunism. Third, in uncertain environments, there is greater need for firms to adapt their strategies in response to unanticipated contingencies. The increasing need for adaptation may result in partners that behave more opportunistically and renegotiate to their own advantage. Moreover, environmental uncertainty increases asymmetry of information during the adaptation process, which also encourages the relationship exchange partners to behave opportunistically. Fourth, in an environment with high uncertainty, especially one with intense competition, the survival of the firm strongly depends on its ability to gain profit directly. This financial interest may result in friction and conflicts in the relationship, therefore increasing the possibility of opportunistic behaviour. Luo (2007) showed empirically that environmental uncertainty increases opportunistic behaviour in joint venture partner relationships in China's emerging economy (Lai et al., 2011).

There are a large number of scholars who have critically highlighted the assumption of opportunism (Hill, 1990; Heide and John, 1992; Larson, 1992). With the existence of trust, parties have less need to adopt safeguards as the possibility of opportunistic behaviour reduce thus the transaction costs are decreased. Opportunistic behaviour in strategic alliances is represented by cheating, shirking, distorting information, misleading partners, providing substandard products/services, hiding important information, misrepresenting facts, shirking

obligation, failing to keep promises or taking advantage of its partner with little regard for ethics (John, 1984; Wathne and Heide, 2000; Wathne and Heide, 2000; Skarmeas et al., 2002; Crosno and Dahlstrom, 2008; Hawkins et al., 2008; Hawkins et al., 2009). Inter-organisational trust decreases the partners' need to control each other and will result in lower transaction costs. In addition, trust positively affects the development of the cooperation; therefore, it enhances the benefit of collaboration.

The relationship between trust and the dimensions of environmental uncertainty and opportunism is very important. It has been stated in the literature that relational norms such as trust (Szczepanski and Swiatowiec-Szczepanska, 2012) and opportunism have a negative relationship with each other in an exchange relationship (Crosno and Dahlstrom, 2008; Hawkins et al., 2009). There is also support for a strong association between environmental uncertainty and relational norms (Noordewier et al., 1990; Paswan et al., 1998).

H8. The higher the level of country risk in the host country, the lower is the level of inter-organisational trust.

4.7   Trust and Performance

Previous studies have stressed the necessity of relational factors for the smooth performance of IJVs, such as the norm of flexibility (Poppo and Zenger, 2002, p. 712); none of them has received more attention than trust (Mayer et al., 1995; Zaheer et al., 1998; McEvily et al., 2003; Krishnan et al., 2006). Trust makes reciprocal understanding easier and benefits both partners, and therefore it is assumed that trust has a direct impact on the performance of IJVs (Madhok, 1995; Luo, 2001; Dyer and Chu, 2003; Brouthers and Bamossy, 2006; Ng et al., 2007; Robson et al., 2008; Savaneviciene and Raginiene, 2011). According to Nielson (2004), the key obstacle to alliances' success is a lack of trust.

Trust is the keenness of one party to depend on another party's activities in a circumstance that involves risk and ambiguity (Mayer et al., 1995). Managers are discovering the importance of mutual trust in the success of strategic alliances. Formal contracts are fundamental to the performance of IJVs and they present the basic need for partner collaboration, but these formal contracts are not enough. Thus, informal contracts, based on trust, have proven to be a powerful element in the success of IJVs. Trust is a way to raise cooperation, develop flexibility, decrease costs and boost the knowledge that can be transferred (Hitt et al., 2003). Different scholars state trust as a vital ingredient for effective

collaboration since it facilitates learning (Santoro and Saparito, 2006; Vaccaro et al., 2010). According to Abbasnejad et al. (2011), lack of trust in a collaboration can reduce the level of efficient knowledge exchanges.

As a joint venture grows over time, trust strengthens, and it will develop the relationship between the partners, and the parties will become more familiar with each other's characteristics (Meschi, 1997). Therefore, an important result of trust is that it facilitates a higher level of social relationships and decreases ambiguity in transactions (Nielson, 2007). In associations across national borders, where the level of complications makes it often impracticable to control all the features of exchanges in detail, trust is even more important. Therefore, as the level of trust increases, the (perceived) necessity to control reduces. Mutual trust has a significant influence in the success of IJVs. Trust forms a trusting and friendship-based working environment in which all partners of the IJVs benefit from harmony and collaboration, and struggle together for the JV's mutual goals. This optimal working environment offsets fears of opportunistic behaviour, decreases the necessity for monitoring, eases contractual adjustments and consequently restricts the transaction costs linked with an inter-organisational exchange (Thuy and Quang, 2005). Gulati et al. (2000) indicate that strategic alliances promote trust and reduce transaction costs; therefore, trust directly affects performance.

There is a variety of empirical evidence in support of the appropriate intra- and inter-organisational environment for a positive relationship between trust and performance (Crosby et al., 1990; Robicheaux and Colemna, 1994, Parkhe, 1993a; Madhok, 1995; Kyriazis et al., 2012).

H9:   Trust has a positive impact on the performance (satisfaction of goal achievement and learning) of IJVs.

4.8   Commitment, Trust and Performance

According to Achrol (1991), trust is a major factor for determining a relationship's commitment. As trust is fundamental to social exchanges, it is necessary for the partners to earn mutual trust in order to maintain the long-term relationship of the partners (Siddiqui, 2010; Yaqub, 2010; Savaneviciene and Raginiene, 2011).

It has been mentioned that strategic alliance studies in the early stages undervalued the importance of commitment, and that the concentration was mostly on trust and its impact on

levels of performance (Robson et al., 2006). Morgan and Hunt (1994) are among the first scholars who recognised the relationship between trust and commitment and they recommend that commitment is the main factor that affects levels of performance.

Trust is an important factor that contributes to the commitment of the firms, which have a plan for long-term benefits in the relationship rather than short-term opportunities (Jap, 2001; Coulter and Coulter, 2003; Wang and Song, 2011; Wang and Wong, 2011). When trust is created between the partners in a relationship, it creates a willingness for a continuous relationship and improvement through allocating more time and resources to the firms (Morgan and Hunt, 1994). Therefore, trust is an essential antecedent for improving commitment, which is especially important in a joint relationship as a result of differences between the partners, their culture and the geography of the involved partners (Skarmeas et al., 2002; Leonidou, Palihawadana and Theodosiou, 2006; Demir, 2011). Relationships that are imbued with trust are often valued as "the cornerstone of the strategic partnership", and partners will want to commit themselves to such relationships (Vieira et al., 2011).

Commitment cannot be created between partners unless a strong level of trust has been created between the partners. The positive relationship between trust and commitment is repeatedly emphasised in the large number of empirical studies in the marketing literature (Johanson and Vahlne, 2009; Eastlick et al., 2006; Lohtia et al., 2005; Morgan and Hunt, 1994; Kingshott, 2006; Palmatier et al., 2007), exporting literature (Kuhlmeier and Knight, 2010; Leonidou et al., 2008; Nes et al., 2007; Styles et al., 2008) and importing literature (Barnes et al., 2010; Ha et al., 2004; Karande et al., 2008; Styles et al., 2008).

Commitment by helping partners to achieve the goals and objectives of the relationship will lead to increased effort by the partners and concentration on the alliances (Saxton, 1997; Johnson et al., 2002). When firms are committed to each other, they want an effective alliance (Anderson and Weitz, 1992; Johnson et al., 1996). It has been stated by Morgan and Hunt (1994) that commitment will increase cooperation and good cooperation will result in the success of alliances (Johnson et al., 2002; Skarmeas et al., 2002; Muthusamy and White, 2005). With the existence of commitment, partners will be less interested in other activities or in seeking other partners (Morgan and Hunt, 1994; Aulakh et al., 1996). The level of opportunism will decrease as partners take a long-term perspective and they will not sacrifice long-term benefits for short-term benefits (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995; Aulakh et al., 1996).

H10. The greater the trust between partners, the greater the commitment they have towards the IJV.

H11. Commitment has a positive impact on the performance of IJVs.

4.9 Conclusion

The review of the literature on the performance of IJVs undertaken in Chapter 2 has revealed that inter-partner fit factors (complementarity, compatibility and strategic bonds), relational factors (fairness, flexibility and two-way effective and continues communication), religion and country risk have an influence on the performance of IJVs. However, these factors are dependent upon trust. Therefore, it is important to identify and assess the impact of inter-partner fit factors, relational factors, religion and country risk on trust, and the subsequent effect on performance of IJVs. In this regard, the researcher has developed a conceptual framework, which is based on different theories such as social exchange theory, transaction cost theory and resource-dependence theory.

Eleven hypotheses have been developed to establish the conceptual framework to examine the impact of inter-partner fit factors, relational factors, religion and country risk on trust, and how trust and commitment will affect the performance of IJVs in Iran.

The next chapter will discuss the research design and the methodology undertaken during this research and the data collection method.

Chapter 5: Research Methodology

5.1   Introduction

This chapter will provide an explanation regarding the determination of the appropriate methodology for this research. Thus, a clear and comprehensive rationale of how the study should be carried out and why particular procedures were preferred is required. The literature review in Chapter 2 provides the basis for developing this study and helps in identifying the research gaps. In relation to the dependent and independent variables and the support of the conceptual framework, a number of hypotheses were developed in Chapter 4. A philosophical stance was taken in order to select an appropriate methodological approach, taking into account the methodological approaches which have already been used by other researchers for similar research. The discussion here is confined to the selection of a research strategy and justification of the adoption of a strategy for the purpose of theory testing. The empirical research methodology, which included data collection and data analysis, is discussed by the researcher in detail. Data collection is discussed as follows: (a) data collection; (b) sample selection and participants; (c) developing the survey questionnaire; (d) measurement scale; (e) pilot study. After that reliability and validity are discussed to justify the data. In addition, the type of data that are required for examining the variables is discussed in this chapter, followed by the statistical techniques and data analysis processes chosen to analyse the data. Finally, the ethical issues and unbiased aspects of the gathered data are discussed.

5.2   Research Philosophy

Research philosophy is defined as the way that a researcher thinks about advancing knowledge (Hussey and Hussey, 1997). This section will explain the philosophical stance of the researcher in determining the method adopted for this research. By having regard to the identification of the relevant philosophical issues of different approaches, a researcher can decide on the optimum data collection process and data analysis. The positivist approach is recognised as quantitative, while the phenomenological is recognised as non-positivist and qualitative. Both approaches have positive and negative effects on different fields of research, but the main concern is the same. In this research, in order to choose a suitable method, defining both is necessary.

The first approach, positivism, is referred to numerical data collection in order to understand human behaviours. In order to understand human behaviours and attitudes, this method can be applied to reveal information through objective values. In other words, as Hussey and Hussey (1997) state, positivism concerns the facts or causes of social phenomena. In this method, the language of theories, variables and hypotheses will be is applied by the researcher. Based on the scientific approach, this method deals with numbers in an objective fashion and statistical methods are used for the analysis. Burrell and Morgan (1979) state that quantitative research looks to explain and predict what is happening in the social world by investigating regularities and causal relationships between its basic elements. According to Gilbert (2001), the target is the development of valid and reliable ways of collecting "facts" about society, which can then be analysed statistically in order to have explanations about how the social world operates.

The second approach is qualitative research, which concerns describing the data collection in order to understand human behaviours. The qualitative approach is recognised as a phenomenological, subjective or non-positivistic approach. This method can be applied in order to gain deep understanding of human behaviours by considering people's values, interpretive schemes and belief systems (Cavana et al., 2001). The reason for individuals to be centred in this philosophy is the attempt to understand how and why a phenomenon happens (Sharif, 2004). Such research attempts to describe actuality in a descriptive way as it is recognised by the participants to explain significant human actions (Sarantakos, 1993). This method is an alternative for collecting data by the positivistic approach, which is about interpretive research (Neumann, 2000; Anonymous, 2003).

It has been stated that the approaches are not only different, but are mutually exclusive (Gilbert, 2001). Based on the philosophical point of view, the paradigm in positivism is deductive, starting with developing hypotheses from theory and followed by collecting data. On the other hand, phenomenology is an inductive approach, which is based on finding a case and monitoring relationships and at the end, creating a theory for the case. As Cavana et al. (2001) state, quantitative research starts with supporting theory, creating hypotheses, data collection and analysis, and as a result acceptance or rejection of hypotheses (see Figure 5.1 below).

Figure 5.1. Process of the Deductive Approach

```
                    Theory
                      ⇓
                   Hypothesis
                      ⇓
                 Data collection
                      ⇓
                    Findings
                      ⇓
        Hypothesis confirmed or rejected
                      ⇓
                Revision of theory
```
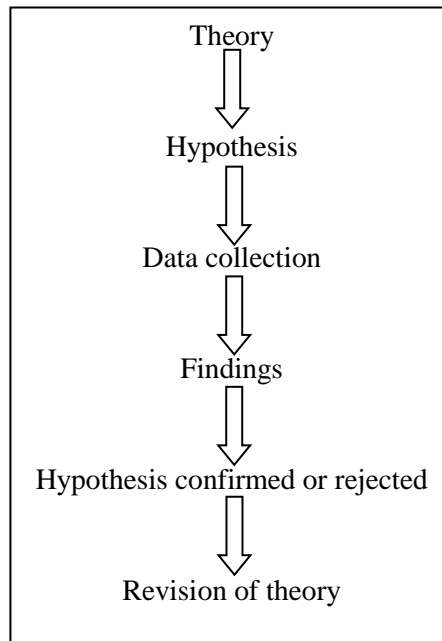
Source: Bryman and Bell (2011)

Conversely, the phenomenological approach starts with observing what is happening, analysing the themes, formulating the relationships and as a result, developing a theory and support for the theory, and developing hypotheses. Figure 5.2 shows the induction process is the reverse of the deductive approach:

Figure 5.2. Process of the Inductive Approach

```
                 Observation
                      ⇓
                   Pattern
                      ⇓
              Tentative hypothesis
                      ⇓
                    Theory
```
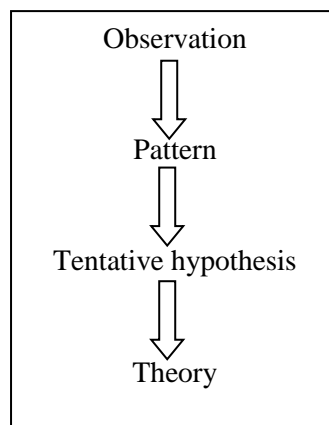
Source: Bryman and Bell (2011)

As both methods have advantages and disadvantages, it is important to select the most suitable methodological paradigm. Amaratunga et al. (2002) explain that adopting the positivist method in research is quicker and more economical, and in addition the method covers a wide range of the population; however, it is inflexible. The phenomenological

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approach is seen as more natural than artificial. In this approach, people's meaning and ideas are easy to understand; however, it needs more resources for collecting data and also, the findings are more difficult to analyse and interpret when compared with the positivist approach.

Table 5.1:   **Key Features of Positivist and Phenomenological Paradigms**

Theme	Positivist Paradigm	Phenomenological Paradigm
	The world is external and objectives	The world is socially constructed and subjective
	Observer is independent	Observer is part of what is observed
Basic beliefs	Science is value free	Science is driven by human interest
	Focus on facts Look for causality and fundamental laws	Focus on meanings Try to understand what is happening
Research should	Reduce phenomena to simplest elements	Look at the totality of each situation
	Formulate hypotheses and test them	Develop ideas through induction from data
Preferred method in the research	Operationalise single concepts, so that they can be measured	Using multiple methods to establish different views of the phenomena
	Taking large samples	Small samples investigated in depth or over time

Source: Easterby-Smith *et al.* (1991)

This research provides evidence of propositions (Chapter 2) and quantifiable measures of variables (Chapter 4), hypothesis testing and the describing of a phenomenon from a sample to a stated population. Therefore the positivist epistemology was considered to be the most appropriate. The purpose of this research was to gather evidence in a quantitative manner; hence, an interpretivist epistemology was considered to be less relevant for this research.

The study's perspective refers to undertaking a longitudinal versus cross-sectional study. When data are collected at more than one point in time, the study is considered as longitudinal (Creswell, 2003). A cross-sectional study is done when the data are collected just once over a period of time, which may be days, weeks or months, in order to answer a

research question. A cross-sectional study is a widely used research design in the social sciences, which is associated with either questionnaires or structured interviews. It entails the collection of data (qualitative or quantitative) with more than one case (usually more than 15 cases) within a specific period of time in order to detect associations between the variables (Robson, 2002).

This study is a cross-sectional survey where the data are collected at one point in time from samples to determine relationships between the variables at the time of the study. Although the researcher acknowledges the limitations of this type of investigation, it is beyond the timeframe of this study to make use of a longitudinal study.

5.3 Research Approach

5.3.1 Research Methodology

Research methodology can be defined as a procedural framework within which the research is conducted. It illustrates an approach to a problem that can be implemented either in a research programme or in a process. According to Leedy (1993, p. 121), research methodology can be defined as "an operational framework within which the facts are placed so that the meaning may be seen more clearly". Research methodology is related to obtaining knowledge and the activity of considering, reflecting upon and justifying the best method. Methods are the specific techniques for acquiring the data that will provide the evidence base for the creation of the knowledge. Consequently, the methodology concerns the theoretical and overall approach to a research project rather than the characteristics and practical application of particular methods (Wellington et al., 2005).

The research method aims at investigating a specific phenomenon and thus, chooses a suitable method for the specific research problem. According to Bryman (1989, p. 255):

"Each design and method should be taken on its merits as a means of facilitating (or obscuring) the understanding of particular research problems, … a fetishist espousal of favourable designs or methods and an underpinnings can only stand in the way of developing such an understanding."

5.3.2 Methodological Distinctions

The main approaches that have been developed in the area of management are ontology and epistemology (Burrell and Morgan, 1979). Ontology and epistemology have an impact on the structure and processes of social research and present explanations in the field of the philosophy of science (Machemer, 2002; Nelson, 1990). Ontology is obtained from theology and is related to the nature or the essence of things. Ontological statements concentrate on the issues around being human within the world and whether a person sees social reality or features of the social world as external, independent, given and objectively real, or instead as socially constructed and subjectively experienced (Wellington et al., 2005). Ontology informs methodologies as to the nature of reality or better, as to "what" social research is supposed to study (Sarantakos, 2005).

On the other hand, epistemology is the theory of knowledge and concerns what created the knowledge, where the knowledge was created, who created the knowledge, and how it is possible to know, understand and present the knowledge. According to the Chambers Dictionary, epistemology relates to what does and does not count as knowledge. An epistemological issue considers the question of what is regarded as suitable knowledge in a particular discipline (Bryman and Bell, 2011). Epistemology informs methodologies about the nature of knowledge, or about what counts as a fact, and where knowledge is to be sought (Sarantakos, 2005).

Methodology as a research strategy interprets ontological and epistemological approaches into guidelines that present how research should be conducted (Cook and Fonow, 1990).

5.3.3 Research Approach Adopted for This Study

In this study, the key trust factors and the hypothesised relationships between them can be identified through a conceptual framework (Chapter 4, Figure 4.1). In the current research, it is considered that the deductive approach is the most appropriate for testing the theory through empirical investigation. Considering the research problem and the fact that there is sufficient evidence to create hypotheses for testing, the research design adopted for this study is cross-sectional. In social science studies which are related with either questionnaires or structured interviews, cross-sectional is a broadly used research design. It is included in collecting data with more than one case in a particular time period in order to investigate the relationship between the variables (Robson, 2002).

This research study measures the relationships between independent and dependent variables. This research study starts from an extensive review of the existing literature (see Chapter 2). The main aim of conducting such an extensive literature review is to identify the gap in the research; a conceptual approach was developed in order to conduct an empirical examination. Regarding the conceptual framework and with the support of social exchange and transaction cost economic theories, hypotheses have been developed in order to investigate the relationship between the independent and dependent variables. The adopted procedure for this research is a quantitative approach for collecting the data and the subsequent analysis. As Gilbert (2001) states, the paradigm in positivism is deductive and starts with hypotheses. Hussey and Hussey (1977) recommend that the normal procedure under a positivistic paradigm is to study the literature to create an appropriate theory and build hypotheses.

- **Reasons For Choosing a Quantitative Approach**

There are five specific reasons for choosing a quantitative method for collecting data from the workplace. First, the ontological position suggests the realist position that requires social facts. Second, the epistemology focuses strongly on hard human facts and causes. This research approach emphasises the realism of the context and the use of quantitative methods of research such as facts and causes of social phenomena, i.e. failure of IJVs in Iran. It assumes that the social world is composed of relatively concrete empirical artefacts that can be identified, studied and measured through approaches derived from natural sciences. Thus, for the purpose of conducting this research, it was felt that understanding the nature of the 'behaviour of IJV managers' demanded a more contextually orientated study perspective. Third, in this study the relationship between the variables is measured. The purpose of this study is determining whether the data support the research hypotheses of the research. Fourth, the aim of this study is to replicate, integrate and extend the theories, which are then used to derive hypotheses. Fifth, the identified research questions relate to explaining the relationships between the dependent and independent variables with the goal of achieving generalisable findings. Finally, the extensive insights from social exchange studies identify patterns that are deemed appropriate measurements for this study. For example, in recent years many scholars have found a relationship between trust and performance (Table 5.2). Boersma et al. (2003) research four case studies by considering previous history, negotiations, executions and commitments, finding an important effect of trust in IJVs. Bstierler and Hemmert (2008), in a study of a survey sample of 100 R&D departments in South Korea and Austria, discovered communication, fairness and conflict as factors that

affect the level of trust in IJVs. De Jong and Woolthuis (2008), in a survey questionnaire sample of 391 Dutch firms, found that shared past, inter-firm contracts, relational openness and mutual dependence are the most important variables which affect the level of trust and as a result, the performance of IJVs. In their research the response rate was 68.4 percent. Fang et al. (2008) investigated trust at three distinct organisational levels and their effect on performance by exploring a survey sample of 200 Chinese joint ventures. They discovered a relationship between the control, trust and performance of IJVs. Mohr (2004), by implementing both interviews and questionnaire surveys in the case of German–Chinese IJVs, discovered a relationship between the control, trust and performance of IJVs. Nielson (2007), by investigating pre-alliance factors and post-alliance factors in a survey sample of 364 Danish partners with a response rate of 33 percent, discovered that trust is the most influential factor that affects the performance of IJVs. Ng et al. (2007), in a survey sample of 298 firms in China, discovered that trust is an important factor that enhances the performance of IJVs. Aulakh et al. (1996), in a survey sample of 500 firms in the US that have distribution and licensing relationships with Asia, Europe and Central/South America, found the significance of relational norms and informal monitoring in building inter-organisational trust and as a result, the performance of international partnerships. In their research they had a 39.4 percent response rate. Coote et al. (2003), in a survey sample of 152 with a 15 percent response rate in Chinese industrial marketing relationships, discovered that communication, conflict and similarity have an impact on the level of trust and the trust outcome is commitment. Ybarra and Turk (2009), in a longitudinal survey questionnaire of 121 US based firms with a 39 percent response rate, discovered that trust is an important factor for the success of strategic alliances. Paswan (2009), in a survey sample of 136 firms in the US, discovered that environmental uncertainty is an important factor which affects the level of trust through opportunism. His response rate in the survey questionnaire was 27 percent. Thuy and Quang (2009), in a sample survey of 113 IJVs in Vietnam with response rate of 20.5 percent, highlighted the importance of flexibility, goal clarity and conflict management as important factors which affect the level of trust.

Information about individual perceptions and attitudes as well as organisational policies and practices can be provided by a survey questionnaire (Baruch and Holtom, 2008). As Chen (2005) states, attitude measurement is included in asking not only about the respondents' feelings about a particular object, but also what the respondents believe about it. In the positivist approach, the attitudes of individuals is measured by Likert scaling in the survey

questionnaire (Miller and Brewer, 2003), as the reliability of Likert scales tends to be good and respondents are permitted a greater range of answers (Oppenheim, 1992).

In this study, the intention of the researcher is to investigate the factors that affect the level of trust and performance of IJVs. As the quantitative method is one of the most important approaches in business and social science methodology, it is deemed appropriate to this study. The aim is to understand the changes in the level of trust based on different variables. The focus in quantitative research is on what, where and when (Collis and Hussy, 2003). The following questions, as stated in Chapter 1, are addressed in this study:

1- What are the factors that affect the level of trust within IJVs in Iran?
2- What is the role and outcome of trust or lack of it in IJVs in Iran?

Table 5.2: **Relevant Research Methodologies to Trust**

Author's name and years	Paper description	Place	Used instrument	Sample size	Response rate	Method used
Aulakh et al., (1996)	Trust and performance in cross-border marketing partnership: a behavioural approach	USA	Survey questionnaire	500	39.4	Regression
Boersma et al (2003)	Trust in international joint ventures		Case study			Nvivo
Mohr (2004)	Trust, control, interaction and performance in IJVs-a taxonomy of German-Chinese joint ventures	German and Chinese	Interview and Survey questionnaire			Regression
Thuy and Quang (2005)	Relational capital and performance of international joint ventures in Vietnam	Vietnam	Survey questionnaire	113	20.5	Regression
Nielson (2007)	Determining international strategic alliance performance: a multidimensional approach	Danish Partners	Survey questionnaire	364	33%	Regression
Ng et al. (2007)	The effect of trust on international joint venture performance in China	China	Survey questionnaire	298	96%	Regression
Bstierler and Hemmert (2008)	Developing trust in vertical product development partnerships: a comparison of South Korea and Austria	South Korea and Austria	Survey questionnaire	100	Korea 34% and Austria 36%	Regression

Author's name and years	Paper description	Place	Used instrument	Sample size	Response rate	Method used
De Jong and Woolthuis (2008)	The institutional arrangements of innovation: antecedents and performance effects on trust in high-tech alliances	Dutch firms	Survey questionnaire	391	68.4%	SPSS and confirmatory factor analysis (LISREL 8)
Ybarra and Turk (2009)	The evolution of trust in information technology alliances	USA	Longitudinal survey questionnaire	121	39%	Structural equation modelling

This study is of an empirical nature in which a questionnaire has been applied for collecting data. This research is conducted in IJVs in Iran, where the data are collected from a sample of high-level managers such as CEOs from both Iranian and foreign partners. In order to analyse the data, statistical measures are used to test the hypotheses to explore the relationship between the independent and dependent variables. Before the data collection, a pilot study was conducted in order to measure the reliability of the survey questions, the language used in the questionnaire and the time needed to complete the survey.

5.4   Research Design

Research design is the "science (and art) of planning procedures for conducting studies so as to get the most valid findings" (Vogt, 1993, p. 196). According to Yin (2009, p. 13), the methodological design has to be appropriate to "(1) the research problem, (2) the extent of control the researcher has over actual behavioural events and (3) the time-focus of the phenomena observed, i.e. contemporary or historical". Determining the research design, the researcher will have a complete plan which is used to conduct and focus on the research. The research design includes a variety of elements of the research process such as: expression of the inter-relationships between the variables, generalisation to larger groups of individuals than those who actually participate in the investigation, understanding the behaviour and the meaning of the behaviour in a specific social context and a temporal appreciation of social phenomena and their interconnections (Bryman and Bell, 2011).

In this study, the research design focuses on the research stage by stage (Figure 5.3). In fact, the research design is based on a research model that is rooted in the assumption that research is perceived as a sequence of steps closely interrelated, and the success of one step is dependent on the completion of the preceding step (Sarantakos, 2005). Even though the aim of research design is drawing boundaries for the research in describing the study setting, the

kind of investigation that needs to be done, the analysis unit and other related issues connected to the research, Hussey and Hussey (1997) argued that a successful research process is dependent on the researcher making the right selection in the research design.

For this research, the hypothetico-deductive method was applied. The starting point of this method is a literature review, followed by the theoretical framework, creating hypotheses and creating rational deductions from the achieved results (Sekaran, 2006). This method will divide the research design into sequences which will lead to answering the research questions (Neumann, 1995). Figure 5.3 below lists the stage-by-stage process that is used to conduct the study.

