

THE EFFECT OF TRUST ON INTERNATIONAL JOINT VENTURE PERFORMANCE IN CHINA

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Abstract

The role of trust in international joint venture (IJV) performance has attracted a great deal of attention and trust has been recognized as a crucial factor in achieving both financial and non-financial success of IJVs. This paper examines the role of trust from two perspectives: the inter-organizational level and the interpersonal level, as well as their combinations in influencing the performance of IJVs. The paper develops a model of trust in IJVs, which is used to analyze the determinant factors of trust and the influence of trust on IJV performance. The results confirm that trust improves the performance of IJVs and outstanding performance also enhances the level of trust within firms. Results also reveal that Chinese employees hold less trust toward their foreign co-workers and great communication skills have positive influence on trust building. Furthermore, young employees are more inclined to trust people from different nationalities compared to the elders. Satisfactory level of compensation is not directly related to trust building. The findings provide important implications for communication and relationship building between foreign investors and local partners.

Key words: *trust, effect, performance, IJV, China*

1. Introduction

A joint venture can reduce transaction costs as an entry mode into a new market (Kogut, 1988). International Joint Venture (IJV) tends to perform better when firms face future uncertainty and inadequate information (Koza and Balakrishnan, 1993; Mjoen and Tallman 1997; Craig 2005). As a result, IJVs occupy the largest proportion of FDIs into the Chinese economy, which require much attention to put on their efficiency and effectiveness in China.

Trust has been studied in various fields, from psychology to anthropology, from sociology to management studies. In different fields, trust is defined and studied from different perspectives. In IJV research particularly, trust has been divided into the following categories: the parent level, the joint venture level, and the interpersonal level (Currall and Inkpen, 2002).

This study aims to contribute to the existing literature by investigating the trust perception between both parent companies and employees of IJVs and the trust-performance relationship. Several variables relating to trust are examined, i.e. life style, compensation and wage level, interpersonal communication skills, age and corporate performance. This study provides meaningful information on the characteristics of the parent companies, therefore contributing to the mutual communication understanding between foreign and local workers and parent firms. Also, it can help enhance the IJV performance located and operated in China and further examine the interaction between trust and certain organizational factors in a transitional economy context from the perspective of a local partner.

2. Trust and IJV Performance

2.1 Definition of Trust

Scholars from various disciplines have investigated the concept and nature of trust from different angles. In the 50s of last century, Deutsch (1958) saw trust as a dependent variable and proposed the famous 'prisoner's dilemma'. Deutsch's research towards source credibility, as well as Hovland et al. (1953), is regarded as the opening of psychological trust. However, there are critics based on considerations that other psychological status other than trust may lead to cooperation between partners. Rotter (1971) defined 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". He pointed out that different individuals hold various degree of trust towards others because of their disparate life experience. Since then, the personality perspective, which views trust as an individual characteristic, is developed.

Lewis and Weigert (1985) stated that trust is caused by cognition and affection. Similarly, Kramer (1999) proposed the rational choice and relational choice in analyzing trust issues. Mayer et al. (1995) asserted that an individual's emotions give rise to trust, which challenges the rational choice viewpoint. In their study, 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". Rousseau et al. (1998) suggested the definition as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another." They also defined three kinds of trust, that is, the calculus-based trust, relational trust and deterrence-based trust. Calculative trust is based on economic benefit and relational trust is based on exchange history. Likewise, the rational trust perspective describes the development of trust in terms of an individual's calculative decision-making processes (Coleman, 1990; Gambetta, 1988). One party's decision to engage in trust is made on the basis of whether the probability of receiving benefits from the other party's actions is high enough (Gambetta, 1988).

The sociological perspective suggested that trust will develop or fade over time according to prior social interactions between exchange partners. Through ongoing positive interactions, exchange partners learn about each other and develop trust around norms of equity (Gulati, 1995). Similarly, Earle and Cvetkovich (1995) proposed the social trust concept and further divided trust into pluralistic social trust and cosmopolitan social trust. The former was built upon existing values while the later was based on emerging values and is built inside certain groups.

