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MANAGING INTERNATIONAL PARTNER OPPORTUNISM – ROLES OF TRUST AND CULTURE IN INDONESIA

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Abstract

International partnering is an attractive internationalisation vehicle and one of the main concerns when managing international partnerships is opportunism. Opportunism is self-interest seeking behaviour which aims to gain benefit at the cost of the partner. In international partnerships the cultural differences complicate the management of the partnership and induce opportunistic behaviour.

This study aims to get a better insight of international opportunism and its management. There are both formal and relational governance mechanisms to curb opportunism, and in this paper the relational governance mechanism of trust is investigated, as previous research indicated trust to be the most efficient governance mechanism in international partnerships with high environmental uncertainty. Furthermore the impact of culture on opportunism and trust building were the main interests. These issues were studied in Western-Indonesian partnerships, the focus on managing Indonesian partner opportunism from the Western firm’s viewpoint.

This is a qualitative multiple case study, which aims to get a deeper understanding of the phenomenon of international partner opportunism. Data was obtained through semi-structured interviews with relevant representatives of the Western companies partnering with Indonesian firms. Data was coded and analysed accordingly.

It was found that for managing foreign partner opportunism in Indonesia relationship building and trust are essential factors. Relationship building requires a lot of socializing and rather informal business relationships. Cultural differences impact both opportunism and the building process of a trustful relationship notably. The main elements noted in the Indonesian culture were differences in values, communication style and mind-sets. These aspects affect and complicate the process of building trust and good quality relationship, besides affecting the level of opportunism. Managers should acknowledge these elements of cultural differences and find ways to mitigate their unfavourable effects.

This study contributes to research by offering a qualitative study on international opportunism and this way enriching the knowledge of the subject. Especially pointing out the critical elements of culture regarding opportunism and trust building truly enhances the current research. The contributions can be used to guide Western managers aiming to develop a partnership in South-East Asia.

Keywords
International partnerships, international opportunism, managing opportunism, trust, culture
1 INTRODUCTION

1.1 Introduction to the topic

International partnering is fundamental for companies that strive for continued growth and survival (Cavusgil et al. 1998) and internationalization vehicle is one of the main attractions for companies to form international partnerships (Kennedy & Keeney 2009). In this study concepts of partnerships and alliances or strategic alliances are assimilated. For instance Jakada (2014) lists as different types of alliances: contracts, limited partnerships, and general partnerships, corporate joint ventures, or less formal forms such as referral network. Cavusgil (1998) on the other hand lists as different types of international partnerships hiring a foreign distributor or agent (contract-based), licensee or franchisee co-operation or joint venture. These are examples of quite many studies that usually describe the different types of co-operation forms the same way, whether they are using the word partnership or alliance. Elmuti and Kathawala (2001) in their definition of the strategic alliance use the word partnership as follows: “strategic alliances are partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial”. Furthermore the fact that alliance members are usually referred as partners (see e.g. Das & Rahman 2010), advocates the viewpoint of seeing these two concepts as nearly synonyms. As described before, partnership can be either contract based, or equity based, and we understand both forms as a partnership. Thus in order to maintain clarity and uniformity, this paper constantly talks about partnerships, whether the original study discussed an alliance, supplier-manufacturer relationship, distributor agreement, interfirm relations etc., as all these are forms of partnerships.

One of the major challenges when managing international partnerships is managing opportunism (Cavusgil et al. 2004). The concept of opportunism originates from transaction cost economics (TCE) and Williamson’s (1975) ground-breaking work where he defines opportunism as “self-interest seeking with guile”. Opportunism can have various forms and express itself in many ways, such as lying, hiding information, cheating, stealing, and breaching contract clauses (Williamson 1975).
Concisely, opportunism means behavior which aims to seek benefit at the expense of the partner (Das 2004). Besides a partnership, opportunism can appear within one organization or e.g. in a multinational enterprise between the subsidiaries and headquarters (Wathne & Heide 2000), but this study concentrates on opportunism in a partnership between two companies.

Organizations should have strong incentives to protect themselves against partner opportunism (Carson et al. 2005). There are two types of governance mechanisms that can be referred to as formal and relational governance mechanisms (Wu et al. 2007). Formal and relational governance mechanisms can work as complements (Poppo & Zenger 2002), and probably for each partnership a situational customized set of governance mechanisms works the best. Forms of relational governances studied include socialization (Wathne & Heide 2000), relational norms (Joshi & Arnold 1997), benevolent governance (Anselmi & Marquardt 2000), trust (see e.g. Cavusgil et al. 2004), commitment (Bianchi & Saleh 2010, Liu et al. 2010), goal interdependence (Wu & Tjosvold 2010), knowledge sharing (Wu et al. 2007), quality information sharing (Wang et al. 2014), participatory decision making (Das 2005), and staffing and training (Das 2005). Previously formal and relational mechanisms were treated as substitutes but more recent research (see e.g. Poppo & Zenger 2000) has acknowledged that these mechanisms can be complementary.

From the governance mechanisms trust has been stated to be the most efficient mechanism for curbing opportunism in international partnerships and especially when the legal institutions are unstable (Cavusgil et al. 2004, Wu et al. 2007). Cavusgil et al. (2004) and Wu et al. (2007) define trust as confidence or belief that the exchange partners have on each other’s benevolence and credibility. Nooteboom (1996) refers to these two dimensions (benevolence and credibility) as goodwill trust and competence trust, goodwill trust referring to partner’s intentions to perform according the agreement and competence trust on their ability to do so. Opportunism and trust are indeed unquestionably interconnected; trust towards the partner firm is highly impacted by the perception of partner opportunism (Wathne & Heide 2000, Cavusgil et al. 2004, Chung & Jin 2011). Opportunism affects negatively trust (see e.g. Mysen et al. 2011) and a trustful relationship can reduce opportunism (see e.g.
Wathne & Heide 2000, Poppo & Zenger 2002). Therefore it is justified to treat trust as a relational governance mechanism for managing the partnership and curbing opportunism (see e.g. Burket et al. 2012).

In international partnerships culture plays a significant role. Accepted level of opportunism and opportunistic tendencies can vary by culture (Johnson et al. 1996). Cultural differences can increase opportunistic behaviour and the perception of opportunism may be different (Wu et al. 2007, Luo 2007). Cultural differences can lead to misunderstandings and hinder communication and this way provoke opportunism (Das & Rahman 2010). Furthermore cultural differences hamper the process of building trust (Katsikeas et al. 2009), and lack of trust may induce opportunism.

When companies seek to internationalize though international partnerships, opportunism is a real risk that needs to be taken into account. The consequences of opportunistic behaviour are severe: opportunism can reduce system performance (Joshi & Arnold 1997), harm trust (Luo 2007), discourage commitment (Wang & Yang 2013), increase costs (Anselmi & Marquardt 2000) and even terminate the partnership (Das 2005). Therefore in order to develop a sustainable partnership with a foreign partner with an aim to generate profit for both partners and capture all the possible value from the market, focal firm really needs to consider best ways to prevent opportunistic actions on behalf of their foreign partner.

1.2 The purpose of the study and research questions

There are only a few papers studying international opportunism (Cavusgil et al. 2004, Luo et al. 2007). Coherently, Mysen et al. (2011) ask for a study on opportunism that includes different countries, instead studying a domestic partnership. Furthermore, Das (2004) calls for future research of opportunism to link different cultural dimensions, as cultural differences might manifest certain types of opportunistic behaviour. Bianchi and Saleh (2010) studied trust and commitment in two developing countries, Chile and Bangladesh. They suggest for future research to explore other developing country contexts, such as South-East Asia. Additionally,
Athanasopoulou (2009) encourages researches to study different dimensions of relationship quality in a multicountry study in order to explore how culture and environment affect the development of long and lasting relationships. Gray (2010) also calls for a research investigating business relationships with the important variable of culture, and how for example the Asian collectivism affects international partnerships. Chung and Jin (2011) call for study that would investigate the relationship of opportunism within the in-group vs. out-group context. Furthermore, as mentioned earlier that trust can be an efficient foreign partner opportunism governance mechanism (Cavusgil et al. 2004), but cultural differences complicate the development of trust (Katsikeas et al. 2009) thus aiming to understand the deeper reasons behind this is highly relevant. This study wishes to fill these research gaps and aims to understand opportunism management when partnering with Indonesian companies and the roles of trust as a governance mechanism and culture’s impact on opportunism and trust building.

Additionally, I have noticed that nearly all the studies regarding opportunism are quantitative studies. Therefore this study wants to fill this research gap and provide insight to opportunism as a phenomenon by digging deeper with an in-depth multiple case study; as Chung and Jin (2011) suggested a study that would use a qualitative approach when studying opportunism. Quantitative research is limited to a certain number of variables and cause and effect relationship. Due to the limited number of variables that are removed from the real life context, quantitative research is not able explain the reasoning behind the cause and effect relationships and it generalizes too much. Thus, quantitative research fails to provide rich and contextual data of the phenomenon. So far as the majority of research regarding opportunism is quantitative, the phenomenon requires further exploring and explaining. With a qualitative research that is based on personal experience we can get a holistic view of opportunism and how it affects the daily life and the business relationship with the partner. The aim is to truly understand what are the relevant elements and why for managing opportunism.

Indonesia is an emerging market with a high potential of growing. It is the world’s fourth most populous country, and South-East Asia’s biggest economy, yet often
ignored in research. Generally studies with an Asian context are concentrated on
countries of China and Japan. There are certain characteristics for doing business in
Asia; for instance due to in-group preference of collectivist cultures, opportunism
can be a major obstacle for business in Asia (Wu & Tjusvold 2010). Therefore
studying foreign partner opportunism management in an Asian country; and
especially in Indonesia enriches notably the research.

In order to achieve these objectives of the study the following a research question
was formed:

*How to manage international partner opportunism?*

The three following sub-questions will facilitate answering the main research
question.

*What is international partner opportunism?*

*What kind of role trust plays when managing international opportunism?*

*How does culture impact opportunism and trust building?*

By addressing these questions this study will provide useful insight for Western
companies that seek to internationalize through partnerships to Asian markets. With
the results of this study the managers can assure to take in account all they key
elements required in order to develop a sustainable partnership with a minimum
amount of opportunistic behaviour on the behalf of their foreign partner.
Academically this study contributes by providing a deeper understanding of
opportunism as a phenomenon and about the multifaceted impact of culture on
opportunism and trust building.
1.3 Research methodology

This study is a qualitative multiple case study in order to provide a deeper understanding of the phenomenon with rich data. Qualitative research was chosen as the aim is to understand the phenomena and gain insights (Ghauri & Gronhaug 2005: 110), with a study that is exploratory in nature (Mason 1996: 3). Case study is justified as it is a preferred method when “why” and “how” questions need to be answered (Yin 1994: 5).

Data was collected through semi structured theme interviews. Interviewing is one of the most important sources of case study information (Yin 1994: 84). Theme interview assumes that all experiences, thoughts, beliefs and feelings of an individual can be interviewed structured by relevant themes instead of specific questions (Hirsjärvi & Hurme 2010: 25). The interviews were conducted with key personnel from the Western company regarding the partnership. The interviewees were either the entrepreneurs and co-founders or the manager of the Indonesian subsidiary. These persons were chosen as they have the best insight concerning the partnerships.

Data analysis was started by transcribing and coding the data according the themes, as the Ghauri (2004) implies being the principal technique used for qualitative data analysis. Mainly the themes for coding arose from the theory, but a new theme as well emerged from data to be relevant. The analysis was supported besides the data with the researcher’s own experience and observations of Indonesian culture.

1.4 Structure of the paper

This study starts with a literature review: firstly representing shortly the concept of international partnerships consequently connected with opportunism. Opportunism as a concept and its origins are described and then opportunism management literature is reviewed. This is followed by chapters concentrating on trust, a relational governance mechanism of opportunism, and then studies on effect of culture on opportunism and trust building. The literature review ends with a theoretical
framework based on the literature, which connects the main concepts of culture and trust for managing opportunism.

