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Article abstract

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Trust and Commitment: Indicators of Successful Learning in International Joint Ventures (IJVs)

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This study focused on the importance of trust and commitment to International Joint Ventures (IJVs). According to Kogut (1988), joint ventures are formed for various reasons, one of important reasons being learning between the partners. This article proposes that trust and commitment are positively related to learning between IJV partners. An empirical analysis was conducted by surveying 1000 CEOs of IJVs in India. The study does show that there is a positive relationship between learning and trust and commitment. The study also proves that IJVs with better trust mechanisms tend to learn more from their partners.

1. Introduction

Internationalization of the business world has resulted in increased cross-border alliances between organizations. It has become important to understand the mechanisms that make these alliances successful. Among the many variables that affect the success of these alliances, trust and commitment are probably two of the most important variables that affect alliance success. Research has shown that trust and commitment between partners leads to better performance. Strategic alliances, such as international joint ventures (IJVs), are formed with specific goals to be achieved. IJVs are formed for one or a combination of three reasons, cost of internalizing versus externalizing transactions, learning from the partners, or for strategic reasons, such as expansion into a new market. One of the most important reasons among the previously mentioned three reasons is learning. Regardless of the motive for formation, IJV partners usually learn from one another processes, product technology, or market conditions.

This paper will, therefore, focus on the impact of trust and commitment on learning effectiveness in IJVs in India. The author has conducted a survey of 1000 CEOs of IJVs in India. Their responses to the several questionnaires are used to examine the proposed relationships in this study. The questionnaires used for this study were developed by other researchers and were tested for reliability and validity by the original authors as well as the author of this study. Before discussing the empirical analysis, it is important to understand the relevance of learning, trust and commitment in IJVs. The following sections will examine learning, trust, commitment, and their role in IJVs.

2. Role of Organizational Learning in IJVS

As mentioned previously, IJVs are formed for various reasons. Among the most common reasons for formation is the organizational learning approach

(Kogut, 1988) which stated that firms form IJVs to acquire knowledge. Lyles (1988) stated that firms form joint ventures primarily to learn. In her case study, Lyles (1988) identified three important issues that pertain to organizational learning in joint ventures: (1) learning that occurs within the JV parent firm, (2)the learning process, and (3) knowledge content.

Hamel (1991) agreed with Lyles' (1988) assessment that learning was the primary focus of firms forming strategic alliances. Learning may not be the primary objective of firms in every cooperative arrangement (Westney 1988). Learning can, however, become an indispensable mechanism for cooperative strategies. Firms that enter into cross-border alliances or cross-industry alliances need to acquire knowledge from its environment or from other organizations in the environment in order to be successful in that environment (Westney, 1988).

Organizational learning theory posits that prior learning facilitates the learning and application of new and related knowledge (Cohen and Levinthal, 1994). With respect to IJVs, firms have to learn how to manage the alliance and perform in a foreign market with a partner from another culture. Barkema et al's (1997) study found that experience with domestic joint ventures and with international wholly owned subsidiaries contributed to the longevity of the joint venture. In their study, Barkema et al. (1997) also found that prior experience with IJVs did not contribute to the longevity of the venture. This finding could be a result of firms in their sample experiencing problems with prior IJVs. In another study conducted by Zeira et al. (1997), the authors asserted that joint ventures in related parent industries were less effective than joint ventures in unrelated parent industries. Similar to Barkema et al's (1997) study, Zeira et al's (1997) study also found that prior experience with IJVs did not seem to positively affect performance of the IJVs.

A study conducted by Inkpen and Beamish (1997) found that bargaining power of firms, knowledge of firms, and the instability of the joint venture are closely related to each other. The authors state that as the level of local knowledge of the foreign partner increases, the bargaining power shifts to the foreign partner. Inkpen and Beamish (1997) warn local firms in IJVs to safeguard their interests by constantly upgrading the knowledge that the local partner provides to the joint venture. On the other hand, it is important for the foreign partner to understand the local environment in order to have substantial bargaining power. Inkpen (1995) also stated that learning in IJVs leads to better performance in the long run. March (1991) agreed with Inkpen's assessment and further posited that knowledge gained through learning increases the competitive advantage of firms.