Figure 5.3:   Research Design
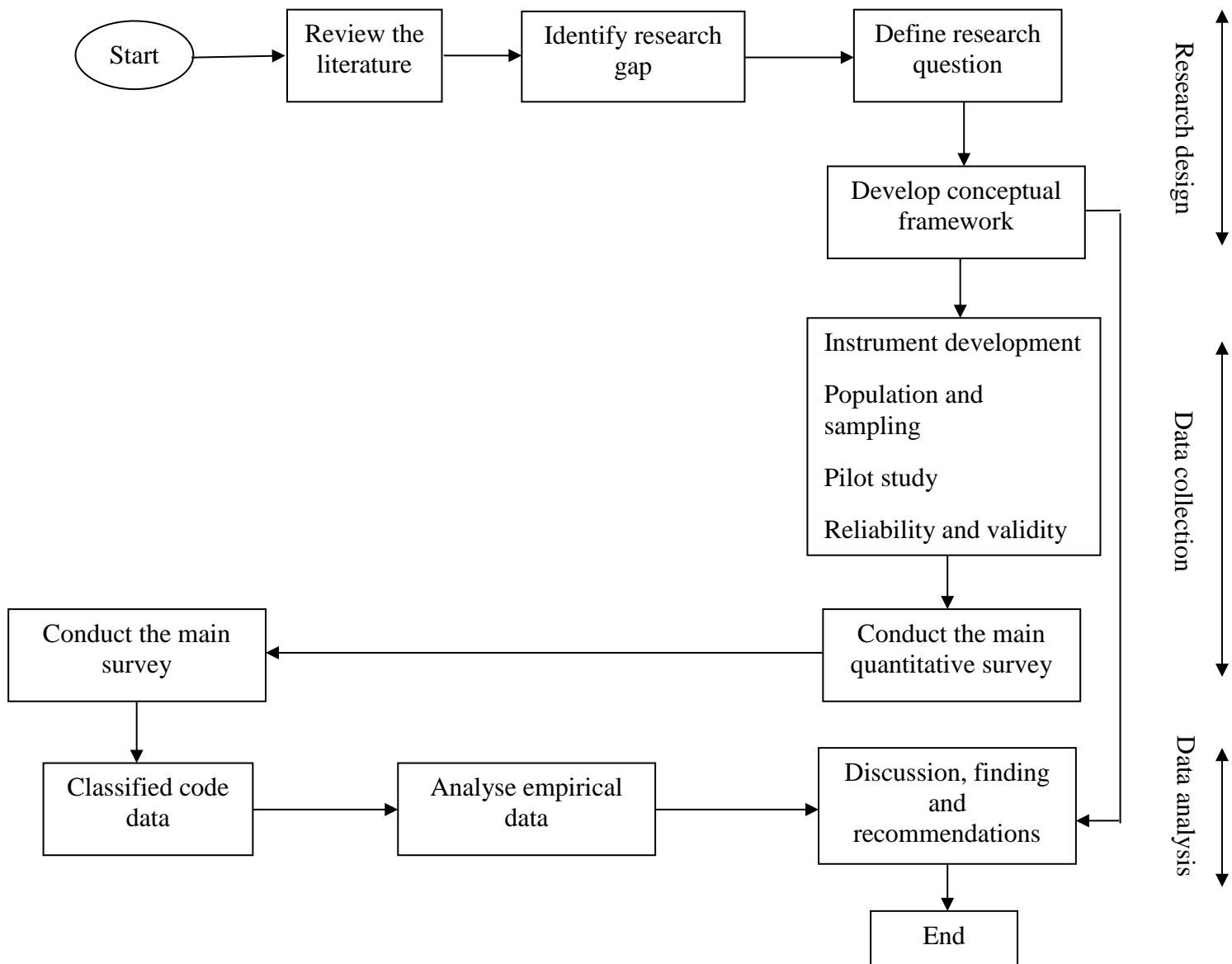
This research design illustrates the hypothetico-deductive method which will lead to provide answers to the research questions and justification of the hypotheses. This research process began with a wide literature review to help the researcher to create an awareness of the research field. While establishing the gap of this study in the literature, an understanding of the research field was developed. After identifying the gap and understanding the literature, a conceptual framework was developed to signify the intended empirical research. In the conceptual framework, there are several factors such as inter-partner fit factors, relational factors, country risk and religion that have been connected regarding understanding the relationship between trust and performance. Moreover the conceptual framework covers the relationship between trust, commitment and performance. In order to test the model, data are required for validating the research hypotheses.

From above, it can be seen that this research is based on the positivist philosophical approach in order to collect the data. As Cohen et al. (2000) state, the initial stage in the positivist approach is the literature review and developing hypotheses based on the conceptual framework. Therefore, in this method, the data can be collected from a survey questionnaire. According to Cohen (2005), attitude measurement is about asking respondents not only what they feel about a specific object, but also about what they believe about it. In positivist methodology, Likert scales are used in survey questionnaires in order to measure the attitudes of individuals (Miller and Brewer, 2003), as the reliability of Likert scales is good and partially because of the greater choice of answers that the respondents are permitted (Oppenheim, 1992).

This study adopted a quantitative research method as a strategy for theory testing. This research design follows a plan of action or protocol because of important tool for various following reasons:

1. To put the data collection task into a manageable design.

2. To make sure that necessary data are gathered.

3. To make sure that a particular schedule is followed in the research.

4. To follow the path by which the knowledge was developed.

Within the protocol, a quantitative research method has been chosen to collect the data in order to analyse IJVs in Iran. A survey questionnaire is used in which there are some

questions that are related to the factors that affect the trust and performance of IJVs. In addition to the survey questionnaire, data were collected from other resources such as the notifications, consultancy reports and websites of IJVs in Iran.

A survey questionnaire needs to develop a protocol and address ethical issues before collecting the full scale data. In order to measure the validity and reliability of the instrument, and check the questionnaire items and internal constancy, the language used and the time needed to complete the questionnaire, a pilot study was conducted. Regarding this issue, a few questionnaires were sent to university experts and professors in order to confirm the face validity. Data collection is included in fieldwork and the execution of the workplace survey. Data is to be analysed by using descriptive statistics, statistical package for social sciences (SPSS) version 18.0 for Windows. In the conclusion of this study, there is a broad discussion and the findings suggest recommendations for future research and the limitations.

It is important to mention that the positivist and phenomenological approaches cannot be categorised as being superior to each other, though the objectives of the research question(s) will determine the validity of the approach. Furthermore, it would be inappropriate to consider a fine divide between a management researcher implementing a positivist approach and one implementing a phenomenological approach. Hussey and Hussey (1997) state that some researchers desire to use the term interpretivist rather than phenomenology to reduce the confusion between research philosophy and the methodological approach.

5.5 Research Instrument and Measurement Scale

This empirical study set out to test the hypotheses that were developed in Chapter 4 of this study (sections 4.3 to 4.8). For this study, the data were collected from 89 IJVs by survey questionnaires. Survey questionnaires have been used by many researchers in order to collect data. Among them Boersma et al. (2003) investigated the impact of previous history, negotiations and commitments on the level of trust; De Jong and Woolthuis (2008) studied the effect of shared past, inter-firm contracts, relational openness and mutual dependence on the trust and performance of IJVs; and Bstieler and Hemmert (2008) worked on communication quality, fairness and unresolved conflicts as the antecedents of trust. These studies used survey questionnaires in order to collect data, which is an efficient way for gathering data for particular variables (Hussey and Hussey, 1997; Bovey and Hede, 2001).

As Verschuren and Doorewaard (1999) state, the aim of survey techniques is to discover the thinking, feelings and actions of selected groups of individuals. However, the concern of the research at hand is the trust aspect in organisations which affects their performance in the satisfaction and achievement of goals and learning. In fact, trust is influenced by different variables. The common measurement method in survey questionnaires is the use of Likert scales (Miller and Brewer). As Oppenheim (1992) states, the reliability of Likert scales is good and it can provide a greater range of answers for the respondents; therefore, it can be adopted in survey questionnaires. In the case of using questionnaires, a large number of people can be involved in the research as it is an easy and economical instrument for collecting data. As a result of these advantages, a survey questionnaire is used in this study in order to collect the data.

5.5.1 Developing a Survey Questionnaire

In order to develop a survey questionnaire, it is important to consider the type of information which needs to be obtained. For this research, a survey questionnaire was proposed for collection of data in order to examine the research hypotheses. A survey questionnaire can provide insight into individual perceptions and attitudes as well as organisational policies and practices (Baruch and Holtom, 2008).

The focus of this research is on inter-organisational trust, which has been affected by different variables and as a result, will affect the performance of IJVs. In this regard, a conceptual framework has been developed in order to investigate the factors that affect inter-organisational trust. This research focuses on inter-partner fit factors between organisations, which are complementarity, organisational compatibility and strategic bonds, and also focuses on relational factors, which are fairness, flexibility and two-way effective and continues communication. In addition, religion and country risk, which have an effect on the opportunism of partners and as a result, the trust level, are investigated. Moreover, the impact of trust and commitment on performance are assessed.

In this research a cross-sectional study is applied, in which all the data are gathered at one time from a convenient sample of people in order to test the hypotheses. Both the independent and the dependent variables have been investigated at the same time. There are seven sections in the research instrument of this study.

Section A of the survey comprises of 15 items (1–15) (see Appendix 1). This section provides information about trust and commitment in IJVs. The survey questionnaire items 1 to 9 consider trust and they have been applied by Morgan and Hunt (1994), Mohr and Spekman (1994), Moorman et al. (1994), Johnson et al. (1997), Anderson and Weitz (1992) and Labahn (1999). The survey items 10 to 15 consider commitment and they have been applied by Morgan and Hunt (1994), Mohr and Spekman (1994), Moorman et al. (1994), Johnson et al. (1997), Anderson and Weitz (1992) and Labahn (1999). This section reflects the level of social capital which is attributed by trust and commitment between partners.

Section B of the survey comprises of 16 items (16–31) (Appendix 1). This section presents the information about the inter-partner fit factors. The survey questionnaire items 16 to 31 consider complementarity, compatibility and strategic bonds. These questionnaire items have been applied by Deitz et al. (2010), Johnson et al. (1997) and Anderson and Narus (1990) for complementarity (16–19), Lane and Beamish (1990), Wallets et al. (1994) and Jemison and Stikin (1986) for compatibility (20–26); and Tri (2000), Johnson et al. (1997), Zeira et al. (1997), Tsai and Ghoshal (1998) and Yli-Renko et al. (2001) for strategic bonds (27–31). All these questions show the inter-partner fit factors regarding inter-organisational trust.

Section C comprises of 11 items (32–42) which provide information about relational factors in the organisations (Appendix 1). The survey questionnaire items 32 to 42 consider fairness, flexibility and two-way effective and continues communication. These questionnaire items have been applied by Heide and John (1992), Aulakh et al. (1997) and Homburg et al. (2002) for fairness (32–34); Pearce (2001), Heide and John (1992), Aulakh et al. (1997) and Homburg et al. (2002) for flexibility (35–38); and Pearce (2001) and Kale et al. (2000) for two-way effective and continues communication (39–42). All these questions are related with relational factors between the partners.

Section D of the survey comprises of ten items (43–52). This section provides information about country risk. These questionnaire items were developed by Kaufmann et al. (1999) and Aulakh et al. (1996) in order to measure the country risk. All these questions are related with country risk in relation to inter-organisational trust.

Section E of the survey comprises of six items (53–58). This section provides information about opportunistic behaviour of partners in the case of similar or different religions. These questionnaire items were developed by Morgan and Hunt (1994), Smith and Barclay (1997), Gundlach et al. (1995) and Hsieh et al. (2010). The purpose of all these questions is to

measure, partners' levels of suspicious about each other in the case of similar or different religions backgrounds.

Section F of the survey comprises of ten items (59–68) (Appendix 1). This section brings information about the performance of IJVs. The survey questionnaire items 59 to 68 consider satisfaction, learning and goal achievement. These questionnaire items have been applied by Mohr and Spekman (1994), Johnson and Raven (1996), Lin and Germain (1998), Hausman (2001) and Krishnan and Martin (2006) for satisfaction and goal achievement (59–64); and Kotabe et al. (2003), Doz et al. (2000) and Tsang (2000) for learning (65–68). All these questions are related with the performance of IJVs.

Section G is concerned with the demography of the participants, providing information about the participants' personal attributes and general background, which were placed last in this study (Appendix 1). Nine items from question numbers 69 to 77 are concerned with demography and general background questions.

The survey items are related to the variables which have been used to develop the hypotheses for the study. The items adapted in the instrument have been applied to get information about the variables for analysing the hypotheses. However, a small number of items are concerned with the background demographic information.

Table 5.3:   Survey Questionnaire of Items Related to Hypotheses and Variables

Hypotheses	Variables	Relevant question items
H10. The more trust between partners, the more commitment they have towards the IJV.	Trust	Q.1 to 9
H11. Commitment has a positive impact on the performance of IJVs.	Commitment	Q.10 to 15
H1. The higher the level of complementarity, the higher the level of inter-organisational trust between partners.	Complementarity	Q.16 to 19
H2. The stronger the organisational cultural similarity between partners, the higher the level of inter-organisational trust between partners.	Compatibility	Q.20 to 26
H3. The stronger the strategic bond between partners, the higher the level of inter-organisational trust between partners.	Strategic bonds	Q.27 to 31

Hypotheses	Variables	Relevant question items
H4. The greater the fairness between partners, the higher the level of inter-organisational trust.	Fairness	Q.32 to 34
H5. The more is the level of flexibility that partners have, the higher the inter-organisational trust between partners.	Flexibility	Q.35 to 38
H6. The better and stronger the communication that partners have, the higher the level of trust.	Two-way effective and continues communication	Q.39 to 42
H8. The higher the level of country risk in the host country, the lower is the level of inter-organisational trust.	Country risk	Q.43 to 52
H7a. In the case of similar partners' religions, the level of inter-organisational trust is higher. **H7b.** In the case of different partners' religions, the level of inter-organisational trust is lower.	Religion	Q.53 to 58
H9. Trust has a positive impact on the performance (satisfaction of goal achievement and learning) of IJVs.	Performance	Q.59 to 68
Background questions	Demographic questions	Q.69 to 77

5.5.2 Measurement Scales

In this study, eight independent and five dependent variables have been used in order to measure the performance of IJVs. In this research the independent variables are complementarity, compatibility, strategic bonds, fairness, flexibility, two-way effective and continues communication, religion and country risk. Trust and commitment are the dependent variables, and performance (satisfaction, goal achievement and learning) is a dependent of trust and commitment. In this research, all the adopted scales already exist.

Figure 5.4:   Independent and Dependant Variables
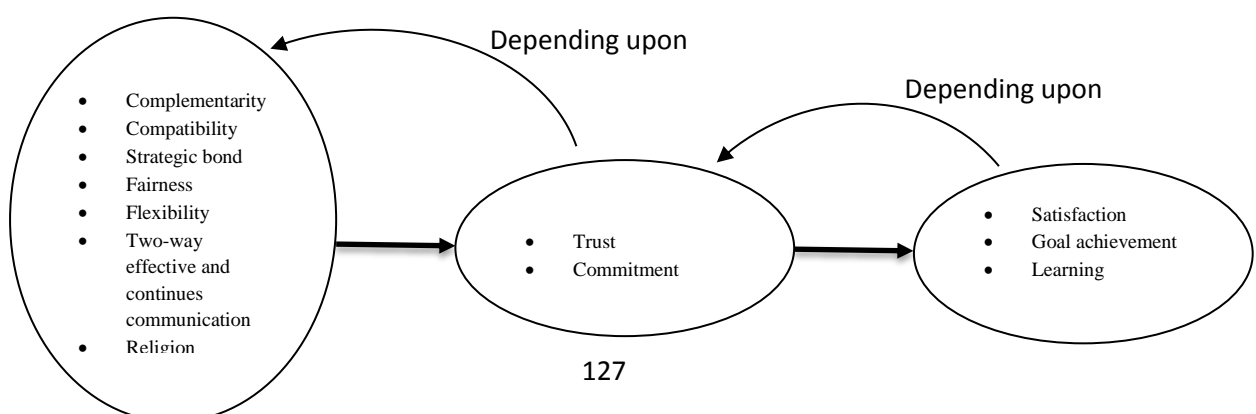
These adopted scales were tested using a pilot study on managers of IJVs in Iran. In order to select the participants to participate in the survey, personal visits and emails were sent. The aim of the pilot study was to eliminate poor wording in the questions and check the time needed to complete the questionnaire. After the reliability and validity of the instruments were checked, data were collected for the main study from managers of IJVs in Iran with their foreign partners.

- **Independent Variables**

In order to measure the trust and performance of IJVs, the following independent variables of trust were selected.

- *Complementarity*

Complementarity was measured in terms of the resources and capability contributed by each partner using three items, as suggested by Deitz et al. (2010), Johnson et al. (1997) and Anderson and Narus (1990). A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Compatibility*

Compatibility was measured in terms of organisational culture similarity between partners using a series of nine items, as suggested by Lane and Beamish (1990), Wallets et al. (1994) and Jemison and Stikin (1986). A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Strategic bond*

The strategic bond between partners was assessed as the mean of responses for four items, as suggested by Tri (2000), Johnson et al. (1997), Zeira et al. (1997), Tsai and Ghoshal (1998) and Yli-Renko et al. (2001). A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Fairness*

Fairness was measured as the means of responses to the three items, as suggested by Heide and John (1992), Aulakh et al. (1997) and Homburg et al. (2002). A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Flexibility*

Flexibility inside the JV was assessed as the mean of responses to the five items suggested by Pearce (2001), Heide and John (1992), Aulakh et al. (1997) and Homburg et al. (2002). A

five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Two-way effective and continues communication*

Two-way effective and continues communication was evaluated as the mean of responses to four items. The first three items referred to Pearce's (2001) research on inter-partner cooperation. The final item was based on Kale et al.'s (2000) work on JV performance. A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Country risk*

Country risk and its impact on opportunistic behaviour was measured based on ten items. The first four items were developed by Kaufmann et al. (1999). Items 6–10 were developed by Aulakh et al. (1996). A five-point Likert scale was used to measure the first four items ranging from (1) 'strongly disagree' to (5) 'strongly agree'. For the remaining six items a five-point Likert scale was used to measure the items ranging from (1) 'very unpredictable' to (5) 'very predictable'.

- *Religion*

Religion was measured in terms of partners' suspicious about each other's opportunistic behaviour in the case of different (or similar) religious backgrounds through eight items which were developed by Morgan and Hunt (1994), Smith and Barclay (1997), Gundlach et al. (1995) and Hsieh et al. (2010). A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- **Dependent Variables**

The following three dependent variables – trust and commitment, performance and demography – are briefly explained and discussed.

- *Trust and commitment*

Trust was evaluated as the mean of responses to nine items and commitment was assessed through six items. The measurement items of trust and commitment were taken from such studies as Morgan and Hunt (1994), Mohr and Spekman (1994), Moorman et al. (1994), Johnson et al. (1997), Anderson and Weitz (1992) and Labahn (1999). In order to reduce social desirability, the words 'trust' and "commitment" were avoided in all items. A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree'.

- *Performance*

Effectiveness was split into three variables: (1) satisfaction regarding inter-partner relationships; (2) satisfaction regarding the achievement of IJV strategic objectives; and (3) learning. Relationship satisfaction and goal achievement were assessed as the mean of six items. The first six items for satisfaction and goal achievement were suggested by Mohr and Spekman (1994), Johnson and Raven (1996), Lin and Germain (1998), Hausman (2001) and Krishnan and Martin (2006). Learning was measured by four items. The first item for learning was suggested by Kotabe et al. (2003), the second and third items were suggested by Doz et al. (2000) and the last item was suggested by Tsang (2000). A five-point Likert scale was used to measure all items ranging from (1) 'strongly disagree' to (5) 'strongly agree' for satisfaction and learning, except for one question in goal achievement, which was measured by a five-point Likert scale to measure the item ranging from (1) 'far less than expected' to (5) 'far more than expected'.

- *Demography*

The participant was asked to tick the appropriate box in the demographic section of the questionnaire. The demography of the participants provides information about the participants' personal attributes and general background, which were placed last in this study.

Table 5.4:   Items Developed for the Survey Instrument

Construct	Items	Adapted from
Trust	1- Both believe that each partner will fulfil the terms of the contract 2- We can rely on our partner to do their task in our joint venture 3- Our partner is capable and competent 4- Our partner is always frank and truthful 5- Our partner is always knowledgeable about everything relevant to our joint venture 6- Our partner would go out of its way to make sure our firm is not damaged or harmed in this relationship 7- Our partner cares what happens to us 8- Our partner looks after our interest in our joint venture 9- Our partner would go out of its way to make sure our firm is not damaged or harmed in this relationship	Morgan and Hunt (1994) Mohr and Spekman (1994) Moorman et al. (1994) Johnson et al. (1997) Anderson and Weitz (1992) Labahn (1999)
Complementarity	1- Strategically, we could not ask for a better fit between my firm and our partner 2- Our joint venture partner brings to the table resources and competencies that complement our own 3- Together, my firm and our partner add substantial value to the joint venture	Deitz et al. (2010) Johnson et al. (1997) Andesrson and Narus (1990))

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Construct	Items	Adapted from
	4- we have separate abilities that, when combined together, enable us to achieve goals beyond our individual reach	
Compatibility	We are similar with our partner in: 1- Approaches to business dealings 2- General management systems 3- Employment policies 4- Decision-making processes 5- Firms' types (e.g., private, public) 6- The relations between a higher and lower official 7- Performance evaluation	Lane and Beamish (1990) Wallets et al. (1994) Jemison and Stikin (1986)
Strategic bond	1- A joint venture provides strategic benefits to each partner 2- People in the two functions think alike on most issues 3- The IJV has a shared vision 4- The IJV's objectives are clearly written in its profile 5- Both partners perceive their problems as mutual problems	Tri (2000) Johnson et al. (1997) Zeira et al. (1997) Tsai and Ghoshal (1998) Yli-Renko et al. (2001)
Fairness	1- Each partner maintains fairness in key decision–making activities 2- Each partner maintains fairness in principles and processes in the joint venture operation 3- Each partner shares benefits and costs fairly	Heide and John (1992) Aulakh et al. (1997) Homburg et al. (2002).
Flexibility	1- Employees are given autonomy to address obstacles in their work 2- The parents are open to modifying their agreement if unexpected events occur. 3- Changes in 'fixed' terms are willingly made by the parents if it is considered necessary 4- When an unexpected situation arises, the parents would rather work out a new deal than hold each other to the original terms	Pearce (2001) Heide and John (1992) Aulakh et al. (1997) Homburg et al. (2002)
Two-way effective and continues communication	1- The parents openly provide proprietary information if it can help the IJV 2- Communication between the parents takes place informally and openly 3- The parents keep one another informed about events or changes that may affect the other party 4- Communication between the parent companies takes place frequently	Pearce (2001) Kale et al. (2000)
Country risk	1- Is there political stability in the country 2- Is there governmental influence over business in the country 3- Is there rule of law in the country 4- Is there control on corruption in the country	Kaufmann et al. (1999) Aulakh et al. (1996).

Construct	Items	Adapted from
	5- Is there import regulation in the country 6- Is there export regulation in the country 7- Economic conditions in the country 8- Remittances and repatriation regulations in the country 9- Exchange rate fluctuations in the country 10- Inflation rates in the country	
Religion	We are suspicious that our partner may: 1- Alter the facts slightly; 2- break promise; 3- present incomplete or distorted information; 4- breach formal or informal agreements; 5- Engage in opportunistic behaviour; 6- Supply substandard/ overpriced materials or products	Morgan and Hunt (1994) Smith and Barclay (1997) Gundlach et al. (1995) Hsieh et al. (2010)
Commitment	1- Our partner is willing to dedicate any resource needed for the joint venture 2- Our partner provides capable personnel for the joint venture operation 3- The relationship with our partner will be profitable over the long run 4- Our partner cares about the fate of IJVs 5- Our partner tries to keep a long-term relationship 6- Our partner does all necessary things to solve problems	Morgan and Hunt (1994) Mohr and Spekman (1994) Moorman et al. (1994) Johnson et al. (1997) Anderson and Weitz (1992) Labahn (1999)
Performance (satisfaction, goal achievement, learning)	1- We are satisfied with the focal relationship 2- We consider that we are good partners to each other 3- We are likely to select the same partner if they again form a joint venture 4- Our organisation has gained new and additional knowledge 5- Our organisation has benefited from the transfer of technology from our partners 6- Our organisation has been able to produce new products or engage in innovation 7- Our organisation has been able to develop new technology 8- The objectives for which the collaboration was established are being met 9- This alliance has been productive enough 10- The progress that has been made towards achieving the IJV's goals	Mohr and Spekman (1994) Johnson and Raven (1996) Lin and Germain (1998) Hausman (2001) Krishnan and Martin (2006) Kotabe et al. (2003) Doz et al. (2000) Tsang (2000).

5.6   Translation of the Research Instrument

The research instrument was originally written in English and, unfortunately, in the process of translation from English to Farsi problems can happen.

Throughout the literature documenting cross-cultural studies, few have comprehensively considered the problems resulting from translation or the strategies used to address them (Weeks et al., 2007). Some of the problems with translating research instruments from the original language to the research language have been stated by Brislin (1970; 1980) as below:

1- Having a bilingual translator translating from the source language to the sample language and maintaining most of the grammatical structure of the source. The grammar used may create translations that are unintelligible for the monolingual respondent because the syntax is that of the source, not the aim.

2- Distinctions in terms of words, phrases and colloquialisms that are easily understood in English may not make sense in another language.

3- The translator may not be familiar with the area of research.

As previous researchers (Brislin, 1970; Campbell et al., 1970) have stated, the key methods that should be used to translate and reduce errors are one-way translations, back-translations, bilingual techniques, the committee approach and pre-test procedures (pilot study). These are explained as follows:

1- One-way translations: A bilinguist translates the instrument from the original language into that of the target.

2- Back-translations: Back-translations should be executed by experienced and qualified translators.

3- Bilingual techniques: A bilingual person completes the instrument in both the original and target language. Thus, problems can be identified through inconsistent responses (Prince and Mombour, 1967).

4- Committee approach: A group of bilinguists translate the instrument from the original to that of the target; committee members can catch each other's mistakes.

5- Pre-test procedures (pilot study): After translation, a pilot study is conducted to ensure that the target subjects will understand the questions. There are two ways to perform pre-testing. The first method involves selecting a random sample of questions and asking penetrating questions about them (e.g. what do you mean?). The second method involves evaluating the adequacy of the translation (Weeks et al., 2007).

These important methods for translation depend on the skill, practice and understanding of the translator and often will result in low levels of study validity and reliability (Weeks et al., 2007). Identifying and correcting the problems in the instrument translation can improve research quality and validity. The translation of the original English version of the questionnaire into Farsi was achieved through a multi-stage similar to that described previously.

For the first stage, the translation processes were as follows:

First, as the recommended back-translation approach (although time-consuming) needs at least two independent translators (Brislin, 1970); a paid translator first translated the English version of the questionnaire into Farsi (one-way translation).

Second, the researcher produced a second Farsi translation of the same questionnaire and compared the two translations with native Farsi speakers for inconsistencies and differences.

Third, the revised Farsi questionnaire was then given to an Iranian research supervisor to compare the English and Farsi versions of the questionnaires (back-translation). Then, the revised Farsi version of the questionnaire was translated back into English to examine to what extent it differed from the version produced by the first paid translator.

Fourth, the professionally translated version was given to a Farsi editor to correct for grammar (bilingual techniques), after which the final professionally translated version was translated back into English once again. Back-translation using multiple translators allowed us to identify possible misunderstandings (Brislin, 1970).

During the second stage (committee approach), in order to understand better why certain text elements were and were not translatable, there should be wide-ranging consultation with the original bilingual translators. Giving advice to the translators regarding the implications, wording and phrasing, and emphasising the translation for meaning can help this theoretical correspondence (Weeks et al., 2007). The following steps were undertaken:

First, four members of the academic staff at Tehran University who were fluent in both spoken and written English and Farsi were given the English and Farsi versions of the questionnaire, and their feedback was requested to ensure that the meanings of all items were clear.

Second, together with four academics, the researcher discussed the translated questionnaire items and made any necessary corrections and modifications.

Third, the questionnaire was then taken to a Farsi language specialist for final post-modification validation. This version of the questionnaire was considered as ready for pilot-study distribution.

For the final stage, we conducted a pilot study. To apply the pilot-study approach, 55 questionnaires were sent to participants in order to investigate the questionnaire further. The pilot study resolved most of the remaining problems and misunderstandings. A perfect translation does not eliminate all threats to conceptual equivalence from constructs, but it should at least reduce spurious findings due to inappropriate translations (Dorfman et al., 1997).

