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Divided We Stand: Cultural Differences within Europe and Their Impact on International Collaborative Arrangements

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Divided We Stand: Cultural Differences within Europe and Their Impact on International Collaborative Arrangements

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Abstract
The aim of this paper is to investigate how cultural differences within Europe affect the success of international collaborative arrangements (ICA). We use a mixed-methodology to analyse the results of a questionnaire-based survey with managers of companies engaged in international collaborative arrangements in the European telecommunications industry. We find that cultural differences within Europe are significant and can affect the success of ICAs. In particular, we identify national pride as a main contributor to cultural differences within Europe that can affect cross-border collaborations. We also find that cultural differences can lead to ICA failure by increasing complexity but that, if managed properly, they can enhance the ICAs’ competitive advantages. Finally, we put forward recommendations for managers to best manage these cultural differences in order to ensure ICA success.

Keywords: strategic alliances, mergers and acquisitions, joint ventures, collaborative arrangements, culture, cultural differences, management strategies

Introduction
The expansion of telecommunications, improved travel, the reduction of trade barriers and the internationalisation of financial markets (Eurostat, 2007) have created a ‘global village’. Companies compete across markets, within large international networks which include various types of collaborative arrangements (CA). These are inter-firm collaborations ranging from loose agreements such as non-equity alliances to more formalised arrangements such as equity alliances, i.e. joint ventures or mergers and acquisitions (M&As). Within these cross-border co-operations, two or more distinct corporate and national cultures collide (Pothukuchi et al., 2002) and compromises between the different cultures need to be found. Ignoring national cultural differences can lead to business failure (Hutzschenreuter and Voll,

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As European companies seek to increase their pan-European presence to successfully compete with the USA and Asia (Bergsten, 2001; Calori and Lubatkin, 1994), the importance of cultural understanding within Europe has taken on a new level of importance. Rugman and Hodgetts (2001) argue that a ‘global’ industry does not really exist but that ‘regional’ is key. Europe is such an economic region as intra-European exports account for over 60% of international trade within the EU (Eurostat, 2009). Furthermore, with the integration of Eastern European countries into the European Union, Europe faces even more dominant cultural variations and challenges (Delanty, 2003), making imperative the investigation of the impact of cultural differences within Europe on the success of international collaborative arrangements (ICAs). Finally, European cultural differences may affect companies from outside Europe, and managers need to know to adapt their strategies according to the different European countries targeted when entering ICAs with European partners.

Within this context, this study aims to examine how cultural differences within Europe affect ICA success. Drawing on Hexter et al (2010), we test several hypotheses with regard to the impact of national cultural differences on the success of international collaborative arrangements. We show that cultural differences within Europe are significant and can affect the success of ICAs. In particular, we identify national pride as a main contributor to cultural differences within Europe that can affect cross-border collaborations. We also find that cultural differences can lead to failure of ICAs but if managed properly they can enhance the ICAs’ competitive advantages. Finally, we put forward recommendations for managers to best manage these cultural differences in order to ensure ICA success.

We use a mixed-methodology to analyse the results of a questionnaire-based survey with managers working in the European telecommunications industry. We triangulate the results of the survey-based statistical analysis with the findings from semi-structured interviews with a sub-sample of managers working in the European telecommunications industry. This allows us to interpret better the results of the statistical analysis conducted. The telecommunications industry offers an interesting population for studying the effects of national cultural differences in a European market as European cultural differences within it are already acknowledged (Burman, 2006). It is one of the fastest moving European industries, dominated by ICAs and with a high level of internationalisation (Yidirim, 1997;
Schäfer, 2004; Lal et al., 2001; OECD, 2004). Furthermore, the European telecommunications industry has not been used to research the impact of cultural differences. This paper has several significant contributions:

Firstly, this study contributes to the literature on cultural differences within Europe. Theoretical constructs such as Hofstede’s (1980) cultural dimensions and his mapping of the world, Ronen and Shenkar’s (1985) cluster analysis and more practitioner-oriented literature such as De Mooij’s (2000) have identified Europe as culturally heterogeneous. However, the recent research focus on comparing Western and Eastern cultures or developed and developing countries leads to the negligence of the impact of cultural differences inherent within European businesses. We fill a gap in the literature by investigating intra-European differences and their impact on ICA success.

Secondly, we contribute to the Strategic Management and International Business literatures concerning ICAs. This is highly relevant as national culture is often used as the main form of identification in ICAs (Salk and Brannen, 2000) and a cause of failure (Hutzschenreuter and Voll, 2008). Despite culture being cited continuously as one of the main issues leading to CA failure or success, little has been done to show how national pride can affect the success of ICAs (Hexter et al, 2010).

Thirdly, this study recommends important strategies to facilitate ICA success. Pothukuchi et al. (2002) loosely talk about the importance of specific ICA attitude but do not test these. Furthermore, they suggest that future research into strategies to efficiently manage cultural differences can significantly contribute to ICA success. In this paper, we aim to create explicit strategy recommendations for managers, addressing Hermann’s (2005) comment that ‘managers need models to develop their organisation’. Although the study focuses on the European telecommunications industry, lessons from this industry can be learned in other fast paced service industries.

The remainder of the paper is organised as follows: we first review the relevant literature; we then present the working hypotheses, followed by a discussion of the methodology; later we discuss our findings, followed by conclusions, areas for further research and managerial recommendations.
Literature Review

In this study we draw on several strands of International Business and Strategic Management literature, aiming to bridge the gap between various areas of investigation as follows.

Collaborative Arrangements and Cultural Differences: Friends or Foes?

In order to compete internationally, companies build extensive horizontal and vertical networks through collaborative arrangements (Gulati et al., 2000). The management of CAs [...] ‘has become crucial to many complex organisations’ and ‘traditional boundaries are increasingly blurred’ (Herrmann, 2005). Despite the rise in CAs (Habeck et al., 2000; Pothukuchi et al., 2002) and their importance to turnover (Haberberg and Rieple, 2008), success is uncertain. Only one third of CAs achieve their objectives (Saint-Onge and Chatzkel, 2008; Hudson and Barnfield, 2001) and 50% are unsuccessful (Haberberg and Rieple, 2008) i.e. experience high failure rates, missing financial targets but also low growth rates. The extant literature identifies various hard (strategic, financial and political) and soft (strategic and cultural) reasons for such failure. Strategic (hard) reasons include: wrong choice of collaborative arrangement type (Dyer et al, 2004); conflicting and unclear objectives (Luo, 2008); difficult post-M&A integration (Haberberg and Rieple, 2008; Dyer et al., 2004); unsuitable division of responsibilities in strategic decision making (Dyer et al, 2004); additional costs due to increased co-ordination and management needs (Hanvanich et al., 2003); failure to offer additional customer benefits (Haberberg and Rieple, 2008; Donath, 2005).

ICAs can fail also as a result of financial reasons such as: overemphasised or unrealised cost cutting causing lower share prices (Saint-Onge and Chatzkel, 2008; McKinsey, 2001); covert financial agendas leading to not maximising future profits (Kashlak et al., 1998); financial short-sightedness and lack of financial focus (McKinsey, 2001; Dyer et al., 2004); overrated resources in the acquired company and failed synergies (Haberberg and Rieple, 2008). Political factors such as outside stakeholder intervention can also lead to ICA failure (Haberberg and Rieple, 2008).

Soft reasons for ICA failure include: unsuitable partners with ambiguous goals (Kashlak et al., 1998; Brouthers, 1995; Schuler, 2001); partners with unsuitable background and lack of cultural issues acknowledgement (Lane and Beamish, 1990; Habeck et al., 2000). ICA failure can also result from soft strategic factors such as: strategic and capability misfit (Brouthers, 1995); lack of vision (Habeck et al., 2000); missing CA
experience, inability to learn, wrong strategic planning (Schuler, 2001) or unsuitable HRM and compatibility (Tsang, 2004; Saint-Onge and Chatzkel, 2008). Finally, soft cultural factors can lead to ICA failure; these include national cultural differences (Hanvanich et al., 2003; Woodcock and Geringer, 1991; Schuler, 2001; Hutzschenreuter and Voll, 2008) and corporate cultural differences, lack of trust, communication or common objectives (Chan-Olmsted and Jamison, 2001; Hanvanich et al., 2003).

