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**THE CULTURAL CONSEQUENCES FOR EUROPEAN
COLLABORATIVE ARRANGEMENTS IN
TELECOMMUNICATIONS**

By

Jeanette HEXTER

Supervisors: Prof. P. Phillips and Dr. C.R. Stoian

October 2010

**A thesis submitted for the degree of PhD in Management at the
University of Kent**

DECLARATION

I hereby certify that the work embodied in this thesis is the result of my own investigations except where reference has been made to published literature.

I declare that this work has not already been accepted in substance, nor is it currently being published in candidature for any other degree.

ABSTRACT

This work investigates the cultural consequences on international collaborative arrangements (ICAs) within the European telecommunications industry. We analyse which cultural variables influence ICA success and which entry mode and management strategies should be utilised to increase their positive effects on the collaboration. We use Germany as investigative point of origin. Furthermore, we look at culture in Europe in general and at specific cultural variables that have been previously overlooked.

We find that culture within Europe is heterogeneous with a clear North-South divide and that the success of ICAs is influenced by the management of these differences. We achieve these results through a mixture of qualitative and quantitative research methods for model building, testing and triangulation.

We test the hypotheses that language and national pride are strong determinants of cultural differences within European. They influence the effectiveness of international and internal management strategies within ICAs. Our results further support the hypothesis that national and corporate cultures are important issues to be considered for ICA entry mode choice as well as management strategies.

We also show that national cultural consequences vary with different departmental internal or external focus, technology content and local terminology. We further find that international employees need to show capabilities on a general as well as an international dimension. We show how to assess an ICA opportunity, choose an appropriate entry mode strategy and adapt internal management strategies on the corporate, departmental and individual level to suit the local national culture and increase future success potential.

Our study allows a closer look at ICAs and the cultural consequences they face. We show that cultural differences need to be considered for company strategy, even if their relevance appears minor, as they affect an ICA's success potential. We make recommendations towards suitable management and entry mode strategies for successful ICAs. This study contributes towards the academic literature, business knowledge and practices as well as policy making.

ACKNOWLEDGEMENTS

At the end of these three and a half years completing my PhD, writing an acknowledgement list to include everybody that supported me through this time seems almost impossible. There has been so much support from so many sources that a simple list will never be able to express my gratitude to the people who have made this project possible.

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And now let the future begin....

Für Jasmine und Julian

TABLE OF CONTENTS

DECLARATION	Page
	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vi
LIST OF FIGURES	vii
LIST OF DIAGRAMS	viii
LIST OF CASE STUDIES	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE: INTRODUCTION	
1.0 Background	1
1.1 Rationale for Research	2
1.2 Aim and Research Questions	4
1.3 Research Contributions	7
1.3.1 Contribution to Academic Literature	7
1.3.2 Contribution to Business Knowledge and Practice	9
1.3.3 Contribution to Policy-making	9
1.4 Definitions of Key Concepts	10
1.5 Assumptions	11
1.6 Dissertation Overview	12
CHAPTER TWO: LITERATURE REVIEW	
<i>Three Sides to One Story: ICAs, Culture and Telecommunications</i>	
2.0 Introduction	13
2.1 CAs: Strategic Choices for Growth	14
2.1.1 Why CAs Fail	20
2.2 Understanding Cultural Differences and their Consequences for ICAs	23
2.2.1 Cultural Consequences as a Cause of ICA Failure	25
2.2.2 Frameworks to Analyse Cultural Differences	26
2.2.3 Focus on Cultural Differences within Europe	30
2.3 The Management of Cultural Consequences to Achieve Competitive Advantage in ICAs	35
2.4 European Telecommunications: An Overview	44
2.4.1 The German Telecommunications Market	51
2.4.2 Internationalisation and ICAs in the European Telecommunications Industry	52
2.5 Conclusion	55

CHAPTER THREE: METHODOLOGY

3.0	Introduction	56
3.1	Study Design and Research Design Model	56
3.2	Sample and Context	59
3.2.1	The Strata	60
3.2.2	The Samples	60
3.2.2.1	<i>Model Building: Informants and Sampling</i>	61
3.2.2.2	<i>Model Testing: Informants and Sampling</i>	64
3.2.2.3	<i>Validation: Informants and Sampling</i>	65
3.3	Data Collection Methods	66
3.3.1	Model Building: Field Study Approach	66
3.3.2	Model Testing: Questionnaire-based Quantitative Approach	
	Data Collection and Processing	67
3.3.2.1	<i>Variable Creation and Comparability</i>	68
3.3.2.2	<i>Data Handling, Processing and Variable Description</i>	70
3.3.2.3	<i>Data Presentation</i>	71
3.3.3	Validation: Case Study-based Qualitative Approach	71
3.4	Data Analysis	72
3.4.1	Model Building: Field Study Approach	72
3.4.1.1	<i>Theory Development</i>	75
3.4.2	Model Testing: Questionnaire-based Quantitative Approach	76
3.4.2.1	<i>Optimal Scaling</i>	76
3.4.2.2	<i>Statistical Mapping and Cluster Analysis</i>	77
3.4.2.3	<i>Principal Component Analysis</i>	78
3.4.2.4	<i>Regression Analysis</i>	79
3.4.2.5	<i>Property Fitting</i>	79
3.4.3	Validation: Case Study-based Qualitative Approach	80
3.5	Equivalence and Comparability	81
3.6	Conclusion	81

CHAPTER FOUR: THEORY BUILDING & PROPOSITIONS

A Qualitative Investigation of Cultural Consequences for ICAs in the German Telecommunications Industry

4.0	Introduction	82
4.1	Building on Existing Theory	82
4.2	Theory Formulation through Interview-based Qualitative Analysis	84
4.2.1	Cultural Differences in Europe: Alive and Kicking	84
4.2.1.1	<i>National Pride: Unexplored Territory</i>	90
4.2.1.2	<i>The Effect of Language on International Business</i>	94
4.2.2	The Effect of Culture: A Look at Different National and Organisational Levels	96
4.2.2.1	<i>The Effect of National Cultural Differences on ICA Success: The Corporate Level</i>	96
4.2.2.2	<i>The Effect of Country-specific Characteristics on ICA success</i>	102
4.2.2.3	<i>The Effect of National Cultural Differences on ICA Success: The Departmental Level</i>	106
4.2.2.4	<i>The Individual Level: The Ideal International Employee?</i>	107

4.3	Our Contribution: A Cross-Cultural Model of Successful ICAs	109
4.3.1	Hypotheses Summary	115
4.4	Conclusion	120

CHAPTER FIVE: THEORY TESTING, STATISTICAL ANALYSIS AND FINDINGS

A Quantitative Investigation of Cultural Consequences for ICAs in the German Telecommunications Industry

5.0	Introduction	122
5.1	Results and Discussion: Part One - Cultural Differences within Europe: Perceivable and Important	124
5.2.1	Introduction	124
5.1.2	Cultural Differences within Europe	124
5.1.3	Cultural Consequences for ICAs: The Importance of National Pride	127
5.1.4	Cultural Consequences for ICAs: The Importance of Language	135
5.2	Results and Discussion: Part Two - Company Strategies: The Cultural Dimension to Successful ICAs	144
5.2.1	Introduction	144
5.2.2	The Effect of Cultural Differences on ICAs	144
5.2.3	Cultural Consequences for ICAs' Corporate Strategies	148
5.2.3.1	<i>Strategies for Different ICA Types</i>	165
5.2.4	Cultural Consequences for the Departmental Level	174
5.2.5	Cultural Consequences for the Individual Level	181
5.2.6	Research Model Testing	186
5.3	Conclusion	187

CHAPTER SIX: VALIDATION AND DISCUSSION

Validation through Case Studies and Study Discussion

6.0	Introduction	189
6.1	Case Studies: Empirical Validation of Model and Findings	189
6.1.1	Case Study 1: Failed Non-equity Alliance between Germanic Countries	189
6.1.2	Case Study 2: Difficult Alliance between Neighbours	198
6.1.3	Case Study 3: A Meeting of North and South: Slow Success in a Non-equity Alliance	205
6.1.4	Case Study 4: Cultural Issues in Failing Acquisitions – What's That?	214
6.1.5	Case Study 5: The Benefits of Cultural Capabilities in a successful European Partnership	223
6.2	Discussion	232
6.2.1	Case Study Summary	232
6.2.2	Recommendations of Best Practice – Summarising our Findings	233
6.3	Conclusion	235

CHAPTER SEVEN: CONCLUSION

7.0	Introduction	236
7.1	Dissertation Summary	236
7.2	Contribution	240

7.2.1	Contribution to Academic Literature	240
7.2.2	Contribution to Business Knowledge and Practice	243
7.2.3	Contribution to Policy-making	244
7.3	Research Limitations	245
7.4	Future Research	246
7.5	Ethical Issues	246
REFERENCES		248
APPENDICES		284
Appendix 1	Questionnaire Variable Table	284
Appendix 2	Interview Guide Stage One	290
Appendix 3	Questionnaire Stage Two	292
Appendix 4	Case Study Company Questionnaire Stage Three	305
Appendix 5	Case Study Interview Guide Stage Three	307
Appendix 6	Statistical Information from Chapter 5	309

LIST OF TABLES

Table 1.1	Working Definitions
Table 2.1	Reasons for CA Failure
Table 2.2	Views and Definitions of Culture
Table 2.3	Critiques of Hofstede
Table 2.4	Estimated Breakdown of the Global Telecommunications Market 2001-2005
Table 2.5	Legend
Table 3.1	Interview Summary
Table 3.2	Sampled Companies in German Telecommunications Industry
Table 3.3	Case Study Summary
Table 4.1	Best Strategic Choice between Alliances and Acquisitions
Table 4.2	Company Variables influencing ICA Success
Table 4.3	Relationship Model extension and Hypotheses
Table 5.1	Regression Analysis Results
Table 5.2	Regression Analysis Results
Table 5.3	Variance
Table 5.4	Component Loadings
Table 5.5	Eigenvalues
Table 5.6	Component Loadings
Table 5.7	Internal Strategies Reported by Respondents on Five Dimensions
Table 5.8	Variance
Table 5.9	Component Loadings
Table 5.10	Testing the Research Model
Table 6.1	Extended Choice of Entry Mode and Management Model - Case Study 1
Table 6.2	Extended Choice of Entry Mode and Management Model - Case Study 2
Table 6.3	Extended Choice of Entry Mode and Management Model – Case Study 3
Table 6.4	Extended Choice of Entry Mode and Management Model – Case Study 4
Table 6.5	Extended Choice of Entry Mode and Management Model - Case Study 5

Table 7.1	Extension of Inspirational Papers
A.1	Stress I for Various Numbers of Dimensions - Cultural Differences
A.2	Cultural Distances on Three Dimensions
A.4	European Culture Clusters
A.5	Stress I for Various Numbers of Dimensions - National Pride
A.6	National Pride Distances on Three Dimensions
A.8	European National Pride Clusters
A.9	Stress I for Various Numbers of Dimensions - Languages within Europe
A.10	Languages within Europe on Three Dimensions
A.12	Clusters of Languages within Europe
A.13	Stress I for Various Numbers of Dimensions – Internal Strategies
A.14	Variables Well Explained by Dimensions 1-5
A.15	Variables Not Well Explained by Dimensions 1-5
A.16	Stress I for Various Numbers of Dimensions - Difficulties Caused by Cultural Differences for Different Departments
A.17	Cultural Effects on Departments on Three Dimensions
A.19	Effect of Culture on Different Departments Clusters
A.20	Stress I for Various Numbers of Dimensions – Common Technical Language Effect on Departments
A.21	Common Technical Language Effect on Departments on Three Dimensions
A.23	Common Technical Language Effect on Departments Clusters