This study utilizes Kogut (1988) and Fiol and Lyles' (1985) definition of organizational learning as the process of improving organization actions through knowledge transfer and increased understanding of the environment. Lyles (1988) asserted that learning itself consists of changes in the state of knowledge, which makes organizations more effective in dealing with the uncertainties in the environment, thus improving performance (Hedberg, 1981). It is important to remember that the learning effectiveness of the Indian parent is being examined. Based on the assessment of the Indian environment and the slow rate of technological advances made by Indian companies (Lal and West, 1997), it is assumed that one of the most important motives to form a venture from the Indian partner's perspective is learning from the foreign partner.

3. Trust and Commitment in Organizations

Trust is an interesting yet misunderstood topic in organizational research that warrants the attention of researchers. This study will examine trust in IJVs and the impact on learning effectiveness and organizational culture. This section will examine the issue of trust in organizations followed by a discussion on organizational commitment. Organizational trust and organizational commitment are related, but not similar, concepts. Therefore, it is important to examine both these issues separately.

Organizational Trust

Current trends in the workforce and the structuring of organizations makes it even more important to understand trust and trustworthy behavior (Elahee, 1999). The level of trust in organizations affects its structure and processes and reduces transaction costs (Bromiley and Cummings, 1995). Jamieson and O'Mara (1991) projected a drastic increase in the proportion of minorities in the workforce over the next few decades. This trend makes it essential for workers to develop mutual trust in order to function effectively with each other. The same logic can be applied to IJVs, where two cultures (national and corporate) merge to achieve a common goal. Given their differences, it is important to develop the trust necessary to ensure survival of the venture. Furthermore, trust plays a crucial role in all market transactions and should be considered a fundamental element of the social fabric (Etzioni, 1988).

Trust functions as a "remarkably efficient lubricant to economic exchange (that) reduces complex realities far more quickly and economically than prediction, authority, or bargaining" (Powell 1990, p. 305) and can be defined as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al., 1995 p. 711). Two interesting observations can be made from this definition of trust. First, the vulnerability of the trustor comes from the fact that there is something important to be lost by the trustor. And second, the vulnerability causes the trustor to be willing to accept some risk. Organizational trust, therefore, is "a feeling of confidence and support in an employer…it is the belief that an employer will be straightforward and will follow through on commitments." (Gilbert and Tang, 1998 p. 326). For the purpose of this study Mayer et al's (1995) definition will be more useful in understanding the role of trust in IJVs. IJVs are organizational structures that do not always have an even control mechanism. Very often one party to the venture exercises more control over the other. In such cases it is important to establish trust, especially for the party with less control.

In order to understand trust in organizations, the three central mechanisms of trust in economic structures (Zucker, 1986) should be examined: (1) trust as process-based, (2) trust as characteristic-based, and (3) trust as institutional-based. The central point of process-based trust focuses on reciprocity. This form of trust depends on the personal experiences of individuals during exchange of possessions. If this process of exchange and reciprocity extend over a long period of time, a system is created where norms of mutual obligation and equitable treatment develop. In organizations, such a system leads to long-term commitment (Arrow, 1984). With the passage of time, process-based trust allows gradual increases in risk and cooperation in order to foster learning (Good, 1988).

When the norms of obligation and cooperation are set in social similarity, the trust is characteristic-based trust. Individuals determine the trustworthiness of others based on family background, age, social position, financial position, and ethnicity (Zucker, 1986). This form of trust may be broadly extended within a society and is reinforced by rituals and behaviors (Good, 1988). Mutual membership and familiarity, emphasized in this form of trust, provide a tendency to trust. The third form of trust is institutional trust which is linked to formal structures, for example, certification as a tax consultant.

Creed and Miles (1996) suggested that organizational trust is dependent on both process-based trust and characteristic-based trust. The authors stated that trust in organizations is a function of:

> *Embedded predisposition (a function of managerial philosophy and its structural manifestations), characteristic (dis) similarity (which is affected by organizations and structure), and experiences of reciprocity (which are affected by the organization context for reciprocity/mutuality) (p.20).*

The authors suggested that the actions and beliefs of managers' play a very critical role in influencing both process-based and characteristic-based trust. On the one hand, managers can increase trust levels within the organization by increasing the opportunities to exchange or by creating a culture which accentuates shared values. On the other hand, managers can decrease the levels of trust if they decrease the opportunities for exchange between employees and emphasize individuality and status differences between levels of employees.

