Trust building of local staffs in international companies in China

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Summary

Trust plays a significant role for business success of international companies in China. Without trustful relationship the international companies can't recruit and retain qualified local managers, who play an essential role for successful implementation of strategical and operational business practices.

Trust building is a complicated issue. It could cover many factors. This Study concentrates on figuring out how the difference of national culture, the centralization degree of headquarter and the hierarchy level of staff localization influence trust building in international companies in China. This study has chosen these three influencing factors of trust mainly because their international context, the high relevance and the personal experience of the researcher.

This research contains both theoretical and empirical studies.

In the theoretical study it has been argued that communication, cooperation and commitment are the indicators of trust. As trust is a soft factor which is very difficult to measure, we can indirectly measure the relation between trust and its influencing factors (difference of national culture, the centralization degree of headquarter and the hierarchy level of staff localization) through measuring the relation between the indicators of trust (communication, cooperation and commitment) and the influencing factors.

The empirical study is undertaken through an online survey. A questionnaire will be designed in both English and Chinese language. The probands are local staff of middle management level in subsidiaries of international companies, who play a significant role for the success of the strategical and operational implementation in the company. With the help of the computer assisted data analysis software SPSS it can be proved that:
- There is a negative relation between trust and difference of national cultures. The bigger the difference of national culture is, the more difficult it is for international companies to build up trust in the local companies in China.
- There is a negative relation between trust and centralization degree of headquarter. The higher the centralization degree of headquarter, the lower the trust in local company in China is.
- There is a positive relation between trust and hierarchy level of staff localization. The higher the hierarchy level of staff localization, the higher the trust in international companies in China is.

By means of the results of the empirical research the methods and measures of building trust of local staff in international companies in China have been inferred in this study.

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1 Introduction

1.1 Trust as a theoretical problem

The classic economic theory gives little attention to the trustful expectations of firm managers. Within newer theory, much of the debate on trust is flawed, partly because it threatens the perspective of transaction costs as an overriding determinant of organization forms (Williamson, 1975, p. 255; 1985, p. 15-16). The new institutional economics based on trust arguments has encountered a large critique since its rise (e.g. Granovetter, 1985, p. 487; Lorenz, 1988, p. 194; Craswell 1993, p. 487; Ghoshal & Moran, 1996, p. 13-15), and surely, if we accept that the fear of opportunism is overstated by economic theorists and that cooperation may be achieved within and between organizations and on the market without costly contracts (Macaulay, 1963, p. 55), the whole transaction cost argument is on the verge of collapse. This is probably why to Williamson (1993, p. 454-455), trust is a "sociological" notion, not for economists to explain.

Trust is a problematical and complicated term due to its close relation to the classic economics/sociology distinction. Some economists from within the more orthodox camp (e.g. Maskell, 1990, p. 3) maintain that trustful behavior doesn't mean trustful attitude/mind. When managers seem to act trustfully, it is nothing but a "behavioral symptom" of real, underlying economic causes (i.e. agents do not really trust, they just maximize, as if it is most rational to act as one trust each other, so be it).

But for all that, within economic organization theory, it has now become a central issue to incorporate the empirical fact that managers do seem to trust each other in many cases. Some economists find the importance to investigate the origin of trust and even want to broaden their scope and cross some trenches in order to do so.

Empirically, economists who have strived to incorporate institutional perspectives into economics, have but failed to give a theoretical basis for institutions. With the growing impact of (and body of work within) "modern" institutional perspectives within economics, there is a better chance of coming to grasp with institutions and understand their implications for single agents' behavior.

1.2 Trust as a practical problem

■ Retaining local talent

"There are marked shortages of suitably trained employees in China. Many local companies prefer to 'poach' talent from leading international firms rather than develop it in-house" (Fryxell, Dooley & Li, 2004, p. 515). Organizations operating in China must build up positive long-term relationships with their local employees to retain them. Trust is a basic factor of building long-term relationship. However, due to different reasons it is a quite difficult issue for many foreign firms in China to build up trustful relationships effectively with their local employees.

■ Decentralization and staff localization in the globalization economy

The globally intensified competition leads to cost pressure. And the rapidly changing market conditions require speedy and flexible reaction. In order to save cost and time, many firms deepen the process of staff localization and decentralization of decision making, authority and responsibility over resources. These activities require high levels of trust for them to be successfully undertaken. Above all, the trust in the competence and commitment of the local manager, which is not assured due to the cultural, educational difference and the big geographical distance, is essential.

■ **Trust gap between executives and local employees**

Rapidly changing market conditions and the consequent instability in the work environment coupled with the different cultural backgrounds have created a trust gap between executives and employees in international firms in China.

■ **Good relationship as success factor for business in China**

Consistent with Chinese business practices, trust is component of relationships that is necessary for both short term and long term success. Compare to west culture, the building of relationship in China is more emotional and less rational. A trustful relationship can smooth both private and business activities.

Due to the problem mentioned above and the essential role of trust for the business success in China it makes sense to find out the methods and measures of building trust of local staff in international companies in China. Thus the goals of this study is to figure out how and by what factors the trust of local staff in their foreign employers/firms or foreign supervisors be influenced. On the basis of the research result the advices of how to build trust of local staff will be deduced.

1.3 Importance of trust building of local staff in international companies in China

Trust plays a significant role for business success of international companies in China. Without trustful relationship the international companies can't recruit and retain qualified local managers, who play an essential role for successful implementation of strategical and operational business practices. Without trustful relationship it's not to

expect that the local managers will donate their full commitment to their foreign employer. They will not utilize all of their local resources to serve their company and will keep their valuable local knowledge just for their own benefit. Trust is also a critical factor of long term relationship. If the local managers cannot trust or be trusted by their foreign employer, most likely they will leave the company for other employers, their know-how and experience will strengthen the competitors. Trust is also a precondition in China for smooth cooperation. Due to cultural difference and being unfamiliar to the local market situation the expatriates / foreign supervisors necessitate the close cooperation and support from the local managers. If the foreign supervisors fail in building up trustful relationship with their local staff, his career in China will likely not be very successful. Communicational problem will also arise in case of lack of trust. The local staff will not always express what they really think and know, or they keep hold of what they know and have. These behaviors make the communication intransparent and inaccurate.

In summary, whether an international company can effectually build up trustful relation with their local staff is crucial for its business success in China.

1.4 Methodology

Trust building is a complicated issue. It could cover many factors. This Study concentrates on figuring out how the difference of national culture, the centralization degree of headquarter and the hierarchy level of staff localization influence trust building in international companies in China. This study has chosen these three influencing factors of trust mainly because their international context, the high relevance and personal experience of the researcher.

This research contains both theoretical and empirical studies.

As trust is a soft factor which is very difficult to measure, it will be argued in the theoretical study that communication, cooperation and commitment are the indicators of trust. It will also be proved, whether there is a bilateral positive relation between each indicator and trust, which is the theoretical basis for the empirical research later.

The empirical study is undertaken through an online survey. A questionnaire will be designed in both English and Chinese language. The probands are local staff of middle management level in subsidiaries of international companies, who play a significant role for the success of the strategical and operational implementation in the company. As it is very difficult to measure trust directly, several questions have been designed for each influencing factor (difference of national culture, centralization of headquarter and hierarchy level of staff localization) and each indicator (communication, commitment and cooperation). With the help of the computer assisted data analysis software SPSS it can be proved, whether there is a positive or negative relation between the influencing factors and the indicators. On the basis of the result of the theoretical study before, it can be deduced what kind of relation between trust and each influencing factor.

By means of the result of the empirical research the methods and measures of building trust of local staff in international companies in China can be inferred.

2 Trust

The successes of organizations could depend more on nurturing human capabilities rather than structural configurations, programs and standing rules (Senge, 1990, p. x-xi).

Trust is an old idea but never gets outdated. We believed that proper management and information systems, a correctly designed organizational structure, and constantly optimized processes will solve the firms' problems and facilitate the achievement of our objectives. However, these factors are just part of the preconditions of the success. We shouldn't forget the fact that people have deep psychological needs for trust and fear of mistrust.

Trust as a kind of social capitals is more essential for people and organizations than financial capital as money and human capital as knowledge. Strong trust facilitates people to realize higher efficiency with less resources. Otherwise, if human interaction is based on strong mistrust, even amount of money and knowledge are useless to unify their difference in interest and other fields. The stronger people trust each other, the easier it is for management to lead, practitioners to develop, and employees to work efficiently and creatively. With trust conflicts can be solved without troubles or bad aftertaste. Customers are likely to favor companies in which they trust. Trust opens possibilities, mistrust closes them. Trust motivates, energizes and empowers.

In the globalization economy, the dominant forces in the environment compel many firms to deepen the process of decentralization of decision making, authority and responsibility over resources (Shaw, 1997, p. xiii). Every one of these activities requires, in turn, high levels of trust for them to be successfully undertaken.

In many corporations, rapidly changing market conditions and the consequent instability in the work environment coupled with policies that widen job disparities

and prevent company information disclosure have created a trust gap between executives and employees (Portales, Costa & Rosanas, 2000, p. 399-400). Thus, trust building is one of the most challenging tasks of management.

2.1 Definition and Scope

There are different ways to define trust. Herewith we introduce three different approaches of trust definition with different emphasizes.

The most intuitive way of trust definition is rather indirect and common. Instead of interpretation and analysis of trust this definition simply states that trust is an important factor for inter-individual and inter-organizational relations without direct mentioning any attribute or quality of trust (e.g. Lipset & Schneider, 1983, p. 108-109; Kouzes & Posner, 1995, p. 163-164). Authors and researchers who use this definition generally suppose that people usually already know what trust is, how it functions and what kind of outcomes it produces. In this sense trust is simply the essential condition for cooperation and durability of the relationship.

As trust in the first way is defined and considered as the significant factor with strong influence on cooperation and relationship, the second way of defining trust emphasizes how trust to be created and be influenced by other factors, such as certain behavioral traits and skills. This approach is also one of the earliest ways to study leadership (Yukl, 1998, p. 180). As mentioned earlier, the stronger people trust each other, the easier it is for management to lead, and employees to work efficiently and creatively. It began when scholars believed in their abilities to recognize the traits and skills that could differentiate leaders form followers and make the former achieving and effective (Yukl, 1998, p. 182). The trait or skill approach has maintained its

popularity because researchers have believed in their ability to recognize a relatively stable correlation between certain behavioral traits and managerial success.

According to this type of definition, there are certain traits and skills that could help people to win other people's confidence. For instance, people are inclined to trust people who are honest, inspiring, forward-looking, responsive and professionally capable in their tasks (e.g. Kouzes & Posner, 1995, p. 13-14; Zakaria, 1999, p. 62; Annison & Wilford, 1998, p. 5-6; Whitney, 1996, p. 16; Bidault & Jarillo, 1997, p. 85). Conversely, they will lose confidence in people and organization that resort to telling lies, breaking promises, avoiding responsibilities and being disloyal to each other. Skills that create trust are technical, interpersonal and conceptual (Yukl, 1998, p. 198-200). If people want to be trusted they must also be capable of working competently and expertly (Harisalo & Stenvall, 2001b, p.62-64).

The third definition can be labeled as a situational definition that emphasizes the dynamic interaction between trust and environments. Trust manifests itself differently in different situations. According to this deliberation, for instance, employee may rely on their colleagues. Family members are probably trusted for different reasons than members of the community. It is possible that some buyers could have more trust in the personnel serving them than in the companies they work for. People may trust products and services differently from ethical principles. In all these cases there are many different causal, intervening and situational variables affecting the level of trust (Yukl, 1998, p. 420-421).

"Specifically, we define trust as the willingness of one party (the trustor) to be vulnerable to the actions of another party (the trustee) based on the expectation that the trustee will perform a particular action important to the trustor, irrespective of the ability to monitor and control that other party. Trust is a psychological state characterized by positive affect toward qualities of the partner and confidence that the partner will perform certain actions. It includes confidence in the partner's capability and integrity, and faith in the partner's benevolent intentions" (Nguyen, Weinstein & Meyer, 2005, p. 214). The definition we prefer emphasizes human interaction as a foundation of trust and mistrust. Consequently, trust is a function of the intensity, quality and durability of human interaction (e.g. Harisalo & Stenvall, 2001a, p. 147-

149; Bidault & Jarillo, 1997, p. 81; Gomes, 1997, p. 3; Valla, 1997, p. 107). In these terms we can understand trust and mistrust by exploring the interaction between people in different organizational roles and positions and interaction between people and organizations with their value systems, cultural backgrounds, policies and structural configurations. As an outcome, trust may be direct or indirect, personal or impersonal, purposeful or unintentional. Organizations are full of different kinds of real and potential relationships that could increase or diminish trust between people. The kernel of human interaction is a concrete behavior.

We hypothesize that people measure their mutual trust by three dimensions, which are: promises, commitments and contracts (Reina & Reina, 1999, p. 144-145). Promises are what people give to each other almost every day. Common examples of promises are: "I will attend the meeting,", "I promise to write this paper for tomorrow," and "I will take care of this for you." Sometimes the number of promises may be quite large in an ordinary working day. To the extent people do what they have promised will help them to earn the confidence and trust of their fellow men. People quickly learn to mistrust people who do not keep their promises.

By commitments, we mean to what extent people accept and follow the values, principles, guidelines, policies and norms of their organizations. Commitment means profound dedication to common causes based on a long-term relationship. Committed people are excited about their work, take pride in their accomplishments, and contribute to their colleagues' doing the same (Rosen, 1996, p. 11-12). Research shows that companies to which people are deeply committed can outperform their competitors (Rosen, 1996, p. 18). Commitment is two-way process fueled by mutual trust and undermined by mistrust. In order to earn their management's trust, people must work faster, more smartly, and more efficiently. In order to earn their personnel's trust, management must be committed to developing a mature and motivated workforce (Rosen, 1996, p. 18).

Although the power of contracts or of the implementation of contracts vary in different culture, contracts, written or unwritten, are meant to be fully implemented in letter and in spirit. They are an essential element in business and politics. Probably it would be impossible to draw up a contract that would be perfect and foolproof against

all potential misinterpretations. If partners do not trust each other, they will meet the rising costs of making mutual contracts.

Trust is a complex concept. First, it is a multi-level construct in that trust as the individual level is thought to relate to trust at the firm level (Zaheer et al., 1998, p. 143; Jefferies & Reed, 2000, p. 873). Second, trust is multidimensional. With respect to the question of in what we trust, scholars have converged on the notion that partners can trust in each other's capabilities and benevolent intentions (Mayer et al., 1995, p. 716). With respect to the question of why we trust, several bases have been identified: calculation, knowledge, and deterrence –based trust (Williamson, 1993, p. 453; Lewicki & Bunker, 1995, p. 133; Shapiro, 1987, p. 625-626; Ring & Van de Ven, 1992, p. 488-489). Third, trust can play multiple causal roles, as outcome, antecedent, and mediator (Rousseau et al., 1998, p. 393). For example, trust can be outcomes of the partners' past collaboration, and the antecesdent of their future collaboration.

2.2   Categories

2.2.1 Calculative trust

Even trust needs a plausible reason. Trust has generally been studied following a "rational choice" approach (Stigler, 1950, p. 309; Laver, 1981, p. 18) characterized by calculative and self-interested individuals or organizations. This concept occurs particularly in game theory (Dasgupta, 1988, p. 70 ; Kreps, 1990, p. 100). According to the view of game theory, trust can be expressed in the following terms. In situations where the risk an individual X takes depends on the behavior of another person Y, X

will trust Y if the expected net gain of X from placing himself at risk is positive and greater than the possible losses of that decision.

Some researchers deny that trust is based on calculation. For instance, Williamson (1993, p. 479) proposes that trust should not be used to explain the action of rational actors, since trust has an inherently non-calculative character. However, Dibben (2000, p. xiv) proposes that calculated trust can be seen as the first step towards trust based on repeated interaction. According to them, powerful actors build trustful relationships with weaker actors as this might be more profitable for them.

Time or the numbers of repeated interaction is a fundamental variable to understand the concept of calculative trust. According to game theory, calculative trust does make sense in a situation where an unlimited number of interactions among individuals are projected. Kreps (1990, p. 100-101) analyzes this problem starting with what he calls a "one-sided version" of the prisoner's dilemma (figure 1). If the game is played only once, no trust relationship is possible between individuals exclusively motivated by self-interest. Individual X has to choose whether or not to trust Y; if X decides not to trust Y, then both X and Y get $0. If in turn, X chooses to trust Y and Y knows this, he can either honor that trust or abuse it. If Y decides to honor that trust, both X and Y get $10. If, on the contrary, Y chooses to abuse that trust, Y gets $15 and X loses $5. Therefore, if this game is played only once, X will not trust Y. In fact, if X trusts Y, the latter must choose between honor, which nets $10, and abuse, which nets $15. Obviously, Y will choose to abuse; and X, knowing this beforehand will choose not to trust. However, both parties would be better off if X had chosen trust and B honor.

According to Kreps (1990, p. 101-103) when parties in an exchange move from a one-time game situation to a highly probable repeated game setting, some form of trust can arise. If there is high probability that the game is going to be played repeatedly, both X and Y will be better off placing and honoring trust respectively. The discounted value for Y of repeating the exchange and obtaining $10 each time is much greater than the possible $15 he could obtain by abusing just once. X, in turn, will be willing to trust only when the trust is not abused.

Figure 1: The game of trust
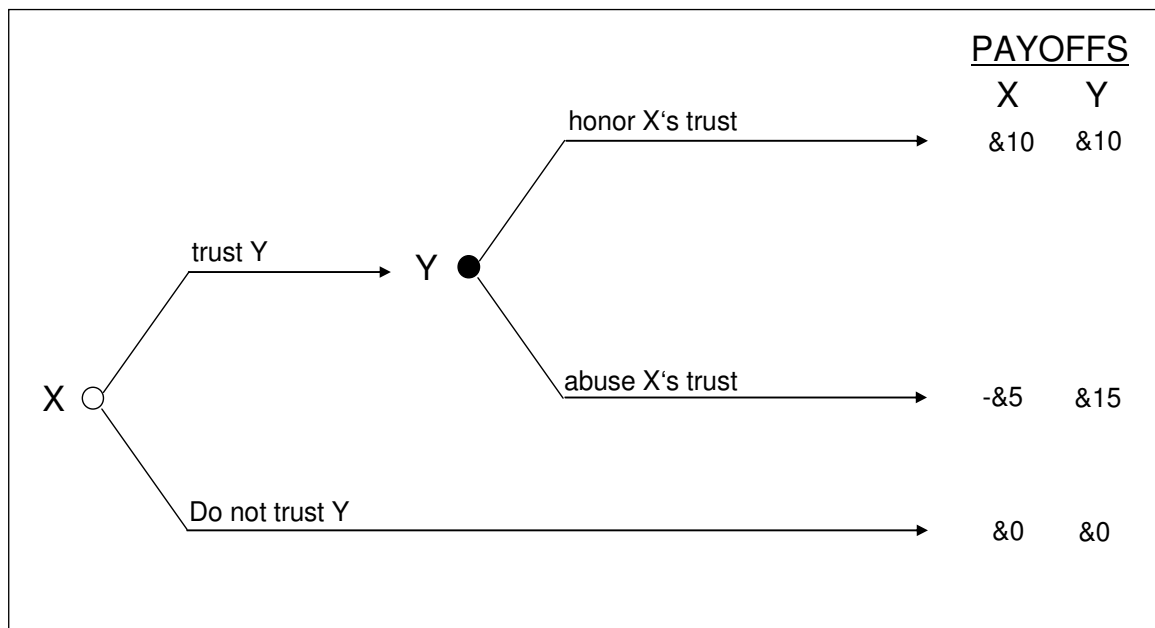
Source: Kreps, "Corporate culture and economic theory", p 100

2.2.2 Knowledge-based trust

The repeated action of a number of times makes it feasible for one party to observe the other party's rule of behavior and whether he is trustworthy. And the other party will also try to build good reputation and pursuit of a long and durable relationship with this party . Therefore, time coupled with experience, allows calculative trust to exist (Bidault & Jarillo, 1997, p. 81). In this way, information about Y`s past behavior may help X to estimate, the probability of future behavior of Y and gains and losses derived from a mutual relationship. A history of repeated and multifaceted interactions with regular communication allows a trustor to gather enough information and develop a generalized expectancy that the other's behavior is predictable (Rotter, 1971, p. 443; Lindskold, 1978, p. 772; Shapiro, Sheppard & Cheraskin, 1992, p. 365; Lewicki & Bunker, 1996, p. 114; Sheppard & Tuchinsky, 1996, p. 140). Moreover,

information may not only from the trustor's repeated interactions with a particular trustee but also from what the trustor may observe in the trustee's interactions with third parties. If the trustor, thus, calculates both that the other party will not cheat, and that his net expected gains will be positive, he will be willing to place trust (Tyler & Kramer, 1996, p. 1).

A classical example of this type of trust is well illustrated by Coleman's (1990, p. 103) interpretation of Werchsberg's (1966, p. 22) story about the relationship between a Norwegian shipowner (who on a Friday afternoon, desperately needed a £200 000 loan to release his ship that had undergone repairs in Amsterdam), and his merchant banker, Hambros', in the City of London. Within three minutes the Hambros' man had arranged for an Amsterdam bank to deliver the payment. Immediately after that, shipowner in Norway was told that his ship would be released. Neither signed contract for guarantees were involved in the operation.

This case clearly involves knowledge-based trust. The amount to be lost was well known by the manager in London: £200 000. The potential gains, which were less precisely calculable, were future business from the shipowner. The least well known of the three quantities involved making a decision about whether to place trust was the probability that the trustee (Norwegian shipowner) will keep his word. But then, knowledge about the other party comes into play. For the manager at Hambors the risk was not as terrible as it might seem to an outside observer. He knew the company, the ship, and even the cargo (Coleman, 1990, p. 103).

2.2.3 Deterrence-based trust: The role of safeguards

Besides analytical calculation and knowledge/information collection in order to minimize the risk of trust other party, in many circumstances, the trustor's high probability that the trustee will not violate trust may come from the presence of

safeguards that might deter the trustee's potential cheating (Deutsch, 1973, p. 146; Shapiro et al., 1992, p. 365). Several game theorists (Kreps, 1990, p. 106-108; Dasgupta, 1988, p. 70) argue that reputation effects within the social network where the exchange takes place may be considered themselves as a specific type of safeguard.

As a safeguard reputation keeps track of those who violate what was previously agreed and consequently future business opportunities are lost for the breaching party. If in any specific transaction trust is violated, the trustee's reputation will be hurt and, consequently, potential gains of future interactions and cooperation will vanish. How inclined Y will be to breach X's trust will depend on how competitive Y's market is. We suppose within this context reputation is the only factor for differentiation. Where various Ys exist, competition among them would limit the extent to which they can take advantage of the Xs they deal with. In relatively competitive environments, therefore, individuals "calculate" that investing resources for the purpose of building reputation for honesty will be highly profitable (Dasgupta, 1988, p. 70). This means that even if an individual is not an honest person, having a reputation for honesty -or trustworthiness- is a valuable asset that any person would want to maintain.

Besides reputation which is rather a soft factor, there are also many other institutional instruments as hardware which can be adopted as safeguard deterring cheating. Transaction cost economists, particularly through the work of Williamson (1993, p. 476-478), have suggested, apart from reputation, a wide variety of safeguards that individuals incorporate into their calculations before placing trust in another individual.

Transaction-specific safeguards (governance mechanisms), in the form of severance payments, penalty for premature termination, arbitration, and combined ownership, may be provided by the trustee. Even when no transaction-specific safeguards are in place, the political, economic, social, or corporate contexts in which the exchanges are embedded may also provide their own safeguards -not only reputation- different in nature from the governance mechanisms. These environmental safeguards are exogenously given and take the form of (1) cultural values, (2) political values, (3) regulations, (4) professional sanctions, (5) networks, or (6) corporate culture

(Williamson, 1993, p. 476-478). These norms and sanctions, in tandem with governance devices, may prevent potential violations of contracts on the part of the trustee.

2.3   Two-component conceptualization of trust

Trust, the first major component of relationship capital, is based in beliefs about how an alliance partner will behave in the relationship. Can our alliance partner be trusted? Are they reliable? Would they do something to harm us? Will they take care of the relationship and us? While these questions capture the general essence of trust, most experts believe that trust in alliances is rooted in two distinct bases, one rational and the other emotional (Kramer, 1999, p. 569; Moorman, Deshpande and Zaltman, 1993, p. 400-401).

Credibility trust is the rational component of trust. It is the confidence that the partner has the intent and ability to meet their obligations and make their promised contributions to the alliance (Johnson, Cullen, Sakano and Takenouchi, 1996, p. 983). It is the practical side of trust. It concerns beliefs about whether or not a partner can really deliver what they promise. Can the partner be relied upon in alliance activities and operations? Does the partner have the expertise and resources they say that they have? Beyond this, lie questions about whether or not the partner will use and apply that expertise and those resources in alliance activities and operation.

Benevolent trust is the belief that an alliance partner will behave with goodwill toward the alliance and the partner (Johnson, Cullen, Sakano and Takenouchi, 1996, p. 983). Benevolence is the subjective or emotional side of trust. It has more to do with one's beliefs regarding a partner's caring about the relationship. Can the partner be trusted not to harm the alliance? Can the partner be trusted to protect and preserve the alliance even when conditions change?

Credibility trust is more rational than benevolent trust. It's based on the confidence of the competence of the partner to realize the promise. Compared to credibility trust the benevolent trust is more emotional. It's based only on the believe on the goodwill of the partner. We can also say, benevolent trust trusts more than credibility trust and therefore faces bigger risk. In the course of the time with repeated actions benevolent trust can develop into credibility trust.

3 Indicators of trust

Trust is a soft factor and very elusive. Thus, it will be very helpful and makes sense to find out what the indicators of trust are and then it makes easier and feasible to measure trust. Based on the theoretical study in the following chapter we will argue that there are bi-directional positive relationships between trust and communication, cooperation and commitment. Deduced from the theoretical research communication, cooperation and commitment can be considered as the indicators of trust.

Due to the international context, high relatedness and the personal experience of the researcher the influence of the national cultural difference, the centralization degree of parent company and the hierarchy level of staff localization on trust building will be researched in this study. On the base that communication, cooperation and commitment can be defined as the basis indicators and embodiment of trust, this research can be built up on defining the relation between national cultural difference, centralization degree of parent company, hierarchy level of staff localization and communication, cooperation, commitment. Then the influence of the national cultural difference, centralization degree of parent company and hierarchy level of staff localization on trust building can be indirectly figured out and measured. Due to the fact that communication, cooperation and commitment are less elusive than trust, it makes the research easier, feasible, much more accurate and comprehensible.

Figure 2: To be argued relations between trust and its indicators in international companies
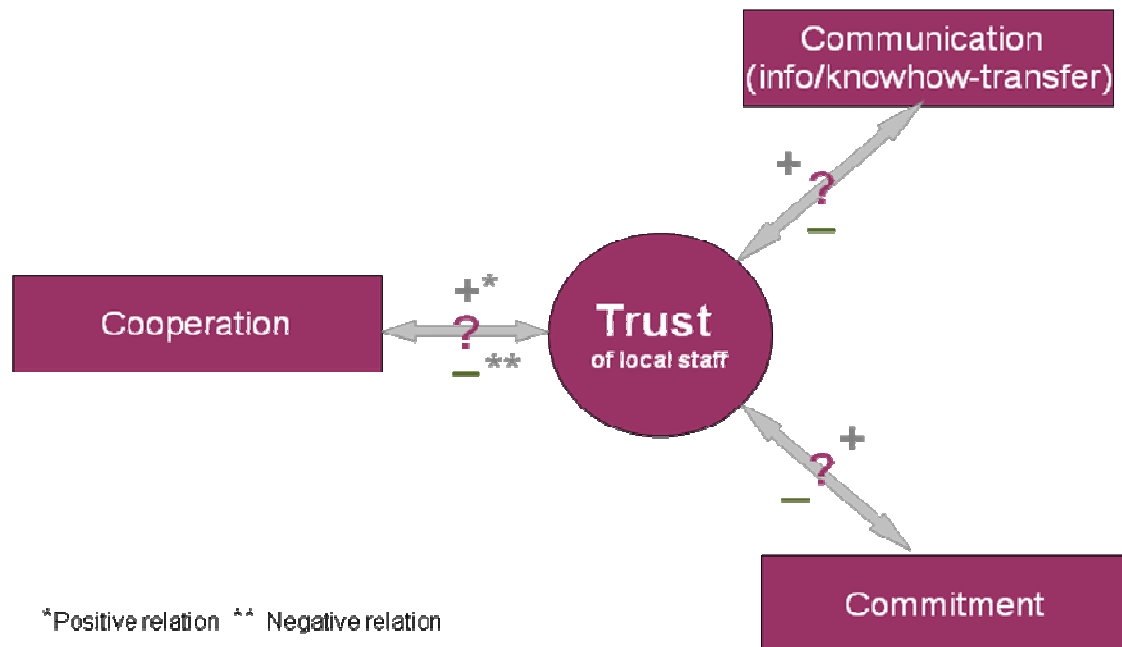
Source: own figure

3.1 Communication (Info/knowledge transfer)

3.1.1 Definition of communication

Communication may be seen as having the facets of frequency, direction, modality and content (Mohr and Nevin, 1990, p. 37), or measured along dimensions of

direction and intensity (Van de Ven, 1976, p. 27), although communication may be viewed more generally as "meaningful and timely information" shared between persons, both formally and informally (Anderson and Narus, 1990, p. 44). Communication is also similar to the concept of information sharing or information exchange in the marketing literature (Cannon and Perreault, 1999, p. 441; Lusch and Brown, 1996, p. 24; Heide and John, 1994, p. 37). Here the distinction is that information exchange or sharing is treated as a relational norm, an expectation of a degree of communication, whereas communication ("collaborative communication") itself is generally treated with respect to the qualities and /or quantities of communication behaviors (Mohr, Fisher and Nevin, 1996, p.105).