LIST OF FIGURES

Figure 1.1	Contribution of Study
Figure 2.1	Literature Review Strategy
Figure 2.2	Levels of Strategy
Figure 2.3	Hofstede's Cultural Onion
Figure 2.4	Ronen & Shenkar's (1985) Cluster Analysis
Figure 2.5	Inglehart's (1997) Cluster Analysis
Figure 2.6	An Overview of the European Telecommunications Industry
Figure 3.1	Research Design Model
Figure 4.1	Europe's Position on the Low-High Context Continuum
Figure 4.2	The Cultural Hierarchy Pyramid
Figure 4.3	Successful ICA Entry Mode and Management Strategy Determination
Figure 4.4	The Extended Choice of Entry Mode and Management Model
Figure 6.1	Best Practice Entry Mode Strategy and ICA Management

LIST OF DIAGRAMS

Diagram 2.1	Influence of National and Organisational Culture on Firm Architecture, Performance and Success
Diagram 2.2	An Evolving Model of the European Telecommunications Industry
Diagram 2.3	Fixed and Mobile Telecommunications in Germany 2008 % of Total Turnover
Diagram 3.1	Use of Interview Findings
Diagram 3.2	Theory Formulation Model
Diagram 5.1	Cultural Distance from Germany
Diagram 5.2	National Pride within Europe
Diagram 5.3	Influences of National Pride on Acceptance of Foreign Players/Products
Diagram 5.4	Influences of National Pride on Acceptance of Foreign Languages
Diagram 5.5	Influences of National Pride on Acceptance of New Process Adoption
Diagram 5.6	Influences of National Pride on Acceptance of Different Working Styles
Diagram 5.7	Acceptance of Foreign Players or Products according to Strata
Diagram 5.8	Languages within Europe
Diagram 5.9	Average Language Skills in Respondent's Companies
Diagram 5.10	Component Loading of Cultural Variables
Diagram 5.11	Representation of Company Measures and Attributes by Dimensions 1 and 2
Diagram 5.12	Representation of Company Measures and Attributes by Dimensions 2 and 3
Diagram 5.13	Representation of Company Measures and Attributes by Dimensions 1 and 4
Diagram 5.14	Representation of Company Measures and Attributes by Dimension 1 and 2 with reference to Companies' CA Experience

Diagram 5.15	Internal Company Strategies Experienced by Respondent
Diagram 5.16	Questionnaire Cases Represented on Dimensions 1-2
Diagram 5.17	Questionnaire Cases Represented on Dimensions 3-4
Diagram 5.18	Dimension 1 and 2 by Size of Company
Diagram 5.19	A Successful IJV Strategy
Diagram 5.20	A Successful Merger Strategy
Diagram 5.21	A Successful Strategy for Acquirers
Diagram 5.22	A Successful Strategy for Target Companies
Diagram 5.23	The Effects of Culture on Different Departments
Diagram 5.24	Common Technical Language Effect on Departments
 Diagram 5.25	 Scatter Plot of Object Points of Personal Characteristics for a Successful International Career
Diagram 5.26	Importance of Personal Attributes by No of Foreign Operations
Diagram 5.27	Component Loading of Professional and Cultural Skills
A.3	Cultural Distances within Europe Dendrogram
A.7	Differences in National Pride within Europe Dendrogram
A.11	Languages within Europe Dendrogram
A.18	Effect of Cultural Differences on Different Departments Dendrogram
A.22	Common Technical Language Effect on Departments Dendrogram

LIST OF CASE STUDIES

Case Study 1	Telecommunications Stratum 2 – HQ Schwerte, Germany
Case Study 2	Telecommunications Stratum 2 – HQ Oberreifenberg, Germany
Case Study 3	Telecommunications Stratum 1 – HQ Dabendorf, Germany
Case Study 4	Telecommunications Stratum 3 – HQ Germering, Germany
Case Study 5	Telecommunications Stratum 3 – HQ Aachen, Germany

LIST OF ABBREVIATIONS

AMJ	Academy of Management Journal
ASQ	Administrative Science Quarterly
CA	Collaborative Arrangement
CATPCA	Categorical Principle Component routine
CeBit	Centrum für Büro & Informationstechnik
CEO	Chief Executive Officer
DSL	Digital Subscriber Line
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
HQ	Head Quarters
HRM	Human Resource Management
ICA	International Collaborative Arrangement
ICT	Information and Communication Technology
ICV	Intra-cultural Variation
IDV	Individualism vs. Collectivism
IFA	Internationale Funkausstellung
IJV	International Joint Venture
IT	Internet Technology
JIBS	Journal of International Business Studies
JV	Joint Venture
M&A	Merger and Acquisition
MAS	Masculinity vs. Femininity
MD	Managing Director
MDS	Multidimensional Scaling
MNE	Multinational Enterprise
NACE	Code Nomenclature of Economic Activities
OECD	Organisation for Economic Cooperation and Development
PCA	Principal Component Analysis
PD	Power Distance
SME	Small or Medium Sized Company
UA	Uncertainty Avoidance
VoIP	Voice over Internet Protocol
WTO	World Trade Organisation

CHAPTER ONE: INTRODUCTION

“We merely want to live in peace with all the world, to trade with them, to commune with them, to learn from their culture as they may learn from ours”.

D.D. Eisenhower (1890 – 1969)

1.0 Background

The world of the 21st century is far away from Eisenhower’s ideal of world peace but world trade has become a reality. Globalisation has gained increasing momentum (Vianen et al., 2004) and markets have experienced a steep rise in international ventures (Pothukuchi et al., 2002). Growing global competition facilitated through the increase in telecommunications (Ghauri and Yamin, 2009), improved travel (Buckley and Ghauri, 2004), the reduction of trade barriers, liberalisation (Ghauri and Yamin, 2009) and the internationalisation of financial markets (Eurostat, 2007) has created a global economy that is intertwined and interdependent. No country is an island and learning from other cultures becomes an imperative to allow successful trade relationships.

The economic world is growing closer and issues that are not existent in domestic studies, such as culture, have become an important area for investigation. Comparison becomes an imperative (Samiee and Jeong, 1994), particularly in the European market which is an exceptional hub of regional economic integration (Buckley and Ghauri, 2004) and which has experienced large amounts of collaborative arrangements (CAs) and partnerships¹ (Angwin, 2001). The service sector has developed rapidly and young, technology-based industries such as telecommunications have experienced a particularly rapid growth due to the fast pace of computer and communications technology progress. The telecommunications industry has experienced the whole impact of market liberalisation, technological development and international collaborative arrangements (ICA) with all their success as well as their failure stories. ICAs in this sector are continuously unsuccessful, with cultural differences and mismanagement being cited one of the root causes (Hutzschenreuter and Voll, 2008).

¹ Including mergers, acquisitions, networks, joint ventures or alliances with at least one party from a different European country or high percentage of operational and administrative activities carried out in more than one European country.

1.1 Rationale for Research

For any international venture to succeed, an effective and competitive way of combining complementary skills, resources and capabilities to create growth-facilitating synergies needs to be found (Wahyuni et al., 2007; Nielson, 2005) and an internal analysis is needed to determine which skills to look for in a potential partner (Geringer, 1991). Within cross-border cooperations, two or more distinct corporate and national cultures collide (Pothukuchi et al., 2002). The largest challenge is that “*different cultures may provide completely different ways of satisfying a particular desire*” (Maslow, 1970). However, there is no “*one best way of doing things*” (Styhre et al., 2006) and compromises between the different cultures need to be found. Goals and objectives are often but not necessarily common between partners but the processes to achieve them tend to vary drastically², often leading to misunderstandings and problems on a day-to-day basis.

Companies pursuing an ethnocentric approach to achieving their goals without allowing for cultural variations in the execution of problems are likely to incur increased costs (Morosini et al., 1998, Pothukuchi et al., 2002) and can ultimately create their own failure (Pothukuchi et al., 2002). This ethnocentricity and differences between partners (Clifford, 1992) are often cited as reasons behind CA failures (Pothukuchi et al., 2002) and organisational learning on managing these ventures efficiently becomes an imperative (Killing, 1983) to achieve long-term success.

As European companies are seeking 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 and knowledge 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. The authors describe Europe as one economic region as intra-European exports account for over 60% of international trade within the EU, hence making our research focus on Europe highly relevant. Furthermore, with the integration of Eastern European countries, Europe faces even more dominant cultural variations and challenges (Delanty, 2003).

The growing numbers of International Strategy articles (Sivakumar and Nakata, 2001) also indicate an increasing interest in cross-border issues, including a growing concern for culture (Dahl, 2004) and CA type strategies’ influence on success (Elg et al., 2008). Great interest has been taken in cross-country comparisons between businesses

² Kluckhohn and Strodtbeck, 1961; Bowman and Asch, 1996; Trompenaars and Hampden-Turner, 1997; Burman, 2006.

(Barrett and Bass, 1972). The literature acknowledges that cultural distance is often problematic. However, it can have positive effects, especially with regard to organisational learning (Shenkar and Zeira, 1992; Morosini et al., 1998). Internationally active companies are eager to capitalise on the latter. Within the European telecommunications industry, cultural differences were cited as one of the underlying reasons for the *Global I³* failure. We investigate the European telecommunications market, as it represents many issues relevant to the modern European economy. Lessons learnt from this industry, especially with regard to the cultural consequences for ICA success are certain to enrich our knowledge regarding successful ICA management beyond national borders.

Our study is inspired by three articles. Firstly, we are inspired by Pothukuchi et al. (2002) who investigate the influence of culture on international joint ventures (IJV) and stress the importance to study cultural influences on ICAs. They argue that both national and organisational culture play a role in successful ICAs. The authors ask for “sound theoretical expectations on why a given national or organisational culture difference may be instrumental to one organisational objective but detrimental to another” and see how “national culture differences between partners are or can become complementary” (Pothukuchi et al., 2002). This is where this study makes a valuable contribution.

Secondly, we follow Morosini et al.’s (1998) methodological approach by creating a comparative cultural analysis with a single European country, in our case Germany, as its point of reference. Any results, similarly to Morosini et al.’s (1998) are analysed with regard to the relative position in comparison to Germany, rather than as an abstract interpretation. This means that our results represent a variation and distance from or relationship to a German point of view or experience. By analysing countries using a single-country-perspective, comparison is simplified.

Thirdly, we extend Dyer et al.’s (2004) strategic CA type decision tool. The authors’ model discusses different variables that need to be taken into account for CA type strategy. We agree with Dyer et al.’s (2004) assessment and follow their terminology. However, we feel that scope for extension of the framework is given for international situations and for accompanying *management strategies*. We use the term *Management Strategies* throughout this study. Here it is used as a generic term incorporating communication, HR, network, corporate, business and functional strategies.

³ Former IJV between Deutsche Telekom, France Telecom and the US Sprint.

1.2 Aim and Research Questions

This study aims to examine the cultural consequences faced by ICAs within the European telecommunications industry and explain how an appropriate ICA type and management strategy can ensure ICA success. The main contribution of this study will be a model that extends Dyer et al's (2004) strategic CA type decision tool to include variables relate to international rather than just national CAs and to require ICA management strategies (Figure 4.5). We take a German perspective and study telecommunications companies with headquarters in Germany but with European activities. This approach, following Morosini et al. (1998) allows for direct country comparison.