After that the methodology is presented. Methodology is followed by the presentation of the case studies, their results and analysis, also connecting the results to current studies. By the end of the chapter, the framework is updated according the results of the case studies. This papers ends with final remarks, where conclusions are portrayed besides theoretical contributions, future research suggestions, limitations of the study and managerial implications. The chapter managerial implications is believed to be truly relevant and compelling information for those interested in expanding their business to Indonesia.
2 INTERNATIONAL PARTNER OPPORTUNISM

2.1 Characterizing international partnerships

International partnering is fundamental for companies that strive for continued growth and survival (Cavusgil et al. 1998). Partnerships can be equity partnerships, where both parties own a part of equity of the newly formed company, and often the ownership percentage is not equal. Non-equity partnerships often are contract based and there are no equity shares. They can be licensing agreements, distribution agreements and supply contracts for instance. Third type and most rigorous and unified form of a partnership is a joint venture, where a single entity is created for a certain project by two or more parties. (Jakada 2014.) The level of engagement in the partnership depends also on the type of partnership; for instance IJV case typically involves higher level of commitment and more frequent interactions between the partners than buyer-supplier relationship (Zhou & Xu 2012).

As mentioned, international partnering is essential for companies in their pursuit of continuous growth and survival. Businesses are increasingly opting for international partnerships, as in the world economy of today there are few companies that survive on their own. Through cooperation the firms can concentrate on what they do best, and achieve greater operational efficiencies (see e.g. Cavusgil 1998). Motivations for partnering can be varying; product knowledge, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, intellectual property, geographic expansion, or other synergies can be provided by partner (Jakada 2014). Kennedy and Keeney (2009) state that in many cases partnerships are initiated in order to gain firm synergy, reputation and creditability advantage. Mehta et al. (2006) highlight the difficulty of operating alone and aiming for excellent performance with all the multiple international business functions. Elmuti and Kathawala (2001) also point out the time-restrictions that companies have in today's fast-paced world economy, therefore highlighting the attractiveness of partnering as a foreign entry mode, meaning that with limited time and resources especially small firms are not simply capable of conquering foreign markets one by one by establishing their operations there on their own.
Companies tend to internationalize because they are seeking growth or expansion (Jakada 2014) and with an international partner the internationalization process can be facilitated. Certainly, foreign market entry or internationalization vehicle is one of the main attractions for companies to form international partnerships (Kennedy & Keeney 2009). Partnership with an international company can make the expansion to unknown markets a lot easier, less stressful and with reduced risk (Cavusgil 1998, Elmuti & Kathawala 2001) and offers a form to bypass the traditional entry channels in order to accelerate the firm’s sales cycles (Kennedy & Keeney 2009). A local partner in the foreign market can also provide specific market expertise, help firms to overcome entry barriers and to exploit partner’s competitive advantages (Cavusgil 1998). Cross-national channel partnerships are definitely on the rise and the cultural differences bring their additional issues (Mehta et al. 2010).

Developing and managing a successful international partnership is not an easy task; the failure rate is remarkably high. Therefore it is crucial for companies to pursue a systematic process in forming and operating successful international partnerships. This starts with analyzing feasibly entry modes and screening future partners. A casual approach to partnering will most likely lead to failure. Critical factors for the success of the international partnership include acknowledgment of cultural differences, development of trust and commitment, selection of compatible and complementary partners, and the contribution to value in the foreign market in order to gain sustainable position. (Cavusgil et al. 1998.)

Several researches have studied different aspects of international partnerships or alliances, and the factors which may contribute to success. Niesten and Jolink (2015) gather in their review that crucial dimensions for partnership performance include information and knowledge sharing, shared partner understanding and a focus on collective objectives. They state that systematic alliance management capabilities, meaning capturing, sharing and storing knowledge regarding alliance management and applying this knowledge in future alliances, has a positive effective on partnership attributes (Niesten & Jolink 2015). Further recent study topics regarding international partnerships include: managing conflict between international distribution channel partners (Mehta et al 2010), controlling knowledge flows
(Jordan 2004), innovation (Collinson & Narula 2014), international R&D partnerships (Eng & Ozdemir 2014), psychic distance and other cultural aspects (Griffith & Dimitrova 2014), besides widely studied cross-cultural management issues (see e.g. Mehta et al. 2010), to name a few. Additionally, partnership opportunism is one of the elementary concerns in international partnership management (Li 2008). Partnerships are ever interesting studying field as they tend to fail at remarkably high rates, and often it can be caused by opportunistic behaviour (Das 2005).

2.2 Opportunism in a partnership

Opportunism is a compelling and multifaceted phenomenon which keeps offering intriguing angles for research. International partnerships are growingly common and a vehicle of internationalization for many companies, and opportunism should not be disregarded. One of the major challenges when managing international relationships is to minimize opportunism (Cavusgil et al. 2004) and there may be higher levels of opportunistic behaviour in international partnerships especially the greater the interparty cultural distance is (Luo 2007). In international partnerships the host partner is especially prone to foreign partner opportunism, as they possess valuable local know-how and resource advantages (e.g. local networks), and cultural distance can increase the tendency of foreign partner opportunism (Wu et al. 2007). Thus it is highly important for managers to understand the complexity of opportunism and different ways of curbing it.

The concept of opportunism has its origins in transaction cost economics and the assumption of opportunism is considered to a central element of TCE (see e.g. Hawkins et al. 2008, Verbeke & Greidanus 2009). Opportunism is not a really favourable view of human nature, but rather an unflattering behavioural assumption (Williamson 1993). Father of opportunism, Williamson (1975) defines opportunism as “self-interest seeking with guile”. He further describes opportunism as troublesome behaviour – failing to tell the whole truth, lying, cheating, stealing and deliberate violation of agreements or actual contract breaches. “Human agents are not fully trustworthy” (Williamson 1993). John (1984) further points out the essence
of opportunism being the element of deceit included. Thus TCE fundamentally assumes that people will take an advantage of a situation if that is not impeded by the market (Li 2008). According to the TCE logic “human beings will behave opportunistically whenever such behaviour is feasible and profitable” (John 1984). Seeking self-interest alone, might not lead to opportunism if the goals of both parties are in alignment, therefore the self-interest seeking benefits the other party’s interests as well (Wu & Tjosvold 2010). Joshi and Arnold (1997) further specify that opportunism is distinguished from merely acting based on self-interest due to the fact that intentions and objectives are hidden from the partner, and opportunism is likely to surface when high probability of success from opportunistic behaviour is expected. Das (2004) succinctly describes opportunism as seeking gain at the expense of the other party. In this study we are in alignment with Das (2004), seeing any action or lack of actions that are made in order to gain advantage at the cost of the international partner as opportunistic actions.

Opportunism is a crucial element when studying and managing any type of partnerships or co-operation between firms or within an organization. Pivotal problems of economic organization might not be misunderstood if opportunism is overlooked. (Williamson 1993.) Opportunism is a complex phenomenon that still needs further exploring (Wathne & Heide 2000, Hawkings et al. 2008, Wang et al. 2013). There is a still a lack of an all compassing theory for opportunism and opportunism can be considered “as a variable to be explained rather than a fixed or exogenous condition” (Wang et al. 2013). It can be said that in partnerships opportunism is unavoidable; therefore managing opportunistic behaviour is a crucial research topic (Chung & Jin 2011) and one of the main reasons for partnership dissolutions is opportunistic behaviour of the partners (Das 2004).

Opportunism can seriously damage an international partnership or even terminate it. Joshi and Arnold (1997) conclude from research on opportunism consequences reduced system performance, reduced satisfaction and commitment, and its negative effects on trust. Wang and Yang (2013) comply and state that opportunism affects commitment which can be seen as a major moderating construct between inter-firm opportunism and further consequences can be negative effects on trust, overall
satisfaction and functional conflict. As opportunism harms trust and confidence building, it discourages repeated commitment (Luo 2007). Besides opportunism can be very expensive. Opportunism has the tendency to increase coordination costs and thus decrease system efficiency (Anselmi & Marquardt 2000, Luo 2007). Opportunistic behaviour creates transaction costs as in screening, monitoring, negotiating etc. (Das 2004). Opportunism can critically damage company performance – depending on variable factors profit loss due to opportunism can vary from 3 % until 50 % (Biggiero & Sevi 2009). Das (2005) states that the threat of opportunistic behaviours hinders trust and confidences and collaborative efforts and can eventually lead to partnership termination.

Regarding the serious damages opportunism can cause, it is crucial to know how to manage opportunism. For managing opportunism it is also relevant to know the conditions or triggers which may lead to opportunistic behaviour. John (1984) highlights the circumstances and states that opportunism can be viewed as an endogenous variable that is provoked by certain antecedents, rather than being an intrinsic feature of all human beings. Das (2004) on the other hand points out that especially in situation of partnerships, there is a presence of intrinsic instability, and this instability can provide ground for opportunistic behaviour.

Hawkins et al. (2008) conclude in their review on opportunism some of the main antecedents for opportunism being dependence and uncertainty. Furthermore, especially in the case of this study the impact of cultural distance cannot be ignored. Wang and Yang (2013) indicate in their review of opportunism antecedents that cultural sensitivity has the second largest impact on opportunism. If the premise for the partnership is a situation where partners are not familiar with each other’s policies, cultures and practices, it may create opportunism. Greater interparty cultural distance tends to induce inclination to opportunism by both parties. (Luo 2007.)

Dependence usually derives from transaction specific assets, which according to TCE logic is one of the main drivers for opportunism (see e.g. Carson et al. 2005, Crosno & Dahlstrom 2008). Transaction specific asset (TSA) is a non-transferable investment the utility of which is limited only to the specific relationship in question
(Hawkins et al. 2008). When one party is not capable of leaving the partnership without significant economic losses, it creates a lock-in situation for that party (Wathne & Heide 2000).

Uncertainty is among the core antecedents for opportunism, concluding from opportunism literature and especially TCE logic (see e.g. Crosno & Dahlstrom 2008, Hawkins et al. 2008, Wang & Yang 2013). According to transaction costs economics uncertainty can refer to two forms of uncertainty; environmental uncertainty and behavioural uncertainty (Crosno & Dahlstrom 2008, Hawkins et al. 2008). Environmental uncertainty, which can be also referred to as volatility, indicates the unpredictability and rate of change in the environmental state over time. Behavioural uncertainty is referred as ambiguity which is described as “barriers of the accurate perception of conditions and events” (Carson et al. 2005). Especially in foreign markets the factor of uncertainty is understandably high.

2.3 Managing international opportunism

Opportunism is something that should not be ignored or suppressed. All else being equal, organizations have strong incentives to protect themselves against partner opportunism (Carson et al. 2005). According TCE logic, the core is finding a balance of control mechanisms to manage opportunism in a way that those costs don’t exceed the partner switching costs. The overall goal is to minimize governance costs (see e.g. Stump & Heide 1996). Williamson (1993) advises also basing on TCE logic, that parties should not contract in a naïve way and opportunism should be mitigated in cost-effective ways. Cost-effective safeguards of opportunism should be arranged already before engaging in exchange. Opportunism should be faced candidly instead of suppressing it – one should find mechanisms lead to giving and receiving credible commitment in order to mitigate opportunism. Suppressing the issue invites contractual naiveté and remediable error. (Williamson, 1993.)

Wu et al. (2007) on the other hand point out that is not about just controlling transaction costs, but rather finding the maximum value creation capacity in the foreign market. Verbeke & Greidanus (2009) highlight one should implement
situational control elements for opportunism instead of heavily investing and preparing for the worst case scenario as a basis – meaning full *ex ante* opportunism avoidance and *ex post* mitigating systems.