3.1.2 The relationship between communication and trust

Whether the parties in a relationship are willing to share key information with each other plays a determining role for the trust level between them, therefore communication is also critical in relationship formation and people will trust the other easier when the communication between them is transparent. Communication is modeled by Morgan and Hunt (1994, p. 22) as an antecedent of trust, and as such, as having an indirect relationship with commitment. According to Dwyer, Schurr and Oh (1987, p. 17), "a relationship seems unlikely to form without bilateral communication of wants, issues, inputs and priorities." Anderson and Narus (1990, p. 44-45) comment on lack of consensus as to the directionality of the communication-trust relationship. However, they propose a static model, which limits communication to the past and therefore as antecedent to trust. Anderson and Weitz (1989, p. 315) state that communication enhances trust through dispute resolution, alignment of expectations and perceptions between parties, and reduction of role ambiguity, particularly since much communication is informal. Studying market research relations, Moorman, Zaltman and Deshpande (1993, p. 405) hypothesize that the perception of timely communication heightens trust. While Anderson and Weitz

(1989, p. 311) also model communication as positively related to trust, they also model the relationship as bi-directional. Gulati, Khanna & Nohria (1994, p. 64) argue that, the effect should be viewed as bi-directional. Generous knowledge sharing on the part of partners demonstrates their commitment towards each other and is likely to reinforce trust between them. Learning and trust between the partners are thus mutually reinforcing mechanisms. Mohr and Nevin (1990, p. 42-43) theorize that in "mutually supportive and trusting climates" (i.e., in relational channels, as opposed to marketing channels) communication is more frequent and bi-directional, and uses more informal modes and indirect content. They propose that a fitting of a "collaborative" communications strategy with the aforementioned combination of characteristics with a climate of support and trust yields an outcome of higher commitment, satisfaction and coordination than would an "autonomous" strategy of lower frequency, greater unidirectionality, more formal modality and more direct content. Anderson and Weitz (1992, p. 21), in a study of distribution channel dyads, do not include trust in their model, but include communication as an exogenous construct positively related to reinforcing dyad commitment. Similarly, Mohr, Fisher and Nevin (1996, p. 110-111) empirically model a direct effect between communication and commitment, but not trust.

Morgan and Hunt's (1994, p. 25) findings confirmed their hypothesis regarding the positive relationship between communication and the development of trust within a relationship. The findings of Palakshappa and Gordon (2005, p. 5) also suggest the positive relationship between communication and trust. It's clearly to observe if the organizations encountered bad, inefficient and difficult communication, consequently, they had experienced lower performance and demonstrated lower level of trust and commitment. By contrary, the successful organizations with high performance demonstrated open disclosure and transparent communication, often facilitated by key individuals in the respective organizations. Such communication between key individuals as opposed to organizations per se was regarded as crucial to the relationship: "Trust ... comes from personal knowledge and experience with one another…" (Palakshappa and Gordon, 2005, p. 6).

Human behavior within and between organizations is the foundation of social capital. Personal relationships developed over time enable such human interaction that can

provide the basis for networked organizational activities. Trust develops within these networks. These networks are unique to an organization. Therefore, human relationships from the basis for collective action and facilitate the exchange of resources and information flows (Nahapiet & Ghoshal, 1998, p. 254-255). Thus, differences in types and levels of trust may result in different levels of resource exchange and flows. Social capital is owned jointly by the actors in a relationship. Therefore, it encourages collaboration and enables the development of new forms of association and innovative organization. Moreover, the basis for institutional dynamics, innovation and value creation is formed by human contacts in these relationships. If the actors in a relationship trust each other, their ability to cope with complexity and diversity increases their potential to combine knowledge for innovation (Nahapiet & Ghoshal, 1998, p. 255; Tsai & Ghoshal, 1998, p.467). Trust also plays a crucial role in turning personal knowledge into organizational knowledge.

The relationship between trust and communication has also been examined in notable detail. Generally, it has been found that the existence or nonexistence of trust influences the quality, level content, and directionality of communication. In the absence of trust communication cannot be open and accurate. Several authors have found evidence that upward communication is severely limited by the employee's perception of the trustworthiness of his superior who would act as the communication receiver (O'Reilly, 1978, p. 176-177; O'Reilly and Roberts, 1974, p. 253; Lorey, 1976, p. 70-72). In addition, the trustworthiness of the sender is also important in the effectiveness of the communication with respect to motivation and facilitation of further communications (Griffen, 1967, p. 44). Klauss and Bass specifically state that communication is the basis for channel motivation, direction and cooperation. Furthermore, they continue, channel communications are complicated by trust and where differing perspectives on this exist, communications become strained.

According to Mellinger (1965, p. 309), trust is such an important element in effective communication that, if it is not developed, a person who lacks trust in others tends to conceal his own attitudes about an issue when communicating instead of to present his true mind for example regarding different interests or perspectives. This concealment is often accomplished by evasive, complaintive, or aggressive

communication. This type of communication behavior prohibits the establishment of a healthy relationship.

The one-directional relationship between trust and communication has been supposed and confirmed by numerous scholars. The conclusion that trust is a basic necessity for effective communication is well documented. However, it may be equally relevant to address the proposition that better quality communication may increase the level of trust among individuals. The need for this type of research has been emphasized by Klauss and Bass, as they demonstrated that this issue has not been fully dealt with in the research to date. Examining and studying the link between communication and trust can contribute to figure out the method to provide useful information, improve the communication skills of the managers and avoid over- or undercommunication.

3.1.3 Trust and communication: experimental evidence

The trust or investment game of Berg, Dickhaut and McCabe (1995, p. 124), gives two randomly assigned proband endowments of 10 units, letting A send none, any or all of her 10 to B, tripling the amount sent, and letting B send none, any or all of the amount received back to A. The conventional economic prediction for this game is that A sends nothing since B would return nothing received.

In laboratory experiments, pre-play communication has been a powerful way of increasing cooperation (Ledyard, 1995, p. 54; Sally, 1995, p. 69). But two-way pre-play communication has yet to be made available to trust-game participants. We let subjects play trust games with pre-play numerical proposals sometimes preceded by chat room communication. We also gave our proband opportunities to enter into costly binding and non-binding contracts to investigate when subjects prefer trust over contracts, and to what effect (Bohnet, Frey and Huck, 2001, p. 131; Andreoni 2005, p. 19).

Probands were assigned to a room with typically 15-20 others with whom no communication was permitted, and were matched for each of a series of interactions with a new anonymous partner seated in a similar room in a different building. Endowments and payouts were in units called experimental dollars (E$), which converted to real dollars at the rate E$1 = $0.14 at the end of the session, generating average earnings of $28.25. Four consecutive interactions are analyzed here. The result of each of the four interactions shows that cooperation between A's and B's was on average smallest in the first interaction; that cooperation was higher in the two interactions allowing proposals but not verbal messages; and that cooperation was highest in the interaction with chat. Behavior by B's does not seem to differ as much across the first three interactions, with the proportion returned being around 46%, but B's average return proportion jumps to 59% after chat. We find that 12.6% of interactions 2 – 4 were without agreement, 71.8% with agreement but no contract, 9.5% with a non-binding contract, and 6.1% with a binding contract, contradicting the prediction that all would select binding contracts (Bohnet, Frey and Huck, 2001, p. 131; Andreoni 2005, p. 19-21)

Ben-Ner and Putterman (2006, p. 4) investigate the statistical significance of the methods of communicating using GLS regressions (including individual fixed effects). They also examine the impact of reaching agreement, taking possible endogeneity into account by controlling for proposal terms. The first two regressions show that A's both sent and earned significantly more in interactions with chat and when their counterpart agreed to their proposal. The last two regressions suggest that B's sent more and thus earned less when they agreed to A's proposal, and when they engaged in chat with their counterpart, while multiple proposals had the opposite effect on proportion returned. In sum, many B's act as if committed to their agreements, especially if they have chatted. Further analysis of the data shows that A's who sent more earned significantly more (trust paid off), that A's sent and B's returned more with non-binding contracts than with agreement but no contract, and that chat significantly increased sending and returning conditional on agreement and controlling for choice of contract.

In the aforementioned experiment we can see different communication channels have different impact on the result and quality of deals and exchanges. The opportunities to

chat and exchange proposals / share and exchange information heighten trust between A's and B's significantly. And conversely, the increased trustwillingness of trustors and trustworthiness of trustees will facilitate the further communication and deals between A's and B's.

It can be proposed that with trust and efficient communication organizations can save on transactions costs and reach higher performance with less resources. On a well-founded basis of trusting and trustworthiness the agencies often decide for exchanges / interactions without costly contracts, therefore, the costs of setting agreement, implementation and monitoring can be saved.

3.1.4 Trust and information characteristics

Information is an essential feature in nearly everything that happens in organizations. No group can exist without the communication of information, the transference of meaning among its members (Robbins, 1998, p. 316). Findings from different studies indicate that the greater the interconnectedness of the network with information, the higher the general levels of satisfaction of the members and the faster their ability to solve their problems (Mullins, 1996, p. 280-281). When an organization assigns a new task or duty to its employees, it must provide them with sufficient information to act humanely, efficiently and creatively – and at the same time they will become a new source of communication to the organization.

Comprehensive information has at least three important benefits for the managing an organization: It motivates people to make use of if, it rewards them by increasing the possibility of accuracy in decisions and it provides protection against distrust and fears (Huotari & Iivonen, 2004, p. 5).

Cannon and Perreault (1999, p. 441) theorize "sharing proprietary information is unlikely to occur in the absence of trust". Moore (1998, p. 27) theorizes both direct and indirect (through the mediating effects of trust, risk of opportunism, relationship effectiveness and relationship conflict) relationships between information exchange and commitment.

Effective communication may be influenced by the extent to which people perceive the source to be reliable. Trust in information sources influences the way in which risk information influences risk perceptions (Frewer and Miles, 2001, p. 402).

The importance of source characteristics such as credibility and honesty has long been recognized in social psychological models of communication and attitude change (Petty and Cacioppo 1984, p. 668). Two major dimensions have emerged as being important in determining trust, that of "competence" (the expertise held by the communicator and the extent to which they are able to pass on information about a particular subject area), and "honesty", (the extent to which a communicator will be truthful in communication of information). Expertise without honesty is unlikely to result in long term changes in attitude formation (Eagly et al. 1978, p. 424). Moreover, trust appears to be linked to perceptions of accuracy, knowledge and concern with public welfare. In contrast, distrust is associated with perceptions of deliberate distortion of information, being biased, and having been proven wrong in the past. In addition, sources which are perceived to have a vested interest in promoting a particular view or merely protecting themselves and their interests are not trusted to the same extent as sources which are not associated with these attributes. Perceptions that a source is not accountable and is likely to sensationalize information may also lead to distrust (Frewer et al. 1996, p. 473).

3.1.5 Trust and learning in international companies

The building of trust is important whenever staff work together within international organizations, bringing meaning and a firm basis for the development of effective learning relationships (Ring and Van de Venn, 1994, p. 93; Ottati, 1994, p. 530). Buckley and Casson (1998, p. 11) argue that learning in collaboration involves a high level of trust between partners which also helps organizational effectiveness and promotes continuing relationships between the firms. Peng and Heath (1996, p. 494) argue that trust is especially important in transformational ventures because of the uncertain nature of the business environments. As the venture evolves, then, trust can be build up through a range of personal contacts and reinforcing of those contacts over time, involving an exchange of knowledge, mainly tacit in nature.

The link between learning and trust was alluded to earlier in the context of sharing information in groups; trust helps the transfer of knowledge and information over company boundaries and out to collaborating firms. In the same way, a life-cycle approach would perhaps show trust developing alongside learning in itself - the trust of employees in their working environment, trust in partners in sharing technology, and trust when dealing with other managerial colleagues (Pollard, 2001, p. 86). Learning between partners is a crucial aspect of inter-firm or inter-personal cooperation in such form (Hamel 1991, p. 88; Kogut 1988, p. 323), whether it is perceived as an opportunity or a liability. The existing literature points to trust as an important variable in interorganizational cooperation. More specifically, a trusting relationship between partners has been suggested to have a positive influence on organizational learning processes (Kostova, 1999, p. 318-319). In general, the notion of trust emerges as an important factor for understanding human nature and exchange relationships of market participants, while the notion of universal opportunism, posited by transaction cost economics (Williamson, 1985, p. 15), is subjected to much criticism (Ghoshal & Moran, 1996, p. 18; Noorderhaven 1995, p. 5). Furthermore, understanding how trust influences learning is of practical importance, as the level of trust is not necessarily given, but can be influenced by managers' actions (Parkhe, 1998a, p. 237-238; Parkhe, 1998b, p. 419).

Huotari and Chatman (2001, p. 351) claim that trust has an impact on knowledge creation processes. They show that insiders' lived experiences are shaped by a common cultural, social and occupational perspective by applying the concept of localized integration. Moreover, they argue that accepted social norms give insiders a standard to gauge normative behavior, for example, when collecting information. This means that insiders hold a common worldview when forming strategic partnerships and clusters of collaboration, whereas outsiders may be opposed to this worldview. This indicates that it would be important to distinguish and elaborate on the impact of the different types of trust on information and knowledge-related processes. Furthermore, in today's globalization situation the concept of swift trust should be examined in future studies, because knowledge creation in circumstances where people have no common history of working together requires fast trust building to minimize vulnerability, uncertainty, and risk. However, due to the deep psychological root of trust it's quite doubtable that whether trust can be built up speedily among the people with different social background. Nevertheless, it's worthy to study on it, and it's conceivable that to certain extend the process of trust building can be facilitated by identifying, developing and training of certain traits and skills. So, in sum, in international organizations and for international interactions it's very beneficial and necessary to examine trust clearly from the social network theory perspective.

Knowledge may be explicit or tacit. The former is systematic, formalized and can be transferred without loss of integrity (Kogut & Zander, 1992, p. 388). The latter embodies knowledge that is nonverbalizable, intuitive and unarticulated, and thus cannot be easily transferred (Kale, Singh & Perlmutter, 2000, p. 43). Szulanski (1996, p. 32) argues that success of tacit knowledge exchanges will strongly depend on the quality of communication between the partners and their "intimacy" level. Due to the high level of intimacy and intensity of interactions that they offer, joint ventures are argued to be especially suitable for transferring organizationally embedded knowledge, highly ambiguous and tacit in nature (Lane & Lubatkin, 1998, p. 461). Representatives of the transaction cost paradigm posit that the market for tacit knowledge is likely to fail, as its value cannot be reliably evaluated before its transfer (Hennart, 1988, p. 366). Compared to contract-based agreements equity joint ventures, combining features of the markets and hierarchies should be superior conduits for the transfer of difficult to grasp, company-specific, experiential

knowledge (Gulati, 1995, p. 85; Kogut, 1988, p. 323; Mowery, Oxley & Silverman, 1996, p. 79).

In considering organizational learning one needs to account both for the acquisition and internalization of the strategically important capability possessed by a partner (Kale et al., 2000, p. 37). No organizational learning can take place without the knowledge being acquired first. Similarly, not until the acquired knowledge has been assimilated, can the learning be said to be complete. The focus is thus on the acquisition of knowledge (from an outside party) and its subsequent assimilation within an organization. Hence, Janowicz and Noorderhaven (2002, p. 7) investigate the link between trust and the interorganizational transfer of knowledge as well as that between trust and assimilation of the knowledge. It's argue that organizational-level trust conditions the amount of knowledge transferred between two organizations, while the subsequent assimilation of the knowledge is affected primarily by the individual-level trust between interacting organizational members.

3.1.5.1 Knowledge Transfer and Organizational-level Trust

The quality and quantity of knowledge transfer between organizations depends on how much knowledge the partners are willing to make accessible to each other and how intent each of the organizations is on appropriating it. Starting with the latter, since learning happens only by intention and hardly ever by default (Hamel, 1991, p. 92), strategic intent is an "essential ingredient in the commitment to learning" (Hamel et al., 1989, p. 134). Bhatt (2000, p. 23) argues that, "if the source is not trustworthy and its intentions are perceived as 'less than clear', receivers need to check the authenticity and the veracity of the knowledge communicated". Thus, more trust in the partner organization's perceived competence (competence trust) will result in higher intent to acquire knowledge from that organization and thus, all else constant,

positively affect the amount of knowledge transferred. Higher perceived trustworthiness of the partner will also result in higher openness to its knowledge and more susceptibility to its influence on the focal organization's part, therefore, higher interorganizational trust can lead to more knowledge transfer.

Furthermore, the more transparent the partners are, the more learning is possible (Hamel, 1991, p. 93; Kale et al., 2000, p. 43). Transparency reflects the level of partners' openness and accessibility and is negatively correlated with the degree of protectiveness that each of them elevates vis-à-vis the other (Hamel, 1991,p. 93). The concept of transparency encompasses therefore both the attitude and the structural outcomes. The attitude will be stronger where the competitive overlap between the partners is high (Inkpen & Dinur, 1988, p. 305). Trust helps to curb the motivation of the partners to behave opportunistically and allows making the organizational interface more leakage-proof (Kale et al., 2000, p. 42). Therefore, governance based on trust provides partners with proper incentives to share information and know-how with each other (Dyer & Nobeoka, 2000, p. 352; Dyer & Singh, 1998, p. 670). In other words, trust is a "lubricant for potentially useful and important information to travel quickly and accurately through the network" (Kale et al., 2000, p. 42). More trust between partner organizations should therefore foster higher transparency, which in turn would result in more knowledge transferred between them. Summarizing, since the transparency of the partners and their intent to acquire knowledge from each other depend on the level of trust between them, it can be concluded that higher interorganizational and interpersonal trust will result in more efficient knowledge transfer.

3.1.5.2 Knowledge Assimilation and Individual-level Trust

Knowledge can only be transferred and absorbed by persons, for instance, individual organization members. To have any use for the organization as a whole this

knowledge needs to be "transformed from individual to collective state" whereby organizational knowledge is created (Nonaka & Tekeuchi, 1995, p. 56). This is accomplished through the process of dissemination that organizational members share the knowledge with each other, gradually internalize it and customize it into own organization. When individually held knowledge is "amplified and internalized as part of the organization's knowledge base" (Nonaka, 1994, p. 38), the assimilation process has taken place and only then can the learning process be said to be complete. Thus, knowledge assimilation implies its dissemination throughout the organization, being customized for the organization and internalization by its members. This suggests that the process of internal dissemination will depend on how efficiently the acquired knowledge is shared between the organization's members, units and levels. In practice it happens in some organizations - especially very big organizations with complex structure and amount of units- that the individuals or the units try to possess their knowledge or information for themselves instead of sharing them with other organization parts. The highly competitive organizational culture and value are the main reason of this phenomena. Similarly as at the organizational level both intent to learn and transparency have a pivotal role in that process, a higher level of individual-level trust between interacting actors will be conducive to superior knowledge assimilation.

The intent to learn of organizational members will be an important factor in knowledge dissemination. Ambiguity of intentions vis-à-vis a knowledge source is often reflected in resistance to internalize its knowledge, which may surface due to the not-invented-here syndrome (Szulanski, 1996, p. 31). This resistance can be partially overcome if the source of knowledge is perceived as trustworthy. According to Porter (1997, p. 45), "people who trust, accept more influence from others in selection of goals, in choice of methods, and in evaluation of progress". Perceived expertise of the partner's boundary spanners' should, by increasing competence-based trust, positively affect the willingness to internalize knowledge they provide and the speed of its dissemination. Another outcome of trust in the source of knowledge is susceptibility to the influence it exerts (Chiles & McMackin, 1996, p. 89). Therefore, it can be concluded that trust has positive effect on the intent to learn of individuals, and consequently, can facilitate knowledge dissemination and internalization within the organization.

A further important factor influencing knowledge dissemination is individual transparency. Individuals who view knowledge as a source of power or advantageous resource may resist sharing it (Kim & Mauborgne, 1998, p. 329; Szulanski, 1996, p. 31) or even erect barriers to prevent its incidental leakage. Unwillingness to share knowledge with the partner will clearly constitute an obstacle to its transfer (Szulanski, 1996, p. 36). Trust between partners may foster free exchange of information, as they do not feel the need to guard themselves against opportunistic behavior of the other party (Jarillo, 1988, p. 37). "From an organizational learning point of view, trust can be seen as a decision to place resources (i.e. knowledge) at other's disposal" (Edmondson & Moingeon, 1999, p. 34-35). If one party trusts the other, it perceives less risk in divulging relevant, comprehensive, accurate and timely or proprietary information to the other (Chiles & MacMackin, 1996, p. 89). In contractual relationships lacking in trust, on the other hand, information exchanged may be inaccurate, incomprehensive and untimely (Chiles & McMackin, 1996, p. 89; Zand, 1972, p. 238). Both the willingness to share knowledge and the eager seeking of knowledge among individuals and units will result in more openness and diligence in disclosing one's knowledge and thus increasing the individual level transparency. Summarizing, higher individual-level trust should result in more efficient dissemination and assimilation of individually embedded knowledge in the organizations.

Figure 3: The role of trust in international learning
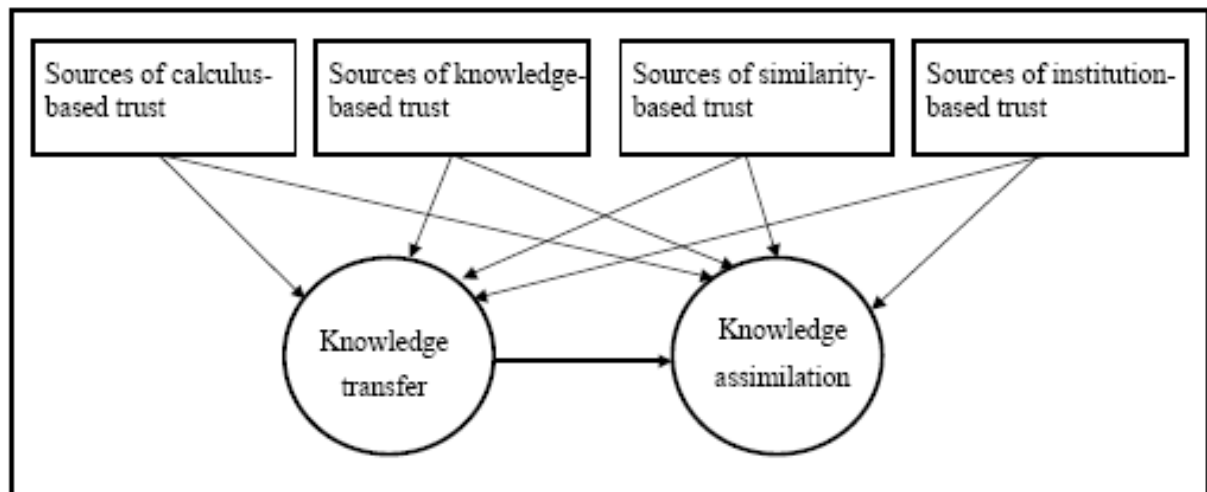
Source: Janowicz and Noorderhaven, "The role of trust in international learning", p23

3.2 Commitment

3.2.1 Three-component conceptualization of organizational commitment

Organizational commitment has been conceptualized and measured in various ways. The view of commitment taken here is based on a three-component model incorporating the major conceptualizations described in the literature (Allen and Meyer, 1990, p. 1; Meyer and Allen, 1991, p. 61). Specifically, the model proposes that employees remain with an organization because of their: (1) desire to remain (affective commitment), (2) recognition that the costs associated with leaving would be high (continuance commitment), and/or (3) feelings of obligation to remain

(normative commitment). Each component is considered to develop independently and to exert different effects on work behavior. Affective commitment is expected to develop on the basis of work experiences that increase the employees' feelings of challenge and "comfort" in the organization. Continuance commitment, on the other hand, develops as a function of the number and magnitude of investments employees make in their organizations (e.g., pension contributions) and the degree to which they feel they have employment alternatives. Finally, it is argued that the antecedents of normative commitment include early socialization experiences (e.g., parental emphasis on loyalty to an employer) as well as those that occur after organizational entry.

In this study we consider the commitment as feeling comfort and belong to the firm and as the consequence the willingness to serve the firm with considerable effort and strong desire of long-term work relation.

3.2.2 Two bases of organizational commitment

Commitment is a major component of social capital. In general, commitment in an international joint venture or strategic alliance concerns a partner's intention to continue in a relationship. Does the firm intend to stay in the relationship and put forth effort for the relationship to succeed? As with trust, commitment in a joint venture or a strategic alliance stems from two bases: one is rational and instrumental, the other is referred as attitudinal or emotional (Becker, 1960, p. 40).

All business dealings need methodical base before they taken place. That is, businesses do not enter alliances to make friends; they enter alliances to gain some form of economic reward. Evaluations, expectations and concerns about the future potential for gaining rewards in and from an alliance relationship provide drive instrumental commitment. For a relationship to continue there must be a positive benefit/cost analysis for the partners. Managers must see a potential for returns and /or

a need to avoid switching costs. only when these prerequisites are fulfilled, the rational or instrumental commitment can arise.

Similar to trust, commitment also has an emotional or affective component. In this context, commitment in a joint venture or an international strategic alliance means that partners, in a sense, internalize the alliance relationship. The partnership assumes a position of status and importance; the partners are willing to nurture and care for it. There is a fairly deep psychological identification with the relationship and a pride of association with the partner and with the alliances. This type of commitment is called attitudinal commitment. It means giving extra effort voluntarily to make the venture work and a willingness to go beyond mere contractual obligations. Committed partners dedicate resources and effort and face more risks to make the venture work.

In general, the calculative commitment can be seen as the first step to entry a partnership and with positive experience could develop into affective commitment which with deeper psychological root and more enthusiasm of the parties. With the same principle, the commitment of the employees to their potential employers could also be rational and affective. In the rational context they will calculate the monetary reward of their work, the develop possibilities and the opportunity cost to work for the potential company before join the company. And if the company is his / her dream employer through the information from media or other people, or its reputation and famousness, or he / he has already gained very positive experience within the company, they will develop affective commitment to the company with strong belong feeling and value identification.

3.2.3 Commitment and trust

No matter in which kind of culture or society, trust is an essential factor in generating commitment. However, the major driver of commitment seems to differ in west from

in east. For U.S. firms it was more rational and less emotional credibility trust. In contrast, the Chinese responded with higher levels of commitment when their trust was benevolent, that is, based more on the emotional, nonrational component of trust (Cullen, Johnson and Sakano, 2000, p. 236). It is supposed that a linkage exists between the type of commitment and the social, cultural institutions of the respective nations. Therefore, in Chinese society, commitment to a relationship arises only after the close personal contact have been set up. Through really knowing the potential partners and more frequent contacts the affective side of trust is growing. In contrast, in the individualistic U.S. society and a society with mature legal system, reliable performances backed by sanctity of contracts provide a stronger basis of commitment. The Chinese trust the power and the force of contract much less than American, because the total implementation of the contract content is not only very costly but also ineffective in China.

On the individual level, trust provides a foundation for commitment. The two trust dimensions, benevolence and credibility, are highly correlated and develop in parallel. Firm managers develop beliefs about their partner's reliability and delivery on expectations in cooperation activities, the credibility side of trust. Simultaneously, they develop beliefs that the partner will act with good intentions and will not harm them, the benevolence side of trust. From the individual partner's perspective, once established, the trust dimensions appear to contribute significantly to the development of commitment. Particularly, once in place, credibility and benevolence lead to the instrumental dimension of commitment. That is, calculative commitment. Attitudinal commitment, the more emotional side, is the more evolved form of commitment and may take longer to develop. In addition, whereas attitudinal commitment develops out of both dimensions of trust, it appears to be rooted more deeply in the emotional component of trust relative to the rational component. Thus, trust – both credibility and benevolence – of the partners builds and leads to commitment toward the cooperation first in the more rational or instrumental form and then likely later at the deeper attitudinal level. Figure 5 shows us the trust/commitment cycle.

Figure 4: The trust/commitment cycle
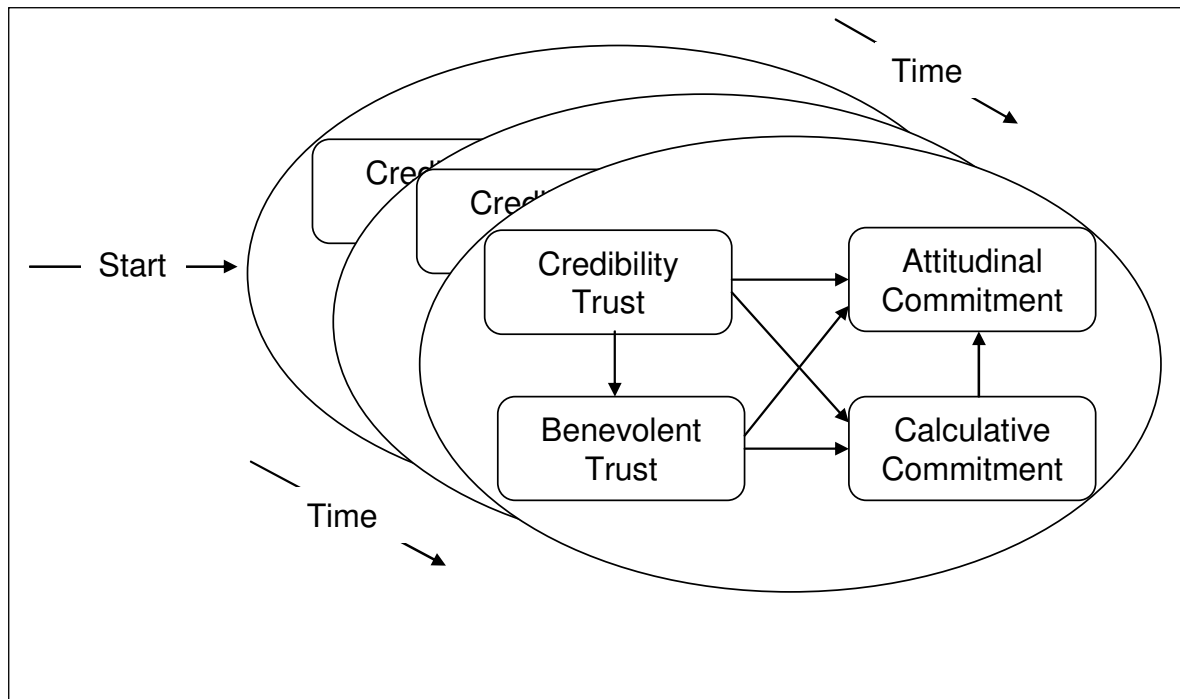
Source: Cullen, Johnson and Sakano, "Success through commitment and trust: the soft side of strategic alliance management", p232

Trust is rather a psychological term. However, the trust attitude can be embodied through corresponding behaviors, and therefore it can be observed and nurtured by trust-signaling behaviors. Such signals include, for instance, meeting obligations and expectations, performing relevant tasks competently and reliably, sharing information, consistently delivering expertise and resources, and generally nurturing the relationship. Trust –signaling behaviors in turn motivate the partner to feel and expect trust. The partner is then more likely to reciprocate with similar behaviors, which signals trust back to the other partner. This feedback pattern of behaviors is likely reinforced by cooperation managers' verbal statements of their confidence in partners. Similarly, when a partner is committed to the relationship, he signals his commitment with extra effort and work for the cooperation. In essence, when a person trusts its partner or is committed to the relationship, trust and commitment become manifest in behaviors that communicate these values to partners and encourage the partners to reciprocate similarly. Figure 5 shows the reciprocity of trust and commitment.

3.2.4 Commitment-Trust Theory

Morgan and Hunt (1994, p. 23) define commitment as the belief that "the relationship is worth working on to ensure that it continues indefinitely" and trust as existing when "one party has confidence in an exchange partner's reliability and integrity". They theorize that trust influences commitment, and that commitment and trust are key mediating variables in relationship marketing, which they define as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges" (p. 22). They identify nine different types of relational exchanges comprising various forms of supplier, buyer, lateral, and internal partnerships, and propose that the reasons the combined presence of commitment and trust are important in these relationships are that they encourage cooperation to preserve relationship investments, a focus on long-term relationship benefits, and taking risks without fear of opportunism.