System level trust was also defined, which elaborated trust from a macro-perspective. Luhmann (1979) developed the interpersonal model and institutional model to further

distinguish the different trust source. As Luhmann (1979) notes, “trust has to be achieved within a familiar world,” without a shared institutional foundation, neither calculative trust based on economic benefit nor relational trust based on exchange history is likely to occur (Rousseau et al., 1998). Similarly, Zucker (1986) divided trust into three levels through analyzing North American socio-economy developments, that is, the process-based trust, character-based trust and institution-based trust. Process-based trust is more suitable in small groups with frequent contacts. In the complex and changing society, individual’s disposition to trust represents the primary driver of the establishment of trust in an unfamiliar environment. The institutional perspective focuses on situational factors (e.g., organizational and institutional structures and processes) to explain the development of trust. From institutional perspective, social institutions, such as regulations and laws, play the key role in trust building (Shapiro, 1987; Zucker, 1986).

It is proposed that trust development may be affected by the trustor’s personality (personality model), cognition (rational choice model), affects (emotion model), exchange history (sociological model), and surrounding context (institutional model). More specifically, the role of life style, compensation level, communication skills and age on trust and trust-performance relationship, are examined in this research.

2.2 Trust in IJV

A great deal of attention has been paid to the performance of IJVs in recent years and trust has been identified to be a crucial factor that contributes to the success of IJVs (Currall and Inkpen, 2002; Inkpen and Currall, 2004; Madhok, 2006). Barney and Hansen (1994) pointed out that mutual trust between parent companies and employees is a major competitive advantage for a company. In cooperative organizations, trust augments profits due to resource commitment. Relationship building between partners is a challenge for all cooperative alliances (Dyer and Chu, 2000), especially for IJVs in emerging economies, in which trust is particularly hard to build due to the high degree of uncertainty and risk incurred by the cross-board differences with regard to culture, politics, and trade policy (Child and Faulkner, 1998). Fryxell et al. (2002) found that the reliance on formal control mechanisms and the perceptions of general managers of IJV performance are positively related in younger IJVs, but negatively related in more mature IJVs. This suggests that age and partner trust have effects on the relationship between control mechanisms and perceptions of performance.

Trust in IJV research should be measured from different levels, that is, the interpersonal level, the parent firm level and the organization level (Currall and Inkpen, 2002). Although most studies on trust have focused on interpersonal trust, Zaheer et al. (1998) asserted that interpersonal trust and inter-organizational trust are basically different constructs that have a reciprocal influence on each other. They found firm level trust to be of greater significance in generating favorable organizational outcomes than interpersonal trust, because interpersonal trust is vulnerable to changes in key personnel and the possible breakdown of interpersonal relationships (Dodgson, 1993). Boersman et al. (2003) developed a process model of trust building in IJVs, and found that different types of trust play different roles in the process. Whereas competence-based trust starts from public information, contractual-based trust and goodwill trust develop through direct personal interaction. In the early phases of an IJV, promissory-based trust predominates, while in mature phases competence-based trust starts to emerge. Goodwill trust is of importance throughout the process.

Inkpen and Currall 2004 tested the trust, control and learning evolution from parent company level. They built a theoretical framework to explore the relationship between trust and ownership in IJVs and how they influence the IJV process. Levels of trust differ across national borders, and hence the nature of trust and the institutional and cultural support for trust vary across national contexts (Zalteeer and Zaheer, 2006). A model was developed which concludes that the effect of trust on firm performance is not always a direct relationship. In the article “How much does ownership really matter? Equity and trust relations in joint venture relationships”, Madhok (2006) found out that the number of enterprises who shift their emphasis on ownership to relationship building was increasing. The dissatisfaction accompanied by the emergence of IJVs resulted from overemphasis on operating outcomes rather than social process of performance. Thus he reaffirmed the trust-centered perspective in enhancing corporate performance in IJVs.

Recently, research about trust-performance relationship in Chinese IJVs is emerging. In the article “The effect of trust on international joint venture performance in China”, Ng et al. (2007) reexamined the role of trust between parent companies and it is suggested that trust not only influences performance but also moderates the relationship between performance and contextual elements such as cultural difference, local reliance and senior executive experience. The moderating effects of trust on the relationships between local reliance, experience of executives and performance were confirmed for the senior executive sample, but the moderating effect of cultural distance was not consistent between the firm-level and country-level measures. Wong, et al. (2007) examined the roles of those strategies – **localization, communication, and control – and their combinations in building the trust of local senior managers in IJVs**. The results revealed that the joint use of localization and communication represents a positive strategic combination for trust development. However, a localization strategy coupled with intense control inhibits trust building.