For curbing opportunism governance mechanisms which are safeguards for controlling inter-firm exchange and mitigating opportunism can be used (Wathne & Heide 2000). There are two types of governance mechanisms that can be referred to as formal and relational governance mechanisms (Wu et al. 2007), economic exchange logic and social exchange logic (Luo 2007), or formal and informal (Miller 2011). Formal governance methods can mean contracting (Wu et al. 2007), monitoring and incentives (Wathne & Heide 2000), investment and equity tactics (Vazquez et al. 2007), partnership governance structure (Das 2005), and mutual hostages (Das 2005). Relational governance in general means “enforcement of obligations, promises and expectations occurs through social processes that promote norms of flexibility, solidarity and information exchange”. Relational governance is usually accompanied by expectation of continuity, and it promotes a bilateral approach to problem solving and encourages creating commitment. Trust is embedded in the relational governance and is the requisite norm for a cooperative relationship. Familiarity and developed personal relationships are necessary for relationally governed exchanges. (Poppo & Zenger 2002.) Forms of relational governances studied include socialization (Wathne & Heide 2000), relational norms (Joshi & Arnold 1997), benevolent governance (Anselmi & Marquardt 2000), trust (see e.g. Cavusgil et al. 2004), commitment (Bianchi & Saleh, 2010, Liu et al. 2010), goal interdependence (Wu & Tjosvold 2010), knowledge sharing (Wu et al. 2007), quality information sharing (Wang et al. 2014), participatory decision making (Das 2005), and staffing and training (Das 2005).

Previously studies tended to treat social and economic mechanisms as substitutes rather than complements, but there is a growing amount of studies which advises to combine these mechanisms and use them as complements (Zhou & Xu 2012). Poppo and Zenger’s (2002) results show that contracts and relational governance work as complements instead of alternatives, and managers tend to employ greater levels of relational norms as the contacts grow increasingly customized. Barry et al. (2008)
conclude on their study on business to business relations that both social factors and economic factors influence the strength of the relationship. Furthermore Luo (2007) created an anti-opportunism framework for international exchange and they highlight the centricity of simultaneously using both economic and social mechanisms for curbing opportunism. Nevertheless Zhou and Xu (2012) point out that managers should decide wisely which mechanisms to combine as some of the relational and formal mechanisms can undermine the effect of each other. They found in their study that relational governance combined with centralized control actually increases opportunism (Zhou & Xu 2012). Creating a trustful relationship and conducing rigorous monitoring with centralized control simultaneously can imaginable be difficult. On the other hand, especially in the emerging market context relational governance was found to support contracting and this way curb opportunism, as the weak legal institutions themselves don’t provide an obligation to stick to the contractual agreements, the social obligations step in as an assurance for the execution of contracts (Zhou & Xu 2012). In this study it is acknowledged that depending on each partnership the situation should be strategically analysed and a right set of mechanisms chosen from both formal and relational governance mechanisms are in order to develop a sustainable partnership, but due to limitations of one study this paper concentrates on relational governance mechanism of trust. Table 1 gathers the main formal and relational governance mechanisms for managing opportunism.

<table>
<thead>
<tr>
<th>Formal governance mechanisms</th>
<th>Relational governance mechanisms</th>
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<tbody>
<tr>
<td>Contracting (see. e.g. Wu et al. 2007)</td>
<td>Trust (see e.g. Cavusgil et al. 2004)</td>
</tr>
<tr>
<td>Monitoring (Wathne &amp; Heide 2000)</td>
<td>Commitment (Bianchi &amp; Saleh 2010)</td>
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<tr>
<td>Incentives (Wathne &amp; Heide 2000)</td>
<td>Goal interdependence (Wu &amp; Tjosvold 2010)</td>
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<td>Investment &amp; Equity tactics (Vazquez et al. 2007)</td>
<td>Knowledge sharing (Wu et al. 2007)</td>
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<td>Partnership governance structure (Das 2005)</td>
<td>Quality information sharing (Wang et al. 2014)</td>
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<td></td>
<td>Participatory decision making (Das 2005)</td>
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Table 1. Formal and relational governance mechanisms
2.3.1 Trust as a governance mechanism

Concept of trust is subtle, diffuse and elusive (Nooeboom 1996). Cavusgil et al. (2004) and Wu et al. (2007) define trust as confidence or belief that the exchange partners have on each other’s benevolence and credibility. The first dimension refers to the belief that each party will implement actions in the pursuit of joint gains (benevolence) and neither one seek to exploit each other’s vulnerabilities, and the second dimension represents the credibility of the partner regarding their capacity to perform tasks effectively and reliably (Wu et al. 2007). Nooteboom (1996) refers to these two dimensions as goodwill trust and competence trust, competence trust referring to partner’s ability to perform according the agreement, and goodwill trust on their intentions to do so. Trust can be associated with non-egoistic sources of cooperation, and loyalty toward partner due to ethics or bonds instead of material self-interest. A firm’s trustworthiness can be associated with its ethics and behavioural routines which are part of organization’s culture. (Nooeboom 1996). Furthermore interpersonal relationships are key drives for a trustful partnership; managers should develop them and maintain interpersonal relationships at different levels, which can be transferred to interorganizational trust (Wang et al. 2014). Nooteboom (1996) on the other hand point out the risk of personnel turnover when there are too strong personal ties. However, trust need to be built up and this requires familiarity and mutual understanding, hence it may require some time. Transaction relationships based on trust economize on monitoring costs and provides greater flexibility (Nooeboom 1996).

Marketing research generally describes trust as an elementary part of a quality business relationship; furthermore trust improves partner performance (Bianchi & Saleh 2010). Trust is one of the most quoted determinants for relationship quality (Athanasopoulou 2009) and one of the two key dimensions in international exchanges (Bianchi & Saleh 2010). Caceres and Paparoidamis (2007) conclude that trust is one of the main dimensions of relationship quality and state that it is advisable to invest in relationships which are based on trust as it is beneficial for the focal firm. Furthermore Barry et al. (2008) conclude from various studies that
relationships that are characterized by trust are so highly valued and lead to desire to commit to the relationship by the parties.

TCE logic on the other hand treats trust as calculateviness capacity, a tactic, that agents will only rely to as long as the benefits of trusting relationship are bigger than the benefits of opportunism. In the occasion of trusting relationship’s costs surpassing the benefits, according to TCE logic the agent would switch to opportunistic behaviour in order to minimize costs and get the best benefit for themselves (Biggier & Sevi 2009, Wu & Tjusvold 2010). Williamson (1993) has a stricter view and states that concept of trust should not be treated with calculative terms and it should be left out of the study of commercial transactions entirely – according to him trust as a concept is diffused and fuzzy which causes confusion. “A true non-self-interest and trust do not exist in partnerships” (Williamson 1993). He advises that one should not allow ‘user-friendly terms like promise and trust’ to disguise the unbiased components of the agreement. Verbeke and Greidanus (2009) support this view and state that dealing with trust as a mechanism to curb opportunism is highly insufficient, as trust may lower the alertness of alliance partners when responding to environmental change. They claim that trust may even induce systematic biases and strategic blindness (Verbeke & Greidanus, 2009).

Various studies connect trust and opportunism. According to Williamson (1993) trust is strongly related with opportunism, and it can be treated as an antonym for opportunism. Generally there has been widely proven to be an undeniable link between trust and opportunism; focal firm’s trust towards their partner is governed by their perception of the other party’s opportunistic behaviour (Wathne & Heide 2000, Cavusgil et al. 2004, Chung & Jin 2011). Furthermore Luo (2007) points out the recognizable fact that opportunistic behaviour is damaging to trust building. Mysen et al. (2011) conclude that opportunism is negatively associated with trust. Katsikeas et al. (2009) consistently found in their empirical research that opportunism harms the level of trust. Damaging trust is not beneficial, as trust is crucial for long-term successful partnership (Athanasopoulou 2009). Nevertheless, there is no commonly accepted consensus nor for exact definitions neither connection between trust and opportunism. Katsikeas et al. (2009) conjointly wonder
what the exact relationship between trust and opportunism is; as yet to date there is no single conclusion in research. They ponder whether they are two ends of one continuum, but they deduce from their data that this is probably not the case.

As there is a clear negative correlation proven between trust and opportunism, opportunism harming trust and trust reducing opportunism (see e.g. Wathne & Heide 2000, Mysen et al. 2011), trust can be seen as a relational governance mechanism for mitigating opportunism and it is treated as such by various studies (see e.g. Cavusgil et al. 2004, Wu et al. 2007, Burket et al. 2012). Burket et al. (2012) study partnership governance mechanisms in domestic and international partnerships and list trust as one of the five governance mechanisms researched. Grzeskowiak and Al-Khatib (2009) state that the more a firm sees their partner as trustworthy, the less deceitful opportunistic tactics they will employ. Wang et al. (2014) found that trust enhances the quality of information shared, which consequently reduces opportunism. Wathne and Heide (2000) stated that trust is the most potent mechanism for the management of opportunism. Consequently of three different governance mechanisms studied, trust, knowledge sharing and contracting, in an international partnership Wu et al. (2007) implied that trust seems to be the only effective way to curb foreign partner opportunism. Cavusgil et al. (2004) studied the effectiveness of contracting and trust in curbing opportunism and found that trust seemed to be the more effective tool, and in a case of legal hostile environment, the only significant mechanism that can be used to curb opportunism.

Relational governance is crucial in international partnerships where physical distance, cultural barriers, different legal and political systems complicate the partner interaction (Cavusgil et al. 2004). Establishing trust in international partnerships can be especially difficult, but it is crucial for a successful outcome. Katsikeas et al. (2009) note that due to cultural and psychic distances and added levels of uncertainty, building trust in a cross-national partnership is difficult. Burket et al. (2012) found in their research that levels of trust are lower in international partnerships compared to domestic ones and they advise managers managing international partnerships to invest more strongly in trust-building activities. Despite the difficulties of establishing trust with foreign partners, a trusting relationship is
crucial for the focal firm in order to gain local market competence and full potential of value creation from the partnership (Wu et al. 2007). Zhou and Xu (2012) studied opportunism in China and stated that especially in an emerging market context, where legal institutions are weak and consequently contracts per se may be ineffective and unreliable, the relational governance, such as trust can serve as a solution and provide an assurance for the execution of contract terms. Furthermore Barry et al. (2008) conclude from B2B relationship research that social orientation seems to have more its place in family orientated societies that characterize Asia among others. Thus studying trust as a governance method in the case of Indonesia is highly relevant. Furthermore as stated before, trust further remains as an ambiguous concept without a general accepted consensus on its effectiveness when managing opportunism it is imperative to further study the effect of trust in managing international opportunism.

2.3.2 Impact of culture

Culture is the “collective programming of human mind that distinguishes the members of one human group from those of another” and this way presents a system of collectively held values (Hofstede, 1981). Hofstede (1983) offers four dimensions as a framework for defining and differentiating cultural aspects and developing cross-cultural organizational studies: power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity. In this study we will pay special attention to the dimension of individualism versus collectivism aspect, which represents the most evident difference between Asian and Western European and Anglo countries (Hofstede 2007.) Indonesia presents one of the most collectivist cultures of Hofstede’s (1983) ground breaking study. He lists some of the collectivist cultures features as collectivity orientation, identity based on social system, private life invaded by clans to which one belongs and opinions are predetermined, belief in group decisions and value standards differ in for in-groups and out-groups (Hofstede 1983). Further Hofstede (2007) simplifies collectivism as “a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout their lifetime continue to protect them, in exchange for unquestioning loyalty”.
Cultural differences and their effects are undeniably relevant issues for any kind of cross-border business relationship (Johnson et al. 1996, Barry et al. 2008). National culture plays an important role in the effectiveness of different governance mechanisms of opportunism; therefore managers should fully consider the norms and values of their partner firm’s country (Handley & Angst 2014). Cultural differences can lead to misunderstandings and might hinder communication and provoke opportunism (Das & Rahman 2010). According to Handley & Angst (2014) outsourcing across national boundaries provides a complex environment for doing business and can be prone to governance mistakes which are ineffective to mitigate opportunistic behaviour. Furthermore different countries have different point of view on managing business relationship and opportunism. The level of opportunism that is accepted and even opportunistic tendencies can vary by culture (Johnson et al. 1996). The cultural differences can also increase the risk of opportunism. Luo (2007) states that the higher the cultural distance is, the higher the level of opportunistic behaviour can be and consequently Wu et al. (2009) found that cultural distance can increase the tendency of foreign partner opportunism. Therefore it is relevant to study how the obstacle of opportunism can be managed and trustful relationship created regardless of grand cultural differences. The cultural distance between partners is a highly important dimension for the quality of the interorganizational relationship and the culture of the foreign partner has a great impact on their opportunistic tendencies and the effectiveness of the governance mechanisms used to curb opportunism (Handley & Angst 2012).