National cultural differences and the degree of variation between cultural norms (Kogut and Singh, 1988) are widely acknowledged to influence work related behaviour, the effectiveness of management measures vi, MNEs’ strategies and negotiation styles (Kashlak et al., 1998, entry mode risks (Kogut and Singh, 1988) and international acquisition performance (Morosini et al., 1998; Hanvanich et al., 2003).

According to Luo (2008), cultural distance vii affects the interaction between individuals and people involved in ICAs, whilst Rao and Schmidt (1998) describe cultural differences as a source of misunderstanding and communication issues due to reduced behavioural transparency. Different cultural backgrounds also lead to a less efficient knowledge and expertise transfer between firms (Geisler Asmussen et al., 2009; Brock, 2005; Hanvanich et al., 2003; Barkema and Vermeulen, 1997). Hutzschenreuter and Voll (2008:56) believe that the bigger the cultural distance, the higher the level of internationalisation complexity and the effect of culture on performance as it is more difficult to adapt firm specific structures, systems and processes. However, current literature may overestimate the role of national culture while underestimating the role of organisational culture and intra-country diversity (Brock, 2005). We acknowledge the importance of intra-country diversity and account for this in our findings, thus addressing the concern raised by Tung (2008).

Other authors agree that the greater the distance between partners, the more valuable the learning effect, but also the more difficult the management and the post-merger integration (Chakrabarti, 2009; Morosini et al., 1998). Furthermore, Dunning (1998), Lenartowicz and Roth (1999) and Wiesema and Bowen (2008) argue that cultural differences can be turned into location specific competitive advantages through adequate management strategies. Overall, opinions if increased cultural distance increases (Chakrabarti, 2009) or decreases ICA success (Pothukuchi et al., 2002) vary. However, proximity such as in Europe or between certain European countries may be misleading and cultural differences may be underestimated (Chapman et al., 2008). Chakrabarti et al. (2009) even suggest that cultural
proximity is in fact more likely to reduce long-term M&A success. This is where our study adds value by investigating whether cultural differences affect international collaborative arrangements success negatively or positively

**Making Sense of Culture and Cultural Differences**

Cultural distance is generally referred to as the difference from a typical member of one culture to another (Hofstede, 1991:121) and is a commonly accepted term in cross-cultural research (Chapman et al., 2008). Culture is difficult to define (Sivakumar and Nakata, 2001; Tihanyi et al, 2005; Hexter et al, 2010) but influences all private and professional encounters and all areas of life (Kale, 1995). In 1952, Kroeber and Kluckhohn already distinguished 164 different definitions of the word ‘culture’. These vary from ‘the way we do things around here’ (Bowman and Asch, 1996, 6) to a set of shared values (Hofstede, 1980, 1991). For this study, we draw on Hofstede’s (1991), ‘cultural onion’, recognising that culture can be used to establish psychological distances between nations, is embedded in values and has different levels which are more or less accessible to outsiders (Figure 1). We allow for individual and collective influences, obvious and underlying cultural manifestations, not neglecting cultural values. This approach is appropriate for cultural studies (D’Andrade, 1987).

We define culture as ‘a set of characteristics and values shared by a specific group of individuals that can be experienced by an outsider but not necessarily understood. The cultural manifestation varies between group members but is always distinguishable from those of other groups’ (Hexter et al, 2010). Our definition allows for a practical cross-country comparison. Through our investigation, we predominantly encounter the more external layers of culture as these are actively experienced by outsiders to the culture. From our answers we then establish connections to the underlying values within each national culture discussed.

Unlike previous studies which see cultural differences as the distance between cultural country scores (Hanvanich et al., 2003), we design our questions to investigate directly perceived national cultural differences between our respondents and other individuals. This is a unique contribution of this study.
Looking at Europe through the Magnifying Glass: A ‘Myriad’ of Cultural Differences

Europe comprises many different cultures and value systems (Hofstede, 1980; De Mooij, 2000). Hofstede’s (1980) analysis found that all regions except Europe had common cultural dimensions. He divided Europe into six sub-groups as using only one regional cluster was unfeasible. Differences in value systems between European countries were similar to the original findings when re-evaluated in 1997 (Hofstede, 1998). Furthermore, convergence in economic levels has not led to convergence but rather to a stronger manifestation of value differences (De Mooij, 2000). Brodbeck et al. (2000) conclude that Europe cannot be reduced to a single construct. Steenkamp (2001) further concluded that Europe showed too much variance to appear in one summarising European cluster. Just recently, the global financial crisis has further highlighted a national rather than a European focus. The French government, for example, has set up a ‘strategic investment fund’ to save French companies in danger of foreign takeover bids. The foreign ‘predators’ also include other European firms. Germany also did not offer financial support to other European Governments who were looking for help in dealing with the financial crisis (Financial Times, 2008).
**Existing Cluster Analyses**

Intra-European cultural differences were shown by Ronen and Shenkar (1985), Inglehart (1997) and Inglehart and Baker (2000). The European countries investigated by Ronen and Shenkar (1985) fall into five different clusters (Figure 2). However, as Eastern European countries and smaller Western European countries were excluded, further clusters may exist. The authors use several studies to facilitate a representative comparison of the country cluster study, but only use work related issues, neglecting differences in language, norms, values and social issues.

**Figure 2. Ronen and Shenkar’s (1985) Cluster Analysis**

Inglehart (1997) produced clusters based on the *World Value Survey*. He looked at 43 societies, including Eastern European ones. The author uses two dimensions that each summarise several values investigated in the survey. The two factors, *Traditional Authority vs. Secular-Rational Authority* and *Survival Values vs. Well-being Values* explain 51% of

cultural variation. In his analysis, European countries form four clusters. In follow up studies, Inglehart and Baker (2000) and Inglehart et al (2004) argue that in traditional societies people display higher national pride and favour more respect for authority whilst accepting national authority passively. They tend to conform with social norms rather than strive for individualistic goals and are guided by absolute standards of good and evil. However, the above three studies only use values as the basis of analysis, leading to an analysis which may be deemed incomplete.

Figure 3. Inglehart’s (1997) Cluster Analysis

The emerged clusters of both models allow us to name countries within the same group, display subtle differences between groups, summarise cluster properties rather than those of
individual countries, predict behaviours and explain why countries that are not geographically
close may display similar cultural and behavioural patterns (Kale, 1995; Ronen and Shenkar,
1985).

To sum up, Europe is divided from a cultural point of view. However, the way that
different models cluster European countries varies. Differences between European countries
in different clusters vary in several underlying dimensions. Geographical closeness appears to
be one of the main reasons of country similarity. This is often due to sharing the same
language, religion, climate and history. The spread of languages is closely related to
geographical closeness (Kale, 1995) and historical backgrounds such as colonialism and must
not be underestimated as a basis for cultural understanding. It should be easiest for companies
to move within similar, same-cluster-countries (Vianen et al., 2004; Hanvanich et al., 2003).
This is in tune with the Uppsala School (Johanson and Vahlne, 1977). However, countries
themselves are not homogenous and culture and language can change drastically within
countries too (Cohen, 2005). Ronen and Shenkar’s (1985) and Inglehart’s (1997) analyses
may, therefore, be seen as slightly simplistic as countries, especially large ones, can
experience a strong internal divide. Furthermore, the intra-European cultural differences
identified are not explored in connection with the success of ICAs. This is where our study
adds value by investigating the impact that national pride has on the success of European
collaborative arrangements and by examining whether cultural differences affect ICA success
positively or negatively.

_Cultural Differences within Europe and ICA Success_

Many authors (Brodbeck et al., 2000; Hofstede, 1980; De Mooij, 2000; Inglehart, 1997;
Ronen and Shenkar, 1985) agree that Europe is culturally heterogeneous, but the literature
fails to investigate in depth the impact of such cultural differences on ICAs. Hexter et al
(2010) also highlight the urgency of this investigation with all interview partners stressing
that national cultural differences within Europe are apparent and relevant to ICA success.
Hexter et al (2010) show that there are considerable cultural differences in Europe that need
to be taken into account in ICAs.