5.7   Pilot Study

It is recommended to do a pilot study before conducting self-completion questionnaires or structured interviews (Ticehurst and Veal, 2000), see Section 5.7.1 for the pilot study of this research. The purpose of a pilot study is not only to ensure the survey questions are designed well, but also to make sure that the research instruments are functioning well. A pilot study is especially important in the case of self-completion questionnaires, where there is no interviewer to clarify ambiguities. Also, in the case of interviews, some problems may arise after conducting a few interviews and these can be addressed. However, in the case of self-completion questionnaires, as they are distributed in large numbers, great wastage may happen. There are many purposes of pilot surveys. Ticehurst and Veal (2000) state the following purposes of a pilot study: (1) testing questionnaire wording; (2) testing question sequencing; (3) testing questionnaire layout; (4) gaining familiarity with the respondents; (5) estimating questionnaire completion time; and (6) testing the analysis procedures.

In the field of business research, it is very common to apply a pilot study before circulating a survey questionnaire. As Ticehurst and Veal (2000) state, applying a pilot study is very important: the importance of the pilot study is in developing the instruments which show the validity and reliability of these methods. In the first stage, Cronbach's alpha was analysed in order to measure the reliability and the face validity was checked through experts. Regarding face validity, a small number of survey questionnaires were sent to professors in universities and experts in research in order to check the accuracy, language and responses. With pre-

testing, the time needed, ease of completion and ease of data collection can be determined (Kriel, 2006).

5.7.1 Pilot Study Analysis and Results

In this research, before the actual data collection, a pilot study was conducted in the period of May to June 2011. The purpose of the pilot study was to evaluate the level of content validity (Jackson, 1970) and to be sure of the clarity of the instructions, questions and scale items. Before sending the questionnaires to the respondents, they were asked for their willingness to participate in the research study and queries regarding the privacy (appendix 3). The questionnaire was sent either by making a personal visit or by post or email. A total of 55 questionnaires were sent to the respondents (managers of IJVs) of eleven IJV companies from industry sectors including chemical (4), food and drink (3), machinery (2) and textile (2) in Iran. In total 50 were returned, which is a response rate of 90 percent. The times for completing the questionnaire were between 20 and 35 minutes, with the average time of 25 minutes.

The reliability of the survey was measured by using Cronbach's coefficient alpha.

5.7.2 Demographic Details

The demographic details of the participants (Table 5.4) show that 46 percent (n = 23) of the participants were chief executives and 40 percent (n = 20) were senior managers. From the participants, 62 percent (n = 31) were Iranian and 38 percent (n = 19) non-Iranian. Fifty-six percent (n = 28) of the participants had similar religious backgrounds to their partners. On the existence of IJVs, 52 percent (n = 26) of the IJVs have a duration of less than 5 years and 28 percent (n = 14) between 5 and 10 years. Forty-two percent (n = 21) of the companies main business was chemical and 28 percent (n = 14) was food and drinks. The majority of the participants (78 percent, n = 39) were males and 60 percent (n = 30) were over 50 years old. The majority of the participants (68 percent, n = 34) had a Master's degree. Fifty-six percent (n = 28) of the IJVs which participated in the survey had over 250 employees and 44 percent (n = 22) of the participating companies had between 50 and 249 employees.

Table 5.5:   Demographic Characteristics of the Participants

Demographic	Categories	Frequencies	Percentage
Gender	Male	39	78
	Female	11	22
Age	30-39	6	12
	40-49	14	28
	+50	30	60
Number of employees	50-249	22	44
	+250	28	56
Educational level	High school	2	4
	University	10	20
	Master	34	68
	PhD	4	8
Job title	Chief Executive	23	46
	Senior Manager	20	40
	Middle manager	7	14
Nationality	Iranian	31	62
	Non-Iranian	19	38
Similar religion	Yes	28	56
	No	22	44
Duration of IJV	Less than 5	26	52
	5-10 years	14	28
	10-15	8	16
	Over 15	2	4
Companies main business	Chemical	21	42
(Number of managers)	Food and drink	14	28
	Machinery	10	20
	Textile	5	10

5.7.3   Reliability of the Pilot Study

According to Ticehurst and Veal (2000), reliability is the extent to which research findings would be the same if the research were to be repeated at a later date, or with a different sample of subjects. In other words, the reliability of a measure indicates the extent to which the measure is without bias (error free) and hence offers consistent measurement across time and across the various items in the instrument. This study used the most popular test of reliability – Cronbach's coefficient alpha. This is a test of the consistency of respondents' answers to all the items in a measure. According to Sekaran (2006), reliability of less than 0.6 is considered to be poor, in the 0.7 range, acceptable, and over 0.8 good. The reliability of the individual scales varied from 0.71 to 0.87, which shows individual internal consistency of

each scale, indicating that the survey instrument has a high level of internal consistency (Field, 2009).

Table 5.6:   Coefficient Alpha and Correlations of Scales for the Pilot Study

Constructs	Items	Cronbach's α Score	Sample size (n)
Trust	TRS1 TRS2 TRS3 TRS4 TRS5 TRS6 TRS7 TRS8 TRS9	0.78	50
Complementarity	CMT1 CMT2 CMT3	0.72	50
Compatibility	CMP1 CMP2 CMP3 CMP4 CMP5 CMP6 CMP7	0.81	50
Strategic bond	STB1 STB2 STB3 STB4 STB5	0.71	50
Fairness	FAR1 FAR2 FAR3	0.78	50
Flexibility	FLX1 FLX2 FLX3 FLX4	0.74	50
Two-way effective and continues communication	TWC1 TWC2 TWC3 TWC4	0.76	50
Country risk	CR1 CR2 CR3 CR4 CR5 CR6 CR7 CR8 CR9 CR10	0.72	50

Constructs	Items	Cronbach's α Score	Sample size (n)
Religion	RLG1 RLG2 RLG3 RLG4 RLG5 RLG6	0.79	50
Commitment	CTT1 CTT2 CTT3 CTT4 CTT5 CTT6	0.87	50
Satisfaction	SAT1 SAT2 SAT3	0.77	50
Goal achievement	GLA1 GLA2 GLA3	0.86	50
Learning	LR1 LR2 LR3 LR4	0.79	50

It is clear from Table 5.6 that all internal consistency reliabilities based on Cronbach's alpha are greater than 0.70 and considered to be good and acceptable.

5.7.4 Validity of the Pilot Study

Content validity is the subjective agreement that the measurement scales accurately reflect what it is supposed to measure (Cooper & Schindler, 2001). In this pilot study content validity was tested by (1) all items having been taken from prior literature; (2) asking a panel of professionals, who have experience in the field of trust and IJVs, to provide their judgements on the questionnaire especially on the items in each concept. Some minor revisions were made to the instrument according to their suggestions. According to Hussey and Hussey (1997), generalisability is the extent to which conclusions can be made about one thing based on information about another. If the respondent misunderstood a question, the information obtained has low validity. To avoid this, a pilot study was conducted before collecting the data. By using a pilot study, the time horizon, language and any other factors which may cause misunderstanding were removed.

5.7.5 Participants' Comments on the Survey Questionnaire

After conducting a pilot study, a few recommendations were received from the participants in order to strengthen and make the survey questionnaire clearer. It was recommended that in the demography scale, the option for gender should be open. This suggestion aimed to reduce gender bias. In the item regarding educational level, education level of less than bachelor was included. In addition, the participants agreed on the simple language in the survey instrument and format of the questionnaire items. Moreover, some of the items (for example, question 28 of the questionnaire which was about employment policies in joint ventures) were excluded from the survey questionnaire as they confused the participants and they were not well understood.

Additionally, some of the items from the demographic questions were found to be not relevant (for example marital status, the religion of partners, the number of the joint ventures they are involved in or number of children), because the pilot study respondents ignored them for unknown reasons. Therefore, they were excluded from the questionnaire.

5.8 Main Study

Following the pilot study and after the reliability and validity of the survey instrument were measured and confirmed, the main study was conducted in IJVs in Iran. The following section, the population and sampling, the target sample and the data collection process are discussed.

5.8.1 Population and Sampling

From the population, samples were selected in an attempt to collect data representative of the whole target population. In the case of an empirical study that is based on positivism, sampling is important (Hussey and Hussey, 1997). According to Sekaran (2006), with sampling, detailed information is discovered, although it is a small number of units. For the purpose of this study, convenient sampling from managers of IJVs in Iran was performed.

In this research, only the managers of IJVs from both Iranian and foreign sides were included as they are aware of all the processes in their organisations. The total population of all the managers in the case of IJVs is quite high. Due to the time and distance, it was decided to limit the population sample. In order to keep anonymity, the names of the IJVs have not been stated. In the sample population, all levels of managers were involved from both Iranian and

Asian sides. In this case, the possibility of bias will decrease and also the anonymity of the managers will increase. As Asian countries have the most number of IJVs in Iran, it was decided to collect the data in IJVs between Iranian and their Asian partners from United Arab Emirates (UAE), Singapore, Indonesia, Oman, Turkey, Afghanistan and Korea. In order to be sure about the instrument and privacy, the researcher contacted the respondents before sending them the questionnaires. The survey questionnaire was either given in a personal visit or sent by post or email. The details of the companies such as addresses and contact numbers were attained through the Organisation for the Investment, Economic and Technical Assistance of Iran.

A postal or electronic mail survey questionnaire packet was included in the questionnaire and a covering letter provided by the author of the study.

5.8.2 Target Samples

The targeted respondents of the main survey were managers of IJVs in Iran with their Asian partners. All the public and private IJVs in Iran, from industry sector which include food and drink, home appliance, medical, chemical, machinery, textile were involved in our sample questionnaire. As the highest numbers of IJVs in Iran are in the industrial sector and they have the highest rate of failure, our focus is on industry sector for collecting data (Figure 5.5). In this study, a large sample of the population was selected from all levels of managers. A large sample was chosen due to the requirements for selected analysis techniques such as exploratory factor analysis and multi-variance analysis (Powpaka, 1998).

Figure 5.5:   IJVs' Sectors in Iran
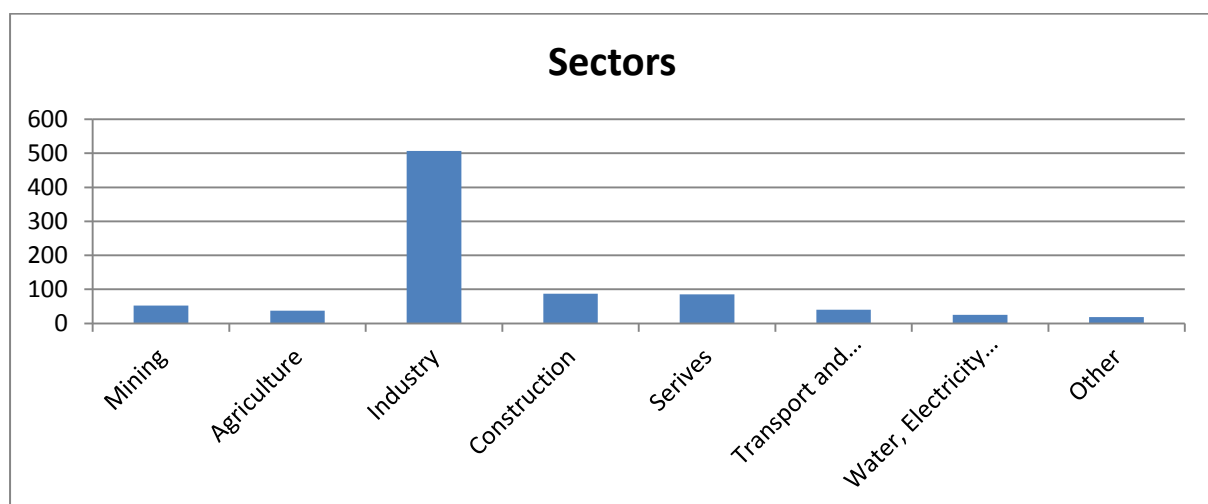
Source: www.investiniran.ir (2011)

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The present study was cross sectional and conducted in international joint ventures where data were collected appropriately by the survey questionnaire method and covered a fairly good population in the sample.

5.8.3 Reasons for Adopting Convenience Sampling in This Study

In this research, a non-probability convenience sampling technique was used. Using convenience sampling, the researcher is able to choose a number of cases whose size depends on the participants' availability and ease of data collection. It consists of groups of individuals who are easily accessible to the researcher. Bryman and Bell (2011, p. 198) posit that "in the field of business and management, convenience samples are very common and indeed are more prominent than samples based on probability sampling". The advantage of this method is that it allows the researcher to deal with the resources that are available for the research. This technique was chosen since this study asked the permission of the participants before involving them in participating in the research. Once the participants agree to contribute, the study proceeds; otherwise the study halts and other participants are sought.

5.8.4 Justification for Using Five-Point Likert Scale

A 5-point Likert scale was chosen for this research with a mid-point of neutral for the data collection. It is commonly used and makes it rather easy to collect data from respondents (Preston and Colman, 2000; Sekaran, 2006), see Appendix 1. However, using the Likert scales is a matter of debate (Aaker et al., 2004). For instance, some authors use scales of seven, nine or sometimes even 11 points, respectively over scales of two, three or four points. The former increases the reliability and validity of the research area and the latter generates lower internal consistency, validity and discriminating power (Preston and Colman, 2000). However, according to Hartely and Mclean (2006), using a five-point scale increases the response rate of any study by up to 90 percent. Furthermore, Dawes' (2002) empirical research reveals that reliability and validity slightly changes when using a seven-point Likert scale in comparison to using a 5-point Likert scale. According to Dawes (2002), when she increased the responses from scales of seven to nine, or even from seven to ten, the increase in the reliability and validity of the Likert scale was not noticeable. As Dawes (2002) states, an 11-point Likert scale generates the same mean as a five-point Likert scale. In addition, kurtosis and skewness of the 11-point and five-point Likert scales showed some unsystematic differences. Neumann (1983) posits that using a five-point and a seven-point Likert scale

gives similar results (i.e. in regard to means and correlation coefficients). Additionally, Neumann (1983) recommends researchers use a five-point Likert scale instead of using a seven-point scale, especially when attitudinal research is being carried out.

5.8.5 Data Collection Procedure

The researcher started the process by contacting a convenient sample of the population to determine their willingness to take part in the research and any enquiries about the instrument and privacy. After gaining permission from the participants, a set of survey questionnaires including a covering letter prepared by the author of the study were given through personal visits or sent by post or email. The contact and addresses details of the participants were obtained from an organisation for the investment, economic and technical assistance of Iran or IJVs' websites or personal visits to the companies.

The researcher, after two weeks from the date of sending the questionnaire, contacted the respondents and reminded them about the questionnaire. After a third reminder, those people who did not respond were excluded from the study.

Despite problems in collecting the data such as low accessibility to the mangers, the researcher collected data through personal visits, and email and the response rate was above 55 percent, which is satisfactory for the research. The researcher ended the survey 16 weeks after the first distribution.

5.8.6 Data Coding, Cleaning and Entry

Coding of data is about translating entries in the questionnaire into letters and numbers. It is important to set up guides for translating the responses. After the data were coded, they were processed for easy recording. Data recording is about transmitting information from code sheets or the questionnaire to the computer to get processed. In fact, this is an easy way to find objectives from the data. To overcome human error, data must be cleaned which involves double checking the data entries on the computer files, particularly if there are large numbers of respondents.

5.9   Data Analysis Techniques and Statistical Packages

Deciding how to analyse the data prior to data analysis is important in order to avoid data being collected in an incorrect format and to prevent inaccurate findings from the data

(Cooper and Schindler, 2001). In this research the collected data were analysed using SPSS version V.18. The reason for choosing the SPSS statistical package is that it eases the calculation of all necessary statistics measures, including descriptive statistics, reliability test, correlation test, factor analysis, and linear and multiple regression analysis and presentation of findings. Additionally, SPSS is easily available and user friendly so it can be learnt within a short period of time.

5.9.1 Exploratory Factor Analysis and Reliability Assessment

Exploratory factor analysis is a method of factor loading into groups to extract underlying latent factors. This technique is used to "take what the data give you" and entails grouping variables on a factor or a particular number of factors (Hair et al., 2006, p. 104). This method is broadly used in scientific research to recognise the latent factors and decrease a large set of variables to a smaller number of factors that account for co-variation (Hair et al., 2006; Tabachnik and Fidell, 2007). This technique is an efficient way of further testing the structural model (Hair et al., 2006; Joreskog and Sorbom, 1996).

The researcher used exploratory factor analysis SPSS version V.18 for Windows to extract factors in which various methods are available for factor extraction and rotation. Among these, the most common and default in the SPSS program is the principal component extract method, which was used to extract the minimum set of variables that accounted for the maximum variance in the data (Tabachnick and Fidell, 2007). There are several ways to assess the adequacy of extraction and the number of factors, but the most common are eigenvalues greater than 1 and Scree plot. Before extracting the factors, calculating the variability in scores (the variance) for any given measures (or variables) is important (Field, 2009). According to Heir et al. (2007), communality is the total amount of variance an original variable shares with all other variables included in the analysis. A variable that has no variance would have a communality of 1 and a variable that shares nothing with other variables would have a communality of 0 (Field, 2009). Communality can be measured from factor loading, in which a model including multiple constructs is required with communalities of more than 0.5, and for a larger sample size, more than 0.7 is required (Heir et al., 2007). This research applied variables with a communality value above 0.5.

The varimax rotation method was used in order to achieve the best interpretation of the factors. In order to improve the interpretability and scientific utility of the solution, rotation is important. It maximises high correlations between the variables and factors and minimises

low ones. Rotation discriminates between the factors (Hair et al., 2006). This study applies a varimax of orthogonal techniques which is most commonly used in rotation for maximising variance. According to Tabachnick and Fidell (2007), the aim of varimax rotation is maximising the variance of factor loading by making high loadings higher and low ones lower for each factor. The factor loadings above 0.50 were regarded as significant (Hair et al., 2006).

In this research, in order to test the internal consistency of the factors, Cronbach's alpha technique was applied to the items derived from the exploratory factor analysis (Litwin, 1995; De Vaus, 2002). Result values equal to or above 0.70 were considered to be an acceptable level of reliability (De Vaus, 2002).

4.9.2 Reliability and Validity Test of the Main Survey

- **Reliability**

In order to test reliability, a Cronbach Coefficient Alpha was used as it is the most common method used for assessing the reliability of a measurement scale with multi-point items (Hayes, 1998). The coefficient, which reflects homogeneity among a set of items, varies from 0 to 1. However, if a scale used to measure a construct has an alpha value greater than 0.70, the scale is considered reliable in measuring the construct (Hair *et al.,* 1995; Pallant, 2001). In this research, the reliability was determined by using Cronbach's alpha and an alpha value of 0.70 or greater was considered acceptable (Table 5.6).

- **Validity**

The validity of a measurement instrument refers to how well it captures what it is designed to measure (Burns and Bush, 1995). There are several types of validity tests including:

Content validity: Content validity is mainly the subjective agreement among professionals that the measurement scales accurately reflect what they are supposed to measure (Cooper and Schindler, 2001). In this study content validity was tested by (1) determining the variables which have been defined and used previously in the literature (Churchill and Iacobucci, 2004). The dimensions of variables were identified from trust and international joint ventures literature, thus all items were taken from a prior literature review; (2) asking a panel of professionals, who have experience in the field of trust and IJVs, to provide their judgement on the questionnaire especially on the items in each concept, and as a result some

minor revisions were made to the instrument according to their suggestions. (3) undertaking a pilot study with a group of similar subjects as the target population.

Construct validity: Construct validity demonstrates the extent to which the constructs hypothetically relate to one another to measure a concept based on the theories underlying a research study (Malhotra, 1999; Zikmund, 2003). For the purpose of this study, factor analysis was performed to measure the dimensions of a concept as well as to identify which items were appropriate for each dimension. Further, to achieve construct validity, the measurement should demonstrate convergent validity and discriminant validity.

1. *Convergent validity*: refers to the items purporting to measure the same construct correlates positively with one another (Malhotra 1999; Parasuraman, 1991). Convergent validity is synonymous with criterion validity (Zikmund, 2003) and with correlational analysis, and is one way of establishing construct validity for this study. It assesses the degree to which two measures of the same concept are correlated, with high correlation indicating that the scale is measuring its planned concept. Robinson (1991) has suggested that item-to-total correlations exceed 0.50 and the inter-item correlations exceed 0.30. For the purpose of this study, item-to-total correlations were performed, and as a result, the item-to-total correlations of the indicators in each construct were at high levels (more than 0.50) which indicated the convergent validity of the instrument (Appendix 5).

2. *Discriminant validity:* requires that an item does not correlate too highly with other items of different constructs (Hair et al., 2003). According to Brown et al. (1993), discriminant validity refers to the degree to which measures of theoretically unrelated constructs do not correlate highly with one another. At item-level discriminant validity, Chin (1998) suggests to examine cross-loading within factor loading. Appendix 6 ensures that each of measuring items within construct was higher than all of its cross-loadings in row and column. All cross-loading were lower than the 0.4 values recommended by Hair et al. (2006).

In this study, the correlation matrix and inter-construct correlation were analysed for convergent and discriminant validity (Appendices 5 and 6).

5.9.3 Regression Analysis

Regression is used to test the relationship between variables especially the extent to which a dependent variable is a function of one or more independent variables. It is used to analyse

the relationship between a single dependent variable and several independent variables (Hair et al., 1998). The purpose of performing linear regression analysis is to examine whether significant relationships exist between the independent variables (i. e. inter-partner fit factors, relational factors, country risk and religion) and the dependent variable (trust). Multiple regression analysis was used to examine the proposed research hypotheses. In this study multiple regressions were used since there was an attempt to predict an outcome from various predictors (Field, 2009). The researcher conducted fundamental tests of the underlying assumptions for multiple regression analysis in order to ensure that the data were conducive to such analyses. For example, the relationships between the independent variables as well as the relationships between the dependent and independent variables were analysed using correlation coefficients for every potential pair of variables used in the study. Multicollinearity tests were developed using variance inflation factors (VIF) to test for the presence of multicollinearity between each of the independent variables. The results of the tests for multicollinearity depended upon the values of the VIFs for all independent variables.

5.10   Hypotheses Testing

After the development and validation of measurement scales, the hypotheses were tested using multiple regression analysis. It is an appropriate and widely used method for investigating the relationship between a dependent variable and two or more independent variables due to its well-developed underlying statistical theory (Hair *et al.,* 2006). The research hypotheses were tested from the standardised estimate and t-value (critical ratio). For data analysis, the researcher employed SPSS.18 to examine the model for the hypotheses. In accordance with Hair *et al*. (2006), the following assumptions were examined.

1. Descriptive statistics (including the examination of potential outliers) – this assumption is about the aggregate data to be used in the analysis. The examination of potential outliers is especially important as the assessment of the regression coefficient and representation of the relationships in a sample might be distorted (Hair et al., 2006). Therefore, the outliers were tested in SPSS V.18 for Windows (Section 6.3.2).

2. Multi-collinearity – this concerns the relationship between two (collinearity) or more (multi-collinearity) independent variables in a regression model. Ideally, it is desirable to have a number of independent variables highly correlated with the dependent variable. In the case of a substantial degree of multi-collinearity, the procedure for separating the impacts of the independent variables becomes more difficult. To make it clear, the consideration of the

contribution of each independent variable is more difficult, as the impacts of the independent variables are confounded. The statistical software package SPSS V.18 for Windows was used to compare the condition index and variance inflation factor (VIF) of the model with recommended threshold values (Hair et al., 2006).

3. Normality of residuals – for any value of independent variable X, the residuals around the regression line are assumed to be normally distributed.

The violation of the normality assumption will have an impact on the statistical significance test, particularly in small samples. Moreover, the normality of the residuals is an indication of other problems in the regression model such as misspecification (Cohen et al., 2000). Different tests such as the kurtosis and skewness tests (Field, 2009; Tabachnick and Fidell, 2007; Hair et al., 2006), the Kolmogorov and Shapiro method tests (Field, 2009) and a histogram of all variable data along with normality distribution, also a normal Q-Q plot of data, were applied in order to measure the normality of the residuals (Next Chapter).

4. Homoscedasticity – for any value of an independent variable X, homoscedasticity refers to the condition whereby the conditional variance of the residuals around the regression line is constant (Lewis-Beck, 1993). Conditional variances represent the variability of the residuals around the predicted value for a specified value of X. Homoscedasticity is a crucial assumption, as its violation will result in false estimations of the standard errors and significant tests. In this research, Levene's test of homogeneity of variance SPSS V.18 for Windows was used in order to confirm the results of variability of the dependent variables with the independent variables (Tabachnick and Fidell, 2007).

After an evaluation of an important assumption, the researcher assessed the importance of the parameters estimated (e.g. significance of coefficient, etc.) and accordingly interpreted the result.

5.11   Ethical Considerations

When research is conducted on human subjects, the role of ethical issues is very important. As Neumann (1995) posits, the protection of human rights, guiding and managing the interests of people are a must for researchers. In this study, all the requirements for ethical issues have been followed at all the phases of the research. Before the data collection, permission was obtained from the relevant companies. The details of the companies were attained from the Organisation for the Investment, Economics and Technical Assistance of

Iran. The survey questionnaire, including a letter by the author, was provided by post, email or personal visit. It was made clear that the participation of the respondents was voluntary and they are not required to take part if they do not want to. It was asked that those who were willing to participate answered and returned the questionnaire. All participants were assured that anonymity and confidentiality of the responses was guaranteed. Also, the participants were told not to write their names on the questionnaires and data was coded to ensure anonymity and confidentiality throughout the research process.

The Brunel University Ethics Committee guided the issues in this study. According to the Ethics Policy Guidelines, a Brunel Business School Research Ethics form must be signed by researchers and supervisors. A consent form and participant information sheet were attached with the questionnaires which described the title of the research study, the researcher and school name, the purpose of the research and what was involved if they participated in a way that could be clearly understood by the respondents prior to filling in the questionnaire (Appendix 3).

5.12   Conclusion

The research methodology has been developed and adopted in this research. The research design was then operationalised into a protocol, which provides a stage-by-stage procedure of the data gathering process.

Many researchers in the domain of international business (IB) and management research have applied a positivist approach. It is observed that attitudes and behaviours of individual can be measured by a positivist approach. Therefore, a positivist approach was considered to be appropriate for this research. To validate and understand the conceptual framework, it was found that a quantitative research approach would be more appropriate than a qualitative one. Thus, measurement scales for each construct were identified, based on well-known previously tested scales, as shown in table 5.4. The data collection tool used in this research was a self-administrated questionnaire. Data for this study were collected from the managers of international joint ventures in Iran and their Asian partners through a survey questionnaire.

A pilot study was conducted to measure the reliability and validity of the questionnaire before the actual full scale study. Details of practical considerations such as sampling and participation, measurement scales and data analysis procedures were also discussed in this chapter. Upon completion of the study, the data was cleaned, coded and entered on to the

statistical package for social sciences (SPSS) V.18 for Windows. Analytical techniques included descriptive statistics and exploratory factor analyses were discussed briefly. Finally the ethical issues involved in this study were also presented.

The testing of the hypotheses and the relationships between independent and dependent variables is presented in Chapter 6.

Chapter 6: Main Study Analysis and Findings

6.1 Introduction

In this chapter, the relationship between the independent and dependent variables are analysed in order to satisfy the research objectives. The previous chapter explained the research methodology and a significant portion was dedicated to the methods used in this study. The study adopted quantitative methods, in which a survey questionnaire was applied to collect the data. This chapter includes a discussion of the results which were obtained by using SPSS V.18. This chapter proceeds with the following sections: data management, data screening, demographic characteristics, factor loading and multiple regression analysis, hypotheses testing, and conclusion.

6.2 Data Management

This study was undertaken for the period July 2011 to September 2011. The survey questionnaire was distributed to 650 participants by post, email and personal visits that were selected based on convenience sampling from 85 IJVs in Iran and their Asian partners from industry sectors including home appliances (15), medical (13), chemical (16), food and drink (21), machinery (16) and textile (4) as mentioned in section 5.8.2. The participants were all CEOs or senior managers. During the data collection, reminders were sent to non-respondents after 15 days, a procedure that was followed a maximum of three times prior to the removal of those non-responders from the study. None of the participants were forced to fill in the form at a specific time or in a specific place; all the participants were free to respond at anytime and anywhere.