According to Bianchi and Saleh (2010) cultural similarity helps to build trust in a partnership. So when the cultural distance gets bigger, it gets more complicated. People from collectivist cultures will more strongly identify themselves as member of a group and make a clear distinction between with in-group and out-group and trusting an out-group member can be complicated (Chen et al. 2002, Chung & Jin 2011). For Western individualist cultures trust is usually a positive outcome of a successful continuous exchange relationship. On the other hand for collectivists the atmosphere of trust can be intrinsic in the beginning of the partnership and opportunism suppressed right from the start if both parties are members of the same in-group as within an in-group the members are expected to be trustworthy towards
each other, otherwise they will lose face (Chung & Jin 2011). Chen et al. (2002) comply and state that collectivists impose greater moral obligations to their in-group members than the outsiders. Huff and Kelley (2003) further confirms the fact that collectivist cultures tend to trust their external partners less due the fact that collectivist cultures are biased against out-groups.

Contractual governance mechanism for curbing opportunism might even increase opportunistic tendencies when conducted in a collectivist culture. Handley and Angst (2012) state that people from collectivist culture tend to respond more favourably to social and cooperative nature of relational governance; thus relational governance is more effective at mitigating partner opportunism in collectivist cultures on the contrary to individualist cultures, where contractual governance is effective for curbing opportunism. One possible explanation is that in a collectivist culture, being asked to apply strong incentive-based contracts is contrary to their societal norms and can be perceived as injustice and this may even increase the probability of opportunistic behaviour (Handley & Angst, 2012). Consistently Cavusgil et al. (2004) highlight the fact that relational governance is indeed crucial in the international channels. This supports the choice of trust as a governance mechanism of opportunism for this study, as Indonesia presents a collectivist culture. As Indonesia represents a collectivist culture, studying a relational governance mechanism of trust is relevant as proved.

2.4 Managing international partner opportunism through trust

From the existing research was concluded a model (Figure 1) to depict the relationship and interaction of the main theoretical building blocks. Trust affects the level of the foreign partner opportunism: the more trustful relationship, the less opportunistic behaviour. Managers should put real effort and focus on developing a trustful and sustainable relationship with their foreign partner in order to minimize opportunism. Trust has two dimensions: how the partners trust each other’s capability to perform as required (competence) trust and their intentions to do so (goodwill trust). Both are relevant for opportunism but goodwill trust plays a more important role when it comes to interrelationship of trust and opportunism. On the
other hand opportunistic actions mutually and quite logically reduce the level of trust in the relationship.

Culture impacts opportunism in many ways. The perception of accepted level of opportunism is affected by the culture, as well as opportunistic behaviour. Foreign partner’s culture has great impact on their opportunistic behaviour and the effectiveness of the governance mechanism used to curb opportunism, this way affecting the level of foreign partner opportunism. Current research suggests that collectivism vs. individualism dimension is relevant aspect of the culture for opportunism and trust building. Furthermore the previous research proposes that relational governance mechanisms, such as trust work more efficiently in a collectivist culture, therefore the trust as a governance mechanism was chosen for this study.

Additionally cultural differences affect the process of building trust. People from similar cultures may find it easier to trust each other and cultural distance adds difficulties for building trust. Cultural differences additionally have an impact on the conception of trust, who or what kind of people are trusted, and what does it take to build a trustful relationship. Besides, cultural differences and misunderstandings can lead to opportunistic behaviour.
Figure 1. Trust governance of foreign partner opportunism
3 METHODOLOGY

3.1 Qualitative case study

This paper is a qualitative study. Qualitative research is grounded in the philosophical position which is ‘interpretivist’ in nature as it is concerned with how the social world is interpreted, understood, experienced or produced (Mason 1996: 4). Qualitative research approach was chosen as its key purpose is to understand and gain insights (Ghauri & Gronhaug 2005:109) and that is the goal of this study. Compared to quantitative form of analysis which is limited to a certain number of variables and this way removed from their ‘real life’ or social context, methods of qualitative data generation are flexible and sensitive to the social context. Instead of charting surface patterns or finding correlations as in quantitative research, the emphasis is on a holistic form of analysis and explanation. Qualitative research is indeed exploratory in nature. (Mason 1996:4.) This method was chosen in the aim get deeper understanding of the phenomena on the basis of rich and contextual data, which quantitative research fails to provide. If one strips the phenomenon from its context, the remaining variables fail to depict the real life phenomenon and reasoning behind the cause and effect relationships. Real life with its context is more complicated than a simple cause and effect relationship between variables and the context plays an important role.

This study started with a literature review and then theoretical framework was created. Previous research was reviewed in order to develop sharper and more insightful questions about the topic (Yin 1994: 14). Followed by an empirical part is presented, which is implemented as a multiple case study. The case study method was chosen as it is an empirical inquiry that investigates a contemporary phenomenon within its real-life context (Yin 1994: 9), therefore being able to describe a phenomenon, managing opportunism in international partnerships in this case, in an efficient way. This method serves the purpose excellently for this paper because case study is a preferred method when “how” or “why” questions need to be answered and when the researcher has little control over the events (Yin 1994:9), which is the case in this study. This is opposite to for example to experiment, where
researches deliberately separates a phenomenon from its real-life context and focuses on a few variables. In a case study the contextual conditions are covered as they are highly relevant to the phenomenon. (Yin 1994: 12-13.) In this study the context of an international partnership with an Indonesian company and the various nuances that come embedded with this context are indeed very pertinent for studying management of opportunism in this case. Furthermore case study is particularly useful in business studies, when the phenomenon that is being investigated is difficult to study outside its natural setting and when the concepts and variables under study are difficult to quantify (Ghauri & Gronhaug 2005:115-116).

3.2 Data collection

The criterion for the cases was that there would be a partnership between a Western company and an Indonesian company. As explained in the beginning, in this study we accept as a partnership also contract based agreements, such as supplier-manufacturer, exporter-importer or distributor agreements, and there is no need for shared equity. A dyadic study would have been ideal, but due to delicate topic of the study it resulted impossible to achieve and only the Western partner form these three partnerships was interviewed. Thus, the partner-based opportunism and its management were studied. Partner-based opportunism refers to the interviewees perceptions of opportunism of their partner (Crosno & Dahlstrom 2008). Self-reported opportunism on the other hand refers to the degree of opportunistic behaviour that the interviewee reports of themselves, which is naturally subject to bias (Crosno & Dahlstrom 2008). As the first preferred dyadic study resulted impossible to conduct, this study focuses on interviewee’s views on partner based opportunism and its management in order to reduce bias.

The method for collecting data was chosen to be interviewing, as interviewing is one of the most important sources of case study information (Yin 1994: 84). Furthermore, the ontological position of this study suggests that people’s knowledge, understandings, experience and interpretations are meaning insights of the social reality which the research questions are designed to explore (Mason 1996: 38-40.) The interview was implemented as a semi-structured theme interview. Theme
The interviews were conducted with key persons regarding each case’s partnership. From Company A the interviewee was the co-founder and entrepreneur, with the title CCO at the company and from Belgium nationality. Interviewee form Company B is also one of the founders and entrepreneurs of the company, the associate located in Jakarta and solely taking care of the partnership with their distributor. He is of Spanish nationality and titled as General Manager International Department. Interviewee from Company C is of Spanish nationality and his title is Project Manager. He is responsible of the Indonesian subsidiary which employs 4 persons at the moment.

The interviews with representatives from Companies B and C were conducted in Jakarta, Indonesia in November 2014. Both interviews were carried out in a cafeteria and they were recorded with an ASUS tablet. Interview with Company A was done through Skype in January 2015 and it was recorded with software called MP3 Skype recorder. The durations of all interviews were approximately 50 minutes. The topic of the interview was divided into themes according the literature review and research problem as followed: state of opportunism, management of opportunism, trust and impact of culture. The interviewer guided the interview through the themes with the
help of guiding questions, but in general the interview flowed rather like a conversation, mixing the different the themes.

3.3 Data analysis

The purpose of the analysis is to bring out elements from the data that are central for answering the research question. The interviews were transcribed and this way the data was organized in a conveniently accessible manner. Subsequently data was coded according into themes and finally represented in a discussion, as Ghauri (2004: 118-119) states as main technique used for qualitative data analysis. The results on each theme are represented in their own chapter, case by case. In the end of each chapter the results of each case are compared to each other; similarities and differences were searched. This kind of cross analysis is an essential part of a multiple case study (Yin 1994: 103).

Most of the themes that the data were coded into arose from the theory (trust, culture), and one emerged from the data itself and was noted to be relevant (values). Thus both priori deductive and emergent inductive coding was used. Some of the reasoning in the analysis is based besides the qualitative data from the interviews, on the researcher’s own experience and observation of Indonesian culture. The researcher spent a half year in Jakarta doing an internship with only Indonesian colleagues and travelling around Indonesia as well. She speaks some Indonesian and integrated pretty well even in a rather short period of time, and gained insight of the Indonesian culture to support the analysis.

3.4 Reliability and validity

A research’s creditability can be evaluated in terms of reliability and validity. With reliability one refers to the possibility of repeating the research. The objective is to make sure that if the steps of the research were followed by another person, equivalent results would be reached. The aim of reliability for the study is to minimize errors and biases. (Yin 1994: 36-37.) The reliability of this study can be seen to be solid. The interviews were recorded and transcribed precisely.
Subsequently the data was coded according the themes emerged from the theory. These themes which were the basis of the analysis are presented in the paper, and there are various quotations of the interview material to support the credibility of the analysis.

Validity means the study's competence of measuring the issue that it is supposed to measure (Hirsjärvi et al. 2004: 77). The interviewees were all key personnel regarding the partnership; from companies A and B the interviewees were entrepreneurs and from company C the one responsible of the office located in Jakarta. These persons were chosen as they have best insights on the partnership, which improves the validity of this research. Furthermore, a qualitative research and theme interviewing is a suitable method for studying the management of opportunism in international partnerships, as the research question starts with how (Yin 1994: 5). As the method chosen is correct for this type of study, it increases the validity. During the interview summoned statements and defining questions of the interviewee’s sayings were presented in order to confirm that the interviewer had interpreted the answers correctly.
4 WESTERN-INDONESIAN PARTNERSHIPS AND OPPORTUNISM

4.1 Case country

Indonesia is not definitely the easiest country to do business in. According to World Bank Group’s Doing Business report, Indonesia scores the 114th place out of 189 economies. Some basic essential processes score pretty poorly, like starting a business (155 out of 189 economies), paying taxes (160 out of 189) and enforcing contracts (172 out of 189). (World Bank Group 2014.)

Furthermore, corruption still plays an essential role in the business field in Indonesia. After decentralization of control the number of middlemen asking for bribes has increased and due to the fragmentation of the bribery system the uncertainty of bribing results has grown, which has resulted in more difficulties for firms adjusting to the complex economic conditions. (Kuncoro 2006.) Foreign business associations such as Japan Machinery Center for Trade raise frequently complaints of corruption and lack of transparency (Fukuoka 2012).

Nevertheless, Indonesia as Southeast Asia’s biggest economy in size with its around 250 million inhabitants is an attractive market to entry. The annual GDP growth during years 2010-2013 was on average 6.2 % compared to for example Finland’s 0.95 %, Germany’s 2.1 % and United States’ 2.25 %. Also the trend for poverty headcount ratio at national poverty lines is decreasing, from 14.2 % in 2009 to 11.4 % in 2013. (World Bank data.) The ASEAN Business Survey Outlook 2015 conducted by American Chamber of Commerce, Singapore and the US Chamber of Commerce, reveals that in the ASEAN region Indonesia remains the top destination of business expansion for US corporations despite the many challenges they face in the market (Jakarta Post 2014). As the positive growth figures attract foreign investors, and the proportion of international trade of Indonesia’s GDP is growing, there have been regulatory changes towards creating a more attractive business environment (Gray 2010).
There are very few studies on Indonesian business culture (Gray 2010, Wang 2010). The culture in Asia and Indonesia varies remarkably from Western countries, which consequently affects business culture and opportunism governance.

