

# The Trust Dimension in International Business Systems

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## **Abstract**

*In recent years, the significant role of trust in International Strategic Alliances (ISAs), International Joint Ventures (IJVs) and other International Business (IB) Systems has received an increasing worldwide attention by scholars, as evidenced by the growing volume of published research on the subject. This paper consists of an in depth review of the most recent literature about the importance of trust in International Business Systems with reference to the relevant theoretical models and the applications in international context. The conclusions of the literature review and some suggestions for further research are presented at the end of the paper.*

**Keywords:** trust, international business (IB) systems, international strategic alliances (ISAs), international joint ventures (IJVs)

JEL Classification: M16

## **Introduction**

The increasing number of international publications in recent years has indubitably revealed the significance of trust in the field of International Business (IB) Systems. Trust is a highly abstract and multidimensional concept that has been adopted from many different scientific disciplines like Psychology (Rousseau, 1995), Sociology (Fukuyama, 1995), Social Psychology (Lewicki and Bunker, 1996), Economics (Dasgupta, 1988, Williamson, 1993), Marketing (Castaldo, 2003), Strategic Management (Barney and Hansen, 1994), Organizational Behaviour (Zaheer et al., 1998) and last but not least International Business (Inkpen and Currall, 1997). In an earlier paper (Hajidimitriou and Sklavounos, 2006) we referred to the theoretical background of the construct of trust which includes a variety of definitions, forms, dimensions, sources and international differences and we pointed out the importance of trust through its connection with other significant business factors, such as performance, profit, goal achievement and control. Apart from that, in a more recent paper (Hajidimitriou and Sklavounos, 2007) we examined the various mechanisms of trust creation and presented some contemporary and distinguished examples of trust creation from the relevant international literature. The purpose of this paper is to present some of the most recent and noteworthy research articles that relate to the concept of trust in order to further strengthen its significant role in IB Systems.

## **Recent Research Findings in Theoretical Models of Trust in International Business Systems**

We decided to present details from research papers only of the last five years in our attempt to point out the most contemporary findings of international literature regarding the concept of trust. First of all, a really useful example of trust creation is the work of Boersma et al. (2003) that is presented thoroughly in Hajidimitriou and Sklavounos (2007). Boersma et al. (2003) examine the emergence of trust as a process and develop a process model of trust building in International Joint Ventures (IJVs), which is used to analyse four case studies. The case research method of Boersma et al. (2003) shows that trust can be seen both as an output and an input at various stages of the creation process. The results of the case research method of Boersma et al. (2003) show that the researchers' process model of trust development performs well. At every stage, outputs of trust can be identified, which become inputs into the next stage. The research findings reveal a rich picture and suggest that the model is a useful one for the further examination of trust building processes in IJVs. The results of the research of Boersma et al. (2003) provide an excellent basis for future research on the issue of trust creation in ISAs. As for its limitations, it is based on only four case studies which cannot be considered representative of all IJVs because of their industrial and cultural biases. It would be useful in the future to move forward from this linear model to a more realistic, recursive flow schema (Boersma et al., 2003).

Moreover, Mohr (2004) also who stresses the importance of trust with a more holistic approach in analysing the interrelatedness existing among control, trust, performance and the interaction between the partner firms in IJVs. Mohr (2004) assumes that the complex interrelationships which exist in IJVs cannot be comprehensively reflected in singular relationships. In order to empirically explore the interdependencies between the variables, he performed a two stage research design with in - depth interviews and a questionnaire survey regarding many German-Chinese IJVs (GCJVs). Mohr (2004) used cluster analysis, which allows the analyst to find out if it is possible to combine objects that are described by various characteristics into groups, with the objects within groups showing a high degree of similarity and objects in different groups showing little or no similarity (Backhaus et al., 2000). Cluster analysis makes it possible to identify different types of IJVs which differ significantly along all the dimensions used. The analysis resulted in two clusters that differ significantly along all of the dimensions used. The results of the cluster analysis show that trust has a positive influence on performance whereas control has a negative impact and, at the same time, high performance leads to higher levels of trust and to lower levels of control. In addition, managers who regard their IJV as successful also show significantly better evaluations of the interaction elements exchange, communication and adjustment (Mohr, 2004).

Furthermore, Zaheer and Zaheer (2006) examine the role of trust in an international context, based on the idea that not only do the levels and degree of trust differ across international borders, but also the very nature of trust can vary in different national contexts. They present a model that argues for viewing trust symmetry and asymmetry between partners, together with their degree of interdependence in international collaborations, to arrive at a set of mechanisms and implications for investment in trust-building and governance. Zaheer

and Zaheer (2006) develop a model that identifies conditions of trust symmetry and asymmetry in the institutional and cultural contexts in which the partners to an international collaboration are embedded. The researchers draw different implications for the governance of international collaborations and for the role of trust, in both the symmetric conditions and the asymmetric condition. They theorize about the trust-building and governance mechanisms that are likely to emerge in each condition. Two conditions are symmetric, both involving partners coming from country environments with similar levels of support for trust (Low-Low and High-High). The third condition involves asymmetric trust, that is, Low-High. Each of these three conditions is examined under two conditions of interdependence of the international collaboration, High and Low, yielding six alternatives altogether which are presented in Table 1.