Firstly, we investigate cultural differences within Europe and their effect on ICA success. Secondly, this study looks at corporate strategies that can be implemented to created competitive advantage from cultural differences.

The overall research question investigated in this study is: *Which strategies can be employed to use national cultural differences ICAs as a competitive advantage for the firm?* To this end, the following sub questions need to be answered:

Research Question One:

What national cultural differences exist in Europe and how do they affect ICA success?

- a. *What is the relationship between national pride⁴ and cultural differences?*
- b. *What is the relationship between national pride and ICA acceptance?*
- c. *What is the relationship between language and cultural differences?*
- d. *How do cultural differences affect ICA management and success?*

Research Question Two:

How do specific management strategies, dealing with cultural differences, ensure ICA success?

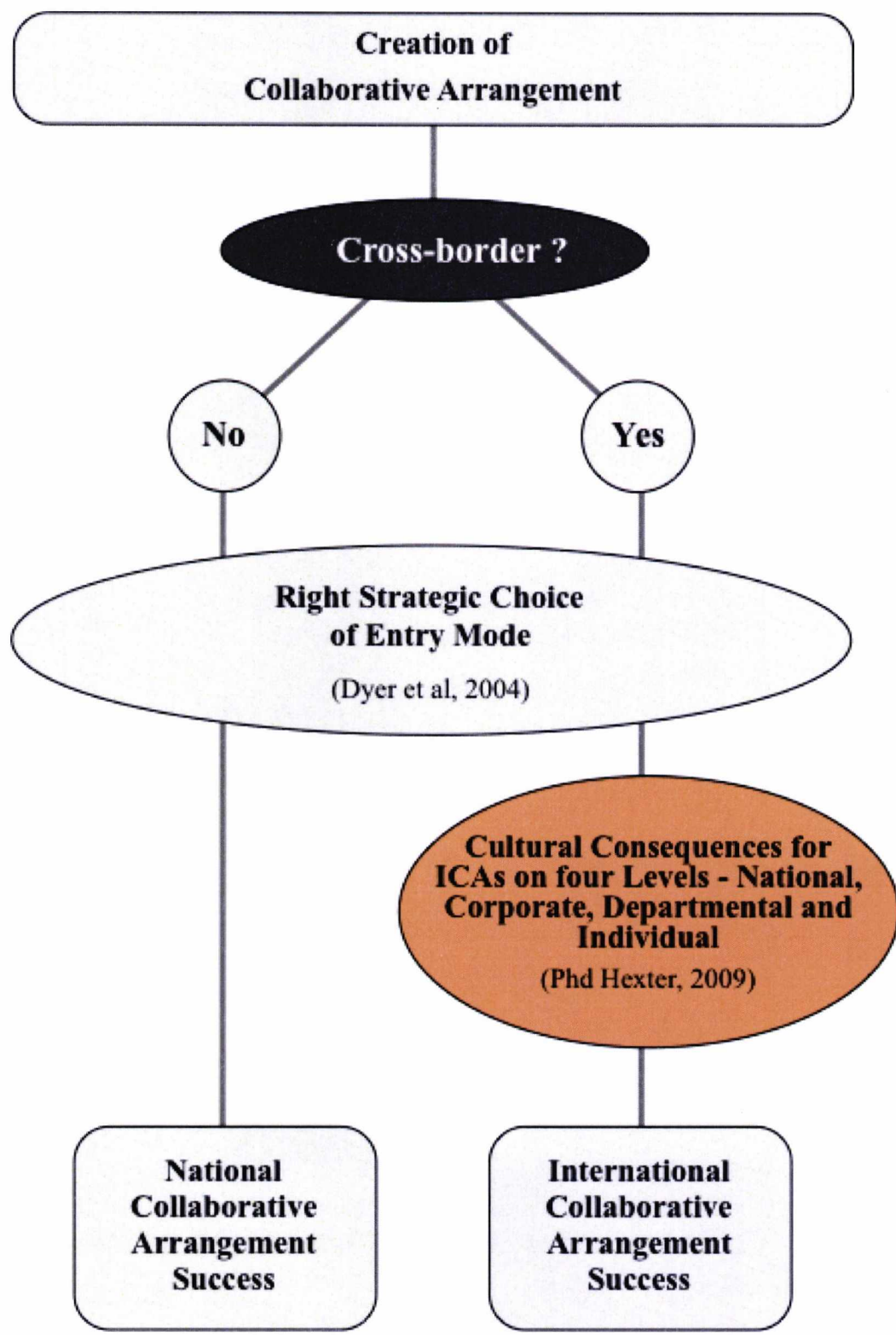
- a. *Which management priorities should an ICA set to achieve success?*
- b. *Which levels within an organisation should be considered to ensure ICA success?*

⁴ Throughout the dissertation, pride, National pride and National pride portrayal are used interchangeably. They always refer to the subjective personal impression.

Our main research argument is that the inclusion of cultural variables in the ICA type and management decision process can increase ICA success. This study puts forward a theoretical model for achieving ICA success through selecting the most appropriate ICA type and most effective management strategies. We further suggest that cultural differences affect ICAs' success at the national, corporate, departmental and individual level and that appropriate management strategies can use national cultural differences to create competitive advantage.

As previously explained, we aim to extend Dyer et al's (2004) strategic CA type decision tool to include international and management variables. This extension represents our model and is the main contribution of this study.

Figure 1.1 Contribution of Study



Compiled by the author.

1.3 Research Contributions

The present study examines cultural differences within Europe and how these affect ICA success. 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). We focus on national cultural dimensions rather than organisational culture. However, we recognise the importance of organisational culture in the success or failure of ICAs and investigate its relationship with national culture and its implications for ICA success .

Conducting research, both relevant to academics and practitioners, is becoming increasingly expected (www.Aimresearch, 2009). National cultural differences are influential to academic, practitioners and policy-making alike as they impact on institutions, practices and performance (Orr and Scott, 2008). This study hence contributes to all three areas simultaneously. With our contribution to policy makers and professionals, we aim to provide user-value research as called for by the HEFCE (Sweeney, 2008).

1.3.1 Contribution to Academic Literature

Firstly, we contribute to Strategic Management literature concerning ICAs. In an ICA, national cultural differences need to be overcome to establish a successful organisational culture (Pothukuchi et al., 2002). Failure to do this, can lead to dissatisfaction (Vianen et al., 2004), uncertainty (Styhre et al., 2006) and increased costs (Pothukuchi et al., 2002; Weber et al., 1996). Despite culture being cited continuously as one of the main issues leading to CA failure or to their success⁵, little has been done to show how cultural distance and differences can be used proactively to increase chances of ICA success. It is imperative that ways of creating successful ICAs are discussed and made accessible for managers to adhere to. This is particularly true for cultures that are assumed to be similar and have therefore not received focused attention within the literature. We extend Dyer et al.'s (2004) *strategic entry choice model*, to include cultural variables essential for decision-making in an international context and management strategies relevant to achieving ICA success.

Secondly, this study makes a contribution to the literature on the European telecommunications industry. This industry offers an interesting population for studying

⁵ See Pothukuchi et al., 2002; Harrigan, 1988; Shenkar and Zeira, 1992; Woodcock and Geringer, 1991.

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). At present, the European telecommunications industry is at a point within its lifecycle where market dominance is sought through consolidation and alliances, given the intense competition. This is due to the monopolistic history of the industry and the high pace of innovation within recent years (Lal et al., 2001; OECD, 2004). Furthermore, the European telecommunications industry has not been used to research the impact of cultural differences. Our study fills this gap and shows lessons to be learnt from this sector.

Thirdly, this study contributes to the literature on cultural differences within Europe. National cultural differences manifest themselves in many different aspects of life through differences in values, rituals, practices, symbols, heroes (Hofstede, 1991), communication styles, body language, perception of space and time (Hall, 1960), different languages etc. and they often lead to stereotypes and prejudices against people from different backgrounds. 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 (De Mooij, 2000) have identified Europe as culturally heterogeneous. However, the recent research focus on comparing Western and Eastern cultures or developed and developing countries⁶ 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 in language attitude and national pride and their impact on ICA success.

Furthermore, we aim to bridge the gap in the literature between studies on European cultural differences, studies on effects of culture on CAs and the literature on the telecommunications industry. This is important as global collaboration trends force companies to excel in managing international strategic alliances and mergers and acquisitions (M&A) without offending local culture (Berson, Erez and Adler, 2004). The telecommunications industry in particular is characterised by a steep increase in international activities and as a relatively young, free market, experience in this area is behind other industries. Furthermore, a new study on cross-border management is relevant

⁶ See, for example, Ybarra et al., 2008; Tsang, 2004; Luo, 2002; Salk and Brannen, 2000; Clifford, 1992; Chan, 1995; Merchant and Schendel, 2000; Killing, 1983.

as literature in this research area often lacks depth and is too simplistic or unfounded (Rijamampianina and Maxwell, 2002).

Finally, our study contributes to both International Business and Strategic Management literature. The globalisation of firms requires a combination of Strategic Management and International Management and it is not enough to write for academic purposes alone (Herrmann, 2005).

1.3.2 Contribution to Business Knowledge and Practice

This study recommends important strategies to facilitating 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, following the example of Rugman and Hodgetts (2001). Herrmann (2005) comments that “managers need models to develop their organisation”. We aim to provide a model that enables companies to choose appropriate ICA types and management styles, increasing ICA success, by analysing existing cultural competencies and possible gaps within the organisation (Herrmann, 2005).

1.3.3 Contribution to Policy-making

Lastly, our study contributes to policy-making. Firstly, we aim to illustrate that language education in schools, particularly in countries that rely on their language being spoken, should become a more important focus. Secondly, we thrive to recommend recruitment policies that could enhance international employee selection. And lastly, our study contributes to the importance placed on employee development strategies by identifying the importance of international competencies and a skills gap within international companies.

1.4 Definitions of Key Concepts

Throughout the study, we use the terms CAs and ICAs, which include different and alterative forms of external company growth (Haberberg and Rieple, 2008: 513). We use the following working definitions for external growth options (Table 1.1):

Table 1.1 Working Definitions

CA Form	Abbr.	Definition	Risk ⁷	Certainty
Strategic Alliances <i>Alliances, Partnerships Networks</i>	<i>n/a</i>	More or less formal arrangements to work together towards common goals. Require reduced commitment but also provide less security (Thompson and Martin, 2005).	Low	Low
Joint Venture/ International Joint Venture	<i>JV IJV</i>	<i>New</i> business structures, owned by all parties. Mostly occurring (85%) intra-industry (Geringer and Woodcock, 1989). All partners conduct decision-making activities (Geringer, 1988, 1991). IJV when at least one of partner foreign or a lot of activities are carried out in foreign countries (Geringer and Hebert, 1989).	Medium, due to risk and cost sharing and a better understanding of local industry (Hanvanich et al., 2003).	Medium, due to ability to leave JV without affecting parent company
Acquisition	<i>M&A</i>	Friendly or hostile purchase of a company by another without forming new entity (Reuvid, 2008; Bragg, 2008).	High, but appropriate when company knowledge, assets or capabilities e.g. brand names are valuable and companies gain from adding to existing resources rather than sharing its own assets (Villalonga and McGahan, 2005).	High, due to integration of resources and capabilities
Merger		Consolidations of two or more companies to form a new business entity.		

Compiled by the author.

⁷ Risk is related to market knowledge, financial outcome, stagnant innovation and a non-viable working culture (Haberberg and Rieple, 2008).