The Hofstede Individualism dimension depicts Indonesia as one of the strongest collectivist cultures in the world (Hofstede 1983). Gray (2010) describes a case of a Western manager who faced serious problems due to placing an individual commission system for the local sales team. This resulted in low motivation and reduced sales, as the commission structure was in disharmony with the Indonesian collectivist sense; the sales team preferred a team oriented sales structure. This collectivist orientation suggests that at negotiation contexts Indonesian negotiators would negotiate rather as a team and seek consensus within the team before taking any decisions. (Gray 2010.)

The concept of losing face is very predominant in Indonesia, like many other Asian countries. Indonesians are reluctant to admit to mistakes in public; and saying no directly is also not common. Indonesians don’t easily speak up what is really in their minds. The conversations and negotiations should be implemented in a highly tactful and technical way. Humble, friendly and hospitable attitude is favoured; peaceful tones and humble gestures are predominant. (Wang 2010.) Being strongly assertive or even aggressive would not be recommended when dealing with Indonesians, and Western negotiators are advised to prepare themselves for reading between the lines and understanding indirect and implicit communication. Furthermore Indonesians are very religious, and respect the cultural and religious values of negotiators (Gray 2010). It can be assumed they expect equal respect and tolerance towards their religious and cultural customs.

One should have patience when dealing with Indonesians. Arriving late to a meeting half an hour or more is absolutely normal and not excused are apologised for. Negotiations and decision making can also take a very long time. Furthermore Indonesians value friendship and long-term relationships, the building of which also takes time. (Wang 2010.) Nevertheless, what further complicates understanding of Indonesian business culture is the fact that there are more than 350 different ethnic
groups in the country, each with their varying behavioural differences, which affects the business relationships as well (Gray 2010). According to Gray (2010) understanding the local scripts and behaviours will benefit reaching a positive outcome for negotiations.

As stated before collectivist cultures tend to trust their external partners less due the fact that collectivist cultures are biased against out-groups (see e.g. Huff & Kelley 2003). As Indonesia among most Asian countries is a collectivist culture, due to this feature opportunism may be seen as a potential barrier to partnerships in Asian countries like Indonesia (Wu & Tjusvold 2010) and therefore it is crucial to study how to overcome this possible barrier.

4.2 Cases

The Western companies from the case partnerships will be referred as A, B and C. Understandably due to the delicate nature of the study all of them wished to stay anonymous. The companies present companies of different size, different industries and different types of partnerships; it was chosen this way in order to investigate whether there are some common features regardless of the company size, industry or type of partnership in order to get results that may be generalized for all partnerships with Indonesian companies. Each case refers to a partnership with an Indonesian company. Only the Western partners were interviewed.

Company A is digital performance company, a fast-growing start-up found in 2013 and employing 30 employees currently. The entrepreneurs at the office in Jakarta are of Danish and Belgium nationality. Company A provides services in the field of digital marketing; campaigns and optimization and strategic consultancy. They have a contractual service partnership with major e-commerce operator in Indonesia. The founder and CCO of Company A was interviewed for the study. In the state of the opportunism, they have had so far no cases of contracts being breached, or a feeling of their partner being dishonest, under delivering or hiding information and so on. They have had one pretty major obstacle in the relationship though, when their contact person from their partner company resigned from the firm. After the contact
person changed, all of sudden the partner company demanded different KPI’s (Key performance indicator) that they had agreed on with the first contact person and this caused naturally some issues.

Company B imports Spanish gourmet products from Spain to Indonesia; wines, extra virgin olive oils and gourmet foods. They have an office both in Spain and Jakarta, and the company consists of three associates. They have a contractual distribution and joint marketing agreement with a local company from the alcoholic beverages industry in Indonesia, and this case regarding Spanish beer and wine. Company B represents the wine cellars from Spain, besides organizing and implementing marketing activities in collaboration with the Indonesian distributor partner. Case company B feels that their relationship with their Indonesian distributor partner is based on mutual trust; and they don’t have an impression of them being dishonest or deceitful. Nevertheless, they had a similar case as the company A. After the contact person from their partner company changed, they were told that everything the current contract, everything they had agreed on after months of negotiation, had no validity furthermore and they had to start from the beginning.

Company C is a subsidiary of a Spanish company which was founded in 2010 in Spain. They operate in the renewable energy sector in developing countries, with 50 employees, 4 of them located at the subsidiary at Jakarta, Indonesia. Company C has a joint venture of equally shared equity with an Indonesian partner company. Company C provides all the technological engineering and know-how, and the Indonesian partner’s essential role is to provide all the contacts and networks, and do the lobbying. A project manager located in Jakarta (for how many years) was interviewed. They work in cooperation for public projects fund by the government. Company’s C view on their Indonesian partner is that they are highly opportunistic; there has been various issues regarding them breaching contracts and having to negotiate the joint venture agreement repeatedly, partner company negotiating supplier agreements behind Company C’s back. Overall they have a suspicion that their local partner merely aims at learning the technology from Company C, and abandon them in the future in order to continue alone the business in the renewable and solar energy market which has remarkable potential in Indonesia.
4.3 Managing Indonesian partner opportunism

Companies were asked their views on what they do in order to manage opportunism; it was one of this study’s interests as well to see what kinds of elements are seen most important without restricting the questions to a certain governance method. First they could tell how they handled the opportunistic actions as they came, and after that the interviewees could describe how they aim to prevent opportunistic actions in the future.

4.3.1 Handling opportunistic actions

For Company A, in the case of the contact person changing from their partner company, and all the KPI’s having to be negotiated again, there was not much be done besides having to invest all the time and resources needed again for negotiating the terms of the agreement repeatedly.

We had to put a lot of time and effort into it -- lot of meetings -- take them for a coffee and try to explain them -- you cannot just come back to us and be unhappy because something internally changed. (A)

Company B handled the occasion of the contact person changing in a similar way as company A. When the purchase manager changed and their partner company announced that all the matters agreed previously did not apply anymore; they were not really left with another choice than starting over and renegotiating everything from the beginning.

Above all you need to stay calm -- dedicate again all the time they want you to dedicate, get in contact with the new person and make them feel important. (B)

In company C’s case they perceive their partner as highly opportunistic; there has been cases of breaking clauses of the contract, having to renegotiate the joint venture agreement various times, and incidents of hidden negotiations for supplier agreements against the commonly agreed terms. Furthermore there is a suspicion that their Indonesian partner company will abandon them once they no longer need Company C. Apparently there might be a complex amount of reasons for their
partner companies wanting to purchase supplies from another provider that company C has suggested; and they are not based on terms of better quality or lower cost, but rather personal networks and preferences, or certain individual commissions offered by that supplier. When this happens, Company C feels all they can rely on is renegotiating and calmly explaining the matters; rebutting their partner’s arguments as Company C represents the experts in the joint venture. As they are operating in their foreign partner’s market, Company C feels like an underdog, who will always have to cede and avoid conflict or aggressive discussion at any cost, for two reasons: there is a risk of losing their partner, whom they need in order to succeed in the market and besides due to unstable legal system of Indonesia there is a high probability of defeat if going to the court.

*We try to negotiate and lose the minimum, but to this day we are the ones who will always have to give in. (C)*

Rotation of personnel is relatively high in Indonesia, and as such has caused problems for two of our tree cases; it may be deduced to be a risk of high probability when partnering with Indonesian partner companies. The way of handling a situation involving an opportunistic act was governed similarly by all the case companies. Companies A, B and C employed similar methods to deal with the situation: swallowing their anger and calmly accepting the situation, followed by implementing the process of negotiating all over again in order to close the agreements or negotiating for handling the issue. All the meetings and time needed were dedicated repeatedly.

4.3.2 Methods to curb opportunism

For curbing opportunism Company A highlighted the importance of a clear communication and guidelines, and thoroughly built contracts that leave no room for loopholes, which the local partner may try to take advantage of.

*You define everything very clearly so there is no room for interpretation because if you leave room for interpretation they will use that to their advantage. (A)*
Nevertheless they note that regardless of clear communication and contracts there is always a probability for changes as no contract is waterproof, and there is a high risk for people changing their minds. It can be very probable having to deal with changes in the agreement when partnering with an Indonesian company.

They like doing business with not so clear lines so they can always take advantage of that wiggle room (A)

Furthermore it seems that Company A protects themselves with risk management; they do not want to engage themselves into deals that would be a lifeline for them. Surely moreover the digital service industry enables that, as there is no need to buy costly machines in order to implement a project.

We basically haven’t been screwed over yet. It is also hard to screw us over because we are in a very asset light industry -- We also don’t close deals that are so huge and big that our lives depend on it. (A)

Company B finds best for managing opportunism to be able to take all the time needed, being in a hurry can be a road to catastrophe. They point out that the local legal system in Indonesia is highly unstable and cannot be counted on, thus the development of personal relationships is crucial, which is naturally a process that will take time.

The law will not help you much; it is not going to protect you. -- What you need to do is to develop a personal relationship. You need to have time and not be in a hurry to sell or invest in here. (B)

Due to the uncertainty of the environment and behavioural risk of the partner it is advisable to carry out risk management.

Try not to put all your eggs in one basket, have two or three partners, and diversify. (B)

For managing opportunism companies should make themselves valuable for their partner company; make themselves needed. As Company B puts it:

-- I have this feeling that they will not act dishonestly because they need us. (B)
Their Indonesian partner has been previously mainly dealing with beers and stronger liqueurs, but the wine market is yet unfamiliar for them. Therefore they need Company B to teach them about wines, help them with the marketing etc.

The interviewee from company C feels that there is not much they can do in order to impede these opportunistic actions (negotiating contracts surreptitiously, breaking contract clauses) from happening in the future, so all they rely is on tactics of handling each situation as they come up, as described previously.

It cannot be prevented. (C)

The only thing what they consciously do to protect themselves, is hiding the crucial information and know-how, as they feel that once their partner has learned enough from them, they will be abandoned. Therefore Company C takes all the possible means in order to keep the technological know-how to themselves.

The less they know about the total value that we add, better. If we share a lot of information with them, they will learn and know. --above all it is about protecting the know-how. (C)

Case Companies’ views on curbing future opportunistic actions were not quite united. Company A highlighted the importance of clear guidelines and contracts which would leave no room for interpretation. Companies A and B on the contrary both pointed out that contracts do not have much value in Indonesia, and they cannot be trusted as binding legal documents. To deal with this lack of binding legal documents, companies B and C had varying views: Company C highlighted the importance of protecting one’s own know-how and technological expertise. Company B on the other hand affirms that all you have left is to develop and nurture a good personal relationship with the representatives of the partner company in order to manage opportunism. As all of three companies have their emphasis on different opportunism government mechanisms, and they seem to be act a little bit ad hoc, reacting on situations as they come, it can be said that this supports Verbeke & Greidanus (2009) statement that situational control elements are recommended for managing opportunism. We agree with Zhou and Xu (2012) that especially in the emerging market context, relational governance is needed to support contracting due
to the weak legal institutions; this is definitely the case in Indonesia as well. Company B’s approach on protecting knowledge supports Wu et al. (2007) who state that “knowledge sharing does seem to escalate, rather than reduce, opportunism”. However, perhaps firms should more systematically develop mechanisms to prevent opportunism.