Hexter et al (2010) propose a framework for achieving international collaborative
arrangement (ICA) success, by taking into consideration the consequences of cultural
differences. They suggest that cultural differences within Europe are ‘alive and kicking’ and identify pride and attitude to language as important for ICAs success. Their framework suggests that cultural differences affect ICAs at the national, corporate, departmental and individual level and that cultural differences can be turned into competitive advantages through a correct choice between various types of collaborative arrangements and through appropriate ICA management strategies (Hexter et al, 2010). Furthermore, they put forward several hypotheses regarding the impact of cultural differences on ICA success and the strategies that can be used to make the best of such differences. However, Hexter et al (2010) conduct a qualitative analysis and do not test the hypotheses put forward. This is where our study adds value.

Theoretical Framework

Drawing on the extant literature, we believe that cultural differences within Europe still exist and have a significant impact on the success of ICAs. In particular, national pride is a strong contributor to national cultural differences within Europe and countries vary with regard to the national pride perceived by outsiders. Various levels of national pride affect the success of European collaborative arrangements by influencing the acceptance of foreign languages, in the ICAs, the adoption of new working styles, of new processes or new players in the industry. Cultural differences within Europe affect ICA success negatively by increasing complexity. Finally, cultural differences within Europe also affect positively ICA success by creating competitive advantages.

In particular, they argue that there is a strong North-South divide within Europe when it comes to communication styles, with Southern countries often only offering information in private settings. Whilst companies from Northern European generally have an agenda and arrive quickly at the meeting purpose, Southern countries tend to have informal discussions before attending to the business issues. This divide can influence the degree of socialisation needed in the work place or when working in ICAs (Hexter et al, 2010). The distinction between high and low context countries is in line with Hall (1960). We thus propose:

\[ H_1: \] Cultural differences within Europe show a clear North-South divide.
National pride is hardly discussed in the literature concerned with ICAs or with cultural differences. Hofstede et al. (2002) and Hofstede (2004) have included national pride in a survey of business archetypes but the variable only achieved a low ranking and was not described as high priority in most clusters. However, Hexter et al (2010) find that national pride is a major point of friction and a notable difference between countries. They also argue that high levels of national pride can lead to problems in communication with people of other nationalities. Hexter et al (2010) also find that companies from countries with high levels of national pride can show ethnocentrism in terms of processes, product design and marketing, and it can lead to rejection of foreign companies’ products or ownership. This can contribute to ICA failure (Hexter et al, 2010). We thus propose:

\[ H_{2a}: \] National pride is a major contributor to cultural differences within Europe.

\[ H_{2b}: \] High levels of national pride impact negatively on ICA success by minimising acceptance of foreign languages.

\[ H_{2c}: \] High levels of national pride impact negatively on ICA success by minimising acceptance of new processes.

\[ H_{2d}: \] High levels of national pride impact negatively on ICA success by discouraging adoption of different working styles.

\[ H_{2e}: \] High levels of national pride impact negatively on ICA success by minimising foreign products and foreign partner acceptance.

If cultural differences within Europe exist and need to be taken into consideration when managing ICAs, how exactly do they affect the ICA success? On the one hand, research shows that cultural differences can lead to problems in ICAs, thus affecting negatively their performance (Shenkar and Zeira, 1992; Woodcock and Geringer, 1991; Hutzschenreuter and Voll, 2008). International collaborations experience a higher level of complexity than national ones (Hexter et al, 2010; Merchant and Schendel, 2000; Gomez-Mejia and Palich, 1997). Furthermore, it is more challenging to work with people from different cultures as misunderstandings due to culture ‘are easily made and difficult to reverse’ (Hexter et al, 2010). This suggests that cultural differences can have a negative impact on the ICA success.

On the other hand, companies can turn cultural differences into competitive advantages (Dunning, 1998; Lenartowicz and Roth, 1999), thus affecting ICAs positively. Cultural differences can enhance inter-organisational learning and innovation (Collett and
Cook, 2000). As there is no ‘one best way of doing things’, ICAs can leverage cultural differences by making the best of the creativity that cross-cultural teams can provide (Hexter et al, 2010). We thus propose:

\[ H_{3a}: \text{Cultural differences within Europe affect negatively ICA success by creating complexity.} \]

\[ H_{3b}: \text{Cultural differences within Europe affect positively ICA success by creating competitive advantages.} \]

Having put forward the hypotheses, we now review the methodology of the study.

**Methodology**

**Study Design**

We employ a multi-strategy design (Hammersley, 1996), which combines both quantitative and qualitative research. Thus, the limitations and problems encountered by one research method can be counteracted and findings enhanced by using a multi-methodology\(^x\), especially in multi-cultural research (Lane and Beamish, 1990; May, 1997: 89) such as this study. Firstly, to test the proposed hypotheses, we design a questionnaire based on the findings from the literature\(^xi\) and use a mix of advanced statistical methods to analyse the findings of the survey, as described later. Secondly, to help interpret the results of the survey-based statistical analysis, we triangulate these results by using findings from a field study based on semi-structured interviews with a smaller sample of companies, as described below. We choose this multi-strategy design in order to convey richer meanings to the results of the quantitative analysis, leading to more insightful managerial recommendations.

**Sample and Context**

This study investigates ICAs within the European telecommunications industry with the headquarters in Germany. European CAs are a particularly important research area (Grell, 2007) given the rise in intra-European trade and M&As. We chose Germany as a research area as it presents the largest European telecommunications market\(^xii\). Its former incumbent, Deutsche Telecom AG and its sub-divisions represent the largest European telecommunications service provider with interests in more than 50 countries globally (Datamonitor 2007; Schäfer, 2004; Gallacci, 2006). Furthermore, de-nationalisation and
market power of former monopolists are still an issue and developments within the industry are current and fast. The focus of our research on a one-country sample, in line with Morosini et al. (1998) and Adler (1983), is an accepted method in international research, taking into account the practical limitations of international studies and allowing for a good basis of comparison. We consider the four dimensions of cross-cultural research e.g. complexity, number of cultures, focus of observation and unit of analysis (Lenartowicz and Roth, 1999). We minimise complexity by choosing a single country and industry perspective. We use inference and interpretation of qualitative data and all participants were aware of the research focus. We clearly identify the national level as our unit of analysis.

The Strata

For this research we use stratified random samples of the German telecommunications industry. The population are all German telecommunications companies, with headquarters in Germany and international activities. The strata chosen are as follows:

**Stratum 1:** Fixed telephony (service providers, terminal producers etc.);
**Stratum 2:** Mobile telephony (service providers, handset manufacturers etc.);
**Stratum 3:** VoIP/alternative networks (providers, hardware/software producers, network and business services etc.); (Budde, 2007; Key Note, 2005).

The first stratum includes all companies involved in providing fixed line services; the second combines companies providing and enabling mobile telephone services and the third includes companies involved in business telephony service provision, network providers and new communication channels such as VoIP\textsuperscript{xiii}. Within the literature on telecommunications, these strata are an accepted way of dividing the market (Budde, 2007).

The Samples

For the survey stage, WE achieve a random and representative sample of companies matching our criteria by distributing questionnaires to all relevant German telecommunications companies exhibiting at the IFA 2007 in Berlin and at the CeBit 2007 in Hannover. Employees with CA experience are then asked to respond to the main survey. All interviewees were German. In order to avoid an organisational bias we contact only a limited
number of employees per company.\textsuperscript{xiv} The non-response rate is very low at $<10\%$, hence limiting the non-response bias.

This method resulted in a usable sample of 50 questionnaires. A list of 100 companies compiled from VATM members and members from BREKO Verband is assumed to represent over 95\% of German Deutsche Telekom competitors (and its subsidiaries) within the German market (VATM, 2007; Kaack, 2007). This list does not include all associated accessory producing companies, but represents a good approximation of the industry size. This indicates that by sampling 50 questionnaires from 27 companies, we have sampled approximately 25\% of the industry. However, as we limited the companies even further by only sampling companies with international operations in other European countries, we assume that we have sampled in excess of 50\% of the relevant population.