M&A are often used as an overall term to describe a new combination of existing assets (Ahern and Weston, 2007). Furthermore, even if the word *Merger* is used to reduce aggressiveness, the transaction is in reality closer to acquisitions (Buckley and Ghauri, 2002).

Any of the discussed forms are options for a company's non-organic growth and represent kinds of CAs or ICAs (Villalonga and McGahan, 2005). We follow Wahyuni et al. (2007) by treating M&A and strategic alliances separately. Each option has different strengths and weaknesses and is more or less appropriate in different situations (Dyer et al., 2004). The appropriate choice can increase a company's success (Villalonga and McGahan, 2005; Cho and Padmanabhan, 2005). The appropriateness of entry choice and management strategies is dependent on cultural distance in ICAs (Luo, 2008), which is the focus of our study.

1.5 Assumptions

Following we state any assumptions made within our research so as not to confuse readers and future research (Lenartowicz and Roth, 1999). Following Hofstede's (1980) model, in this study, we assume that culture is objective, observable, can be analysed and interpreted from an outsider and depends on underlying values. This allows an otherwise impossible analysis.

Secondly, whilst we acknowledge that culture evolves, we assume that it is relatively stable over time as value systems are embedded in national history. This is an accepted assumption (Hofstede, 1998a; Hofstede and de Mooij, 2002).

Thirdly, we assume that culture can be analysed by identifying attributes that are shared by a cultural group. We have tested this by asking for observed behaviours and values of national groups. We use the nation as our level of analysis (Hofstede, 1980). However, as we use means, the overall group heterogeneity is neglected (Au, 1999). Although the national level of analysis has previously been questioned (Baskerville, 2003; Dawson and Young, 2003; Bing, 2004), practical considerations often disallow any other cultural division (Hofstede, 1991; Au, 1999). Furthermore, anthropologists also accept a relationship between the nation and ethnicity as these are described as cultural and social-political categories that overlap (Cesàro, 2002).

Lastly, when we talk about Europe, we focus predominantly on Western European countries. This neglect of Eastern Europe does not reflect its importance but the practical

limitations of our study as sample companies had limited experience in this area. Furthermore, we use the word *international* rather than European in many sections within this study, highlighting the fact that we believe findings from our European research, with the obvious caveats in place, are applicable in a wider international context.

1.6 Dissertation Overview

This dissertation is organised as follows: *Chapter One* includes the research rationale, aims, questions, contributions, underlying assumptions, definitions and dissertation overview. *Chapter Two* discusses the existing literature relevant to our research. *Chapter Three* explains our research methods, model and design, samples, data collection and analysis methods.

Chapter Four, Five and Six represent our empirical contribution. We develop our theory and hypotheses in *Chapter Four* using interview-based qualitative content analysis. We then test our model in *Chapter Five* using questionnaire-based quantitative analysis and triangulate our findings using case studies in *Chapter Six*. *Chapter Seven* summarises our research findings, contributions, limitations and future research opportunities.

All articles, books and websites are listed in alphabetical order in the reference section. Furthermore, we include copies of the interview guides and questionnaires as appendices.

CHAPTER TWO: LITERATURE REVIEW

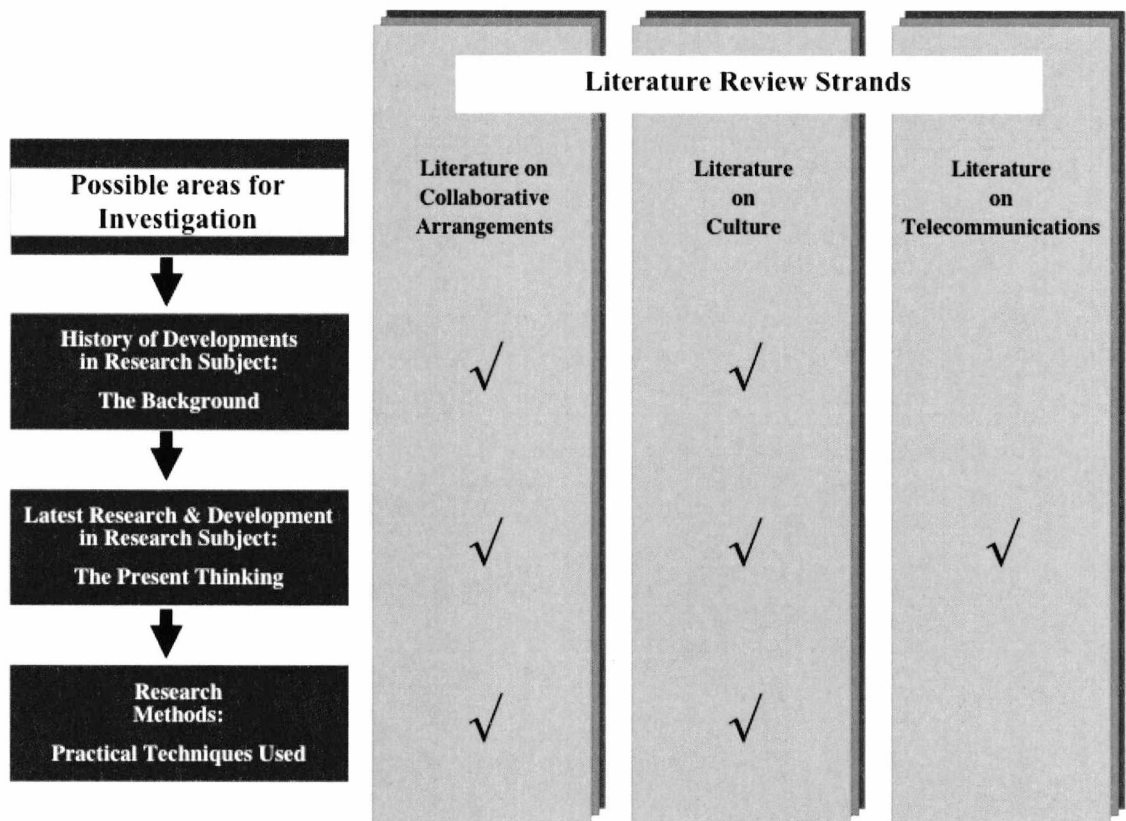
Three Sides to One Story: ICAs, Culture and Telecommunications

2.0 Introduction

The aim of this chapter is to provide a critical overview of the relevant literature. Firstly, we explain this chapter's structure and the choice of literature. Then, we review three strands of literature regarding ICA strategy, national culture and the European and German telecommunications industry.

Our literature review has been carried out to review four different areas, which form a well-rounded literature review (Walliman, 2005). Firstly, we gain a general insight into the research area. Then, we investigate past and present research and models to establish a research gap. Finally, we look at different methodologies, samples and practices used within the area. To this end, the review focuses on books with relevant theories and methodology, online publications and journal articles related to culture, strategy, CAs and telecommunication. Reviewed articles are predominantly published in journals relevant to International Business and Strategy such as *the Journal of International Business Studies*, *the Strategic Management Journal*, *the Management International Review*, *the Academy of Management Review*, *the Harvard Business Review* etc. These journals represent publications that have received best marks within a recent academic journal ranking (Harzing, 2008). We also draw on literature from other research areas to broaden this study's reliability and completeness for model formulation (Eisenhardt, 1989). Figure 2.1 depicts our literature review strategy. It shows the three different areas of literature that were investigated and explains which kinds of literature were investigate for each. The following section reviews the literature relevant to all types of ICAs. We discuss different strategic ICA types and associated problems but focus on the management of cultural consequences within these international ventures. We choose to conduct the literature review in this manner to combine complementary strands of literature and also allow an interdisciplinary combination of writings. The usage of the literature review model ensures that all relevant literature is included.

Figure 2.1 Literature Review Strategy



Source: Adapted from Walliman (2005:77).

2.1 CAs: Strategic Choices for Growth

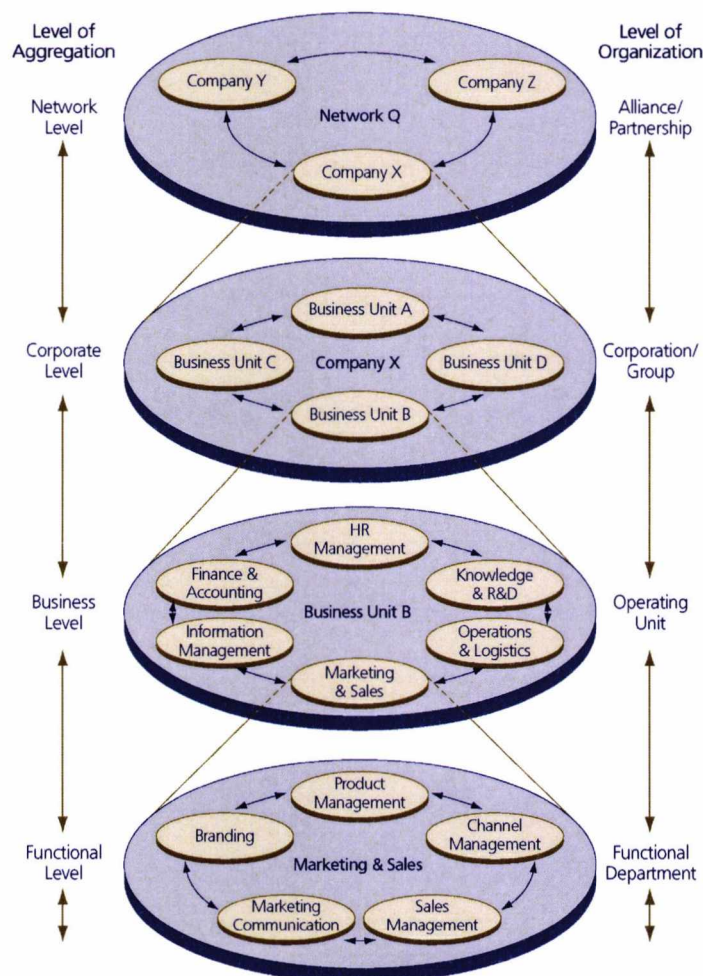
In business, “size does matter” and obtaining critical mass or position within a tight timeframe is critical (Meyer and Estrin, 2006). Haberberg and Rieple (2008: 385) note that “....competition is no longer just between firms but also between extended networks [...]”. The management of strategic alliances [...] has become crucial to many complex organisations”. Traditional boundaries are increasingly blurred (Herrmann, 2005) as firms are embedded in horizontal and vertical networks through CAs (Wahyuni et al., 2007; Gulati et al., 2000).

The network: Strategies beyond the local firm

As cooperation between companies increases due to greater competition (Gulati et al., 2000), forming networks has become increasingly important to access resources and capabilities (Capasso et al., 2005) and create value (Rasche, 2007). Networks are seen as

the new and important way of managing multi-national operations (Ghauri and Yamin, 2009; Ghauri and Rao, 2009; Elg et al., 2008). They can be formed around a single or multiple independent organisations (Buckley and Ghauri, 2004). Network level strategy becomes the highest strategic level as it investigates the relationships of a firm with other market players within a strategic network (Rasche, 2007, Figure 2.2). Figure 2.2 suggests that this is limited to other companies only. However, other authors also include political and social parties and interest groups (Elg et al., 2008).

Figure 2.2 Levels of Strategy



Source: De Wit and Meyer (2004: 9).