The commitment-trust theory suggests that shared values positively influence both relationship commitment and trust, and that relationship benefits and termination costs also positively influence commitment. Communication is proposed to positively influence trust, while opportunistic behavior is proposed to negatively influence trust. Both trust and commitment positively affect cooperation, according to the commitment-trust theory, and commitment is suggested to positively influence acquiescence while trust is suggested to positively influence functional conflict. Negative relationships are proposed between commitment and the propensity to leave the relationship and between trust and uncertainty.

In the empirical test of their theory, Morgan and Hunt (1994, p. 33-34) found almost complete support for the proposed commitment-trust theory. All proposed relationships were significant based on correlations, and all but one (between relationship benefits and relationship commitment) was significant based on a structural equation model.

Figure 5: The reciprocity of trust and commitment
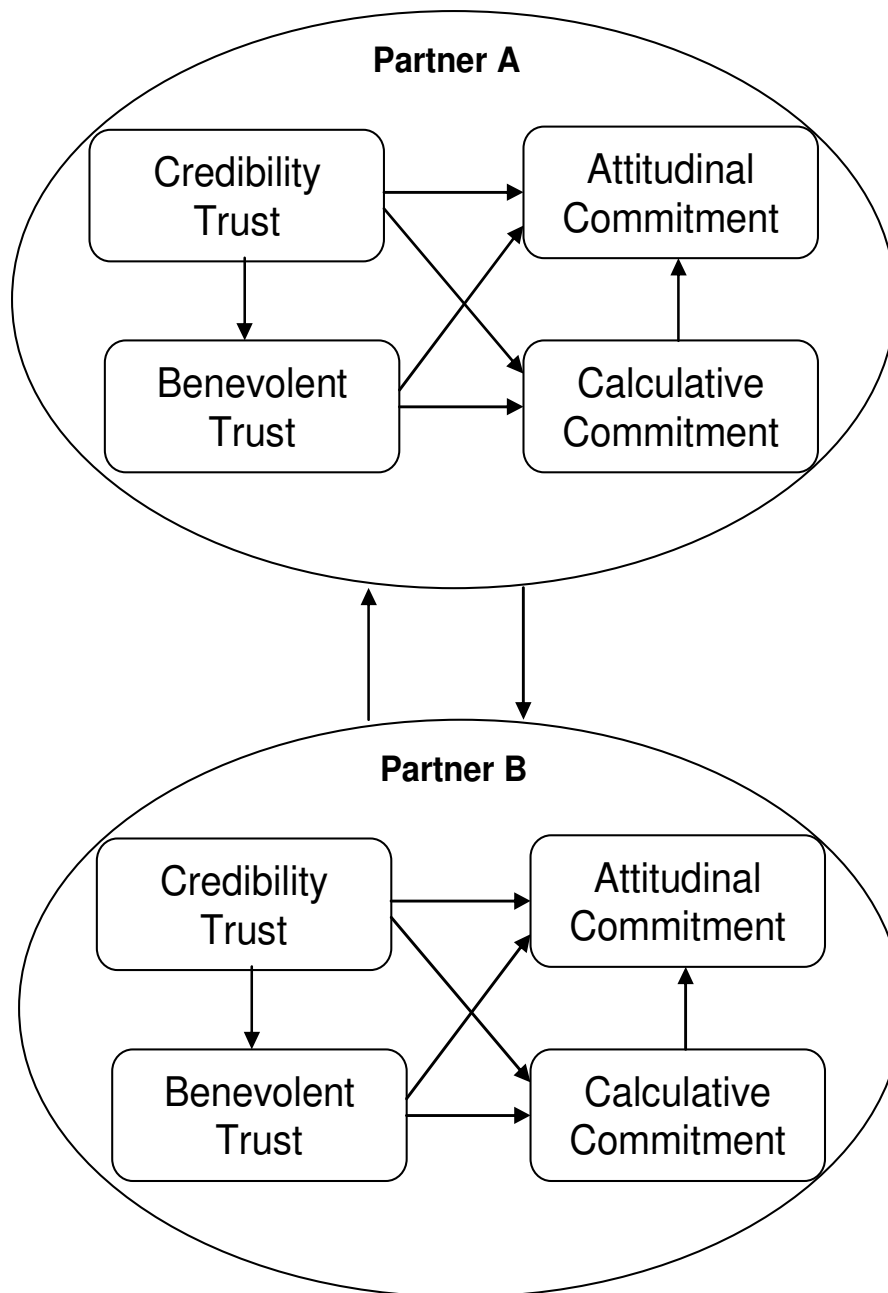
Source: Cullen, Johnson and Sakano, "Success through commitment and trust: the soft side of strategic alliance management", p233

Morgan and Hunt's (1994, p. 22) commitment-trust theory built on previous research (e.g., Moorman, Deshpande and Zaltman 1993, p. 399-400) on the role of these constructs in marketing relationships, and other researchers have since tested the

commitment-trust model in other contexts or conceptualized the role of commitment and trust in marketing relationships slightly differently (e.g., Garbarino and Johnson 1999, p. 70-71; Cullen, Johnson and Sakano 2000, p. 223); however, space constraints do not permit a discussion of the full body of marketing literature pertaining to commitment and trust.

3.2.5 Employees' organizational commitment

3.2.5.1 Western studies on employees' organizational commitment

Organizational commitment has received extensive research attention in Western countries since this construct was proposed by Porter, Steers, Mowday and their associates (e.g., Mowday, Steers and Porter, 1979, p. 224; Porter et al., 1974, p. 603). According to these researchers, organizational commitment represents an employee's (a) strong belief in and acceptance of the organization's goals and values; (b) a willingness to exert considerable effort on behalf of the organization; and (c) a strong desire to maintain membership. Although this definition has been refined by more recent researchers (e.g., Allen & Meyer, 1990, p. 1; Meyer & Allen, 1991, p. 64), its basic concepts of the employee's identification with and attachment to the organization's values and practices have been accepted by most researchers.

The researches on organizational commitment conducted by western can be divided into two periods. Before the 1990s, Western researchers concentrated their efforts in identifying the antecedents and consequences of organizational commitment. For antecedents, organizational attributes (e.g., extent of decentralization, compensation practices), job details (e.g., job complexity) and personal characteristics (e.g., gender, age, tenure, personality and values) have been proposed and investigated (e.g.,

Bateman and Strasser, 1984, p. 95-96). As consequences, turnover and job performance have been investigated as results of organizational commitment (Mathieu and Zajac, 1990, p. 171). Similar studies have been conducted in Chinese societies and similar results have been found (e.g., Wong, 1991, p. 45; Wong, 1997, p. 26).

In the second period, during the 1990s, Western researchers have developed three new lines of research on organizational commitment. The first concerns the dimensionality of organizational commitment that enriches our understanding about the exact bases of this construct. These dimensions are "affective commitment" (i.e., commitment as an affective attachment to the organization), "continuance commitment" (i.e., commitment as a perceived cost associated with leaving the organization), and "normative commitment" (i.e., commitment as an obligation to remain in the organization) (Allen and Meyer, 1990, p. 1; Meyer and Allen, 1991, p. 61). The second line of research concerns foci of commitment. It investigates the commitment towards specific constituencies such as supervisor, work group, top managers and the overall organization (e.g., Becker, 1992, p. 232; Becker et al., 1996, p. 465). Some researchers have carried this line of research to Chinese societies and they have demonstrated that Chinese employees' commitment towards their supervisors will develop faster and have effects on their overall organizational commitment (e.g., Chen, Farh and Tsui, 1998, p. 98; Wong and Kung, 1999, p. 1). Finally, in the 1990s, Western researchers have attempted to examine the psychological process through which employees develop their organizational commitment. Perceived fairness, job security and trust have been proposed and investigated as important underlying factors contributing to organizational commitment (e.g., Davy, Kinicki and Sheck, 1997, p. 323). This line of research has been applied later to Chinese societies and with similar results that for a sample of PRC employees, trust mediates the effect of perceived fairness on organizational commitment, which in turn affects job performance and turnover intention.

3.2.5.2 Organizational commitment and Hofstede's value structure

The by Hofstede developed model of cultural dimensions are used most widely. The model contains four dimensions: Power distance, uncertainty avoidance, individualism-collectivism and masculinity-fenmininity. Randall (1993, p. 102) has developed an organizational commitment questionnaire (OCQ) and researched what kinds of relations exist between each cultural dimension and organizational commitment.

In addition, a fifth independent dimension long-term orientation has been found and similarly validated since the publication of the above four dimensions (Hofstede 2001, p. 353). Because the study of Randall was conducted before the finding of the fifth cultural dimension, he has merely researched the relations between the four cultural dimensions and organizational commitment.

The results of his study are as following:

Power distance

Findings regarding the power distance dimension were generally consistent with expectations. Countries with lower power distance (notably, Canada) reflected higher organizational commitment levels than those countries with higher power distance (Japan and South Korea).

Uncertainty avoidance

It was supposed that countries with the highest uncertainty avoidance scores of the countries studied, such as Japan and South Korea, would have higher organizational commitment levels than the countries with lower uncertainty avoidance scores.

However, Canada, with an obviously lower uncertainty avoidance score, report higher organizational commitment levels among workers.

Individualism-collectivism

According to the findings of the organizational commitment questionnaire it appears that level of attitudinal commitment may be lower in more collectivist countries (i.e., South Korea and Japan) than in some of the more individualistic countries (i.e., Canada).

Masculinity-femininity

Findings regarding the Masculinity-femininity dimension has no explicit trend and pattern. While Japan has highest masculinity score and South Korea has the lowest masculinity score among the countries studied, both had roughly equivalent organizational commitment levels. Canada, with a high commitment level, only had a median level on the masculinity index.

Long-Term Orientation

It refers to a culture's valuing persistence or perseverance over quick results. As mentioned above, this cultural dimention was found later than the study of Randell. Thus the relation between long-term orientation and organizational commitment wasn't the object of his research.

The results of this research on the relations between each cultural dimension and organizational commitment by means of an organizational commitment questionnaire are regrettably highly tentative due to the limited number of countries available for comparison. The findings regarding uncertainty avoidance are particularly interesting as they are contrary to expectation. Unfortunately, data are not available to draw any conclusions about the value structure of the studied countries and the level of

organizational commitment using calculative measures or other affective commitment scales.

3.2.5.3 Chinese culture and organizational commitment

Generally most organizations pursuit to develop durable relationship with the their employees through providing good compensation packages and training and development opportunities to achieving benefit in the long run (e.g., Ippolito, 1991, p. 533; Kirrance, 1988, p. 70; McManis and Leibman, 1988, p. 53). However, multinational corporations in China may wonder these benefits can materialize because of the specific environment in China. They may be led to ask, "Should organizations invest more in cultivating Chinese employees' commitment to the organization?" From the point of view of traditional Chinese culture, the answer to this question should be positive because a positive relationship between two parties has important effects on the positive attitudes and behaviors of both parties.

There are several reasons for these positive attitudes and behaviors. First, Chinese traditional culture emphasizes loyalty and commitment which are regarded as common moral standards for everyone. As common moral standards, these concepts are not limited only to the subordinates' loyalty to their superiors. They represent appropriate attitudes and behaviors towards other people and organizations (Wong and Kung, 1999, p. 1). Thus, this concept has profound effects on Chinese attitudes and behaviors. However, it's also necessary to mention here, in comparison to traditional Chinese culture the value system in today's Chinese society is much more materialistic, at least at the surface level. Therefore, many multinational corporations hesitate to invest much in the Chinese employees because they are often poached by the competitors just with higher salary. But these phenomenon can't repudiate the deep influence of the traditional culture in the long Chinese history on every Chinese's value identification, which is rooted deeply in Chinese mentality.

Second, the Chinese culture puts specific emphasis on relationships. This emphasis on relationship (in Chinese term, "guanxi") has received a lot of research attention in recent years (e.g., Law et al., 2000, p. 751; Xin and Pearce, 1996, p. 1641). In general, empirical studies conducted so far support the important impact of specific forms of guanxi (e.g., relationship with supervisors) on employees' behaviors and attitudes toward an organization. Furthermore, Beamer (1998, p. 56) found that Chinese managers favor organizations which nurture friendships among their employees, indicating the importance of relationships in Chinese culture.

Third, another important concept in traditional Chinese culture is reciprocity (in Chinese, "Bao"). The concept of Bao (i.e., paying back those who treat you well) is a form of human emotional debt and has significant influence on one's behaviors and attitudes (Chang and Holt, 1999, p. 351). In Chinese culture, one is expected to remember others' good deeds and to return the good deed through similar action. It is morally wrong for someone to forget others' good deeds or not pay them back.

More or less are these traditional Chinese cultural values (i.e., loyalty, guanxi and bao) still maintained in Chinese societies what is beneficial to organizations if employees perceive their employers as treating them well. Summarizing, building up friendly relationships and nurturing employees' commitment toward the organization will benefit the organization in the long run.

3.2.5.4 Cultivate employees' commitment in China

There are marked shortages of suitably trained employees in China. As a result, multinational corporations must allocate substantial resources for training. However, once these investments in human capital have been made, the firm faces an even more difficult challenge in retaining its best local talent because many local companies

prefer to "poach" talent from leading firms rather than develop it in-house (Fryxell, Dooley & Li, 2004, p. 515). Meeting this challenge is all the more compelling because of the high differential cost of expatriate managers who may lack insights into the workings of the local market as well as lacking the "guanxi" (i.e., relationships with strong reciprocity norms) which is so necessary to facilitate transactions (Goodall and Malcomb, 1999, p. 22). As a result, well-trained local employees are extremely precious resource in China (Fryxell, Dooley & Li, 2004, p. 515). Therefore it's essential to cultivate local employees' commitment in China.

Organizations operating in Chinese societies should give their best to build up positive long-term relationships with their employees. Once organizational commitment of the Chinese employees is cultivated, they will have long-term positive attitudes and behaviors towards their organizations. They will perceive their job situation as better, are satisfied with the working conditions and will not leave their organizations. Moreover, they will work with more enthusiasm and delivery higher performance. Based on the understanding and the aforementioned analysis of organizational commitment and the specific characteristics of Chinese employees, the following recommendations will be effective in cultivating employees' commitment in China.

■ **Employers' long-term perspective**

Long-term perspective is commended when organizations invest in Chinese societies. As mentioned before, Chinese value the concept of "Guanxi", "Bao" and mutual commitment. If investors are looking for fast money and don't plan to invest time and monetary resources in their relationships with Chinese local staffs, they probably cannot gain commitment from their Chinese employees. The foreign investors have different perspectives. Some of them still regard China as a source of cheap labor with high business risks. Thus, they try to minimize their expenses in providing better training opportunities to their Chinese managers and benefits to their production workers such as housing and recreational arrangements. Some other investors are taking a longer perspective and are willing to provide much more training and benefits to their employees beyond

what the laws and regulations in China require. Another important reason for employers to take a long-term perspective is that organizational commitment requires time to develop. Organizational commitment can be developed only when the person forming this attitude has a chance to understand the organization, not only on the business level but also at the value basis, and thus a long-term perspective of the employer is essential (Wong, 2000, p. 1).

■ **Invest in cross-cultural training**

In multinational corporations managers with cross-cultural sensitivity and language competence will have more success in understanding partner needs and interest (Pucik, 1988, p. 496). And for instance, in China the local staff will perceive such foreign managers with understanding and sensibility of Chinese culture as less strange and more familiar, and consequently the trust and sympathy would arise faster and easier than usual. The high quality of cross-cultural interactions between partners' employees will avoid conflict, distant feeling and misunderstandings, facilitate friendly and harmonic relationship, accurate commitment signaling and lead to greater trust and commitment between partners.

■ **Fair human resource practices**

Recent studies in Chinese societies have found that both distributive and procedural justice has positive effects on employees' organizational commitment. Furthermore, trust plays an important role in determining employees' organizational commitment (Wong, 1991, p. 45). Thus, foreign investors may benefit by incorporating more human management practices that emphasize more transparent, open and fair procedures for communicating with employees and for allocation of material rewards. Some foreign investors use extremely harsh regulations and disciplinary practices to prevent employee misconducts such as stealing or fighting. Although these practices may be effective in the short-run, it is impossible to build up a trusting relationship in the long run if these practices become the norm. It may be worthwhile for organizations operating in China to invest more in education programs and in creating

communication channels to prevent employees' misconduct rather than harsh disciplinary regulations (Wong and Law, 1999, p. 26).

- **Invest in direct communication**

In order to overcome national, commercial, organizational and cultural differences, it's more successful at building trust and commitment when the issues are dealt with face-to-face (Cullen, Johnson and Sakano, 2000, p. 239). Direct communication can avoid misunderstanding and save time.

- **Supervisors' training**

A recent study has determined that commitment to supervisors has a direct effect on organizational commitment and Chinese employees may establish their commitment to their supervisors before developing commitment to the whole organization (Wong, 2000, p. 1; Wong and Kung, 1999, p. 1). Thus, supervisors may play a salient role in cultivating employees' organizational commitment. Research also indicated that supervisor-subordinate guanxi may affect their administrative decisions such as bonus allocation (Law et al., 2000, p. 756). Thus, it is recommended that organizations operating in China provide better training to supervisors about the organizational culture and the importance in treating their subordinates fairly to cultivate employees' organizational commitment. This should be targeted and implemented at all levels of supervisor-subordinate relationships so that employees at all levels will develop their commitment towards their supervisors and the organization.

- **More flexible forms (modular structure, temporary assignments, nonlinear structures and temporary structures)**

  - **Modular structure**

The employees' needs to experience the attraction and excitement of pursuing a shared mission and self-fulfillment should not be ignored. The new approaches aimed at gaining commitment and changing behavior are participative management, Theory Y (s. table 1) (McGregor, 1960, p. 47) styles of supervision, management by objectives, sensitivity training, job enrichment, leadership and human relations training etc.. In comparison to the traditional organization structure, there is creatively designed new structure as flexible alternative to the permanent staff structure, which is objective, task and problem oriented. Project management, task forces, management cells, project clusters and what Warren G. Bennis has called "organic populism" are examples of such ad hoc organizations to cause change. Bennis predicts that organizations of the future "will be adaptive, rapidly changing temporary systems, organized around problems-to-be-solved by groups of relative strangers with diverse professional skills…they will evolve in response to problems rather than to programmed expectations…" (Harris, 1970, p. 48)

The concept "modular structure" is intended to express the idea of a unit that is small but complete, autonomous yet united with other units, and whose mission is explicitly stated. The purpose of using such structures is to repair the emotion-neglecting effect of divisionalization of functions. Trust and commitment both have emotional root. And emotion is practically the main objective of modular structuring. We observe that the president of a company of division is more emotionally involved and committed than other employees; it is no coincidence that his job also has the clearest and most acutely felt accountability and is the only one not divided. So modular structuring aims for many whole units, many "presidents," and more keenly felt accountability throughout the organization. In small, organic, complete, mission-oriented groupings members can more easily grasp and identify with the mission and individually influence the results. Each employee can more clearly feel the necessity of carrying his load and the indispensability of his contribution to the whole task. Failure stands out more obviously and rapidly and so does success. Peer respect becomes a powerful motivator. The employee experiences his function as organic to the whole. And accountability becomes a factor for all members in the groups, not merely management employees. These are all strong social and psychological forces that engage the employee's emotional being and motivate the employee's commitment to the corporation.

Table 1: Theory Y's Six Basic Assumptions about People

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Theory Y's Six Basic Assumptions about People

1. The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work. Depending upon controllable conditions, work may be a source of satisfaction (and will be voluntarily performed) or a source of punishment (and will be avoided if possible).
2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.
3. Commitment to objectives is a function of the rewards associated with their achievement. The most significant of such rewards, e.g., the satisfaction of ego and self-actualization needs, can be direct products of effort directed toward organizational objectives.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.

Avoidance of responsibility, lack of ambition, and emphasis on security are generally consequences of experience, not inherent human characteristics.
5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

In summing up these points, Dr. McGregor sags:" Above all, the assumptions of Theory Y point up the fact that the limits on human collaboration in the organizational setting are not limits of human nature but of management's ingenuity in discovering how to realize the potential represented by its human resources."

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Source: McGregor, "The human side of enterprise", p47-48.

- **Nonlinear structures**

In today's business practice, especially in big international corporations exists such staff structure: a staff has two bosses, one is his disciplinary boss and the other functional boss. In such concept there is clear division of the responsibility of the two kinds of boss. Even the employee has two supervisors, he has only one job with one

set of purposes and objectives. A more radical concept departure from the one-boss principle is suggested to give the employee two sets of purposes, objectives and duties, having him report for each set to a different supervisor and making sure he has sufficient time to perform both jobs. This would make him a member of two groups. When he has more than one job and report to more than one supervisor, the result is no longer the single-structured pyramid but a network of jobs and job relationships. Occasionally suspending the one-boss rule would permit us to introduce diversity into the organization. Employees would have more opportunities for development, involvement and fulfillment at work. Commitment, in these circumstances, would be more readily given. However, it should also be considered in such structure that the conflict in resource allocation to different jobs could probably occur. How to set the priority is a new central point of such work structure. It could lead to more effort and time input for the communication and coordination between two task groups.

- **Temporary assignments**

Although permanent assignments can build up and develop deeper functional expertise in certain fields, it could also result in a lack of movement that stifles commitment. Therefore, it make sense to compensate permanent assignments with temporary assignments. Temporary assignments would of course increase position turnover. Boredom with jobs that have become dull, routine and automatic from having been held too long would doubtless decrease. The additional job experiences would sustain a rising learning and development curve. Most important, giving an employee opportunities to master successive challenges would increase his self-confidence and the desire to grow and more initiative contribution to the new tasks.

- **Temporary structures**

Similar to modular structure, temporary structure provides a flexible alternative, especially suitable for temporary tasks which need of professional and speedy solution. In certain innovative branches such as multinational oil/ energy corporations they have very flexible structure, on the basis of traditional structure allowing many

temporary structure or units. It can give the employees a very free feeling. They enjoy dealing with the changes and themselves to initiate to change. In such organizational culture you can feel strong creativity and dynamic. In contrary, the specialization of work, the one-man, one-boss principle and permanent assignments establish a single, fixed, strong relationship of people-to-people and people-to-work. So strong are these relationships that the work belongs to the employee and the employee belongs both to his supervisor and to his department. If concept of temporary structure is not promoted by the top manager level and internalized by the employees of a company, a manager of middle level who wants to use a temporary or ad hoc structure utilizing people outside his jurisdiction must get the concurrence of too many of his fellow managers, convincing them of their mutual interest in the problem, and achieving some kind of consensus with them on the team's charter and chairmanship. And after the temporary group is formed, he must contend with the independence of the members, who remain oriented toward their supervisors in their permanent departments, probably due to their interest in a long run.

3.3   Cooperation

3.3.1   Cooperation as a theoretical problem

Cooperation, as a common concept at individual, organizational and social levels in real life, however, is not as easily grasped within organizational economic theory as should be expected, because of the predominating assumption of agents' maximizing behavior and moral hazard. The necessary information about market contingencies and technological possibilities etc. are in most cases asymmetrically distributed between business firms (managers); and they know little about each others' incentives and goals before they initiate cooperation. The danger of the partner acting

opportunistically (i.e., shirking; holding-up; terminating the cooperation before time; stealing business ideas; etc.) withstanding, So, what's the reason that the agents choose to enter into cooperation and risk their investments?

Even if one proposes that agents have no incentives towards acting opportunistically when they expect future pay-offs (Roscher, 1989, p. 35), one cannot explain how cooperation is initiated if one maintains the assumptions of imperfect information and maximizing behavior: Why should agents at all dare to initiate a cooperation; given the risk that their partner might escape with the entire profit? The most possible causes may be gaining potential higher market share, good know-how complementary each other or scale effect through cooperation.

3.3.2 Transaction costs economics

Transaction cost economics (TCE) focus primarily on the costs involved in making transactions rather than the costs of producing a product. TCE thus emphasizes the elements that govern transactions. Here the term 'governance' is defined broadly as the 'mode of organizing' (Williamson, 1991, p. 79-80). Governance is viewed in terms of the design of the particular mechanisms supporting an economic transaction where there is an exchange of property rights. TCE tries to derive the optimal governance mechanism under a certain set of situational contingencies (Barney and Hesterly, 1999, p. 144). Three assumptions underlie decisions on a given governance mechanism. First, individuals in any economic system have a bounded rationality. This means that while people intend to be rational, in reality their cognitive capabilities are limited. Second, at least some individuals are inclined to be opportunistic or to act in self-interest with guile. Third, information is asymmetrically distributed. Thus, the parties of many transactions have access to only incomplete, imperfect or imbalanced information (Williamson, 1985, p. 30). Based on these three

assumptions, TCE explicitly considers the efficiency implications of adopting alternative modes of governance in transactions.

In the TCE framework, the costs of any transaction comprise the costs of planning, adapting and monitoring operations (Williamson, 1996, p. 379), also known as "coordination costs" among organizational theorists (Douma and Schreuder, 2002, p. 7). Transaction-specific investments involve human and physical assets that are dedicated to a particular relationship and cannot easily be redeployed. The idiosyncratic nature of these assets gives rise to a safeguarding problem, and consequently a mechanism must be designed to minimize the risk of subsequent opportunistic behavior (Anderson, 1988, p. 258). According to Williamson (1996, p. 136), transaction-specific investments are so critical that they transform the nature of the exchange; rendering firms both valuable and vulnerable positions. In a valuable position, the investments allow for coordination of activities and exploitation of complementarities of assets. In a vulnerable position, transaction-specific investments can create a situation in which the number of potential partners is small and a firm becomes dependent on its counterpart (Kemp, 1999, p. 25).

The ramifications of the decision to create specific transactional assets are the principal focus of transaction cost economics (TCE) (Williamson, 1985, p. 42). TCE has focused attention on the accumulation of assets – that is, any tangible or intangible of value – that are difficult and costly to shift from one transactional partner to another. Such assets are rather customized and idiosyncratic and are therefore of considerably less value outside the focal relationship (Heide and John, 1990, p. 27). Specificity arises in different ways, particularly in human knowledge and skills and in physical specificities. An example in the physical realm is when machinery is designed to have optimal value only for a particular application. Bensaou and Anderson (1999, p. 5) described some examples, such as enormous oceangoing cargo ships fitted especially for crossing the Pacific and for the loading and unloading of Honda cars. While such a ship is clearly of great value to the car manufacturer, it is far less efficient in other applications, and overcoming these inefficiencies would involve expensive retrofitting.

Initially, the central proposition was that high levels of transaction-specific investments (TSI) would affect the relationship negatively by fostering dependence and other governance hazards, such as opportunism (e.g. Williamson, 1985, p. 3; Anderson, 1988, p. 258). However, research has proven that TSI might enhance coordination and cooperation between partners (Bensaou and Venkatraman, 1995, p. 1475; Dyer, 1996, p. 271). In strategic management, investment in specific assets can be a source of competitive advantage (Dyer and Singh, 1998, p. 660). In an increasingly complex, dynamic and competitive environment shaken by rapid changes in consumer wishes, technology and international trade, it has become more difficult for any single firm to 'go it alone' in all of its products and markets (Ohmae, 1989, p. 143). Thus, many firms (e.g., a supplier that sells directly to end consumers) must reduce their range of activities and concentrate on a few core competences (Prahalad and Hamel, 1990, p. 79), at the same time increasing the frequency and magnitude of collaboration with other firms (Contractor and Lorange, 1988, p. 3). Firms can focus on their own distinctive core competences (i.e., specializations) while investing in specific assets. Collaboration enables them to benefit from a counterpart's other, complementary assets, which might be difficult to appropriate, and still pursue a multitude of markets and technologies (Powell, 1990, p. 316).

TSI is an important mechanism for achieving closeness in a relationship. The deliberate creation of specific assets for the purpose of making it difficult for a partner to exit the relationship confers a sufficient reason for the collaborators to continue to work closely together (Williamson, 1985, p. 53). This self-imposed exit barrier provides incentive for an investor to live up to its promises, suggesting that TSI acts as a safeguard against opportunistic behavior. Additionally, TSI reassures the counterpart about the intentions and integrity of the investor. Creating specific assets is known as creating credible commitments (Heide and John, 1988, p. 27) or pledges (Anderson and Weitz, 1992, p. 312).

3.3.3 Cooperation as an asset

With a growing dominance on many markets of strategies of continuous specialization, flexible coordination (Piore & Sabel, 1984, p. 51; 1990; Sayer & Walker, 1992, p. 1; Schoenberger, 1988, p. 254) and inter-firm technological learning (Lundvall, 1985, p. 9), cooperation between firms is - seen in the "resource-based" perspective (e.g. Wernerfelt, 1984, p. 171; Winter, 1988, p. 169; Chandler, 1992, p. 85) crucial for achievement of capabilities. For groups of firms, realizing external economies (Krugman, 1995, p. 15); cooperation gives rise to "higher-order" capabilities (Foss, 1996, p. 5).

3.3.4 Trust as an asset

If managers trust each other not to act opportunistically, economic action (cooperation) is "lubricated" (Arrow, 1974, p. 26). Such trust is of economic value, because it allows agents to initiate and maintain cooperation - without making costly safeguards. If trust is common or "social" amongst a whole group of agents (Coleman, 1984, p. 85), widespread, flexible cooperation (with possibilities to shift between partners or combine different cooperations) is a real option. The importance of trust for economic action and cooperation applies both on principal-agent relationships within firms; relationships between firms and customers; and between managers of independent business firms (both in vertical and horizontal firm relations). Because trust is valuable, commonly desired and specific, it can be seen as a capability or even a higher-order capability.

3.3.5 Trust and cooperation

Cooperation is a necessary form of accomplishing tasks within and among organizations. It's also an action form which social capitals take and strongly related to trust and networking. Cooperation is related to all three dimensions of social capital. Through the cognitive and relational dimensions it also has a strengthening impact on the structural dimension. Cooperation can be defined as human behavior, sharing of meaning and completion of activities with respect to a common goal that takes place in a particular social or work setting (Sonnenwald & Pierce, 2000, p. 461). Similar to trust, cooperation enables the conversion of individual knowledge into organizational knowledge. Trust has an effect on cooperation and the development of the structural dimension because it produces more interactions between the interdependent members of an organization or a network. Therefore, the enhancement of trust in cooperation is very advantageous for knowledge creation and network building.

Problems in cooperation may be caused by factors in the cognitive dimension. For instance, partners' different background and expertise may increase their cognitive distance and inhibit collaborative efforts. Sonnenwald (1995, p. 859), who studied cooperation in a design project, claims that problems such as impeding collaboration appear because the partners bring not only their models of work and organizational and personal beliefs, but also their own world lives to the collaboration process. We can assume that trust strengthens the cognitive and rational dimensions and has a crucial role as a communicative sense-making process in such a situation. Especially in today's globalization economy, in which the international cooperation becomes common business action, trust is essential to avoid false and even hostile interpretation of different opinions and views which leads to the lost of benefits of cooperation.