**Table 1: Implications for international collaboration from symmetric and asymmetric institutional trust**

		<i>Level of interdependence between partners</i>	
		<i>Low</i>	<i>High</i>
<i>Both partners from Low Institutional Trust contexts</i>	<i>Over-reliance on relationships and monitoring</i>		<i>Absence of institutional mechanisms requires heavy use of relational mechanisms and monitoring</i>
	<i>Over-investment (given extent of interdependence) in trust-building</i> <i>Over-investment in monitoring systems</i> <i>Immediate market transactions preferred</i>		<i>Optimal though heavy investment in relationships and trust-building</i> <i>Heavy, shared investment in monitoring</i> <i>Potential internalization (one side decides to buy out the other)</i>
<i>Both partners from High Institutional Trust contexts</i>	<i>External institutional mechanisms are sufficient</i>		<i>External institutional mechanisms supplemented with reliance on internal systems, rather than relationships</i>
	<i>Legal recourse</i> <i>Reliance on external information (e.g., from credit-rating agencies)</i>		<i>Strategic alignment</i> <i>Internal systems (e.g., information systems)</i>
<i>Partners from Asymmetric Trust Contexts<sup>a</sup></i>	<i>Partner 1 wants to over-invest in relationship and monitoring; Partner 2 chafes at cost</i>		<i>Partner 1 invests optimally in relationship and monitoring systems; Partner 2 under-invests in relationship and monitoring</i>
	<i>Partnership likely to dissolve into arms-length market transactions</i>		<i>Partner 1 likely to acquire Partner 2</i> <i>Location of partnership should determine level of investment required in relationship-building and monitoring</i>

<sup>a</sup>Assume Partner 1 is from low-trust context and Partner 2 is from high-trust context.

Source: Zaheer and Zaheer (2006)

In general, Zaheer and Zaheer (2006) attempt to move the discussion on trust in international collaborations to a recognition of the reality that both the nature of trust and the institutional and cultural bases of trust differ across national country contexts. When partners to an international collaboration come from asymmetric trust contexts, they bring with them different motivations and expectations of behaviour. Specifically, they may be more or less willing to invest in trust-building and in other governance mechanisms, with implications for the theory and practice of international management. Zaheer and Zaheer (2006) consider as the basis for their research the influential article of Madhoc (1995), which was honoured as the Journal of International Business Studies (JIBS) 2005 Decade Award-winning article. Madhoc (1995) laid out the structural and social dimensions of trust and used trust as an explanatory mechanism for how and why ownership might not translate into control or into perceptions of equity in the context of IJVs. More than a decade

later, researchers have still barely begun to explore the related idea that trust may differ systematically across cultures, and thereby present significant challenges for both cross-border and comparative research, as well as practice, in a broad range of international management areas, from market entry and entry modes to IJVs, foreign acquisitions and the management of subsidiaries, customers and suppliers overseas (Zaheer and Zaheer, 2006).