Gulati et al. (2000: 205) state that appropriate network level relationships create better industry understanding and increase performance. However, it is still debated how several firm level strategies can be aligned on the network level (Rasche, 2007) and if companies actively pursue a network level strategy (De Wit and Meyer, 2004). The biggest

paradox at the network level is aligning the competition and cooperation between the firms within a network (Wahyuni et al., 2007; De Wit and Meyer, 2004). Because of this, we argue that networks are influenced by companies' underlying national and organisational cultures but do not have a network specific culture.

Networks allow companies to access information, resources, markets, and technologies, gain learning, scale and scope advantages, share risks and improve operational effectiveness (Gulati et al., 2000). Within networks, companies can choose the desired level of risk and certainty by choosing different ICA forms. However, networks may also lock companies into unsuccessful relationships. The management of networks can create competitive advantage if the network level strategy fits the social context, including culture, that surrounds companies within the network (Herrmann, 2005; Gulati et al., 2000). Experience and capabilities in network formation is a strategic advantage (Gulati et al., 2000) and ICA experience generally has a direct link to performance (Saint-Onge and Chatzkel, 2008; Luo, 2008). Our study deals with ICAs which are of particular relevance at the network level. We hence accept networks as the highest strategic level. The term CA or ICA, used throughout this study includes strategic alliances and networks.

Why companies choose ICAs

A reduction in trade barriers (Hornibrook and Yeow, 2004), better integration of capital markets (Buckley and Ghauri, 2004), reduced travel and communication costs and a global rather than local competition have favoured a rise in globalisation, increased ICA activity and foreign competition (Wiersema and Bowen, 2008). 2006 saw the biggest global number of M&As (Reuvid, 2008). However, the recent global financial crisis has affected this trend negatively (Yosufzai, 2008; Trendall, 2008).

Increasingly, companies now (Hanvanich et al., 2003; Rao and Schmidt, 1998) choose ICAs at the expense of organic growth to quickly obtain economies of scale and scope, access a company's competitive advantage embedded in their national background, expertise, brands and technology (Goshal, 1987; Brock, 2005) or to achieve necessary power over distribution channels or retailers (Hanvanich et al., 2003). ICAs allow companies to reduce cost and time intensive internal growth methods (Brock, 2005).

Brock (2005) argues that most acquiring companies believe that they can manage acquired assets more profitably and hence create synergies. Synergies are described as occurring when the new business venture is more profitable than both original firms on

their own. However, synergies are not always profit related (Brock, 2005) e.g. may refer to networks, value chains, brand management etc. Gupta and Govindarajan (1991) show that synergies are more difficult to achieve in cross-border situations due to varying national cultures, languages and a resistance to change (Brock, 2005). It is thus important to investigate how cultural differences can be leveraged to create synergies and ICA success and this is where this study adds value.

Strategic CA type choice research is of growing importance in Strategic Management due to the increasing number of ICAs (Tai et al., 2008). When growth takes place through ICAs, resources of companies involved are combined to varying degrees. However, ICAs are not straightforward and problems can occur on many levels from staff rejection (Chapman, 2004), customer and supplier loyalty (Donath, 2005) to incompatibility of resources etc. ICAs are highly dependent on the interplay between the involved companies. External uncertainty (Woodward, 1965, cited in Herrmann, 2005) and differences in national and corporate culture may also play an important role in the success, appropriateness (Donath, 2005; Hudson and Barnfield, 2001) and performance of a certain strategy (Ozorhon et al., 2008).

M&As allow companies to generate revenues and increase their position against competitors without organic growth (Brock, 2005). M&As are important in acquiring intangible assets (Saint-Onge and Chatzkel, 2008). They reduce overheads by taking over existing networks or realising economies of scale or scope but are more complicated than Greenfield investment. More significant challenges relating to Marketing, Logistics and HRM are often experienced when managing the target firm's human resource, brands, distribution channels and facilities (Meyer and Estrin, 2006). Furthermore, many acquisitions are not bought outright. Meyer and Estrin (2006) speak about "staged acquisition" in which a stake in a foreign company is acquired with view to a complete takeover of assets and control at a later stage, hence increasing strength and duration of internal uncertainty. Meyer and Estrin (2006) also characterise acquisitions as a strategy to initially gain a local brand and where over time, a shift from local to global brands occurs. However, how rapid this change takes place depends on the industry's internationalisation stage. The telecommunications industry, for example, is described as *mainly global* with companies such as T-mobile now integrating local brands⁸ (Meyer and Estrin, 2006).

⁸ T-mobile integrated Hungarian brand *Westel* after using its local name for 10 years (Meyer and Estrin, 2006).

Alliances are viewed as a means to increase a company's *catchment area* geographically, enter new, unknown or foreign markets or tap into a so far non-target segment. However, it might be advantageous to avoid collaborations that require people to relocate or deal with not only new circumstances but also a completely new culture. Companies such as Cisco, therefore, often only acquire companies that are geographically close but also consider entering into an alliance in order to gain trust, commitment and a convergence of culture before a potential takeover (Dyer et al., 2004). Trust and commitment within network players are vital for future success (Elg et al., 2008, Wahyuni et al., 2007). Therefore, alliance partners may fear the other side's future acquisition of their firm specific knowledge and capabilities (Hanvanich et al., 2003; Meyer and Estrin, 2006). All types of ICAs allow companies to internalise profits from integrating across markets (Chan-Olmsted and Jamison, 2001). This study includes all ICA types.

Acquisition or alliance: Real alternatives?

Companies' ICA management strategies encompass strategic decisions relating to location, CA type choice, timing, marketing, human resources, logistics and specific business issues (Meyer and Estrin, 2006). The CA type choice is further influenced by the competition companies face in their home and host markets (Wiersema and Bowen, 2008). The preferred CA type is often related to the company's cultural background (Kirkman et al., 2006; Mayrhofer, 2004) and cultural distance between home and host country (Padmanabhan and Cho, 1996; Kogut and Singh, 1988). Again, research into a European CA type preference remained inconclusive due to the diverse nature of culture within Europe (Mayrhofer, 2004).

The ICA type choice must fit the overall company strategy. However, local adaptations are important and may have substantial repercussions on ICAs' success (Meyer and Estrin, 2006). Knowing how to make the best ICA type choice could be more important than having a well-developed expertise in its execution (Dyer et al., 2004). However, Dyer et al. (2004) fail to recommend management strategies or look at international variables influencing ICA type success. Our study contributes by extending Dyer et al.'s (2004) construct to include cultural variables and management strategies necessary for ICA success.

For most companies, different CA type strategies are not seen as alternatives. Despite 82% of companies (US, 2002) claiming that they did, only 76% actually looked at both options and just 14% have a decision-making policy (Dyer et al., 2004). They prefer

one strategy generally or have competencies in either, which often ends in companies acquiring when they should have allied and vice versa. The preferred strategy is not always appropriate and a thorough analysis of each situation individually is imperative. The lack of analysis reduces the likelihood of the appropriate strategic CA type choice.

Furthermore, there are two major schools that offer insights into companies' CA type and geographical choice for ICAs. The first is the *Internationalisation Theory of the Multi-National Cooperation*, which is mainly concerned with ICA type choice and internationalisation forces. Here, internationalisation is a direct mechanism and a firm with a higher degree of internationalisation has a larger percentage of foreign activities, regardless of CA type (Sullivan, 1994). The second is the *Internationalisation Process Model*, commonly talked about alongside the *Uppsala School of Thought*. This is much more concerned with wider issues of globalisation such as the speed, evolution and commitment of companies' FDI and markets (Sarkar et al., 1999). Internationalisation here follows a pre-determined path through exports, sales activities and then production abroad (Johnson and Vahlne, 1977). According to this school, firms with a high share of foreign employees might be in a later stage of internationalisation than firms with a high share of foreign sales (Johnson and Vahlne, 1977). The internationalisation theory simply indicates that companies face greater complexity and cost when entering into culturally distant markets whereas the internationalisation process model suggests that companies are more likely to enter into foreign markets that are culturally close first before venturing into distant markets (Sarkar et al., 1999). Rugman and Hodgetts (2001) and Rugman and Collison (2005) agree that the first steps into international trading are generally made in close (intra triad) countries and argue that most "global" branded activities are actually following regional and adaptive strategies.

In our study we follow the *Internationalisation Theory*, rather than investigating the wider and societal effect of industry internationalisation. However, we also agree with the *Uppsala School* regarding the idea that internationalisation often starts in culturally and geographically close countries. We believe this can be associated with a practical and learning curve approach to internationalisation where companies try to gain experience in less challenging and more easily managed settings first. The current study aims to guide successful ICA type decision-making and to forward management strategies to support the successful implementation and running of ICAs. Most importantly, we put investigate ICA management issues in an international context. This is a significant contribution of this

study. The research questions and hypothesis are designed to create and validate a model that allows companies to choose the right ICA type and management strategy.

2.1.1 Why CAs Fail

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 (Wahyuni et al., 2007). Only 1/3 of CAs are achieving 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 rates⁹. According to studies cited in Dyer et al. (2004), share prices of acquiring companies fall between 0.34% and 1% within the 10 days after an acquisition announcement, leading to an overall loss of wealth over 5 years of up to 10%. Generally, stock markets' responds to acquisitions is a good indicator of future performance (Hanvanich et al., 2003).

Alliances often do not achieve much better. 40-55% break down, leaving the partners in financially worse positions. 48% of alliances in the US even break down within the first 24 months of the partnership (Dyer et al., 2004). Similarly, 89% of M&As see a slowdown in growth by the 3rd quarter after the M&A announcement, which is problematic as it reduces stakeholder enthusiasm (McKinsey, 2001) and wealth (Donath, 2005; Buckley and Ghauri, 2002). Causes for ICA failure can be situated within soft or hard resources and have a financial, cultural or strategic reason. We summarise ICA failure reasons cited in the academic literature in the following table (2.1). The table shows the main theme of the reason cited within the literature, then the authors associated and the type of failure. Furthermore, we show if the failure reason are associated with soft or hard resources.

⁹ See Habeck et al., 2000; Styhre et al., 2006; Killing, 1983; Harrigan, 1988.

Table 2.1 Reasons for CA Failure

Reasons for Failure	Authors	Type of Failure	
Unsuitable strategic CA type	Dyer et al. (2004)	Strategic	HARD RESOURCE FAILURE
Unsuitable division of responsibilities in strategic decision-making	Dyer et al. (2004)	Strategic	
Difficult post-M&A integration	Haberberg and Rieple (2008); Dyer et al. (2004)	Strategic	
Different and unclear objectives	Luo (2008), Wahyuni et al. (2007)	Strategic	
Neglected additional ICA costs due to increased coordination and management needs	Hanvanich et al. (2003).	Strategic	
Failing to offer additional customer benefits	Haberberg and Rieple (2008); Donath (2005)	Strategic	
Overemphasised/unrealised cost cutting → lower share price	Saint-Onge and Chatzkel (2008); McKinsey (2001)	Financial	
Covert financial agendas leading to not maximising future profits	Kashlak et al. (1998)	Financial	
Financial short-sightedness and lack of financial focus	McKinsey (2001); Dyer et al. (2004)	Financial	
Resource in acquired company is overrated; bidder overpaid, synergies not materialised	Haberberg and Rieple (2008)	Financial	
Outside stakeholder intervention	Haberberg and Rieple (2008)	Political	
Unsuitable partners with ambiguous goals	Kashlak et al. (1998); Brouthers (1995); Schuler (2001); Wahyuni et al. (2007)	Partner Selection	SOFT RESOURCE FAILURE
Partner with unsuitable background and lack of cultural issue acknowledgement	Lane and Beamish (1990); Habeck et al. (2000)	Partner Selection	
Strategic and capability misfit, missing risk approach	Brouthers (1995)	Strategic	
Lack of vision	Habeck et al. (2000)	Strategic	
Missing CA experience, inability to learn, wrong strategic planning	Schuler (2001)	Strategic	
Unsuitable HRM and compatibility	Tsang (2004); Saint-Onge and Chatzkel, (2008)	Strategic	
National cultural differences	Hanvanich et al. (2003); Woodcock and Geringer (1991); Schuler (2001); Hutzschenreuter and Voll (2008)	Cultural	
Corporate cultural differences, lack of common objectives, trust, communication	Chan-Olmsted and Jamison (2001); Hanvanich et al. (2003)	Cultural	

Compiled by the author.