In many organizations there may be both visible and invisible borders to be crossed. The difference in relational and cognitive dimensions of social capital could result in

both visible and invisible borders within or among organizations which impede the cooperation. The strategies applied should include incentives to boundary spanning behavior because these organizational borderlines prevent human contacts and, consequently, information flows. Thus, they also impede the development of the structural dimension of social capital. Visible borderlines can be found, for example, between various units and departments, invisible ones, in turn, between generations, genders, or individuals with disparate educational backgrounds, worldviews and mental models. Cognitive distance exists where invisible borderlines are strong. Knowledge sharing and building mindset of openness, tolerance and treasuring of diversity help to decrease cognitive distance and enhances knowledge creation and use within organizations.

Trust has also an impact on the structural dimension of social capital. Trust in collaborators' relationships allows frequent contacts and sharing of knowledge in practice for the generation of new knowledge. Trust can emerge in relationships of this kind because there activities may be heavily routinized in nature and also have evolved informally. This signifies the role of knowledge sharing that requires and communication will also be established, maintained, and facilitated between experts and novices (Blair, 2002, p. 1022).

Nooteboom suggests that governance involves four elements that come into play in cooperations. First, controls refer to the extent to which bureaucratic or legal regulation and monitoring mechanisms are put into place to deal with threats of opportunism. Legal forms of contracting, he argues, are costly and inflexible and do little to foster trust (de Laat, 1997, p. 146). This is particularly true in the high-context cultures of Asia (Hall, 1987, p. 129) where, as we will see, agreements between people are based on relational trust and are "spoken" rather than "written". After a contract has been signed in China or Japan the partner may request further changes. This, Hall points out, causes Western indignation, particularly he says to Americans who "regard a contract as binding, a stable element in a changing and uncertain world" (Hall, 1987, p. 128-129). Second, he mentions loyalty, based on particular norms and values, habituation or bonds of family, kinship, friendship and clans that help build trust-based relations and help reduce opportunism. Third, he mentions that the extent and unity of partner values can ensure stronger dependence in cooperation

and greater mutual understanding. Lastly, he mentions binding, which is affected by exit barriers or how easy these are to enforce and at what cost, and the cost of losing one's reputation from behaving opportunistically.

"We are concerned with trust and trustworthiness because they enable us to cooperate for mutual benefit. Cooperation is the prior and central concern. Trust is merely one reason for confidence in taking cooperative risks, and trustworthiness is merely one reason such risks can pay off." (Hardin, 2002, p. 240). Social psychologists have stressed the link between trust and cooperation early on (e.g., Deutsch, 1958, p. 435; Dawes, 1980, p. 169). The social psychological "goal/expectation theory" (e.g., Pruitt and Kimmel, 1977, p. 376; Yamagishi, 1986, p. 111) and more recent economic experiments on conditional cooperation are, as well, consistent with this interpretation. According to the goal/expectation theory, "mutual trust is the key to actual cooperation" (Yamagishi, 1986, p. 111). Pruitt and Kimmel (1977, p. 376) argue that "Simultaneous cooperation is assumed to arise if and when both parties have a goal of mutual cooperation and an expectation that the other is ready to cooperate." Apart from a few unconditional cooperators ("altruists"), most people are only willing to cooperate if they expect others to cooperate as well, because they do not want to be the suckers. Therefore, conditional cooperators who make a contribution decision can gain from cooperation but face the risk of being exploited by the free riders. Consequently, people who contribute apparently trust the others (Sugden, 1984, p. 783; Croson, 2002, p. 209; Fischbacher et al., 2001, p. 401).

The notions of trust and cooperation are often related to each other in literature in the sense that, on the one hand, authors see trust as absolutely conditional to come to any form or degree of cooperation. On the other, trust is considered as a result of cooperation; cooperation refers to the process in which people work together for a particular purpose. This causality, one way or the other can be found in fields like socio-biology (Ridley, 1996, p. 2), pragmatic organization theory (Alter & Hage, 1993, p. 777) and game theory (Axelrod 1984, p. 8; Sandler, 1992, p. 20). In all three fields trust and cooperation are linked, connected through a process of mutual reciprocal obligations that are met within a certain time frame. Reciprocal processes presuppose in the first place that actors must have the possibility, to a certain extent, to anticipate the future conduct of the other to be able to formulate their own line of

action. Secondly, actors must trust each other, again to a certain extent, that they share fundamental conceptions of reality; that they share social constructions of good and bad; of a shared interpretation, or at least understanding of the mutual benefits of cooperation. It also extends to the expectation that the other has a will to do well (Smets, Wels and van Loon, 1999, p. 15).

The relationship between cooperation and trust is a two-way relationship. Cooperation will not take place without pre-supposed trust, as trust can be developed, enforced and stabilized through repeated cooperation. When people work together, they can learn to trust each other and find that they will win and succeed simultaneously with their partners. Because trust is based on our own experiences, we need opportunities to learn it in our own lives. Real, honest collaboration offers such an opportunity. As Fukuyama (1995, p. 27) says, "… people who do not trust one another will end up cooperating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means." Instead, if they trust each other, they will appreciate collaboration that they are involved in and thus also their commitment to it.

3.3.5.1 Trust and R&D cooperation between headquarter and subsidiary

Arrow (1963, p. 946) first established the classic theory that firms tend to under-invest in R&D, when knowledge spillovers are high, or when competitors can capture any new knowledge that is created, easily and cheaply. However, firms can internalize such spillovers through R&D cooperation and appropriate higher returns than under non-cooperation. Such R&D consortia involve cooperation in terms of cost sharing, information sharing and technical expertise sharing. They allow firms to realize higher returns from R&D expenditure through non-duplication of research and enable learning through sharing of information. R&D cooperation is increasing in the high-

tech sectors due to growing research costs and rising technological and market uncertainty. This trend has stimulated an extensive game theoretical literature concerning incentives for inter-firm R&D cooperation.

This literature may lead us to believe that R&D cooperation between firms is quite common and that collaboration once initiated between any set of firms, is unlikely to fail. However, in reality, neither of these two predictions is entirely valid. Even in high tech sectors, where R&D consortia are definitely multiplying, cooperation at the R&D level is still more the exception than the rule. Furthermore, a large number of R&D cooperations break down before completion of the project (Kogut, 1989, p. 197). Though some of these breakdowns can be explained by mistaken ex-ante perceptions of the costs and benefits associated with cooperation, others are cited as having broken down due to manifestations of opportunism (Deeds and Hill, 1998, p. 157).

Firms entering into a relationship via a common R&D project often do not fix the details about what the partners expected to do during the course of the cooperation ex-ante. Given such incomplete contracts, the harmonization of firm motivations is imperfect, and the efficiency of cooperation is limited. Moreover, third party verifications of R&D efforts are usually impossible. Therefore, trust becomes necessary to justify the engagement of collaborators.

Trust, whenever it appears, is the result of a repeated interaction between agents. However, not all R&D contracts are implemented in the context of a repeated game. How then can we explain the emergence of R&D cooperation in a static context, when the partners are confronted with the problem of opportunism and they cannot formulate a complete contract that protects them against such a risk? Some elements are offered for an answer.

When opportunism cannot be entirely eliminated through some monitoring or incentive mechanism, the success or failure of R&D cooperation depends on the motive of the collaborators, the configurations of trust and the level of spillovers. When two firms consider whether or not to initiate an R&D cooperation, one of the following outcomes is possible:

- No initiation of R&D cooperation: For low levels of trust, under any level of given spillovers, when at least one of the partners is a non-opportunist.

- Initiation of R&D cooperation without manifestation of opportunism: When two non-opportunists initiate a cooperation for sufficiently high levels of trust under any given level of spillovers.

- Satisfactory R&D cooperation with manifestation of opportunism: When two opportunists initiate a cooperation and the spillovers are high.

- Unsatisfactory R&D cooperation with manifestation of opportunism: Whenever an opportunist initiates a cooperation with a non-opportunist. This also occurs when two opportunists initiate a cooperation and spillovers are low.

Therefore, the initiation of R&D cooperation depends not only on the level of spillovers, but also on the type of firms involved and their trust in each another. Furthermore, the higher the degree and the possibility of spillovers, the higher is the requirement on trust.

It also has implications for some of the ongoing debates on trust and cooperation at a sectoral or regional level. For instance, recently, there have been a number of studies comparing interfirm cooperation in the USA, Europe and Japan. They indicate that American firms are more hesitant to initiate cooperation than their Japanese counterparts (Casson, 1991, p. 12; Dunning, 1995, p. 478). The reason most often evoked is that Japanese firms exhibit a higher level of trust (Sako and Helper; 1998, p. 395). Furthermore, Hagan and Choe (1998, p. 595) put forward the notion that trust in Japan is simply a social norm regarding to the sanction and punishment system in case of cheating on commitments.

In summary, trust facilitates the initiation of R&D cooperation, but is neither necessary nor sufficient to ensure higher payoffs than from non-cooperation. The level of trust required to initiate R&D cooperation depends on the type of the firms and on the level of spillovers.

In the context of R&D outsourcing in subsidiaries in China trust in the commitment and the competence of local staff is essential for the success of the outsourcing. In many business practices the local staffs have no access to the core technology. The main reason is lack of trust of the headquarter in the long employment and the commitment of the local staff to keep their business discretion. It's like vicious circle, the local staff feel not be trusted by their employer and it leads often to short employment.

3.3.5.2 Trust, cooperation and globalization

Nowadays, globalization becomes common reality with both positive and negative effects on our life and business activities, such as the rapidly increasing uncertainty and insecurity as well as of a seemingly unbridled growth in new possibilities and opportunities. From around the world, academics, politicians and business leaders have presented optimistic as well as pessimistic forecasts of how we might sustain a future for ourselves and our children, in the face of increasing poverty, ecological degradation and the catastrophic potential of new technologies and industries (Beck 1992, p. 12). Against what is often referred to as the "postmodern" swing to relativism, the majority of today's leading commentators still cling on to a belief in possibilities of judgement, on the basis of merging "truth" and "justice". Indeed, in the wake of this new world order of global risk and opportunity society has also been characterized by a search for new values, which often turns out to be a rediscovery of old ones. Trust is one such term that has re-emerged as a concept endowed with the burden of anchoring ethics into the social world (Misztal 1996, p. 33). In its shadow, cooperation is often seen as a particular operationalization of trust, specifically catered to bridging the worlds of political-economic interests (i.e., the business of globalization) and moral values (i.e., the philosophy of globalization).

By referring to processes of globalization it is often assumed that the concepts of trust and cooperation are sufficiently put in context. From there on sweeping and generalized statements can be made about trust being the grease, which enables processes to function properly. Trust is, for example, seen as a solution to enable a good functioning of the world economy (Fukuyama 1995, p. 151); or a means for coping with the world (Giddens 1995, p. 79); to smoothen the operation of an organization; to understand networks of relations (Gambetta 1988, p. 31); and especially to let their cooperation succeed.

We need, however, to stop making speculative claims based on grand, but rather unsubstantiated, theorizing if we are to make any proper sense out of trust and co-operation. Trust and cooperation are more than philosophical concepts; they are cultural measures that are applied and used in social practices, in the service of political, economic and indeed sometimes also moral objectives. Trust and cooperation then are part of processes of socialization and conditions of interactions and exchanges. These need to be studied and analyzed in their own, culturally specific, empirical and practical contexts, which, we shall argue, defy any sweeping generalizations about the conditions of the world we live in. For example, the operations of trust and cooperation in the setting of a Chinese society (Yan, 1996, p. 74; Yang, 1994, p. 123) are very different from the working of trust and cooperation in telematics (Van Loon, 1999, p. 63). Trust can include a range of different elements in the Western business context (as the extensive literature on networking reveals), but might have different meanings in cooperative or collaborative arrangements in other countries (Fulop and Richards, 2002, p. 275). Elements such as reputation, prior association, reciprocity and fair dealing are considered as the key to explaining how trust underpins network formation in Western societies (Ring and Van de Ven, 1994, p. 94), but might have completely different meanings, or even meaningless, in other cultures (Fulop and Richards, 2002, p. 279). Therefore we must question the appropriateness of such concepts in cultural research, as they are predominantly born out of particular traditions, especially western and modernist. Moreover, they don't need to have direct bearing on how people conduct their affairs in other parts of the world. However, we must be equally cautious with embracing the particularism and cultural relativism that such a shift often implies. In other words, globalization is neither exclusively the imposition of homogenizing and universalizing forces, nor is it

completely indifferent to particular localities. As Appadurai (1990, p. 49) noted, globalization is best referred to as an ensemble of disjunct forces, which operate at variable speeds with variable impact and are formative of an increasingly dense and complex "web" of flows and connections. Although the elements and meanings of trust in different countries could differ, it is equal trust smoothes and facilitates cooperation and cooperation is often seen as a particular operationalization of trust.

3.3.5.3 Trust, cooperation and time

The time frame leads us to another important angle that brings trust and cooperation together, which is that all trust relations involve a time lag (Bourdieu 1997, p. 190). Coleman (1990, p. 91) notes that there is a time asymmetry, which creates uncertainty or 'risks' as he formulates it, which makes trust a form of Bourdieu's social capital, because the trust mechanism reduces the costs of monitoring and sanctioning activities. This utilitarian approach to trust is unable to explain of the norms that are irreducible to profit maximizing rationality, but are also inherent in trust relations. However, time as a liaison between trust and cooperation can open our eyes to both the more utilitarian aspects of trust relations as well as the more normative ones. If we trust someone in the sense that we are willing to cooperate, it can be that our trustworthiness extends as far as a certain time-limit in which our own goals must be rewarded through cooperation with others. The period of time we give the other participant to cooperate to prove himself to be trustworthy in terms of goal realization can be interpreted as an indication of the level of trust we were willing to put into the relationship. This is a utilitarian explanation for the linkage of trust and cooperation through time. On the other hand, the time lag granted in cooperation is also an indication of the moral commitment of the participants (Smets, Wels and van Loon, 1999, p. 151). Again, the concept of reciprocity is relevant here as "a gift or service

received which creates for the recipient, a reciprocal obligation to return a gift or a service of at least comparable value at some future date" (Scott, 1976, p. 167).

3.3.5.4 Trust, cooperation and reputation

Trust can be built up through a learning process of repeating actions. Good reputation arises can be observed when the agent acts very honestly, keep his promises and meet the contractual obligations in his history with repeated interactions with his cooperators. The importance of time and experience in deciding whether or not to cooperate points to the limits of the argument that reputation alone can account for the success of long-term contractual relations. The client firms were certainly concerned about the reputations of their suppliers - they refrained from initiating relations with suppliers that had sullied their reputations as regards quality or delivery. In this sense, reputation played an important role by providing certain basic assurances upon which a long-term partnership might be constructed. However, given the impossibility of specifying in advance exactly what they expected from a subcontractor if a good reputation was to be maintained, the clients felt the need to learn how the subcontractor would respond to the unanticipated situation before undertaking the risk of a long-term commitment. It seems that the clients appreciated the reciprocal nature of this learning process.

3.3.5.5 Trust, cooperation and economics

On a macro and global basis, sensibility to cultural difference , political interests and historical specificities are needed to understand the relationship between cooperation and trust. One specifically important domain in which these particularities are evident is that of economics. It is the particular connection between trust and economics that has given a new impetus to theorizing what Cheal (1988, p. 15), for example refers to as moral economy. This also shows how a seemingly abstract and metaphysical concept such as trust suddenly comes to life in the most material and instrumental practices of everyday life. Fukuyama (1995, p. 151) explicitly connects the concept of trust with macro-economic processes and developments. According to Fukuyama the level of trust, amongst other factors, is an important prerequisite for economic success. The higher the level of trust, the more economic development might be expected, because trustful relations "lubricate" economic cooperation and trade. In this respect he follows the trend-setting work of Fox (1974, p. 103), which makes a distinction between "high trust" and "low trust" countries. High trust countries are Germany and Japan in his perspective and for instance China and Taiwan belong to the low trust countries. These set different contexts and conditions for the formation of negotiation and cooperation strategies, with high-trust environments having the advantage of being able to subvert the prisoner's dilemma more easily. Fox's model thereby allows us to explain why the Chinese and Taiwanese economies are inherently more volatile than the German and Japanese; the latter being more rigid and less flexible in their responses to drastic changes, but also far more reliable and robust for operating in uncertain economic climates.

3.3.5.6 Trust and moral Contracts

As aforementioned there are different concepts of trust, and accordingly, there are also relevant tools to avoid opportunism as safeguard of trust. Many firms argued that the build-up of trust helped them to cope with different risks. The need for trust is related to the fact that they regulate their relations with what they termed "moral contracts" (contras moraux) rather than with detailed written contracts. The moral contracts are also written documents, but less detailed and served as a reference point for ongoing discussions. In comparison to past, the market nowadays is changing faster and becoming more complicated. With such a background, they are reluctant to specify their obligations in formal, which need to specify in advance exactly what clients expected to their subcontractors. It was understood that adaptations to unanticipated contingencies is necessary for sustainable business success and continuing relationship. might have to be made if the relationship to continue and the business successful . This required a foundation of trust as a basis for arriving at acceptable terms.

Figure 6: Bi-directional positive relations between trust and communication, cooperation, commitment
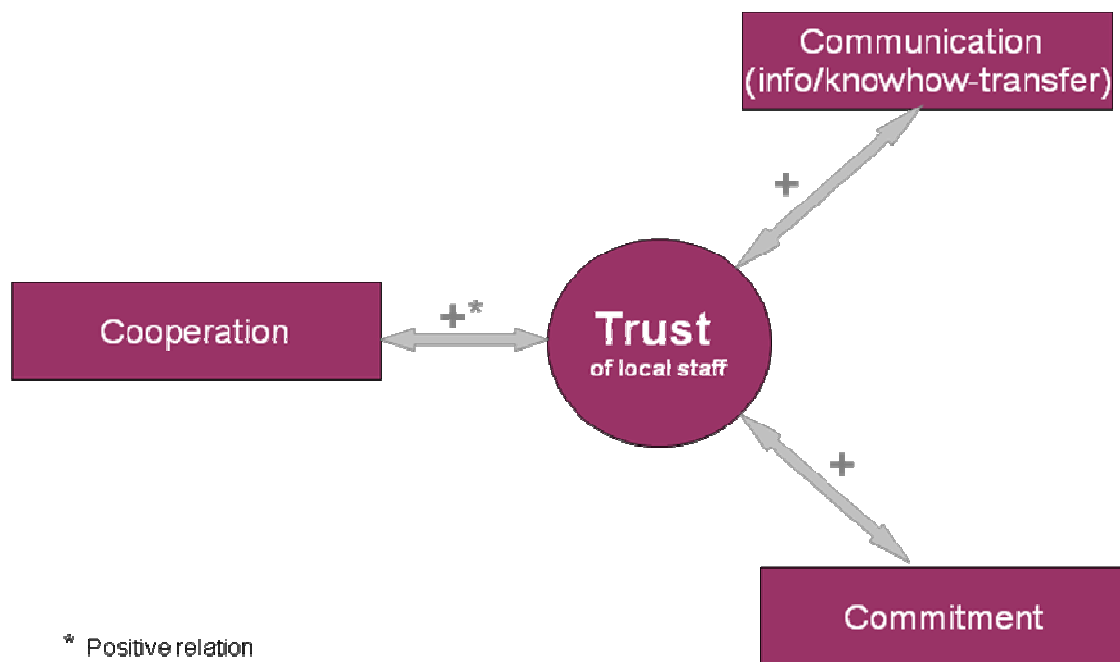
Source: own figure

3.1 Conclusion

As displayed in the figure 6 and argued in the chapter 3.1, 3.2 and 3.3 there are bi-directional positive relations between trust and its indicators communication, cooperation, commitment. This conclusion has set up the methodical foundation of the following study: what kind of relations are there between trust indicators and trust influencing factors?

4 Influencing factors of trust in international companies

There are many factors influencing trust building in organizational circumstances. In this study we will focus on the international context and research the influence of the national cultural difference, the centralization degree of headquarter and the hierarchy level of staff localization on trust building in international companies in China (s. figure 6). In the previous chapter it has been proved that communication, commitment and cooperation are the basic indicators of trust (s. figure 6). To be deduced the following study task is to demonstrate the impact of the influencing factors of trust (national cultural difference, the centralization degree of headquarter and the hierarchy level of staff localization) on the indicators of trust (communication, commitment and cooperation) (s. figure 7). Table 2 shows us what kind of influences the national cultural difference, the centralization degree of headquarter and the hierarchy level of staff localization have on these three trust indicators. In following chapters we will explain each influence in detail.

Figure 7: To be proved relations between trust and its influencing factors in international companies in China
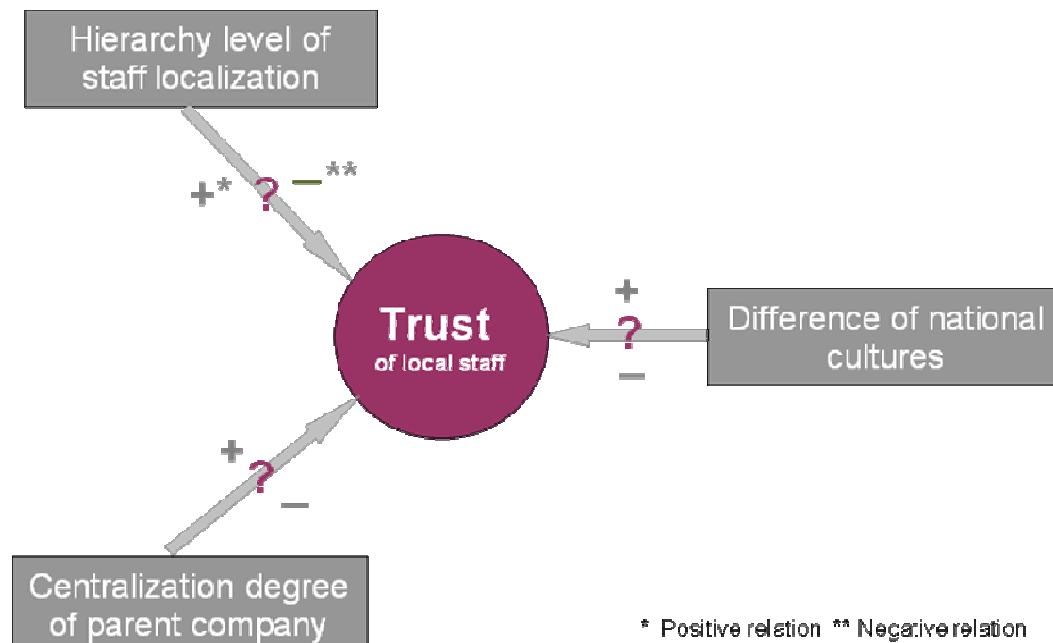
Source: own figure

Figure 8: Trust measuring through trust indicators
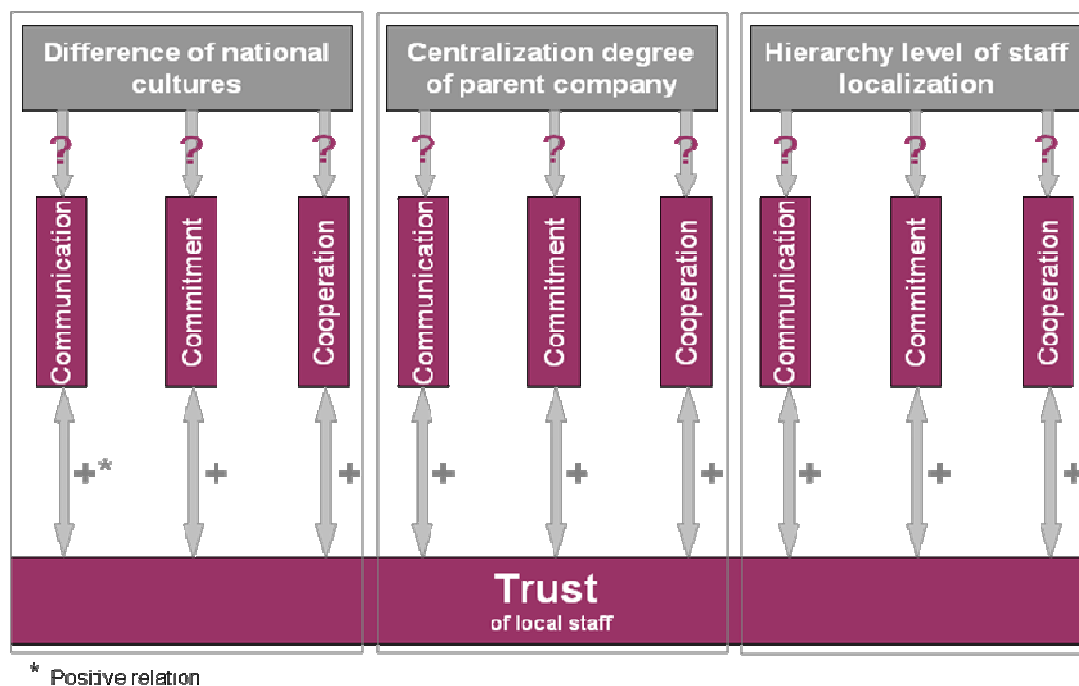
Source: own figure

Table 2: Matrix of influencing factors of trust

Trust of local staff	Communication	Commitment	Cooperation
Difference of national culture	■ Cognitive difference ■ Behavioral difference ■ Misunderstand-ing ■ Tacit knowledge transfer	■ Identification ■ Integration	■ Cognitive difference ■ Behavioral difference (different management styles/ practices) ■ Chinese social networks
Centralization degree of headquarter	■ Communication process for decision making	■ Participative decision making ■ Job satisfaction ■ Control atmosphere	■ Control atmosphere ■ Relationship between headquarter and local managers
Hierarchy level of staff localization	■ Communication in Chinese style	■ Fair employer image ■ Career opportunity for local staff	■ No behavioral difference ■ Chinese social networks

Source: own table

4.1 Difference of national culture

4.1.1 Definition, levels and dimensions of national culture

The fact that the word „culture" is used in two quite different senses often leads to confusion. This can be noticed in discussions as well as in journalistic publications. There is culture as "civilization": arts, craftsmanship, and scholarship, which we could call "culture in the narrow sense", and there is culture as acquired patterns of

thinking, feeling and acting: "culture in the wider sense". In this research we deal with culture in the wider sense, which is the way the word is used by anthropologists. A practical working definition of "culture" in this sense is that it represents the "collective programming of the mind which distinguishes one category of people from another" (Hofstede, 1993, p. 68). We all belong to several categories at the same time, each of which contributes a component to our mental programming: our nation, region of origin, language group, generation, sex, religion, education, occupation and even the organization for which we work. Thus, our cultural baggage is composed of these various components, completed by our personality, which is the truly unique part of our programming, not necessarily shared with members of any category to which we belong.

As mental programming, culture is software; it is invisible by itself but becomes visible in its consequences, which maybe hard enough. When organizations move abroad, such as in the case of multinationals, we recognize that their culture has partly been shaped by the nationality of their founder or founders, so that organizational and national cultures do, in fact, overlap. Managers or students sometimes want to know which is more powerful, the national or the organizational component of culture. However, this question cannot be answered; apart from the fact that they may overlap, they also affect different programs in our minds. For example, ways of dealing with authority carry primarily a national component which the organization can modify but not entirely change; ways of dealing with innovation carry primarily an organizational component, secondary to the national presence. In all cases, the origins of the mental programming which we call culture lie in the past: culture, whether national, regional, occupational or organizational, represents the crystallization of history in the thinking, feeling and acting of the present generation. It is transferred to future generations through education and socialization (Hofstede, 1993, p. 68).

The concept of culture having many levels or multiple dimensions has been proposed by several theorists (Schein, 1984, p. 69; Martin and Siehl, 1983, p. 52; Sathe, 1986, p. 234; Deal and Kennedy, 1982, p. 107). Sathe (1986, p. 235) states that looking at culture in terms of levels culture is something an organization is rather than has.

According Rousseau (1990, p. 157), culture "has many elements, layered along a continuum of subjectivity and accessibility". The deeper and more unconscious the element of the culture the more difficult it is to uncover the surface. These layers or levels range from artifacts through to fundamental root, which are the deepest most inaccessible levels. In between these levels are the patterns of behavior, behavioral norms and values. Artifacts are the material objects which represent or reflect the physical manifestations of culture (e.g., logos). The patterns of behavior are the functions of organizations that are observable to outsiders and whose purpose is to solve basic organizational problems. The behavioral norms are the members' beliefs regarding acceptable and unacceptable behavior. This may be observable to outsiders but would need information directly from members. The values are the priorities of certain outcomes. This requires information directly from members. The unconscious assumptions are not obvious, even to members. This level is the most difficult to study, for it is not manifest under normal circumstances (table 3).

For this study it can be assumed that the bigger the difference of the deeper and deepest levels of cultures, the more difficult to build up trust between the different cultures. It is a long term issue to change or accept the difference in the deepest level of culture.

The definition of national culture most cited in social sciences research asserts: „Culture is the collective programming of the mind" that distinguishes members of one group from another (Hofstede, 2001, p. 9). Researchers have modeled national culture assuming that societies vary along specific cultural dimensions (Newburry & Zeira, 1999, p. 272). For example, Trompenaars (1994, p. 39) identified universal problems that lead to corresponding cultural dimensions: universalism vs. particularism; individualism vs. communitarianism; specific vs. diffuse; affective vs. neutral; achievement vs. ascription; sequential vs. synchronic; and internal vs. external control. Triandis (1994, p. 156) argued that cultures differ in the kind of information they receive from the environment. His culture types include: simple vs. complex; tight vs. loose; and individualist vs. collectivist.

Table 3: Levels of culture observed in the present study

Level, from the manifest to the deepest	Characteristics
Artefacts	The material objects that reflect the physical, observable manifestations of culture (i.e. Physical symbols, logos)
Behavior norms	Beliefs regarding acceptable and unacceptable behavior. Native-views are needed to understand these
Values	The priorities of certain outcomes (i.e. Whether or not take risks). Native-views are needed to understand these
Unconscious basic assumptions	Taken-for-granted and the deepest level of culture which is not manifest under normal circumstances

Source: Thorsdottir, „Merging organizational cultures: Lessons for international joint ventures", 2001, p109

The most widely used cultural dimensions, however, are those of Hofstede (2001, p. 29), whose model is generally accepted as the most comprehensive (Kogut & Singn, 1988, p. 422) and cited (Chandy &Williams, 1994, p. 722) national culture framework, for which validity, reliability, stability and usefulness have been confirmed over time and in various settings. Oyserman et al. (2002, p. 71) pointed out that their meta-analysis results suggest more stability in Hofstede's individualism scores over the past 20 years than even Hofstede himself would have expected. By choosing this framework, we can more easily compare our results with prior research (e.g., Vasquenz & Taylor, 1999, p. 441; Wu et al., 2001, p. 324).