For the triangulation stage of this study, we include in the sample five market leaders in their area of expertise, telecommunications consultancies and ceased ICAs, to provide a broad insight into the industry. We follow Morosini et al.’s (1998) methodology by using snowball sampling, an acceptable non-probability sampling when access to a certain group of informants is difficult (May, 1997). This means that each initial interviewee provides leads for further potential informants. We avoid a personal bias by limiting the number of leads each informant provides. The interviewees were chosen for their international experience.

\textbf{Data Collection, Variables and Processing}

\textit{Data Collection}

For the first stage of the study, we collected the questionnaire data during August and September 2007. To ensure consistency, the questionnaire is translated and back translated by a bi-lingual speaker and a German with fluency in English. Only small numbers of the English questionnaires are used. However, as the study will be published in English, it is important to ensure that the meaning is not changed. We conduct a pilot study (May, 1997: 89) to identify problems with questions or sequencing (Kidder, 1981: 162). Several questions are rephrased, replaced, added or answers recoded. 15 interviewees are contacted for this process and a responds rate of 53.5\% is achieved.

Self-completion questionnaires are distributed electronically and on paper. Questions are devised relating to four general areas: ‘company information’ variables, ‘cultural differences’ variables and ‘cultural differences and their impact on ICAs’ variables.
Questions are pre-coded either giving participants bands\textsuperscript{xv} or 6-Point forced Likert scales to make a decision rather than choose the middle option (in exceptional cases, where a contradictory answer is possible 7-point). According to Lenartowicz and Roth (1999), ordinal scales are particularly useful measures when investigating culture. The collected data include categorical, nominal and ordinal variables. All responses to the questionnaires are pre-coded and the variables described in Appendix 1 are investigated\textsuperscript{xvi}.

For the triangulation stage of the study, we collected data via 30 semi-structured interviews, allowing participants to ‘tell stories’ (Styhre et al, 2006). Interviews are a good tool to understand how individuals make sense of their social world and act within it, but may not necessarily reflect reality ‘beyond interpretation’ (May, 1997:129). We use an interview guide approach suggested by Marchan-Piekkar\texti and Welch (2004) and then compare interviews across cases (Eisenhardt, 1989). We avoid cultural misunderstandings and language barriers, two major obstacles in international research (Cavusgil and Das, 1997) because of the researcher’s national background. Due to challenging logistical and financial constraints, we carry out 23 personal and 7 telephone interviews. Consistency is achieved through the use of a common interview-guide. Each interview lasted approximately an hour.

**Variables**

Variables are designed based on the findings from the literature and are grouped into three categories (Appendix 1). Firstly, to put responses into context, we collect information regarding the company, i.e. the strata the company belongs to, the company legal status, age, size, number of foreign operations and percentage of foreign turnover in total turnover. To ensure validity, we use several variables to reflect firms’ internationalisation status as suggested by Sullivan (1994) and Hassel (2003). However, measuring firms’ internationalisation remains arbitrary (Sullivan, 1994). We look at foreign sales as percentage of total sales as the most common measure of internationalisation (Sullivan, 1994) and at the geographical spread of the company’s internationalisation (Hassel et al., 2003). We use the following internationalisation scale: high: more than 16 foreign operations; medium: 7-16 foreign operations; low: below 7 foreign operations (Hassel et al., 2003).

Secondly, to collect information capturing the strength and nature of cultural differences within Europe, we follow Boyacigiller’s (1990) lead and create indices of cultural distance which range from 3 denoting negligible, to 8, denoting very important. Following
Rao and Smith (1998), we ask respondents directly how differently they perceived specific European countries be it in general, or in terms of national pride shown by their business partners. We compare respondents’ answers between countries to infer meaning (Hofstede, 2004).

Thirdly, to collect data capturing the impact of cultural differences within Europe on ICAs we ask respondents to show how important the effect of cultural differences is on various aspects of ICAs. The indices range from 3 denoting negligible, to 8, denoting very important (Appendix 1). We control for the effect of company size, strata and internationalisation wherever possible by looking at emerging patterns related to these variables.

Data Handling and Data Presentation
We carry out a general investigation of the data before the statistical analysis takes place (Mar-Molinero and Mingers, 2007). This allows a more informed decision about the accuracy of the statistical output. Scandinavia and Benelux are used as group variables instead of measuring each country individually. The merging of the Scandinavian countries can be justified as all countries are closely situated within the same country cluster (Ronen and Shenkar, 1985; Inglehart, 1997). However, contrary to existing cluster findings, we treat Denmark separately, as Hexter et al (2010) indicate noteworthy differences. Furthermore, according to Hofstede (1980), Denmark has a considerably lower PD, the highest IDV and lowest UA score compared to the other Scandinavian countries. This also suggests that an individual treatment may be appropriate. With regard to the Benelux states, but also Scandinavia, we use grouping variables as most companies in our sample manage these countries as one region rather than separately. This is due to their small, individual market sizes and the fact that distinctions between included countries are often difficult to make. Similar to most research studies investigating cross-border activities and cultural distance, we separate variables that investigate each country.

Data Analysis
We use different methods to investigate the data: statistical mapping, cluster analysis, regression, frequency and principal component analysis. To examine if cultural differences within Europe exist and have an impact on ICAs we use statistical mapping and cluster
analysis. Through statistical mapping we establish distances between variables which we then represent on a two dimensional map.\textsuperscript{xix} We use \textit{Kruskal’s Stress I} as a measure of goodness of fit (Kruskal and Wish, 1984) which shows how much of the variation remains unexplained by the dimensions.\textsuperscript{xx}

We use the maps created through employing statistical mapping to complete a cluster analysis, creating groups with similar characteristics. We use a hierarchical cluster approach as this describes a method where variables are assigned to one cluster and remain there. We use Ward’s method, which is closely related to variance analysis as cluster method. This method minimises intra-cluster variances and maximises inter-cluster ones (Heiser and Groenen, 1997).

To investigate if national pride is a strong predictor of cultural differences within Europe, we use regression analysis. To measure how effective a model is, we calculate the coefficient of determination ($R^2$) and the F statistic which is a reliable test of significance (Cryer and Miller, 1994). Furthermore, to examine variations of national pride between European countries we use statistical mapping and cluster analysis as explained above. To analyse the impact of pride on various aspects of ICA we use frequency analysis, i.e. histograms, bar graphs and frequency distribution polygons (Gravetter and Wallnau, 1992:42).

To examine the impact of cultural differences on ICA success, we use principal component analysis (PCA). In doing so, we simplify the data set using the correlation coefficient (Child, 2006). We group variables together depending on common variance patterns to create a smaller number of new dimensions (principal components).\textsuperscript{xxi} We then interpret the resulting components (Vogt, 1993). We only retain components with an Eigenvalue of greater than 1 (Kaiser’s criterion), higher than 0.8 (Joliffe criterion) or all factors appearing before the flattening of a scree plot curve for analysis (Kinnear and Gray, 2004). We generally use the Kaiser’s criterion along with the visual scree plot analysis for our PCA.

Finally, we interpret the results obtained through the statistical methods described above keeping in mind the insights data gathered through interviews. Through triangulation we are able to attach richer meanings to the results of the quantitative analysis (Hammersley, 1996). Hence, when relevant, we refer to the findings from the field study based on semi-structured interviews.
Results and Discussion: Divided We Stand: Cultural Differences within Europe and Their Impact on International Collaborative Arrangements

Cultural Differences within Europe: ‘Alive and Kicking’
We firstly investigate how strongly cultural differences are perceived within Europe. We test H$_1$ stating that cultural differences within Europe show a clear North-South divide between countries that can affect ICA success. For this analysis, we use the following variables, each measuring the perceived level of cultural differences between Germany and other European countries or regions: CuDiDIRE; CuDiDUK; CuDiDFRA; CuDiDBLX; CuDiDSP; CuDiDPOR; CuDiDITA; CuDiDSCA; CuDiDAUS; CuDiDSWI; CuDiDPOL; CuDiDDEN.

Using the statistical mapping technique, we find that our examined data lies close to a two-dimensional sub-space. As the Stress I error term is already excellent at 3.1% in a two and 2.7% in a three dimensional space, and as a representation beyond the first two dimensions is difficult, we have decided to retain the analysis with three dimensions. We show the distances in Appendix 2 and we plot them in Figure 4.