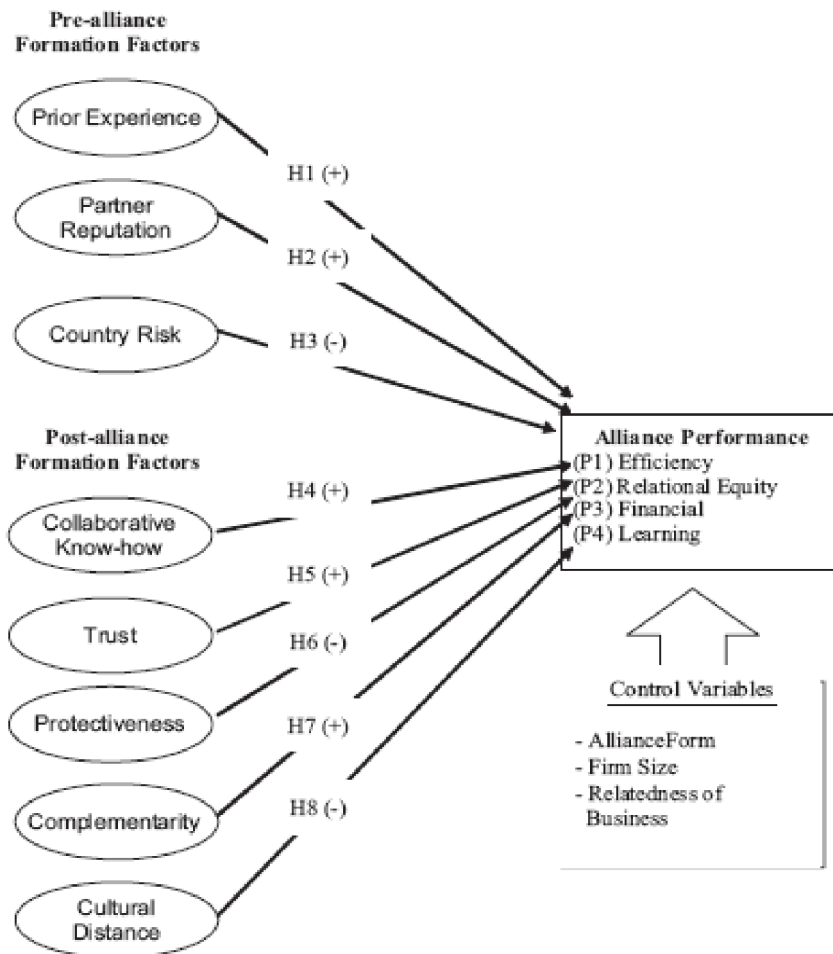
Svejenova (2006) also deals with the award-winning article of Madhoc (1995) and provides a commentary with some reflections on the significance and implications of Madhoc's (1995) research. Svejenova (2006) mentions the two main areas in which Madhoc's (1995) ideas have been most visible and have exercised the most significant impact (IJVs and ISAs in general), and enumerates the journals from various disciplinary fields and domains that have also published articles which acknowledge Madhoc's (1995) original ideas. This diffusion of IB ideas to fields of strategy, management and organisation, as well as to other, not necessarily adjacent, areas and disciplines, signals with optimism that IB research is capable of inspiring and informing scholarly conversations in other domains. Svejenova (2006) believes that ISAs continue to be a vast and vibrant scholarly domain in IB studies in need of further clarification and integration of disparate contributions. In order for future research to result in a better understanding of the enforcement of stability in ISAs, studies must incorporate approaches from comparative sociology and economic geography, which can provide a broader and better foundation than merely the culture-based one for understanding alliance differences. In addition, researchers must strive to separate trust from trust-like mechanisms for initiating and maintaining a partnership, which would afford an explanation of how firms who are "strangers" can initiate a potentially profitable relationship in the absence of a common relational history (Svejenova, 2006).

In a recent paper, Madhoc (2006) himself attempts to reaffirm the role of trust in interfirm relations and makes an appeal for more cross-disciplinary work to further our insights into the functioning of important phenomena of interest such as IJVs. He admits that the basic question which interested him in 1995, and still fascinates him after so many years, is why alliances between firms are increasingly popular when all the available evidence consistently suggests that most fail to live up to the expectations that were prevalent at the outset. This paradox has been repeatedly pointed out over the years in the context of all kinds of interfirm combinations: mergers and acquisitions, IJVs and other ISAs. Madhoc (2006) believes that his 1995 research managed to shift the emphasis from ownership to relationship, from governance form to process, from hierarchical governance mechanisms to more horizontal relationship management mechanisms and from a more static and structural approach to a more dynamic and longitudinal one. He finds the progress during this period "very encouraging" and raises a couple of issues for further research such as the fact that the process of trust has been increasingly studied but not its link to performance, with few exceptions. In the same way that variations in ownerships levels have been linked to performance, variations in trust levels and the link to performance should also have been examined. Apart from that, Madhoc (2006) asserts that we should also try to understand better the differences in institutional contexts and mechanisms across countries and cultures, how these impact the level and functioning of trust and ultimately their link to performance. By shaping interorganizational interactions and ways of organizing in a different way than a control-oriented one, a trust-oriented approach

opens greater avenues for such learning through the global scope of their operation, with eventual implications for competitive advantage (Madhoc, 2006).

Taking the opportunity from Madhoc's (2006) notice of the absence of many studies that link trust to performance, Nielsen (2007) attempts a multidimensional approach to performance measurement in order to better capture the complexity of ISA performance. Nielsen (2007) considers the relationship between subjective, multidimensional measures of ISA performance and predictors of success both before the alliance is formed (pre-alliance formation factors) and during the operation of the alliance (post-alliance formation factors). The conceptual model of Nielsen (2007) is presented in Figure 1.