In this study the statistical package for social science (SPSS) V.18 for Windows was used to evaluate the descriptive statistics and exploratory factor analysis. The SPSS software package manages quantitative data; all the participant responses were entered according to the numeric response value. Before inputting the data to SPSS, columns and rows were developed by coding the question items (Appendix 4). In the name column of SPSS, the questionnaire items were coded with numbers along with an abbreviation of the variable. Similarly, in the label column of SPSS, the questionnaire items were coded in abbreviated format. The value section of the columns was developed with "0" showing information not provided and then "1" for "Strongly Disagree" to "5" for "Strongly Agree" on a five-point

Likert scale, or in some cases "0" showed information not provided and then "1" for "very unpredictable" to "5" for "very predictable" on a five-point Likert scale.

6.3   Data Screening Prior to Analysis

In order to analyse the responses of the participants, accuracy of the data is necessary. There are many issues that are related to the accuracy of the data – such as missing data, outliers, linearity, normality and homoscedasticity – which have an impact on the relationships of the variables or on the outcome of the variables. In fact, the objective of data screening is as much to reveal what is not apparent as it is to portray the actual data, for the "hidden" effects are easily overlooked (Hair et al., 2006). Therefore, for an honest analysis of the main data, these issues must be a prior consideration and must be resolved (Tabachnick and Fidell, 2007).

6.3.1   Missing Data

Missing data is one of the most pervasive problems in data analysis. It is a fairly common occurrence in certain areas of research, and can affect the results of the research objectives. There are a variety of reasons for the occurrence of missing data, but the most common reasons in social science research are due to long questionnaires or participants who accidentally omit questions. According to Tabachnick and Fidell (2007), missing data's seriousness depends on the pattern of missing data, how much is missing and why it is missing, though the pattern is more important than the number missing. There are different suggestions as to how to resolve the issue of missing data in social science research such as using the mean of the scores on the variance (Stevens, 1992) or removing the sample(s) who did not respond to a question (Norusis, 1995). According to Tabachnick and Fidell (2007), if only a few data points, say, 5 percent or less, are missing in a random pattern from a large data set, the problem is less serious and almost any procedure for handling missing values yields similar results. In order to find data missing from this study, the researcher utilised the SPSS package for missing values and found all question data were less than 5 percent of the total data. The removal of all missing data affects 17 samples out of 347 samples, which is 4.8 percent and does not cause problems with the outcome of the analysis.

6.3.2 Non-response rate

Although the response rate in this study is relatively high (53 percent), the researcher performed tests of non-response bias to check whether there were significant differences between the questionnaires received earlier and those received at a later stage or even those which were not returned (considering the response alternatives to lie on a continuum) (Suppes and Krasne, 1961). The researcher used MANOVA to compare the means of all the variables for early and late responders.

The non-significant p-value of 0.18 revealed that there are no significant differences between responses of early and late responders (Appendix 7). As a result, a non-response bias was not considered to be a serious limitation in this study.

6.3.2 Outliers

Outliers refer to "observations with a unique combination of characteristics identifiable as distinctly different from the other observations" (Hair *et al*, 2006, p. 73). As Hair et al. (2006) state, an outlier is judged to be an unusually high or low value on a variable, or a unique combination of values across several variables that makes the observation stand out from the others. Hair et al. (2006) categorise outliers into four classes based on the source of their uniqueness.

a. It can occur from procedural errors such as data entry errors or mistakes in coding.
b. It is an observation that happens as a result of an extraordinary event, which accounts for the distinctiveness of the observation.
c. It comprises extraordinary observations for which the researcher has no explanation.
d. It contains observations that fall within the ordinary range of values on each of the variables.

There are three methods used in order to detect outliers, (Tabachnick and Fidell, 2007; Hair et al., 2006; and Field 2009):

a. Univariate detection
b. Bivariate detection
c. Multivariate detection.

To identify univariate outliers, all the scores for a variable were converted to standard scores. In the case of a small sample size (80 or fewer cases), a case is an outlier if its standard score

is ±2.5 or beyond (Hair et al, 2006). If the sample size is larger than 80 cases, a case is an outlier if its standard score is ±3.0 or beyond. The results of this analysis indicated that the data contained a number of univariate outliers. In the current study, in order to detect the univariate outliers, the items were grouped together to represent a single variable; using the SPSS function of descriptive statistics. The data values of each observation were converted into standardised scores, also known as z-scores (Hair et al., 2006; Tabachnick and Fidell, 2007), the results of which indicate that the data set contains two univariate outlier.

Bivariate outliers can be recognised by applying a pair of variables jointly in a scatter plot, in which if a case(s) falls markedly outside the range of the other observations, it will be seen as an isolated point (Hair et al., 2006).

Multivariate outliers are a combination of scores on two or more variables. This provides a better solution than bivariate because of a large number of graphs and limited numbers of variables observations. Therefore, for multidimensional positions of variables, the multivariate detection method of dealing with outliers is more useful. In order to identify the multivariate outliers, the Mahalanobis D^2 (d-squared) measure, which is an assessment of each observation, can be applied across a set of variables. In this test, if the D^2/df (degree of freedom) value exceeds 2.5 in small samples and 3 or 4 in large samples, it can be designated as a possible outlier (Hair et al., 2006).

According to Hair et al. (2006), outliers cannot be categorised as either beneficial or problematic, but they can bias the mean and inflate the standard deviations (Field and Hole, 2003). Therefore, the researcher should be aware of such values because they bias the model fit to the data (Field, 2009). This research study applied a graphical method for detecting the univariate outliers and Mahalanobis' distance case was applied for finding multivariate outliers to confirm their effect on the objectives of the study. By exploring the Mahalanobis distances, five cases were determined as multivariate outliers (Table 6.1).

Table 6.1:   Univariate and Multivariate Outliers Results

Univariate Outliers   **Multivariate Outliers**

Case with standard values exceeding ±3		Case with a value of D2/df Greater than 3 (df = 13)		
		Case	D^2	D^2/df
TR	No cases	260	41.14	3.4
COMP	No cases	232	40.33	3.36
COMT	No cases	252	38.28	3.19
STB	325	282	37.22	3.1
FA	No cases	244	36.36	3.03
FLEX	No cases			
COMM	No cases			
CR	No cases			
RLG	No cases			
COMMIT	200			
SAT	No cases			
GOAL	No cases			
LEAR	No cases			

6.3.3   Normality, Linearity and Homoscedasticity

Before going on to infer the results from the data, it is necessary to ensure that the data are normally distributed and also to confirm the relationship between the variables. A fundamental assumption in multivariate analysis is shaping the data to show the variation. According to Tabachnick and Fidell (2007), variables related with others must be normally distributed. This study confirms the data by screening normality, linearity and homoscedasticity before inferring results from the data.

- **Normality**

In statistics, normality refers to the data distribution, which is an essential assumption in measuring the variation of variables. It is not always necessary, but it is better if the variables are normally distributed for analysing the data (Tabachnick and Fidell, 2007). According to Hair et al. (2006), if the variation from the data's normal distribution is sufficiently large, all the resulting statistical tests are invalid, because normality is required to use the F and t statistics.

Statistical methods can measure normality of data (Tabachnick and Fidell, 2007; Hair et al., 2006). Normality of the data distribution can be measured by the kurtosis and skewness test and the Kolmogorov and Shapiro method in statistical methods (Field, 2009; Tabachnick and Fidell, 2007; Hair et al., 2006). Therefore, primarily descriptive statistics were applied in SPSS V.18 for Windows to check the skewness and kurtosis (Table 6.2). All the variables

were found to be normally distributed; however, the values for skewness were found to be negative and the kurtosis values were mixed such that they were negative and positive.

Table 6.2:   Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
TR	330	2.22	4.78	3.6562	.58973	-.630	.134	-.264	.268
COMP	330	2.00	5.00	3.6271	.65177	-.471	.134	-.114	.268
COMT	330	2.29	4.86	3.7088	.55716	-.353	.134	-.433	.268
STB	330	2.00	5.00	3.8116	.64779	-.307	.134	-.800	.268
FA	330	2.00	5.00	3.4505	.68988	.226	.134	-.192	.268
FLEX	330	2.00	5.00	3.7741	.70127	-.881	.134	.093	.268
COMM	330	2.00	5.00	3.7430	.69445	-.571	.134	-.609	.268
CR	330	1.20	3.70	2.3996	.41139	.349	.134	.164	.268
RLG	330	1.67	4.67	2.8395	.54342	.681	.134	.556	.268
COMMIT	330	2.00	5.00	3.8465	.58711	-.281	.134	-.629	.268
SAT	330	2.00	5.00	3.5582	.69763	-.452	.134	-.405	.268
GOAL	330	2.00	5.00	3.6330	.71223	-.427	.134	-.382	.268
LEAR	330	2.00	5.00	3.8534	.67250	-.311	.134	.127	.268
Valid N (list wise)	330								

Moreover, in order to find the data normality, the Kolmogorov and Shapiro tests (Field, 2009) were applied. The results of this test are illustrated in Table 6.3. The results were found to be significant for all the variables, which might be due to the large sample size (e.g. n = 330 in this study); because this test is very sensitive to large sample size and minor deviations from normality show this test as significant. Hence, a significant K–S test does not reveal a departure from normality of data (Field, 2009).

Table 6.3:   Tests of Normality

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
TR	.126	330	.000	.938	330	.000
COMP	.122	330	.000	.957	330	.000
COMT	.114	330	.000	.976	330	.000
STB	.115	330	.000	.959	330	.000
FA	.164	330	.000	.946	330	.000
FLEX	.162	330	.000	.905	330	.000
COMM	.176	330	.000	.920	330	.000
CR	.111	330	.000	.970	330	.000
RLG	.107	330	.000	.953	330	.000
COMMIT	.100	330	.000	.964	330	.000
SAT	.143	330	.000	.953	330	.000
GOAL	.149	330	.000	.956	330	.000
LEAR	.092	330	.000	.961	330	.000

Lilliefors Significance Correction

- **Linearity**

Linearity means the correlation between variables, which is represented by a straight line. In the data analysis, knowing the level of the relationship of the variables is important. An implicit assumption of all multivariate techniques based on co-relational measures of association, including multiple regression, logistic regression and factor analysis, is linearity (Hair et al., 2009). Therefore, in order to identify any departures that may impact the correlation, testing the relationships of the variables is important. In statistics, linearity can be assessed by Pearson's correlation or a scatter plot (Field, 2009; Tabachnick and Fidell, 2007; Hair et al., 2009). This study applied Pearson's correlations and found that all of the independent variables significantly correlated to the dependent variables. The result of the test showed that all the variables are linear with each other.

Table 6.4:   Pearson's Correlations

	TR	COMP	COMT	STB	FA	FLEX	COMM	CR	RLG	COMMIT	SAT	GOAL	LEAR
TR	1												
COMP	.748(**)	1											
COMT	.734(**)	.764(**)	1										
STB	.772(**)	.736(**)	.803(**)	1									
FA	.367(**)	.545(**)	.452(**)	.489(**)	1								
FLEX	.741(**)	.464(**)	.425(**)	.547(**)	.228(**)	1							
COMM	.725(**)	.641(**)	.666(**)	.796(**)	.390(**)	.511(**)	1						
CR	-.429(**)	-.215(**)	-.264(**)	-.310(**)	-.033	-.390(**)	-.342(**)	1					
RLG	-.302(**)	-.268(**)	-.231(**)	-.199(**)	-.109(*)	-.214(**)	-.174(**)	.160(**)	1				
COMMIT	.424(**)	.228(**)	.171(**)	.136(*)	.062	.150(*)	.255(**)	-.220(**)	-.115(*)	1			
SAT	.616(**)	.188(*)	.270(**)	.238(**)	.340(**)	.634(**)	.183(**)	-.320(**)	-.238(**)	.308(**)	1		
GOAL	.550(**)	.288(**)	.186(**)	.167(**)	.341(**)	.384(**)	.255(**)	-.173(**)	-.146(*)	.381(**)	.265(**)	1	.
LEAR	.481(**)	.269(**)	.261(**)	.210(**)	.254(**)	.392(**)	.219(**)	-.213(**)	-.149(*)	.422(**)	.249(**)	.434(**)	1

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

- **Homoscedasticity**

Homoscedasticity estimates the variance of the dependent variables with the independent variables. In multiple regression analysis, the assumption of variation of the variables should be constant (Field, 2009). As Hair et al. (2006) states, homoscedasticity is the assumption that the dependent variable(s) exhibits equal levels of variance across the range of the predictor variable(s). Therefore, it refers to the assumption of normality because when the assumption of multivariate normality is met, the relationships between the variables are homoscedastic (Field, 2006; Tabachnick and Fidell, 2007). Graphical and statistical methods can assess homoscedasticity (Hair et al., 2006; Field, 2006). In research, when the data are grouped, homoscedasticity is known as homogeneity, which can be assessed by Levene's test of homogeneity of variances (Tabachnick and Fidell, 2007). So, this study uses Levene's test of homogeneity of variance to confirm the results of the variability of the dependent variables with the independent variables.

The results indicate that Levene's test is non-significant (i.e. > 0.05) and the variances are not statistically different. The result in the table 6.5 shows that all variables ensured that the assumption of homogeneity has not been violated in any of the variables.

Table 6.5:   Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
TR	.052	1	328	.821
COMP	.301	1	328	.584
COMT	.393	1	328	.531
STB	2.113	1	328	.147
FA	.004	1	328	.950
FLEX	.203	1	328	.653
COMM	.553	1	328	.458
CR	.389	1	328	.533
RLG	2.189	1	328	.140
COMMIT	.026	1	328	.873
SAT	1.009	1	328	.316
GOAL	.414	1	328	.520
LEAR	.400	1	328	.528

6.4   Demographic Characteristics and Relationships

As mentioned in the previous chapter, the data for the main study were collected from IJVs in Iran. Out of the 650 questionnaires distributed between the managers of IJVs in Iran, 347 were returned, which shows a response rate of 53 percent. This good response rate could be due to the fact that the questionnaires were mostly handed over face-to-face and followed up by the researcher, with three reminders sent after two weeks.

The demographic details of the participants (Table 6.6) show that 29 percent (n = 98) of the participants were junior managers and 28 percent (n = 92) were senior managers. From the participants, 70 percent (n = 232) were Iranian and 30 percent (n = 98) non-Iranian. Fifty-eight percent (n = 190) of the participants had similar religious backgrounds to their partners and forty-two percent (n=140) different religion backgrounds. In the existing IJVs, 40 percent (n = 133) of the IJVs have a duration of less than 5 years and 39 percent (n = 129) between 5 and 10 years. Twenty-three percent (n = 76) of the companies' main business was food and drink and twenty percent (n = 65) were home appliances. The majority of the participants, 83 percent (n = 273), were male and 40 percent (n = 134) were over 50 years old. The majority of the participants, 38 percent (n = 127), had a university degree. Fifty-two percent (n = 171) of the IJVs which participated in the survey had between 50 and 249 employees and 48 percent (n = 159) of the participating companies had 250+ employees.

Table 6.6:   Demographic Characteristics of Participants

Demographic	Categories	Frequencies	Percentage
Gender	Male	273	83
	Female	57	17
Age	20-29	29	9
	30-39	71	22
	40-49	96	29
	+50	134	40
Number of employees	50-249	171	52
	+250	159	48
Educational level	High school	66	20
	University	127	38
	Master	115	35
	PhD	22	7
Job title	Chief Executive	67	20
	Senior Manager	92	28
	Middle Manager	77	23
	Junior Manager	94	29
Nationality	Iranian	232	70
	Non-Iranian	98	30
Similar religion	Yes	190	58
	No	140	42
Duration of IJV	less than 5	133	40
	5-10 years	129	39
	10-15	48	15
	Over 15	20	6
Companies' main business (Number of managers)	Home Appliances	65	20
	Medical	54	16
	Chemical	62	19
	Food and drink	76	23
	Machinery	60	18
	Textile	13	4

6.5   Factor Loading and Data Analysis

Factor analysis techniques were used for data reduction, which recognises groups or clusters of variables. The factor which produces group variables shows the relationship of the variables to the factor. Field (2009) defines three main uses of factor analysis:

1. To understand the structure of a set of variables.

2. To construct a questionnaire to measure any underlying variables.

3. To reduce a data set to a more manageable size while retaining as much of the original information as possible.

Factor loading includes fundamental dimensions at which variables seem to group together in a meaningful way. This can be gained by finding out about the variables that are correlated highly with a group of other variables, but do not correlate with variables outside the group (Field, 2009). In fact, the tools for analysing the structure of the interrelationships (correlation) among a large number of variables will be provided by factor analysis and defining sets of variables that are highly interrelated, known as factors (Hair et al., 2006). There are several techniques for factor analysis such as exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). Both techniques aim to achieve the same result, which is data reduction. Hair et al. (2006) claims that the difference between exploratory factor analysis and confirmatory factor analysis is that exploratory factor analysis is used to "take what the data give you", whereas confirmatory factor analysis is used for grouping and confirming variables on a factor. However, the present research applies only the exploratory factor analysis technique to place the data into a group for a factor.

6.5.1 Exploratory Factor Analysis

There are several procedures that are available for factor extraction and rotation in SPSS. Among them, the most common and a default in SPSS is principal component extraction, which extracts the maximum variance from the data set with each component (Tabachnick and Fidell, 2007). Principal component extraction is the linear combination of observed variables that separate subjects by maximising the variance of their component scores (Tabachnick and Fidell, 2007).

There are several ways to measure the adequacy of extraction and the number of factors, but the most common are eigenvalues and scree plots. Before going on to extract factors, it is important to calculate the variability in the scores (the variance) for any given measures (or variables) (Field, 2009). According to Hair et al. (2007), communality is the total amount of variance that the original variable shares with all the other variables included in the analysis. A variable that has no specific variance (or random variance) would have a communality of 1; a variable that shares nothing with other variables would have a communality of 0 (Field, 2009). Communality can be calculated from factor loading, in which models containing

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multiple constructs with communalities of more than 0.5 are required and for larger sample sizes, more than 0.7 are required (Hair et al., 2007). This research applied variables with a communality value above 0.5 (Table 6.7). The results showed that all the variables retained in the factor loading have communality values above 0.5. The results confirmed the high variation from 0.610 to 0.927, which showed high variance among the variables.

Table 6.7:   Communalities

Variables	Initial	Extraction	Variables	Initial	Extraction	Variables	Initial	Extraction
TR1_1	1.000	.800	FLEX1_1	1.000	.767	COMMIT5_1	1.000	.556
TR2_1	1.000	.881	FLEX2_1	1.000	.822	COMMIT6_1	1.000	.746
TR3_1	1.000	.835	FLEX3_1	1.000	.717	SATS1_1	1.000	.844
TR4_1	1.000	.822	FLEX4_1	1.000	.820	SATS2_1	1.000	.863
TR5_1	1.000	.861	COMM1_1	1.000	.821	SATS3_1	1.000	.803
TR6_1	1.000	.891	COMM2_1	1.000	.849	GOAL1_1	1.000	.696
TR7_1	1.000	.844	COMM3_1	1.000	.737	GOAL2_1	1.000	.592
TR8_1	1.000	.884	COMM4_1	1.000	.853	GOAL3_1	1.000	.668
TR9_1	1.000	.817	CR1_1	1.000	.650	LEAR1_1	1.000	.767
COMP1_1	1.000	.835	CR2_1	1.000	.748	LEAR2_1	1.000	.701
COMP2_1	1.000	.785	CR3_1	1.000	.646	LEAR3_1	1.000	.750
COMP3_1	1.000	.740	CR4_1	1.000	.808	LEAR4_1	1.000	.707
COMP4_1	1.000	.793	CR5_1	1.000	.651			
COMT1_1	1.000	.868	CR6_1	1.000	.818			
COMT2_1	1.000	.625	CR7_1	1.000	.724			
COMT3_1	1.000	.527	CR8_1	1.000	.638			
COMT4_1	1.000	.646	CR9_1	1.000	.686			
COMT5_1	1.000	.712	CR10_1	1.000	.790			
COMT6_1	1.000	.679	RLG1_1	1.000	.886			
COMT7_1	1.000	.840	RLG2_1	1.000	.656			
SB1_1	1.000	.780	RLG3_1	1.000	.807			
SB2_1	1.000	.660	RLG4_1	1.000	.726			
SB3_1	1.000	.831	RLG5_1	1.000	.652			
SB4_1	1.000	.585	RLG6_1	1.000	.585			
SB5_1	1.000	.709	COMMIT1_1	1.000	.877			
FA1_1	1.000	.792	COMMIT2_1	1.000	.604			
FA2_1	1.000	.528	COMMIT3_1	1.000	.736			
FA3_1	1.000	.711	COMMIT4_1	1.000	.797			

Extraction Method: Principal Component Analysis.

- **Eigenvalue**

In the principal component extraction method, eigenvalues are associated with a variance which indicates the substantive importance of that factor. A quick estimate of the number of factors is attained from the size of the eigenvalues reported as part of an initial run with the principal component extraction (Tabachnick and Fidell, 2007).

With component analysis variance of each variable contributing 1, a component with an eigenvalue of less than 1 is not important (Tabachnick and Fidell, 2007; Field, 2009; Hair et al., 2006). Therefore, only the factors having eigenvalues greater than 1 are significant; all factors with latent roots less than 1 are considered as insignificant and are disregarded (Hair et al., 2006). Table 6.8 displays the top 15 component results where 13 components had eigenvalue > 1 (see Appendix 8 for the full table). The first factor was a high value and then successively smaller eigenvalues were found.

Table 6.8:   Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	15.888	23.365	23.365	15.888	23.365	23.365	11.235	16.521	16.521
2	6.609	9.720	33.085	6.609	9.720	33.085	4.269	6.278	22.799
3	4.987	7.334	40.418	4.987	7.334	40.418	4.116	6.053	28.852
4	3.514	5.167	45.586	3.514	5.167	45.586	3.764	5.536	34.388
5	3.343	4.916	50.502	3.343	4.916	50.502	3.701	5.443	39.831
6	3.131	4.604	55.106	3.131	4.604	55.106	3.557	5.231	45.062
7	2.605	3.831	58.937	2.605	3.831	58.937	3.374	4.962	50.024
8	2.272	3.342	62.279	2.272	3.342	62.279	3.007	4.422	54.447
9	2.063	3.034	65.313	2.063	3.034	65.313	2.834	4.168	58.614
10	1.896	2.789	68.102	1.896	2.789	68.102	2.752	4.047	62.662
11	1.555	2.286	70.388	1.555	2.286	70.388	2.311	3.398	66.060
12	1.381	2.030	72.418	1.381	2.030	72.418	2.082	3.061	69.121
13	1.192	1.901	74.319	1.292	1.901	74.319	2.051	3.017	72.138
14	.983	1.748	76.067						
15	.965	1.614	77.681						

Extraction Method: Principal Component Analysis.

To remove the redundant (highly correlated) variables from the survey data and to reduce the variables into a definite number of dimensions, factor analysis is achieved by the principal component extraction method by using SPSS V.18**.**

Table 6.9: Factor Loading

							Component						
	1	2	3	4	5	6	7	8	9	10	11	12	13
TR1	.627												
TR2	.771												
TR3	.662												
TR4	.552												
TR5	.641												
TR6	.785												
TR7	.711												
TR9	.709												
COMP1		.802											
COMP2		.823											
COMP4		.799											
COMT1			.832										
COMT2			.625										
COMT4			.701										
COMT6			.585										
COMT7			.897										
SB1				.962									
SB2				.593									
SB3				.841									
SB5				.737									
FA1					.787								
FA2					.576								
FA3					.818								
FLEX1						.612							
FLEX2						.792							
FLEX3						.663							
FLEX4						.635							
COMM1							.759						
COMM3							.759						
COMM4							.854						
CR3								.699					
CR4								.629					
CR5								.771					
CR6								.727					
CR7								.705					
CR8								.734					
CR10								.617					
RLG1									.784				
RLG3									.603				
RLG4									.939				
RLG5									.851				
RLG6									.584				
COMMIT1										.752			
COMMIT2										.779			
COMMIT3										.698			
COMMIT4										.856			

COMMIT5	.707		
COMMIT6	.773		
SATS1		.823	
SATS2		.579	
SATS3		.888	
GOAL1			.853
GOAL2			.531
GOAL3			.579
LEAR1			.616
LEAR2			.741
LEAR3			.773
LEAR4			.706

Extraction method: Principal component analysis
Rotation method: Varimax with Kaiser Normalisation

- **Scree Plot**

In order to confirm the maximum number of factors, a scree plot is commonly used to identify the extraction factors by eigenvalues. Logically, factors should be extracted with high eigenvalues but this decision can be made by plotting a scree graph. The scree test is derived by plotting the latent roots against the number of factors in their order of extraction, and the shape of the resulting curve is used to evaluate the cut-off point (Hair et al., 2006). Usually the scree plot negatively decreases, the eigenvalue is highest for the first factor and moderate but decreasing for the next few factors before reaching small values for the last several factors (Tabachnick and Fidell, 2007). By applying a scree plot test on the data to confirm the extracted factors through eigenvalues, the researcher confirmed the same number of factors (Figure 6.1). Figure 6.1 reveals quite clear breakdown between 13 and 15 components. Components 1 to 13 explained or captured much more of the variance than the remaining components.

Figure 6.1:   Scree Plot of Eigenvalues

Scree Plot
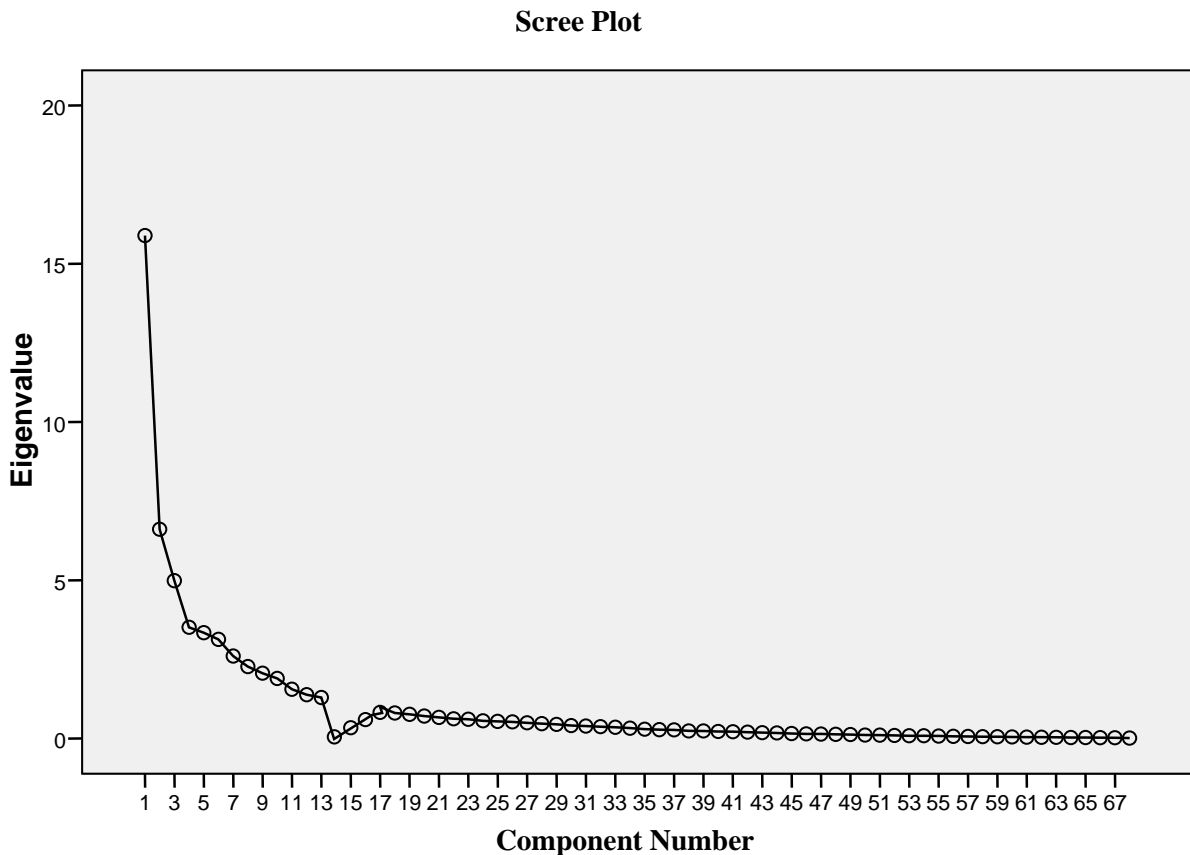
- **Kaiser–Meyer–Olkin Measure of Sampling Adequacy (KMO) Test**

The Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy was first computed to determine the suitability of employing factor analysis, and the results are presented in Table 6.10. The KMO measure is estimated using correlations and partial correlations in order to test whether the variables in a given sample are adequate to correlate. A general rule is that as a measure of factorability, a KMO value of 0.5 is poor, 0.6 is acceptable and a value closer to 1 is better (Hinton et al., 2004). The Kaiser–Meyer–Olkin value was 0.845, exceeding the acceptable value of 0.6. The aforementioned results confirm that the KMO test supports the sampling adequacy and it is worth conducting a factor analysis. This means that higher KMO values indicate the possibility of factor existence in the data, as it was assumed in the conceptual model.