Shapiro et al. (1992) proposed an alternative approach of trust. These authors suggested that three types of trust function in the evolution of a business relationship. They were calculus-based (deterrence-based) trust, knowledge-based trust, and identification-based trust. The characteristics of Creed and Miles' (1996) process-based trust and characteristic-based trust are similar to Shapiro et al's (1992) identification-based trust. In further developing the model proposed by Shapiro et al. (1992), Lewicki and Bunker (1995) suggested that the three types of trust were sequentially linked to each other. This means that the achievement of trust at one level is necessary for the development of trust at the next level. Lewicki and Bunker (1996) also pointed out that Shapiro et al's (1992) model could be applied to parties that are entering into new relationships, such as IJVs or strategic alliances.

Parties that enter into ventures are often uncertain about each other and believe that their vulnerability will increase if too much information is offered too quickly. Three types of trust, calculus-based, knowledge-based, and identification-based trust, should be used by organizations to reduce the decline of trust in their settings (Lewicki and Bunker, 1996). A brief discussion on the three types of trust is presented below:

1. Calculus-based trust (deterrence-based trust): According to Shapiro et al. (1992), individuals act in a certain manner to avoid the unpleasant consequences of not doing what they are told. In this case, the threat of punishment acts as a more powerful motivator than the promise of a reward. According to Lewicki and Bunker (1996), trust is not violated because of two reasons, first, the threat of punishment and second, the promise of the rewards that are received by preserving the trust. In their words, "trust is an ongoing, market-oriented, economic calculation whose value is derived by determining the outcomes resulting from creating and sustaining the relationship relative to the costs of maintaining or severing it" (p. 120). Organizations spend resources to acquire a good reputation and thus are not prone to violate the other party's trust risking their own reputation. Trust during this stage is limited and weak.

2. Knowledge-based trust: When the behavior of the other party is predictable, the resulting trust if known as knowledge-based trust. Knowledge-based trust develops over a period of time when each party knows that the other can be trusted based on the history of interaction between them (Rotter, 1971). The likelihood of the parties violating each other's trust decreases due to the predictability of each other's behavior. Prediction accuracy of their behavior depends on the frequent interaction in the relationship. The more frequent the interaction between the parties, the more predictable the parties are to each other. Communication is a key variable in the development of knowledge-based trust (Shapiro et al., 1992). Knowledge-based trust is rarely broken due to inconsistent behavior. The person or party whose trust is violated usually forgives inconsistent behavior if the violator explains that behavior.

3. Identification-based trust: This form of trust is the most preferred form of trust in IJVs. Identification-based trust involves mutual understanding of each other's wants. Shapiro et al. (1992) mentioned four activities that strengthen identification-based trust. The authors believed that developing a collective identity (e.g., joint name) and residing in the same building or neighborhood increase the likelihood of building

identification-based trust. Producing joint products/services and sharing a set of common values by the parties can also build identification-based trust. Knowing and predicting the other party's needs, preferences, and choices is fundamental in developing identification-based trust. The more the parties know and understand each other, the more successful they will be in representing each other in external transactions (Lewicki and Bunker, 1995).

Whitener et al. (1998) discussed five managerial behaviors that increase the likelihood of employees trusting them, which were behavioral consistency, behavioral integrity, sharing and delegation of control, communication, and demonstration of concern. Managers need to behave consistently in order for employees to be able to predict (knowledge-based trust) their actions and behaviors. Behavioral consistency increases the level of trust in relationships (Graen and Uhl-Bien, 1995) whereas behavioral integrity refers to the consistency between what the manager says and what he/she does. Although behavioral consistency and behavioral integrity sound similar, there is a fundamental difference between these two concepts. Behavioral consistency is concerned with the predictability in managers' actions, whereas behavioral integrity is concerned with the link between words and actions of managers. Telling the truth and keeping promises are key credentials to attributes of integrity which affect the level of trust in organizations (Dasgupta, 1988; Butler, 1991; and Gabarro, 1978).

Managers can increase their behavioral consistency and integrity by sharing and delegation of control. According to Whitener et al. (1998), delegation increases the levels of trust because delegation of authority allows workers to make (or provide input in) decisions. Agency theory (Eisenhardt, 1989) proposes that employees can protect their own interests when they are allowed to make decisions and decrease the chances of opportunism on the manager's part. Decision-making also allows the employees to assert their position in the organization. While sharing and delegating is important, communicating accurate information to the employees along with an open discussion of explanations for decisions also plays an important role in the perception of trustworthiness in organizations (Shapiro et al., 1992; Mishra and Morrisey, 1990).