The graphical representation of the MDS carried out with our data reveals that cultural differences within Europe still exist and can be shown on two dimensions. To interpret these dimensions, we draw on the findings from the semi-structured interviews. In Figure 4, Dimension 1 is positively associated with countries that are easy to communicate with for a German company. Austria and Switzerland have the highest association as they speak a form of German and communication is relatively easy. Slightly to the left are countries that often show a good working knowledge of German i.e. Scandinavia, Denmark and Benelux. In the middle of the map are countries that speak English. In these cases, the German side has the working language knowledge. Still, communication is comparatively easy. The left hand quadrants represent countries that neither have a good working knowledge of German, nor speak a language that German businesses tend to be well educated in. Communication here is much more complicated and the use of a third language or even a translator may be necessary. We call Dimension 1 Communication.
Dimension 2 is harder to identify; drawing on the interviews, it seems to measure how countries portrait themselves towards German companies. We call this component *Feeling of Equality*. France and Poland have been described in the interviews as sometimes feeling threatened by German companies and may feel the need to overemphasise their importance. With companies from Scandinavia, the UK and Austria, for example, an equal partnership is more likely, as identified in interviews. Spain and Portugal, at the other end of the scale, have been lagging behind most of Central Europe economically for a long time and despite recent changes, there may still be an inferiority feeling regarding economic strength.

Our findings show that cultural differences within Europe still exist and appear in different strengths and complement findings published by Hofstede (1991), Ronen and Shenkar (1985), Inglehart (1997), Inglehart and Baker (2000) and Inglehart et al (2004). However, our dimensions are unique to this study. The two dimensions found represent a new contribution to the study of cultural differences. They show new aspects of inter-country cultural variation that can affect ICA success.
We now use the results from the MDS to carry out a cluster analysis, establishing which European countries can be grouped together with regard to our two cultural dimensions and inferring implications for ICAs. SPSS has created a dendrogram that allows us to visually establish which countries should be grouped together (Appendix 3). Elongated horizontal lines depict variables that can be grouped together. We thus identify three clusters with the following composition: firstly, Spain, Portugal, Italy, France and Poland; secondly, Austria, Denmark and Switzerland; thirdly, Ireland, UK, Benelux and Scandinavia (Figure 5).

**Figure 5. Our Cultural Clusters**

We now represent these clusters on the map created through MDS (Figure 5). This map shows the location of the three broad clusters within the European countries examined. It is not surprising that, geographically close countries and those sharing a similar or the same language and history e.g. the UK and Ireland, Spain and Portugal or Switzerland and Austria appear close in terms of their cultural distance from Germany. As reasoned previously, it
appears justified that Denmark is considered separately from Scandinavia. It is geographically close to other Nordic countries but belongs to a different cluster. We also find a clear North-South divide in terms of cluster arrangement. Poland presents an exception, explainable possibly due to its socialist history.

The above findings confirm the general assumption within the literature that geographically close countries and countries with a similar language origin are culturally closer than others (Kale, 1995). European companies may consider placing a larger emphasis on cultural preparation and consideration within any ICA, even within Europe. To ease communication, managers may want to prefer ICAs with partners from countries within the same cluster. However, if German companies aim to enter collaborative arrangements with companies from France, Poland, Italy, Portugal or Spain, they need to be aware that their business partners may feel the need to emphasise their importance in economic terms. This could lead to a tendency to impose their own culture or their own strategies, which can have a negative effect on the ICA success.

We, therefore, cannot reject $H_1$. National cultural differences within Europe still exist and there is a clear North-South divide within Europe. These findings complement the findings of Ronen and Shenkar (1985) by bringing new dimensions to the fore. In the following section, we look at national pride and its impact on ICAs.

### Cultural Differences in Europe and Their Impact on ICAs: The Importance of National Pride

National Pride: A Major Contributor to Cultural Differences within Europe

We now investigate the importance of national pride as a cultural difference within Europe and its impact on ICAs. We first test the hypothesis $H_{2a}$, stating that national pride is a major contributor to cultural differences within Europe. We use $EUCUDI$ as our dependent and $PRIDLEV$ as our predictor variable.

### Table 1. Regression Analysis Results

<table>
<thead>
<tr>
<th>Measure</th>
<th>Result</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$R^2$</td>
<td>0.387</td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.347</td>
<td></td>
</tr>
<tr>
<td>One-way ANOVA</td>
<td>$F (3; 46) = 9.678; p&lt; 0.0005$</td>
<td>Significant beyond 1% level</td>
</tr>
</tbody>
</table>
As in Table 1, we find a definite link between national pride and national cultural differences. Respondents who felt strongly that national pride varied also felt national cultural differences between European countries to be large, resulting in an adjusted $R^2$ of 0.347. This indicates that the amount to which national pride is portrayed towards foreigners strongly influences the feeling of national cultural distance by the foreign individual. These results support the findings of Hexter et al. (2010) who suggest that there are significant differences between national pride within Europe. Our findings represent an important addition to the International Business literature. However, national pride may only influence the perceived cultural distance rather than a real, measurable entity as the national pride shown and really felt may vary. Testing for a difference in real and perceived national pride levels is, however, beyond the scope of this study.

We now investigate whether there are differences in national pride between European countries. This is important for companies operating in Europe due to the strong correlation between pride and national cultural differences. The following variables were used to compare the intensity of national pride shown by European nationals towards others: PridIre; PridUK; PridFra; PridBlx; PridSpa; PridPor; PridIta; PridSca; PridAus; PridSwi; PridPol; PridDen; PridGer. These variables ask respondents to judge the level of national pride shown in European countries that their companies have operations in. Respondents were asked to judge this pride on a 6-point Likert scale from 3-8, with 3 denoting negligible and 8 denoting very important.

We use statistical mapping to establish dimensions that can be used to explain differences in European national pride levels. We use three dimensions for the analysis as the error term is very good at 2.24% unexplained variance and shows a good model fit. We use the distances shown in Appendix 4 to represent these in Figure 6.

Our representation clearly shows that Germany has an isolated position regarding its national pride within the European national pride map. It is at the opposite scale on Dimension 1 to France. Dimension 1 is negatively associated to the outward portrayal of one’s national pride. To verify whether or not this portrayed level of pride is synonymous with the actual level of pride felt, is beyond the scope of this study as large scale investigations in all countries would be necessary. Our findings show the level of pride portrayed and perceived by others.
Indeed, national pride in Germany has taken on a unique position. After the Second World War, Germans on both sides have actively been educated to feel a sense of shame, regret and guilt about historic events. However, this negativity has been translated into ‘not being allowed to feel proud’ of one’s country. Furthermore, as Germany itself has had a varied recent history due to the country’s division, it is clear, that it is still lacking a feeling of unity. Many interviewees commented on cultural differences not just with other countries but specifically between former East and West Germans. Older people still very much feel the intra-German divide. However, as a generation that has grown up in a united Germany gets older, difference diminish. Recent events such as the Football World Cup in 2006 and the European Football Championship 2008 have a positive effect on the feeling of national pride and the acceptance of its portrayal. On the other hand, France and the UK, are either very proud of their historic achievements (UK) or tend to ignore negative events in favour of positive ones (France), despite equally eventful histories. This is a very different way of presenting one’s history and creating associated feelings. The former is a way of promoting a positive association towards one’s nation, whereas the latter appears to be a more serious,
formal and more rigid way of displaying national pride. Therefore, we call this dimension *Lack of National Pride*.\textsuperscript{xxii}

Dimension 2 depicts the level of uniformity in the portrayal of national pride within a country. The experience of German and French national pride, for example, appears to have little variance i.e. our respondents present a uniform opinion about the portrayal of pride experienced within those countries. Experiences of national pride portrayal in Poland and Denmark, on the other hand, vary substantially. The determination of national pride levels in those countries is more difficult. We call this dimension *Intra-country Pride Variation*. Figure 6 clearly shows that the portrayal of national pride varies substantially between different European countries. This confirms Hexter et al.’s (2010) findings regarding substantial differences between national pride portrayal and supports $H_{2a}$. Pride appears to be of great importance when it comes to national cultural differences within Europe.