3. Model and Hypothesis

In the IJV literature, Parkhe (1993) specified the importance of trust on IJV performance. In certain instances, legal and ownership arrangements may not be as useful as mutual trust in controlling the speculative behavior of the other party. Yan and Gray (1994, 1996) suggested that trust may be helpful to achieve both financial and non-financial objectives of both of the parent companies in an IJV, and Baird et al. (1990) found the inter-partner working relationship, or trust, to be ranked first among the determinant elements that lead to success of IJVs in a study of Chinese and U.S. middle-level managers. As a soft variable, trust can be considered as a complement to other structural variables. In IJVs, trust can be seen as an informal control mechanism that supplements deficiencies in the formal control system (Luo et al., 2001). Recently, Li et al. (2006) also found that trust development between parent firms in emerging economies is important for IJV performance. Thus, in line with the literature, we assume that trust can be regarded as one of the key variables that determine successful achievement of corporate goals.

In general, we hypothesize that a higher level of trust between IJV parents will lead to better IJV performance.

Hypothesis 1: The level of trust between IJV parents is positively related to IJV

performance.

To explore this relationship further, several important contextual variables in IJVs are examined, namely, life style, compensation distribution, communication skills and age. Life style reflects one's terminal value and attitude towards living (Morris, 1956). More specifically, life styles can be reflected from clothes, entertainments, social interactions, and working attitudes etc. Employees with various life styles tend to understand and accept different ways of living and show more empathy towards others. We therefore hypothesize that employees with more individualistic way of living are more willing to trust employees from different cultural backgrounds.

Hypothesis 2: Employees who show individualism in living are more inclined to accept different cultures and values. These employees tend to show more trust in foreign coworkers than peers in drab living styles.

According to the Law of Chinese Labor force, employees with the same working quality and quantity should be paid the same. This statement aims to reduce social distributive inequity. However, the status quo is not optimistic, especially in some monopolistic state-owned enterprises (SOEs). Workers in some sectors such as electricity sector and oil sector earn much more than their peers in other sectors. Distributive inequity directly results in dissatisfaction in employees and low efficiency in production. Likewise, compensation distributive inequity exists in IJVs in China. While the job task is the same, employees from foreign partners and employees from local partners get different salaries (usually the foreign employees get more compensation than local employees). Notwithstanding other reasons for such high salaries, salary distributive inequity influences relationship and generates distrust between workers from different countries.

Hypothesis 3: When holding the same jobs, distributive inequity in salary results in distrust between employees from different partners.

Communication is meaningful, timely information sharing between partners, both formally and informally (Anderson and Narus, 1990). When communication between exchange partners becomes more effective, relevant information sharing augments, and partners get to understand each other better, which then engenders shared identification between those partners (Dutton et al., 1994). The shared identity such as similar beliefs and judgments about future developments, leads to mutual trust (Kogut and Zander, 1996). Moreover, when partners swap messages about plans, programs, expectations, and goal setting, they can achieve an integrative agreement and inhibit misunderstandings (Rapert et al., 2002). Communication thus reinforces trust by aligning the partners' perceptions and expectations, resolving disputes, and coordinating behavior (Das and Teng, 1998). Furthermore, communication enhances trust by reducing role ambiguity, which is the degree of discrepancy between the information available and the information needed to perform a job (Sigh and Rhoads, 1991). Finally, communication conveys affluent knowledge and provides cues for interpreting and understanding exchange partners' behavior and motivations (Dyer and Chu, 2000), which facilitates trust building and prevent opportunistic behaviors. Therefore, we hypothesize that

Hypothesis 4: Because of language similarity and communication style, employees with the same nationality understand each other more thoroughly and therefore enhancing trust between each other in an IJV.

According to GSS „General Social Survey” report, trust level decreases as one becomes elder. It is probably due to the openness of young people. The young are more open and acceptable to new things than the elders. The survey also suggests that for the employees, their innovation ability reduces as the age grows.

Hypothesis 5: The younger employees tend to hold trust in foreign workers than the elder employees.