**Figure 1: Conceptual model of ISA performance**



**Source: Nielsen (2007)**

Trust is regarded as one of the post-alliance formation factors which is positively related to ISA performance because it increases a firm's access to external knowledge and strengthens its ability to (in conjunction with its network partner) create new innovative and efficient ways of combining existing knowledge-related capabilities and resources in order to extract superior rents. The conceptual model is tested through an empirical study, based on a web-survey, investigating a sample of Danish partner firms engaged in 48 equity joint ventures and 70 non-equity joint ventures with partners from around the world. The results confirm the importance of collaborative

know-how, trust, complementarity and a low level of protectiveness in managing the alliance. Trust and protectiveness are highly significant across most performance variables. Hence, this study provides support to previous findings of the importance of trust and relationship characteristics in explaining alliance behaviour and success (Saxton, 1997). Unexpectedly, yet consistent with Lane et al. (2001), trust does not exhibit positive significant influence on learning. The findings that trust is affecting efficiency but not learning, while protectiveness is affecting learning but not efficiency, indicate that trust and protectiveness are distinct constructs. Nielsen's (2007) multidimensional approach contributes to the understanding of the role of both structure and alliance process in determining alliance performance and stresses the importance of trust (among other factors) once more. Its main limitations are that information about partner attributes and alliance characteristics was obtained from the responses of Danish managers solely and that the antecedent variables utilized in this study do not constitute an exhaustive list of the potential influences on the different perceptible measures of alliance performance. External factors related to industry attractiveness and environmental dynamism, as well as partner specific factors related to international experience, absorptive capacity and strategic goal alignment may provide additional insight in future studies (Nielsen, 2007).

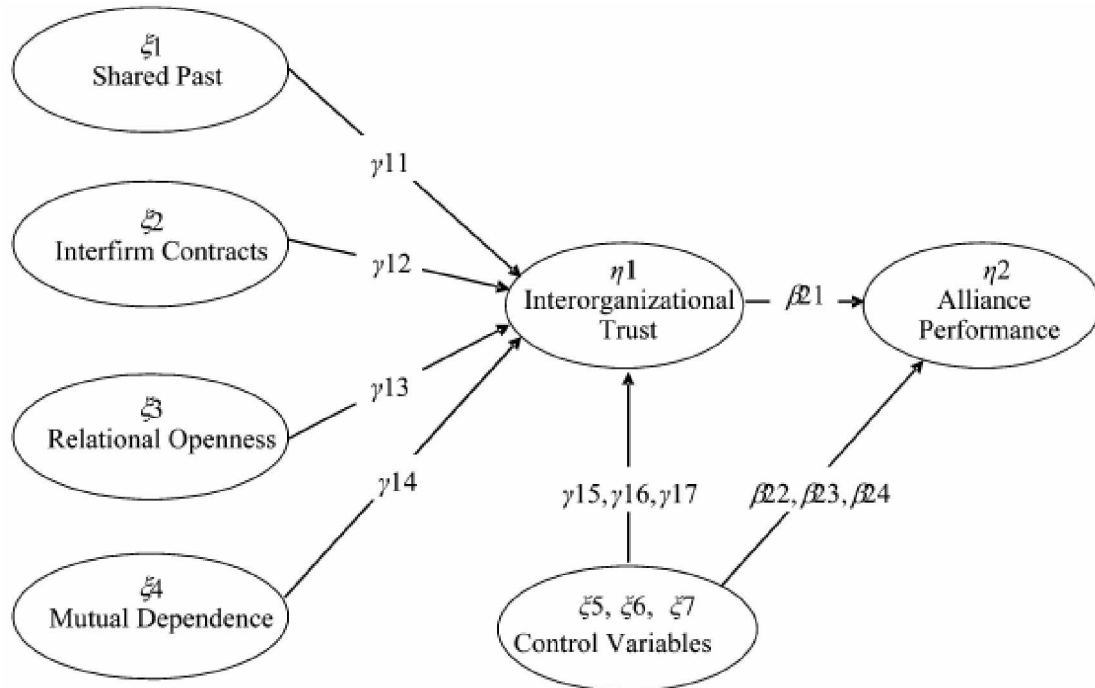
Furthermore, Wai-Kit Ng et al. (2007) focus on how trust interacts with market and organizational factors to enhance IJV performance in China. Wai-Kit Ng et al. (2007) make explicit references both to the process model of Boersma et al. (2003) and to the model of trust symmetry and asymmetry of Zaheer and Zaheer (2006) and investigate the trust level as it is perceived by both the senior executives of IJVs and the parent companies. This dual emphasis represents an advance in the IJV literature, as most other studies have been conducted either at the JV level or at the parent level only (Luo et al., 2001, Osland and Cavusgil, 1998). Apart from that, past studies of IJVs have tended to be conducted from the viewpoint of general managers, with the occasional inclusion of the viewpoint of the foreign parent when it was easy to obtain a response from that party. This study provides richer information by incorporating the expectations of the Chinese parent into the design (Mohr, 2006) and, therefore, goes beyond looking at the direct effects of trust between parents on IJV performance to examine the interaction of trust with certain market and organizational factors in a transitional economy context from the perspective of both general managers and the local parent. Wai-Kit Ng et al. (2007), in order to re-examine the role of trust between the parent companies of IJVs, also make references to a couple of other contemporary papers like the one of Styles and Hersch (2005), who found that IJV relationships are stronger when goodwill trust develops, when the personal trust between partners increases, and when affective commitment develops. Recently, Li et al. (2006) also found that the development of trust in overseas headquarters among local senior managers in uncertain environments is important for IJV performance, and Wang and Nicholas (2005) suggested that process-based trust affects the performance of contractual JVs. Thus, in line with the literature, Wai-Kit Ng et al. (2007) posit that trust can be regarded as one of the key variables that determine whether the objectives of an IJV are successfully achieved.