Whitener et al's (1998) demonstration of concern was also discussed by Mayer et al. (1995) in terms of benevolence towards others. Mayer et al. (1995) suggested that managers need to be benevolent to their employees by showing consideration and sensitivity for employees' needs and interests and acting in a way that protects employees' interests. Good managers refrain from exploiting others for the benefit of one's own interests. Loyalty to the manager, as well as the organization, will increase if managers are benevolent. Researchers (Butler, 1991; Jennings, 1971) have already demonstrated that loyalty leads to trust.

Formation of a trustworthy relationship depends on the success in communicating with the parties to the venture. Another approach to trust was developed by Mishra and Morrisey (1990), who suggested that open communication among the employees, as well as between employees and management along with employee participation in decision making increases trust in the organization. Sharing critical information and perceptions and feelings is also essential in generating organizational trust (Mishra and Morrisey, 1990).

Organizational trust increases with increase in access to organizational communication channels (Gilbert and Tang, 1998). Their results also indicated that organizational trust was positively related to age, marital status, and work group cohesion. Organizational tenure was also positively related to trust, meaning employees with longer tenure portrayed higher trust in the employer. Daley (1991, 1988) discovered that organizational trust was not related to background characteristics of employees, for example, race of the employee. Gilbert and Tang (1998) suggested a similar non-relationship between race and organizational trust. Level of trust, however, did relate to organizational culture (Wekselberg, 1996).

Based on the research discussed above there are some important features regarding organizational trust: (1) organizational trust is dependent on top management commitment to trust; (2) building trust is an ongoing process that has to be approached with patience; (3) trust in the IJV results in higher satisfaction with the venture partners; (4) communication is very important in building trustworthy relationships; and (5) organizational culture, which is mostly related to the founders and top management, affects the level of trust in organizations.

In summary, trust seems to be a very important variable in the performance and success of organizations. IJVs need to be concerned about trust issues due to the nature of the relationship. IJVs need to focus on achieving identification-based trust through some of the methods discussed by Whitener et al. (1998), Shapiro et al. (1992), and Creed and Miles (1996). This form of trust develops over time and can lengthen the life-span of the venture. Based on Shapiro et al's (1992) model of trust, organizations have to go through calculus-based (deterrence-based) trust and knowledge-based trust before reaching the identification-based trust. Lewicki and Bunker (1996) pointed out that only few organizations reach the identification-based stage and those who do are successful in building lasting collaborative relationships. While the majority of the relationships reach the knowledge-based trust stage, some of them do not advance beyond the calculus-based stage. The level of trust between the venture partners can affect learning in joint ventures. Learning will be more effective if the partners trust each other and do not believe that the other partner will be opportunistic in their actions (Inkpen, 1995).

Organizational Commitment

Organizational commitment is defined as "the strength of an individual's identification with an organization" (Nelson and Quick, 1997 p. 109). Mowday et al. (1982) discussed the existence of individual commitment to the organization. Commitment also exists at the organizational level, which refers to the commitment one organization feels towards another during strategic alliances, joint ventures, and other contractual agreements between organizations (Beamish, 1994; Beamish and

Banks, 1987). Cullen et al. (1995) commented that in joint ventures "commitment reflects the actions and values of key decision makers regarding the continuation of the relationship, acceptance of the joint goals and values of the partnership, and the willingness to invest resources in the relationship" (p. 92). Initially, Meyer et al. (1990) proposed two types of organizational commitment, affective and continuance. However, in 1991, Meyer and Allen introduced a third type of organizational commitment, normative commitment. Affective commitment refers to an individual's desire to remain with the organization because of their beliefs in the goals and values of the organization. Individuals who feel affective commitment are willing to put forth the effort to enhance the success of the organization and are loyal to the organization (Nelson and Quick, 1997). There is also a strong desire to remain a part of the organization because of their loyalty to the organization. Japanese employees who were offered lifetime employment most likely felt affective commitment towards their organizations.

Continuance commitment, on the other hand, refers to commitment that is based on the fact that an individual cannot afford to leave the organization (Meyer and Allen, 1991). Individuals invest time, effort, and other resources while working for organizations and sometimes feel that by quitting the organization they will lose the investment. This mentality describes continuance commitment to the organization. Meyer et al. (1990) differentiated between affective and continuance commitment by stating that "employees with a strong affective commitment remain with the organization because they want to, whereas those with strong continuance commitment remain because they need to" (p. 710).