Table 6.10:   KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.845
Bartlett's Test of Sphericity	Approx. Chi-Square	1523.961
	df	78
	Sig.	.000

- **Bartlett's Test of Sphericity Test**

Bartlett's test of sphericity is conducted for the purpose of confirming the relationship between the variables. If there is no relationship, then it is irrelevant to undertake factor analysis. As a general rule, p value < 0.05 indicates that it is appropriate to continue with the factor analysis (Hinton et al., 2004). The results illustrated in Table 6.10 above suggest that the calculated p value is < 0.05, which means that there are relationships between the constructs in question. Therefore, it was considered appropriate to continue with the factor analysis. Bartlett's test of sphericity reached a statistical significance, thus supporting the forcibility of correlation matrix.

Table 6.8 reveals the rotated component matrix of the scale. The principal component analysis showed the presence of 13 components with eigenvalues exceeding 1, explaining 25.19 percent, 9.59 percent, 5.61 percent, 4.91 percent, 4.88 percent, 3.63 percent, 3.52 percent, 2.88 percent, 2.76 percent, 2.27 percent, 2.11 percent, 1.98 percent and 1.86 percent of the variance, respectively (Table 6.8). The scree plot revealed a clear cut-off of these components. To aid in the interpretation of the 13 components, a varimax rotation was performed. The rotated solution revealed the presence of a simple structure showing a number of strong loadings, with all the variables loading on components.

After developing the factors' internal consistency, each loaded factor was assessed by Cronbach's alpha measure. The following clusters of items were specified for the most relevant dimensions of the elements.

Factor 1- trust (TR): this factor covers the information regarding trust in IJVs' performance. Nine items were applied based on Morgan and Hunt (1994), Mohr and Spekman (1994), Moorman et al. (1994), Johnson et al. (1997), Anderson and Weitz (1992) and Labahn (1999). Applying factor loading resulted in the deletion of one item which loaded with less than 0.5 (Field, 2009) and so was excluded.

Factor 2- commitment (COMMIT): this factor encompasses the level of commitment in IJVs regarding performance. A seven-item scale was applied, which was developed by Morgan and Hunt (1994), Mohr and Spekman (1994), Moorman et al. (1994), Johnson et al. (1997), Anderson and Weitz (1992) and Labahn (1999). Applying factor loading at 0.5 (Field, 2009), no item was excluded.

Table 6.11:   Factor Loading and Cronbach's Alpha of Trust and Commitment

Factors and related items	Factor loading	Alpha
Trust		
Both believe that each partner will fulfil the terms of the contract	.665	
We can rely on our partner to do their task in our joint venture	.711	
Our partner is capable and competent	.563	
Our partner is always frank and truthful	.758	
Our partner is always knowledgeable about the issues relevant to our joint venture	.591	.839
Our partner would go out of its way to make sure our firm is not damaged or harmed in this relationship	.787	
We feel our partner is on our side our partner can be trusted to make sensible joint venture decision	.694	
Our partner cares what happens to us	.716	
Commitment		
Our partner is willing to dedicate any resource needed for the joint venture	.912	
Our partner provides capable personnel for the joint venture operation	.534	
Our partner does necessary things to solve problems	.573	.799
Our partner cares about the fate of the joint venture	.879	
Our partner tries to keep a long term relationship	.630	
The relationship with our partner will be profitable over the long run	.751	

Factor 3- complementarity (COMP): this factor covers inter-partner fit factors regarding trust in IJVs. A four-item scale was applied by Deitz et al. (2010), Johnson et al. (1997) and Anderson and Narus (1990). Applying factor loading at 0.5 (Field, 2009), one item was excluded.

Factor 4- compatibility (COMT): this factor covers inter-partner fit factors of trust in IJVs. A seven-item scale was applied, developed by Lane and Beamish (1990), Wallets et al. (1994)

and Jemison and Stikin (1986). Applying factor loading at 0.5 (Field, 2009), two items were excluded.

Factor 5- strategic bonds (SB): this factor covers inter-partner fit factors regarding trust in IJVs. A five-item scale was applied by Tri (2000), Johnson et al. (1997), Zeira et al. (1997), Tsai and Ghoshal (1998) and Yli-Renko et al. (2001). Applying factor loading at 0.5 (Field, 2009), one item was excluded.

Table 6.12:   Factor Loading and Cronbach's Alpha of Inter-Partner Fit Factors

Factors and related items	Factor loading	Alpha
Complementarity		
Strategically, we couldn't ask for a better fit between my firm and our partner	.763	
Our joint venture partner brings to the table resources and competencies that complement our own	.894	.835
We have separate abilities that, when combined together, enable us to achieve goals beyond our individual reach	.907	
Compatibility		
We are similar with our partner in:		
Approaches to business dealing	.870	
General management systems	.791	
Decision-making processes	.696	.839
Relations between a higher and lower official	.623	
Performance evaluation	.888	
Strategic bonds		
The IJV's aim and objectives are clearly written in its profile	.922	
The IJV partners share a similar vision regarding the company's future	.696	.868
The joint venture provides strategic benefits to both partner	.878	
Both partners perceive their problems as mutual problems	.859	

Factor 6- fairness (FA): this factor covers relational factors regarding trust in IJVs. A three-item scale was applied by Heide and John (1992), Aulakh et al. (1997) and Homburg et al. (2002). All items were included after applying factor loading at 0.5 (Field, 2009).

Factor 7- flexibility (FLEX): this factor encompasses relational factors in regard to trust in IJVs. A four-item scale developed by Pearce (2001), Heide and John (1992), Aulakh et al.

(1997) and Homburg et al. (2002) was applied to measure flexibility. All items were included after applying factor loading at 0.5 (Field, 2009).

Factor 8- two-way effective and continues communication (COMM): this factor encompasses relational factors in regard to trust in IJVs. A four-item scale developed by Pearce (2001) and Kale et al. (2000) was applied to measure two-way effective and continues communication. One item was excluded, applying factor loading at 0.5 (Field, 2009).

Table 6.13:   Factor Loading and Cronbach's Alpha of Relational Factors

Factors and related items	Factor loading	Alpha
Fairness		
Each partner shares benefits and costs fairly	.898	
Each partner maintains fairness in processes of the joint venture operation	.676	.778
Each partner maintains fairness in key decision–making activities	.908	
Flexibility		
When an unexpected situation arises, the partners would rather work out a new deal than hold each other to the original terms	.647	
Changes in 'fixed' terms are willingly made by the partners if it is considered necessary	.815	
The partners are open to modifying their agreement if unexpected events occur	.763	.784
Employees are given autonomy to address obstacles in their work	.896	
Two-way effective and continues communication		
Communication between the partner companies takes place frequently	.936	
The partners openly provide proprietary information if it can help the IJV	.862	.916
The partners keep one another informed about events or changes that may affect the other party	.954	

Factor 9- country risk (CR): this factor encompasses the risk of the country in regard to trust in IJVs. A ten-item scale developed by Kaufmann et al. (1999) and Aulakh et al. (1996) was applied to measure country risk. Three items were excluded after applying factor loading at 0.5 (Field, 2009).

Table 6.14:   Factor Loading and Cronbach's Alpha of Country Risk

Factor and related items	Factor loading	Alpha
Country risk		
In my partner country:		
There is rule of law	.783	
There is control of corruption	.629	
There is import regulation	.661	
There is export regulation	.617	.795
Economic conditions	.632	
Remittances and repatriation regulations	.700	
Exchange rate fluctuations	.665	

Factor 10- religion (RLG): this factor covers opportunistic behaviour questions in order to measure the effect of religion regarding trust. A six-item scale developed by Morgan and Hunt (1994), Smith and Barclay (1997), Gundlach et al. (1995) and Hsieh et al. (2010) was applied to measure religion. One item was excluded after applying factor loading at 0.5 (Field, 2009).

Table 6.15:   Factor Loading and Cronbach's Alpha of Religion (Opportunistic Behaviour)

Factor and related items	Factor loading	Alpha
Religion (opportunistic behaviour)		
We are suspicious that our partner may:		
Alter the facts slightly	.943	
Present incomplete or distorted information	.892	
Breach formal or informal agreements	.825	.828
Engage in opportunistic behaviour	.659	
Supply substandard/ overpriced materials or products	.536	

Factors 11, 12, 13- performance including satisfaction, goal achievement and learning (SAT, GOAL, LEAR): these factors cover the performance of IJVs, which includes satisfaction, goal achievement and learning. A ten-item scale was developed for measuring performance, of which six items belonged to satisfaction and goal achievement developed by Mohr and Spekman (1994), Johnson and Raven (1996), Lin and Germain (1998), Hausman (2001) and Krishnan and Martin (2006), and four items were for learning, developed by Kotabe et al.

(2003), Doz et al. (2000) and Tsang (2000). All items were included after applying factor loading at 0.5 (Field, 2009).

Table 6.16:   Factor Loading and Cronbach's Alpha of Performance

Factors and related items	Factor loading	Alpha
Satisfaction		
We are satisfied with the focal relationship	.928	
We consider that we are good partners to each other	.612	.778
We are likely to select the other partner if they again form a joint venture	.903	
Goal achievement		
The objectives for which the collaboration was established are being met	.895	
This alliance has been productive enough	.730	.770
The progress that has been made towards achieving the IJV's goals	.849	
Learning		
Our organisation has benefited from the transfer of technology from our partners	.882	
Our organisation has been able to develop new technology	.803	.763
Our organisation has been able to produce new products or engage in innovation	.639	
Our organisation has gained new and additional knowledge	.755	

The factors structured above (Tables 6.11, 6.12, 6.13, 6.14, 6.15 and 6.16) were conducted to establish trust for the performance predictor variables. The factors which had eigenvalues greater than 1 were preserved. The measure of sampling adequacy (MSA = 0.845) (Kaiser, 1974) and Bartlett's test of sphericity (BTS = 1523.961, p = 0.000) demonstrated that the exploratory factor analysis was applied correctly. The amount of variance explained by these factors was 74.31 percent (Hair et al., 2006). Cronbach's alpha for each factor confirmed that the items in each factor were internally consistent (Nunnally, 1978).

6.6 Multiple Regression Analysis

6.6.1 Regression analysis 1: Examining the Relationship between Inter-Partner Fit Factors, Relational Factors, Country Risk Factors and Religion

A multiple regression analysis was conducted by using SPSS V.18 to test the relationship between inter-partner fit factors (complementarity, compatibility and strategic bonds), relational factors (fairness, flexibility and two-way effective and continues communication), country risk factors and religion. The independent variables proposed eight dimensions, as mentioned above. The dependent variable was trust. Tables 6.17.1, 6.17.2 and 6.17.3 illustrate the regression analysis results for the relationship of the inter-partner fit factors, relational factors, country risk factors and religion (opportunistic behaviour) with inter-organisational trust.

In this relationship, the multiple correlation coefficient (R) is 0.894 and the adjusted R^2 value is 0.79. Therefore, the predictor variable of the inter-partner fit factors, relational factors, country risk and religion explain 79 percent of the variance in the dependent variable of trust (Table 6.17.1).

Table 6.17.1: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.894(a)	.798	.793	.28359

a Predictors: (Constant), RLG, FA, CR, FLEX, COMT, COMM, COMP, SB
b Dependent Variable: TR

Table 6.17.2 presents that the model fits at a good level. If the improvement due to the fitting regression model is much greater than the inaccuracy within the model, then the value of F will be greater than 1 and SPSS calculates the exact probability of obtaining the value of F by chance. For instance, the F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 138.26, which shows that it is very unlikely that the results are computed by chance and are highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

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Table 6.17.2: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	56.546	8	7.068	138.261	.000(a)
	Residual	11.042	216	.051		
	Total	67.588	224			

a Predictors: (Constant), RLG, FA, CR, FLEX, COMT, COMM, COMP, STB
b Dependent Variable: TR

Table 6.17.3 displays the standardised beta coefficient (β) between the predictor variables, inter-partner fit factors, relational factors, country risk and religion, and the dependent variable, trust. From the regression analysis, it is indicated that the relationship between the independent and dependent variables is more or less statistically significant at the 95 percent confidence level ($p < 0.05$), apart from fairness, which is less than 95 percent ($p < 0.05$). The beta coefficient (β) is shown to be either positively or negatively and statistically significant at the 0.001 level for all variables, apart from fairness. Therefore, the higher the inter-partner fit factors, relational factors, and the lower country risk and religion scores, the higher the trust scores. Table 6.17.3 below illustrates the significant variables, such as complementarity (CMP) (β = 0.25, $p < 0.001$), flexibility (FLEX) (β = 0.4, $p < 0.001$) and compatibility (COMT) (β = 0.15, $p < 0.001$).

Table 6.17.3: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.992	.221		4.481	.000		
	COMP	.218	.039	.250	5.610	.000	.380	2.631
	COMT	.151	.049	.150	3.075	.002	.318	3.142
	STB	.127	.052	.147	2.455	.015	.210	4.761
	FA	-.052	.026	-.062	-1.860	.055	.763	1.310
	FLEX	.334	.029	.400	11.527	.000	.627	1.595
	COMM	.087	.039	.105	2.237	.026	.346	2.887
	CR	-.128	.043	-.093	-2.975	.003	.776	1.288
	RLG	-.092	.029	-.093	-3.164	.002	.869	1.151

a Dependent Variable: TR

Figure 6.2:   The Effects of Inter-Partner Fit Factors, Relational Factors, Country Risk and Religion on Trust
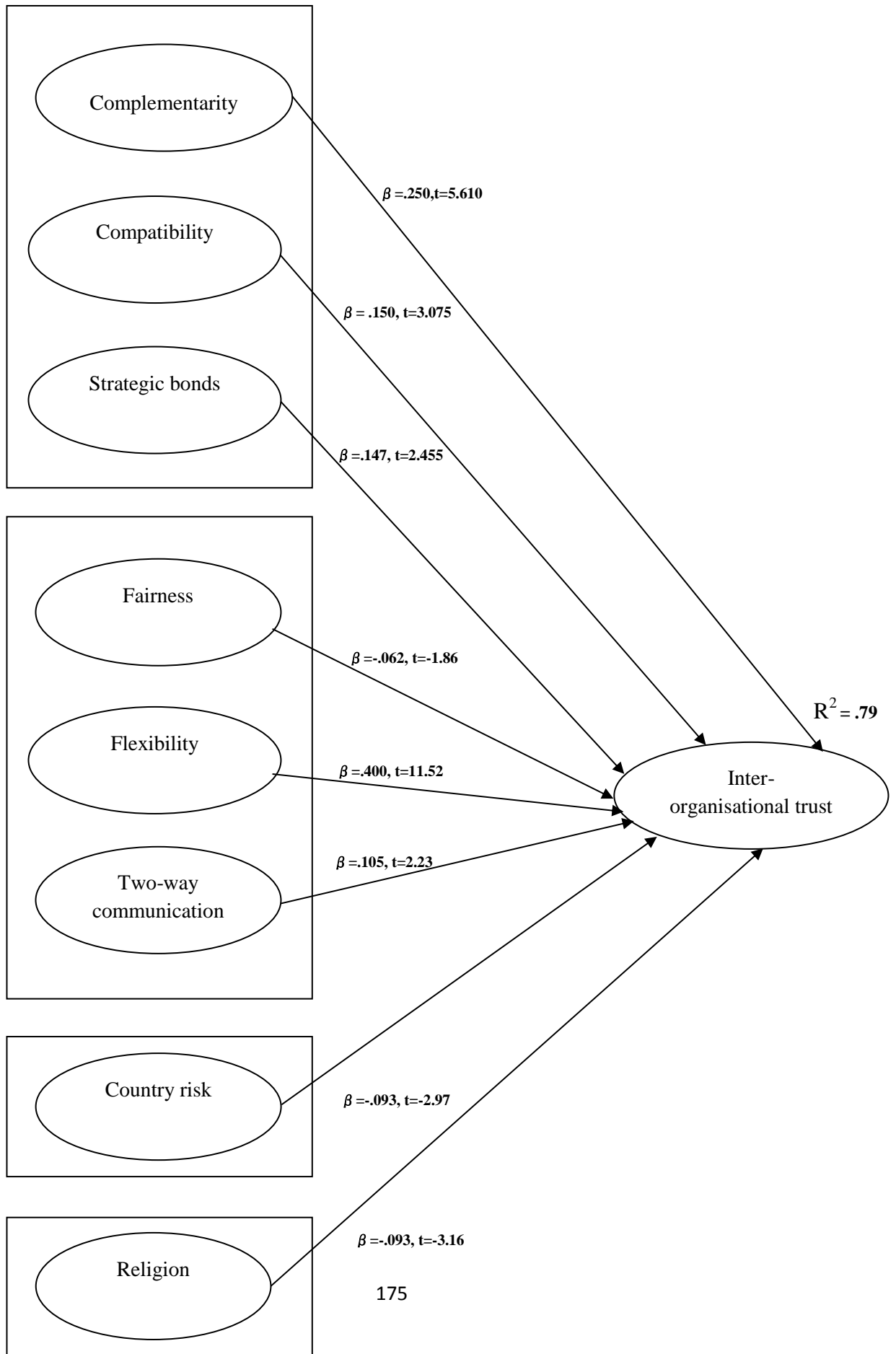
6.6.2 Similar or Different Religious

A simple regression analysis was conducted using SPSS V.18 to examine the relationship between religion and trust. The independent variable was religion and the dependent variable was trust. Tables 6.17.4, 6.17.5 and 6.17.6 present the regression analysis results for the relationship between religion and trust. In this relationship, the multiple correlation coefficient (R) is 0.334 (for similar religions) and 0.256 (for different religions) and the R^2 values are 0.112 and 0.066, respectively. Therefore, the predictor variable of religion explains 11 percent and 6 percent of the variance in the dependent variable of trust (Table 6.17.4).

Table 6.17.4: Model Summary (b)

Similar religion	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
		R Square Change	F Change	df1	df2
Yes	1	.334(a)	.112	.106	.54908
No	1	.256(a)	.066	.059	.55985

a Predictors: (Constant), RLG
b Dependent Variable: TR

Table 6.17.5 shows that the model fits at a good level. The F-ratios (i.e. the ratio of improvement in the dependent variable by its predictors) are 18.880 and 11.519, which shows they are highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.17.5: ANOVA (b)

Similar religion	Model		Sum of Squares	df	Mean Square	F	Sig.
Yes	1	Regression	5.692	1	5.692	18.880	.000(a)
		Residual	45.223	150	.301		
		Total	50.915	151			
No	1	Regression	3.297	1	3.297	11.519	.000(a)
		Residual	47.015	150	.313		
		Total	50.312	151			

a Predictors: (Constant), RLG
b Dependent Variable: TR

Table 6.17.6 illustrates the standardised beta coefficient (β) between the predictor variable, religion, and the dependent variable, trust. From the regression analysis, it is indicated that the relationship between religion and trust is statistically significant for both groups of similar or different religions at the 95 percent confidence level ($p < 0.05$). The beta coefficient (β) is

shown to be negatively and statistically significant at the 0.001 level for both groups. Therefore, whether partners are from similar or different religious backgrounds, they are suspicious about opportunistic behaviour of their partners. Thus, the higher the possibility of opportunistic behaviour score, the lower the trust scores (β = -0.334, t = -4.345, p < 0.001 and β = -0.256, t = -3.243, p < 0.001). The result of the analysis shows that hypothesis H7a is rejected and H7b is supported (partially accepted).

Table 6.17.6: Coefficients (a)

Similar religion	Model		Unstandardized Coefficients		Standardized Coefficients		
			B	Std. Error	Beta	t	Sig.
Yes	1	(Constant)	4.650	.240		19.343	.000
		RLG	-.364	.084	-.334	-4.345	.000
No	1	(Constant)	4.416	.228		19.345	.000
		RLG	-.255	.079	-.256	-3.243	.000

a Dependent Variable: TR

Therefore, the hypotheses H1, H2, H3, H5, H6, H7B and H8 are supported at t-value > ±1.96, and H4 and H7A are rejected.

Table 6.17.7: Hypotheses Assessment

Research hypotheses	β	t-value	results
H1	.250	5.610	**Supported**
H2	.150	3.075	**Supported**
H3	.147	2.455	**Supported**
H4	-.062	-.1.860	**Rejected**
H5	.400	11.527	**Supported**
H6	.105	2.237	**Supported**
H8	-.093	-2.975	**Supported**
H7A	-.334	-4.345	**Rejected**
H7B	-.256	-3.243	**Supported**

- **Multicollinearity Diagnostics**

When performing a regression analysis, an important cause of concern is the existence of multicollinearity (a statistical phenomenon in which two or more predictor variables in a multiple regression model are highly correlated) amongst the independent variables. It is likely to exist when the independent variables included in the analysis are not accurately independent and measure unnecessary information (Myers, 1990). The existence of multicollinearity negatively affects the predictive ability of the regression model (Myers,

1990) and causes problems when attempting to draw assumptions about the relative contribution of each predictor variable to the success of a model (Brace et al., 2003). Therefore, it is important to examine whether the problem of multicollinearity exists in this research. SPSS V.18 provides two methods to determine if the data suffer the problem of multicollinearity: tolerance (T); and the variance inflation factor (VIF) (Brace et al., 2003).

According to Myers (1990), if the VIF value for any constructs exceeds 10, then there is a possibility of multicollinearity amongst the constructs. In order to overcome this problem, a variable with a VIF value greater than 10 must be deleted (Myers, 1990). The VIF for each independent variable was less than 10, which is the cut-off value beyond which multicollinearity would be indicated; this implies no serious multicollinearity. Table 6.17.3 includes the VIF values for the independent variables of the study.

6.6.3 Regression analysis II: Examining the Relationship between Trust and Commitment

A simple regression analysis was conducted using SPSS V.18 to examine the relationship between trust and commitment. The independent variable was trust and the dependent variable was commitment. Tables 6.18, 6.18.1 and 6.18.2 show the regression analysis results for the relationship between trust and commitment. In this relationship, the multiple correlation coefficient (R) is 0.418 and the R^2 value is 0.17. Therefore, the predictor variable of trust explains 17 percent of the variance in the dependent variable of commitment (Table 6.18).

Table 6.18: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.418(a)	.175	.172	.53746

a Predictors: (Constant), TR
b Dependent Variable: COMMIT

Table 6.18.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 63.12, which is highly significant (p < 0.001). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.18.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.233	1	18.233	63.120	.000(a)
	Residual	86.083	298	.289		
	Total	104.316	299			

a Predictors: (Constant), TR
b Dependent Variable: COMMIT

From the regression analysis, it is indicated that the relationship between trust and commitment is statistically significant at the 95 percent confidence level ($p < 0.05$). The table below (6.18.2) displays the standardised beta coefficient (β) between the predictor variable, trust, and the dependent variable, commitment. The beta coefficient (β) is shown to be positive and statistically significant at the 0.001 level. Therefore, the higher the trust scores, the higher the commitment scores ($\beta = 0.418$, $t = 7.945$, $p < 0.001$).

Table 6.18.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.309	.196		11.768	.000		
	TR	.419	.053	.418	7.945	.000	0.438	1.224

a Dependent Variable: COMMIT

Figure 6.3: The Effects of Trust on Commitment
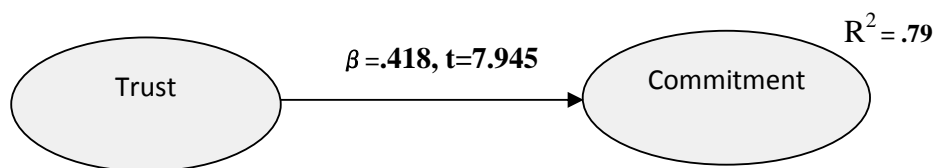
Therefore hypothesis H10 is supported at t-value $> \pm1.96$ (Table 6.18.3).

Table 6.18.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H9	.418	7.945	**Supported**

6.6.4 Regression analysis III: Examining the Relationship between Trust and Performance

A new scale category was created for trust and each performance category in order to conduct a regression analysis with performance (satisfaction, goal achievement and learning) as the dependent variable and trust as the independent variable.

Tables 6.19, 6.19.1, 6.19.2 and 6.19.3 present the regression analysis results for the relationship between trust and satisfaction. In this relationship, the multiple correlation coefficient (R) is 0.621 and the R^2 value is 0.386. Therefore, the predictor variable of trust explains 38 percent of the variance in the dependent variable of satisfaction (Table 6.19).

Table 6.19: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.621(a)	.386	.384	.55785

a Predictors: (Constant), TR
b Dependent Variable: SATS

Table 6.19.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 193.85, which is highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.19.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.326	1	60.326	193.853	.000(a)
	Residual	96.159	309	.311		
	Total	156.485	310			

a Predictors: (Constant), TR
b Dependent Variable: SATS

From the regression analysis, it is observed that the relationship between trust and satisfaction is statistically significant at the 95 percent confidence level ($p < 0.05$). Table 6.19.2 below displays the standardised beta coefficient (β) between the predictor variable, trust, and the dependent variable, satisfaction. The beta coefficient (β) is shown to be positive and

statistically significant at the 0.001 level. Therefore, the higher the trust scores, the higher the satisfaction scores ($\beta = 0.621$, $t = 13.92$, $p < 0.001$).

Table 6.19.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.795	.201		3.947	.000		
	TRR	.755	.054	.621	13.923	.000	0.218	1.631

a Dependent Variable: SATS

Therefore hypothesis H9A is supported at t-value $> \pm1.96$ (Table 6.19.3).

Table 6.19.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H10A	.621	13.923	**Supported**

Tables 6.20, 6.20.1, 6.20.2 and 6.20.3 illustrate the regression analysis results for the relationship between trust and goal achievement. In this relationship, the multiple correlation coefficient (R) is 0.548 and the R^2 value is 0.300. Therefore, the predictor variable of trust explains 30 percent of the variance in the dependent variable of goal achievement (Table 6.20).

Table 6.20: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548(a)	.300	.298	.60844

a Predictors: (Constant), TR
b Dependent Variable: GOAL

Table 6.20.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 131.435, which is highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.20.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.658	1	48.658	131.435	.000(a)
	Residual	113.283	306	.370		
	Total	161.940	307			

a Predictors: (Constant), TR
b Dependent Variable: GOAL

From the regression analysis, it is observed that the relationship between trust and goal achievement is statistically significant at the 95 percent confidence level ($p < 0.05$). Table 6.20.2 below displays the standardised beta coefficient (β) between the predictor variable, trust, and the dependent variable, goal achievement. The beta coefficient (β) is shown to be positive and statistically significant at the 0.001 level. Therefore, the higher the trust scores, the higher the goal achievement scores ($\beta = 0.548$, $t = 11.465$, $p < 0.001$).

Table 6.20.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.219	.213		5.715	.000		
	TR	.662	.058	.548	11.465	.000	0.543	1.388

a Dependent Variable: GOAL

Therefore hypothesis H9B is supported at t-value $> \pm 1.96$ (Table 6.20.3).

Table 6.20.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H10b	.548	11.465	**Supported**

Tables 6.21, 6.21.1, 6.21.2 and 6.21.3 show the regression analysis results for the relationship between trust and learning. In this relationship, the multiple correlation coefficient (R) is 0.467 and the R^2 value is 0.218. Therefore, the predictor variable of trust explains 21 percent of the variance in the dependent variable of learning (Table 6.21).

Table 6.21: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.467(a)	.218	.215	.59399

a Predictors: (Constant), TR
b Dependent Variable: LEAR

Table 6.21.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 87.732, which is highly significant (p < 0.001). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.21.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.955	1	30.955	87.732	.000(a)
	Residual	111.141	315	.353		
	Total	142.096	316			

a Predictors: (Constant), TR
b Dependent Variable: LEAR

From the regression analysis, it is observed that the relationship between trust and learning is statistically significant at the 95 percent confidence level (p < 0.05). The table below (6.21.2) displays the standardised beta coefficient (β) between the predictor variable, trust, and the dependent variable, learning. The beta coefficient (β) is shown to be positive and statistically significant at the 0.001 level. Therefore, the higher the trust scores, the higher the learning scores (β = 0.467, t = 9.367, p < 0.001).