In his study over 88,000 employees from over forty countries and regions of a multinational corporation based in the U.S., Hofstede (2001, p. 69) finds variation among national cultures along four dimensions:

Power distance, which concerns the handling by a society of human inequalities of prestige, wealth and power. It represents the extent to which the less powerful people in a culture accept and expect that power is distributed unequally. A high index of power distance is found for a country where large inequalities exist.

Uncertainty avoidance, which denotes "the extent to which members of a culture feel threatened by unstructured, ambiguous situations, and try to avoid such situations by strict rules of behaviour, intolerance of deviants, and a belief in absolute truths." A culture with a high index of uncertainty avoidance is highly rule-oriented, encourages employment stability, and strongly favors technological solutions.

Individualism-Collectivism describes the relationship between the individual and the collective organization or society. The index is called individualism, and a high value indicates that a given nation's culture emphasizes, for example, the importance of employees' personal time and freedom and challenge in the workplace (as opposed to training and the use of job skills). In individualist cultures, people are supposed to look after their own interest and that of their immediate family (husband, wife and children). In collectivist cultures, on the other hand, people remain, throughout their lives, members of larger but close-knit in-groups which protect them in exchange for unquestioning loyalty, and which compete with other in-groups (families, tribes, clans or villages).

Masculinity-Femininity, like individualism, is comprised of a two-pole continuum. Societies rated as more masculine attribute more importance to goals such as careers and money. Men are expected to be ambitious, assertive, concerned with money, and to admire whatever is big and strong. Women are supposed to care and serve. In feminine cultures, men and women are both expected to be non-competitive, modest, concerned with relationships, and to sympathize with whatever is small and weak. Such cultures rank social goals such as relationships, lending help to others, and the physical environment more highly.

These four dimensions have been validated in many studies (Sondergaard, 1994, p. 450; Morris, 2005, p. 6). Since the original study, the scope has been expanded to over fifty different countries and regions. In addition, a fifth independent dimension

has been found and similarly validated since the publication of the above four dimensions (Hofstede 2001, p355):

Long-Term Orientation refers to a culture's valuing persistence or perseverance over quick results. Societies with high long-term orientation indices, for example, favour the ordering of status in relationships; place a low value on leisure time, and emphasize the building of relationship and market position in business over "the bottom line."

Although there are different levels and dimensions of national culture, this study assumes it is impossible to define or measure the bigness of the difference of national culture as a whole quantitatively. Because culture contains unconscious level, the culture difference is more an individual perception than a standard definition. Generally it is considered that the national cultures of the countries from the same continent or with small geographical distance are similar. However it is only an assumption by trend. Therefore, this study will not define or measure how big the cultural difference between two nations, that's also not the research object of this study. The relative bigness of the difference of two national cultures will be asked in the questionnaire. The proband can define it according to their own perception.

4.1.2 National culture and Value

In a conceptual paper discussing trust and corporate alliance, Arino et al. (2001, p. 114) write: "National differences in value systems, cultural traits and institutions are bound to have a significant impact on both the degree of trust initially accorded economic actors as well as on the rate at which relational quality improves or deteriorates."

The impact of national culture is so widespread that it permeates a nation, including its industries, corporations and people. Hofstede's (1980, p. 19) study illustrated the effect of national culture on the values of individuals. Trompenarrs (1993, p. 193) highlighted the diversity of corporate culture that emerged from different national systems whereas Gray (1988, p. 158) and Perrera (1989, p. 42) discussed the impact of national culture on accounting culture.

Every nation has some values that are more central and important; these values are core values as they take priority among the values that the nation possesses and permeate aspects of business strategy. Managerial conceptual maps and firm capabilities across nations are predominantly cultural phenomena, and are shaped by core cultural values. As values are the deepest manifestation of a nation's culture, the divergence of national culture will be conceptualized as the differences between the core values among nations.

4.1.2.1 Value

Value is the sense of what "ought" to be. This means that an individual's values do not represent how he or she wants to behave, but represent his or her internalized interpretations about how he or she should behave. Value is a concept that has been applied in anthropology, theology, sociology, psychology, philosophy and politics as well as business; for instance, researchers have focused on areas that cover cultural value, social value, business value, work value, occupational value and individual value (Lipset 1963, p. 595; Hofstede 1980, p. 20; Inglehart 1981, p. 881). Social scientists have also examined the impact of values in the recent past. For instance, Parsons propounded the view that social action could be linked with individual values.

Kluckhohn (1951, p. 395-396) described values embedded in a culture as the conceptions of the desirable that influenced the ways individuals selected or evaluated

behavior and events. He elaborated as follow: "Values are not directly observable any more than culture is. Both values and culture are based upon what is said and done by individuals but represent inferences and abstractions from the immediate sense data… any given value is in some sense 'built into' the appreciative mass or neural nets of the persons who hold that value – in the same way that a culture is 'built into' its carriers. A Value is not just a preference but is a preference which is felt and /or considered to be justified – morally or by reasoning or by aesthetic judgments, usually by two or all three of these."

Values have been used interchangeably with attitudes and beliefs, yet one can argue that there is a fine distinction among these terms. At the individual level, beliefs are non-evaluative and simply represent one's knowledge about the world. Attitudes, on the other hand, are evaluative statements concerning the objects, people or events one has knowledge about; they can be considered as a blend of beliefs and values. Rokeach (1968, p. 160) pointed out "… a value, unlike an attitude, is a standard or yardstick to guide actions, comparisons, evaluations and justifications of self and other"; in addition, he stated that an individual "probably has tens or hundreds of beliefs, thousands of attitudes, but only dozens of values" (Rokeach, 1968, p. 124).

England's (1975) profile of values comprised 66 concepts that impeded on managers' acceptance of firm's objectives or their views on groups and individuals. The value profiles were derived from more than 2,500 managers from the US, Japan, Korea, India and Australia who answered his personal value questionnaires. The reasons for this work, as explained by England, were to investigate the important implications of values, which: "influence a manager's perceptions of situations and problems he sees", "influence a manager's decisions and solutions to problems " as well as "influence the extent to which a manager will accept or will resist organizational pressures and goals" (England, 1975. p.1). Examples of England's concepts within the five areas of value profiles are:

- Firm objectives – organizational stability, high productivity, organizational efficiency, organizational growth.

- Personal goals – achievement, creativity, success, job satisfaction

- Groups – my company, me, customers, employees, my boss, my subordinates

- Interpersonal relationships – loyalty, ambition, trust, skill, cooperation

- General ideas – rational, competition.

England asked the managers to judge the value concepts in terms of high importance, average importance and low importance. Value concepts that were rated as high importance and corresponded to managers' primary value orientations (i.e. pragmatic, moralistic, affective and mixed) were most central to managers and therefore would exert the greatest impact on their behavior in their firms.

England found that national culture (as approximated by nationality) accounted for 30 to 45 percent of the variations in managers' values. His summary of primary orientations across Japan, the USA and Korea is shown in Table 4. The figure shows that 52.9 per cent of all managers studied were pragmatic, 24.4 per cent were moralistic while 5.1 per cent were affective. In addition, 17.6 per cent of the managers exhibited a combination of the three primary orientations. It can therefore be said that Japanese managers exhibited a very high level of pragmatism, US managers were moralistic while Korea managers combined pragmatic, moralistic and affective orientations.

As displayed in table 4 and table 5, the managers from different countries prefer different value orientations. These value orientations impact the goal and priority of their business practices. Such value orientations are generated by personal, organizational and national cultural factors. As mentioned above, the national culture accounted for 30 to 45 percent of the variations in managers' values. And the managers' value will reflect in the companies' culture which has direct impact on the status of communication, cooperation and commitment in the companies.

Table 4: England's findings on primary orientations

	Pragmatic	Moralistic	Affective	Mixed
Japan	67.4%	9.9%	6.9%	15.8%
USA	57.3%	30.3%	1.2%	11.2%
Korea	53.1%	9.0%	8.5%	29.4%
International Sample	52.9%	24.4%	5.1%	17.6%

Source: England, 1975, "The manager and his value, an international perspective", p20.

Table 5: England's value scores on selected firm's objectives

Values concerning firm's objective	Internaitonal sample	US managers	Japanese managers	Korean managers
High productivity	68	63	79	67
Organizational growth	51	51	72	61
Organizational stability	46	41	58	55
Industry leadership	40	43	50	30

Source: England, 1975, "The manager and his value, an international perspective", p30.

4.1.2.2 Shared value

People that have overlapping ideas of what are right or wrong or high- or low-priorities are more likely to trust one another and enter into committed relationships than people that do not share many similar values, all else equal. Shared values are proposed as antecedent to both trust and relationship commitment. Morgan and Hunt (1994, p. 25) conceptualize shared values as "the extent to which partners have beliefs in common about what behaviors, goals and policies are important or unimportant, appropriate or inappropriate and right or wrong". The concept of shared values corresponds to "norms" as defined by Thibaut and Kelley (1959, p. 129) "a behavioral rule that is accepted, at least to some degree, by both members of the dyad" and Heide and John (1994, p. 34) "relational exchange norms are based on the expectation of mutuality of interest, essentially prescribing stewardship behavior, and are designed to enhance the well-being of the relationship as a whole"). Also related to the concept of shared values is that of organizational culture (Enz 1988, p. 287). Hofstede et al. (1990, p. 286) explain organizational/corporate culture as having the characteristics of being "holistic, historically determined, related to anthropological concepts, socially constructed, soft and difficult to change."

Morgan and Hunt (1994, p. 32) found that shared ethical values were important for the development of trust and commitment. Findings from our study also point to the importance of shared values. In the relationships we examined, not only did shared values appear to encourage trust and commitment, they promoted a sense of personal loyalty among the individuals in these relationships. In addition to Morgan and Hunt, other authors have proposed shared values as antecedents to trust and commitment. Dwyer, Schurr and Oh (1987, p. 17) theorize "norm development" as a sub process of the "exploration phase" which precedes commitment, and that the establishment of shared values helps to sustain mutual investment in the relationship at the commitment phase.

H1.: The bigger the difference of national culture is, the more difficult it is for international companies to build up trust in the local companies in China

4.1.3 Difference of national culture and communication/ information and knowledge transfer

The transfer of knowledge across borders has a long history contrasting with more recent interest in cross-cultural aspects of learning in international companies (Pollard and Tayeb, 1997, p. 57). In what little research that has been undertaken, there remains a diversity of approaches to the study of cross-cultural issues in international companies, contributing to a lack of recognition of the importance of country differences in collaborative working and learning.

The difference of national origins, cultures and political bases (Parkhe, 1991, p. 583) cause considerable diversity in firm-specific characteristics that might be linked to the national heritages of the subsidiary and the headquarter. The within and inter-firm diversity might inhibit the ability to work jointly and effectively unless the individuals and the organizations can overcome their differences, cross-cultural differences included. It means that, perhaps, firms from culturally-dissimilar countries have a higher potential for learning, although such learning will require more effort and commitment from management.

Nonaka and Takeuchi (1995, p. 20) argue that Japanese and Chinese organizations recognize that tacit knowledge is important and whereas suggest that many western managers are more accustomed to dealing with explicit knowledge. Tacit knowledge is very difficult to communicate, the more embedded it is in processes, the more difficult it is to transfer. In international companies the transfer of tacit knowledge may be relatively time-consuming and involve the supplier in significant cost, in terms of expatriate relocation and on-site training for example. The role of expert raises a number of cross-cultural concerns. The expert may be perceived as an outsider and as someone to be obeyed, rather than as a teacher and a source of knowledge, which will affect their approach to knowledge. The ability to transfer technology within a collaboration could be adversely affected if care is not taken in this area. In international subsidiaries, the expatriate will be perhaps working with

partner personnel, calling for additional skills in dealing with consensus rather than control.

H1a.: There is a negative relation between difference of national culture and communication in international companies in China.

4.1.4 Difference of national culture and commitment

4.1.4.1 Culture, organizational identification and integration

Understanding why and when an employee identifies with and envisions having attributes in common with his / her employing organization can provide insight into the factors that bind employees to organizations. When employees identify with their organization, they intent to, and actually do, remain with their existing organization longer (O'Reilly and Chatman, 1986, p. 492). Further, this organizational identification increases employees' sense of well-being, the resilience with which organizations and individuals assimilated to change (Pfeffer, 1994, p. 463), and even firm-level performance (Castanzias and Helfat, 1991, p. 115). In addition, employees whose commitment to their organization is based on identification with the organization are more satisfied (Bateman and Strasses, 1984, p. 104); more motivated and involved (Farrell and Rusbult, 1981, p. 78); perform better (Angle and Perry, 1981, p. 4); are less likely to be tardy (Angle and Perry, 1981, p. 5), absent (Koch and Steers, 1978, p. 120), or leave the firm (Mowday, Steers and Porter, 1979, p. 227); express positive affect at work (O'Reilly and Caldwell, 1980, p. 559); and exhibit more prosocial behavior (O'Reilly and Chatman, 1986, p. 492).

Managers who want to attract and retain highly motivated workers must understand the factors within and outside the organization that affect employees' identification and ensuing commitment to their firm (Spataro and Chatman, 2007, p. 181). In an international context national culture is one of such factors, because the local staffs need to identify with and be accepted by the local company's culture which could be strongly featured by the national culture of headquarter. Thus, the bigger the difference between the local staffs' national culture and the headquarter national culture, the more efforts the local staff need to identify themselves with the company culture and to feel accepted and integrated in the firm. As Worm, Selmer and de Leon (2001, p. 194) write: "European managers want to hand over to successors who are a bit like themselves. The Chinese employees which the European managers promote have spent a lot of effort to learn from Westerners, to the extent that they perhaps even forget how to deal with local subordinates. Some local managers even try to look like foreigners in the way they dressed."

4.1.4.2 Organizational identification and employees' commitment

Organizational identification, or the extent to which one identifies with his or her employing organization, refers to a "cognitive linking between the definition of the organization and the definition of the self" (Dutton, Dukerich and Harquail, 1994, p. 242), or, as Tyler and Blader (2000, p. 15) described it, a "merger of self and group."

This linkage between the individual and the organization serves, among other things, as a basis for employees' commitment to their employing organization (Hall and Schneider, 1972, p. 348; O'Reilly and Chatman, 1986, p. 492). Organizational commitment is a board term describing an individual's attachment to an organization (e.g., Buchanan, 1974, p. 533; Kanter, 1968, p. 154). It is a multidimensional construct, including distinct psychological bases. Specifically, O'Reilly and Chatman (1986, p. 492), and Caldwell, Chatman and O'Reilly (1990, p. 245), distinguished

attachment based on notions of identification and internalization from attachment based on instrumental exchange.

We focus on identify-based commitment, specifically highlighting what Caldwell et al. (1990, p. 245) called "normative commitment". Normative commitment is based on a person's identification with what the organization stands for as well as internalization of the organization's norms and values. Normative commitment is not a function of projected tangible returns; rather it describes a state in which the organization's objectives and values become part of the individual's self-defined identity and behaviors that reflect the goals and values of the organization become intrinsically rewarding (Kelman, 1958, p. 233). The more an individual identifies with the organization and the more he or she has internalized the organization's values, the higher the individual's normative commitment to the organization. Thus identification is an essential component and basis of normative commitment, but identification and commitment are not the same.

H1b.: There is a negative relation between difference of national culture and commitment in international companies in China.

4.1.5 Difference of national culture and cooperation

4.1.5.1 Social networks in different national cultures

Business structures and relationships are influenced by many social and economic factors, but are significantly influenced by culture, particularly values. According to Lessem (1998, p. 46), "Cultures earn their livings, produce and develop effectively, that which their members most value. To believe that a particular task is valuable is a

necessary prelude to doing it well". In many Western countries, business networks have been mainly formed through interventions of third parties, such as industry associations, industry bodies, development boards or governments or through a combination of these agents. In the case of Australia, a number of specific network types have emerged as a result of the targeting that occurred in government funded business network programs. Similarly, in New Zealand, the Joint Action Group (JAG) was the initial impetus for network formation (Fowcs-Williams, 1998, p. 13).

The same seems to apply in some other countries in the Asia-Pacific region, such as Korea, where the chaebol has been supported by government initiatives directed at encouraging large organizations to form networks. The keiretsu in Japan involves both large firms and SMEs and emerged through government legislation in the early 1940s that forced SMEs to become subcontractors to large manufacturing firms (Shadur and Kienzle 1996, p. 450). A variety of network forms exist in Japan (Shadur and Kienzle 1996, p. 454). The term "contrived network" to be used to describe those networks which have been formed largely through the intervention of third parties.

By contrast, in most of East and Southeast Asia, business network relationships are organic and have not required, or been given, deliberate help from outside agencies. Indeed, firms may refuse to be helped by schemes that exist to facilitate networking. This is because, in most of the region, cultures are relationship oriented, rather than principle or contract oriented: "the relationship comes before the contract" (Hampden-Turner and Trompenaars, 1997, p. 178). The overseas Chinese, who form an ethnic minority yet play a commanding economic role in many countries of East and Southeast Asia, have as a dominant form the family business linked into a series of informal networks. This provides the archetype of networks are very extensive and able to cross national boundaries, including into Mainland China, yet are not influenced by governments, but rather by a complex system of kinship and extended family ties. The term "organic network" is used to describe those networks that have been formed largely without the intervention of third parties.

A large part of the explanation for these different forms of networking lies both in cultural influences and the institutional arrangements that reinforce cultural differences between nations. One helpful way to understand the context of culture was

developed by Hall (1987, p. 7), who distinguished between high- and low-context cultures. In high context cultures the external environment is very important, many things are hidden and meaning is conveyed indirectly. In low context countries the environment is less important, things are made more explicit and meaning is often conveyed directly. Although Hall does not clearly place different countries within his model, others such as, for example, Hofstede (1991, p. 11) and Mead (1998, p. 30), have undertaken such a categorization.

For Mead, high-context cultures include China, Japan, Korea, Vietnam and other Asian countries, countries around the Mediterranean and in the Middle East. They are characterized by: long-lasting relationships; implicit, shared and indirect communication codes; personal authority with loyalty to superiors and subordinates; spoken (rather than written) agreements; clear distinctions between insiders and outsiders, and with cultural patterns that are slow to change. By contrast, low-context cultures include the Anglo countries (Australia, Britain, Canada, New Zealand and the United States), Scandinavia and Germany. These cultures are characterized by short-term relationships; explicit, logical and direct communication codes; bureaucratic and diffuse authority with impersonal relationships; written (rather than spoken) agreements based on legal systems; imprecise distinctions between insiders and outsiders, and with cultural patterns which are more adaptable to change.

Hall's model, although not empirically based, has many similarities to and resonates significantly with those of Hofstede (1991, p. 11) and Trompenaars (Hambden-Turner and Trompenaars 1997, p. 173), both of which are supported by comparative data. These cultural models are useful in understanding how members of different cultures develop business relationships, negotiate with insiders and outsiders and implement contracts (Mead, 1998, p. 31).

4.1.5.2 Chinese social network

Chinese social behavior has been characterized in a number of ways, but the term "relational personalism" used by Gabrenya and Hwang (1996, p. 311) seems to capture the complexity well. It is striking, they say, how the evidence from China shows great parallels with other relational personalist cultures such as the Arabs and Japanese (1996, p. 315). Chinese social interaction is normally seen as "collectivist" (cooperative or harmonious) in many social situations and many empirical studies have supported this description, but Chinese social behavior can be also „individualist" (competitive, antagonistic) in other contexts (Gabrenya and Hwang 1996, p. 311; Leung 1996, p. 257-258). The nature of this tension provides some illumination of the complexity of Chinese culture and its influence on business behavior.

The collective nature of Chinese society results in a preference for getting things done through interpersonal relationships, or guanxi. People are linked in complex networks of guanxi, through which they navigate their social worlds. Guanxi, as well as meaning personal or informal relationships, can also be translated as "connections". The social networks expand as the individual grows up and gains connection in education, occupation and residence. Unlike what happens in Western, particularly Anglo societies, "these relationships persist long after the groups are dissolved or no longer have face-to-face interaction, forming lifelong rich rewards of guanxi" (Gabrenya and Hwang 1996, p. 312).

Because these social networks are relatively permanent they are characterized by the importance and enforceability of the Chinese conception of reciprocity and retribution (bao). Western societies emphasize short-term, symmetrical reciprocation in exchange relationships while people in Confucian societies believe that relationships are for the long term and will extend into the unforeseeable future (Hwang 1987, p. 967-968; Yum 1988, p. 374; Hofstede 1991, p. 164; Hampden-Turner and Trompenaars 1997, p. 178). The concept of bao covers both positive and negative events and therefore either reciprocity or retribution may extend into the very long term. Hwang analyzed

the implications of this long-term reciprocity for people involved in particular relationships. For example, he observed that, "Among the most intimate, gratefulness is not verbalized" so that Chinese people find it awkward to thank a friend for every little favor (Gabrenya and Hwang 1996, p. 312). This can annoy Western friends who expect to be thanked for providing a meal or giving a lift, but the Chinese person believes such thanks are insincere and will not provide them.

As Mead (1998, p. 378) says, "When business is based on relationships of trust, transaction costs are low". It is widely accepted that the business success of the Chinese community in Southeast Asia is significantly related to the cohesive qualities of its social relationships (Redding 1990, p. 36). Immediate members of the family are the most trusted, the extended family is the next most-trusted group and distant family members provide access to distant markets. Networks are formed within the family, then the village, clan and ethnic group. Hakka Chinese prefer to deal first with other Hakka, them with the Hokkien and so on. Brown (1995, p. 8) shows that, for example, in the early years of the twentieth century "the Hakka rice networks of South Vietnam sought to prevent buyers and sellers using non-Hakka networks. Even French merchants had to use the Hakka marketing system".

The development of networks of guanxi requires the presence of intermediaries. Research by Chang and Holt (1991, p. 251) found that there are four common methods of establishing guanxi with another: appealing to kin relations; pointing to a previous association; using in-group connections or mediators; or social interaction requiring social skills such as the ability to play the "renqing" (favor) game described by Hwang (1987, p. 953). Yum (1988, p. 374) found that intermediaries are useful in bringing out-group members together into new relationships. Chinese kin, for example, act as brokers in aiding their relatives to make contact with people outside the kinship network, but American kin do not (Blau et. Al. 1991, p. 1049)

4.1.5.3 Cross-cultural cooperation and trust

In studies undertaken by Buttery and Buttery of networks in Australia, developing common goals, openness and trust were given high rankings by network participants as being important to a network's success. Lane and Beamish (1990, p. 87) observe that many Western companies "seek cooperative ventures as a 'quick fix' to global competitiveness without understanding the relationships being established and the behavioral and cultural issues involved". Successful international alliances and collaborations require managers to develop improved skills in collaborative working, communicating with others and coping with ambiguity (Richards, 1997, p. 392). Cross-cultural cooperation cannot be taken for granted and requires changes in attitudes, specific training and practice, in order to learn to behave cooperatively, particularly for Western cultures. Culture influences how willing you are to trust a possible international joint-venture partner. Shane (1993, p. 60) studied perceptions of transaction costs in partners of American companies in 38 countries. He found evidence that partners from low-power distance cultures (Hofstede, 1991, p. 32) were more likely to trust in joint venture partnerships. However, if trust is low in high-power distance cultures, then partners need greater control, are afraid of paying higher transaction costs, and prefer to be on their own. In theory, partners are more likely to agree on business matters when their cultures are compatible and thus a venture formed "by partners of similar cultures stands a greater chance of succeeding than one between dissimilar cultures" (Mead, 1998, p. 335)

Much of Nooteboom`s discussion of governance revolves around the important issue of trust. While trust is generally thought to be all-important between business partners, particularly in cooperation and relationships in international and cross-cultural contexts, the reality is that different cultures are more or less willing to trust in a negotiation or relationship and are more or less suspicious of the other. Hofstede's work predicts that cultures having a need for strong uncertainty avoidance would exhibit suspicion and aggressiveness to strangers (out-group members) while demonstrating high levels of trust to friends (in-group members) (Hwang, 1987, p.

952; Redding, 1990, p. 67; Hofstede, 1991, p. 111). Shane (1993, p. 59) found that cultures which were high in power distance (Hofstede 1991, p. 32) had low degrees of interpersonal trust, but this is inevitable as cultures which strongly distinguish between "we" and "they" will find trust impossible in hierarchical relationships. Relatives are much more trustworthy. These findings provide further help in explaining the networking preferences of Asian, particularly Confucian, cultures.

H1c.: There is a negative relation between difference of national culture and cooperation in international companies in China.

4.2 Centralization degree of headquarter

4.2.1 Centralization & decentralization

MNCs have their business presence worldwide. They must decide between two strategies: decentralization or centralization. The terms "decentralization" and "centralization" here describe the process of decision making of worldwide business issues.

As in figure 9 described in the case of centralization the parent companies make the most decisions for the local market while the subsidiaries / joint ventures can make the decision on their own when the company has a decentralization strategy. Both strategies have its advantages and disadvantages. It depends on the company's size, branch, culture etc.

Figure 9: Centralization and decentralization of decision making
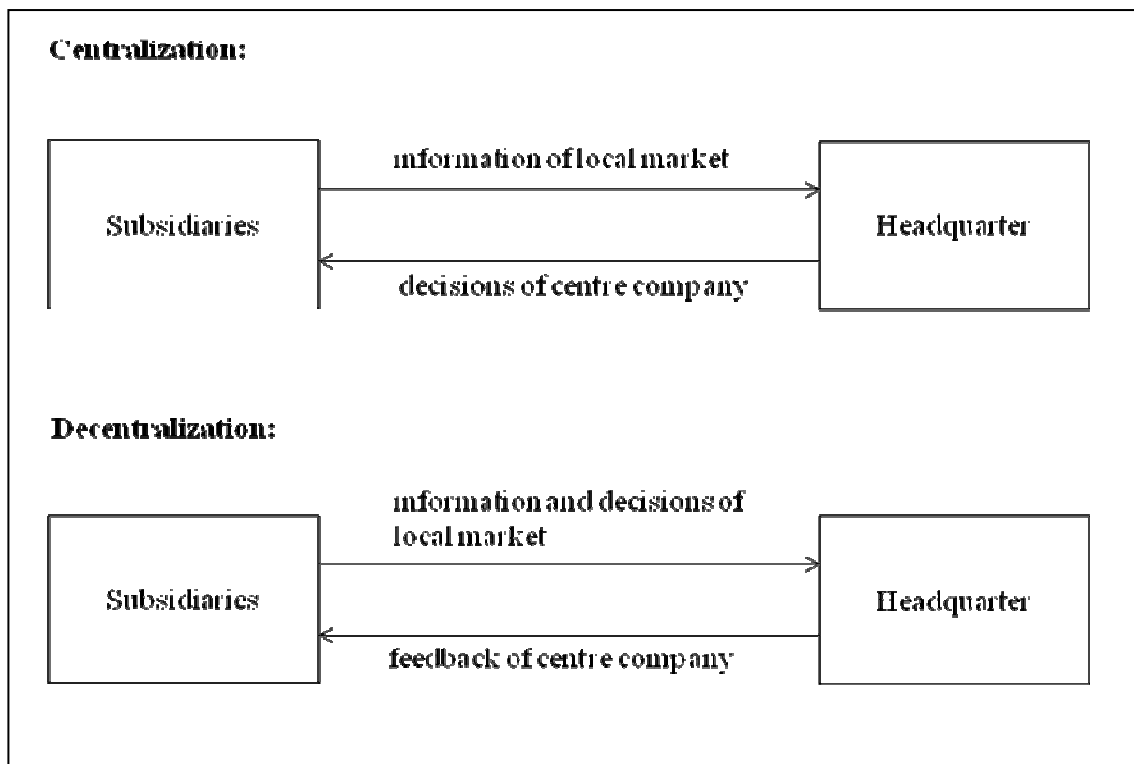
Source: own figure

In the case of decentralization the communication process for decision making is much shorter than the case of centralization. The subsidiary can make certain decision by themselves and don't need to transfer the information and knowledge to headquarter firstly and then wait for the decision of the headquarter. Thus the communication is faster, uncomplicated, less hierarchical and less bureaucratic.

In order to implement the decentralization strategy, trust in the competency and good will of the local managers is one of the preconditions. Otherwise the decision making authority will not be allocated. This trust based relationship between headquarter and subsidiary can reduce the control atmosphere and lubricate the cooperation between headquarter and subsidiary. Another advantage of the trust based relationship between headquarter and subsidiary is that it will have the top-down effect to the company culture of the subsidiary and facilitate the trust atmosphere in the subsidiary.

Furthermore, increased management autonomy and participative decision making can make the local managers feel better and get more challenge. It results in higher job satisfaction and organizational commitment. The local know how resources of the local managers can also be utilized efficiently.

Therefore, summarizing up the points above, although during the literature review few literatures about the relationship between centralization and trust are founded, we can suppose as below. And the points mentioned will also be explained in following chapter and be examined in the empirical part later.

H2.: The higher the centralization degree of headquarter, the lower the trust in local company in China is.

4.2.2 Decentralization and communication / knowledge transfer

Value maximization is more likely to occur if those with the responsibility for decisions have the knowledge valuable to those decisions (Hayek, 1945, p. 525; Harris et al., 1982, p. 604). Decision rights can be collocated with knowledge by transferring the knowledge to the person who has the decision rights or by transferring the decision rights to the person with the knowledge. The first approach generates knowledge transfer costs and the second generates control costs.

In principle, the theory underlying the decentralization decision is simple. Value is increased by minimizing the total of knowledge transfer costs and control costs. Minimizing this total cost requires allocating some decision rights from the CEO's office to lower levels of the firm or from headquarter to subsidiary. However, neither knowledge transfer costs nor control costs are observable. Further, the knowledge transfer and control cost curves vary over firms and time.

4.2.2.1 Knowledge transfer costs

In part, knowledge transfer costs arise because decision makers have limited mental and sensory faculties (see March and Simon, 1958, p. 136, or Arrow, 1974, p. 39). Effective use of knowledge in decisions requires a decision maker to understand the knowledge received. Knowledge transfer costs include out of pocket costs of transmitting the knowledge to the person with the decision rights, losses that arise from delays in this transmission process, and the loss that occurs because the decision maker does not understand the knowledge well enough to act on it in a timely manner. Limits on human capacity ensure that some agents do not have knowledge in common. Such lack of common knowledge is a barrier to communication. Melumad et al. (1992, p. 445) examine delegated decision making when communication between the CEO and other parts of the organization or between headquarter and subsidiary is restricted. They show that such restrictions generate a demand for responsibility centers, with accompanying delegation of decision rights. Vaysman (1996, p. 73) studies the implications of restrictions on communication for choice of transfer pricing methods among responsibility centers.

If knowledge relevant to decisions resides at lower levels of the firm, then decentralization reduces knowledge transfer costs. The CEO has knowledge that lower levels do not and that knowledge is often communicated to lower levels of the firm. The cost of transferring knowledge from the CEO to lower level decision makers reduces the net benefit from decentralization and, everything else equal, results in less decentralization. Athey et al. (1996, p. 11) study the effects of differences in high and low level knowledge, and the effects of changes in complexity and uncertainty, on allocations of decision rights.