Culture is the most frequently quoted grounds for M&A failure (Habeck et al., 2000) as it increases complexity and uncertainty (Wahyuni et al., 2007). However, despite their importance for international business (Sivakumar and Nakata, 2001), soft factors such as partner selection and cultural issues are rarely looked at specifically in connection with ICA failure. Recent publications still do not emphasise the cultural influence (Reuvid, 2008; Miller, 2008; Saint-Onge and Chatzkel, 2008; Bragg, 2008). Hutzschenreuter and Voll (2008:56) believe that the bigger the cultural distance, the more difficult it is to adapt firm specific structures, systems and processes and the higher the level of internationalisation complexity and culture effect on performance. The authors use the example of Germany and Switzerland compared to Germany and China. The reason for this added management complexity is the need of the organisation to adjust to substantially different settings (Gomez-Mejia and Palich, 1997; Merchant and Schendel, 2000). On the other hand, Brock's (2005) research questions the predictive strength of cultural distance in relation to ICA integration problems suggesting that current literature may overestimate the role of national culture while underestimating the role of organisational culture and intra-country diversity. Reasons may be the interrelationship of organisational and national culture and the methodological difficulty of including within country variations in the analysis. This study adds to the debate on the relationship of organisational and national culture.

How to assess ICA performance

Improving performance is fundamental to success (Neely, 1999, cited in Phillips, 2003). There are two ways of looking at performance (Luo, 2008), as both financial and qualitative factors can reduce performance and lead to ICA failure. Firstly, the more traditional purely quantitative and predominately financial (Thompson and Martin, 2005) and secondly, the qualitative and strategic-fit view (Haberberg and Rieple, 2008).

Quantitative measures allow an indication of a company's performance by analysing past events (Phillips, 2003) and comparing them to the company's or its stakeholders' objectives and competitors' performance (Haberberg and Rieple, 2008). They do not allow for a strategy evaluation or a specific performance measurement (Haberberg and Rieple, 2008) and are hence not sufficient (Thompson and Martin, 2005). Although financial performance measures are still important to ensure that "strategy formulation, implementation and execution are indeed contributing to the bottom line" (Phillips, 2003: 39), the leading models for measuring performance, namely the

performance prism (Adams et al., 2000) and the *balanced scorecard* (Kaplan and Norton, 1996) combine qualitative and quantitative performance indicators, ensuring effective organisational learning and corrective actions (Haberberg and Rieple, 2008). New performance measures should include a strategic, qualitative insight for strategic decision-making (Phillips, 2003) and should realise the effect of culture on the effectiveness of performance measures (Shenkar and Luo, 2004). Our study focuses on the qualitative measures of performance. However, we also use respondents' perceptions of standard financial performance measures in our questionnaires to assess ICA success. We investigate how national and corporate culture should be taken into account to enhance ICA performance, thus making an important contribution to business knowledge.

Throughout this section, national cultural differences have been identified as an important issue for ICAs. 2.2 looks in more detail at national culture in general and at national cultural consequences on ICAs in particular.

2.2 Understanding Cultural Differences and their Consequences for ICAs

The analysis of culture and its influence span across many research areas¹⁰ which all contribute to the wealth of cultural knowledge (Singh, 2004). In this section we investigate literature and theories on culture and the cultural consequences for ICA success. We look at different levels of culture, predominantly national and corporate and how they are used as point of reference. However, our own investigation focuses on national culture.

Culture, as a human concept is difficult to define (Sivakumar and Nakata, 2001) 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*. Table 2.2 shows different definitions of culture within the literature.

¹⁰ E.g. Anthropology, Sociology, Business, Economics and Psychology

Table 2.2 Views and Definitions of Culture

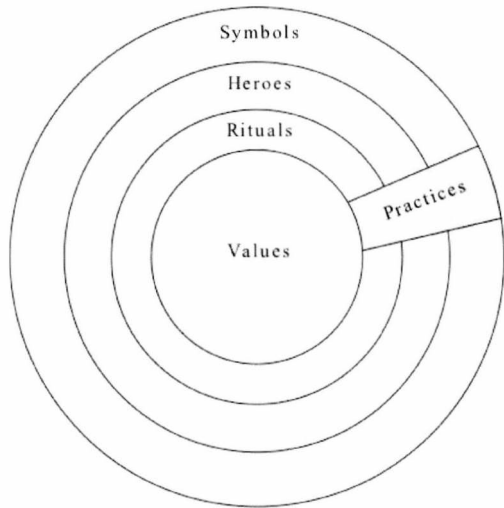
Views and Definition of Culture	Authors
Emotional elements, rites and myths	Cannon and St. John (2008)
Symbolic aspects of human society including believes, customs, conventions and values	Abercrombie and Warde (2000)
Set of learnt and acquired characteristics shared by a particular social group	Harris (1987); Lenartowicz and Roth (1999); Kale (1995)
“The programming of the mind”	Hofstede (1980:25; 1991:5)
“The way we do things around here”	Bowman and Ash (1996:6)
Abstraction from concrete behaviour	Chanchani and Theivanathampillai (2002)
Manifestation through common values	Schwartz (1992); Hofstede (1980); Rokeach (1973); Rijamampianina and Maxwell (2002)
Manifestation through patterns of thinking	Harris (1987)
Manifestation through practices	Styhre et al. (2006)
Manifestation through rituals and heroes	Hofstede (1991)
Used to make sense of situations and create meaning. Manifestation in behaviour	Kale (1995)
First point of reference	Vianen et al. (2004)
Used to make sense of other cultures to improve daily interactions	Styhre et al. (2006)
Major factor for similarities and differences in countries’ value systems	Whitely and England (1977)
Construct of historical and present shared realities in a society or group	Singh et al. (2008)
Interplay between paradigms giving a better understanding of a phenomenon	Schultz and Hatch (1996)
Language as a major and easily recognisable component	Cannon and St. John (2008); Au (1999)
Set of shared values	Hofstede (1980; 1991)

Compiled by the author.

For this study, we assume a position similar to Hofstede, recognising that culture influences values, has different levels, which are more or less accessible to outsiders, as depicted in Hofstede’s (1991) cultural onion (Figure 2.3) and can be used to establish psychological distances between nations. We will 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.*

Our definition allows for a practical cross-country comparison. Through our investigation, we predominantly encounter the more external layers of culture, such as practices and behaviours, as these are actively experienced by outsiders to the culture. However, the behaviour itself can have different underlying values or reasons. Making eye contact for example is a display of varying norms in different cultures. Therefore, we establish connections to the underlying values within each discussed national culture from the answers gained throughout the analysis.

Figure 2.3 Hofstede’s Cultural Onion



Source: Hofstede (1991: 9).

2.2.1 Cultural Consequences as a Cause of ICA Failure

Within ICAs, problems arising in national CAs are magnified because of national culture (Haberberg and Rieple, 2008; Styhre et al., 2006) including language differences, political pressures and bureaucratic hurdles (Angwin, 2001). ICAs’ success or failure has a cultural element and a company’s ICA success potential is shaped through its underlying culture (Cannon and St. John, 2008).

National cultural differences should be addressed early in venture negotiations to allow appropriate strategic decision-making (Chapman, 2004) and reduce failure. This is also true for close cultures as values and interpretations (Vianen et al., 2004) are often common but their importance may vary (Rijamampianina and Maxwell, 2002). This is

particularly relevant in Europe and we aim to fill the literature gap existing in this area. Each strategic growth option, as discussed in section 2.1, has different strengths and weaknesses but all are affected by national culture. As cultural differences increase, JVs are chosen over acquisitions (Kogut and Singh, 1988). However, this is sometimes offset by companies choosing wholly owned ICA types to reduce associated risk (Brouthers and Brouthers, 2001).

We aim to produce a decision-making model for companies to choose the appropriate ICA type and management strategies to ensure ICA success in an international context. To this end we have created our research questions and will formulate hypotheses that allow model testing. We now discuss existing cultural frameworks and investigate how appropriate ICA management of cultural differences creates competitive advantage.

2.2.2 Frameworks to Analyse Cultural Differences

Two of the most referred to and influential frameworks on the impact of culture on international business¹¹ are Hofstede's *Cultural Dimensions* (1980) and Hall's *Silent Language* (1960). More recently developed theories such as Triandis', Friske's and Trompenaars' (Chanchani and Theivanathampillai, 2002) are neither used, nor referenced as frequently. Friske's framework has been identified as superior to Hofstede's in terms of its applicability and relevance of dominant themes (Chanchani and Theivanathampillai, 2002). However, due to its simplicity, wide acceptance and recognition, Hofstede's framework is found far more frequently within the literature. We review Hofstede (1980) and Hall (1960) briefly later in this section as we refer to them frequently in our analysis.

All above frameworks look at aggregate human behaviour at group level, ignoring intra-cultural variations (ICVs) due to required model simplicity (Kale, 1995) and convenience (Lenartowicz and Roth, 1999; Kelley and Worthley, 1981). Nations are generally used as the unit of cultural analysis because place and culture are interconnected (Franklin and Steiner, 1992, cited in Lenartowicz and Roth, 1999) and it allows easy comparison, generalisation and sample creation. However, using nations as unit of analysis has been questioned (Singh et al., 2008; McSweeney, 2002; Lenartowitz and Roth, 1999) due to its negligence of regional culture and ICVs. Despite these criticisms, Hofstede's analysis has proven that there is sufficient within-country similarity and outside-country

¹¹ Such as: Hirschauer, 2005; Brew and Cairns, 2004; Choe, 2004; Spector et al., 2004; Johnson et al., 2002.

difference to warrant the use of this unit of analysis (Steenkamp, 2001). Furthermore, taking account of all ICVs would also render our study impossible.

The Ideas behind Hofstede's and Hall's theories

Hofstede is the most frequently cited author who has studied the impact of culture on international business¹². He examined 53 countries and regions and identified four initial cultural dimensions, namely *Power Distance (PD)*, *Individualism vs. Collectivism (IDV)*, *Masculinity vs. Femininity (MAS)* and *Uncertainty Avoidance (UA)*, which together explained about 49% of the variance he found in meaning given to *the quality of life* (Hofstede, 1984). *PD* looks at the importance placed on individual's professional power and position within a culture and the acceptance of hierarchical structures. *IDV* is concerned with the degree to which individual compared to collective achievements and harmonic interpersonal relationships are valued. The *MAS* dimension categorises countries depending on the importance placed on traditional masculine values such as power and control, compared to feminine values, such as social responsibility, care and welfare. Lastly, *UA* describes the amount of ambiguity and risk that is acceptable within society. *Long Term Orientation*, a further fifth dimension, was added by Hofstede and Bond (1988). This is mainly concerned with Asian values related to the time horizon used for decision-making. It compares Asia and the importance place on long-term goals and the Western world with a rather short-term outlook. As this dimension does not contribute much insight in a European investigation, it will not be further discussed in this study.