Table 6.21.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.896	.209		9.058	.000		
	TR	.533	.057	.467	9.367	.000	0.755	1.887

a Dependent Variable: LEAR

Therefore hypothesis H9C is supported at t-value > ±1.96 (Table 6.21.3).

Table 6.21.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H10C	.467	9.367	**Supported**

Figure 6.4: The Effects of Trust on Performance (Satisfaction, Goal Achievement and Learning)
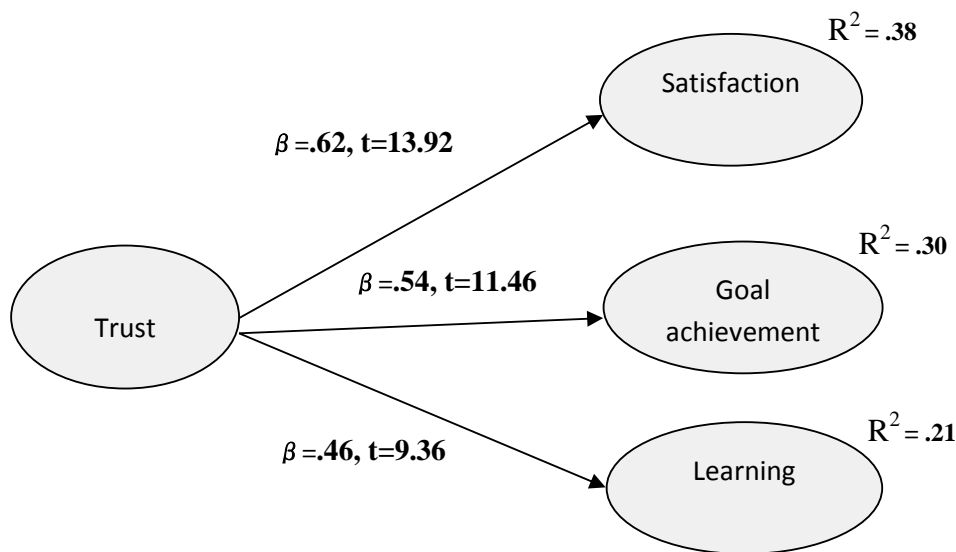
6.6.5 Regression analysis III: Examining the Relationship between Commitment and Performance

A new scale was created for commitment and each performance category. The purpose was to conduct a regression analysis with performance (satisfaction, goal achievement and learning) as the dependent variable and commitment as the independent variable. Tables 6.22, 6.22.1, 6.22.2 and 6.22.3 display the regression analysis results for the relationship between commitment and satisfaction. In this relationship, the multiple correlation coefficient (R) is 0.306 and the R^2 value is 0.093. Therefore, the predictor variable of commitment explains 9 percent of the variance in the dependent variable of satisfaction (Table 6.22).

Table 6.22: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.306(a)	.093	.090	.67565

a Predictors: (Constant), COMMIT
b Dependent Variable: SATS

Table 6.22.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 28.958, which is highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.22.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.219	1	13.219	28.958	.000(a)
	Residual	128.277	281	.457		
	Total	141.497	282			

a Predictors: (Constant), COMMIT
b Dependent Variable: SATS

From the regression analysis, it is observed that the relationship between commitment and satisfaction is statistically significant at the 95 percent confidence level ($p < 0.05$). The table below (6.22.2) displays the standardised beta coefficient (β) between the predictor variable, trust, and the dependent variable, satisfaction. The beta coefficient (β) is shown to be positive and statistically significant at the 0.001 level. Therefore, the higher the commitment scores, the higher the satisfaction scores ($\beta = 0.306$, $t = 5.381$, $p < 0.001$).

Table 6.22.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.149	.266		8.069	.000		
	COMMIT	.367	.068	.306	5.381	.000	0.626	1.767

a Dependent Variable: SATS

Therefore hypothesis H11A is supported at t-value > ±1.96 (Table 6.22.3).

Table 6.22.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H11A	.306	5.381	**Supported**

Tables 6.23, 6.23.1, 6.23.2 and 6.23.3 show the regression analysis results for the relationship between commitment and goal achievement. In this relationship, the multiple correlation coefficient (R) is 0.379 and the R^2 value is 0.143. Therefore, the predictor variable of commitment explains 14 percent of the variance in the dependent variable of goal achievement (Table 6.23).

Table 6.23: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.379(a)	.143	.140	.67596

a Predictors: (Constant), COMMIT
b Dependent Variable: GOAL

Table 6.23.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 46.367, which is highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.23.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.186	1	21.186	46.367	.000(a)
	Residual	126.566	277	.457		
	Total	147.752	278			

a Predictors: (Constant), COMMIT
b Dependent Variable: GOAL

From the regression analysis, it is observed that the relationship between commitment and goal achievement is statistically significant at the 95 percent confidence level ($p < 0.05$). Table 6.23.2 displays the standardised beta coefficient (β) between the predictor variable, commitment, and the dependent variable, goal achievement. The beta coefficient (β) is shown

to be positive and statistically significant at the 0.001 level. Therefore, the higher the commitment scores, the higher the goal achievement scores ($\beta = 0.379$, $t = 6.809$, $p < 0.001$).

Table 6.23.2: Coefficients (a)

| Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.882	.264		7.135	.000		
	COMMIT	.463	.068	.379	6.809	.000	0.439	1.886

a Dependent Variable: GOAL

Therefore hypothesis H11B is supported at t-value > ±1.96 (Table 6.23.3).

Table 6.23.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H11B	.379	6.809	**Supported**

Tables 6.24, 6.24.1, 6.24.2 and 6.24.3 report the regression analysis results for the relationship between commitment and learning. In this relationship, the multiple correlation coefficient (R) is 0.410 and the R^2 value is 0.169. Therefore, the predictor variable of commitment explains 17 percent of the variance in the dependent variable of learning (Table 6.24).

Table 6.24: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.410(a)	.169	.166	.60899

a Predictors: (Constant), COMMIT
b Dependent Variable: LEAR

Table 6.24.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 57.958, which is highly significant ($p < 0.001$). The results can be interpreted as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.24.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.494	1	21.494	57.958	.000(a)
	Residual	106.067	286	.371		
	Total	127.562	287			

a Predictors: (Constant), COMMIT
b Dependent Variable: LEAR

From the regression analysis, it is observed that the relationship between commitment and learning is statistically significant at the 95 percent confidence level ($p < 0.05$). The table below (6.24.2) displays the standardised beta coefficient (β) between the predictor variable, commitment, and the dependent variable, learning. The beta coefficient (β) is shown to be positive and statistically significant at the 0.001 level. Therefore, the higher the commitment scores, the higher the learning scores ($\beta = 0.410$, $t = 7.613$, $p < 0.001$).

Table 6.24.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.059	.237		8.694	.000		
	COMMIT	.466	.061	.410	7.613	.000	0.811	1.339

a Dependent Variable: LEAR

Therefore hypothesis H11C is supported at t-value > ±1.96 (Table 6.24.3).

Table 6.24.3: Hypotheses Assessment

Research hypotheses	β	t-value	Results
H11C	.410	7.613	**Supported**

Figure 6.5: The Effects of Commitment on Performance (Satisfaction, Goal Achievement and Learning)
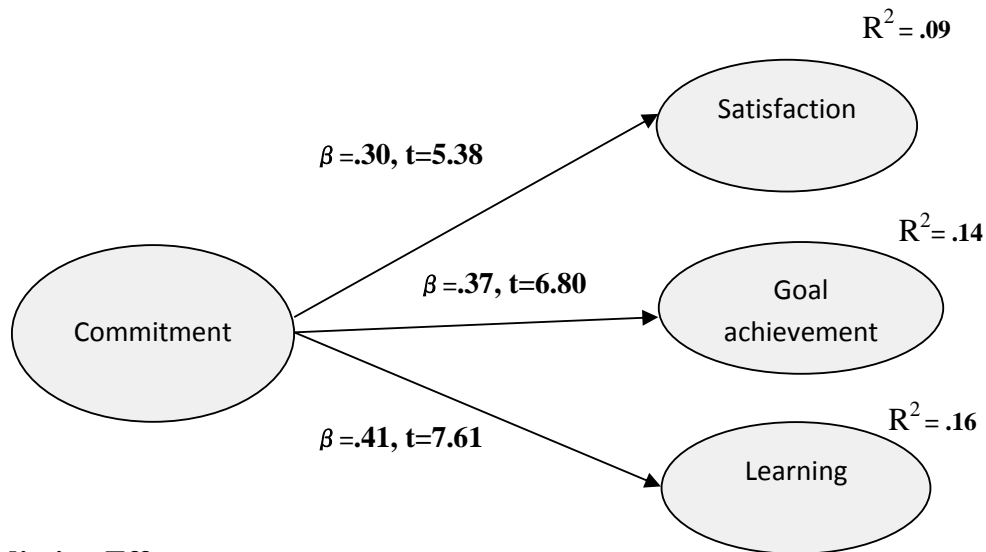
6.7 Mediation Effects

The amount of mediation (indirect relationship) of one initial variable (e.g. inter-partner fit factors) can be estimated by the indirect effect of the initial variable when adding the path from the initial variable to the so-called outcome variable (i.e. performance), while controlling the mediator and the other initial variable (i.e. inter-partner fit factors) as covariate in the mediation model (Kenny, 2006). In the mediation model, the total effect can be used to estimate the direct effect of the initial variable on the outcome variable when the model does not include the mediator. If the total effect of the initial variable is significant, it means that there is an effect that can be mediated. In addition, if the direct effect is not significant, the mediator has a complete mediating effect on the relationship between the initial variable and the outcome variable. If the direct effect is significant, the mediator has a partial mediating effect on the relationship between the initial variable and the outcome variable. According to MacKinnon (2000), regression is the most common method for testing mediation.

Baron and Kenny (1986) proposed a four-step approach in which several regression analyses are conducted and the significance of the coefficients is examined at each step. Table 6.25 below presents these steps in detail.

Table 6.25: Mediation Test Steps

Steps	Analysis	Visual Drawing
Step 1	Conduct a simple regression analysis with X predicting Y to test for path alone, $Y = B_0 + B_1X + e$	C X ⟶ Y
Step 2	Conduct a simple regression analysis with X predicting M to test for path alone, $M = B_0 + B_1X + e$	a X ⟶ M
Step 3	Conduct a simple regression analysis with M predicting Y to test the significance of path alone, $Y = B_0 + B_1M + e$	b M ⟶ Y
Step 4	Conduct a multiple regression analysis with X and M predicting Y, $Y = B_0 + B_1X + B_2M + e$	X ⟶ M ⟶ Y

6.7.1 Regression I: Examining the Relationship between Inter-Partner Fit Factors, Relational Factors, Country Risk Factor, Religion and Performance

A new scale was created for performance. The computing average of all the items for each category achieved this. The purpose was to conduct a regression analysis with performance as the dependent variable and inter-partner fit factors, relational factors, country risk and religion as the predictor variables. Tables 6.26, 6.26.1 and 6.26.2 report the regression analysis results for this relationship. In this relationship, the multiple correlation coefficient (R) is 0.422 and the adjusted R^2 value is 0.175. Therefore, the predictor variables of inter-partner fit factors, relational factors, country risk and religion explain 17 percent of the variance in the dependent variable of performance (Table 6.26).

Table 6.26: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.422(a)	.178	.175	.61069

a Predictors: (Constant), RLG, CR, FA, FLEX, COMT, COMM, COMP, STB
b Dependent Variable: PERFOR

Table 6.26.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 33.144, which is highly significant ($p < 0.001$). We can interpret the results as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.26.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.532	8	3.441	33.144	.000(a)
	Residual	19.002	183	.104		
	Total	46.534	191			

a Predictors: (Constant), RLG, CR, FA, FLEX, COMT, COMM, COMP, STB
b Dependent Variable: PERFOR

The table below (6.26.2) displays the standardised beta coefficient (β) between the predictor variables, inter-partner fit factors, relational factors, country risk and religion, and the dependent variable, performance. The beta coefficient (β) is shown to be positive and statistically significant at the 0.001 level for fairness.

Table 6.26.2: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.866	.338		8.489	.000		
	COMP	.064	.082	.076	.788	.432	.380	2.630
	COMT	.050	.074	.057	.678	.498	.320	3.127
	STB	-.076	.078	-.098	-.970	.333	.219	4.567
	FA	.168	.041	.229	4.147	.000	.735	1.361
	FLEX	.410	.045	.047	1.016	.069	.633	1.579
	COMM	-.060	.060	-.039	-1.775	.077	.367	2.728
	CR	-.04	.067	-.084	-1.551	.123	.759	1.317
	RLG	-.072	.044	-.099	-1.872	.130	.849	1.178

a Dependent Variable: PERFOR

6.7.2 Regression I: Examining the Relationship between Inter-Partner Fit Factors, Relational Factors, Country Risk Factor, Religion and Commitment

A multiple regression analysis was conducted using SPSS V.18 to examine the relationship between inter-partner fit factors, relational factors, country risk and religion as the independent variables and commitment as the dependent variable while controlling performance. Tables 6.27, 6.27.1 and 6.27.2 report the regression analysis results for this relationship. In this relationship, the multiple correlation coefficient (R) is 0.381 and the adjusted R^2 value is 0.143. Therefore, the predictor variable of inter-partner fit factors, relational factors, country risk and religion explains 14 percent of the variance in the dependent variable of commitment (Table 6.27).

Table 6.27: Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	R Square Change	F Change	df1	df2
1	.381(a)	.145	.143	.65946

a Predictors: (Constant), RLG, FA, CR, FLEX, COMT, COMM, COMP, STB
b Dependent Variable: COMMIT

Table 6.27.1 shows that the model fits at a good level. The F-ratio (i.e. the ratio of improvement in the dependent variable by its predictors) is 10.976, which is highly significant ($p < 0.001$). We can interpret the results as meaning that the final model significantly improves our ability to predict the outcome variable.

Table 6.27.1: ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.345	8	2.293	10.976	.000(a)
	Residual	40.949	196	.209		
	Total	59.295	204			

a Predictors: (Constant), RLG, FA, CR, FLEX, COMT, COMM, COMP, STB
b Dependent Variable: COMMIT

Table 6.27.2 below displays the standardised beta coefficient (β) between the predictor variables, inter-partner fit factors, relational factors, country risk and religion, and the dependent variable, commitment. The beta coefficient (β) is shown to be not significant at the 0.001 level for all the variables.

Table 6.27.2: Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.178	.479		6.635	.000		
	COMP	.050	.074	.057	.678	.498	.320	3.127
	COMT	-.084	.104	-.082	-1.681	.320	.327	3.055
	STB	-.052	.026	-.062	-1.860	.065	.763	1.310
	FA	-.072	.044	-.099	-1.872	.130	.849	1.178
	FLEX	-.076	.078	-.098	-.970	.333	.628	1.591
	COMM	-.076	.084	-.203	-1.091	.088	.372	2.685
	CR	-.008	.093	-.006	-.086	.932	.786	1.272
	RLG	-.038	.061	-.040	-.624	.533	.870	1.150

a Dependent Variable: COMMIT

Following the steps outlined earlier for testing mediation, we first established that inter-partner fit factors, relational factors, country risk and religion features (predictors) are related to commitment (the outcome) by regressing commitment on inter-partner fit factors, relational factors, country risk and religion features (Path c, Table 6.27.2). The unstandardised regression coefficient (β) associated with the effect for none of the variables was significant ($p < 0.0001$). Thus, Path c was not significant, and the requirement for mediation in Step 1 was not met.

For the next indirect relationship, we first established that inter-partner fit factors, relational factors, country risk and religion features (predictors) are related to performance (the outcome) by regressing performance on inter-partner fit factors, relational factors, country risk and religion features (Path c, Table 6.27.2). The unstandardised regression coefficient (β) associated with the effect of fairness on performance was significant ($p < 0.0001$). Thus, Path c was significant, and the requirement for mediation in Step 1 was met.

To establish that fairness is related to trust (the hypothesised mediator, Path a), trust on fairness was regressed. The unstandardised regression coefficient (β) associated with this relation was not significant at the $p < 0.0001$ level, and thus the condition for Step 2 was not met. Therefore no indirect relationships between the variables were found.

Figure 6.6: **The Full Conceptual Framework of Relationship between Independent and Dependent Variable**
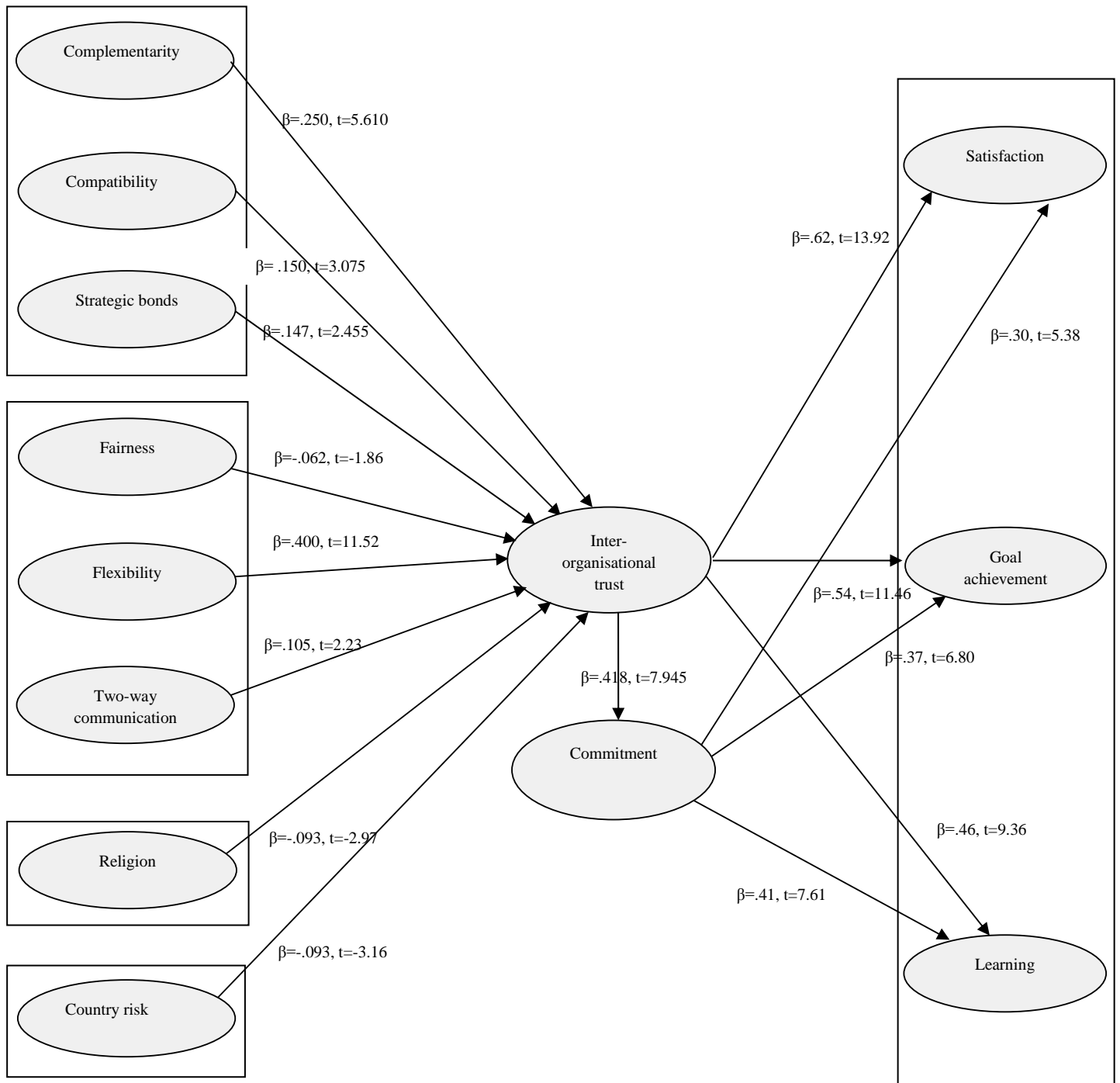
As figure 6.6 shows among inter-partner fit factors complementarity is the most significant variable ($\beta = 0.25$, $p < 0.001$), and among relational factors flexibility is the most significant one ($\beta = 0.4$, $p < 0.001$). Both religion and country risk have significant negative relationships with trust. In addition trust has a strong positive relationship with commitment

(β=.418, t=7.945). Moreover amongst the performance measures (satisfaction, goal achievement and learning), trust has the strongest effect on satisfaction (β=.62, t=13.92) and commitment has the strongest impact on learning (β=.41, t=7.61).

6.8   Conclusion

In conclusion, this chapter presents the findings from the final purified scales and hypotheses testing, followed by an explanation of the factor loading to identify the groups or clusters of variables. An exploratory factor analysis technique was used to show the relationship of the variables to the factors. In this section, the factors were extracted with the help of eigenvalues. Applying the varimax of orthogonal technique in the principal component, the factors were rotated, which showed maximum variance of factor loading. Before inferring the results, reliability and construct validity tests were also conducted in which all the measurement scales were found to be satisfactory.

All the independent variables related to inter-partner fit factors (complementarity, compatibility and strategic bond) and relational factors (fairness, flexibility and two-way effective and continues communication) were found to be positively and significantly correlated to the dependent variable, except for fairness. Moreover country risk factors and religion were found to have a significant and negative relationship with trust. Further, there was a significant positive relationship between trust and commitment. The relationship between trust and all the dimensions of performance (satisfaction, goal achievement and learning) were significantly positive. Moreover, the relationship between commitment and all the dimensions of performance were significant and positive as well.

In brief, the effect of inter-partner fit factors, relational factors, country risk factors and religion on performance is dependent upon the levels of trust. The implications for theory and practice from these results as well as the limitations of this research are discussed in Chapters 7 and 8.

Chapter 7: Discussion

7.1   Introduction

Following the analysis of the research data in Chapter 6, this chapter presents the conclusions and implications of the research findings. The objective of this study was to examine the relationships and predictive impact of the independent variables, including complementarity, compatibility, strategic bond, fairness, flexibility and two-way effective and continues communication, religion and country risk in IJVs, on the dependent variables, such as trust. In addition, the relationships between the trust, commitment and performance of IJVs were investigated. This was a cross-sectional study in which the data were collected from IJVs in Iran.

The structure of this chapter is as follows. First, the population and sample issues are presented; the second section is concerned with the result of scale purification and removing items. Third, the findings of all the hypotheses tested are reviewed and compared with past research. Finally, the linkage between inter-partner fit factors, relational factors, religion and country risk with trust, commitment and performance will be discussed.

7.2   Population and Sample Issue

This study was conducted in IJVs in Iran. In order to collect the data, convenient sampling was carried out (Tabachnick and Fidell, 2007; Hair et al., 2006) from all levels of managers in IJVs which are operating in Iran. Of the 650 questionnaires distributed among the managers of IJVs in Iran, 347 were returned, which shows a response rate of 53 percent. A sufficiently large sample was applied to represent the population and underlying structure, correlations were tested for reliability and the predictive power of the factors was assessed (Tabachnick and Fidell, 2007; Hair et al., 2006). According to Comery and Lee (1992), a sample size of 50–100 is treated as poor, 200 as fair, 300 as good, 500 as very good, and 1,000 is treated as excellent. This study covered a large sample and provided a substantive representation of the total population of IJVs in Iran in the industry sector. However, the response rate was moderate because all participation was voluntary (methodology chapter).

In any sample data, missing data is an important issue and must be considered. In social science research, there are a variety of suggestions such as using the mean of the scores on the variance (Stevens, 1992) or removing those sample(s) with null responses (Norusis,

1995). This study found 17 samples of missing data out of 347 samples, a rate of 4.9 percent which is accepted as not changing the outcome of the analysis. The 17 samples were deleted from the data and the data then tested for outliers. Outliers are categorised as neither beneficial nor problematic (Hair et al., 2006), but they can bias the mean and inflate the standard deviations (Field and Hole, 2003). Therefore, the researcher should be aware of such values because they bias the research model fit to the data (Field, 2009). In order to detect the univariate outliers, the researcher applied a graphic method, and for finding multivariate outliers, Mahalanobis distance case was applied to confirm their effect. By exploring the Mahalanobis distances, five cases were determined as multivariate outliers (Table 6.1).

7.3   Discussion Regarding Research Hypotheses

This study has discussed the antecedents and consequences of IJV partnerships and their impact on the performance of IJVs based on social exchange, transaction cost economics and resource dependence theory. The factors which affect trust were categorised as follows: inter-partner fit factors, relational factors, country risk, and religion. The performance of IJVs was measured by the level of satisfaction, goal achievement and learning. Moreover, the relationship between trust and commitment, between trust and performance and the relationship between commitment and performance were investigated.

On the basis of analysis of 89 IJVs formed between Iranian firms as local partners and their Asian partners as foreign partners, some interesting results were discovered.

This section summarises the hypotheses proposed in Chapter 3 and states whether they are supported by the data analysis or not. Table 7.1 illustrates that a total of 11 research hypotheses were tested to examine whether the independent variables significantly explained the dependent variables; 9 out of 11 research hypotheses were supported, one was partially supported and one was rejected by the data analysis.

Table 7.1: Results of Research Hypotheses

HN	Description	Results
H1	The higher the level of complementarity, the higher the level of inter-organisational trust between partners.	Supported
H2	The stronger the strategic bond between partners, the higher the level of inter-organisational trust between partners.	Supported
H3	The stronger the organisational cultural similarity between partners, the higher the level of inter-organisational trust between partners.	Supported
H4	The greater the fairness between partners, the higher the level of inter-organisational trust.	Rejected
H5	The more is the level of flexibility that partners have, the more the inter-organisational trust between partners.	Supported
H6	The better and stronger the communication that partners have, the higher the level of trust.	Supported
H7a, b	H7a.　In the case of similar partners' religions, the level of inter-organisational trust is higher. H7b.　In the case of different partners' religions, the level of inter-organisational trust is lower.	Partially supported
H8	The higher the level of country risk in the host country, the lower is the level of inter-organisational trust.	Supported
H9	Trust has a positive impact on the performance (satisfaction of goal achievement and learning) of IJVs.	Supported
H10	The more trust between partners, the more commitment they have towards the IJV.	Supported
H11	Commitment has a positive impact on the performance of IJVs.	Supported

7.3.1   Inter Partner-Fits Factors

Partner fit is about the extent to which the partners in cooperation can cope with each other and realise the expected synergy from the IJV. Inter-partner fit is a complex and multi-dimensional conception which was developed from a mixture of factors, and it is included in strategic fits, resource fits, operational fits, organisational fits and cultural fits. In this paper, the focus is on strategic fit and organisational fit.

Following the theoretical foundation presented in Chapters 2 and 4, this research divided the inter-partner fit factors into three factors: complementarity, compatibility and strategic bond.

These features were expected to provide a measure for inter-partner fit factors toward inter-organisational trust.

- **Complementarity**

As discussed in Chapters 2 and 4, several previous empirical studies have found that complementarity is an important factor in determining inter-organisational trust (Johnson et al., 1996; and Deitz et al. 2010). This study proposed that complementarity would have a positive effect on inter-organisational trust. The result of this study supported and confirmed the hypothesis that complementarity has a significant positive influence on inter-organisational trust (H1) between Iranian firms and their Asian partners ($\beta = 0.25$, $p < 0.001$, $t = 5.610$). Furthermore, the findings of this study illustrated that this feature is the most important element in determining the level of trust. This finding is consistent with the studies of Johnson et al. (1996) and Deitz et al. (2010), but somewhat opposite to Sarkar et al. (2001), who found no relationship. This is expected, as when partners consider a joint venture based on mutual benefits, they will not be involved in any opportunistic behaviour which will result in mutual trust (Teagarden, 1998). With a lack of trust, exchange of information between the partners will not be accurate, on time or comprehensive as the partners are not willing to risk sharing the information (Song and Wang, 2010). It therefore appears that when firms can partner with companies that can complement their weaknesses, higher levels of trust will result between the partners. The result can show the link between social exchange theory and complementarity. The reason being that exchange involves a bidirectional interaction and it is based on a give and receive process which is at the core of social exchange theory. If a firm has confidence in the information and knowledge offered by one side, the possibility of sharing information and resources with them will be greater (Song and Wang, 2010).