The following Figure 1 illustrates the trust building model:

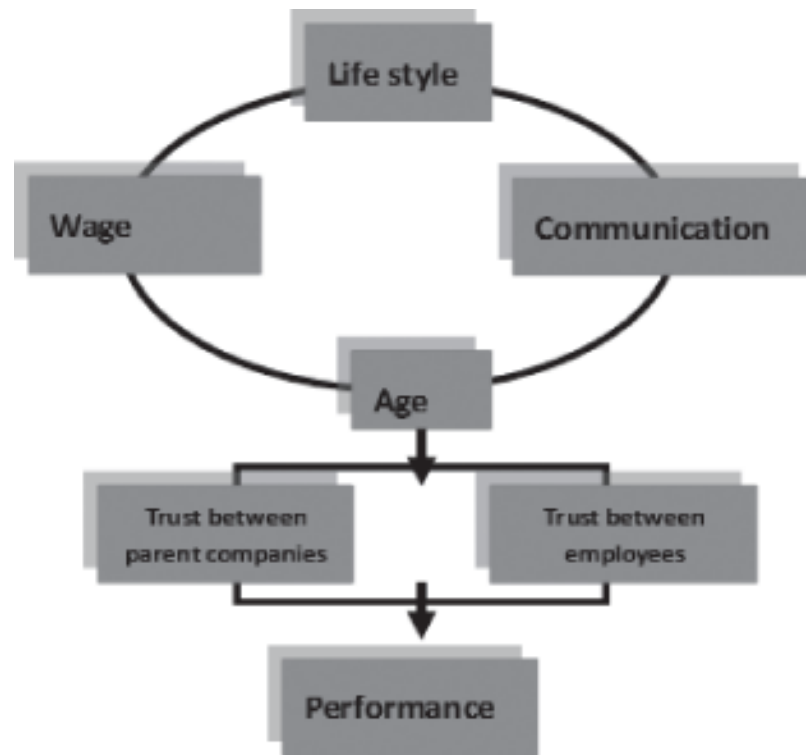


Figure 1. Relationship between trust and IJV performance

4. Sample and Data Collection

The study applies case study research methodology. Case study research methodology is appropriate to the study of determinants of trust and the role of trust in corporate performance. The aim of this research is to study international joint ventures as opposed to national joint ventures. Hence, the joint ventures should have at least one foreign partner. In order to reduce variation, we selected joint ventures with foreign partners from countries with quite similar cultural backgrounds. The foreign partners are from the U.S and U.K. They are both characterized by individualism. The cases are used to test the hypotheses.

4.1 The Companies

The first company interviewed is the world’s largest soft drink company—the Coca cola company. Their products are distributed to over two hundred countries in the world. Statistics show that more than 16 billion cups of coca cola are consumed every day in the whole world. Coca-cola is by far the world’s most valuable brand. It has been long since Coca cola Ltd. had its first establishment in China. Up to October, 2009, there have been 39 bottle-making companies and over thirty thousand employees in China, 99% of which are local Chinese (Coca cola, 2010).

Astra Zeneca Ltd. is a cutting edge biological medicine company which is driven by innovation. The head office of Astra Zeneca Ltd. locates in London, England. The company reached the net income of 328 billion dollars in year 2009. The biological company mainly research medicine in six areas, those are, the cancer area, the digestion area, the respiration area, anti-infection area, cardiovascular area, centre nerve area. The company devoted great effort in medicine research and development, producing and marketing. Every year the research

and development investment accounts for over forty billion dollars. There are around 62 thousand workers in the world, especially in emerging markets. As China's biggest multinational medicine making company, Astra Zeneca Ltd. locates its head office in Shanghai. There are over 3500 employees in China. The partners are from U.K, Sweden and China (Astrazeneca, 2010).

Table 1. A Comparison of corporate cultures of the companies

	Coca cola Ltd.	Astra Zeneca
Spiritual culture dimension	Make people feel refreshed and experience the feeling of free in body and spirit; Keep people feel optimistic and enthusiastic; Make things we touch more valuable	Respect characteristics and encourage diversification; Hold openness, honesty, and mutual trust towards each other; Stimulate leadership
Institutional culture dimension	Keeping the sales steady; Making profits; Managing employees – stimulate potential of employees; Product management; Cooperative partners – establish win-win strategies; CSR	Product management – supply and promote new medicines to markets; Employee management – stimulate diversification and creativity among workers; CSR
Material culture dimension	Corporate culture communication channels: official websites, TV advertisements, posters, newspapers, etc.	Corporate culture communication channels: official websites