We now use the results from the MDS to perform a cluster analysis to establish which European countries can be grouped together in terms of national pride, leading to managerial implications for ICAs. We use the SPSS dendrogram to visually determine country clusters (Appendix 5). Four clusters emerge: Austria, Denmark, Switzerland, Benelux and Scandinavia; Germany; Ireland, Portugal, UK and Poland; Spain, Italy and France.

The clusters depicting the importance of national pride in different European countries can be seen in Figure 7 as well. ‘Latin’ European countries are clustered towards the top left hand corner with *Nordic* and *Germanic* countries appearing towards the centre left. Germany has a significantly separate position, portraying a substantially lower level of national pride compared to other European neighbours. When looking at the diagram and at the interview findings, it becomes apparent, that the ‘Latin’ Cluster is described by countries with a high level of national pride, with the pride level reducing along the *Lack of National Pride* dimension and the variance decreasing along the *Intra-Country Pride Variance* dimension. This suggests that Poland and Denmark represent countries where people have experienced a very varied display of national pride, whereas Germany and France are consistently believed to have low and high levels of national pride respectively.

This can suggest that managers have to be aware of the impact of national pride on ICAs especially in countries such as France, Italy and Spain which show low variance of national pride portrayal. This, however, should not be taken to suggest that national pride may not be an issue for ICAs when operating in Germany, as interviews show that recently
there has been a ‘renewal’ of national pride. Furthermore, pride shown may be different from the pride felt.

### Figure 7. National Pride within Europe: Clusters

![National Pride Clusters](image)

**The Impact of National Pride on ICA success**

We now test $H_{2b}, H_{2c}, H_{2d}, H_{2e}$, stating that *high levels of national pride impact negatively on ICA success by minimising acceptance of foreign languages; high levels of national pride impact negatively on ICA success by minimising acceptance of new processes; high levels of national pride impact negatively on ICA success by discouraging adoption of different working styles; high levels of national pride impact negatively on ICA success by minimising foreign products and foreign partner acceptance*. National pride appears influential to conducting business in different European countries. Hexter et al (2010) indicate that national pride variances affect the ICA success in terms of the acceptance of their product, language, processes and working styles. This may be of particular relevance for German companies that...
may not be accustomed to strong national pride influences. Questionnaire respondents were asked to judge to what extent the level of national pride influences the acceptance of foreign products and companies, foreign languages, different working styles and the rate of adoption of new processes. The 6-point Likert used a scale from 3 for negligible to 8 for very strong influence. We use frequency analysis to show trends in the data.

The influence of national pride on language acceptance is rated as medium in Figure 8. Despite the fact that there are countries in which foreign language adoption is comparatively more difficult, national pride is not seen as the only contributor. Other facts such as language education, language history and possibly even market size were all mentioned throughout the interviews as possible contributors to language behaviour.

The influence of national pride on new process adoption as shown in Figure 9 is described as medium. This may reflect the need in a fast-moving, technology-rooted and hypercompetitive industry to continuously adopt new processes. Companies may encounter initial rejection but necessity dictates the eventual process acceptance on all sides.

Figure 10 depicts national pride as a major obstacle to the acceptance of foreign working styles by ICA partners. 68% of respondents rated the influence of national pride on the acceptance of foreign working styles as important to very important. This finding has serious implication for a smooth transition and integration period and consequently ICA success. If a company with an ethnocentric background, for example, acquires or joins a company from a country with strong national pride, the integration and standardisation of teams and work processes will face resistance and may hinder future ICA success.

Finally, in Figure 11, opinions related to the acceptance of foreign players vary drastically. There are no significant patterns when comparing answers from different sized companies are compared. However, an interesting finding appears when looking at the acceptance of foreign players related to the strata that the respondent’s company belongs to.
Figure 8. Influences of National Pride on Acceptance of Foreign Languages

Figure 9. Influences of National Pride on Acceptance of New Process Adoption

Figure 10. Influences of National Pride on Acceptance of Different Working Styles
Figure 11. Influences of National Pride on Acceptance of Foreign Players/Products

Figure 12 shows a distinct difference between strata that experience a low and strata that experience a high level of resistance towards their products. Stratum 2 (mobile) experiences considerably lower levels of resistance than stratum 1 (fixed telephony). Companies in stratum 3 (alternative) have a mixed experience. However, this is to be expected as this stratum included a far wider variety of services and companies than the other two.

The mobile sector has only really increased momentum after the opening of the European telecommunications market in the 1990s, so that from an early stage, a number of initially national, but soon international companies were providing mobile services. No single company was synonymous with the sector. Europe especially is open to new entrants and the convergence and development of new telephony methods has further increased the speed of increased competition (Chan-Olmsted and Jamison, 2001) and choice for consumers. There was little time to establish long-lasting loyalties with the service provider.

Figure 12. Acceptance of Foreign Players or Products according to Strata
Companies within stratum 1 need to strongly consider the level of national pride in their target country. The high importance of national pride in this sector may be explained by stratum 1’s long history of monopoly structures in most European countries. It is, similar to the aviation industry, also seen as of great national strategic importance (Aggarwal and Fletcher, 1992; Ghoshal and Bartlett, 1998). To reduce the impact of national pride on ICAs within stratum 1, companies may consider less aggressive entry modes such as alliances or IJVs or may consider keeping the identity of the acquired company e.g. refraining from rebranding to the home country brand.

To sum up, we cannot reject $H_{2a}$ or $H_{2b}$, $H_{2c}$, $H_{2d}$, $H_{2e}$. National pride appears to be a major contributor to cultural differences with Europe. Furthermore, variances in national pride appear to affect important areas of ICAs, hence affecting their success. These differences result in variations in the effectiveness of strategic decisions related to languages used in ICAs, working style, internal processes, product design and entry modes and hence lead to differences in ICA success potential in the European telecommunications sector. Companies may hence consider investigating national pride levels in potential host markets and adapting their strategies to reduce risk and maximise acceptance. In the following section we investigate the impact of cultural differences on ICAs within the European telecommunications market.

**Cultural Differences in Europe and Their Impact on ICAs: Friends or Foes?**

In this section, we aim to investigate whether cultural differences within Europe affect ICAs positively or negatively and to explore strategies that can be employed to achieve competitive advantage through cultural differences. We test $H_{3a}$ stating that cultural differences within Europe affect negatively ICA success by creating complexity and $H_{3b}$ stating that cultural differences within Europe affect positively ICA success by creating competitive advantages. To this end we perform a PCA using optimal scaling. We use the following variables for this analysis: $EuCuDi$; $CuDiChal$; $PridLev$, $CuDiCrea$; $IntCACom$; $CuDiPos$; $CuDiNeg$. All above variables are ordinal and measured on a 6-point Likert scale from 3-8, with 3 denoting negligible and 8 denoting very important. They are concerned with cultural differences and their impact on international business. This allows judgment about the impact of national cultural differences on ICA success.
After carrying out a PCA analysis, we see that there are two main dimensions, which account for 63.5% of the variance experienced regarding the influence of national cultural differences on ICAs. These are also the only two dimensions with an Eigenvalue of above 1. As these two dimensions account for the most important part of the variance, they are deemed sufficient for the interpretation. To interpret the components, we investigate how the component loadings represent themselves.\textsuperscript{xiii} ‘High’ loadings have been highlighted in Table 2.

Table 2. Principal Component Analysis: Component Loadings

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dimension 1</th>
<th>Dimension 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength of European national cultural differences</td>
<td>.677</td>
<td>.620</td>
</tr>
<tr>
<td>More challenging working with people from different cultures</td>
<td>-.744</td>
<td>.024</td>
</tr>
<tr>
<td>More creative results when working with people from different cultures</td>
<td>.586</td>
<td>-.172</td>
</tr>
<tr>
<td>Varying amounts of national pride</td>
<td>.748</td>
<td>.095</td>
</tr>
<tr>
<td>Bigger complexity of ICAs</td>
<td>-.446</td>
<td>.637</td>
</tr>
<tr>
<td>Positive effects of national cultural differences</td>
<td>.835</td>
<td>.028</td>
</tr>
<tr>
<td>Negative effects of national cultural differences</td>
<td>-.125</td>
<td>.888</td>
</tr>
</tbody>
</table>

Drawing on the previous component loadings, we define the two components as follows. Dimension 1 represents the \textit{Positive Effects of Cultural Differences}. It is strongly defined by the varying levels of national pride, creativity associated with cultural distance and the reduced positive effect as working with people from different national backgrounds is more challenging. We define Dimension 2 as the \textit{Negative Effects of Cultural Differences}. This component is strongly defined by the increased complexity and issues caused by cultural differences. The higher the cultural differences, the higher the negative impact.