We adopt Demsetz' (1988, p. 157) term 'specialized' to describe knowledge that is costly to transfer and 'nonspecialized' to refer to knowledge that can be transferred at low cost.

4.2.2.2 Control costs

The costs of transferring decision rights from the CEO to lower levels are control costs. Having lower-level managers make decisions in the owners' (or even the CEO's) interests requires costly systems for measuring and evaluating the lower-level managers' performance, and rewarding or punishing their performance. Residual loss increases also if those systems do not perfectly align the lower-level managers' interests with those of the owners. Decentralization increases control costs.

Control costs increase with the specialization of knowledge. That is, control costs vary positively with knowledge transfer costs. By definition, specialized knowledge is unobservable by the CEO. It is more difficult for the CEO's office to assess unit managers' decisions that are based on specialized knowledge, irrespective of what causes the knowledge to be specialized. Hence, the costs of controlling unit managers are higher for firms that generate more specialized knowledge. This reduces the tendency for firms generating relatively more specialized knowledge to be more decentralized.

4.2.2.3 Specialized and non-specialized knowledge

There are different sources of specialized and non-specialized knowledge. This subsection examines how knowledge is created and what causes knowledge to be more or less specialized. Recall from the discussion above that increased specialization of knowledge increases both knowledge transfer costs (by definition) and control costs, because specialized knowledge at lower levels of the firm is not

observable by the CEO. All the following characteristics of knowledge, therefore, affect both knowledge transfer costs and control costs.

Knowledge can be acquired (assembled) in many ways. Partly, knowledge is acquired by experience. When knowledge is assembled through experience, it tends to be specialized. If decisions can be automated, then the knowledge on which they are based is non-specialized. The know-how of local market and local resources of the Chinese local managers in subsidiaries are specified knowledge which are not available by the top managers in the headquarter. When the CEO or other top managers of headquarter make a decision related to Chinese local market, the knowledge transfer costs and control costs are high.

Chinese market is a market with speedy changing and intensive competition. Demand for speed in decision making (immediacy) causes knowledge to be specialized. Immediacy is a function of competition. With competition, failure to act on an arbitrage opportunity immediately leads to loss of the opportunity. Delays in acting on the knowledge destroy (or reduce) its value. Therefore, decentralization of decision making can avoid high communication /knowledge transfer costs and save time to gain the local opportunity which enables the company more competitive on the local market.

The degree of specialization of a firm's knowledge depends on demand for product heterogeneity across customers. Product heterogeneity can be induced by geographic dispersion of the firm's operations. Automobiles in different countries need to satisfy different safety and emission regulations, cope with different road and temperature conditions, account for different fuel costs and different skills of mechanics, and perhaps cater to different tastes. The local managers' specialized knowledge of local customs, conditions, regulations and preferences is often costly to acquire and costly to transmit to expatriates or the top managers in the headquarter who are not familiar with the conditions.

Williamson (1975, p. 24) suggests that the greater the environmental uncertainties, the more likely the decision makers' limited mental and sensory faculties are strained. Hence, the greater the environmental uncertainties, the more specialized is the

knowledge. Environmental uncertainty and knowledge transfer costs are likely to be associated with expected and unexpected changes in the environment. The quantity of information increases when the environment is changing rapidly, and delays in acting on information can cause that knowledge to become obsolete. Increased obsolescence rates and increased information flow increase the specialization of knowledge. For this purpose, it does not matter whether the change in the environment comes from the production side (e.g. technological changes) or the demand side (e.g. changes in tastes).

As noted above, humans have limited storage and processing capacity. It's given that the potential amount of knowledge to be transferred to the CEO increases with firm size. The CEO's limited capacity means that the cost of transferring knowledge to the CEO increases with firm size. Thus, in big sized international companies decentralization could be a solution for the problem of limited capacity of the CEO or the top managers in headquarter. The local managers can make rapidly decision assisted by their costly specified local knowledge.

H2a.: There is a negative relation between centralization degree of headquarter and communication in international companies in China.

4.2.3 Decentralization and commitment

4.2.3.1 Participative decision making and job satisfaction

Contemporary practitioners and researchers are increasingly interested in the competitive advantages that can be achieved by leveraging the value of human resources (Becker & Huselid, 1998, p. 53; Lawler, Mohrman & Ledford, 1995, p. 1;

Vandenberg, Richardson & Eastman, 1999, p. 300). This interest is largely due to increasing evidence that human capital can have a major impact on firm performance. For instance, Arthur (1994, p. 679) found that between 42 and 65% of the variability in organizational performance (i.e., labor hours and scrap rate) is due to the use of "high commitment" human resource practices. Over the years, a number of approaches to managing human capital have developed, all of which are predicated on the value of human resources. Examples of these approaches include high involvement work processes (Lawler, 1996, p. 126), participative decision-making (Locke & Schweiger, 1979, p. 265), empowerment (Spreitzer, 1995, p. 1442), delegation (Leana, 1986, p. 768), and self-managed teams (Cohen, Ledford & Spreitzer, 1996, p. 643).

While each approach differs with respect to the processes and practices for leveraging value from an organization's human capital, a common element among them is the expectation that organizational gains can be achieved by providing employees with greater access to decision-making authority (Aiken & Hage, 1966, p. 506; Knoke, 1981, p. 143). That is, each of these approaches shares the theoretical premise that, contrary to authoritarian and bureaucratic methods of organizational control, methods and structures which promote social control through employee autonomy and authority link workers' self-interests with those of the organization in order to facilitate higher quality decisions and the achievement of organizational goals (Ashmos, McDaniel & Duchon, 1990, p. 203; Wooldridge & Floyd, 1990, p. 232). At the organizational level, social control is represented by structural characteristics such as an overall decentralization of decision-making authority to lower organizational levels (Aiken & Hage, 1966, p. 506; Pugh, Hickson, Hinings & Turner, 1968, p. 78).

While decentralization may reside at the core of many contemporary practices and research, the extent to which organizational-level performance gains are actually achieved via decentralized decision-making authority remains unclear. As early as Porter and Lawler (1965, p. 23) concluded that research on organizational decentralization has provided little unequivocal support for the positive influence of decentralization on performance outcomes, such as financial gain and improvements in organizational output. Though some researchers have empirically related decentralization to positive attitudinal and employee morale outcomes (i.e., subjective

outcomes; Hodson, 1985, p. 22; Knoke, 1981, p. 143), evidence of positive influences on more objective indices (e.g., financial performance) has been much harder to obtain (Wagner, 1994, p. 312; Wagner, Leana, Locke & Schweiger, 1997, p. 50).

Because of the equivocal results regarding its influence on organizational outcomes, some have argued that the primary benefit of decentralization and its related practices is not organizational but attitudinal and, as such, have come to question its practical benefits (Knoke, 1981, p. 143; Wagner, 1994, p. 312). In other words, decentralization may primarily serve to make employees feel good about their jobs, selves, and organizations, but do little to enhance the financial position of an organization. It is possible, though, that the relationship of decentralization to organizational outcomes is more complex than has typically been portrayed in the literature.

Much research has treated decentralization - in any of its forms - as a "best practice," uniformly expected to result in positive effects (e.g., Aiken &Hage, 1966, p. 498; Cohen et al., 1996, p. 647). Though the notion of "best practices" is appealing in its parsimony, it is yet to receive blanket support in any domain of the organizational sciences. That is, the value of most approaches to managerial control is circumscribed by various boundary conditions that either enhance or limit their effectiveness. Perhaps more importantly, the theoretical literature also suggests that decentralized decision making authority, especially at the organizational level, is not likely to be a panacea for improved performance.

Drawing on the Pfeffer and Salancik (1978, p. 1) argument that "organizations are inescapably bound up with the conditions of their environments," Ranson, Hinings and Greenwood (1980, p. 1) use contingency theory rationale to assert that the design of an effective organization must be adapted to deal with the circumstances of its internal and external environment. More recently, Wagner et al. (1997, p. 57-59) suggested that the findings casting doubt upon the practical efficacy of certain forms of decentralized decision-making perhaps stemmed from past researchers' failure to consider the favorableness of the context in which decentralization was implemented. Also using a contingency rationale, Wagner et al. (1997, p. 58) challenged future researchers to seek out conditions in which decentralized decision-making may be

embedded and which act to support or undermine decentralization's influence upon outcomes, particularly objective ones such as those describing organizational performance.

4.2.3.2 Decentralization and effectiveness

Over the years, many related methods have been proposed for providing employees with beater decision-making authority. While distinctions between these methods can be made, their common foundation (i.e., the belief that greater employee decision-making authority is associated with performance outcomes) has resulted in confusion about how they differ (Glew, O'Leary-Kelly, Griffin & Van Fleet, 1995, p. 399; Leana, 1986, p. 768). As Leana points out, each of these methods can be located on a continuum of processes by which employees can be involved in decision-making. This continuum ranges from completely autocratic decision-making to processes that provide employees with maximum authority, such as the complete delegation of decisions to employees. Falling between these two extremes are processes such as participation and decentralization. Whereas participation is commonly defined as joint decision-making between supervisors and subordinates (Locke & Schweiger, 1979, p. 274), decentralization can be broadly defined as "a dynamic participative philosophy of organizational management that involves selective delegation of authority to the operational level" (Przestrzelski, 1987, p.23).

According to Aiken and Hage, this dimension of decentralization is the "extent to which members are assigned tasks and then provided with the freedom to implement them without interruption from supervisors" (Aiken & Hage, 1966, p. 498). Because of the existing confusion in the literature, similar concepts have been referred to as both participation and delegation in other work (Glew et al., 1995, p. 400; Locke &

Schweiger, 1979, p. 265). As such, we draw on the participation, delegation, and decentralization literatures.

For decades, the primary expectation has been that decentralization will positively influence organizational functioning as indicated through both subjective (e.g., collective satisfaction) and objective (e.g., organizational financial) indices (Aiken & Hage, 1966, p. 506). The reasoning behind this expectation is the premise that, "The properties of structural frameworks have important consequences for the organization's effectiveness: the extent of centralization will influence the effectiveness of control (Ouchi, 1977, p. 95), adaptability, and member motivation." (Ranson et al., 1980, p. 2). In terms of objective outcomes, decentralization is treated as "a means for realizing the larger goals of the organization and its management" (Leana & Florkowski, 1992, p. 245) and assumes that employees have information managers lack (Miller & Monge, 1986, p. 730). In complex, dynamic environments - such as the health care environment - upper-level managers may be faced with more information than they are capable of processing on their own (Ashmos et al., 1990, p. 202; Wooldridge & Floyd, 1990, p. 239). Thus, decentralization allows organizations to reap benefits by taking advantage of the capabilities of lower-level employees whose contributions are often overlooked in more autocratic, centralized decision environments (Ashmos et al., 1990, p. 203; Locke & Schweiger, 1979, p. 307).

Despite expectations for relationships with objective outcomes, most existing decentralization research has focused on only two issues: (a) the factors resulting in decentralization or the relationship of decentralization to other structural characteristics (e.g., Aiken & Hage, 1968, p. 927; Pugh et al., 1968, p. 83), and (b) the influence of decentralization on subjective outcomes (e.g., employee attitudes; Knoke, 1981, p. 153). The small cadre of empirical work that does consider objective outcomes generally has examined (a) related practices (e.g., participative decision making, PDM) and their influence on individual-level outcomes or (b) how involving middle-level managers in strategic decision-making influences organizational-level performance. Research in the former category has not been very encouraging. Meta-analytic reviews of the studies linking PDM to performance outcomes have shown that such links tend to be small or non-existent (Wagner, 1994, p. 312; Wagner et al.,

1997, p. 56), leading researchers to call for future work examining the conditions that may support or undermine decentralization's influence on performance.

Research considering the decentralization of strategic decision-making to middle managers has been much more encouraging. Floyd and Wooldridge (1992, p. 162, 1997, p. 482) and Wooldridge & Floyd (1990, p. 232) conducted a series of studies examining the influence of middle managers on organizational performance, and their findings indicate that this form of decentralization can impact the quality of decisions made and, thus, organizational outcomes such as overall financial performance, return on assets, and growth rate. Wooldridge and Floyd (1990, p. 239) also point out, though, that decentralization may not be desirable in all situations. For instance, when rapid response is required, the time and energy associated with decentralization to middle managers may outweigh potential benefits. As such, these authors encourage future researchers to seek out the internal and external environmental conditions that intensify the need for involvement.

We interpret the results of these two streams of research (PDM and the work of Floyd and Wooldridge) as indicating that decentralization can positively influence organizational performance outcomes, but that the relationship between decentralization and objective performance might be dependent upon contextual contingencies that determine the variability of organizational outcomes (Ranson et al., 1980, p. 9). Interestingly, much of the initial writing on decentralization is based on the idea that organizational characteristics interact with one another to influence the organization (Hickson et al., 1971, p. 221; Perrow, 1967, p. 198). Perrow (1967, p. 198), for example, suggests that decentralization represents choices among many means, and the consequences of such choices should not directly influence organizational goals but rather should indirectly influence goals dependent upon other organizational and environmental characteristics.

Existing theory suggest that, in less complex or dynamic environments, decentralized decision-making may be less crucial. It follows, then, that decentralization might actually have proportionally greater positive impact on organizational outcomes in shrinking firms than in firms where organizational effectiveness is inherently augmented by other key factors (e.g., robust growth or a strong, stable market

position) and where the time and effort associated with decentralized decision-making might outweigh the additional benefits that decentralization can bring to an organization already performing well.

Decentralization is not universally beneficial and it tends to be most positively related to financial performance when used in organizations with certain attributes. At the same time, the results suggest that decentralization can be very detrimental to organizations with other characteristics. Given that high levels of performance are also associated with low decentralization under certain conditions, organizations wanting to improve their performance have many options. Because of the notorious difficulty of achieving large-scale cultural change (Schein, 1992, p. 253), some alternatives to decentralization may be easier to achieve than successful decentralization.

Does this mean it would be best and easiest for all managers to avoid decentralized decision-making? The answer to this question is "No." Managers and researchers alike must recognize that decentralization (and likely its related practices), is a very complex phenomenon (Ashmos et al., 1990, p. 214). When used in conjunction with organizational characteristics that enhance its effects, decentralization can be quite beneficial to an organization. However, these benefits may not immediately materialize and the effects of decentralization can be negative as well. Thus, simply not pursuing decentralization does not guarantee acceptable performance either, for the benefits of low decentralization are also dependent upon organizational and environmental conditions.

Further, for almost all organizations, decentralization can be a positive influence on employee attitudes. It results in greater job satisfaction. This influence is most pronounced for shrinking organizations, those with a high percentage of professionals, those with low performance aspirations, and those experiencing high competition. However, before attempting to implement a decentralized organizational structure and related management practices, an organization should carefully consider its most important long- and short-term goals, its other characteristics, and how these goals and characteristics are likely to change in the future.

H2b.: There is a negative relation between centralization degree of headquarter and commitment in international companies in China.

4.2.4 Decentralization and cooperation between headquarter and subsidiary

During the literature review no literature about the relationship between decentralization and cooperation is founded.

Nevertheless, we know decentralization sets more value and trust to the competency and the good will of local managers. The information about the local market, the know-how about how to deal with local subordinates and the resources of local network will be utilized much more effectively than in the case of a centralization strategy. Such trust based relationship can milden control atmosphere and facilitate a smooth cooperation between headquarter and subsidiary. Therefore, we can suppose as below. This assumption will be examined later in the empirical part.

H2c.: There is a negative relation between centralization degree of headquarter and cooperation in international companies in China.

4.3   Hierarchy level of staff localization

4.3.1 Staff localization

4.3.1.1 Trend

Today's economy and business are characterized by intensified globalization and interrelations. Amount of firms have accomplished their transformation from purely domestic players to international business units. This development leads to a major challenge for these firms' HRM managers (Gooderham & Nordhaug, 2003, p. 87).

As a consequence of the globalization ever more enterprises establish their operations in other countries. China experiences a boom of foreign investors for some years. Cost reduction and market gain are the main motivations of the market entrance into China of the western enterprises (Chu, 2000, p. 67). In order to set up a competitive cost structure, to obtain a culture-fair understanding for the local market and to react in time to the dynamic market, the international companies put increasing value on localization (DeLisle and Chin, 1994, p. 16; Selmer, 2003, p. 44).

Localization of management is one of the few issues in which the opinions of the Chinese government and MNCs are identical, although their reasons differ. The Chinese government wants modern management techniques transferred to Chinese managers as part of its modernization program. On the other hand, MNCs want to reduce expenditures by employing more local staff in management positions.

Localization refers to the process by which local Chinese managers replace expatriate managers in MNCs. Localization is a long-term process in China, which requires at

least five steps. First, the MNCs must have an intention to localize as well as a strategy for its implementation. Second, personnel with high potential have to be recruited and identified. Third, functional skills have to be learned by the locals through formal training. Fourth, on-the-job training should include direct experience on how expatriates execute the acquired skills and competencies. Fifth, the retained local managers should have the competencies to independently exercise the managerial skills necessary for a market-economy. Ultimately the Chinese managers should assume responsibility for and take initiatives towards the further development of the business without the need for expatriate expertise.

A study published by the Economist Intelligence Unit (China Hand, 1998) indicated that 70 per cent of the respondents considered management localization as important, but only 11 per cent felt that they were completely successful. The transfer of management capabilities was considered important for improved profitability by 62 per cent of the respondents, but success was reported only by 7 per cent. Furthermore, 67 per cent of the respondents claimed that a lack of quality managers was a restriction on profitability, a constraint cited more frequently than competition, credit difficulties and low market share. These findings demonstrate the need to focus on the localization process.

4.3.1.2 Reason

Localization furthers the organization's ability to integrate host country advantages and helps control its operational costs. As competition among multinational corporations (MNCs) has intensified, both among MNCs and between MNCs and domestic organizations (Ohmae, 1990, p. 93; Porter, 1986, p. 164), researchers and practitioners recognize that human resource management strategy is a determining

factor of corporate success in the global economy (Bartlett & Gohshal, 1995, p. 89; Pucik, 1992, p. 61).

The global activity of MNCs gives them the possibility of recruiting staff of various nationalities for international positions: parent-company nationality, third country nationals and host-country managers. Positions in foreign subsidiaries are generally open to all three national groups, even though preference for long-term assignments is moving towards host-country nationals. Barriers for foreign assignments also come from the potential expatriates themselves who because of real and anticipated problems like interruption of spouse career, repatriation uncertainty, etc (Stahl, 1998, p. 25) are showing increasing unwillingness to relocate. This is especially true of assignments in countries which are considered less attractive, where the scope for personal development is low, and on the other hand adaptation requirements for expatriates and their families in the foreign country are high due to substantial divergence in culture and standard of economic development.

In most Asian countries Western MNCs are confronted with host-country environments that are extremely divergent from home. Most Asian countries like China and India also follow quite strict indigenization policies so that from that point of view the nationality issue invariably boils down to favouring local managers above expatriates.

A number of performance benefits of staff localization have been proposed in the literature. Local staff is considered a valuable resource for gaining access to local knowledge and markets, and also for building strong local business networks (Hailey, 1996, p. 32; Wall, 1990, p. 19; Wernerfelt, 1984, p. 171). MNCs can also reduce their operating costs by replacing expensive expatriates with local staff. The promotion of local staff to key position can boost company morale because native managers interact more effectively with front-line employees due to their common socio-cultural backgrounds (Hailey, 1996, p. 32) Local government restrictions on labour practices (Doz, Bartlett & Prahalad, 1981, p. 65) also often promote staff localization. Many of these motivations can be categorized into the various "institutional" pressures (Boisot & Child, 1999, p. 250; Rosenzweig & Singh, 1991, p. 345) from the host country that push MNCs to localize their staff.

H3.: The higher the hierarchy level of staff localization, the higher the trust in international companies in China is.

4.3.2 Staff localization and communication

Previous studies have seldom discussed the topic, but the present findings indicated that the Chinese learn better from other Chinese than from expatriates. For historical reasons, the Chinese are not eager to be under the tutelage of Westerners. Also, language barriers are more serious in actuality than as evident from previous research (Worm, 1997, p. 107; Sergeant and Frenkel, 1998, p. 17).

Both the external and internal flow of communication should be improved. In most MNCs, interdepartmental communication is weak and difficult to implement, since the Chinese are comfortable with hierarchical communication (Worm, 1997, p. 64). On the one hand, expatriates should be trained in understanding indirect modes of communication. On the other hand, the Chinese should be trained in communicating more explicitly.

Therefore, if more local managers are promoted to top manager position of the subsidiary in China, they can communicate with the local front-line employee in Chinese way, because they have the same social cultural background. Then the cultural and linguistic misunderstanding can be avoided.

H3a.: There is a positive relation between the hierarchy level the staff localization has reached and communication in international companies in China.

4.3.3 Staff localization and commitment

Due to the high resource-allocation to HRD in China, MNCs are obviously concerned about the retention of local managers within the company. Job-hopping is a problem often mentioned both by practitioners and academics (Bjorkman and Lu, 1999, p. 306; McEllister, 1998, p. 98) as a natural outcome of the dearth of managerial talent. However, the turnover rate decreased from 25-30 per cent in 1994 to around 13 per cent in 1998. The trend will probably continue during the Asian crisis, due to the increase in job insecurity and the decrease of foreign direct investment (Business Week, 22. February 1999). On the average, the job-hoppers have lower salaries, as compared with those who stayed with their companies and were less often promoted to higher positions. Trust in local managers running the China operations is extremely important to parent corporations (McEllister, 1998, p. 98)

It was commonly observed that high remuneration was not enough to retain Chinese high-flyers, because the material incentives are becoming less important to the truly talented locals. Current findings showed that, among the factors encouraging retention of managers, salary was the least important after career opportunities, training opportunities, good corporate reputation, and a good boss.

Career tracking is a HR concept which encourages long-run development of managers and talents. Regular and appropriate communication about career tracts is considered as an effective method to retain and motivate the local managers. On the one hand, like in the common practice, the specific position a manager is expected to be promoted to within a specific period was told to him or her during the performance review, so that the manager has clear defined object. On the other hand, the HRD will observe the personality, the skills and the potential of the manager and create optimal position or actions which is specifically suitable to him and provides him the best condition to maximize his contribution to the firm's performance and satisfies him or her through the feeling of self-actualization. (Worm, Selmer and de Leon, 2001, p. 207).

Normally, the career goal of the middle level managers is to pursue the position with strategic responsibilities. If all the high level positions possessed by expatriate staff, the local managers see no more developing opportunities in the companies and they will leave for a better position. Of course, the loss of experienced local managers will damage the firm performance directly and enormously. Keeping expatriate staff in the strategic domain could cause promotion problem of local managers and damage their loyalty. Therefore, if the local managers are given the career opportunity to reach the very high hierarchy level of the subsidiary, they will show strong commitment and stay long with their foreign employer. Furthermore, it helps the firm to build up a fair employer image. For the other local staffs, they are the living examples that as a local employee they can have also the opportunity to realize their career development on the high level in a foreign company. This helps to develop the commitment and the trust of local staffs.

H3b.: There is a positive relation between the hierarchy level the staff localization has reached and commitment in international companies in China.

4.3.4 Staff localization and cooperation

There is no literature found about the relationship between staff localization and organizational cooperation. If the high positions of expatriates are replaced by local managers, they can cooperate much better with the local staffs due to the similar behavior framework than the expatriates. And the Chinese social network resource and skill of the local managers can be utilized efficiently. Thus we can suppose as below. This assumption will be examined in the empirical part later.

H3c.: There is a positive relation between the hierarchy level the staff localization has reached and cooperation in international companies in China.

5 Empirical research

5.1 Research method and questionnaire design

It's not an easy task to ask people directly about their trust attitude in the work environment as it's a very sensitive issue. According to the theoretical concept I've developed a questionnaire which doesn't ask about the trust attitude directly but about the trust indicators such as communication, commitment and cooperation. Thus the questionnaire will measure the relationship between difference of national culture, centralization degree, degree of staff localization and communication, commitment, cooperation.

The respondents of the survey should be Chinese employees of international companies in China who have already worked several years in the companies and they are managers of middle level. Such people know the company and the company culture well. In order to compare the different national culture, the respondents come from very different foreign companies.

Obtaining good response rate to surveys in the PRC is particularly challenging. This is in part due to deeply rooted suspicion of outsiders, political concerns about releasing company information, and because cooperation is more predicated on norms of reciprocity (i.e., guanxi). Consequently, methods advocated by Western scholars for increasing response rates need to be bolstered or revisited entirely (Pramila, 2009, p. 165). I elected to utilize my personal contacts and the contacts of my relations, acquaintances and friends.

The questionnaires are given to the respondents in their mother tongue, namely Chinese. Data collection using mail surveys along usually yields response rates that are far too low to generalize findings. I've created a hyperlink through which the respondents can answer the questionnaire online. On the one hand I can get the results in an online databank, which can facilitate my data analysis later and save the data input process in the data analysis software. On the other hand, the anonymity of the respondents can be fully ensured. Due to that trust is a very sensitive topic, this helps to obtain a better response rate.

The dependent variables, communication, commitment and cooperation, can be measured on a self-developed, 5-point scale ranging from 1 = totally agree to 5 = totally disagree. The analysis may involve using statistics such as correlation analysis to assess the strength of relationships between variables. Some computer assisted data analysis software may also be employed as efficient tools.

It's a phenomenon that the Chinese people don't like to say no. By answering the questionnaire they tend to choose the affirmative answers. In order to ensure the validity of the survey, I've formulated the questions negatively on purpose.

5.2 Questionnaire

Questionnaire:
Building trust of local staff of international companies in China

1. Your Position _____

Firm Profile

2. Industrial sector _____

3. Number of employees (N)

   A. N<100, B. 100<=N< 500, C. 500<=N<1000 D. 1000<=N

4. Number of hierarchy levels (N)

   A. N <= 2   B. 2<N<=5   C. N>5

5. The headquarter is based in _____

Difference of national culture

6. The cultural distance between China and the country where the headquarter is
   based is big.

   A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

   D. Slightly disagree   E. Totally disagree

Centralization degree

7. The most strategic decisions are made by the headquarter, the subsidiary/Joint
   Venture has little power for strategic decision.

   A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

   D. Slightly disagree   E. Totally disagree

8. The most operative decisions are made by the headquarter, the subsidiary/Joint
   Venture has little power for operative decision.

   A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

   D. Slightly disagree   E. Totally disagree

Staff localization

9. The most managers of high level are expatriates. There are few local managers at high management level.

   A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

   D. Slightly disagree   E. Totally disagree

Communication (within subsidiary/JV)

10. The information flow between the departments within the subsidiary/JV is frictional.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

11. I 'm not willing to supply my colleagues in the subsidiary/JV with the required information.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

12. I can't get the required information from my colleagues in the subsidiary/JV.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

13. I'm not willing to transfer my know-how and knowledge entirely to my colleagues in the subsidiary/JV.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

14. I can't learn much know-how and knowledge from my colleagues in the subsidiary/JV.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

Communication (between headquarter & subsidiary/JV)

15. The information flow between headquarter and subsidiary/JV is frictional.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

Commitment

16. I'm thinking about a job change in a year.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

17. There is little similarity between my goals and the goals of the company.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

18. I don't feel myself a part of the company.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

19. I find that little of my values are very similar to the values of the company.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

20. I talk up to my friends it is not really great to belong to my company.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

Cooperation (within subsidiary/JV)

21. The cooperation between different departments within subsidiary/JV is not good.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

22. I'm not willing to supply my colleagues in the subsidiary/JV with the required cooperation.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

23. I can't get the required cooperation from my colleagues in the subsidiary/JV.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

Cooperation (between headquarter & subsidiary/JV)

24. The cooperation between headquarter and subsidiary/JV is not good.

A. Totally agree   B. Slightly agree   C. Neither agree nor disagree

D. Slightly disagree   E. Totally disagree

Measures

25. Which measures for building trust have been conducted or will be conducted in your firm?

_____

_____

_____

26. What are your expectations or wishes in respect of building trust?

_____

_____

_____

6 Result

6.1 Relationship between single influencing factor and trust

Totally there are 78 filled questionnaires. The correlation analysis is employed to assess whether there are positive or negative relations and the strength of the relations between independent and dependent variables. The computer assisted data analysis software SPSS is adopted as efficient tool. The results according to the SPSS correlation analysis are as follow:

6.1.1 Correlations between all single variables

Correlations

		difference_of_national_culture	information_flow_between_departments
difference_of_national_culture	Pearson Correlation	1	,267(*)
	Sig. (2-tailed)		,018
	N	78	78
information_flow_between_departments	Pearson Correlation	,267(*)	1
	Sig. (2-tailed)	,018	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

We can see the Pearson correlation is 0,267 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 10 (variable "information flow between departments"). According to the questionnaire it means that the bigger the

difference of national culture, the worse/ more frictional the information flow between departments. Thus, there is a negative relation between difference of national culture and informational flow.

Correlations

		difference_of_national_culture	supply_information
difference_of_national _culture	Pearson Correlation	1	,353(**)
	Sig. (2-tailed)		,002
	N	78	78
supply_information	Pearson Correlation	,353(**)	1
	Sig. (2-tailed)	,002	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,353 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 11 (variable "supply information"). According to the questionnaire it means that the bigger the difference of national culture, the smaller the willingness to supply information to the colleagues. Thus, there is a negative relation between difference of national culture and the willingness to supply information.

Correlations

		difference_of_national_culture	get_information
difference_of_national _culture	Pearson Correlation	1	,231(*)
	Sig. (2-tailed)		,042
	N	78	78
get_information	Pearson Correlation	,231(*)	1
	Sig. (2-tailed)	,042	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,231 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 12 (variable "get information"). According to the questionnaire it means that the bigger the difference of national culture, the smaller the possibility to get required information from colleagues. Thus, there is a negative relation between difference of national culture and the possibility to get information.

Correlations

		difference_of_national_culture	transfer_knowledge
difference_of_national_culture	Pearson Correlation	1	,261(*)
	Sig. (2-tailed)		,021
	N	78	78
transfer_knowledge	Pearson Correlation	,261(*)	1
	Sig. (2-tailed)	,021	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,261 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 13 (variable "transfer knowledge"). According to the questionnaire it means that the bigger the difference of national culture, the smaller the willingness to transfer know-how and knowledge to colleagues. Thus, there is a negative relation between difference of national culture and the willingness to transfer knowledge.

Correlations

		difference_of_national_culture	learn_knowledge
difference_of_national_culture	Pearson Correlation	1	,339(**)
	Sig. (2-tailed)		,002
	N	78	78
learn_knowledge	Pearson Correlation	,339(**)	1
	Sig. (2-tailed)	,002	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,339 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 14 (variable "learn knowledge"). According to the questionnaire it means that the bigger the difference of national culture, the smaller the possibility to learn know-how and knowledge from colleagues. Thus, there is a negative relation between difference of national culture and the possibility to learn knowledge from colleagues.