4.3.3 Governance through trust

From developing a personal relationship we come coherently to theme of trust, which is a lifeline for a good personal relationship in a partnership. Company A feels they level of trust is more or less adequate with their partner, from both sides. Nevertheless they feel a little more apprehensive when it comes to closing a contract with an Indonesian partner vs. a Western partner, therefore the level of trust is lower with an Indonesian partner than another Western partner.

\[ I \text{ a little bit more cautious when it comes to a contract with an Indonesian contact person than Western customers. -- So there is a little bit less trust but there is still trust. (A) } \]

When asked whether building and nurturing a trustful relationship could be used in order to prevent opportunistic actions in the future, Company A feels that would certainly help. This requires naturally spending a certain time of free time together over dinners and perhaps parties, so it can become quite expensive. For this reason and due the risk of opening the door for having to pay briberies Company A tries to avoid that, and stick to lunch and coffee meetings.

\[ I \text{ think that (building a trustful relationship) could definitely help. I don’t think they will try to be bending the rules of the contract or try to take advantage because they know you, they been out with you, you bonded a little bit over a drunk night or something, I mean that’s the Asian culture. -- but like I said because it is so corrupt here I’m trying to stay away from that. (A) } \]

Case company B feels that up to this day they have a relationship based on mutual trust with their Indonesian partner firm. Company A seem to base their trust on clear guidelines and clear contracts, having an unbiased and honourable contract, which the Indonesian partner signs and this way shows commitment, which creates trust.
Say if we do X it means this and this and you define everything very clearly, so there is no room for interpretation. (A)

Company B feels that the relationship with their Indonesian partner is based on mutual trust at this time, but it can change in the course of time.

To this day we I believe we have built a relationship based on trust between the distributor and me -- I think it is based on mutual trust. Obviously I have experience from this country to know that from one day to another it can disappear. (B)

Company B’s entrepreneur knows some of the sales personnel from their partner company, they have a feeling that their partner needs them, and also signing of collaboration contracts have given Company B sense of trust, even though they acknowledge that contracts cannot be totally relied on. Furthermore they have taken their time to develop a personal relationship with their partner.

What you need to do, is to develop a personal relationship. (B)

Company B highlights the importance of personal relationship and it can be said that they do feel that opportunism can managed through trustful relationship, a relational governance method of trust.

As I cannot trust the law, I will have to trust the people if I want do something, if not, I would be immobile. (B)

Quite on the contrary, Company C describes that there has been no trust since from the beginning of the relationship with their Indonesian partner. Apparently the only reason for the cooperation is the fact that Company C needs their Indonesian partner in order to access the market, as they have all the contacts and operate the lobbying. As in Indonesia contacts are essential, business deals seem to be often based on personal networks.

From the first moment there is not much trust. They seem to be a little more pirates. (C)
This distrust is based on opportunistic actions of the partner company; breaching contract clauses and negotiating supplier deals secretly against the commonweal. Furthermore Company C feels that all their partner wants to do is to learn from them the technological expertise and know-how so that they can continue doing the business on their own, without Company C, in the future.

_Evidently their idea is to start doing projects and learn the technology, and in the end after a few years undoubtedly not count on us._ (C)

When asked, whether they feel that with creating a trustful relationship Company C could manage and prevent opportunistic actions happening, they feel it is the opposite; as there are no dishonest or self-interest based guileful actions, the trust can develop.

Companies A and B feel that they have more or less trustful relationships with their partners, but both seem to give an image that it cannot be counted on assertively as everything can change. They seem to base their trust on different elements though, Company A feels trustful due to clear reached agreements and well defined contracts, and Company B more due to the personal relationships with their partner and their personnel, besides a mutual necessity. Nevertheless Company B mentions also that signing a contract does generate trust, even though it does not represent a similar kind of binding commitment than in the Western world. Company C represents quite an opposite case to A and B, as they describe that there is almost no trust at all in the relationship. Furthermore, they seem to consider trust as a consequence of a well conducted and honest business relationship rather than something to be worked on and developed by themselves, and thus distrust is consequence of opportunistic actions. One cannot conduct one universal definition for the connection between trust and opportunism in this study, as the current research has not been able to do it either so far (Katsikeas et al. 2009). Management of opportunism and trust are built simultaneously and both interact the development of the other part. Case C especially presents a similar viewpoint, where the relationship is that way around, that opportunistic behaviour harms trust, as have for example Luo (2007) and Mysen et al. 2011) noted. Cases A and B on the other hand agree, that through a trustful relationship opportunistic actions can be prevented, in other words trust is an
efficient governance mechanism of opportunism. This in alignment with results of such as Cavusgil et al. (2004), Wathne and Heide (2000), Wu et al. (2007). Both Wu et al. (2007) and Cavusgil et al. (2004) state that when managing foreign partner opportunism and especially with a factor of an unstable or hostile legal environment, trust is the only effective way to curb opportunism. Even though the results from Case B, the representative who has the most experience in Indonesia, do support this view, and Company A slightly, but as results from Company C oppose firmly, perhaps it cannot be concluded in this study trust as a governance is the only efficient method for curbing opportunism. Nevertheless it can be said to be highly relevant and essential for managing Indonesian partner opportunism.

4.4 The impact of culture

4.4.1 Personal relationship & socialization

Companies A, B & C all have noted that developing a partnership in Indonesia includes essentially a very social relationship, which can seem rather informal to Western business people; as your business acquaintances might be adding you on Facebook after your first meeting, or straight away ask you about your relationship status and family. Indonesians seem to get much more personal than what Westerns are used to. Private and business relationships get blurred; creating a business relationship is very social process including countless unhurried meetings with food, smoking etc. Meetings are very social and time-consuming, and way of working rather personal.

They have less sense of boundaries and less sense of personal space, so for example if you are working here, everyone will add you on Facebook. Private and business tend to go more hand in hand. (A)

Here in Indonesia it is complicated to separate your private life. They want that you ask about how their personal life is going. (B)

Here they love meetings. Eating, smoking, talking about everything. -- They ask a lot about family, children and so on. I think it’s something very Indonesian. -- All the decisions and everything that needs to be talked about happens in meetings, physically. The phone and email messages don’t work. (C)
Naturally in Western countries there are also differences, to Nordics for example this may be more of a shocking difference than to South Europeans. Companies B and C are both Spanish, and Company C commented that he did not feel there a huge difference comparing to Spain, whereas Company B noted that the personal life comes to question much earlier in the business relationship in Indonesia than in Spain for instance. It seems to be that for Indonesians in order to be able to do business with a Western partner, or to be able to build a trustful relationship with them, the social part and relationship building is a lifeline. What is noted in the course of interviews, that this personal relationship may be valued even more over the professionalism or quality of the product. Therefore contacts are essential; a lot of business is done through existing social networks. And if a new business partner enters the picture, perhaps the relationship building is needed in order to be able to conclude them in the personal network.

*Everything here works through contacts, lobbying etc. If you don’t have someone to introduce you, who will be the intermediate for you, and of course money, there is no way.* (C)

*It seems like in Indonesia there is a preference of doing business in a more informal way, so people really want to get to know you and they want to do stuff with you outside of normal work related environments.* (A)

4.4.2 Opportunistic tendencies

Building a good trustful social relationship with the Indonesian partner may lamentably require some promotional and socialization activities which can be quite costly. Interviewees seem to be aware that tactics of pampering your business partner could be very helpful, but perhaps due to Western values and naturally the high cost, they seem to divert themselves away from it. Company B does not talk about this as much as Companies A and C, but he does mention that Indonesians tend be often self-interested.

--*when it comes to dinner, and ‘oh let’s go out and let’s go to a strip club’ then you know you’re going to sit there with a huge bill. Because they are expecting you to pay I try to avoid that. -- because it is so corrupt here I try to stay away from that.* (A)
Maybe the only way to get achieve trust with them is to centre in their game. If I invite my partners to come to Barcelona for a meeting, I pay the trip and take them to the stadium to see football, I give them things because it’s my partner then it does generate comfort because they see you are paying and so on. (C)

This leads to a characteristic of Indonesians that all interviewees have noted and that has a tremendous impact on the business culture and management of opportunism when partnering with Indonesians. There seems to be a certain kind of mind-set, which could be described as self-interest, an opportunistic tendency which affects the behaviour and choice of business partners. Apparently there is a widespread attitude, which implies that if you do something for someone, you should get something in return. This can be seen in the society outside of business world as well; for example when it is time for elections. It is a common custom that the politicians bribe their voters, and as people are accustomed to it; when a new political candidate approaches, common people expect gifts. You might face this also when you are on side of a street and waiting for a taxi; rapidly a guy appears and calls and stops the taxi for and even opens the door. He does not do it out of pure goodwill; he is expecting you to give him some small notes as exchange for his favour. This kind of mind-set and behaviour can be seen in various elements of the Indonesian society, not the least in the business world. Different lines of businesses are characterised with numerous intermediates in the value chain, sometimes from a Western viewpoint seemingly unnecessarily.

When we talk about corruption, it is not just corruption in the typical sense that you pay a minister and so on. It is something that I believe they have so so established, it is not that much of a concept of corruption actually, for me it is a concept of that ‘whatever I do, I need to earn something, regardless of whether I do it for my company or for whomever’. (C)

When it comes to business I think they are very self-interested and very individualists. (B)

It’s really a mind-set. In Indonesia if people feel that there’s room for interpretation, they will probably use that to their advantage. (A)
4.4.3 Collectivist culture?

All Companies A, B and C feel that this above described ‘opportunistic’ behaviour of Indonesians is very self-interest seeking and individualist; therefore they do not really see Indonesian as such a collectivist society.

*So in terms of collectivist cultures you really think Japan and China, which is less the case in Indonesia I think. (A)*

*The thing is, I don’t know how collectivists Indonesians actually are. When it comes to doing business they are very self-profit-seeking and individualists. (B)*

It can be argued, whether this individualism vs. collectivism dimension, even when combined with other dimensions of powers distance, masculinity and uncertainty avoidance from Hofstede (1983) actually provide sufficient tools to get a real grasp of all the relevant aspects that are included in a natural culture, and their effects. Even though from the literature the individualism vs collectivism seemed to be a relevant dimension regarding opportunism and trust building (see. e.g. Chung & Jin, 2011), in this study it seemed to have no relevance. After the case studies and interviews, these dimensions seem rather rigid and forced, and it can be pondered whether they are really capable of depicting the multifaceted entity of a culture. Ailon (2008) who mirrors Hofstede’s framework of culture notes as well that “Analysing the book on its own terms again illustrates the problematic nature of the value dimensions that are too superficial to capture intricacies of world views, beliefs and conduct”.

On the other hand, even though interviewees see this kind of behaviour very individualist, it can be pondered whether it is actually in a certain way collectivist from a larger scale viewpoint. As this system of countless intermediates and endless chain of corruption exists, and it is in a certain way allowed to exist, could it be because this way as many people as possible will get their share of the profits, and in this sense a larger part of the society benefits, even though it cuts down the benefits from the main operators. Furthermore this kind of mind-set can be seen justified due the unevenly distributed wealth, and it has rooted in the Indonesian society in different areas.
Even though this study is hesitant whether this collectivist feature is truly applicable in Indonesia, as relationship building is essential here and Indonesia is listed as a collectivist culture, and it can be seen that this study complies to Handley and Angst (2012) results, who state the relational governance works better in collectivist societies. Nevertheless, we cannot determine whether it is due to the collectivist feature per se or not. Some previous studies imply that collectivists tend to trust their in-group members easier than out-group members, and this feature can induce opportunistic tendencies (Huff & Kelley (2003); Chen et al. 2002). In this study we did find out that building trust with an Indonesian partner can be more complicated and might require more work than with another Western partner, but we found no evidence implying it would be due the collectivist feature. It may be due to the cultural differences in general, as cultural distance is seen to hamper trust building (Katsikeas et al. 2009, Burket et al. 2012). Nevertheless this does not mean that these results exclude the option that collectivism would have an effect on this.

4.4.4 Communication differences

Furthermore noted by all the case companies was the fact that Indonesians tend to always keep up a positive appearance; so it can be difficult to know their real opinion. It is not part of their communication norms to firmly deny or confirm matters, and this can cause misunderstandings. It might seem one is getting only positive answers; nevertheless Indonesian “yes” does not have a same meaning than in Western world. The true meaning of their answers might be hidden until it is discovered in the course of their actions and at that time it may be too late, if their chosen path is not something one thought was agreed. These differences in communication style understandably affect negatively the creation of trust; as the ambiguity and subtle ways of communication which obscure the true intent may seem to a Western person very guileful. It was narrated that in Indonesia people tend to prefer doing business with not so clear guidelines, so that they can exploit the ambiguity.