They also collected their data through a questionnaire survey of a group of IJVs in China with foreign investors from Hong Kong, U.S., Japan, and Taiwan. Two sets of responses were received from the sampled IJVs: one from the chief executives of the IJVs and the other

from the senior managers of the Chinese parent companies. This approach not only reduces the common method variance that is caused by single source bias (Avolio et al., 1991), 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. The results confirm that trust has a significant effect on the achievement of IJV goals from the perspective of both the senior executives of the IJVs and the managers of the Chinese parent companies, which is consistent with the findings in the literature. The impact of trust by itself is confirmed to contribute to the financial and non-financial performance of IJVs. However, the influence of trust seems to be more obvious when an IJV is faced with an uncertain environment in which the contribution of the local partner is of paramount importance. This kind of environment is characterized by the degree to which the IJV relies on local market development and the local supply of materials. The findings reveal that trust has not only a direct effect on IJV performance, but also an interacting effect on local reliance. We believe that the research of Wai-Kit Ng et al. (2007) is innovative because it provides findings on IJVs that have been formed between Chinese partners and overseas investors from Hong Kong and Taiwan, and not only from Japan and U.S. As for its limitations, there is currently no globally accepted measure of cultural distance, and hence further refinement of the scale or the use of multiple firm-level measures is needed in future studies. Moreover, future research could focus on the antecedents to the establishment of trust and the factors that facilitate the development of trust between parents. A process view could be adopted to analyze the effect of trust on the development and success of IJVs (Wai-Kit Ng et al., 2007).

Moreover, we present some really innovative papers that examine the context of trust in the fields of high-tech ISAs, R&D partnerships and marketing collaborations. Firstly, De Jong and Woolthuis (2008) investigate the institutional arrangements of innovation processes in high-tech ISAs and explain how partners to innovative collaboration develop trust and, in turn, how trust determines ISA performance. A major strength of their research is the opportunity to address antecedents as well as performance effects of trust. De Jong and Woolthuis (2008) focus on interorganizational trust because they believe that for ISAs in general, and high-tech collaboration in particular, the behaviour and performance of the partner organization rather than an individual is often the object of reference. Interorganizational trust is defined as a positive perception of the partner's behaviour, that is, the perception by the respondent of the focal firm that a partner organization will not engage in opportunistic behaviour, even in the face of opportunities and incentives to do so (Hosmer, 1995). As for the antecedents of interorganizational trust, they are classified into characteristics that mark stages in a business relationship: a shared past, detailed contracts, interfirm openness and mutual dependence (Sheppard and Sherman, 1998, Das and Teng, 2003). De Jong and Woolthuis's (2008) theoretical model is predicated on the assumption that interorganizational trust directly affects relationship performance and is presented in Figure 2.

**Figure 2: Theoretical model of the connection of interorganizational trust and high-tech ISA performance**



The three control variables – size of the focal firm ( $\xi_5$ ), cooperative culture of the focal firm ( $\xi_6$ ) and value of the partner ( $\xi_7$ ) – were modelled as distinct independent constructs but are not shown individually in the diagram in the interests of presentation clarity.

**Source: De Jong and Woolthuis (2008)**

Data from a field study of 391 Dutch firms in high-tech industries were collected in order to test the research model. In general, the results are consistent with the theoretical predictions. Interorganizational trust fosters the performance of high-tech alliances in terms of relational satisfaction. The model also allows antecedents of interorganizational trust to be identified. It appears that a shared past and an open relationship are particularly important for building trust. Additionally, a valuable partner and a corporate culture that embraces interfirm cooperation help to build and sustain trust and, indirectly, improve the level of satisfaction with the relationship. The results provide convincing evidence to support the value of interorganizational trust in durable business relationships that strive for the development of new technological knowledge. The main limitation of this paper is that the cross-sectional data were collected from business relationships in high-tech alliances only in the Netherlands, a choice which limits the generalizability of the results. We believe that testing this model in the future with data from Anglo-Saxon countries such as the UK or the USA would provide opportunities for analysing the effects of institutions on the creation and maintenance of interorganizational trust. Moreover, more variables can be added to the research model and other measurements such as objective indicators for ISA performance also need to be taken into account. In general, De Jong and Woolthuis (2008) contribute with their research to the understanding of how high-tech business partners can develop and use interorganizational trust to improve the performance of an ISA.