Becker (1960) offered another view of organizational commitment. Becker's (1960) theory, which was known as side-bet theory, posited that commitment was less affective and more calculative. Becker (1960) asserted that the bind that tied an individual to the organization was related more to the accumulated interests than genuine feeling of loyalty to the organization. Becker's (1960) side-bet theory is conceptually similar to continuance commitment defined by Meyer and Allen (1990), because both concepts rely on the investments made by the individual as the basis for commitment. A concept similar to Becker's (1960) side-bet theory was Hackett et al's (1994) normative commitment defined as

> *the employee's feeling of obligation to stay with the organization: feelings resulting from the internalization of normative pressures exerted on an individual prior to entry (e.g., familial or cultural socialization) or following entry (e.g., organizational socialization) (p. 15).*

Hackett et al (1994) were referring to the pressure individuals experience in order to continue working with the organization because of family pressure (for example, the need to support the family). Another example of Hackett et al's (1994) definition is provided by Becker's (1960) side-bet theory. In Becker's (1960) example, individuals tend to stay with their organizations because of vested interests in pension plans and the possibility of promotions due to seniority. These could be considered normative pressures exerted by the organization following the individual's entry into the organization.

Reichers (1985) discussed two components of commitment relevant to international strategic alliances, which are behavioral commitment and attitudinal commitment. Similar to continuance commitment defined by Meyer and Allen (1991), behavioral commitment refers to commitment which focuses on behaviors that stress continuance of the relationship and compliance of the rules/regulations of the relationship. Attitudinal Commitment, on the other hand, refers to the willingness to exert efforts for the achievement of organizational goals, which is similar to Mowday et al's (1982) and Meyer et al's (1990) concept of affective commitment.

In joint ventures, the behavioral commitment refers to the contracts between the parties and costs of not enforcing the contract or abiding the rules. Attitudinal commitment, on the other hand, advances beyond the contract and the rules. It encompasses a feeling of obligation to the IJV. The benefits accrued from attitudinal commitment would be greater than by just following rules and regulations (behavioral commitment).

For the purpose of this study, commitment refers to the organizational commitment expressed by the top management official on one side (Indian) with respect to the IJV. This operationalization of commitment fits the conceptualization of partner commitment by Cullen et al. (1995). The instrument used to measure commitment was developed by Cullen et al. (1995) for the purpose of measuring partner commitment to the joint venture. Although the previous section examined the important and relevant issues relating to trust and commitment, it is necessary to survey the role of trust and commitment in IJVs because this study will examine the trust and commitment issues in Indian IJVs.

4. Role of Trust and Commitment in IJVS

Several researchers (Beamish and Banks, 1987; Buckely and Casson, 1988; Williams and Lilley, 1993; Madhok, 1995; Arino et al., 1997) have asserted that trust is important for the effective functioning of IJVs. Beamish and Banks (1987) maintained that viewing IJVs as ownership-centered entities erode the potentiality of the venture. Building effective social relations in the IJV proves to be a far more profitable option to both partners (Beamish, 1985). Creating and maintaining trust can lead to better performance (Gill and Butler, 1996) and ensure the long-term survival of the venture (Buono, 1990). Chua and Kin-Man (1993) conducted a study of joint ventures between foreign companies and Chinese peasants in the wine industry. The authors found that the role of economic incentives was secondary to the long-term survival of the venture. The peasants were more interested in trust and goodwill between the two parties.

Another study by Newburry and Zeira (1997) between equity international joint ventures (EIJVs), international acquisitions (IAs), and international greenfield investments (IGIs) confirmed that the issue of trust was more important to the functioning of the EIJV than the IAs or IGIs. Trust, not pure markets or hierarchical relations, is crucial in sustaining relationships (Jarillo, 1990). Chen and Boggs (1998) found that trust is positively related to the prospect of long term cooperation. The authors also confirmed that cultural similarity and age of the joint venture was strongly related to trust and long term cooperation. Culturally similar joint ventures seemed to portray a higher level of trust towards the partner than culturally distant join ventures. Madhok (1995) stated that "commitment develops through interaction, and results in a trust-based relationship that more closely resembles an internalized mode than a contractual one" (p. 125). Cullen et al. (1995) examined partner commitment in IJVs and found that several factors were responsible for the increase in partner commitment. These factors were satisfaction with the venture (positive), perceived performance (positive) of the venture, and conflict (negative) in the venture.

In summary, trust and commitment are crucial for the successful survival of IJVs. Commitment to the joint venture, either behavioral or attitudinal, results in higher learning in IJVs (Harrigan, 1985). Schaan and Beamish (1988) asserted that commitment to the organizational goals is a key variable related to IJV success. No matter how mutually beneficial and logical the venture initially seems, without commitment the IJV will fail to reach its goals. The next section will appraise the theoretical model and the hypothesis suggested by the author.