According to our findings, negative and positive effects are almost equally strong when it comes to national cultural differences. This is important as the literature focuses on the negative effects (Shenkar and Zeira, 1992; Woodcock and Geringer, 1991). The negligence of positive effects leads to an inadequate use of culturally rooted competitive advantages (Shenkar and Zeira, 1992; Morosini et al., 1998; Schneider and Barsoux, 1997: 7). The bigger complexity of ICAs does not only increase the risk of negative but also decreases potential benefits gained from positive cultural effects, such as increased learning.
(Collett and Cook, 2000). Varying levels of pride, as discussed earlier can be an obstacle, but, if dealt with appropriately can also be the source of competitive advantage. For example, as countries with low levels of pride or high intra-country pride variation may show little opposition to ethnocentric approaches by their ICA partners. The same is true for working with people from different national backgrounds. Cultural diversity can create negative externalities in certain departments (Styhre et al., 2006) but can, if managed appropriately, also create a more talented and motivated human resource base (Collett and Cook, 2000; IBM, 2007). Our interviews also suggest that appropriate time for face-to-face communication could reduce any negative impact of culture on ICAs.

Companies engaged in ICAs should be aware that national cultural differences are relevant on two levels. Firstly, they need to be managed appropriately to reduce their negative impact on the team management. This is particularly important when it comes to large and complex ICAs. Secondly, companies should be thriving to increase the benefits stemming from this diversity. This is particularly relevant in terms of creative work such as idea generation, product design and marketing. Following the above analysis, we conclude that we cannot reject H3a and H3b. National cultural differences within Europe affect significantly ICA success. More importantly, whilst they can impact on ICAs negatively by enhancing complexity, they can also lead to ICA success, by creating competitive advantages.

Conclusion

Contribution to Knowledge and Further Research

This study has shown that Europe is still divided from a cultural point of view and that cultural differences affect ICAs success. In particular, we identify a North–South divide within Europe, with countries within each cluster showing a higher level of cultural similarity. We add to existing frameworks on cultural differences in Europe (Ronen and Shenkar, 1985; Inglehart, 1997) but we identify two unique dimensions to European cultures that help distinguish between various clusters of countries. These dimensions are the ‘ease of communication’ with other countries and the ‘feeling of equality’ with other nations and they are loosely connected with the main cultural differences in Europe identified by Hexter et al (2010), i.e. national pride – as shown by nationals of a certain country and perceived by outsiders- and attitude to languages.
We find that pride is a strong predictor of European cultural differences and that countries differ with regard to the national pride perceived by outsiders, as well as the variation of pride shown among the nationals of a certain country. Countries such as France, Italy and Spain are characterised by high levels of pride with little intra-country variation. Germany shows low levels of pride – albeit increasing –, also with little intra-country variation. On the other hand, Denmark and Poland show a high level of intra-country variation in terms of pride portrayed to outsiders. Furthermore, national pride can affect various aspects of ICAs such as acceptance of foreign languages, adoption of new processes, adoption of different working styles and acceptance of foreign players and products. Companies from countries with high levels of pride appear to be more likely to impose their practices in terms of languages spoken, working styles and adoptions of new processes when entering ICAs. Moreover, we find that the effects of national pride on the acceptance of foreign players and products are stronger in the fixed telephony stratum, given the long history of national monopolies in this sector.

We find that national cultural differences within Europe can significantly affect ICA success. More importantly, whilst they can impact on ICAs negatively by enhancing complexity, especially if the cultural differences are strong, they can equally lead to ICA success, by creating competitive advantages through idea generation. This is very important as the literature focuses on the negative effects of culture on ICAs (Hutzschenreuter and Voll, 2008; Shenkar and Zeira, 1992; Woodcock and Geringer, 1991). The negligence of positive effects leads to an inadequate use of culturally rooted competitive advantages (Shenkar and Zeira, 1992; Morosini et al., 1998; Schneider and Barsoux, 1997).

This study uses a sample of telecommunications companies based in Germany and with international ventures in Europe and it displays both the strengths and limitations of one-country and one industry studies. However, further research can enlarge the sample to include other European countries or can investigate other industries. Further studies can also investigate whether cultural differences have a positive or a negative impact on ICAs, whether this impact depends on various types of collaborative arrangements and how managers can best manage these cultural differences and their impact on ICAs success.
**Managerial Recommendations**

Based on our findings, we put forward several recommendations for managers operating in the European telecommunications industry or in a similar fast-paced service industry, thus answering Earley’s (2006, p.928) call for developing mid-level theories that link culture to action.

Managers have to take into consideration cultural differences within Europe and research these carefully, as these affect ICA success. Firstly, managers need to reduce the negative impact of cultural differences, especially if companies belong to countries from different clusters, leading to significant cultural differences. Secondly, companies should be thriving to increase the benefits stemming from this cultural diversity.

In particular, to ease the communication within the ICAs, they can expand in countries with a similar language. This is in tune with the Uppsala School (Johanson and Vahlne, 1977). Furthermore, German companies need to be aware that ICA partners from Italy, Spain, Portugal or Poland may feel threatened by German partners (showing a weak feeling of equality) and may need to emphasise their importance in economic terms. This could lead to a tendency for Italian, Spanish, Portuguese or Polish firms to impose their own culture or their own strategies, which can have a negative effect on the ICA success, unless German partners take appropriate measures for adaptation.

Managers need to take into consideration the level of national pride portrayed by their business partners and then plan their entry mode, product strategies, working styles and processes accordingly. Different degrees of pride between ICA partners may lead to positive impact on ICAs success, as countries with low levels of pride or high intra-country pride variation may show little opposition to ethnocentric approaches by their ICA partners with higher pride levels. On the other hand, in countries with high levels of national pride, and especially in the fixed telecommunications sector, aggressive entry modes such as M&As should be avoided, as they may alienate employees and customers. Also, more adaptation of products, working styles and processes is required in countries such as Italy, Spain, France which show a high level of national pride and little variation between pride shown by individual nationals. Furthermore, appropriate time for face-to-face communication between the international partners can reduce the negative impact of cultural differences on ICAs. Multicultural teams can also turn cultural differences into competitive advantages by increasing creativity and inter-organisational learning.
Overall, we find that, from a cultural point of view, European countries are still divided by national pride and that managers of ICAs need to take these cultural differences into consideration and design appropriate strategies in order to improve ICA success.

References


Appendix 1. Variables Description
<table>
<thead>
<tr>
<th>Variable Definition</th>
<th>Variable Code</th>
<th>Variable Type</th>
<th>Scale/Range</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of questionnaire</td>
<td>Number</td>
<td>Numerical</td>
<td>1-50</td>
<td>General.</td>
</tr>
</tbody>
</table>

### Company Information Variables

<table>
<thead>
<tr>
<th>Variable Definition</th>
<th>Variable Code</th>
<th>Variable Type</th>
<th>Scale/Range</th>
<th>Source</th>
</tr>
</thead>
</table>
| Strata that the company belongs to | Strata | Nominal | 2= Fixed  
3= Mobile  
4= Alternative | Budde (2007); Key Note (2005). |
| Company legal status | FirmForm | Nominal | 2= Ltd (GmbH)  
3= PLC (AG)  
4= GmbH and Co  
4= Private | General. |
| Company age | FirmAge | Ordinal | 2= <2 years  
3= 2-5 years  
4= 6-10 years  
5= > 10 years | General. |
| Size of company | NoEmploy | Ordinal | 2= Micro  
3= Small  
4= Medium  
| Number of foreign operations | NoEUops | Ordinal | 2= 0-5  
3= 6-10  
4= 11-20  
5= >20 | Gooroochurn and Sugiyarto (2004); Hassel et al. (2003), Hsu and Boggs (2003). |
| % of Foreign turnover | IntTO | Ordinal | 2= <1%  
3= 1%-10%  
4= 11%-25%  
5= 26%-49%  
6= 50%-74%  
7=>75% | Gooroochurn and Sugiyarto (2004); Hassel et al. (2003); Hsu and Boggs (2003). |