Furthermore, Bstieler and Hemmert (2008) examine trust-building mechanisms in vertical R&D partnerships in two culturally different countries: South Korea and Austria. Their theoretical model argues that trust formation in R&D partnerships depends on certain relational behaviours that foster or impede the creation of an engaging environment within which the partnership can succeed. Two constructs that are expected to promote trust formation (communication quality and fairness) and one construct that is expected to have a detrimental effect on trust development between partners (history of unresolved conflicts) were selected for inclusion because prior work suggests that these play a central role regarding trust formation in such inter-organizational arrangements (Mohr and Spekman, 1994, Morgan and Hunt, 1994). Additionally, Bstieler and Hemmert (2008) propose that national culture has a direct and moderating influence on trust formation. Observations of the differences among countries in their propensities and style of developing trust in inter-organizational relationships suggest a direct influence of national culture. According to Fukuyama (1995), the United States, Japan and Germany are characterized as "high-trust" societies and China, Hong Kong, Taiwan, Korea, France and Italy as "low-trust" societies. Dyer and Chu (2003) in studying supplier-automaker relationships found that trust levels in Korea were much lower than in Japan and slightly lower than trust levels in the USA. Huff and Kelley (2003) researched the levels of trust developed by bank managers in the US and several Asian countries and found that trust was stronger in the US than in Asia. Among the Asian countries, the Korean respondents showed particularly low levels of trust. Taken together, previous research suggests that the level of interorganizational trust developed in external business relationships in Korea may be relatively low. Austria on the other hand appears to have considerable cultural similarity with other German-speaking countries in Europe. In a recent global study on national cultures, Germany, Austria, the Netherlands, and German-speaking Switzerland were identified as one cultural cluster and labelled as "Germanic Europe" (Gupta et al., 2002), which appears, as a "high-trust" region. For these reasons, Bstieler and Hemmert (2008) expect to find a difference between Korea and Austria in the amount of trust developed in R&D partnerships.

East Asian countries such as China, Korea, and Japan are regarded as high-context cultures, whereas the German-speaking European countries (Germany, Austria, and German-speaking Switzerland) are low-context cultures (Hall, 1976). Bstieler and Hemmert (2008) therefore expect that in a society that is highly collectivist, homogeneous, and high-context like Korea, communication quality is less important in developing trust than in more individualistic, low-context cultures such as Austria. A central feature of collectivist societies, predominantly East Asian, is a strong perceived need for harmony in relationships. Even when there are differences in perceptions, there is a strong tendency to not make the differences too explicit, to avoid confrontation and conflict and instead to seek consensus (Kim & Slocum, 2008). In individualist societies, in contrast, which mainly include North America and Western European regions, disagreements are more openly expressed and conflicts are sometimes seen as a necessary and even advantageous means to find or regain consensus between disagreeing parties (Hofstede, 2001). For this reason, unresolved conflicts in collectivist cultures can be expected to more strongly deter the formation of trust compared to Western individualist cultures. Bstieler and Hemmert (2008) collected data from 100 (56 Korean and 44 Austrian firms) new product development partnerships

between independent companies in South Korea and Austria. The regression analysis results of the research of Bstieler and Hemmert (2008) are presented in Table 2.

**Table 2: Regression analysis results for trust in South Korean and Austrian vertical R&D partnerships**

Variables	Pooled sample (n = 100)			Korea (n = 56)		Austria (n = 44)	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
<b>Controls</b>							
Relationship experience	0.139	-0.015	-0.045	-0.015	0.068	0.299**	-0.055
Product newness	0.243**	-0.047	-0.010	0.298**	-0.037	0.231*	-0.002
Type of partner	0.130	0.056	0.085	0.351***	0.193**	-0.108	0.074
<b>Main effects</b>							
Communication		0.438***	0.463***		0.442***		0.478***
Fairness		0.547***	0.506***		0.628***		0.448***
Unresolved conflicts		-0.422***	-0.385***		-0.240***		-0.530***
Country		-0.108*	-0.111*				
<b>Moderating effects</b>							
Country × communication			-0.105*				
Country × fairness			0.039				
Country × unresolved conflicts			0.161**				
$R^2$	0.083	0.681	0.711	0.198	0.634	0.141	0.730
$\Delta R^2$ (p)		0.598***	0.030*		0.436***		0.589***
Adjusted $R^2$	0.045	0.649	0.667	0.149	0.586	0.073	0.684
F-value (p)	2.20*	21.07***	16.24***	4.04**	13.28***	2.08	15.76***

Note: \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ .

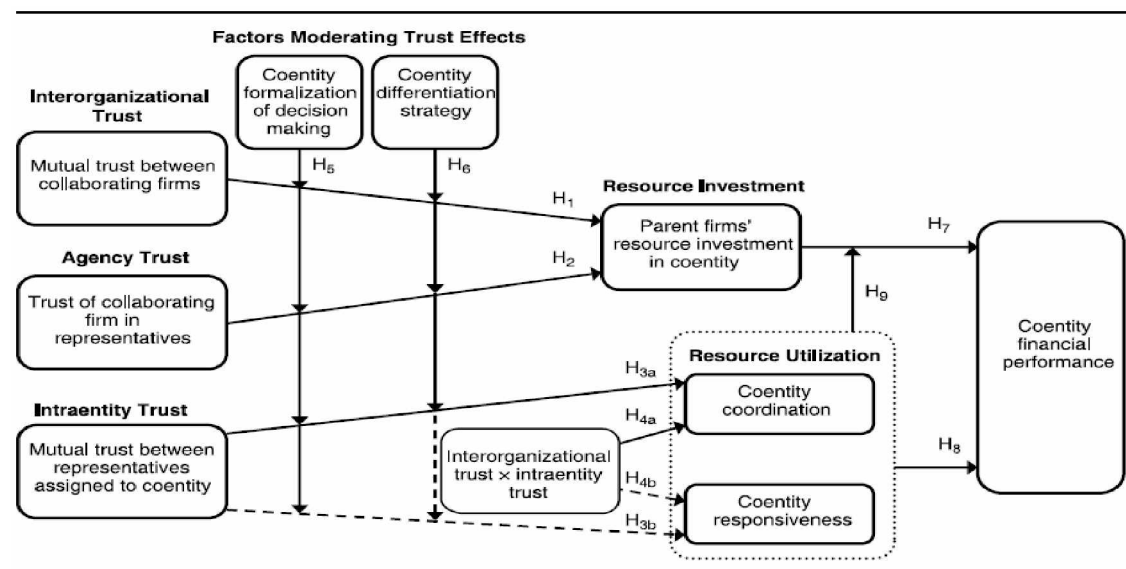
Source: Bstieler and Hemmert (2008)

The regression analysis results suggest that the relational factors of communication quality, fairness and unresolved conflicts play a dominating role in trust formation in both countries. National culture, in contrast, has a significant main and moderating effect on trust formation, but still plays a relatively modest role overall. First, the results support the notion that the quality of communication between partners and the perception of fairness generally contribute to a high degree to trust formation within a partnership. Moreover, unresolved conflicts between partners hamper the development of trust. These effects are observed to a similar extent in both countries. Second, national culture affects trust formation. A high level of trust in R&D partnerships is more difficult to develop in Korea than in Austria. The latter finding supports the notion by Fukuyama (1995) that the level of inter-organizational trust that can be developed differs between cultures and countries. However, this effect was relatively weak when compared with the importance of communication quality, fairness and unresolved conflicts to trust formation, suggesting that even in "low-trust" cultures, it is by no means impossible to achieve a high level of trust in relationships with external partners. Third, the results indicate that national culture also exhibits a moderating effect on trust formation. Communication quality is more important for trust formation in Austria than in Korea, suggesting that indeed less communication is needed for trust formation in East Asian high-context cultures than in Western low-context cultures. It is noteworthy however that the negative relation of unresolved conflicts with trust formation is significantly stronger in Austria than in Korea. This last finding, drives to the conclusion that further conceptual elaborations regarding precise differences between national cultures and the implications of those differences for

business relationships should be made in the future. For instance, when comparing particular countries, a review of the specific historical and institutional contexts in these countries could potentially improve the understanding of cross-cultural differences between them (Bstieler and Hemmert, 2008). The main limitation of this paper is the one that applies to all cross-cultural research based on perceptual measures: the difficulty to reach full cross-cultural equivalence. Apart from that, the data were collected in two countries and in a relatively narrow industry segment only and any claim regarding generalization of the results to other contexts or industries should be made with caution. In general, the results reveal that the most important determinants of trust formation appear to be universal rather than country specific. This means that managers should make sure that their attention is not being diverted from the most fundamental issues, i.e., dealing with external partners in a fair way and maintaining a high quality communication, by choosing to focus on cultural differences only. We believe that it would be important in the future to employ longitudinal research methods that are appropriate to study how trust is created and strengthened and its effect on partnership performance.

Furthermore, Fang et al. (2008) explore the effects of trust at three distinct organizational levels in a marketing collaboration: interorganizational trust between collaborating firms, each firm's agency trust in its own representatives assigned to a collaborative entity (coentity) and intraentity trust among the representatives assigned to the coentity. Interfirm marketing collaborations often entail the formation of a collaborative entity or coentity, which is defined as an identified set of employees from each collaborating firm tasked to work together to achieve collaborative outcomes (Fang et al., 2008). The researchers explore the moderating effect of coentity characteristics, as well as both positive and negative outcomes of different levels of trust and therefore provide a more holistic view of how a coentity can better manage different levels of trust to achieve improved financial performance. The theoretical model of Fang et al. (2008) is presented in Figure 3.