5. Theoretical Model and Hypotheses

This study is concerned with the effects of certain independent variables on the learning effectiveness of IJVs in India. The primary dependent variable in this study is learning effectiveness. The independent variables for this study are trust and commitment.

Partner commitment is another important variable in the model. Achieving the learning goals contributes to the overall success of the IJV (Si, 1996). Cullen et al. (1995), along with Schaan and Beamish (1988), stated that partner commitment is crucial in the success of IJVs. Because achieving learning goals is a part of an IJVs overall success, it can be stated that there exists a positive relationship between IJV partner commitment and learning effectiveness. Hence:

H_1: Partner commitment is related positively to learning effectiveness.

Trust is important to reduce transaction costs in cross-border alliances (Bromiley and Cummings, 1995). Others (Etzioni, 1988; Jamieson and O'Mara, 1991) have considered trust to be fundamental in the effective functioning of organizations. The role of trust is magnified in IJVs that intend to learn from the other partner. The presence of mutual trust is important for learning to take place effectively. Trust is considered to be background element in exchange relationships, such as IJVs (Dasgupta, 1988). Trust can be culture-bound (McCabe et al., 1993), politically-bound, or religion-bound (Sabel, 1993). This suggests that there should be higher trust in IJVs that are culturally similar. The learning effectiveness of IJVs with cultural similarity should be higher than IJVs with culturally distant partners. Organizing culturally different IJVs is a complex task which requires effective management. IJVs that are culturally similar have a less difficult time to adjust to each other and can start the process of achieving their goals since the adjustment period is much shorter. Therefore, IJVs that are culturally similar achieve their goals of learning from the partner. The following hypotheses were developed based on the preceding discussion:

H_2: Trust is related positively to learning effectiveness.

H_3: Trust is positively related to partner commitment.

6. Sample Characteristics and Data Collection

Data was collected from Indian top management officials in Indian IJVs. Top management officials were used by this study because they are in the best position to answer questions about the learning effectiveness of the venture and the organizational culture of the parent firm. Based on the information provided in the preceding section, an instrument consisting of 38 questions was developed and administered to the officials. Since this study is a part of a larger study on factors determining learning effectiveness in Indian international joint ventures (IJVs), responses to only 24 questions were used for this study (See Appendix A). A systematic sample of 1000 Indian IJVs was used for this study. The Indian Chamber of Commerce (ICC), along with the Indo-US, Indo-German, and Indo-Japanese Chambers of Commerce, agreed to provide a list of Indian IJVs based on their total gross sales in the Indian market in US dollars. This study used 500 top Asian-based IJVs and 500 non-Asian IJVs based on their total gross sales in US dollars. Because cultural similarity is one of the key variables in the study, a decision was made to select IJVs systematically from Asian (Eastern culture) and non-Asian (Western culture) nations to test for differences in learning effectiveness.

7. Instrument Information

This study utilized four measures along with questions to collect demographic data from the prospective participants. The measures for this study have been developed and validated by other researchers. The full version of each instrument, developed by different researchers, was used in this study.

Learning Effectiveness Questionnaire

This study uses an adaptation of Si's (1996) instrument of learning effectiveness. Si (1996) had identified 19 goals regarding learning success. Of the 19 goals, Si (1996) had used 9 goals that were thought to be important for his sample based on a panel of experts. A similar technique was used for this study where the learning goals were emailed to a panel of experts in India who choose 6 goals to measure learning effectiveness. The Cronbach's Coefficient for the original scale was 0.75 (Si, 1996).

Trust Questionnaire

Cummings and Bromiley (1996) developed the trust questionnaire which consists of 12 items to be rated from 1 (strongly agree) to 6 (strongly disagree) and is known as the Organizational Trust Inventory – Short Form (OTI-SF). The authors also developed a long form which consists of 62 items, but, according to the authors, the short form is reliable and valid in measuring organizational trust (see Cummings and Bromiley, 1996).

Commitment Questionnaire

The commitment instrument was developed by Cullen et al. (1995) in order to assess partner commitment in Japanese IJVs. This is an 8 item instrument, adapted by Cullen et al. (1995) from Mowday and Steers (1972). Cullen et al. (1995) has established reliability and validity for this questionnaire (Cronbach's Coefficient of 0.86).