The corporate culture can be defined from three dimensions: the spiritual culture dimension, the institutional culture dimension, and the material culture dimension. The spiritual culture includes the company's core value, corporate spirit, corporate philosophy and company morality. The institutional culture consists of human resource notion, marketing and production notion. The material culture includes firm motto and culture communication. There exists relationship between the three kinds of culture. The spiritual culture is both the basis of institutional culture and material culture and cornerstone of corporate culture. The institutional culture constrains and regulates spiritual and material culture. Finally, the material culture conveys the spiritual culture and institutional culture. A comparison of corporate cultures of the two companies is presented in the above Table 1.

The sample of this study comprises two IJVs in China. As China is still in a period of economic transition and the business conditions are highly uncertain, trust is expected to make a crucial contribution to the success of IJVs. In addition, Chinese culture emphasizes trust and mutual respect, and the rule of man is promoted over the rule of law (Hofstede, 2001). Thus, Chinese IJVs are appropriate to test our hypotheses.

In this research, IJVs with parent companies from the United States and the United Kingdom are studied. It is statistically proven that over the last three decades most of the companies that have formed joint ventures in China have originated from the U.S, Japan, and European countries (Ng et al., 2007). Moreover, they represent a broad range of cultural distance from China, which facilitates the comparison of the implications of communication styles on IJV trust. To control for industry effects and firm size, only IJVs with more than 200 employees were included. Furthermore, only IJVs with three or more years of operational history in China were sampled to achieve a more valid assessment of inter-partner relationship and firm performance. Those two companies have both been operated in China for more than five years and already occupied mature management skills and marketing strategies (Astrazeneca, 2010; Coca cola, 2010).

In this research two sets of responses were received from the sampled IJVs: one from the senior managers of the parent companies and the other from the employees of IJVs. The responses from senior managers can be further divided into the responses of the Chinese managers and the senior managers from foreign parent firms. This approach not only reduces the common method variance that is caused by single source bias, but also provides more information with which to triangulate the findings. The parent sample also helps in the development of a more comprehensive understanding of the effect of trust on firm performance from the point of view of different constituencies. Both of the two sets of data were collected through questionnaire surveys that were conducted in person. The interviewees were selected randomly from the companies' personnel name lists. A total of 35 respondents were surveyed, and 31 valid responses were collected. Of these responses, 4 were senior managers from Coca cola Chinese parent company, 3 from Coca cola foreign parent company's senior managers. In responses from Astra Zeneca Ltd., 16 were from local employees, 3 from foreign employees, 3 from local parent company's managers and 2 from foreign parent company's senior managers. When the respondent from the Chinese parent company was also the senior executive of the IJV, the corresponding parent response was deemed invalid. The questionnaires for employees were designed to test the life style, wage distribution, communication style, age and trust relationships.

Due to time and resource restrictions, the data from the questionnaire survey are relatively limited, which may result in variations in results. To mitigate the negative influence, the answers to every survey are ensured and respondents' attitudes are positive. First, through channels like official website and employees within companies, we got a general idea of the corporate main product, organizational structure, corporate culture, etc. After that, the questionnaires are distributed and respondents are friendly informed of the utilization of the survey results to reduce their concern. Finally, a short telephone interview was made with the general manager to recheck the information validity and reliability.

4.2 Measurement

The Likert 5-item scale was used to capture the relationships between IJV variables. The respondents gave their answers according to their perceptions of the degree. The scale items are listed in the Appendices.

4.2.1 Trust Level between Parent Companies

Fourteen items adapted from the study of Sheppard and Tuchinsky (1996) were used

to measure the perceptions of trust between the Chinese and the foreign parents. The firm-level items are listed in Appendix 1. The respondents of these questions are senior managers from IJVs.

Trust among employees is measured from two dimensions: their willingness to cooperate with foreign employees; mutual appreciation with foreign managers. In prison experiment, Deutsch pointed out that trust results in cooperation, therefore herein cooperation is a reference indicator by mutual trust. Kramer (1999) asserted that in relation based trust, personal preference and instinct played a central role. Hence in this research, mutual appreciation is a reference index in trust degree. Details about those two reference dimensions are shown in Appendix 2.