*What we see here is that face to face they are always very sympathetic, but later well... (C)*
You will always have to deal with some sort of misunderstandings, communication issues. -- The Indonesians, they will always smile and keep up appearance, that everything is great and they’re your best friends but you will never know where you stand until much later in the process. – I haven’t lived in this country for so long yet so I don’t know the ways and the subtle communications. (A)

Interviewee from Company B has a longer experience in Indonesia than other interviewees (7-8 years in total) and he speaks the language fluently, so he does not point out as a problem communication differences, more like it seems he is definitely very much aware of it but has learned to deal with it, and in a certain way adapted to the local communication style.

So what you develop here is a capacity to understand the ambiguity, or to undisguise the ambiguity. Even though they are saying yes to you, it depends how they say it. (B)

This notable difference in communication style is highly relevant for efficient management of partner opportunism. The subtle and ambiguous way of communicating can seem to Westerners very guileful. Often something else is expressed what is done, which results in partner’s opportunistic behaviour on the viewpoint of the Western partner. Evidently within the Indonesian culture there exists some behavioural norms, which imply that one should always keep up a positive appearance and spirit; confrontation is avoided at any cause. One should not lose their face. Perhaps among Indonesians things need not to be said directly, but the respondent can interpret the true meaning of the message from other hints than the actual words that are being said. As a Western comes to Indonesia and starts dealing with their Indonesian partners, they lack this capability to interpret their subtle and indirect ways of communication. This can lead to either seemingly or truly opportunistic behaviour on the behalf of the Indonesian partner. Perhaps, if the Western company would have a better understanding of their Indonesian partner’s communication style, subtle messages and an understanding of the ambiguity, there would be less misunderstandings and the opportunistic behaviour could be avoided. Furthermore it is possible that for Indonesians the straight to business style and direct communication on the behalf of Westerns seems unapologizing and even rude, and
creates distrust on their behalf. Distrust consequently clears way for opportunistic behaviour.

4.4.5 Values

What stood out from the data were the perceived differences in values, which affected the partnership and the opportunistic behaviour and its management notably. If partners value different aspects of the relationship, it can lead to misunderstandings and partner opportunism. Company B noted that Indonesians seem to value titles and status much more than Westerns. Furthermore their personal achievement and role, and personal perceived importance seem to be very important for them. As in the case of their partner company’s purchase manager changing, the interviewee got the feeling that the new purchase manager was being overly eager in negotiating the contract again, just to show his competence and input to his boss.

*In reality what this person does, it is now about checking the contract in order to improve the company, but about him showing the boss that he is better than the previous guy. -- The importance that the position in the company has for them... If there’s ‘manager’ on the business card, for them it is super positive.* (B)

Company C noted the difference of values in terms of monetary and intangible values. He sees that Western people usually value besides the economic terms the intangible aspects of a partnership as well, and have a long term vision in mind. He feels their Indonesian partner does not have this kind of a mind-set at all; they rather value short term monetary benefits. This kind of viewpoint can definitely lead to opportunistic behaviour, as it is noted that opportunistic behaviour can gain short term benefits for the opportunistic partner, but can be highly detrimental in the long term.

*Here they value the money. In Europe you value a long term partner, the things that you can do with them. I believe they don’t value the intangibles, you value much more other things, not only what you can earn at short term.* (C)

Even though values were not defined as part of the research problem, and none of interviewees were asked specifically about values, but for all of them it seemed
relevant to talk bring the topic up when talking about the themes of his study. Therefore it seems to be a quite relevant aspect to be presented with the results. It does make sense, as values are an inherent part of a certain culture, as culture can be defined to contain a group of people who collectively hold the same set of values (Hofstede 1981).

This aspect arose from this study's empirical part rather than the theory, and the cases imply values form a relevant element for the phenomena of opportunism. It seems that these differences in values can lead to opportunistic behaviour. Furthermore, surely these values have also an impact on the perception of opportunistic behaviour, on what is seen as opportunistic, whether the behaviour is even seen as anything wrong, or more as a natural and justified behaviour. In Indonesia, you get often the sense that when people see you as a white person coming from a more developed country, which means for them that you have way better resources and possibilities, and more knowledge than they do. Often this can be the case, but not always; as there are many wealthy and powerful Indonesians the riches of whom an average European can only dream of. Also when it comes to a Western companies which can be rather small, like the Companies in this study, this perception may be erroneous. Nevertheless, if this perception exists, it can be seen as a certain justification for opportunistic actions; for aiming to gain extra benefit at the cost of the partner; as the Indonesian company might feel surely they are better off anyways.

I do feel like that I have an advantage over local people in terms of that they feel that I have more knowledge just because I come from a more developed country. (A)

Being white open doors. But it doesn’t guarantee anything, and sometimes you have more difficulties as they consider that you have more possibilities in certain things than they do. (B)

Furthermore what is expected and valued from a partnership can vary tremendously between the Western and Indonesian partner, which generates evidently room for opportunism. Indonesian partners seem to have more short-term benefits in their mind, whereas Western companies tend to plan for a longer term and synergies that
can be gained from a sustainable, long term partnership. Additionally the value of
time more precisely differs notably. Everything works at a slower pace, and
efficiency it is not one of core values as it is in many Western societies. By trying to
hurry things up, the Western person can create distress and negative outcomes. One
cannot plan things too strictly in the Indonesian market, there will be always changes
and unexpected turns of events. Perhaps Indonesians acknowledge this fact better
than Westerns, and therefore they do not appreciate strict guidelines and contracts
when it comes to doing business and partnerships. It seems that all the things agreed
are always for the time being, and you never know when it will change, there is no
guarantee of future.

What surprises me here, is that the rhythm is very slow. I think it is also
something cultural. The value of time in Europe is extremely important. (C)

They like doing business with not so clear lines so that can always take
advantage of that wiggle room. (A)

My advice is: have a lot of patience first of all. -- You need to have time. Be
prepared for the unexpected. -- You can’t really plan well here, everything
works a little bit with the flow. Nothing is secure. (B)

Additionally, all the personal values which differ between Western and Indonesian
partners may cause misunderstandings and cultivate opportunism. In order to curb
opportunism with Indonesian partners, it would beneficial to understand their set of
values and see how it affects their behaviour, building of a trustful relationship and
this way manage opportunism. These results correspond to Handley and Angst
(2014) who notes that the national culture has an impact on the effectiveness of the
different governance mechanism of opportunism, and the norms and values of local
culture should be taken into account.

4.4.6 Impact of culture on trust building

It is fundamental to discuss the main elements for building a trustful relationship
with an Indonesian partner in order to manage opportunism, as trust is believed the
most efficient foreign partner opportunism governance mechanism (Cavusgil et al.
2004). All the dimensions of the culture described before naturally affect
tremendously trust building, often by complicating it. Building trust with an Indonesian partner requires a whole lot of time, socializing and development of personal relationships by countless number of meetings and activities outside the formal surroundings of office and meeting rooms, and unfortunately it can get rather expensive as well. For building trust socializing and relationship building is essential, even more important than other attributes that Western business managers might be used to.

*For me the main difference for building trust is that the professionalism is not so important. In principle for them it is not that important whether you are a good or bad professional, but they want to know you personally, see what kind of person you are.* (B)

The opportunistic mind-set described before naturally causes distrust and complicates obviously the building process of trust. Furthermore, the communication differences naturally cause misunderstandings and induce distrust, as it is difficult to interpret partner’s true intents. Westerns are used to straightforwardness and rather honest expressions of content or discontent. Nevertheless, in the Indonesian culture this is not the case; usually negations are not done directly, even though the respondent does not agree. For a Western who is used to getting a relatively direct response without having to interpret or analyse the counterpart’s subtle hints, this kind of behaviour can easily create distrust.

*Why do I trust a Western person, is because of the fact that with a Western person you will know when they like something or when they don’t like something, while the Indonesians they will always smile and keep up appearance that everything is great and they’re your best friends but you will never really know where you stand until much later in the process of building that relationship.* (A)

Furthermore the differences in values play a major value. It can be difficult to trust someone who values totally different things. Company A said there is less trust in principle on his side when it’s an Indonesian partner compared to a Western partner and he feels this can be mainly due to the differences in values, language, and background. The similarity in these aspects clarifies communication and reduces the amount of misunderstandings which can lead way to opportunistic behaviour.
Yeah I guess I would say that you start out more trusting already (with a Western partner compared to Indonesian partner), there’s more trust in the beginning. Because you know, you have the same values -- (A)

These results are in accordance with the current research implying that in an international partnership cultural barriers may complicate the partner interaction (Cavusgil et al. 2004), and that due to cultural differences and added level of uncertainty, building trust in an international partnership is difficult (Katsikeas et al. 2009). Trust can be inherently lower with an international partner than with a partner representing the same nationality, therefore managers should invest in trust-building activities, like Burket et al. (2012) as well advice.

4.5 Relational governance of Indonesian partner opportunism

This study was interested in finding out whether trust is an efficient mechanism for curbing opportunism when partnering with an Indonesian company; and it may be extrapolated that it is definitely essential when partnering with Indonesians. Both Companies A and B admitted its importance, and Company B, the interviewee who has the most experience in Indonesia concludes that relationship building is nearly your only method, as contracts and legal systems are rather unstable. Unarguably trust is an essential part for a good quality relationship. Company C seemed to have such a contaminated relationship with their partner, that they could not see a trustful relationship helping, as they said “that link of trust is already broken”. They did admit though that, the socializing and quite personal and informal relationship is an essential part of doing business with an Indonesian partner, but apparently for them this did not create any trust. Nevertheless, from the data could be seen that a personal relationship and a lot of socializing is a requirement for doing business with an Indonesians partner. Indeed one can extrapolate as personal relationship is so essential, that for managing opportunism with Indonesian partner relational governance and trust building is highly relevant and beneficial; it is actually a lifeline for establishing and maintaining a partnership. This is in consequence with Mehta et al. (2006) who advise international partners to develop close relationships. As trust is an essential element of a quality relationship (see e.g. Barry et al. 2008), it can be conducted that trust is indeed a relevant when partnering with Indonesian companies.
This complies with Cavusgil et al. (2004) stating that relational governance is crucial in international channels. Furthermore Handley and Angst (2012) state that relational governance is more effective for opportunism management in a collectivist country than individualist. As relationship building in general was found to have more emphasis than trust, the framework was updated accordingly (Figure 2). Socializing - referring to the countless meetings and leisure time activities with the partners, and trust were included as remarkable dimensions of relationship building.

In a market like Indonesia, where the local culture differs notably from most Western cultures (West European viewpoint in this study mainly), culture definitely has a huge impact on opportunism. From the data arose the most relevant cultural elements regarding opportunism. Firstly the differences in values especially seem to have a significant impact on perception of opportunism, the opportunistic behaviour and thus its management. Furthermore the differences in communication style can easily lead to misunderstanding, distrustful atmosphere and opportunistic behaviour. The opportunistic mind-set and common behavioural model that is rather integrated among Indonesian people, which implies that if you do a favour so to say, you should earn something in return also has a remarkable impact. This self-interest seeking behaviour can lead to high personal commissions or direct corruption in order to close a partnership agreement, as noted before. The updated theoretical framework highlights these cultural remarks and shows how they impact foreign partner's level of opportunism (Figure 2).

The framework (Figure 2) is constructed differently in order to highlight how the local culture, besides impacting level of partner opportunism, is actually the context which sets the requirements for choosing the appropriate opportunism governance mechanisms and the conditions for implementing it. In case of Indonesia and probably South-East Asia in general, building an informal and trustful relationship was found to be the most elementary factor for curbing opportunism. The culture sets the context for how one should act to build the trustful relationship with their foreign partner, and the cultural differences may indeed complicate the process of trust building. This is in alignment with Handley and Angst (2014), Luo (2007) and Wu (2007) who note that cultural differences can complicate trust building and
induce opportunism. Once the trustful relationship that has been built, it may reduce the likelihood of the foreign partner to act opportunistically: a good quality relationship can create social norms and obligations that one does not want to break. When business partners have mutual understanding and almost a friendship like bond, they are less inclined to cheat or act otherwise opportunistically.