8. Statistical Analysis

This study used several statistical tests in order to test the hypotheses mentioned in the previous chapter. SAS was used to conduct the various tests. A factor analysis was conducted to confirm all the measures in the multi-item questionnaire used in this study. Following the factor analysis, a Pearson's correlation analysis was performed to answer the questions proposed in the theoretical model. Correlation analysis provided the relationship between the criterion variable – learning effectiveness and the predictors – trust and commitment.

Non-response was handled through following up with the non-respondents by calling them after two months and requesting them to return the surveys. The surveys were returned in waves, and the different waves were compared for significant differences. Analyzing responses from waves and finding no statistical differences in responses between the waves is assumed to be similar to testing for non-response and finding no statistical significance. Researchers often consider late respondents as a proxy for non-respondents (Singh, 1990).

A multi-item questionnaire was mailed to CEO's of IJVs in India. Of the 1000 questionnaires mailed, 139 were returned for a response rate of 13.9 percent. Of the 139, 133 were usable for a net response rate of 13.3 percent. The questionnaires were mailed in two waves with a gap of three months between the mailings. Each wave consisted of 500 questionnaires equally divided among Asian IJVs and non-Asian IJVs. Of the 500 questionnaires sent in the first wave, 65 were returned (60 usable), whereas 74 were returned from the second wave (73 were usable).

The instruments used in this study were validated by other researchers (see Si, 1996 for the Learning Effectiveness Instrument; Cummings and Bromiley, 1996 for the Trust Instrument; Cullen et al., 1995 for the Commitment Instrument). Even though the instruments were validated in the literature, factor analysis was used to confirm the clustering of the items. Conforming to the recommendations suggested by Lewicki and Robinson (1998), only factor loadings with an absolute value of 0.40 on any factor were considered. In the case of all five instruments, using an eigenvalue of greater than 1.0, five separate factors were identified, one for each measure.

The findings of the factor analyses confirm the validity of the instruments, except for the learning effectiveness instrument. Two factors were present in the learning effectiveness measure and the author decided to drop the two questions (Q35 and Q38) that represented the second factor (Factor 2 in Table 3). The second factor, which included differentiation strategy and minimizing costs, was probably not considered important by the Indian CEOs because those items are a part the firm's overall strategy (Porter's generic strategies of low cost leadership and product differentiation). For example, Indian CEOs may have felt that gaining knowledge of minimizing costs is a part of learning about the production process or learning new technologies (which may reduce the cost of a product or service). Also US managers are more likely to use Porter's model of generic strategies to gain competitive advantage and Indian CEOs can learn from their US counterparts the importance and necessity of using a differentiation strategy.

Table 1 - Principal Component Analysis (Trust Instrument)

Rotated Factor Loadings*	
Factor 1 (Trust)	
We feel very little loyalty to our joint venture partner.	.82
We really care about the fate of our joint venture partner.	.76
Deciding to enter into a joint venture with this partner was a definite mistake on our part.	.79
For us, our joint venture partner is the best possible company with which to enter a joint venture.	.72
We are proud to tell others about our joint venture with our partner.	.64
We could just as well have a joint venture with a different partner as long as the rewards are similar.	.75
We consider that the choice of our joint venture partner was a correct one.	.62
It would take little change in our present circumstance to quit this joint venture.	.61

Note. * Following Lewicki and Robinson (1998), only loadings with absolute ratings higher than 0.40 are reported.

Table 2 - Principal Component Analysis (Commitment Instrument)

Rotated Factor Loadings*	
Factor 1 (Commitment)	
We think the people from the other organization in the joint venture tell the truth in negotiations	.72
We think that our partner in the joint venture meets its obligations to our organization	.74
In our opinion, our partner in the joint venture is reliable	.80
We think that the people from the other organization in the joint venture succeed by stepping on other people	.80
We feel that our partner in the joint venture tries to get the upper hand	.73
We think that our partner in the joint venture takes advantage of our problems	.77
We feel that our partner in the joint venture negotiates with us honestly	.78
We feel that our partner in the joint venture will keep its word	.72
We think that our partner in the joint venture does not mislead us	.68
We feel that our partner in the joint venture tries to get out of its commitments	.68
We feel that our partner in the joint venture negotiates joint expectations fairly	.73
We feel that our partner in the joint venture takes advantage of people who are vulnerable	.77

Note. * Following Lewicki and Robinson (1998), only loadings with absolute ratings higher than 0.40 are reported.