- **Compatibility**

The findings of this study confirmed the hypothesis that compatibility has a positive influence on inter-organisational trust (H2) between Iranian firms and their Asian partners ($\beta = 0.150$, $p < 0.001$, $t = 3.075$). Furthermore, the findings of this study illustrated that this feature is the second most important element in determining the level of trust. This finding is consistent with the studies of Sarkar et al. (2001), Lin and Germain (1998), Johnson et al. (1997), Lui et al. (2006), Morgan and Hunt (1994) and Ybarra and Turk (2009). When partners in an alliance share similar organisational cultures, they are likely to have a better quality relationship, which in turn will result in an effective combination of skills and

competencies and ensure that the project is effectively and efficiently carried out. This will result in higher levels of trust between the partners for a continuous relationship. According to Stahl et al. (2011), shared norms and values make the improvement of trust and the emergence of a shared identity easier. In contrast, trust can fade and the probability for conflict can increase when a person or group is perceived as not sharing key values.

Partner cultural compatibility is an important contributor to trust building on both sides of the dyad. It is reasonable to argue that knowledge may be shared only with those who can be trusted to reciprocate, and thus favours partnership with the same cultural group. Cultural distance may therefore become an obstacle to international partnership formation and operation (Saffu and Mamman, 1996). This confirms social exchange theory, as when partners are similar in terms of values and organisational culture, the level of mutual trust will increase.

- **Strategic Bond**

The findings of this study confirmed that strategic bond has a positive impact on inter-organisational trust (H3) between Iranian firms and their Asian partners ($\beta = 0.147$, p < 0.001, t = 2.455). Furthermore, the findings of this study illustrated that this feature is the third most important element in determining the level of trust. This finding is consistent with the studies of Johnson et al. (1997) and Thuy and Quay (2005). When partners share the same goals and interest in the joint venture, the level of uncertainty between the partners will decrease, which will result in a higher level of mutual trust. The result confirms the relationship between strategic bond and trust which is at the core of social exchange theory.

In summary, having an IJV with a partner that can supply the other partner with resources and knowledge (complementarity), have similar organisational cultures (compatibility) and the same goals (strategic bonds) can help increase inter-organisational trust between the partners. The above indicate that all inter-partner fit factors have a positive relationship with inter-organisational trust.

7.3.2 Relational Factors

Following the theoretical foundation presented in Chapter 2, this research divided relational factors into three features: fairness, flexibility and two-way effective and continues communication (Thuy and Quang, 2005; Ferguson et al., 2005; Zhang et al., 2003; Aulakh et al., 1996; Yaqub, 2010). These features were expected to provide a measure of relational factors toward inter-organisational trust.

- **Fairness**

The findings of this study confirmed the hypothesis that fairness has no relationship with inter-organisational trust (H4) between Iranian firms and their Asian partners ($\beta = -0.062$, $p < 0.001$, $t = -1.860$). This result contrasts with previous findings of Wong et al. (2006), Ybarra and Turk (2009) and Johnson and Raven (1996), who found a positive relationship between fairness and trust. IJV partners are likely to consider sharing benefits and costs fairly, according to their equity ownerships. Thus, each partner in an IJV would be likely to have greater concern for other social components, such as flexibility and two-way effective and continues communication, than for fairness with regard to trust building.

- **Flexibility**

As discussed in Chapters 2 and 4, flexibility has a strong positive impact on the level of inter-organisational trust. The findings of this study confirmed the hypothesis that flexibility has a strong positive influence on inter-organisational trust (H5) between Iranian firms and their Asian partners ($\beta = 0.400$, $p < 0.001$, $t = 11.527$). Furthermore, flexibility is the most important driver of trust with a path coefficient of 0.400. This finding is consistent with the studies of Inkpen and Currall (1997), Aulakh et al. (1997) and Thuy and Quay (2005). When partners are flexible and they adapt themselves to unforeseen situations, the possibility of engaging in opportunistic behaviour for taking advantage of those situations will be reduced, which will result in a higher level of trust between the partners. Regarding social exchange theory, trust can be developed through adaptation between the firms, because it has been assumed in social exchange theory that the process of exchange over time expresses trustworthiness (Blau, 1964). Thus the link between flexibility and social exchange theory was confirmed.

- **Two-way Effective and Continues Communication**

The findings of this study confirmed the hypothesis that communication has a positive influence on inter-organisational trust (H6) between Iranian firms and their Asian partners ($\beta = 0.105$, $p < 0.001$, $t = 2.237$). This factor was the second strongest factor contributing to inter-organisational trust with a path coefficient of 0.105. These findings are in accordance with the literature, and consistent with the study of Ybarra and Turk (2009). This finding reinforces the position that communication is the key to build a successful relational exchange (Mohr et al., 1996). However, the results are contrary to Thuy and Quay (2005), who found no relationship between two-way effective and continues communication and trust. This can be justified: when partners have quality communication which is timely and

precise, there will be no misunderstanding between the partners and they can solve problems and conflict through communication, which will result in a high level of trust between the partners. Moreover, quality communication between partners will lead to a perception that the partner is caring and concerned about the relationship and thus promotes trust in joint venture partnerships (Bstieler and Hemmert, 2008). To explain communication in terms of social exchange theory, it has been assumed that trust will be created in an environment where communication and information exchanges occur, as these exchanges are part of social exchange theory (Chadwick-Jones, 1974). Therefore the finding of this study confirms the link between communication and social exchange theory.

In summary, having an IJV with a partner that is flexible during the operation of the IJV and have frequent communication can help in having more inter-organisational trust between the partners. The above indicate that all relational factors have a positive relationship with inter-organisational trust, except for fairness.

7.3.3 Country Risk

Even though the country risk research is more relevant than ever, there has been little attention paid to this topic in developing countries such as Iran. The previous research indicate that high country risk has been the main reason behind the global trade reduction, though other reasons such as high inflation and increased competition has had some influence in trade reduction (Becker-Ritterspach and Dorenbacher, 2010; Zohari, 2008).

Country risk was found to have a negative relationship with trust in the case of both the Iranian and their Asian partners. The findings of this study confirmed the hypothesis that country risk has a significant negative influence on inter-organisational trust (H8) between Iranian firms and their Asian partners ($\beta = -0.093$, $p < 0.001$, $t = -2.975$). These findings are consistent with the studies of Paswan (2009) and Guiso et al. (2009) and the broader literature. This result is understandable; in the case of country risk, the possibility of opportunistic behaviour is greater, leading to less trust between the partners. Therefore, instead of focusing on opportunism, partners' focus should be on the factors that may lead to a reduction in opportunistic behaviour, to allow the creation of safeguards to mitigate opportunism (Luo, 2006).

The relationship between trust and the dimensions of environmental uncertainty and opportunism is very important. It has been shown in the literature that relational norms such as trust and opportunism have a negative relationship with each other in an exchange

relationship (Crosno and Dahlstrom, 2008; Hawkins et al., 2009). There is also support for a strong association between environmental uncertainty and relational norms such as trust (Paswan et al., 1998; Noordewier et al., 1990). Luo (2008) also found a positive relationship between country risk and opportunistic behaviour.

A key notion in the transaction cost economics (TCE) model is that a joint venture party's degree of opportunism is not pre-determined but contingent on environmental uncertainty. Environmental instability and country risk increase uncertainty in transactions and will result in information-processing difficulty and complexity. Environmental uncertainty in an emerging economy is mainly caused by structural transformation, institutional reforms, regulatory changes and political changes, and business executives are not able to avoid or control volatility-induced transaction uncertainty and information-processing difficulty. As a result, IJV partners who have invested generally face economic exposure. In an emerging market in which risk management agencies and information intermediaries for firms are absent, it is almost impossible to hedge this economic exposure with external instruments (contractual and financial instruments such as forwards, futures, options and swaps) or internal instruments (operational and financial initiatives such as leads and lags, netting and matching, and intra-corporate arrangements). Due to huge exit costs for IJVs with high asset specificity, along with fears of appropriability hazards due to law unenforceability, partners from both local and foreign sides are likely to be involved in opportunistic behaviours in reaction to such an economic exposure arising from environmental uncertainty (Luo, 2007).

This finding can confirm the link between social exchange theory and country risk from a transaction cost economic perspective. When there is a possibility that partners may engage in opportunistic behaviour due to the country risk factors, the other side may try to gain an advantage in the relationship mutually which will result in a reduction of trust between partners.

7.3.4 Religion

One of the challenges that had been brought to business as a result of globalisation is that, as firms develop their markets internationally through cross-border alliances, they must cope with the issue of partners from different countries with different religious backgrounds.

The findings of this study reject the hypothesis that religion has a positive influence on inter-organisational trust in the case of similar religions (H7a) (β = -0.334, p < 0.001, t = -4.345) and confirm the negative relationship between trust and religion in the case of different

religious backgrounds (H7b) (β = -0.256, p < 0.001, t = -3.243) between Iranian firms and their Asian partners. This finding is inconsistent with the results of Ofallen and Butterfield (2005), Li (2008) and Guiso (2009) empirical research, who state that religion has a positive connection with moral decision-making and trust. It is interesting to mention that religion did not have any effect on the level of monitoring and control of the partners. In the case of either similar or different religions, partners were suspicious about opportunistic behaviour of their partners. Therefore, partners consider their dyad, whether from different or similar religions the same and they have the same level of monitoring and control on them. This demonstrates the link between religion from a transaction cost perspective and social exchange theory. Stark and Bainbridge (1979), suggest that within social exchanges, which are economic in nature, people of similar religions attempt to gain rewards and avoid costs in their cooperation with their partners. When partners are suspicious about each other's opportunistic behaviour whether from a similar or different religious backgrounds, they exert greater control and implement costly safeguards against each other, which will result in a mutual lack of trust.

7.3.5 Trust and Commitment

According to Achrol (1991), trust is a major factor for determining a relationship's commitment. As trust forms the basis of socially embedded exchanges, mutual trust must be earned in order to develop a long-term partner relationship (Yaqub, 2010; Siddiqui, 2010; Savaneviciene and Raginiene, 2011).

The findings of this study confirmed the hypothesis that trust has a significant positive influence on commitment (H10) between Iranian firms and their Asian partners (β = 0.418, p < 0.001, t = 7.945). This finding is consistent with the studies of Perry et al. (2004), Kwon and Suh (2005) and Johanson and Vahlne (2009). This result was expected because trust is an important factor that contributes to the commitment of the firms, which endeavour to create long-term benefits for the relationship rather than short-term opportunities (Wang and Wong, 2011; Coulter and Coulter, 2003; Jap, 2001). When trust is created between the partners in a relationship, it creates willingness for a continuous relationship and improvement through allocating more time and resources to the firms (Morgan and Hunt, 1994).

7.3.6 Trust and Performance

Previous studies have stressed the necessity of relational factors for the smooth performance of IJVs, such as the norm of flexibility (Poppo and Zenger, 2002); no relational factor has received more attention than trust (Krishnan et al., 2006; Mayer et al., 1995; McEvily et al.,

2003; Zaheer et al., 1998). Trust makes reciprocal understanding easier and benefits both partners, and therefore it is assumed that trust has a direct impact on the performance of IJVs (Christoffersen, 2012; Dyer and Chu, 2003; Madhok, 1995; Brouthers and Bamossy, 2006; Robson et al., 2008; Savaneviciene and Raginiene, 2011).

The findings of this study confirmed the hypothesis that trust has a positive influence on all aspects of performance (H9) between Iranian firms and their Asian partners. The findings of this study confirmed the hypothesis that trust has a positive influence on learning ($\beta = 0.467$, $p < 0.001$, $t = 9.367$). This finding is consistent with the studies of Sengu and Onder (2011), Gorovaia and Windsperger (2011), Ybarra and Turk (2009) and Kale et al. (2000), who support the relationship between trust and learning. Once an alliance is formed, the firms who are better at managing the alliance by building relational capital and managing conflict accomplish higher levels of learning. Specifically, as trust increases and partners develop mutual understanding, alliance knowledge becomes more accessible and the potential for innovation and learning increases as the partners do not feel they need to protect themselves from any opportunistic behaviour (Song and Wang, 2010). Trust facilitates knowledge transfer by creating a sense of security (Chen and Lovvorn, 2011). Researchers have drawn on social exchange theory and the relational exchange perspective and recommended the development of a strong relationship with high levels of trust between alliance partners as the only effective deterrent to harmful knowledge loss (Parker, 2012).

Moreover, the findings of this study confirmed the hypothesis that trust has a positive influence on goal achievement ($\beta = 0.548$, $p < 0.001$, $t = 11.465$) and satisfaction ($\beta = 0.621$, $p < 0.001$, $t = 13.923$). This is consistent with the findings of Thuy and Quay (2005) that support the positive impact of trust on goal achievement. In addition, Kwon (2008) supports the positive impact of trust on goal achievement and satisfaction, which is consistent with the results of this study.

The results support that trust becomes more important in explaining the performance of IJVs in cross-border relationships when there are conditions for opportunism of the partner firms. Especially when the local firm has invested extensive assets into the relationship, trust in the relationship can offset the possibility of opportunistic behaviour and therefore has a positive impact on the performance of the IJV.

7.3.7 Commitment and Performance

Commitment will help partners to achieve their goals and objectives in the relationships by producing increased effort by the alliance partners (Johnson et al., 2002; Saxton, 1997). When firms are committed to each other, they want an effective alliance (Johnson et al., 1996; Anderson and Weitz, 1992). It has been stated by Morgan and Hunt (1994) that commitment will increase cooperation, and good cooperation will result in the success of alliances (Christoffersen, 2012; Muthusamy and White, 2005; Johnson et al., 2002; Skarmeas et al., 2002).

The findings of this study confirmed the hypothesis that commitment has a positive relationship with all the dimensions of performance (H11) between Iranian firms and their Asian partners. The findings of this study confirmed the hypothesis that commitment has a positive influence on goal achievement (β = 0.379, p < 0.001, t = 6.809), satisfaction (β = 0.306, p < 0.001, t = 5.381) and learning (β = 0.410, p < 0.001, t = 7.613). This finding is consistent with the studies of Johnson et al. (2002) and Saxton (1997), who found a positive relationship between goal achievement and commitment. Demirbag and Mirza (2000), Mohr and Spekman (1994), Anand and Bahinipati (2012) and Tukamuhabwa et al. (2012) found a positive relationship between commitment and satisfaction, and Anderson et al. (2011) found a positive relationship between commitment and learning.

When partners are committed to the joint ventures, they will look for long-term relationships that prevent partners from seeking another partner or taking advantage of the joint venture for short-term benefits. This will improve cooperation and good cooperation will result in the success of alliances.

7.4 Conclusion

In conclusion, this chapter has provided a detailed discussion on the results, measurement scale purification and hypotheses testing. All the hypotheses developed in the framework were discussed with previous literature and inferences for the future were found. All the independent predictor variables (inter-partner fit factors and relational factors) were positively and significantly related to the dependent variables, except for fairness. Moreover significant and negative relationships between religion and country risk with trust were found. The results of the data analysis and hypotheses testing clarified that inter-partner fit factors, relational factors, country risk and religion have a strong effect on trust, which in turn has a significant effect on performance.

In the next chapter, policy implications will be presented. Research limitations will also be noted and other potential research directions will be discussed in more detail.

Chapter 8: Conclusions and Reflections

8.1   Introduction

Research on the determinants of trust and the impact of trust on the performance of IJVs was stimulated by the increasing number of IJVs in Iran during the last twenty years (see Figure 3.1). The scope of this research is to explore and develop a framework of the factors that affect inter-organisational trust and as a result, the performance of IJVs in Iran, a developing country which is in the early stages of the development of IJVs.

This study evaluated the behavioural approach of inter-organisational governance by examining the antecedent of trust and the impact of trust on the performance of IJVs in Iran. Following a review of the extant literature and different theoretical perspectives, an integrative theoretical framework was developed, composed of inter-partner fit factors, relational factors, country risk, religion, trust, commitment and performance. Along with the theoretical framework, a set of hypotheses have been developed.

The study applied a positivist methodology approach, in which a survey questionnaire was used to collect data in order to test the hypotheses. The data for this study were collected from IJVs operating in Iran. The sample included 330 managers of different levels from IJVs in Iran that had Asian partners. The SPSS V.18 software was utilised to test the hypothesised relationships.

In this chapter, first, the theoretical contribution of the thesis in terms of gaps in the field is discussed. Second, the practical or managerial implications of the study's findings are discussed. This is followed by a discussion of the methodological and theoretical limitations of the research. Finally, some suggestions for future research avenues are proposed.

8.2   Research Implications

8.2.1   Theoretical Implication

After reviewing the extant literature in the domain of IJVs, a conceptual framework was developed on the basis of inter-partner fit factors, relational factors, country risk, religion, trust, commitment and performance. This study was conducted in Iran, where it was proposed that trust has an influential impact on the performance of IJVs. In the framework, the direct impact of inter-partner fit factors (complementarity, compatibility and strategic bond),

relational factors (fairness, flexibility and two-way effective and continues communication), religion and country risk on the level of trust were investigated. Moreover, the direct relationship between trust, commitment and performance (satisfaction, learning and goal achievement) were examined. This understanding was conceptualised on the basis of prior studies (Tables 2.3 and 4.1).

The statistical results showed that all the hypotheses except two were accepted.

- Inter-partner fit factors (complementarity, compatibility and strategic bond) have positive and significant relationships with trust.
- Relational factors (flexibility and two-way communication) have positive and significant relationships with trust, except for fairness.
- Country risk has a strong negative relationship with inter-organisational trust.
- In the case of both similar and different religions, partners were suspicious about opportunistic behaviour of their partners. Therefore, partners consider their dyad, whether from different or similar religions the same and they have the same level of monitoring and control on them. Therefore a negative relationship between religion and inter-organisational trust is found.
- Trust has a strong positive relationship with commitment.
- Trust and commitment have positive relationships with performance features (satisfaction, goal achievement, learning).

First, the contribution of this study is based on the development of a comprehensive theoretical framework that examines the impact of trust on IJVs in Iran. To the best of our knowledge, this is the first time such a theoretical framework has been tested empirically and theoretically. This research establishes an integrative theoretical framework which combines a set of factors that affect the level of trust in IJVs in Iran. Although there has been extensive research investigating the impact of trust on the performance of IJVs, there has been limited empirical research on the process of inter-organisational trust development in strategic alliances (Dyer and Chu, 2011; Thorgren and Wincent, 2011; Silva et al., 2011); therefore, further empirical research regarding the creation of trust was needed. Existing studies on mutual trust are mainly theoretical; there are few empirical studies which have stated that mutual trust between partners is an essential factor for improving alliance performance in terms of learning, satisfaction and goal achievement. Again, few strategic alliance studies on IJVs have offered empirical evidence (Wahab et al., 2011). In addition, Robson et al. (2008)

and Silva et al. (2011) argued that limited empirical evidence exists to substantiate the normative bias that trust between partners enhances performance in IJVs. According to Robson et al. (2008) and Silva et al. (2011), the literature regarding the impact of the antecedents of trust on performance is mixed. Some studies find a positive relationship between trust and performance (Cullen et al., 2000; Lane et al., 2001; Boersma et al., 2003; Mollering, 2003), other studies find no significant direct link between these two variables (Aulakh et al., 1996; Inkpen and Currall, 1997; Fryxell et al., 2002; Sarkar et al., 2001) and still another authors (Lyles et al., 1999) indicate that trust may have a detrimental effect on alliance performance. Therefore, further investigation of the impact of trust on the performance of IJVs was needed (Silva et al., 2011).

Second, there has been little research examining if the determinants of trust vary in different institutional (i.e. country) environments (Dyer and Chu, 2011). For example, most of the studies concerning inter-firm relationships concentrate on the US, the UK and China, and few studies concentrate on IJVs in developing countries. There is a paucity of studies that concentrate on IJVs in Iran; the attention of those studies on Iran that have been undertaken has been mostly on human resource management (Namazi, 2003; Simiar, 1983), and recent articles focus on trust in electronic commerce (Meskaran et al., 2010), trust in e-banking (Feizi and Ronaghi, 2010) and trust in internet shopping (Dolatabadi and Ebrahimi, 2010).

Third, Seppanen et al. (2007) report the need for further research on the link between trust and commitment. According to Wilson and Brennan (2008), trust and commitment are the social fabric of the relationship and the impact of both trust and commitment on performance should be investigated. There is limited empirical research on how trust can create commitment in IJV relationships (Wilson and Brennan, 2008). Therefore, more empirical investigations of trust and commitment in IJVs were required.

Fourth, environmental uncertainty as an important factor in developing countries was investigated, which has been neglected in most of studies (Crosno and Dahlstrom, 2008; Hawkins et al., 2009). Moreover, the impact of religion on trust, which might be influential in the case of Iran, was chosen for this paper (Li, 2008; Ruffle and Sosis, 2007).

In summary, there are a limited number of studies that concentrate on relational factors, inter-partner fit factors, country risk and religion which are assumed to be very important in a high context and relationship-based country such as Iran. The findings of this thesis has provided a

novel contribution to the subject of trust in IJVs in developing countries such as Iran, and several theoretical contributions emerge from this research.

8.2.2   Practical Implications

The findings of this research provide meaningful and practical implications for managers regarding the successful management of IJVs. At a general level, foreign companies that enter into joint ventures with local partners should be aware that IJVs are naturally cross-cultural marriages, and relying on trust and long-term commitment is necessary. Understanding this point rather than just relying on written contracts and control activities can increase an IJV's long-term prospects and survival. Moreover, the findings provide a guideline for selecting a successful partner. It is very important for firms to select partners, especially at the early stage and development of IJVs, who satisfy the inter-partner fit factors, such as the existence of a strategic bond and the compatibility of organisational cultures. Additionally, firms should also consider that resource complementarity is a vital structural condition regarding trust building between the partners.

The findings also provide important guidance for creating and maintaining successful partner relationships. Regarding this, firms need to understand that the relational factors, such as flexibility and two-way effective and continues communication, should be satisfied in order to strengthen the mutual relationship between the partners at the operational stage of IJVs. As there is a possibility of conflict between partners in IJV operations, it is improbable that trust and commitment can be developed between partners without successful conflict management – maintaining flexibility and two-way effective and continues communication between partners are among the best ways of solving conflicts. Moreover, based on this research, the IJV relationship should not be based solely on the hard contract terms; as a result of the characteristic uncertainty of written IJV contracts, the partners should be flexible in solving problems that might occur during the normal operation of the IJVs, without turning to the already established contract terms. Also, open and honest communication is not an *advantage* in IJVs; rather, they are *necessary* requirements in the competitive market.

Country risk is a crucial factor for the performance of IJVs. Firms should not be involved with partners if they feel there is a risk. If they are involved, they should avoid any opportunistic behaviour. This will result in greater trust between the partners and lower monitoring costs; so, rather than concentrating on opportunism, the firm's main focus should

be on the factors that may result in opportunistic behaviour, and building safeguards to reduce opportunism (Luo, 2006). It is vital to mention that managers face continual change in a competitive global market and must find ways of managing opportunism and improve the feeling of trust between the firms. Therefore, this research recommends that managers of IJVs should be aware of their competitive market and the different effects exerted by different dimensions of environmental uncertainty.

Moreover, the result suggests that companies do not consider differences between religions when they form a joint venture, but partners should make best use of religious moral restraint, which can reduce opportunistic behaviours and therefore decrease transaction costs. Minimising opportunistic behaviour and costs can also lead to greater trust between partners.

Also, in order to be a successful IJV, each partner should make a commitment to the alliance and consider the long-term relationship and they should not look for other opportunities with potential new partners. Making a commitment helps to create a long-term relationship that is necessary to achieve the alliance's success. Additionally, IJV partners can make an equity investment in the alliance to prove that the partner is serious and is in the alliance for a long-term relationship. Therefore, the actions of the partners in IJVs can strengthen the potential for alliance success by showing the other alliance partners that their firm has a long-term intent toward the alliance.

8.2.3 Methodological Implications

The contribution of this research in terms of methodology is that this research is one of the few studies to examine inter-organisational trust predictor variables outside the western cultural set up, especially in Middle Eastern countries such as Iran. Inter-organisational researchers such as Kwon (2008) and Madhok (2006) stress inter-organisational trust predictor variables in developed or western cultural work settings. This study has filled the gap in global investigations by examining predictor variables in cross-cultural work settings, which may be useful for generalising these predictors. Testing the predictor variables in Iran could provide additional insight into the extant literature because Iranian people and their cultural backgrounds are substantially different from those of western countries (Namazie, 2003, Meskaran et al., 2010). The findings of the study recommend that inter-organisational trust is important and can develop in a similar way to both western and non-western cultures.

Moreover, this study confirms existing relevant measurement scales in a country which is culturally different from other work settings. For example, duration, communication, shared values and relationship equity were tested in strategic alliances in the US (Ybarra and Turk, 2009). Thuy and Quang (2005) examined the impact of flexibility, cultural sensitivity, goal clarity, information exchange and conflict management on trust in Vietnamese IJVs.

According to the findings, broadly speaking, all scales appear valid in their general content but the number of purified items is not the same as found in the original scales. For example, after testing country risk, which consisted of ten items, this was purified to seven items and found to be highly reliable. Similarly, in trust, complementarity, compatibility, strategic bond, communication and opportunistic behaviour, some items were not loaded completely and so were purified. However, several scales such as fairness, flexibility, commitment, satisfaction, goal achievement and learning were purified on their basic items. Future cross-national research could benefit from further investigation about the essential conditions in which comparability of scales across countries is affected.

8.3 Research Limitations

8.3.1 Theoretical Limitations

There are some limitations to the research that should be noted and could be addressed in future research. Testing inter-organisational trust only in IJVs may limit generalisability. There is a possibility that the predictor variables would be different in organisations other than IJVs. Therefore, these predictor variables of the theoretical framework should be examined in other organisations in the same culture, which may present confounding effects on those organisations. Therefore, more tests are necessary to strengthen the theoretical framework's generalisability.

The other limitation of this research is that, the present research did not consider the impact of past share experience (previous history) of partners on level of trust. In future research, researchers could examine the impact of past share experience on trust level in the case of IJVs.

8.3.2 Methodological Limitations

The research design used in this study is not without certain methodological limitations. Several limitations of the study should be noted. First, this thesis uses a non-probability convenience sampling technique. Some argue that a convenience sample does not represent the characteristics inherent in the general population. Despite the relatively large sample size of this research, and although it was statistically found that the sample characteristics satisfied the criteria for the target population, the generalisation of the results should be treated with caution beyond the scope of this sample. Future empirical work is needed to demonstrate that these findings are not unique to this particular sample.

The second limitation is the cross-sectional design of the study. As the data were collected at a single point in time, it was not possible to create a cause-and-effect relationship between the variables of interest. Future research that looks to expand a longitudinal design in order to collect predictor and criterion variables before and after the change would be much stronger. It is suggested that longitudinal studies may be especially useful to understand the impact of the antecedents of trust and the impact of trust on the performance of IJVs. Third, the research analyses were based on IJVs in Iran, hence limiting the generalisability of the research findings (Cole et al., 2006). It is unclear at this stage whether the same pattern would occur in IJVs in other cultures and whether the results obtained from this sample apply to other populations due to the cultural differences. Future research could conduct a cross-cultural study on the topic to determine to what extent these results are country-specific or can be extrapolated to other countries.

The forth limitation of this study is regarding the use of the questionnaire method, which implies that common method bias might have happened as in other research using the same method (Blau, 1985). There may be problems relating to data obtained from a single source for causal prediction based on the survey since the measures were taken on one occasion only. Therefore, multiple methods may be helpful to further clarify the plan of this research. This limitation proposes that in-depth interviews with employees along with quantitative data would be more useful.

Finally, as the questionnaires were self-reported by the respondents, there may be reliability and validity issues with the information gained. According to Park and Kim (2009), self-

survey data may produce high correlations among measures, because the data shares common method variance and therefore the errors in measurement are correlated with each other.

These limitations do not reduce the significance of the results or findings in this study. The above points are mentioned in order to direct future research by identifying and supporting further improvement in this area. Next, the implications for future research are discussed.

8.4   Future Research Avenue

There are many avenues for future research. This study examined the direct relationships between the independent variables, such as complementarity, compatibility, strategic bond, fairness, flexibility, two-way effective and continues communication, religion and country risk, and the dependent variables, such as trust, commitment and performance. One of the key issues for future researchers is to examine more sophisticated relationships between the antecedents' measure and trust. Regarding this, future research could further develop a theoretical model concerning inter-organisational trust for different types of predictor relationships. This study investigated the direct relationships between inter-organisational trust and a variety of antecedent factors. However, it is logical to suggest that a variety of more complicated relationships may exist.