Brock (2005) concludes that the framework created by Hofstede (1980) remains the most complete set of country comparisons and is used continuously due to its general acceptance. However, it has also received many criticisms (Table 2.3).

¹² See Kirkman et al., 2006; Fernandez et al., 1997; Kale, 1995; Sondergaard 1994.

Table 2.3 Critiques of Hofstede

Critiques of Hofstede	Authors
Data from only one company	Kale (1995); McSweeney (2002)
Framework is static	Tang and Koveos (2008); Magala (2004); Baumann (1999)
Reduction of a complicated construct to only four (five) factors	Kale (1995); Baskerville (2003); Dawson and Young (2003)
Western bias; does not allow for cultural convergence through technology or evolution	Magala (2004)
Professional bias; using only work-related issues	McSweeney (2002)
Too simplistic	Brock (2005)
Lack of exclusivity as new dimensions are possible	Chanchani and Theivanathampillai (2002)
Nation as level of analysis and neglect of ICV	Baskerville (2003); Dawson and Young (2003); Bing (2004)
Outsider to studied cultures	Baskerville (2003); Roberts and Boyacigiller (1984)

Compiled by the author.

On the one hand, despite these criticisms, several studies using Hofstede’s framework have strengthened its findings (Kirkman et al., 2006), especially Hofstede’s (1980) *IDV* dimension (Søndergaard, 1994). On the other hand, studies such as Gooderham and Nordhaug (2002) found different country values. Unfortunately, many researchers only look at one dimension, predominantly *IDV*, which is problematic, as people are affected by all dimensions and neglect can lead to errors (Kirkman et al., 2006). We are aware of the limitations of Hofstede’s work, and of the existence of the relatively new *GLOBE* framework (House et al., 2004), one of four large scale cross-cultural studies from the 1990s¹³. Nevertheless, we believe that the continuous use of Hofstede’s framework and its repeatedly proven reliability are sufficient for our purpose. We will not be referring to the *GLOBE* system, as its reliability is still in question (Hutzschenreuter and Voll, 2008), despite this construct also using the telecommunications industry as references (Hofstede, 2006). Furthermore, Hofstede (2006) also showed that the *GLOBE* dimensions can actually be seen as verifying Hofstede’s initial 5-dimensions construct and that its usability is questionable due to its large amount of final factors¹⁴.

¹³ Inglehart’s *World Values Survey* (1998); House et al.’s, *GLOBE* (2004); Schwartz’s *Survey of Values* (1992) and Smith et al.’s *Study of Event Management* (2002).

¹⁴ 18 Dimensions were derived in the *GLOBE* study.

Another relevant study is put forward by Hall (1960) and his “Silent Language of International Business”. He discusses culture from a more practical point of view and emphasises differences in behavioural patterns and how these can be misinterpreted. Firstly, the author looks at time management and how it is interpreted. Hall and Hall (1990) further the discussion by stating that two major systems of time management exist. On the one hand some cultures are monochronic and focus on only one task at any one time. On the other hand, other cultures are polychronic, focusing on many things simultaneously. Both ways of dealing with time are difficult to combine and can affect international business.

Secondly, Hall discusses personal space and how crossing into people’s individual spheres by using one’s own understanding of space can create misunderstandings and discomfort. The discussion of space also takes into account location and physical living space. Differences in how different cultures use, interpret and create space, varies substantially and can affect relationships within international business. Thirdly, Hall (1960) discusses how the interpretation of material possessions varies between countries. Status symbols in one culture may be disregarded in others. Furthermore, Hall (1960) talks about different rules and interpretations of friendship and degrees of personal involvement. Lastly, he describes how negotiations and agreement are treated differently between nations. People’s feelings towards *haggling* is just one of the examples that clearly show differences in reaching a commercial contract. This is closely related to Hall and Hall’s (1990) discussion of context. Some cultures include all information in the language context and little in body language, situation or status (*Low Context*). Other cultures communicate very little information through the spoken word but information is transmitted through personal communication (*High Context*). We use Hall’s classification in our analysis of European cultures.

Throughout our analysis, we refer to Hall’s (1960) and Hall and Hall’s (1990) concepts of cultural differences. Both writings are of particular importance in the interpretation of actual behaviours. They are less theoretical than Hofstede’s work, but their beauty lies within their practical relevance.

Taking account of cultural evolution

Culture is not static (Tang and Koveos, 2008; Kirkman et al., 2006; Styhre, 2006; Clydesdale, 2007), “it emerges and solidifies over time” (Cannon and St. John, 2008) but certain core characteristics such as religion and language etc. are relatively stable (Tang and Koveos, 2008; Chapman et al., 2008; Baumann, 1999). Cultures’ change, just like biological evolution, takes place continuously without changing the core characteristics. Using constructs such as Hofstede’s scores (1980) or Kogut and Singh’s (1988) cultural distance scales for research purposes can be flawed due to cultural evolution. However, the assumption that culture is fully flexible makes an analysis impossible and negates any underlying, stable values (Hofstede, 1998a; Hofstede and de Mooij, 2002). Due to their simplicity and ease of use, many researchers are still happy to use either construct (Morosini et al., 1998; Sivakumar and Nakata, 2001).

Cultural differences are an integral part of International Business and Strategic Management and studying their impact on strategic and managerial tasks becomes a priority, particularly in areas often neglected within the literature, such as Europe. The following section focuses on cultural differences within Europe.

2.2.3 Focus on Cultural Differences within Europe

Europe comprises many different cultures and value systems (Hofstede, 1980; De Mooij, 2000). Hofstede’s (1980) analysis, for example, found that all regions¹⁵ 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, 1998a). 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. 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, 2008a).

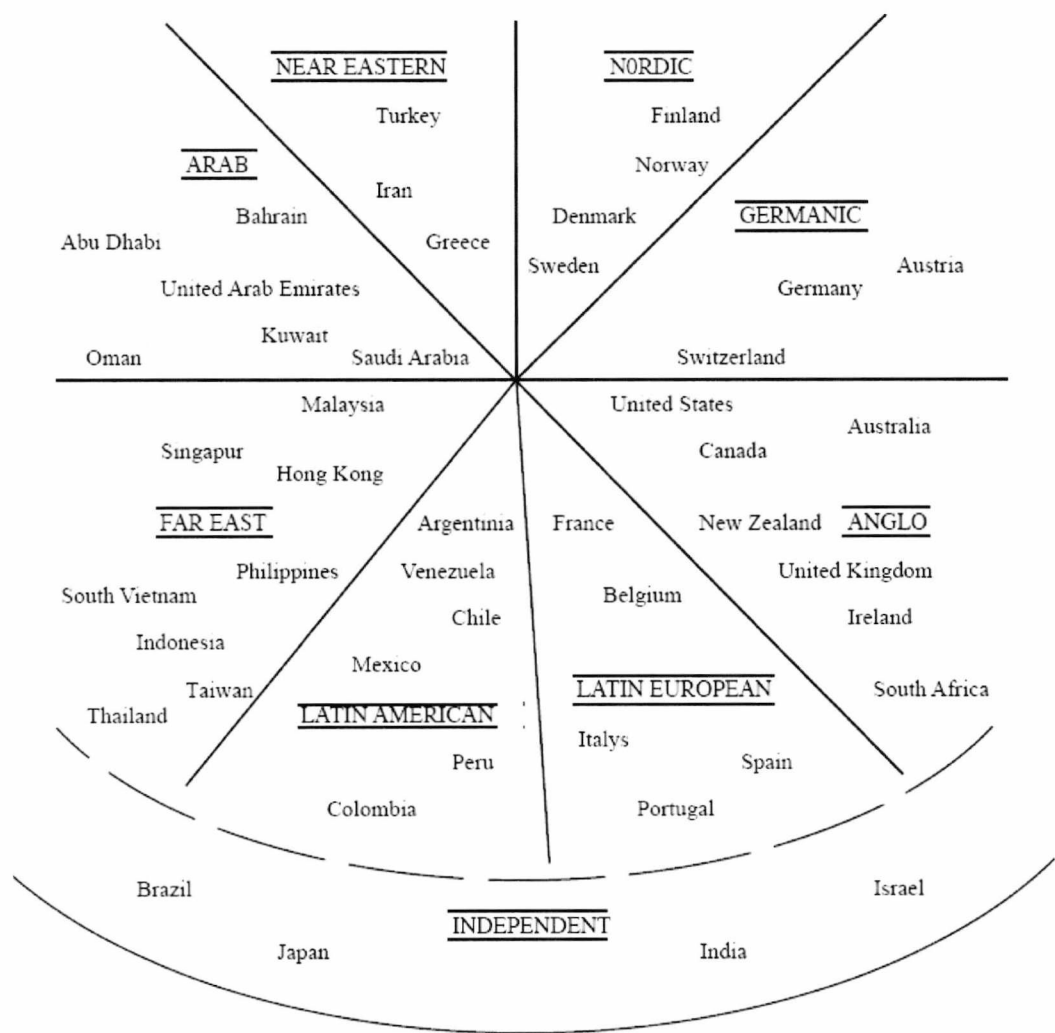
¹⁵ E.g. North America, China, Africa, Japan and Latin America.

Existing cluster analyses

Other authors, such as Inglehart (1997) and Ronen and Shenkar (1985) also support Brodbeck et al. (2000) findings. Steenkamp (2001) further concluded that Europe showed too much variance to appear in one summarising European cluster. The European countries investigated by Ronen and Shenkar (1985) (Figure 2.4) fall into five different clusters. 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 study¹⁶ but only use work related issues, neglecting differences in language, norms, values and social issues. Our study looks at language as part of national cultural differences as it is a dominant creator of identity and common understanding (Tang and Koveos, 2008; Benwell and Stokoe, 2006; Richards, 2006, Buckley et al., 2005). Different languages deal differently with situations e.g. apologies (Wouk, 2006). Understanding the other side's social behaviour and aligning one's conversations avoids negative consequences and misunderstandings (Buckley et al., 2005; Nofsinger, 1991). However, this may be problematic if people have different cultural backgrounds (www.carla, 2008). Our study makes a valuable contribution highlighting the importance of language in ICAs.

¹⁶ Ronen and Shenkar (1985) used: Haire et al., 1966; Redding, 1976; Sirota and Greenwood, 1971; Ronen and Kraut, 1977; Hofstede, 1980.

