1. The Model
The delegated management in international joint ventures
- The choice of a governance structure depends on the cost of coordination and the fear of losing technological know-how (Ghoshal & Singh 1996).
- Shanker and Zeira (1992) identified the potential problem of rule conflicts for chief executive officers in international joint ventures.
- Joint venture partners tend to appoint their own trusted managers to represent them, often putting a premium on the perceived loyalty of the managers they designate (Hindenburg et al. 2001).

2. The Experiments
Experimental Hypotheses
- H1: Managers bias decisions in favour of the investor of the same nationality.
- H2: Investors invest more in joint ventures with a manager of the same nationality than in joint ventures with a manager of a different nationality.

Experimental design
- Two treatments: Chinese Manager and Non-Chinese Manager.
- Each Investor gets 5 Talers of endowment and both invest simultaneously.

Decision and payoff structure

Hypothesis: National in-group bias may influence manager decisions in favour of the investor with the same nationality.

Assumptions:
- Decisions context: Managers decisions cannot be perfectly monitored.
- Implicit incentives: Managers cannot be controlled upon or verified by third parties (Wolff 1996).
- Anomalous intangible assets: Intangible assets are generally immobile, i.e. cannot be transferred from the host country to the investing foreign country.
Examples: human resource, supplier and retails networks, customer awareness, government goodwill, etc.

Timeline
- t=1: H and F make investments between assets N and T.
- t=2: M allocates the investments.
- t=3: JV is dissolved. The remaining asset values are divided between H and F.

Experimental payoff: 
The profit maximizing solution is \( N \frac{h_f}{f} + \frac{N}{f} \), which also results the highest payoff for the manager.

Manager’s national in-group bias
- Are the managers’ allocations significantly different from N? = 0.5?
- Are the allocations by CM and NCM significantly different?

Investors’ national in-group bias
- Are the investments significantly different from the max. 5?
- Are the allocations by CM and NCM significantly different?
- Are the managers’ allocations influenced by the investments?
- How much influence does the nationality of the manager have?

Notes:
- Test the hypothesis with a two-tailed test. The numbers indicate treatment averages. The “Chinese vs. non-Chinese Manager” columns display the result of the Mann-Whitney U test comparing NCM across treatments.
- * p < 0.10, ** p < 0.05, *** p < 0.01, two-tailed.

The Chinese subjects in the investor role invest more when the JV manager role bias the allocation decision in favour of the investor with the same nationality.

Cultural similarity does not necessarily lead to affinity.
Individualism does not necessarily lead to less-in-group favouritism.