Moreover, the conceptual framework developed for this study should be tested in other types of organisations and multinational cooperations (MNC) rather than just in IJVs, which may support its generalisability. There is a possibility that people who are employed in organisations other than IJVs react differently; these predictor variables should be examined in other organisations in the same culture, which may present confounding effects. Therefore, more tests are required to reinforce its generalisability. Additionally, future research could also further develop a theoretical model concerning different types of trust such as inter-personal trust. In addition, longitudinal studies may help determine if the relationships studied here differ depending on the stage of the trust development process under evaluation.

For future research, this study also recommends using in-depth interviews along with a survey questionnaire, which may infer more about the antecedents of trust. Therefore, further studies are required to better understand the antecedents of trust and the impact of trust on the performance of IJVs.

8.5   Statement of the Research Novelty

The different components of this research were the basis for each individual element of the contributions produced in this thesis. Thus, Chapters 1, 2, 3 and 4 have considered related information and proposed a conceptual model for the research methodology which presented in Chapter 5, while the development and demonstration of the survey as a data collection method were presented in this Chapter as well. The practical data analysis and the redevelopment of the conceptual model were presented in Chapter 6. The findings of this thesis have produced a novel contribution to the subject of inter-organisational trust and so expanded the knowledge of the subject in terms of the following:

- The comprehensive novel model for the implementation and evaluation of inter-partner fit factors, relational factors, country risk and religion features presented in Figure 4.1 is the main contribution of this thesis. This model is presented to address the lack of theoretical models explaining the relationship between inter-partner fit factors, relational factors, country risk and religion features and performance as reported in Chapters 2 and 4. This model was developed as a conceptual model in Chapter 4 and empirically investigated in Chapter 6. The results of this investigation were the basis for the evidence and model modifications in Chapter 7.

- There are two levels of original contribution in this model. Firstly, the proposed model takes account of previous studies on inter-organisational trust in IJVs and its factors, and this supports the conceptual level of this contribution. The researcher involved these studies and extended them to merge the factors recognised in the normative literature. In addition, the factors from empirical work have also been combined in the proposed model, thus developing a consistent model for the adoption and evaluation of inter-organisational trust. Secondly, the concept and process of the proposed model can be applied as a map for the evaluation process of trust for IJV management as a learning process.

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Appendices

Appendix 1

Section "A" trust and commitment

Please tick on the scale below to what extent you agree with each of the following statement about the level of trust and commitment in your international joint venture: (**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree**).

Trust

Strongly disagree ←——————→ strongly agree

1- Both believe that each partner will fulfil the terms of the contract

☐ ☐ ☐ ☐ ☐

2- We can rely on our partner to do their task in our joint venture

☐ ☐ ☐ ☐ ☐

3- Our partner is capable and competent

☐ ☐ ☐ ☐ ☐

4- Our partner is always frank and truthful

☐ ☐ ☐ ☐ ☐

5- Our partner is always knowledgeable about the aspects relevant to our joint venture

☐ ☐ ☐ ☐ ☐

6- Our partner would go out of its way to make sure our firm is not damaged or harmed in this relationship

☐ ☐ ☐ ☐ ☐

7- Our partner cares what happen to us

☐ ☐ ☐ ☐ ☐

8- Our partner look for our interest in our joint venture

☐ ☐ ☐ ☐ ☐

9- We feel our partner is on our side our partner can be trusted to make sensible joint venture decision

☐ ☐ ☐ ☐ ☐

Commitment

10- Our partner is willing to dedicate any resource needed for the joint venture

☐ ☐ ☐ ☐ ☐

11- Our partner provides capable personnel for the joint venture operation

☐ ☐ ☐ ☐ ☐

12- Our partner does necessary things to solve problems

☐ ☐ ☐ ☐ ☐

13- Our partner cares about the fate of the joint venture

☐ ☐ ☐ ☐ ☐

14- Our partner tries to keep a long term relationship

☐ ☐ ☐ ☐ ☐

15- The relationship with our partner will be profitable over the long run

Section "B" Inter-partner Fit Factors

Please tick on the scale below to what extent you agree with each of the following statement about complementarity, compatibility and strategic bond in your international joint venture: (**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree**)

Complementarity

Strongly disagree ◄─────────► strongly agree

16- Strategically, we couldn't ask for a better fit between my firm and our partner

☐ ☐ ☐ ☐ ☐

17- Our joint venture partner brings to the table resources and competencies that complement our own

☐ ☐ ☐ ☐ ☐

18- Together, my firm and our partner add substantial value to the joint venture

☐ ☐ ☐ ☐ ☐

19- we have separate abilities that, when combined together, enable us to achieve goals beyond our individual reach

☐ ☐ ☐ ☐ ☐

Compatibility

We have similarity with our partner in:

20- Approaches to business dealing

☐ ☐ ☐ ☐ ☐

21- General management systems

☐ ☐ ☐ ☐ ☐

22- Employment policies

☐ ☐ ☐ ☐ ☐

23- Decision-making processes

☐ ☐ ☐ ☐ ☐

24- Organisational structure

☐ ☐ ☐ ☐ ☐

25- The relations between a higher and lower official

☐ ☐ ☐ ☐ ☐

26- Performance evaluation

☐ ☐ ☐ ☐ ☐

Strategic Bonds

27- The IJV's aim and objectives are clearly written in its profile

☐ ☐ ☐ ☐ ☐

28- The IJV partners share a similar vision regarding the company's future

☐ ☐ ☐ ☐ ☐

29- A joint venture provides strategic benefits to both partner

☐ ☐ ☐ ☐ ☐

30- People in the two functions think alike on most issues

☐ ☐ ☐ ☐ ☐

31- Both partner perceive their problems as mutual problems

☐ ☐ ☐ ☐ ☐

Section "C" Relational Factors

Please tick on the scale below to what extent you agree with each of the following statement about fairness, flexibility and two-way effective and continues communication in your international joint venture: (**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree**)

Fairness

Strongly disagree ◄——————► strongly agree

32- Each partner shares benefits and costs fairly

☐ ☐ ☐ ☐ ☐

33- Each partner maintains fairness in processes of the joint venture operation

☐ ☐ ☐ ☐ ☐

34- Each partner maintains fairness in key decision–making activities

☐ ☐ ☐ ☐ ☐

Flexibility

35- When an unexpected situation arises, the partners would rather work out a new deal than hold each other to the original terms

☐ ☐ ☐ ☐ ☐

36- Changes in 'fixed' terms are willingly made by the partners if it is considered necessary

☐ ☐ ☐ ☐ ☐

37- The partners are open to modifying their agreement if unexpected events occur

☐ ☐ ☐ ☐ ☐

38- Employees are given autonomy to address obstacles in their work

☐ ☐ ☐ ☐ ☐

Two-way Effective and Continues Communication

39- Communication between the partner companies takes place frequently

☐ ☐ ☐ ☐ ☐

40- Communication between the parents takes place informally and openly

☐ ☐ ☐ ☐ ☐

41- The partners openly provide proprietary information if it can help the IJV

☐ ☐ ☐ ☐ ☐

42- The partners keep one another informed about events or changes that may affect the other party

☐ ☐ ☐ ☐ ☐

Section "D" Country Risk

Please tick on the scale below to what extent you agree with each of the following statement about country risk in your international joint venture: (**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree**)

Strongly disagree ◄——————► strongly agree

43- There is a political stability

☐ ☐ ☐ ☐ ☐

44- There is a government influence

☐ ☐ ☐ ☐ ☐

45- There is rule of law

☐ ☐ ☐ ☐ ☐

46- There is control of corruption

☐ ☐ ☐ ☐ ☐

Please tick on the scale below to what extent you predict with each of the following statement about country risk in your international joint venture: (**1 = Very unpredictable, 2 = unpredictable, 3 = Neutral, 4 = predictable , 5 = very predictable**)

Very Unpredictable ◄————► Very Predictable

47- Import regulation

☐ ☐ ☐ ☐ ☐

48- Export regulation

☐ ☐ ☐ ☐ ☐

49- Economic conditions

☐ ☐ ☐ ☐ ☐

50- Remittances and repatriation regulations

☐ ☐ ☐ ☐ ☐

51- Inflation rates

☐ ☐ ☐ ☐ ☐

52- Exchange rate fluctuations

☐ ☐ ☐ ☐ ☐

Section "E" Religion (Opportunistic Behaviour)

Please tick on the scale below to what extent you agree with each of the following statement about opportunistic behaviour in your international joint venture: (**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree**)

We are suspicious that our partner may:

Strongly disagree ◄————► strongly agree

53- Alter the facts slightly

☐ ☐ ☐ ☐ ☐

54- break promise

☐ ☐ ☐ ☐ ☐

55- present incomplete or distorted information

☐ ☐ ☐ ☐ ☐

56- breach formal or informal agreements

☐ ☐ ☐ ☐ ☐

57- Engage in opportunistic behaviour

☐ ☐ ☐ ☐ ☐

58- Supply substandard/ overpriced materials or products

☐ ☐ ☐ ☐ ☐

Section "F" Performance

Please tick on the scale below to what extent you agree with each of the following statement about satisfaction, goal achievement and learning in your international joint venture: (**1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree**)

Satisfaction

Strongly disagree ◄————► strongly agree

59- We are satisfied with the focal relationship

☐ ☐ ☐ ☐ ☐

60- We consider that we are good partners to each other

☐ ☐ ☐ ☐ ☐

61- We are likely to select the same partner if they again form a joint venture

□ □ □ □ □

Goal Achievement

62- The objectives for which the collaboration was established are being met

□ □ □ □ □

63- This alliance has been productive enough

□ □ □ □ □

Far Less than Expected ◄————► Far More than Expected

64- The progress that has been made towards achieving the IJV's goals

□ □ □ □ □

Learning

Strongly disagree ◄————► strongly agree

65- Our organisation has benefited from the transfer of technology from our partners

□ □ □ □ □

66- Our organisation has been able to develop new technology

□ □ □ □ □

67- Our organisation has been able to produce new products or engage in innovation

□ □ □ □ □

68- Our organisation has gained new and additional knowledge

□ □ □ □ □

Section "G" Demographic Information and General Background

Demographic information

1- Gender   □ Male   □ Female

2- Number of IJV employees   □ Micro-enterprise (less than10)   □ Small (between 10-49)
                               □ Medium (from 50 to 249)   □ Large (250 and more)

3- Your age   □ 20-29   □ 30-39   □ 40-49   □ 50+

4- Education level   □ Compelling education (primary and junior high school)
                       □ High school (or special technical secondary school)
                       □ University (Bachelor)
                       □ Master
                       □ PhD

General background

5- Your job title   □ Chief Executive   □ senior manager   □ middle management   □ junior management

6- Nationality of your company   □ Iranian   □ Non-Iranian

7- is your partner company religion the same with you?   □ Yes   □ No

8- How long your current joint ventures been in existence?

☐ More than 15 years   ☐ 10 to 15 years   ☐ 5 to 10 years   ☐ Less than 5 years

9- Company's main business

food and drink	☐	electric and home appliances	☐
Textile	☐	transport equipment	☐
Chemical	☐	recycling	☐
Non-metallic minerals	☐	medical and optical instrument	☐
Basic metals	☐	others	☐
Machinery and equipment	☐		

Appendix 2

Subject: Participation in a survey questionnaire about a study of Impact of antecedents of trust on performance of international joint ventures (IJVs) in Iran

Dear ---------------

I am a student in UK. The topic that I am researching is the antecedents of trust of performance of international joint ventures in Iran. I enclose a questionnaire, which asks for your views about the topic.

You are one of a sample of 500 international joint venture managers who were downsized. You were selected randomly from a list of all the managers who were downsized. This list was obtained from the organisation for investment economic and technical assistance of Iran.

The questionnaire forms a major part of my research, and I would value if you would agree to participate by filling it in. in giving your views, you will also help to further my understanding about the downsizing process. I must emphasise that your participation is entirely voluntary, and it is up to you to decide whether or not you wish to take part. You can freely skip any question that you do not feel comfortable answering. The estimated time to fill the questionnaire is around 20 minutes.

Let me assure you that all the information that you provide will be dealt with anonymously and confidentially, and will only use for the purpose of this study. I will ensure that the data collected from you and others are stored electronically at the university and are password protected. It will be kept for a minimum of five years.

Please complete the questionnaire and return it in the enclosed stamped, addressed envelope. Should you have any query, please contact me on my mobile 00447875043797 or my email address: javadmahmoudikhorassani@brunel.ac.uk.

This research has been reviewed by the University Research Ethics Committee at the Brunel University.

I am grateful for your kindness, and thank you for your generous help in completing this questionnaire to help me with my PhD research.

Yours faithfully

Javad Mahmoudi

Student at the Brunel University

Appendix 3

Brunel Business School

Research Ethics

Participant Information Sheet

1. Title of Research: Impact of antecedents of trust on performance of international joint ventures (IJVs) in Iran

2. Researcher: Javad Mahmoudi Khorassani on PhD, Brunel Business School, Brunel University

3. Contact Email: cbpgjjm1@brunel.ac.uk

4. Purpose of the research*: To find out the antecedents of trust on performance of IJVs in Iran in order to improve the rate of success in IJVs.

5. What is involved: participants will be asked to fill the questionnaire

6. Voluntary nature of participation and confidentiality.

This is an anonymous survey whereby all responses will remain confidential and analysed at an aggregate. The data collected will be used for academic purpose only and has been approved by the Brunel Business School ethics committee. Your participation is strictly voluntary. You can freely skip any question if you do not feel comfortable in answering. The estimated time to fill the questionnaire is about 20 minutes. Please be assured that the data collected from you and others are stored electronically at the university and are password protected. It will be kept for a minimum of five years.

Appendix 4

Survey Questionnaire Coding and labelling

Q. No.	Variable Code	Variable Name	Question Numbers
1	TR	Trust	1-9
2	COMMIT	Commitment	10-15
3	COMP	Complementarity	16-19
4	COMT	Compatibility	20-26
5	STB	Strategic Bonds	27-31
6	FA	Fairness	32-34
7	FLEX	Flexibility	35-38
8	COMM	Communication	39-42
9	CR	Country Risk	43-52
10	RLG	Opportunistic Behaviour	53-58
11	SAT	Satisfaction	59-61
12	GOAL	Goal Achievement	62-64
13	LEAR	Learning	65-68
14	Demography	Demography	69-72
15	Background	Background	72-77

Appendix 5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TR1	26.01	20.024	.541	.680	.823
TR2	26.01	19.620	.620	.590	.814
TR3	25.72	20.331	.523	.541	.839
TR4	25.85	18.720	.657	.631	.808
TR5	25.63	19.626	.584	.381	.832
TR6	25.77	18.216	.677	.610	.804
TR7	25.89	19.733	.568	.712	.820
TR9	25.45	19.841	.610	.635	.815

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
COMP1	7.24	2.531	.580	.340	.902
COMP2	7.42	2.609	.753	.682	.721
COMP4	7.39	2.521	.782	.699	.691

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
COMT1	14.95	7.023	.778	.687	.768
COMT2	14.88	7.669	.656	.474	.803
COMT4	14.88	7.759	.558	.389	.831
COMT6	14.81	8.430	.546	.276	.858
COMT7	14.89	7.140	.804	.710	.762

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SB1	11.40	4.769	.852	.747	.772
SB2	11.59	6.629	.543	.339	.894
SB3	11.34	5.119	.767	.602	.811
SB5	11.29	5.566	.733	.640	.826

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FA1	6.91	1.848	.708	.618	.590
FA2	6.86	2.611	.531	.187	.878
FA3	6.93	1.886	.733	.628	.563

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FLEX1	11.28	5.059	.549	.232	.808
FLEX2	11.34	4.864	.624	.589	.715
FLEX3	11.62	5.372	.581	.368	.740
FLEX4	11.08	4.075	.744	.669	.643

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
COMM1	7.64	2.634	.861	.784	.854
COMM3	7.87	3.306	.763	.590	.937
COMM4	7.49	2.439	.893	.814	.828

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CR3	13.99	9.578	.605	.455	.756
CR4	14.34	8.790	.543	.822	.767
CR5	14.01	9.789	.522	.405	.770
CR6	14.35	8.889	.530	.821	.770
CR7	14.17	10.166	.566	.354	.779
CR8	13.96	9.244	.575	.389	.759
CR10	14.06	9.902	.565	.324	.779

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
RLG1	11.38	6.070	.865	.781	.722
RLG3	11.29	6.304	.780	.680	.748
RLG4	11.28	6.753	.681	.550	.779
RLG5	11.19	7.094	.580	.343	.840
RLG6	11.18	8.169	.568	.223	.857

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
COMMIT1	19.08	8.264	.785	.806	.713
COMMIT2	19.44	8.970	.506	.261	.814
COMMIT3	19.16	10.106	.597	.226	.800
COMMIT4	19.14	8.502	.727	.772	.728
COMMIT5	19.31	9.049	.508	.349	.779
COMMIT6	19.34	9.548	.592	.451	.763

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SATS1	7.08	1.865	.747	.687	.478
SATS2	7.22	2.823	.570	.151	.898
SATS3	7.09	2.099	.692	.667	.558

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
GOAL1	7.19	1.886	.718	.534	.553
GOAL2	7.35	2.911	.582	.249	.812
GOAL3	7.25	2.260	.640	.475	.649

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
LEAR1	11.39	4.150	.718	.583	.628
LEAR2	11.40	4.343	.618	.418	.679
LEAR3	11.70	4.413	.532	.233	.788
LEAR4	11.48	4.560	.520	.439	.729

Appendix 6

Component Matrix (a)

	Component												
	1	2	3	4	5	6	7	8	9	10	11	12	13
TR1	**.627**	-.370	.159	-.070	.235	-.150	-.038	-.134	-.021	.046	.144	.126	.070
TR2	**.771**	.264	-.309	-.006	.150	-.286	.074	.258	-.338	.119	.069	-.027	.161
TR3	**.662**	.343	-.346	.240	-.260	-.331	.163	-.098	.259	-.059	-.098	-.085	.001
TR4	**.552**	-.269	-.044	.012	.271	.125	.129	.146	.034	-.064	-.251	.070	.010
TR5	**.641**	.343	-.001	-.117	.370	-.002	-.067	.246	.126	-.142	-.107	-.042	-.057
TR6	**.785**	.372	.202	-.107	-.105	.087	.040	-.005	-.203	.190	.018	-.089	.211
TR7	**.711**	-.374	.235	.048	.028	.192	-.112	-.047	.103	.062	.117	-.077	-.063
TR9	**.709**	.369	-.152	-.116	-.185	.138	.059	.099	.185	-.116	-.050	-.075	-.136
COMP1	-.155	**.802**	.236	.057	-.076	.053	-.002	-.061	-.009	.129	-.062	.010	.099
COMP2	-.358	**.823**	-.307	.231	.053	-.198	.122	.092	-.146	-.197	.224	.000	-.005
COMP4	-.362	**.799**	-.228	.200	.102	-.232	.111	.064	.000	-.063	.258	-.038	-.086
COMT1	-.010	-.283	**.832**	.061	.343	.043	.096	.111	.068	-.002	-.264	.159	.108
COMT2	.067	-.246	**.625**	.213	.097	.012	.169	-.105	.190	-.140	.181	.001	-.021
COMT4	-.165	-.285	**.701**	.121	-.060	-.079	-.032	-.069	.085	-.019	.269	-.022	-.159
COMT6	-.177	-.154	**.585**	-.216	.300	.148	.322	-.079	.370	-.127	-.331	-.050	.128
COMT7	-.090	-306	**.897**	.186	.241	.147	.274	.108	.015	-.261	-.057	.082	.034
SB1	.033	-.210	.315	**.962**	-.051	.138	-.005	-.110	-.046	.047	-.052	-.044	.115
SB2	.116	-.154	-.017	**.593**	-.136	-.072	-.215	.012	.133	.275	-.366	.103	-.122
SB3	-.051	-.239	.001	**.841**	-.088	.236	-.055	.161	.030	-.031	.025	-.103	-.072
SB5	.128	-.200	.298	**.737**	-.099	.178	.061	-.166	.054	-.077	.200	-.066	.041
FA1	.164	-.387	.024	.962	**.787**	-.237	-.276	-.137	-.036	.301	-.181	.219	.048
FA2	.192	-.345	-.015	-.096	**.576**	-.177	-.136	-.070	-.168	-.153	.046	.340	-.004
FA3	.136	-.361	.094	.121	**.818**	-.204	-.375	-.173	-.095	.227	-.263	.193	-.004
FLEX1	.131	-.071	.257	.009	-.079	**.612**	.008	-.082	-.170	.114	.006	-.115	.041
FLEX2	-.011	327	.351	.002	.398	**.792**	-.295	-.061	.221	.052	.099	-.236	-.118
FLEX3	-.111	.298	-.030	-.050	-.066	**.663**	-.159	.176	-.249	.293	-.123	-.144	.064
FLEX4	-.043	319	.107	-.136	.294	**.635**	-.174	.095	.134	.005	-.010	-.167	-.143
COMM1	-.017	-.210	.202	-.054	-.216	.227	**.759**	.008	-.017	-.063	.122	-.147	.013
COMM3	-.240	-301	-.025	-.020	-.161	.088	**.759**	.194	.039	.056	.017	-.217	-.205
COMM4	-.024	-.241	.051	-.162	-.169	.250	**.854**	.229	-.015	-.052	.049	-.074	-.144
CR3	-.074	-.028	-.147	394	.309	.362	-.050	**.699**	-.024	.127	-.024	-.108	.096
CR4	.367	-.318	-.019	.365	-.065	-.212	-.348	**.629**	.292	-.003	.241	-.040	.131
CR5	-.117	.218	-.166	305	.393	.316	-.018	**.771**	-.093	.092	.015	-.034	-.066
CR6	.370	-.314	.000	.362	-.053	-.162	-.343	**.727**	.297	.002	.194	-.039	.150
CR7	-.024	.101	-.174	371	.266	334	.073	**.705**	-.186	.272	.227	.127	-.073
CR8	.023	.124	-.078	343	.349	.269	-.206	**.734**	.028	.085	-.018	.051	-.009
CR10	-.230	-.213	-.306	342	.293	307	.088	**.617**	-.044	.027	.054	-.279	.140
RLG1	.011	-.135	.686	.300	.089	-.195	.389	.195	**.784**	.091	-.090	-.052	-.071
RLG3	-.025	-.085	.676	.257	.131	-.187	.397	.136	**.603**	.118	-.122	-.058	-.077
RLG4	.035	-.204	396	.257	-.016	-.174	.341	.254	**.939**	.104	-.034	-.103	-.079
RLG5	.016	.119	397	.191	-.030	-.214	.243	.211	**.851**	.214	.051	-.100	.132
RLG6	-.155	-.063	367	-.135	.055	.009	.084	-.188	**.584**	.005	.283	.343	-.271
COMMIT1	-.239	396	386	.330	-.184	.100	-.157	-.123	-.196	**.752**	-.053	-.028	.015
COMMIT2	-.139	.275	-.198	303	-.333	-.202	.067	-.101	.149	**.779**	8.59E-005	.049	.248

COMMIT3	-335	.373	-.022	.255	.177	.175	.074	313	-.097	**.698**	-.131	.326	-.140
COMMIT4	-.274	348	375	.356	-.130	.076	-.182	-.098	-.209	**.856**	-.080	-.017	.020
COMMIT5	-.297	.178	.300	.147	-.215	.120	-.033	-.130	.081	**.707**	.007	.115	360
COMMIT6	-.250	.358	.126	314	-.199	-.114	-300	.061	-.084	**.773**	-.183	-.069	-.186
SATS1	.219	303	.202	-.195	310	-.355	-.148	-.135	.141	-.087	**.823**	.016	.040
SATS2	.081	.263	-.324	.003	.118	-.291	.011	.282	-.367	.101	**.579**	-.070	.214
SATS3	.197	304	.235	-.226	317	-.287	-.103	-.138	.166	-.033	**.888**	.159	.027
GOAL1	.019	.266	-.317	.337	-.160	-.277	.305	-.245	.051	.051	.006	**.853**	-.152
GOAL2	-.043	.263	-.314	-.018	.167	-.073	.225	.046	-.373	-.024	.145	**.531**	-.058
GOAL3	-.083	.218	-.291	.334	-.217	-.226	.107	-.247	-.005	.065	-.081	**.579**	-.325
LEAR1	-.035	360	-.112	-.051	-.199	.357	.044	.214	.222	.258	.084	.273	**.616**
LEAR2	.096	314	.244	-.030	-.151	.208	.120	-.128	.218	.202	.154	.077	**.741**
LEAR3	.011	.355	-.235	.399	-.034	-.170	.207	-.104	.320	.267	.025	.090	**.773**
LEAR4	-.003	300	-.040	-.025	-.314	.342	.037	.343	.107	.242	.158	.330	**.706**

Extraction Method: Principal Component Analysis.
a 13 components extracted.

Appendix 7

Effect	Test Statistics	F-value	Hypothesis df	Error df	P-value
Grp	Pilliai's Trace	1.47	11	54	0.18
	Wilks' Lambda	1.47	11	54	0.18
	Hotelling's Trace	1.47	11	54	0.18
	Roy's Largest Root	1.47	11	54	0.18

Appendix 8

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	15.888	23.365	23.365	15.888	23.365	23.365	11.235	16.521	16.521
2	6.609	9.720	33.085	6.609	9.720	33.085	4.269	6.278	22.799
3	4.987	7.334	40.418	4.987	7.334	40.418	4.116	6.053	28.852
4	3.514	5.167	45.586	3.514	5.167	45.586	3.764	5.536	34.388
5	3.343	4.916	50.502	3.343	4.916	50.502	3.701	5.443	39.831
6	3.131	4.604	55.106	3.131	4.604	55.106	3.557	5.231	45.062
7	2.605	3.831	58.937	2.605	3.831	58.937	3.374	4.962	50.024
8	2.272	3.342	62.279	2.272	3.342	62.279	3.007	4.422	54.447
9	2.063	3.034	65.313	2.063	3.034	65.313	2.834	4.168	58.614
10	1.896	2.789	68.102	1.896	2.789	68.102	2.752	4.047	62.662
11	1.555	2.286	70.388	1.555	2.286	70.388	2.311	3.398	66.060
12	1.381	2.030	72.418	1.381	2.030	72.418	2.082	3.061	69.121
13	1.192	1.901	74.319	1.292	1.901	74.319	2.051	3.017	72.138
14	.983	1.748	76.067						
15	.965	1.614	77.681						
16	.938	1.527	79.208						
17	.911	1.468	80.675						
18	.805	1.183	81.859						
19	.762	1.121	82.980						
20	.706	1.038	84.018						
21	.665	.978	84.996						
22	.623	.916	85.912						
23	.605	.890	86.802						
24	.558	.820	87.622						
25	.540	.794	88.416						
26	.525	.772	89.188						
27	.495	.728	89.916						
28	.469	.689	90.605						
29	.446	.656	91.261						
30	.407	.599	91.861						
31	.391	.575	92.436						
32	.372	.548	92.983						
33	.354	.521	93.504						
34	.327	.481	93.985						
35	.295	.434	94.419						
36	.278	.408	94.827						
37	.272	.400	95.227						
38	.238	.350	95.577						
39	.236	.347	95.924						
40	.220	.324	96.248						
41	.213	.314	96.562						
42	.198	.291	96.853						
43	.185	.272	97.125						
44	.175	.257	97.382						
45	.156	.230	97.612						
46	.145	.213	97.825						
47	.140	.206	98.031						
48	.130	.192	98.223						
49	.123	.180	98.403						
50	.109	.161	98.564						
51	.105	.154	98.719						
52	.097	.142	98.861						
53	.086	.126	98.987						
54	.085	.125	99.112						

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
55	.078	.114	99.226						
56	.066	.097	99.323						
57	.064	.095	99.417						
58	.057	.084	99.502						
59	.054	.080	99.582						
60	.049	.071	99.653						
61	.042	.061	99.714						
62	.040	.059	99.773						
63	.037	.054	99.827						
64	.029	.042	99.869						
65	.028	.041	99.911						
66	.025	.036	99.947						
67	.023	.033	99.980						
68	.013	.020	100.000						