Table 3 - Principal Component Analysis (Learning Effectiveness)

Rotated Factor Loadings*	
Factor 1 (Learning)	Factor 2
Gaining knowledge of the production process	.81
Gaining knowledge of differentiation strategy	.80
Gaining capital resources	.82
Learning new technologies	.72
Gaining knowledge of minimizing	.75
Gaining knowledge of new managerial styles and types	.74

Note. *Following Lewicki and Robinson (1998), only loadings with absolute ratings higher than 0.40 are reported.

9. Results and Discussion

To establish the relationship between learning effectiveness and the other independent variables, a Pearson product-moment correlation analysis was performed. The correlation results (Table 4) show that as hypothesized in the study, learning effectiveness is positively related to trust and commitment.

Table 4 - Pearson Product-Moment Correlation

	Trust	Commit.	Learning
Trust	1.000	0.657***	-0.379***
Commit.		1.000	-0.378***
Learning			1.000

Note. N=133. *p < .05. **p < .01. ***p < .001.

Learning effectiveness is positively related to trust and commitment at the 0.001 level. The relationship between trust, commitment, and learning effectiveness is positive despite the direction suggested by Table 4. The negative direction of the relationships is due to the response categories on the questionnaire (for example, a low score on trust suggests trust between the partners, whereas a low score on learning denotes low level of learning effectiveness). Therefore, a low score on trust and commitment (low score equals more trust) should relate to a high score on learning effectiveness (learning does/did take place). The above findings (correlation results) support H1, H2, and H3. There is also a strong positive relationship between trust and commitment, significant at the 0.001 level.

10. Conclusion

The statistical tests conducted in the previous section provide evidence that learning effectiveness does depend on trust and commitment. The relationship between learning effectiveness, trust, and commitment, is also evident from the analysis. These findings indicate that companies interested in creating an IJV should focus on mechanisms that create trust and commitment between the partners. They should also identify their own organizational culture in order to understand if that type of culture is suitable for learning. Identifying their organizational culture can help them in making the necessary changes in order to create a suitable environment for learning. Despite the importance of the variables suggested above, the necessity of a good contract is essential to the success of the IJV. One of the CEO's stated that managers need to be *"very specific and clear on what to expect from the JV. Put it down on paper and work out, if possible, the impact of the JV on the bottom-line. Discuss your expectations clearly and up front with the potential JV partner to ensure a match with his expectations. Otherwise the reality can be dramatically different".* The overall findings of the main model suggest that learning effectiveness depends on commitment and trust. This finding is consistent with the current literature in the field of IJVs.

This study offers several recommendations for managers. Some of the recommendations for managers are: (1) After the IJV is formed, efforts should be made to create an atmosphere of trust by open lines of communication in order to ensure successful operation of the IJV. (2)As one of the respondents commented that *"frequent exchange of staff between both partners may contribute to learning in IJVs."* This may increase the commitment between the partners and increase the longevity of the IJV, which results in greater learning between partners.

After examining the effects of predictors on the learning effectiveness of IJVs in India results indicated that learning effectiveness is affected by the trust between partners and commitment to each other by the parent firm. This study focused on IJVs in India because the current literature had little to offer with respect to Indian IJVs, despite the popularity of forming a joint venture with Indian companies in India. Other studies have examined IJVs in China, Hungary, and Eastern Europe, but not India. It is necessary to conduct studies in developing nations like India in order to extend our understanding of issues relating to IJVs in developing nations.

The purpose of this study was to examine the issues relating to learning effectiveness of Indian IJVs. This study contributed to the literature by identifying variables that improve learning effectiveness in IJVs. Other studies in this field have not focused either on Indian IJVs or on learning effectiveness of IJVs. Learning has become an important motive, if not a primary motive, for IJV formation. While this study sheds some light on learning effectiveness in IJVs, more research needs to focus on this issue. Future research should focus on learning effectiveness in IJVs and develop guidelines for managers as well as researchers to assist them in their respective endeavors.

This study highlights the importance of building trust and commitment among partners in an IJV. It also shows that learning effectiveness can be improved in an IJV if both the partners spend resources on enhancing the trust and commitment to the IJV. Prior research on the learning effectiveness tended to be exploratory and theoretical in nature and did not examine the relationship between learning effectiveness and its predictors. This study is one of the first studies that portrayed the relationship between learning effectiveness and trust and commitment. The empirical nature of this study increases the generalizability of the theoretical framework suggested by the author. This study is a step in the right direction toward understanding IJVs.

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