Table 2 summarizes the results of the study in a compact way. It depicts the main issues regarding the case studies: type of partnership, opportunistic tendencies that have happened during the partnership, how they were handled and what kind of mechanisms the Western partners use in order to curb future opportunistic actions, how they see trust and what are the main cultural remarks and differences that affect the business relationship and opportunism. That is followed by the updated framework (Figure 2) which depicts the results in a more visual way.
Table 2. Summarizing results

<table>
<thead>
<tr>
<th>Company</th>
<th>Type of partnership</th>
<th>Opportunistic actions on the behalf of partner</th>
<th>Handling the opportunistic actions</th>
<th>Methods to curb opportunism</th>
<th>Trust</th>
<th>Main cultural remarks</th>
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</thead>
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<tr>
<td>Company A</td>
<td>A contract based service agreement</td>
<td>Contact person changed, previous agreements were demolished</td>
<td>Calmly renegotiating the terms again, and having enough meetings with the new contact person</td>
<td>Clear guidelines and well defined contracts Risk management</td>
<td>Finds there is less trust compared to Western partners, but there is trust Believes trust building could prevent opportunistic actions</td>
<td>Informal, social and personal business relationship Communication issues Differences in values</td>
</tr>
<tr>
<td>Company B</td>
<td>A contract based distribution agreement</td>
<td>Contact person changed, previous agreements were demolished</td>
<td>Calmly renegotiating the terms, and having enough meetings with the new contact person, making them feel important</td>
<td>Creating a personal relationship with the partner Risk management</td>
<td>Relationship is based on mutual trust A personal relationship with trust is basically the only way to manage opportunism</td>
<td>Informal, social and personal relationship Abundant number of meetings needed Differences in values</td>
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<tr>
<td>Company C</td>
<td>A joint venture</td>
<td>Breaking clauses of the contract, having to renegotiate the agreement several times, negotiating supplier agreements secretly against the agreement</td>
<td>Calmly renegotiating and explaining matters, subtle negotiation ‘tactics’</td>
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<td>Informal, social and personal style of business Importance of contacts and networks Differences in values</td>
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Figure 2. Relational governance of foreign partner opportunism
5 FINAL REMARKS

5.1 Conclusions and theoretical contributions

In this chapter the results are summarized through answering the research questions. First sub-question asking what international partner opportunism was set up to get better insight of international opportunism as a phenomenon in order to be able investigate management of opportunism. International partner opportunism is a complex concept which entails many kinds of questionable and dishonest behaviour on behalf of the foreign partner. In this study’s case there were problems caused by rotation of personnel (everything agreed with the previous contact person was not valid any longer), besides contract breaching and negotiation of supplier contracts behind the focal firm’s back. After the first sub-question it was easier to try to tackle the main research question “How to manage international partner opportunism?” Opportunism should be managed with a situational set of governance mechanisms, the ones that suites the best each case. The context, especially the culture of focal firm’s foreign partner has a major impact. The data suggested clear guidelines (contracting), knowledge protection and relationship building as ways to manage opportunistic behaviour of the Indonesian partner. In all cases relationship building and socializing, a personal relationship was found to be the common factor and most crucial element for the development of a sustainable partnership with a minimum amount of opportunism. One essential character of a good quality relationship is trust, where we come to the second sub question that asks about the role of trust, to support answering the main research question, as trust can be treated as governance mechanism for curbing opportunism. It is difficult to give an unambiguous answer based on the data of this research; two of the three cases admitted the importance of trust and its relevance as an opportunism governance mechanism, but one company saw poor level of trust rather as a result of partner opportunism, and not as a governance mechanism. Nevertheless, it can be conducted that trust truly has an important role, as the personal relationship plays such an essential part for a business relationship, and it can be agreed that trust is an elementary part of a good quality relationship. The legal system in Indonesia is weak and unstable, which all the interviewees agreed to; therefore contracts alone cannot be relied on. A good
personal relationship and trust can work as an alternative assurance. Nevertheless, the level of trust is never to be taken for granted, even a good quality relationship based on mutual trust cannot be taken for granted; it is the status for the time being.

The third sub-question wondered how culture impacts partner opportunism and trust building. The local culture and cultural differences definitely have a huge impact. For Indonesians it can be said to be rather characteristic this certain type of mind-set which entails self-interest benefit seeking at given opportunities and this feature seems to be quite common across the nation. This of course affects business relationships and opportunistic behaviour of the partner. Furthermore the subtle communication style which indicates that opinions are rarely addressed directly, causes misunderstandings and induces opportunism. Additionally the differences in values between the Western and Indonesian partner lead easily to misaligned goals and opportunistic behaviour. Furthermore these aspects of culture impact relationship and trust building processes. In Indonesia establishment of a partnership requires an informal and rather close relationship with your business partner, which is a result of endless social meetings and gatherings, besides other encounters outside the office.

This study enriches the international opportunism study field, as there are not so many of them. We are responding to Mysen et al. (2011) call for opportunism studies encompassing different countries. The current studies merely state that cultural differences play a role regarding opportunism (e.g. Luo 2007), and some studies concentrate on the individualism vs. collectivism dimension and its effect on opportunism (see e.g. Chung & Jin 2011). This study enriches the field of cross-cultural partnership and opportunism studies as well as studies concentrating on cross-cultural trust notably by pointing out the main cultural aspects that complicate the trust building and induce opportunism. It was found that collectivism vs. individualism dimension seems to play no relevant role in partnerships in Indonesia, but the main influential aspects are differences in communication style, values and mind-sets. The current studies on trust and cultural differences or opportunism and cultural differences fail to provide insight what aspects of the culture precisely complicate trust building and induce opportunistic behaviour, and this study contributes remarkable to the research by providing further insight on the issue.
Additionally, studies conducted in Asia they tend to present countries like Japan or China. Indonesia is a growing economy with huge potential, but yet relatively unknown country and culture. This study fills in this gap and the results can presumably be applied for other South-East Asian or Asian countries as well. Most importantly this study contributes on international partnership management and especially international opportunism management by providing a qualitative study which provides insights and analysis on the phenomena; nearly all the previous studies on opportunism are quantitative. Thus we respond to Chung and Jin (2011) call for a study that would use a qualitative approach when studying opportunism.

5.2 Limitations and future research

A dyadic study would be ideal for studying opportunism, as have for instance Mysen et al. 2011 requested. But especially in a case of in-depth interviews which reveal a lot of information and quite personal as well regarding the partnership, the idea of having the other side of the partnership being interviewed seems to most interviewees risky, and perhaps there’s a fear it might even damage the relationship. Therefore this study was limited to studying only the Western partner side from three partnerships. Furthermore, as a lot of analysis includes interpretation of Indonesian culture features, and this is done by a Western person, who even though with some experience in Indonesia, cannot still have a deep understanding all the cultural aspects and their impact. Additionally all the Western partner case companies are rather small, biggest one employing around 50 employees. Possibly the results are not applicable to multinational enterprises (MNE) that have considerably more power. Sizable MNE partnering with an Indonesian company might be able to control opportunism through their relatively bigger power and authority. Indeed, it would be rather interesting study problem for future research to investigate how the size differences and relative power of the partners affect foreign partner opportunism and its management.

An interesting and a little contradictory point is that relational governance is highly recommended, and a part of building a trustful quality relationship or as an opportunism management method presented is sharing information (Wang et al.
2014), but on the other hand firms may see knowledge and information protection may be seen necessary for mitigating opportunism. Wu et al. (2007) state as well that knowledge sharing seems to increase opportunism rather than reduce it. Therefore, it would be interesting to further research how knowledge sharing affects a partnership and opportunism management. Additionally, the effect of trust on opportunism and vice versa still needs further exploring. Perhaps some researchers could aim at creating a holistic and pervasive framework to depict this multifaceted interrelation of trust and opportunism. Besides, a longitudinal study on managing foreign partner opportunism could provide interesting insights on the development and changes of opportunism and its management in the course of the relationship. Furthermore, as values and differences in value systems due to cultural differences emerged from the data as a highly relevant aspect for opportunism management, it is recommended to study values as a part of culture and their effect on opportunism and trust building.

5.3 Managerial implications

International partnering is an attractive vehicle for internationalization. Nevertheless, the failure rate is high and managing an international partnership is not an easy task. Fundamental element included in managing international partnerships is opportunism—shady behaviour which entails all kinds of dishonest actions from stealing to information hiding and lying. The purpose of this opportunistic behaviour is to gain self-interested benefit and often it is at the cost of the partner. This kind of behaviour can lead to serious losses or even termination of the relationship. Therefore it is essential for managers to acknowledge this phenomenon and find best ways to prevent damaging opportunistic behaviour from happening.

Indonesia is a luring destination with high growth potential, yet a challenging market encompassing high level of corruption, unstable legal institutions and a remarkably different culture and business culture compared to Western countries. Things don’t advance in a phase that you might be used to. A lot of time is spent having meetings and getting to them (the traffic is incredible in Jakarta) or other socializing events with your business partners. Rarely you obtain decisions and get to implement things as quickly as you would like to. Furthermore, you have a rather high risk of your
Indonesian partner behaving in a way that you may find dishonest or rather opportunistic.

As mentioned legal system and institutions are weak and unstable, therefore you cannot unfortunately count on the security of contracts. If your partner breaches the contract, you might not be able to do much with it. Therefore it is essential that you find another type of assurance that prevents your partner acting opportunistically.

First of all you should offer your Indonesian partner something that brings them extra value, to create a mutual dependence. However, the issue is that Indonesian companies do not seem place that much importance on quality or even the best price, but rather on networks and personal connections. They prefer doing business with someone who is a good guy, and perhaps can even bring in an extra contacts or something else useful. Thus, in order to gain a partnership, you need to do some serious relationship building which entails socializing and countless number of meetings that may end without any specific results or decisions. This continues once you have established the partnership. It is important that you show that you are there for them, and form a rather informal relationship with your partner and aim to build as trustful relationship as possible. This personal relationship with trust may prevent your Indonesian partner from acting opportunistically.

There are various cultural remarks that affect the opportunistic behaviour of your Asian partner and will complicate the process of building a trustful relationship. Luckily, this paper is here to point them out. Three major elements noted in the Indonesian culture that affect opportunism and trust building were values, communication style and mind-set. The Indonesian partner and Western firm may value different things from the partnership; Western companies might concentrate on long-term benefits, and Indonesians seem to concentrate more on short-term income. Furthermore Indonesians tend to value status more than their Western counter partners, so don’t to forget a have a decent title on your business card. Additionally time is not valued in the sense as it is in Western countries, and consequently efficiency neither. Westerns also place more emphasis on the quality of product or services than Indonesians do, who place more importance on the social relationships
and connections. Besides, Western people tend to prefer clear and structured guidelines, so that they can see what is coming ahead. Indonesians on the other hand embrace the ambiguity and flexibility.

Apart from the values, the difference in communication styles can cause a lot of misunderstandings and lead to opportunistic behaviour. In Western cultures, especially in North Europe for instance, directness and honesty is valued and considered the appropriate style of communication in business relationships. Indonesian ambiguity is seen in their communication style as well. Indonesians do not tend to confirm or deny matters firmly, rather the answer might be left open. “Yes” merely means ‘I am hearing what you are saying’. Western managers need tackle the ambiguity of the communication and learn to interpret the true meaning of the answers and reasoning behind them. Subtle hints, such as how things are being said, have high relevance.

In Indonesia there exists quite widely a rather opportunistic mind-set, which implies that if one does a favour they should get something in return. This affects partnerships as well, and for closing deals there might be individuals expecting extra compensation for making it happen. Western managers should acknowledge this and not be too naïve when partnering with Indonesians.

Taken into account the complexity of the market perhaps it could be advisable for the first entry to Indonesia have help from a Western operator that has experience in the Indonesian market. In any case Indonesia provides an interesting opportunity to grow, and this inclination towards flexibility and ambiguity can actually also provide additional opportunities for Western firms. A change of perspective is needed when doing business in Indonesia, and this can enrich Western managers’ perspectives and this way increase knowledge and influence decision making in a positive way. One can perhaps also learn from doing business in Indonesia to build a more personal relationship with Western partners as well and this way enhance commitment. Eventually it always comes down to individual persons dealing with each other.
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