Correlations

		difference_of_national_culture	information_flow_between_headquarter_subsidiary
difference_of_national_culture	Pearson Correlation	1	,180
	Sig. (2-tailed)		,115
	N	78	78
information_flow_between_headquarter_subsidiary	Pearson Correlation	,180	1
	Sig. (2-tailed)	,115	
	N	78	78

The Pearson correlation is 0,180 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of

national culture") and the proposition of question 15 (variable "information flow between headquarter and subsidiary"). According to the questionnaire it means that the bigger the difference of national culture, the worse/ more frictional the information flow between headquarter and subsidiary. Thus, there is a negative association between difference of national culture and informational flow between headquarter and subsidiary. Due to that the Pearson correlation 0,180 quite tends to zero, the negative relation between the two variables is not very strong.

Correlations

		difference_of_national_culture	job_change
difference_of_national_culture	Pearson Correlation	1	,233(*)
	Sig. (2-tailed)		,040
	N	78	78
job_change	Pearson Correlation	,233(*)	1
	Sig. (2-tailed)	,040	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,233 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 16 (variable "job change"). According to the questionnaire it means that the bigger the difference of national culture, the bigger the willingness of a job change. Thus, there is a positive relation between difference of national culture and willingness of a job change.

Correlations

		difference_of_national_culture	my_goals
difference_of_national _culture	Pearson Correlation	1	,130
	Sig. (2-tailed)		,255
	N	78	78
my_goals	Pearson Correlation	,130	1
	Sig. (2-tailed)	,255	
	N	78	78

The Pearson correlation is 0,130 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 17 (variable "my goals"). According to the questionnaire it means that the bigger the difference of national culture, the less the similarity between the goals of employee and the goals of company. Thus, there is a negative association between difference of national culture and the similarity between the goals of employee and the goals of company. Due to that the Pearson correlation 0,130 quite tends to zero, the negative relation between the two variables is not very strong.

Correlations

		difference_of_national_culture	part_of_company
difference_of_national _culture	Pearson Correlation	1	,402(**)
	Sig. (2-tailed)		,000
	N	78	78
part_of_company	Pearson Correlation	,402(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,402 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 18 (variable "part of company"). According to the questionnaire it means that the bigger the difference of national culture, the weaker the employee's feeling of being a part of the company. Thus, there is a negative relation between difference of national culture and the feeling of being a part of the company.

Correlations

		difference_of_national _culture	my_values
difference_of_national _culture	Pearson Correlation	1	,245(*)
	Sig. (2-tailed)		,031
	N	78	78
my_values	Pearson Correlation	,245(*)	1
	Sig. (2-tailed)	,031	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,245 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 19 (variable "my value"). According to the questionnaire it means that the bigger the difference of national culture, the less the similarity between the employee's value and the value of the company. Thus, there is a negative relation between difference of national culture and the similarity between the employee's value and the value of the company.

Correlations

		difference_of_natio nal_culture	talk_to_friends
difference_of_national _culture	Pearson Correlation	1	,214
	Sig. (2-tailed)		,060
	N	78	78
talk_to_friends	Pearson Correlation	,214	1
	Sig. (2-tailed)	,060	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,214 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 20 (variable "talk to friends"). According to the questionnaire it means that the bigger the difference of national culture, the less the possibility that the employee talks up to the friends about how great it is to belong to the company. Thus, there is a negative relation between difference of national culture and the possibility to talk up to friends about how great it is to belong the company.

Correlations

		difference_of_n ational_culture	cooperation_betwee n_departments
difference_of_national _culture	Pearson Correlation	1	,164
	Sig. (2-tailed)		,150
	N	78	78
cooperation_between_ departments	Pearson Correlation	,164	1
	Sig. (2-tailed)	,150	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,164 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 21 (variable "cooperation between departments"). According to the questionnaire it means that the bigger the difference of national culture, the worse the cooperation between departments. Thus, there is a negative relation between difference of national culture and cooperation between departments. Due to that the Pearson correlation 0,164 quite tends to zero, the negative relation between the two variables is not very strong.

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Correlations

		difference_of_natio nal_culture	supply_cooperati on
difference_of_national _culture	Pearson Correlation	1	,099
	Sig. (2-tailed)		,390
	N	78	78
supply_cooperation	Pearson Correlation	,099	1
	Sig. (2-tailed)	,390	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,099 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 22 (variable "supply cooperation"). According to the questionnaire it means that the bigger the difference of national culture, the weaker the willingness to supply cooperation to colleagues in the subsidiary/JV. Thus, there is a negative association between difference of national culture and the willingness to supply cooperation to colleagues in the subsidiary/JV. Due to that the Pearson correlation 0,099 quite tends to zero, the negative relation between the two variables is very weak.

Correlations

		difference_of_national_culture	get_cooperation
difference_of_national_culture	Pearson Correlation	1	,312(**)
	Sig. (2-tailed)		,005
	N	78	78
get_cooperation	Pearson Correlation	,312(**)	1
	Sig. (2-tailed)	,005	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,312 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 23(variable "get cooperation"). According to the questionnaire it means that the bigger the difference of national culture, the smaller the possibility to get cooperation from colleagues in the subsidiary/JV. Thus, there is a negative relation between difference of national culture and the possibility to get cooperation from colleagues in the subsidiary/JV.

Correlations

		difference_of_national_culture	cooperation_between_headquarter_subsidiary
difference_of_national_culture	Pearson Correlation	1	,232(*)
	Sig. (2-tailed)		,041
	N	78	78
cooperation_between_headquarter_subsidiary	Pearson Correlation	,232(*)	1
	Sig. (2-tailed)	,041	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,232 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the proposition of question 24 (variable "cooperation between headquarter and subsidiary"). According to the questionnaire it means that the bigger the difference of national culture, the worse the cooperation between headquarter and subsidiary. Thus, there is a negative relation between difference of national culture and the cooperation between headquarter and subsidiary.

Correlations

		strategic_de cision	information_flow_betw een_departments
strategic_decision	Pearson Correlation	1	,374(**)
	Sig. (2-tailed)		,001
	N	78	78
information_flow_bet ween_departments	Pearson Correlation	,374(**)	1
	Sig. (2-tailed)	,001	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,374 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 10 (variable "information flow between departments"). According to the questionnaire it means that the more strategic decisions made by headquarter, the worse/ more frictional the information flow between departments within the subsidiary / JV. Thus, there is a negative relation between the number of strategic decisions made by headquarter and information flow between departments within the subsidiary / JV.

Correlations

		strategic_decision	supply_information
strategic_decision	Pearson Correlation	1	,415(**)
	Sig. (2-tailed)		,000
	N	78	78
supply_information	Pearson Correlation	,415(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,415 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 11 (variable "supply information"). According to the questionnaire it means that the more strategic decisions made by headquarter, the smaller the willingness to supply required information to colleague. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the willingness to supply required information to colleague.

Correlations

		strategic_decision	get_information
strategic_decision	Pearson Correlation	1	,600(**)
	Sig. (2-tailed)		,000
	N	78	78
get_information	Pearson Correlation	,600(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,600 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 12 (variable "get information"). According to the

questionnaire it means that the more strategic decisions made by headquarter, the smaller the possibility to get required information from colleague. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the possibility to get required information from colleague.

Correlations

		strategic_decision	transfer_knowledge
strategic_decisio n	Pearson Correlation	1	,536(**)
	Sig. (2-tailed)		,000
	N	78	78
transfer_knowled ge	Pearson Correlation	,536(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,536 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 13 (variable "transfer knowledge"). According to the questionnaire it means that the more strategic decisions made by   headquarter, the smaller the willingness to transfer know-how and knowledge to colleague. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the willingness to transfer know-how and knowledge to colleague.

Correlations

		strategic_decision	learn_knowledge
strategic_decisio n	Pearson Correlation	1	,446(**)
	Sig. (2-tailed)		,000
	N	78	78
learn_knowledge	Pearson Correlation	,446(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,446 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 14 (variable "learn knowledge"). According to the questionnaire it means that the more strategic decisions made by headquarter, the smaller the possibility to learn knowledge from colleague. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the possibility to learn knowledge from colleague.

Correlations

		strategic_decision	information_flow_between_headquarter_subsidiary
strategic_decision	Pearson Correlation	1	,653(**)
	Sig. (2-tailed)		,000
	N	78	78
information_flow_between_headquarter_subsidiary	Pearson Correlation	,653(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,653 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 15 (variable "information flow between headquarter and subsidiary"). According to the questionnaire it means that the more strategic decisions made by headquarter, the worse / more frictional the information flow between headquarter and subsidiary. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the information flow between headquarter and subsidiary.

Correlations

		strategic_decision	job_change
strategic_decision	Pearson Correlation	1	,495(**)
	Sig. (2-tailed)		,000
	N	78	78
job_change	Pearson Correlation	,495(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,495 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 16 (variable "job change"). According to the questionnaire it means that the more strategic decisions made by headquarter, the stronger the willingness to change the job in a year. Thus, there is a positive relation between the number of strategic decisions made by headquarter and the willingness to change the job in a year.

Correlations

		strategic_decision	my_goals
strategic_decision	Pearson Correlation	1	,526(**)
	Sig. (2-tailed)		,000
	N	78	78
my_goals	Pearson Correlation	,526(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,526 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 17 (variable "my goals"). According to the

questionnaire it means that the more strategic decisions made by headquarter, the smaller the similarity between the goals of employee and the goals of the company. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the similarity between the goals of employee and the goals of the company.

Correlations

		strategic_decision	part_of_company
strategic_decision	Pearson Correlation	1	,387(**)
	Sig. (2-tailed)		,000
	N	78	78
part_of_company	Pearson Correlation	,387(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,387 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 18 (variable "part of company"). According to the questionnaire it means that the more strategic decisions made by headquarter, the weaker the feeling of employee to be a part of the company. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the feeling of employee to be a part of the company.

Correlations

		strategic_decision	my_values
strategic_decision	Pearson Correlation	1	,520(**)
	Sig. (2-tailed)		,000
	N	78	78
my_values	Pearson Correlation	,520(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,520 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 19 (variable "my value"). According to the questionnaire it means that the more strategic decisions made by headquarter, the less the similarity between the values of the employee and the values of the company. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the similarity between the values of the employee and the values of the company.

Correlations

		strategic_decision	talk_to_friends
strategic_decision	Pearson Correlation	1	,414(**)
	Sig. (2-tailed)		,000
	N	78	78
talk_to_friends	Pearson Correlation	,414(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,414 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision")

and the proposition of question 20 (variable "talk to friends"). According to the questionnaire it means that the more strategic decisions made by headquarter, the less the possibility that the employee talks up to the friends about how great it is to belong to the company. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the possibility that the employee talks up to the friends about how great it is to belong the company.

Correlations

		strategic_de cision	cooperation_between_d epartments
strategic_decision	Pearson Correlation	1	,564(**)
	Sig. (2-tailed)		,000
	N	78	78
cooperation_between_ departments	Pearson Correlation	,564(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,564 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 21 (variable "cooperation between departments"). According to the questionnaire it means that the more strategic decisions made by headquarter, the worse the cooperation between departments. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the cooperation between departments.

Correlations

		strategic_decision	supply_cooperation
strategic_decision	Pearson Correlation	1	,524(**)
	Sig. (2-tailed)		,000
	N	78	78
supply_cooperation	Pearson Correlation	,524(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,524 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 22 (variable "supply cooperation"). According to the questionnaire it means that the more strategic decisions made by headquarter, the weaker the willingness to supply required cooperation to the colleague in the subsidiary / JV. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the willingness to supply required cooperation to the colleague in the subsidiary / JV.

Correlations

		strategic_decision	get_cooperation
strategic_decision	Pearson Correlation	1	,437(**)
	Sig. (2-tailed)		,000
	N	78	78
get_cooperation	Pearson Correlation	,437(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,437 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision")

and the proposition of question 23 (variable "get cooperation"). According to the questionnaire it means that the more strategic decisions made by headquarter, the smaller the possibility to get required cooperation from the colleague in the subsidiary / JV. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the possibility to get required cooperation from the colleague in the subsidiary / JV.

Correlations

		strategic_decision	cooperation_between_headquarter_subsidiary
strategic_decision	Pearson Correlation	1	,568(**)
	Sig. (2-tailed)		,000
	N	78	78
cooperation_between_headquarter_subsidiary	Pearson Correlation	,568(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,568 which is bigger than zero, therefore there is a positive relation between the proposition of question 7 (variable "strategic decision") and the proposition of question 24 (variable "cooperation between headquarter and subsidiary"). According to the questionnaire it means that the more strategic decisions made by headquarter, the worse the cooperation between headquarter and subsidiary. Thus, there is a negative relation between the number of strategic decisions made by headquarter and the cooperation between headquarter and subsidiary.

Correlations

		operative_de cisions	information_flow_betw een_departments
operative_decisions	Pearson Correlation	1	,407(**)
	Sig. (2-tailed)		,000
	N	78	78
information_flow_bet ween_departments	Pearson Correlation	,407(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,407 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 10 (variable "information flow between departments"). According to the questionnaire it means that the more operative decisions made by headquarter, the worse / more frictional the information flow between departments. Thus, there is a negative relation between the number of operative decisions made by headquarter and the information flow between departments.

Correlations

		operative_decisions	supply_information
operative_decisio ns	Pearson Correlation	1	,420(**)
	Sig. (2-tailed)		,000
	N	78	78
supply_informatio n	Pearson Correlation	,420(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,420 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 11 (variable "supply information"). According to the questionnaire it means that the more operative decisions made by headquarter, the smaller the willingness to supply required information to the colleagues. Thus, there is a negative relation between the number of operative decisions made by headquarter and the willingness to supply required information to the colleagues.

Correlations

		operative_decisions	get_information
operative_decisions	Pearson Correlation	1	,662(**)
	Sig. (2-tailed)		,000
	N	78	78
get_information	Pearson Correlation	,662(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,662 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 12 (variable "get information"). According to the questionnaire it means that the more operative decisions made by headquarter, the smaller the possibility to get required information from the colleagues. Thus, there is a negative relation between the number of operative decisions made by headquarter and the possibility to get required information from the colleagues.

Correlations

		operative_decisions	transfer_knowledge
operative_decisions	Pearson Correlation	1	,511(**)
	Sig. (2-tailed)		,000
	N	78	78
transfer_knowledge	Pearson Correlation	,511(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,511 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 13 (variable "transfer knowledge"). According to the questionnaire it means that the more operative decisions made by headquarter, the smaller the willingness to transfer know-how and knowledge to the colleagues. Thus, there is a negative relation between the number of operative decisions made by headquarter and the willingness to transfer know-how and knowledge to the colleagues.

Correlations

		operative_decisions	learn_knowledge
operative_decisions	Pearson Correlation	1	,418(**)
	Sig. (2-tailed)		,000
	N	78	78
learn_knowledge	Pearson Correlation	,418(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,418 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision")

and the proposition of question 14 (variable "learn knowledge"). According to the questionnaire it means that the more operative decisions made by headquarter, the smaller the possibility to learn knowledge from the colleagues. Thus, there is a negative relation between the number of operative decisions made by headquarter and the possibility to learn knowledge from the colleagues.

Correlations

		operative_decisions	information_flow_between_headquarter_subsidiary
operative_decisions	Pearson Correlation	1	,568(**)
	Sig. (2-tailed)		,000
	N	78	78
information_flow_between_headquarter_subsidiary	Pearson Correlation	,568(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,568 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 15 (variable "information flow between headquarter and subsidiary"). According to the questionnaire it means that the more operative decisions made by headquarter, the worse / more frictional the information flow between headquarter and subsidiary. Thus, there is a negative relation between the number of operative decisions made by headquarter and the information flow between headquarter and subsidiary.

Correlations

		operative_decisions	job_change
operative_decisions	Pearson Correlation	1	,464(**)
	Sig. (2-tailed)		,000
	N	78	78
job_change	Pearson Correlation	,464(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,464 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 16 (variable "job change"). According to the questionnaire it means that the more operative decisions made by headquarter, the stronger the willingness to change the job in a year. Thus, there is a positive relation between the number of operative decisions made by headquarter and the willingness to change the job in a year.

Correlations

		operative_decisions	my_goals
operative_decisions	Pearson Correlation	1	,502(**)
	Sig. (2-tailed)		,000
	N	78	78
my_goals	Pearson Correlation	,502(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,502 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 17 (variable "my goals"). According to the

questionnaire it means that the more operative decisions made by headquarter, the smaller the similarity between the goals of the employee and the goals of the company. Thus, there is a negative relation between the number of operative decisions made by headquarter and the similarity between the goals of the employee and the goals of the company.

Correlations

		operative_decisions	part_of_company
operative_decisions	Pearson Correlation	1	,574(**)
	Sig. (2-tailed)		,000
	N	78	78
part_of_company	Pearson Correlation	,574(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,574 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 18 (variable "part of company"). According to the questionnaire it means that the more operative decisions made by headquarter, the weaker the feeling of the employee to be a part of the company. Thus, there is a negative relation between the number of operative decisions made by headquarter and the feeling of the employee to be a part of the company.

Correlations

		operative_decisions	my_values
operative_decisions	Pearson Correlation	1	,494(**)
	Sig. (2-tailed)		,000
	N	78	78
my_values	Pearson Correlation	,494(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,494 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 19 (variable "my value"). According to the questionnaire it means that the more operative decisions made by headquarter, the smaller the similarity between the value of the employee and the value of the company. Thus, there is a negative relation between the number of operative decisions made by headquarter and the similarity between the value of the employee and the value of the company.

Correlations

		operative_decisions	talk_to_friends
operative_decisions	Pearson Correlation	1	,521(**)
	Sig. (2-tailed)		,000
	N	78	78
talk_to_friends	Pearson Correlation	,521(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,521 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision")

and the proposition of question 20 (variable "talk to friends"). According to the questionnaire it means that the more operative decisions made by headquarter, the smaller the possibility that the employee talks up to the friends about how great it is to belong to the company. Thus, there is a negative relation between the number of operative decisions made by headquarter and the possibility that the employee talks up to the friends about how great it is to belong to the company.

Correlations

		operative_de cisions	cooperation_between_d epartments
operative_decisions	Pearson Correlation	1	,624(**)
	Sig. (2-tailed)		,000
	N	78	78
cooperation_between_ departments	Pearson Correlation	,624(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,624 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 21 (variable "cooperation between departments"). According to the questionnaire it means that the more operative decisions made by headquarter, the worse the cooperation between departments. Thus, there is a negative relation between the number of operative decisions made by headquarter and the cooperation between departments.

Correlations

		operative_decisions	supply_cooperation
operative_decisions	Pearson Correlation	1	,591(**)
	Sig. (2-tailed)		,000
	N	78	78
supply_cooperation	Pearson Correlation	,591(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,591 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 22 (variable "supply cooperation"). According to the questionnaire it means that the more operative decisions made by headquarter, the weaker the willingness to supply required cooperation to the colleagues. Thus, there is a negative relation between the number of operative decisions made by headquarter and the willingness to supply required cooperation to the colleagues.

Correlations

		operative_decisions	get_cooperation
operative_decisions	Pearson Correlation	1	,594(**)
	Sig. (2-tailed)		,000
	N	78	78
get_cooperation	Pearson Correlation	,594(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,594 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 23 (variable "get cooperation"). According to the

questionnaire it means that the more operative decisions made by headquarter, the smaller the possibility to get required cooperation from the colleague. Thus, there is a negative relation between the number of operative decisions made by headquarter and the possibility to get required cooperation from the colleague.

Correlations

		operative_decisions	cooperation_between_headquarter_subsidiary
operative_decisions	Pearson Correlation	1	,609(**)
	Sig. (2-tailed)		,000
	N	78	78
cooperation_between_ headquarter_subsidiary	Pearson Correlation	,609(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,609 which is bigger than zero, therefore there is a positive relation between the proposition of question 8 (variable "operative decision") and the proposition of question 24 (variable "cooperation between headquarter and subsidiary"). According to the questionnaire it means that the more operative decisions made by headquarter, the worse the cooperation between headquarter and subsidiary. Thus, there is a negative relation between the number of operative decisions made by headquarter and the cooperation between headquarter and subsidiary.

Correlations

		staff_localiz ation	information_flow_betw een_departments
staff_localization	Pearson Correlation	1	,450(**)
	Sig. (2-tailed)		,000
	N	78	78
information_flow_bet ween_departments	Pearson Correlation	,450(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,450 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 10 (variable "information flow between departments"). According to the questionnaire it means that the lower the staff localization degree, the worse / more frictional the information flow between departments. Thus, there is a positive relation between staff localization degree and the information flow between departments.

Correlations

		staff_localization	supply_information
staff_localization	Pearson Correlation	1	,237(*)
	Sig. (2-tailed)		,037
	N	78	78
supply_informati on	Pearson Correlation	,237(*)	1
	Sig. (2-tailed)	,037	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,237 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization")

and the proposition of question 11 (variable "supply information"). According to the questionnaire it means that the lower the staff localization degree, the weaker the willingness to supply required information to colleagues. Thus, there is a positive relation between staff localization degree and the willingness to supply required information to colleague.

Correlations

		staff_localization	get_information
staff_localization	Pearson Correlation	1	,334(**)
	Sig. (2-tailed)		,003
	N	78	78
get_information	Pearson Correlation	,334(**)	1
	Sig. (2-tailed)	,003	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,334 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 12 (variable "get information"). According to the questionnaire it means that the lower the staff localization degree, the smaller the possibility to get required information from colleagues. Thus, there is a positive relation between staff localization degree and the possibility to get required information from colleagues.

Correlations

		staff_localization	transfer_knowledge
staff_localization	Pearson Correlation	1	,277(*)
	Sig. (2-tailed)		,014
	N	78	78
transfer_knowledge	Pearson Correlation	,277(*)	1
	Sig. (2-tailed)	,014	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,277 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 13 (variable "transfer knowledge"). According to the questionnaire it means that the lower the staff localization degree, the weaker the willingness to transfer know-how and knowledge to colleagues. Thus, there is a positive relation between staff localization degree and the willingness to transfer know-how and knowledge to colleagues.

Correlations

		staff_localization	learn_knowledge
staff_localization	Pearson Correlation	1	,311(**)
	Sig. (2-tailed)		,006
	N	78	78
learn_knowledge	Pearson Correlation	,311(**)	1
	Sig. (2-tailed)	,006	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,311 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 14 (variable "learn knowledge"). According to the

questionnaire it means that the lower the staff localization degree, the smaller the possibility to learn knowledge from colleagues. Thus, there is a positive relation between staff localization degree and the possibility to learn knowledge from colleagues.

Correlations

		staff_localization	information_flow_between_headquarter_subsidiary
staff_localization	Pearson Correlation	1	,526(**)
	Sig. (2-tailed)		,000
	N	78	78
information_flow_between_headquarter_subsidiary	Pearson Correlation	,526(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,526 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 15 (variable "information flow between headquarter and subsidiary"). According to the questionnaire it means that the lower the staff localization degree, the worse / more frictional the information flow between headquarter and subsidiary. Thus, there is a positive relation between staff localization degree and the information flow between headquarter and subsidiary.

Correlations

		staff_localization	job_change
staff_localization	Pearson Correlation	1	,391(**)
	Sig. (2-tailed)		,000
	N	78	78
job_change	Pearson Correlation	,391(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,391 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 16 (variable "job change"). According to the questionnaire it means that the lower the staff localization degree, the stronger the willingness to change the job in a year. Thus, there is a negative relation between staff localization degree and willingness to change the job in a year.

Correlations

		staff_localization	my_goals
staff_localization	Pearson Correlation	1	,545(**)
	Sig. (2-tailed)		,000
	N	78	78
my_goals	Pearson Correlation	,545(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,545 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 17 (variable "my goal"). According to the questionnaire it means that the lower the staff localization degree, the less the

similarity between the goals the employee and the goals of the company. Thus, there is a positive relation between staff localization degree and the similarity between the goals the employee and the goals of the company.

Correlations

		staff_localization	part_of_company
staff_localization	Pearson Correlation	1	,356(**)
	Sig. (2-tailed)		,001
	N	78	78
part_of_company	Pearson Correlation	,356(**)	1
	Sig. (2-tailed)	,001	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

Pearson correlation is 0,356 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 18 (variable "part of company"). According to the questionnaire it means that the lower the staff localization degree, the weaker the feeling of employee to be a part of the company. Thus, there is a positive relation between staff localization degree and the feeling of employee to be a part of the company.

Correlations

		staff_localization	my_values
staff_localization	Pearson Correlation	1	,345(**)
	Sig. (2-tailed)		,002
	N	78	78
my_values	Pearson Correlation	,345(**)	1
	Sig. (2-tailed)	,002	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,345 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 19 (variable "my value"). According to the questionnaire it means that the lower the staff localization degree, the smaller the similarity between the values of the employee and the values of the company. Thus, there is a positive relation between staff localization degree and the similarity between the values of the employee and the values of the company.

Correlations

		staff_localization	talk_to_friends
staff_localization	Pearson Correlation	1	,360(**)
	Sig. (2-tailed)		,001
	N	78	78
talk_to_friends	Pearson Correlation	,360(**)	1
	Sig. (2-tailed)	,001	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,360 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 20 (variable "talk to friends"). According to the questionnaire it means that the lower the staff localization degree, the smaller the possibility that the employee talk up to friends about how great it is to belong to the company. Thus, there is a positive relation between staff localization degree and the possibility that the employee talk up to friends about how great it is to belong to the company.

Correlations

		staff_localization	cooperation_between_departments
staff_localization	Pearson Correlation	1	,530(**)
	Sig. (2-tailed)		,000
	N	78	78
cooperation_between_ departments	Pearson Correlation	,530(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,530 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 21 (variable "cooperation between departments"). According to the questionnaire it means that the lower the staff localization degree, the worse the cooperation between departments. Thus, there is a positive relation between staff localization degree and the cooperation between departments.

Correlations

		staff_localization	supply_cooperation
staff_localization	Pearson Correlation	1	,359(**)
	Sig. (2-tailed)		,001
	N	78	78
supply_cooperati on	Pearson Correlation	,359(**)	1
	Sig. (2-tailed)	,001	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,359 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 22 (variable "supply cooperation"). According to the

questionnaire it means that the lower the staff localization degree, the weaker the willingness to supply required cooperation to colleagues. Thus, there is a positive relation between staff localization degree and the willingness to supply required cooperation to colleagues.

Correlations

		staff_localization	get_cooperation
staff_localization	Pearson Correlation	1	,457(**)
	Sig. (2-tailed)		,000
	N	78	78
get_cooperation	Pearson Correlation	,457(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,457 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 23 (variable "get cooperation"). According to the questionnaire it means that the lower the staff localization degree, the smaller the possibility to get required cooperation from colleagues. Thus, there is a positive relation between staff localization degree and the possibility to get required cooperation from colleagues.

Correlations

		staff_localization	cooperation_between_headquarter_subsidiary
staff_localization	Pearson Correlation	1	,325(**)
	Sig. (2-tailed)		,004
	N	78	78
cooperation_between_ headquarter_subsidiary	Pearson Correlation	,325(**)	1
	Sig. (2-tailed)	,004	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,325 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the proposition of question 24 (variable "cooperation between headquarter and subsidiary"). According to the questionnaire it means that the lower the staff localization degree, the worse the cooperation between headquarter and subsidiary. Thus, there is a positive relation between staff localization degree and the cooperation between headquarter and subsidiary.

6.1.2 Correlations between summarized variables

1. Correlations

		difference_of_natio nal_culture	communication
difference_of_national _culture	Pearson Correlation	1	,376(**)
	Sig. (2-tailed)		,001
	N	78	78
communication	Pearson Correlation	,376(**)	1
	Sig. (2-tailed)	,001	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,376 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the propositions of question 10+11+12+13+14+15 (variable "communication"). According to the questionnaire it means that **the bigger the difference of national culture, the worse / more frictional the communication in general. Thus, there is a negative relation between difference of national culture and communication (H1a).**

2. Correlations

		difference_of_nation al_culture	commitment
difference_of_national _culture	Pearson Correlation	1	,304(**)
	Sig. (2-tailed)		,007
	N	78	78
commitment	Pearson Correlation	,304(**)	1
	Sig. (2-tailed)	,007	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,304 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the propositions of question 16+17+18+19+20 (variable "commitment"). According to the questionnaire it means that **the bigger the difference of national culture, the weaker the commitment in general. Thus, there is a negative relation between difference of national culture and commitment (H1b)**.

3. Correlations

		difference_of_national_culture	cooperation
difference_of_national_culture	Pearson Correlation	1	,265(*)
	Sig. (2-tailed)		,019
	N	78	78
cooperation	Pearson Correlation	,265(*)	1
	Sig. (2-tailed)	,019	
	N	78	78

* Correlation is significant at the 0.05 level (2-tailed).

The Pearson correlation is 0,265 which is bigger than zero, therefore there is a positive relation between the proposition of question 6 (variable "difference of national culture") and the propositions of question 21+22+23+24 (variable "cooperation"). According to the questionnaire it means that **the bigger the difference of national culture, the worse the cooperation in general. Thus, there is a negative relation between difference of national culture and cooperation (H1c)**.

As argued before, communication, commitment and cooperation are the indicators of trust, we can come to the conclusion through the proof of H1a, H1b and H1c above: **The bigger the difference of national culture is, the more difficult it is for international companies to build up trust in the local companies in China (H1).**

4. Correlations

		centralization_degree	communication
centralization_degree	Pearson Correlation	1	,347(**)
	Sig. (2-tailed)		,002
	N	78	78
communication	Pearson Correlation	,347(**)	1
	Sig. (2-tailed)	,002	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,265 which is bigger than zero, therefore there is a positive relation between the propositions of question 7+8 (variable "centralization degree") and the propositions of question 10+11+12+13+14+15 (variable "communication"). According to the questionnaire it means that **the higher the centralization degree, the worse / more fictional the communication in general. Thus, there is a negative relation between centralization degree and communication (H2a)**.

5. Correlations

		centralization_degree	commitment
centralization_degree	Pearson Correlation	1	,649(**)
	Sig. (2-tailed)		,000
	N	78	78
commitment	Pearson Correlation	,649(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,649 which is bigger than zero, therefore there is a positive relation between the propositions of question 7+8 (variable "centralization degree") and the propositions of question 16+17+18+19+20 (variable "commitment").

According to the questionnaire it means that **the higher the centralization degree, the weaker the commitment in general. Thus, there is a negative relation between centralization degree and commitment (H2b)**.

6. Correlations

		centralization_degree	cooperation
centralization_degree	Pearson Correlation	1	,377(**)
	Sig. (2-tailed)		,001
	N	78	78
cooperation	Pearson Correlation	,377(**)	1
	Sig. (2-tailed)	,001	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,377 which is bigger than zero, therefore there is a positive relation between the propositions of question 7+8 (variable "centralization degree") and the propositions of question 21+22+23+24 (variable "cooperation"). According to the questionnaire it means that **the higher the centralization degree, the worse the cooperation in general. Thus, there is a negative relation between centralization degree and cooperation (H2c)**.