4.2.2 Life Style

Those variables are measured by items in appendix 3. There are mainly two dimensions: the time spent together by foreign and local employees; the similarity of value and work attitudes. Those dimensions can reflect the life styles of the different employees. People with similar values hold similar life styles as the life style is representation of one's value (Morris, 1954).

4.2.3 Compensation Distribution

The variables are also measured by items in appendix 3. The wage distributive inequity will result in psychological unbalance in employees, therefore influencing trust level.

4.2.4 Communication Skills

These variables are measured by relevant items in appendix 3. There are many factors conducting ineffective communication, such as language system, psychological issues, different communication styles and distance, etc.

4.2.5

After comparing different ages and levels of trust, the trust-age relationship is therefore concluded. Degree of trust is measured by items in appendix 2.

4.2.6 IJV Performance

IJV performance was measured in terms of how well the interests of the parents were satisfied. As Yan and Gray (1994) suggested, an IJV may perform well in terms of financial criteria, but there may be discontent between the parents if the objectives of one have been overlooked. Based on previous work (Mjoen and Tallman, 1997; Yan and Gray, 1994), a composite measure was developed to cover the various possible objectives that are commonly set by the parents of IJVs in China. The respondents were asked to rate the degree to which their IJV had achieved these goals on Likert scale. The items were divided into financial and non-financial achievements. The financial goals included profit, sales in local and foreign markets, and market share, and the non-financial goals comprised product quality, the acquisition of management skills, technology transfer, and the promotion of cooperation among the parties involved.

4.3 The Data

The data are figured out by the following steps: first, the results are divided into three groups: the local and foreign employees, the salary above and below 6000 RMB per month, age between 25~30 and 31~40. We choose 6000 RMB because it is approximately the average salary level in these companies. We divide the age groups based on the classification of young people and in China people under 30 years old are normally regarded as young people. The mathematic mean of each group is calculated respectively. The second step is to categorize the results based on related topics, and compute the mathematic mean of each variable related question. The results are presented in the following Table 2.

The data in Table 3 are calculated in two steps: first, the mathematic mean is calculated separately in each of the two groups, that is, the local and foreign managers group; secondly, the mean is categorized by trust level and performance satisfaction.

Table 2. Results of trust level among employees and four variables

		Chinese employees	Foreign employees		Salary/month over 6000 yuan	Salary/month under 6000 yuan	Age	
							25~30	31~40
Trust level (high scores imply low trust level)		2.6727	2.75		3.075	3.1143	3.0909	3.25
Life style	Time Together (high Scores imply short time together)		2.2728	2.375				
	Value (high scores imply Low value acceptance)		3.1364	2.625				
Communication skills [☺] high scores imply ineffective communication skills [☹]			3.0455	3.25				
Compensation distribution		Wage satisfaction		3		2.8571		
		Perception of fair and equality		2.125		2.2857		

Table 3. Trust level and performance satisfaction results

	Chinese managers	Foreign managers
Trust degree (high score implies low trust level)	2.6286	1.5714
Performance satisfaction (high score implies low performance satisfaction)	2.875	1.0825

4.4 Analysis and Discussion

4.4.1 Life Style

Conclusion 1: Chinese employees are more tend to spare time with Chinese employees compared to foreign employees.

Conclusion 2: Foreign employees are more inclined to assume that mutual value and principles are similar to each other than Chinese workers.

Conclusion 3: Foreign employees hold higher trust level to coworkers than Chinese workers.

Hofstede once pointed out that in communist societies, the mainstream value strengthens responsibility and tend to avoid uncertainty. China is a typical communist society and the Chinese employees like to spend time together and work together. In life style choice, western countries focus on individualism education while the east emphasize relationship building and realize potential and self-value in groups (Morris, 1956). Thus, Chinese employees are more restricted to group choice than foreign employees, which can be proved in the conclusions above.

In the companies surveyed, foreign employees are all from western countries whose individualism is high in Hofstede's culture dimension studies. Foreign workers tend to enjoy different kinds of life styles and hold open minds to different cultures. Conclusion 3 shows that foreign workers are more inclined to trust people from different nationalities, though the trust level is not significant. Thus H1 is supported.

4.4.2 Compensation Distribution

Based on the data above, the conclusions are as follows:

Conclusion 1. There exists no direct relationship between salaries and satisfaction.