### Cultural Differences Variables

<table>
<thead>
<tr>
<th>Variable Definition</th>
<th>Variable Code</th>
<th>Variable Type</th>
<th>Scale/Range</th>
<th>Source</th>
</tr>
</thead>
</table>
| Strength of national cultural differences within Europe | EuCuDi | Ordinal | 6= Point Likert Scale  
3= Negligible  
8= Very | Hofstede (1980); Ronen and Shenkar (1985); Inglehart (1997); Morosini et al. (1998). |
| National cultural differences Germany versus European countries | CuDiDIRE; CuDiDUK; CuDiDFra; CuDiDBI; CuDiDSP; CuDiDPo; CuDiDIt; CuDiDSc; CuDiDAU; CuDiDSwi; CuDiDPo; CuDiDDen | Ordinal | 6= Point Likert Scale  
3= Negligible  
8= Very | Morosini et al. (1998). |
| Are there varying amounts of national pride? | PridLev | Ordinal | 6= Point Likert Scale  
3= Negligible  
8= Very | Hofstede et al. (2002); Hofstede (2004); Interviews. |
<table>
<thead>
<tr>
<th>Cultural Differences and Their Impact on ICAs Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of national pride in different European countries</strong></td>
</tr>
<tr>
<td>PridIre; PridUK; PridFra; PridBlx; PridSpa; PridPor; PridIta; PridSca; PridAus; PridSwi; PridPol; PridDen; PridGer</td>
</tr>
<tr>
<td>Ordinal</td>
</tr>
<tr>
<td>6-Point Likert Scale</td>
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<tr>
<td>3= Negligible</td>
</tr>
<tr>
<td>8= Very</td>
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</tbody>
</table>

| Influence of national pride on acceptance of foreign players/products |
| Pridprod |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |

| Influence of national pride on acceptance of foreign languages |
| PridLang |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |

| Influence of national pride on acceptance of new process adoption rate |
| PridProc |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |

| Influence of national pride on acceptance of different working styles |
| PridStyl |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |

| Increased complexity in ICAs |
| IntCACom |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |

| More challenging working with people from different cultures |
| CuDiChal |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |
| Styhre et al. (2006); Sarkar et al. (1999); Hutzschenreuter and Voll (2008). |

| More creative results when working with people from different cultures |
| CuDiCrea |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |
| Hexter et al (2010) |

| National cultural differences can have positive effects on ICAs |
| CuDiPos |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |

| National cultural differences can have negative effects on ICAs |
| CuDifNeg |
| Ordinal |
| 6-Point Likert Scale |
| 3= Negligible |
| 8= Very |
Appendix 2. Cultural Distances on Three Dimensions

<table>
<thead>
<tr>
<th>Country</th>
<th>Dimension 1</th>
<th>Dimension 2</th>
<th>Dimension 3</th>
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</thead>
<tbody>
<tr>
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<td>-0.058</td>
<td>-0.091</td>
<td>-0.175</td>
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<tr>
<td>UK</td>
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<td>-0.086</td>
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<tr>
<td>France</td>
<td>-0.724</td>
<td>0.556</td>
<td>-0.018</td>
</tr>
<tr>
<td>Benelux</td>
<td>0.422</td>
<td>-0.147</td>
<td>-0.017</td>
</tr>
<tr>
<td>Spain</td>
<td>-0.601</td>
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<td>0.135</td>
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<td>Portugal</td>
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<td>0.148</td>
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<td>Italy</td>
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<td>Scandinavia</td>
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<td>Austria</td>
<td>0.898</td>
<td>0.15</td>
<td>0.362</td>
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<td>Switzerland</td>
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Appendix 3. Cultural Distances within Europe Dendrogram

![Dendrogram using Ward Method](image)

Rescaled Distance Cluster Combine

<table>
<thead>
<tr>
<th>CASE Label</th>
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<tr>
<td>CuDiDPor</td>
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<tr>
<td>CuDiDIta</td>
<td>7</td>
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<td>CuDiDFra</td>
<td>3</td>
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<td>CuDiDPol</td>
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<td>CuDiDAus</td>
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<td>CuDiDDen</td>
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<tr>
<td>CuDiDUK</td>
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<td>CuDiDBix</td>
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<tr>
<td>CuDiDSc</td>
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Appendix 4. National Pride Distances on Three Dimensions

<table>
<thead>
<tr>
<th>Country</th>
<th>Dimension 1</th>
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<th>Dimension 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
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<tr>
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<td>Scandinavia</td>
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<td>Germany</td>
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Appendix 5. Differences in National Pride within Europe Dendrogram

```
Dendrogram using Ward Method

Rescaled Distance Cluster Combine

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</tbody>
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```
Endnotes:

i The term of ‘collaborative arrangements’ is broader than strategic alliances, as this includes not only strategic alliances such as equity and non-equity alliances but also mergers and acquisitions, which presuppose a higher level of commitment and integration than strategic alliances.

ii See Ybarra et al., 2008; Tsang, 2004; Luo, 2002; Salk and Brannen, 2000; Clifford, 1992; Merchant and Schendel, 2000; Killing, 1983.

iii We focus on national cultural dimensions rather than organisational culture, although we recognise the importance of organisational culture in the success or failure of ICAs.


vii Cultural distance is generally referred to as the difference from a typical member of one culture to another (Hofstede, 1991:121). This concept is commonly accepted (Chapman et al., 2008). Most studies see cultural differences as the distance between cultural country scores (Hanvanich et al., 2003).

viii E.g. North America, China, Africa, Japan and Latin America.


x See Marschan-Piekkari and Welch, 2004; Bryman, 2004; Creswell, 2003; Mingers and Brocklesby, 1997; Hammersley, 1996; King et al., 1994.

xi Appendix 3.

xii Market share estimated at 19-22% (Datamonitor, 2007, 2007a; Key Note, 2002; Budde, 2007).

xiii Transmitting voice data e.g. talking via Internet channels.

xiv We also recognise that there may be intra-German differences, but investigating these in more depth is beyond the scope of this study (Lenartowicz and Roth, 1999).

xv E.g. smaller than, between, larger than.

xvi Appendix 1 only represents the variables actually used for analysis.

xvii Sweden, Norway and Finland

xviii We use optimal scaling throughout our statistical analysis wherever it is necessary to combine qualitative and quantitative data.

xix We calculate these distances using the non-parametric PROXSCAL Multidimensional Scaling (MDS) algorithm in SPSS. Non-parametric statistics are used for a population that takes on a ranked order (ordinal). We employ the Euclidean Metric. It describes the shortest distance between two points and is the most commonly used measure of distance. It associates small dissimilarities with short distances in the dimensional space and vice versa, using successive approximations until stress has been minimised. The Euclidean Metric means that results obtained from MDS are identical to those from a Principal Component Analysis (PCA), if the variables are normally distributed and can be combined (Mar-Molinero and Mingers, 1997). We could have used different measures of proximity, but this may influence the results slightly (Chatfield and Collins, 1992; Heiser and Groenen, 1997).

xx We increased the accuracy of the PROXSCAL analysis by changing the iteration criteria to a stress convergence of 0.00001 instead of 0.0001 and a minimum stress of 0.00001. This allows results to be more accurate (Kinnear and Gray, 2004). A Stress I below 0.05 is good and the number of dimensions retained for analysis can be limited once the error term is satisfactory. However, even if a two-dimensional model results in an acceptable Stress I measurement, Mar-Molinero and Mingers (2007) still suggest running the MDS algorithm with at least three dimensions. The third dimension then contains all unexplained aspects not covered by the first two dimensions. Leaving unrelated dimension does not affect the result. However, removing too many dimensions increases the error term and reduces goodness of fit (Mar-Molinero and Mingers, 2007).

xxi These components are then rotated to increase the relationship between the variables within the component and minimise the association with variables on other dimensions

xxii This is pride portrayed, rather than felt.

xxiii If the loading of a variable is ‘high’ for a component, e.g. close to or above 0.5, either positively or negatively, it is important for the analysis and interpretation of this factor.