As argued before, communication, commitment and cooperation are the indicators of trust, we can come to the conclusion through the proof of H2a, H2b and H2c above: **The higher the centralization degree of headquarter, the lower the trust in local company in China is. (H2)**

7. Correlations

		staff_localization	communication
staff_localization	Pearson Correlation	1	,499(**)
	Sig. (2-tailed)		,000
	N	78	78
communication	Pearson Correlation	,499(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,499 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the propositions of question 10+11+12+13+14+15 (variable "communication"). According to the questionnaire it means that **the lower the staff localization degree, the worse / more frictional the communication in general. Thus, there is a positive relation between staff localization degree and communication (H3a)**.

8. Correlations

		staff_localization	commitment
staff_localization	Pearson Correlation	1	,423(**)
	Sig. (2-tailed)		,000
	N	78	78
commitment	Pearson Correlation	,423(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,423 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the propositions of question 16+17+18+19+20 (variable "commitment").

According to the questionnaire it means that **the lower the staff localization degree, the weaker the commitment in general. Thus, there is a positive relation between staff localization degree and commitment (H3b)**.

9. Correlations

		staff_localization	cooperation
staff_localization	Pearson Correlation	1	,551(**)
	Sig. (2-tailed)		,000
	N	78	78
cooperation	Pearson Correlation	,551(**)	1
	Sig. (2-tailed)	,000	
	N	78	78

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation is 0,551 which is bigger than zero, therefore there is a positive relation between the proposition of question 9 (variable "staff localization") and the propositions of question 21+22+23+24 (variable "cooperation"). According to the questionnaire it means that **the lower the staff localization degree, the worse the cooperation in general. Thus, there is a positive relation between staff localization degree and cooperation (H3c)**.

As argued before, communication, commitment and cooperation are the indicators of trust, we can come to the conclusion through the proof of H3a, H3b and H3c above: **The higher the hierarchy level of staff localization, the higher the trust in international companies in China is. (H3)**

The height of the Pearson correlation value represents the strengthen of the influence of the independent variables on the dependent variables. In the 1., 4. and 7. correlation tables the Pearson correlation with the value 0.499 in the correlation between hierarchy level of staff localization and communication is the highest, while the Pearson correlation in the correlation between difference of national culture and

communication amounts to 0.376 and the Pearson correlation in the correlation between centralization degree of headquarter and communication amounts to 0.347. It means that **the hierarchy level of staff localization has the strongest influence on communication**.

In the 2., 5. and 8. correlation tables the Pearson correlation with the value 0.649 in the correlation between centralization degree of headquarter and commitment is the highest, while the Pearson correlation in the correlation between difference of national culture and commitment amounts to 0.304 and the Pearson correlation in the correlation between hierarchy level of staff localization and commitment amounts to 0.423. It means that **the centralization degree of headquarter has the strongest influence on commitment**.

In the 3., 6. and 9. correlation tables the Pearson correlation with the value 0.551 in the correlation between hierarchy level of staff localization and cooperation is the highest, while the Pearson correlation in the correlation between difference of national culture and cooperation amounts to 0.265 and the Pearson correlation in the correlation between centralization degree of headquarter and cooperation amounts to 0.377. It means that **the hierarchy level of staff localization has the strongest influence on cooperation**.

6.2 The interaction between the influencing factors

The relations between trust and each of its influencing factors are analyzed in chapter 6.1. However, what happens when two or all of the three influencing factors occur together? Which factor has stronger influencing effect? Are these three factors the whole and only factors which influence trust? All these topics will be analyzed in this chapter with assistance of regression analysis of SPSS.

6.2.1 The interaction between hierarchy level of staff localization and difference of national culture

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	staff_localization, difference_of_national_culture[b]	.	Enter

a. Dependent Variable: trust

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681[a]	.464	.450	.57869

a. Predictors: (Constant), staff_localization, difference_of_national_culture

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.756	2	10.878	32.482	.000[b]
	Residual	25.116	75	.335		
	Total	46.872	77			

a. Dependent Variable: trust

b. Predictors: (Constant), staff_localization, difference_of_national_culture

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.074	.222		4.845	.000
	difference_of_national_culture	.267	.056	.408	4.774	.000
	staff_localization	.335	.047	.609	7.131	.000

a. Dependent Variable: trust

Interpretation of the statistical results:

The value of the column "R Square" in the table "model summary" represents that both independent variables, in this case namely hierarchy level of staff localization and difference of national culture, can explain 46,4% of the dependent variable trust.

If the value of the column "Sig." in the table "ANOVA" is between 0.00 and 0.05, it means a strong relevance of the variables and not coincidence. In this case hierarchy level of staff localization and difference of national culture are strongly relevant to trust.

The value of the column "Beta" in the table "Coefficients" represents the impact of the independent variables. The bigger the value is, the stronger is the impact of the independent variable on the dependent variable. In this case the hierarchy of staff localization with 0.609 has a stronger influence on trust than the difference of national culture with 0.408.

6.2.2 The interaction between centralization degree of headquarter and difference of national culture

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	centralization_degree, difference_of_national_culture[b]	.	Enter

a. Dependent Variable: trust

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.318	.300	.65280

a. Predictors: (Constant), centralization_degree,

difference_of_national_culture

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	14.911	2	7.455	17.495	.000[b]
1	Residual	31.961	75	.426		
	Total	46.872	77			

a. Dependent Variable: trust

b. Predictors: (Constant), centralization_degree, difference_of_national_culture

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.359	.247		5.506	.000
1	difference_of_national_culture	.173	.063	.264	2.752	.007
	centralization_degree	.180	.037	.469	4.888	.000

a. Dependent Variable: trust

Interpretation of the statistical results:

The value of the column "R Square" in the table "model summary" represents that both independent variables, in this case namely centralization degree of headquarter and difference of national culture, can explain 31,8 % of the dependent variable trust, which is somewhat lower than the combination of difference of national culture and hierarchy level of staff localization. Therefore, it can be assumed that the hierarchy level of staff localization has a stronger influence on trust than centralization degree of headquarter.

If the value of the column "Sig." in the table "ANOVA" is between 0.00 and 0.05, it means a strong relevance of the variables and not coincidence. In this case centralization degree of headquarter and difference of national culture are strongly relevant to trust.

The value of the column "Beta" in the table "Coefficients" represents the impact of the independent variables. The bigger the value is, the stronger is the impact of the independent variable on the dependent variable. In this case centralization degree of headquarter with 0.469 has a stronger influence on trust than the difference of national culture with 0.264.

6.2.3 The interaction between centralization degree of headquarter and hierarchy level of staff localization

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	staff_localization, centralization_degree[b]	.	Enter

a. Dependent Variable: trust

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678[a]	.460	.446	.58092

a. Predictors: (Constant), staff_localization, centralization_degree

ANOVA^a

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.562	2	10.781	31.947	.000[b]
	Residual	25.310	75	.337		
	Total	46.872	77			

a. Dependent Variable: trust

b. Predictors: (Constant), staff_localization, centralization_degree

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.126	.216		5.212	.000
	centralization_degree	.156	.033	.406	4.695	.000
	staff_localization	.258	.048	.468	5.410	.000

a. Dependent Variable: trust

Interpretation of the statistical results:

The value of the column "R Square" in the table "model summary" represents that both independent variables, in this case namely centralization degree of headquarter and hierarchy level of staff localization, can explain 46 % of the dependent variable trust, which is similar as the combination of difference of national culture and hierarchy level of staff localization. Therefore, it can be assumed that the influence of centralization degree of headquarter on trust is quite equal as the influence of difference of national culture.

If the value of the column "Sig." in the table "ANOVA" is between 0.00 and 0.05, it means a strong relevance of the variables and not coincidence. In this case centralization degree of headquarter and hierarchy level of staff localization are strongly relevant to trust.

The value of the column "Beta" in the table "Coefficients" represents the impact of the independent variables. The bigger the value is, the stronger is the impact of the

independent variable on the dependent variable. In this case hierarchy level of staff localization with 0.468 has a stronger influence on trust than the centralization degree of headquarter with 0.406.

6.2.4 The interaction between all three influencing factors

Regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	centralization_degree2, difference_of_national_culture, staff_localization[b]	.	Enter

a. Dependent Variable: trust

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764[a]	.584	.567	.51334

a. Predictors: (Constant), centralization_degree2, difference_of_national_culture, staff_localization

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.372	3	9.124	34.623	.000[b]
	Residual	19.500	74	.264		
	Total	46.872	77			

a. Dependent Variable: trust

b. Predictors: (Constant), centralization_degree2, difference_of_national_culture, staff_localization

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.551	.227		2.427	.018
	difference_of_national_culture	.234	.050	.358	4.669	.000
	staff_localization	.287	.043	.522	6.686	.000
	centralization_degree2	.266	.058	.359	4.616	.000

a. Dependent Variable: trust

Interpretation of the statistical results:

The value of the column "R Square" in the table "model summary" represents that **all three independent variables**, in this case namely difference of national culture, centralization degree of headquarter and hierarchy level of staff localization, can **explain 58.4 % of the dependent variable trust**. It means that these three factors are most relevant and can explain most of trust. There are still other factors, which can explain the rest 41.6% of trust.

If the value of the column "Sig." in the table "ANOVA" is between 0.00 and 0.05, it means a strong relevance of the variables and not coincidence. In this case **all these three factors are strongly relevant to trust**.

The value of the column "Beta" in the table "Coefficients" represents the impact of the independent variables. The bigger the value is, the stronger is the impact of the independent variable on the dependent variable. As assumed before **the hierarchy level of staff localization with 0.522 has the strongest influence on trust**, while the influence of the centralization degree of headquarter with 0.359 and of the difference of national culture with 0.358 are quite equal.

6.3   Conclusion

As above demonstrated in the SPSS analysis and displayed in figure 10:

There is bilateral positive relation between trust and its indicators communication, commitment and cooperation.

There is a negative relation between trust and the influencing factor difference of national cultures. The bigger the difference of national culture is, the more difficult it is for international companies to build up trust in the local companies in China (H1).

There is a negative relation between trust and the influencing factor centralization degree of headquarter. The higher the centralization degree of headquarter, the lower the trust in local company in China is. (H2)

Figure 10: Relations between trust and its influencing factors in international companies in China
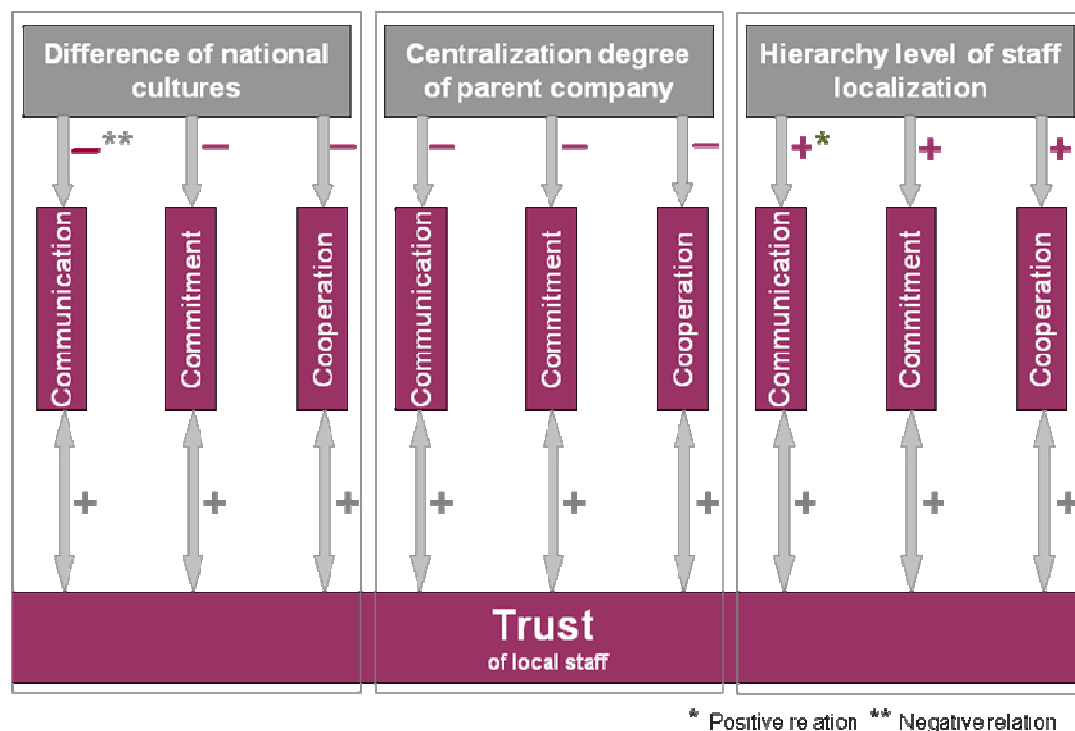
Source: own figure

There is a positive relation between trust and the influencing factor hierarchy level of staff localization. The higher the hierarchy level of staff localization, the higher the trust in international companies in China is. (H3)

Figure 11: Research results - Relations between indicators and trust & influencing factors and trust in international companies in China
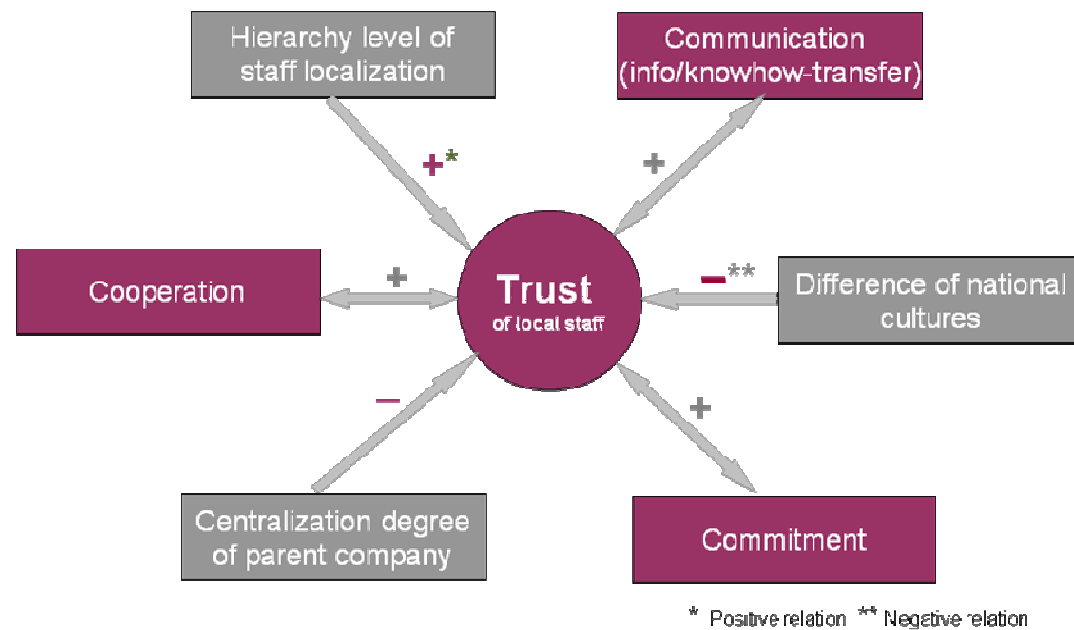
Source: own figure

6.4 Discussion

In spite of big effort in conducting this research, there are still limit and inadequate of this study and its result, which should or could be considered in the research in the future.

For example, the number of the probands is limited, what have negative impact on the accuracy of the research.

Furthermore, the subsidiaries of the international companies in China are considered as a whole. Due to the high complexity of this research and limited number of proband there is no differentiation of the industry branch. In the business practices of different branches the hierarchy level of staff localization and the centralization degree of headquarter could be very different. But it has no direct impact on the relations between trust and these two influencing factors.

The business divisions of the probands are also not considered differentially. Whether a local manager works in the marketing or in the R&D field, it makes big difference in aspect of staff localization and decentralization.

A further point is the understanding and measure of the quantity of difference of national culture. Instead of defining the bigness of the difference of two national cultures by the researcher, this study has chosen the real perception of the probands to measure the extent of the difference of two national cultures, because different person perceives the cultural difference differently. There is although rough evaluation by trend, for example the national cultures are similar within a continent and varied from different continents, but there is no standard definition of how big the difference between two certain national cultures is.

This study has researched the three influencing factors of trust, namely difference of national culture, centralization degree of headquarter and hierarchy level of staff localization. There must be more factors, which could also play an essential role for trust building in international companies in China. Further research could recess such matter in the future.

The scope of this study is the local managers of middle level in subsidiaries in China. How about the local staff in joint-ventures in China? Is there any difference in aspect of trust building? Such theme could be studied in further research.

This study has chosen the local staff in China as research object. Is the research result conferrable to other countries? According to the estimate of the researcher of this study there is a big compatibility of the research result to other countries. There are although several special characteristics in Chinese mentality in aspect of trust building, such as indirect denial and no direct public criticism etc., which differ from other national culture, but the relations between trust and its influencing factors such as difference of national culture, centralization degree of headquarter and hierarchy level of staff localization should be the same or similar in other countries. However, this should be measured and proved in further study.

7 Management implication

7.1 Conditions for building trust

Reviewing several decades of trust research across disciplines, Rousseau, Sitkin, Burt and Camerer (1998, p. 395) argue that there are two necessary conditions for building trust, namely risk and interdependence.

At a basic level, trust would not be needed if actions could be undertaken with complete certainty and no risk (Lewis and Weigert, 1985, p. 967). Risk is the perceived probability of loss, as interpreted by the decision maker, is considered essential in psychological, sociological and economic conceptualizations of trust (Coleman, 1990, p. 91; Chiles and McMackin, 1996, p. 80). Therefore, the potential existing of risk provide the need and opportunity to build trust. Some minimal level of risk necessitates trust, but too much risk counters the propensity to trust. Uncertainty regarding whether the other intends to and will act appropriately is the source of risk. Only if some initial risk is taken is it possible for the trustee to demonstrate his or her trustworthiness and necessary for the trustor to develop his or her trust in the trustee.

Within or among organizations there are various types of interdependence arising through amount of interactions, such as task interdependence, outcome interdependence and resource interdependence. Beyond an optimal level of risk, interdependence is also critical in establishing trust in teams. Interdependence captures the degree to which one party depends on the actions or information of another in order to accomplish work (Wageman, 1995, p. 172). The way in which work is designed places some minimum requirements on levels of interdependence. Beyond that, members often have some flexibility in terms of with whom they interact. Development of trust requires opportunities to interact and exchange information, which occur less frequently when interdependence is low. In fact, some

scholars have argued that the key to effective collaboration is high interdependence arising through high frequent interactions and complementary at information or finance levels (Marshall and Novick, 1995, p. 57).

7.2 Strategies to heal mistrust

Lack of trust within and among organizations is not rarity. For example, the following features in an organizational culture can be seen as signs of lacking trust as identified by Pfeffer and Sutton (2000, p. 29), preventing the conversion of knowledge into action. This happens, when talk substitutes for action, when memory is a substitute for thinking, when fear prevents acting on knowledge, when measurement obstructs good judgment, and when internal competition turns friends into enemies. These features are very damaging to the organizations and the people there. A means to overcome these problems might be to foster normative trust. Therefore, trust must be embedded in organizational culture enabling the sharing of knowledge and information, as well as learning for the creation of new knowledge. This requires engendering a shared purpose and a shared identity for an organization.

For managers it's very important to tackle mistrust factors quickly without letting the situation deteriorate. The worse mistrust becomes, the more difficult it is to correct. This is because distrust goes to the core of human vulnerability and cuts trough us to our deepest emotional layers (Reina & Reina, 1999, p. 37; Bies & Tripp, 1996, p. 251-252). Different methods and strategies have been developed to deal with distrust. Individuals, for instance, can give up wanting, reduce dependence and control the trustees (Kipnis, 1996, p. 42-43). There are different interventions management can apply. For instance, management can make use of surveys as an early warning technique to anticipate the development of distrust factors in the organization or in the relationship with customers and suppliers, assess their seriousness and conduct appropriate measures.

Through healing distrust organization can turn back to its proper track and profit from inspirational efficiency, creativity, and humane working conditions promoted by trust. These are challenging managerial requirements for any organization wishing to win people's brains and hearts. Therefore, it's one of the most important skills that management must master both to nurture trust capital and to save the organization from distrust.

Table 6: Action that violates trust

<div style="border:1px solid">

Action that Violates Trust

A damaged sense of „civic order"
 Rule violation
  Violation of normal rules
  Changing the rules "after the fact"
  Breach of contract
 Honour violation
  Shirking job responsibilities
  Broken promises
  Lying
  Stealing of ideas
  Disclosure of confidences and secrets
 Abusive authority
  Intolerable boss
 A damaged "identity"
  Public criticism
  Wrong or unfair accusation
  Insult to self or collective

</div>

Source: Harisalo & Stenvall, "Trust as capital: The foundation of management", p72

7.3 Building trust in organization

Managers' values and beliefs have a complex impact on the practice of management and leadership (Szabo et al., 2001, p. 219). Managerial behaviour concerning the dimensions of beliefs about trust initiates mutual trust between leader and followers and enhances organizational commitment (Ray, 1994, p. 67; shaw, 1997, p. 2). Trust has been studied from several disciplinary perspectives, such as economics, psychology, sociology, social psychology and political science, with differing methods (Bhattacharya and Devinney, 1998, p. 459). This research looks at management trust more from perspectives of psychology and social psychology. Building trust is a sophisticated psychological process, which involves the trustor in multiple processes of calculation, prediction and perception about the trustee's intentions and capacity (Butler and Centrell, 1984, p. 19; Doney et al., 1998, p. 605-606). Rempel and his colleagues (1985, p. 95) argue that trust in the targeted person's dependability, predictability and good faith reflects key aspects in the trust-building process.

Based on the quality and attributions of the target's current behavior, investors in trust increase their trust in the target's dependability. Trust is an exchange relationship in which risk or vulnerability is involved (Rousseau et. al., 1998, p. 395). Both Shapiro and colleagues (1992, p. 365) and Adler (2001, p. 217) suggest that trust in business relationships develops on a calculative basis, as parties try to determine the nature of their interdependence, what benefit they will obtain from the relationship and give to it, and to what risks and vulnerabilities they are likely to be exposed. The competence and responsibility of the person in whom trust is being vested, therefore, are central for the other person to invest in trust building (Shapiro, 1987, p. 626; McAllister, 1995, p. 25; Chen et al., 1998, p. 294).

Table 7: Reaction to distrust

<table>
<tr><td align="center">**Reaction to Distrust**</td></tr>
<tr><td>

  Revenge "fantasies"
 Do nothing
     Self-resignation
     Self-advancement
Private confrontation
Identity restoration
     Demand public apology and "setting the record straight"
     Work harder
Social withdrawal
     Avoidance
     Withhold help or support
     Work less
     Quit the job
"Feuding"
     Unauthorized use of company resources
     "Bad-mouthing"
     Public embarrassment and humiliation
     Whistle-blowing
     Litigation
     Violence
 Forgiveness

</td></tr>
</table>

Source: Harisalo & Stenvall, "Trust as capital: The foundation of management", p74

It is also argued that, based on previous experience of the target's stability and consistency of behavioral patterns, investors in trust develop trust on the basis of predictability. The investment of trust is positively developed further when the trusted consistently interact benevolently in prior encounters (Stack, 1978, p. 561; Adler, 2001, p. 218). Trust in predictability emerges when the person vesting trust gains confidence in his or her ability to predict the target's future behavior with accuracy (Rempel et al., 1985, p. 95; Doney et al., 1998, p. 605).

Feelings of security about the target foster trust on the basis of an expectation of good faith, a trust that goes beyond the available evidence and which is rooted in expectations of confidence (Rempel et al., 1985, p. 95). Trust requires one party to believe that it is important to depend on the other party and to have positive, confident

expectations that they will behave competently and honestly in achieving common goals (Das and Teng, 1998, p. 494).

Building trust within and between organizations or strategic partners is a challenging and long-term task. It requires commitment to collaborate and persistent work towards common goals and strategies for their achievement. These strategic aims could possibly be realized by identifying the main factors of the relational and cognitive dimensions of social capital, for example, by establishing shared values that give a frame of reference to behavioral norms. Furthermore, sharing meanings is also crucial for trusting and the level of trust is assessed through the outcomes of the joint work activities in collaborative networks.

There're diverse possibilities and methods to replace general organizational structure and power-based relations by trust-based relations. This requires replacing hierarchical structures by units whose foundation is formed by collaboration. Halal (1996, p. 232) emphasizes the need to redefine the employment relationship and break large organizations into small, self-managed units. Further, he proposes that "pay-for-position" thinking should be replaced by **"pay-for-performance"** thinking. Halal's concept of "Knowledge entrepreneurs" refers to a knowledge worker who acts on the basis of a working contract of rights and responsibilities. The knowledge-driven organization does not entirely fit in with hierarchical organizational structures, but requires the networks of independent units where all units are responsible for results and creative entrepreneurial spirit is expected and encouraged.

Borderlines inhibiting interactions within and between collaborators, organizations or partners should be identified and overcome as well. Producing such an architectural landscape or task structure that supports collaboration and informal interactions is a managerial challenge. The following strategies can probably increase trust in work communities: 1. Improving the openness of the work community. 2. Crossing the boundaries which impede the collaboration. 3. Sharing and increasing knowledge.

Communication processes are the key underlying mechanisms for establishing trust. On the one hand, cooperation intensifies and increases communication and information processing by collaborative activities; on the other hand, communication

engenders cooperative relationships, provides insightful information about the personalities of team members, lays a basis for developing common values, and encourages continued interaction. In other words, firstly, open and prompt communication among members is believed to be an indispensable characteristic of trusting relationship; secondly, members of teams need to collect evidence about other members' credibility and trustworthiness and communication facilitates that process; finally, communication helps build trust because it provides the basis for continued interaction, from which members further develop common values and norms (Kanter, 1994, p. 106).

7.4   Trust building in international companies

For companies it is an essential success factor to build up trust in the companies' culture. If the staffs trust the firm, trust the manager and trust each other, there will be very open and transparent communication within the company, the company can enjoy the full commitment of its employees and there is a cooperative relationship between individuals and departments. How can firm build up trust and which corporate features can facilitate building trust?

In an international context, for example, the subsidiary in a foreign country, the national culture plays an important role for trust building. If the national culture of headquarter is very diverse to the national culture of the subsidiary, there will be logically more misunderstanding during the collaboration between individuals, departments and between headquarter and subsidiary. The communication would be much more difficult than in a single national culture. Furthermore, the employees with very different cultural background often feel unfamiliar to the company culture which impressed by headquarter's national culture and to the colleagues whose behavior and mind they feel difficult to esteem. Therefore it's not easy for them to define the right

way to deal with various situations during the teamwork. In order to solve such problems, firms can provide the international employees with intercultural trainings or job rotation in different national cultures. It's also important to build up a proper mindset about the different nationalities. We should have a balanced view of the various nationalities. It means we should see both the difference and the analogousness instead of only see either the difference or the analogousness. It helps us to profit from the advantages of the diversity and avoid the disadvantages.

The degree of staff localization affects also the trust building of local staff in international companies. We can measure the degree of staff localization according to two aspects: the quota and the position of local employees. The higher the quota and the position of local employees in the subsidiary are, the easier it is for international company to build up trust in the local company, because it helps the company to build up an image of fair employee. If the local staff can trust the foreign employer that they can have the same career development opportunity as the colleagues from the national culture of headquarter, they will give their commitment to the foreign employer. It means the company can profit from their Chinese social network resource and their know-how about the local market. As local managers they understand the local employees also better than the expatriates. That's the reason why staff localization becomes an important strategic HRM topic of many international companies in China since last years.

Whether the subsidiary can make the important strategic decisions by itself can also influence the trust of local staff in international companies. In practice, some subsidiaries can only make the operative decisions by themselves. The important strategic issues are decided only by the headquarters. Actually, the decentralization of decision making, namely involving the subsidiary by important strategic decision making, makes the trust building in subsidiaries easier. The local managers will feel more involved and can take more responsibilities and meet higher challenge for their career development. They will feel their know-how of the local market and their competence are valued and trusted by the headquarter. Because trust is bilateral, they will present the firm with their trust and commitment. Furthermore, it abolishes the control atmosphere in the firm. The local managers can enjoy more freedom of making decisions and running the business.

Beside the international context there are also other factors in a corporate circumstance playing significant role for trust building in company. For instance, there is reciprocity between communication and trust. If the communication in a firm very bureaucratic, complicated and intransparent, it's usually lack of trust between individuals or between individual and organization. In order to build up trust in the company culture, it is important to set up open and transparent communication. It develops an open and uncomplicated atmosphere in the company and helps to form an effective work style.

Organizational hierarchy is also a structural factor which has influence on trust building. There are two aspects related to hierarchy. The structural aspect is how many hierarchical levels a firm has. In order to be effective and transparent, the firm should set up its hierarchical levels as few as necessary. It's also good for communication. Firms with more than necessary hierarchical levels have redundant structure and this damages their efficiency and communication. It's also indirectly disadvantageous for trust building. Another aspect of hierarchy is the authority degree. A democratic company culture is much more helpful for building trust than authoritarian one. In a democratic atmosphere the staffs feel free and less controlled. They feel more involved in decision making and dedicated to the firm.

There is also reciprocity between cooperation and trust. If a company has set up trust in its culture, there will be cooperative relationship between individuals and departments. They will enjoy sharing the information, ideas and experience with each other. And vice versa, in an organization lack of trust both individuals and departments will treat each other more like a competitor. It forms a competitive atmosphere in the company which could be disadvantageous for teamwork, sharing and learning from each other.

Why do diverse companies have very different corporate culture? Actually, the company culture is usually impacted by the personality and the management style of the top managers. What kind of values the top managers treasure and want to communicate to their staff and how they communicate the treasured values to the staff are crucial for culture building. In the practice, most of the communication of the values is rather unconscious.

Because company culture plays a significant role for trust building, companies can define and communicate sound and positive values like openness, team spirit, fairness, and humanity etc. to facilitate trust building. Another measure to build up trust is performance appraisal. For example, in the performance appraisal should not only the functional or technical performance be valued but also the contribution to the big picture, to the benefit of the department or the firm as a whole. It helps to build up team spirit, the feeling of belonging and open communication. Of course, the fairness in the evaluation of the performance is also essential for trust building. If a firm has very redundant structure which makes trust building prevented, restructure is a useful instrument to help building up trust. A fair compensation system in the company is also crucial for trust building. People should be paid according their input and performance. In some companies, especially American firms, even in bad time the top managers earn so good money which are much more than the salary of the staff and don't match their performance. Such compensation system damages the trust of the staff to their management.

Trust building is an essential but very complicated issue. As analyzed in the chapter 6.2, the three discussed influencing factors, namely difference of national culture, centralization degree of headquarter and hierarchy level of staff localization, can explain 58.4 % of trust. It means that there are still other factors, which can explain the rest 41.6% of trust. Therefore, the above mentioned advices of building trust, which are merely based on the research about the three influencing factors, should and could be expended and complemented by further studies on trust building in the future.

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