**Figure 3: Theoretical model of the impact of trust at different levels on collaborative entity (coentity) financial performance**



Notes: Dashed lines represent hypothesized negative effects.

Source: Fang et al. (2008)

Fang et al. (2008) test their theoretical model with a dyadic survey and longitudinal objective performance data from 114 IJVs in China. The results reveal that a collaborating firm's agency trust in its representatives increases the firm's resource investment in the coentity. Intraentity trust among the representatives assigned to the coentity affects resource utilization by both encouraging coordination and reducing responsiveness. The collaborating firms' interorganizational trust promotes their investment in the coentity and simultaneously enhances intraentity trust's positive effect on coordination and negative effect on responsiveness. The findings demonstrate that building multilevel trust in isolation, without considering the relevant coentity's strategic and structural context, could be problematic. Although trust provides a motivation to engage in various positive behaviours, whether that motivation becomes manifest in actions depends on a host of factors, such as the coentity's formalized decision making and differentiation strategy. A really noteworthy aspect of this research is that, in contrast to most previous studies which suggest that trust building always leads to desirable outcomes (Dirks and Ferrin, 2001), it reveals that trust can be counterproductive in ways that extend beyond the obvious vulnerabilities discussed in previous research. The negative impact of intraentity trust on external responsiveness appears to be caused not by excessive vulnerability but rather by excessive closeness, insularity and perhaps even a perception of invulnerability. For this reason, we believe that if it is important for a project team or an ISA to keep its edge, some of the employees assigned to that coentity should be rotated to deter excessive insularity. The main limitation of this paper is the fact that all the data were collected by IJVs in China and future research in other countries should explore how the national or cultural background of the collaborating firms or the location of the coentity itself might affect resource investment, resource utilization and, ultimately, performance. In general, Fang et al. (2008) examine how the three levels of trust affect coentity performance and how coentity characteristics may moderate these effects. Their research extends marketing theory by integrating previous unilevel research on trust to provide a more holistic picture of its complex interplay at multiple organizational levels.

### **Conclusions and objectives for further research**

This paper consists of an in depth review of the most recent literature about the importance of trust in IB Systems. The main section is concerned with the research findings related to the concept of trust over the last five years and includes the research of Boersma et al. (2003) and the one of Mohr (2004), that were presented thoroughly in our previous papers (Hajidimitriou and Sklavounos, 2006, 2007). The main section also contains detailed references of the papers of Zaheer and Zaheer (2006), Svejenova (2006), Madhoc (2006), Nielsen (2007, Wai-Kit Ng et al. (2007), De Jong and Woolthuis (2008), Bstieler and Hemmert (2008) and Fang et al. (2008). We strongly believe that our historical review with the detailed description of these distinguished scientific papers indubitably emphasizes and strengthens the rising importance of the concept of trust in the field of IB Systems.

As far as further research is concerned, our main research objective is to empirically examine the concept of trust and its role in IJVs that include at least one Greek partner or generally in IJVs that operate in South - East Europe. We intend to investigate these issues by constructing an appropriate questionnaire which will be sent to managers of Greek companies that have formed IJVs in the recent past.

The results of the questionnaires will be statistically analysed using the appropriate statistical methods. Any possible findings would definitely constitute a valuable addition in the international bibliography about the complex concept of trust. This paper constitutes the basis for such future research. We believe that the findings of the theoretical models of trust that are presented in this paper should be statistically analysed and confronted with some richer, more widely dispersed set of cases, with more cultural and structural variety in the ISAs and the IJVs analysed. Future research in the context of ISAs could certainly incorporate approaches from other disciplines like comparative sociology and economic geography, which can provide a broader and better foundation than merely the culture-based one for a better understanding of the enforcement of stability in ISAs. We also agree with Madhoc (2006) that by shaping interorganizational interactions and ways of organizing in a trust-oriented way, we may better understand the differences in institutional contexts and mechanisms across countries and cultures, how these impact the level and functioning of trust and ultimately their link to performance. Apart from that, the findings of Bstieler and Hemmert (2008), suggest that further conceptual elaborations regarding precise differences between national cultures and the implications of those differences for business relationships should also be made in the future. Finally, we believe that future research should also deal with the noteworthy aspect of the research of Fang et al. (2008) who, in contrast to the majority of previous studies, reveal that trust can sometimes be counterproductive due to excessive closeness, insularity or even a perception of invulnerability. In general, we are convinced that this in depth review of the most recent literature about the trust dimension in IB Systems contributes to the conceptualization of trust and constitutes a valuable addition that strengthens even more the important role of trust in the field of IB.

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