Conclusion 2. Workers with low salary satisfaction possess higher trust levels than workers with high trust satisfaction.

Conclusion 3. Employees with higher salaries held higher trust levels than employees with lower salaries.

According to research, wage distributive inequity exists in the same job level in IJVs. There are various reasons for this phenomenon. The first reason is the different labor force value to the firm. Most IJVs correlate with bi-directional trade between Chinese and foreign partners. Foreign employees with language advantages, predominant and reliable education

backgrounds, creative thinking minds and superior communication skills are labeled with higher prices. The second reason is the demand and supply relationship in Chinese labor force market. Supply in local Chinese labor force market far exceeds the demand of it. The wage is relatively low and therefore appearing unattractive to foreign employees or managers. However, IJVs require not only workers from local markets but also from parent firms. Thus the prices for foreign labor force are much higher than local labors.

On the basis of the equity theory, people's satisfaction in salary is not only based on actual salaries, but also relate to the feeling of equity. Conclusion one proves the equity theory. However, the data is subjective in terms of the criteria of equal and the measurement of performance, etc. Thus the results are limited to a certain degree.

Conclusions show that the relationship between wage satisfaction and trust is as expected, but the wage level will affect the degree of trust between employees.

4.4.3 Interpersonal Communication

The data reveals the following conclusions:

Conclusion 1. Communications among employees from different countries are not as effective as communication among workers from the same country.

Conclusion 2. Employees perceive lower communication satisfaction in cross-border communications than unitary culture communication.

Communication refers to interpersonal information transmission. This kind of interpersonal information transfer is more than just verbal communication, it also includes body gestures and facial expression.

Among the two companies surveyed, culture shock exists significantly. Misunderstanding is easy to happen before two parts getting to know each other better. Based on the estimation of Wall Street Journal, tens of billions of dollars are losing every year because of communication ineffectiveness and deteriorating relationships between parent companies. In those cases, if two parts would change their position and show more comprehension and appreciation towards the other part, things might turn out to be more optimistic.

In this survey, the part with better communication skill tends to trust the other part, which is in support of H3.

4.4.4 Age

It can be concluded from the above data that young employees are inclined to trust coworkers from different nationalities than elder ones.

The globalization renders the new generation open minds and tolerance towards different cultures, especially for the young generation in China who act and think quite differently from the elders. They are no longer willing to be constrained by hierarchical bureaucracy and tend to be more aggressive and ambitious.

As one becomes older, stubbornness are more likely to evolve. Stubbornness might lead to selective perceptions in unfamiliar circumstances which are harmful for progress. The conclusion supports H4.

4.4.5 Performance and Trust

The conclusions are as follows based on the above data:

Conclusion 1: Chinese managers show lower satisfaction in performance than foreign managers.

Conclusion 2: Chinese managers show lower level of trust than foreign managers.

Conclusion 3: managers with higher performance satisfaction show more trust to partners.

The data show that foreign managers tend to show higher evaluation than Chinese managers. However, the feedback may be somewhat related to different culture customs. Besides, different countries have different perception of degree of trust. Thus, the results may consist of deviations. **The conclusions are in support of previous research.**

5. Conclusions and Implications

Our study investigated the determinants of trust and trust-performance relationship in IJVs. The findings of this research contribute empirical evidence to support the hypotheses that there is a relationship between performance and trust, and give support to the claim that there are certain factors contributing to trust in IJVs. The conclusions are summarized in the following Table 4.

Table 4. The relationship between the variables and trust

1. The influence of life style on trust
Chinese employees tend to show more trust in Chinese colleagues rather than in foreign colleagues.
2. The influence of compensation on trust
Employees with high salaries are inclined to trust in low-paid employees. There exists no direct relationship between wage satisfaction and trust.
3. The influence of communication skills on trust
The better the communication skills, the higher the trust level is.
4. The influence of age on trust
Young employees are inclined to trust coworkers from different nationalities than elders.
5. Relationship between trust and performance
Trust will improve performance. Likewise, partners who possess high performance satisfaction are more inclined to trust each other.

The above conclusions are compatible with the hypotheses in terms of life style, interpersonal communication, age and trust-performance relationship. In the compensation variable, though the data are in accordance with equity theory, the data reveal that wage level rather than wage satisfaction poses influence on trust.

The findings provide important implications for foreign investors hoping to build trust among local senior managers in uncertain environments such as China. In terms of theoretical implications, several suggestions are proposed to increase trust levels and enhance performance. First, our comparison of life styles suggests that various activities should be encouraged. Those activities should increase contacts between foreign and local employees and therefore fostering pluralistic life styles in local employees. The second implication is to increase wages

of low paid workers who perform well in jobs, hence enhancing employees' feeling of equality in salaries and improving trust levels. The third implication is to set up employee consulting services for employees to express their inner feelings about the company. The next suggestion is to offer a platform for older workers to interact with young colleagues, thereby increasing their acceptance towards new things. Meanwhile, to improve trust level and performance between parent companies, the first and third suggestions are appropriate herein, that is, to encourage various activities and to establish and support consulting services.

A potential limitation of the research is the small size of our IJV sample, which gives rise to statistical tests with relatively low power in terms of reliability and generalizability. Therefore, the results should be viewed with caution. We would want to further explore whether or not, for example, the Japanese IJVs with similar cultural background with China. We would also want to examine how IJVs in China operate in areas other than Shanghai. Two of the variables adopted in this paper are related with culture distance. Though culture distance is pointed out in the article, it still remains abstract. In future research, the influence of corporate culture on employees' value and work attitudes should also be taken into consideration.

Our study on the measurement of trust level is of two levels: the firm level and interpersonal level. The distinctions between the criteria of the two levels are indefinite. The criteria of the firm level trust and the interpersonal trust level should not be identical (Currall and Inkpen, 2002). Therefore in future research, it is preferred to specify the level of trust and make results more accurate and precise.

Another potential limitation is in the data analysis for the life style variable. In the process, individual distinctions are neglected, which lead to indirectness in relationship between the two variables and trust level. The omission also exists in cultural differentiation between local and foreign employees.

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Appendices

Appendix 1. Measurement of trust between parent companies

Please choose the best scale you think suits best (1-totally agree; 5-totally disagree).

Each parent knows that the other parents will consider its concerns when making decisions.

The quality of communication between the parents is extremely good.

The parents discuss the critical issues of their collaborative relationship well.

There is frequent contact between the representatives of the parents.

The parents have a long history of cooperative relationship.

Each parent expects to interact with the other parent for a long time in the future.

The goals of the parents are the same.

The parents share similar value and views with each other.

The parents will both benefit from the same objectives.

The parents deem the other part as members of the same group.

The parents both engage in many activities.

Each parent is familiar with the major constituencies of the other parent (e.g., the other parent's major suppliers).

The parents understand well the bases of each other's success.

The parents understand each other's primary problems at work.

Appendix 2. Measurement of trust between employees in IJVs

Please choose the best scale you think suits best (1-totally agree; 5-totally disagree).

● *Compared to colleagues from my own country, foreign colleagues are more trustworthy.*

● *When facing problems in my work, I prefer a colleague comes from my own country to answer my question.*

● *If I was promoted, it would be more likely that I was promoted by a superior from my own country.*

● *If it is required to form a project team, I would prefer to stay with colleagues from my own country.*

● *I appreciate superiors from other countries rather than those from my own country.*

Appendix 3. Measurement of determinants of trust

Please choose the best scale you think suits best (1-totally agree; 5-totally disagree).

● *Compared with other colleagues, my wage level is relatively fair.*

● *During lunch time, I prefer to stay with colleagues from my own country than with other colleagues who are not.*

● *My foreign colleagues view the world in a same way as I do.*

● *My colleagues who are not from my own country share the same attitude and principles towards work with me.*

● *I spend more time with colleagues from my own country.*

● *Compared with colleagues from my own country, my communication with foreign colleagues is quite well.*

● *I think trust is based on fairness rather than sharing the same value.*

● *Employees come from different countries speaks different languages, thus making it harder to establish trust compared to employees from the same country.*

Appendix 4. Measurement of performance

Please choose the best scale you think suits best (1-totally agree; 5-totally disagree).

- *Profit*
- *Sales in the local market*
- *Sales in overseas markets*
- *Market share*
- *Product quality*
- *Acquisition of management skills*
- *Technology transfer*
- *Promotion of cooperation among the parties involved*