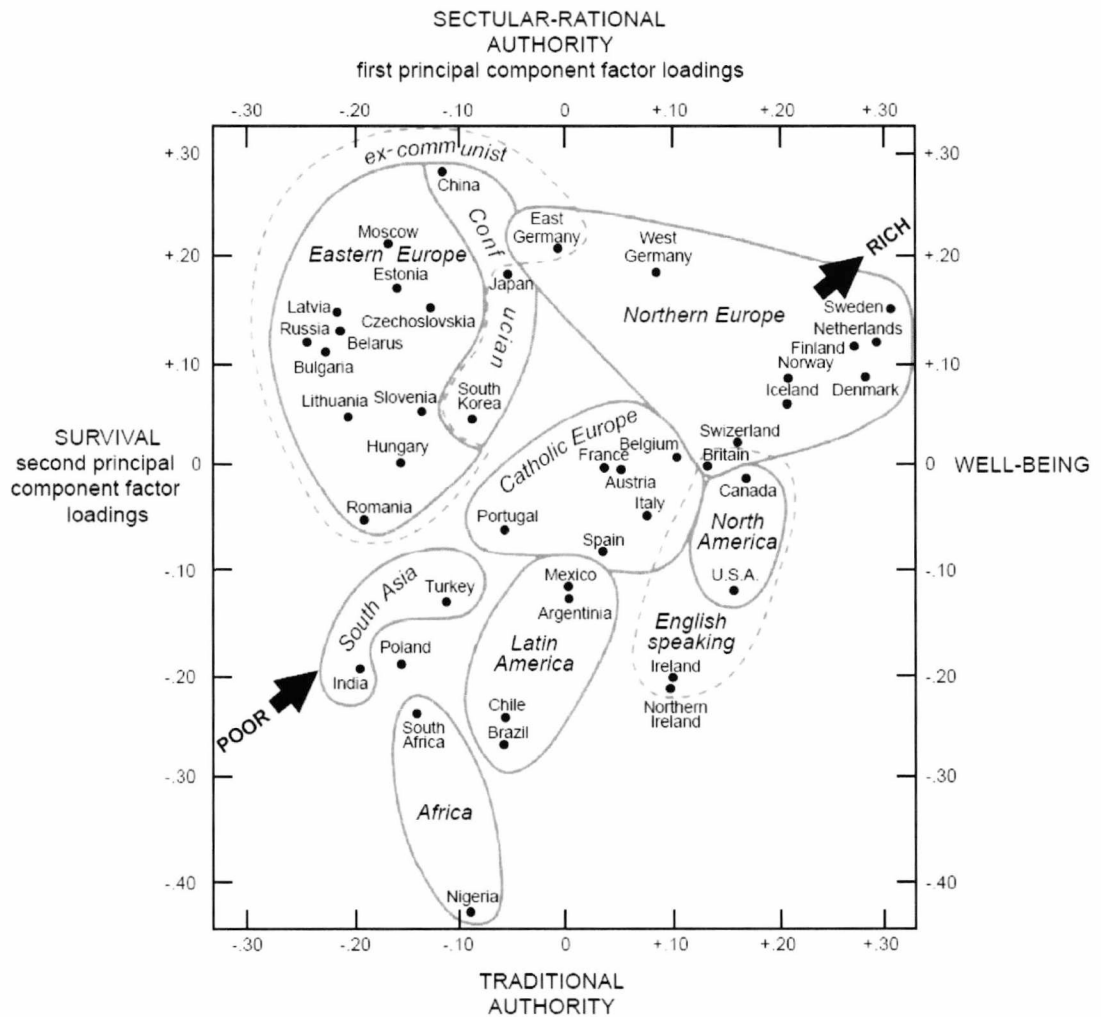
Figure 2.4 Ronen and Shenkar's (1985) Cluster Analysis



Source: Ronen and Shenkar (1985:449).

Inglehart (1997; Figure 2.5) 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 are in four clusters. Contrary to Ronen and Shenkar (1985), he only uses values as his basis of analysis, again leading to an analysis which may be deemed incomplete.

Figure 2.5 **Inglehart's (1997) Cluster Analysis**



Source: Inglehart (1997:93).

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). We will use cluster analysis throughout our analysis in Chapter 5 as this allows for simpler and more user-friendly results.

Europe is not culturally homogenous

Europe is not culturally homogenous. 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 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). However, arguably, countries themselves are not homogenous and culture and language can change drastically within countries (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.

The European neglect

In International Business, little emphasis is placed on looking at Europe in greater detail. However, Ronen and Shenkar's (1985), Inglehart's (1997), Brodbeck et al.'s (2000) and Hofstede's (1980) division of cultural Europe underline the need to focus on Europe's cultural diversity and its effect on companies operating within the European market.

A certain convergence between European countries has occurred (De Mooij, 2000; Levitt, 1983) because news and information now spread easily from one country to the next and facilitate a more common basis for communication and information. Nevertheless, cultural differences are still strong (Brodbeck et al., 2000; Kale, 1995) and need to be considered for a successful ICA as ICA failure is likely if no cultural adaptation takes place.

The distance between us

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). "Rightly or wrongly, collective properties are ascribed to the citizens of certain countries: people refer to *typical American*, *typical German*, or *typical Japanese behaviour*" (Hofstede, 1991: 12). Most studies see cultural difference as the distance between cultural country scores (Hanvanich et al., 2003). Generally speaking, people have a slightly ethnocentric view of the world and prefer being surrounded by similarity (Morosini et al., 1998) i.e. less distant cultures. This eases adaptation (Vianen et al., 2004) and requires less rigid control and management measures as a higher level of understanding is expected (Hanvanich et al., 2003; Rosenzweig and Singh, 1991, cited in Brock, 2005).

When cultural distance is low, people view their counterparts as part of their own psychological group; when it is high, less trust and cooperation is displayed (Rao and Schmidt, 1998). Trust and power are important issues to consider as they affect the ability to gain network level advantages (Rasche, 2007; Gulati et al., 2000) and hence cultural distance can severely affect network level strategy success. Luo (2008) shows that increased teamwork, justice, trust and cooperation enhance knowledge-sharing, reduce internationalisation cost and also increase financial performance in ICAs. Furthermore, it was established that language is a major component in facilitating knowledge and skills transfer (Buckley et al., 2005). Cultural distance is pivotal with regard to top management relationships (Luo, 2008). Our study contributes by investigating the importance of top team synergies and specific management strategies to ICA success by interviewing top-level ICA managers as well as ICA employees. In order to carry out this investigation, we answer research question Two (see chapter 1).

2.3 The Management of Cultural Consequences to Achieve Competitive Advantage in ICAs

Differences between national and organisational culture

Culture can be interpreted in very different ways. It affects life at all different levels e.g. family, social, national, regional, professional and organisational which makes summarising all aspects of culture difficult (Hofstede et al., 1990). All levels have different implications for management or creating competitive advantage. Within International Business and Strategic Management organisations are often looked at in terms of organisational (Hutzschenreuter and Voll, 2008; Peters and Waterman, 1984; Blake and Mouton, 1964) and national culture (Hanvanich et al., 2003) as these are most influential¹⁷. The former is described as “the collective programming of the mind which distinguishes the members of one organisation from another” (Hofstede, 1991:262). Our study focuses on national cultural differences, as it is the basis for organisational culture (Pothukuchi et al., 2002). However, we also accept the importance of organisational culture and that the distinction between the two is sometimes blurred. Therefore, our study suggests a link between both cultural levels, shows their interdependency and explains which organisational cultures and management strategies are appropriate for specific ICA types.

Organisational culture and strategy are seen as interlinked concepts as both depend

¹⁷ See Pothukuchi et al., 2002; Hofstede 1980, 1984, 2004; Hofstede et al., 1990; Hofstede and Bond, 1988; Trompenaars and Hampden-Turner, 1997.

on and influence each other (Hofstede et al., 1990; Weick, 1985) and have a large effect on the employees of an organisation (Styhre et al., 2006). However, it is unclear, if a homogenous organisational culture exists or whether there is intra-departmental homogeneity and inter-departmental heterogeneity (Hofstede, 1991). We address this question by also investigating cultural consequences on the departmental level.

There is no one best organisational culture. Different corporate culture characteristics can be appropriate depending on the specific situation (Hofstede et al., 1990; Peters and Waterman, 1982). We argue that corporate culture is rooted in the underlying national culture of the company and its core employees (Barney, 1986a; Mayrhofer, 2004). Furthermore, Hofstede (1998a) and Ozorhon et al. (2008) describe organisational culture as a vital factor for the survival or the demise of an organisation and its performance and success (Diagram 2.1).

However, despite the importance of organisational culture, national culture explains a far greater part of value variance, as it is the major point of reference for individuals (Hofstede et al., 1990; Kale, 1995; Styhre, 2006). It is also an important source of competitive advantage (Morosini et al., 1998). We contribute to this debate by identifying interrelationships and influences between different levels of culture and their impact on ICA success.

Authors often choose to focus on either national or organisational culture, but it is important to recognise that, despite varying research focuses, the other cultural level is also important and influential (Morosini et al., 1998). Hofstede (2004), for example, investigated differences in corporate governance between different countries. He concluded that corporate culture differences, business leader archetypes and business goals were significantly influenced by national cultural differences. Furthermore, company performance is acknowledged to be influenced by the appropriateness of the organisational culture (Kaplan and Norton, 1996) and its consistency with national culture (Shenkar and Luo, 2004). Diagram 2.1 illustrates this study's understanding of the interactions of different elements within an organisation. National cultural differences influence organisational culture and are also associated with the success of different reward structures (Hofstede, 1980). The organisational culture influences the whole firm's architecture, including strategy formulation and execution, employees, leadership style and firm structures. The appropriate architecture i.e. "the way it structures the relationships between its different elements and shapes information flow.....[and] decisions" (Haberberg and Rieple, 2008:17) influences firm performance.

Diagram 2.1 Influence of National and Organisational Culture on Firm Architecture, Performance and Success



Compiled by the author.

Reducing risk by managing cultural consequences

As previously discussed, national culture is an important aspect when studying and managing ICAs (Brock, 2005; Lenartowicz and Roth, 1999). However, it is difficult to evaluate and manage (Rijamampianina and Maxwell, 2002) and is too frequently underestimated or overlooked (Morosini et al., 1998; Weber et al., 1996). It is imperative that the right partners are selected, employee motivation is achieved, synergies are capitalised upon and customer expectations are realised (Schmietendorf et al., 2006) to reduce any negative impact of national culture on ICAs. However, Cannon and St. John (2008) suggest that potential synergies are often not achieved.

Within all ICA kinds, but especially within IJVs, it is important to contractually (Luo, 2002) agree whether ethical standards and corporate governance are looked at from an ethno-, geo-, poly- or regio- centric viewpoint (Perlmutter, 1969) as all perspectives may be different. *Ethnocentric* describes the view that one own's opinion or behaviour is superior. *Polycentric* suggests adapting one's behaviour to the nation that one operates in. *Geocentric* is a position that combines local and home country views and *regiocentric* one that uses management practices and organisational cultures adapted to specific regions e.g.

European, Asian etc. Ethnocentricity may create problems for internationally active companies as it does not allow for local adaptation.

Despite all partners following a due diligence policy, national culture can lead to substantial variations regarding expectations, goals and objectives (Saint-Onge and Chatzkel, 2008; Angwin, 2001) within the venture. Sharing the same goals and gaining equally positively affects CA outcome for all parties (Kashlak et al., 1998).

Overcoming differences in communication styles, languages, prejudices, stereotypes, historical and religious backgrounds in order to develop a joint organisational culture and avoid dissatisfaction (Vianen et al., 2004), uncertainty (Styhre et al., 2006) and increased costs (Weber et al., 1996) is important. HRM plays a major role (Stifter, 2003) in these processes. Here, “*perceived*” cultural differences (both national and organisational) and problems need to be addressed (Styhre et al., 2006). Open communication with all stakeholders and the development of a common company culture can reduce insecurities and increase growth potential (Hudson and Barnfield, 2001). However, companies may find that individuals from very different cultural backgrounds may find it difficult to establish a common understanding and communication method (Rao and Schmidt, 1998) as cultural distance can act as a barrier and may lead to ineffective practices in a new cultural environment (Gomez-Mejia and Palich, 1997). Geisler Asmussen et al. (2009) further suggest that tapping into local knowledge is more difficult for foreign companies.

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 measures¹⁸, MNEs’ strategies and negotiation styles (Kashlak et al., 1998), CA type risks (Kogut and Singh, 1988) and international acquisition performance (Morosini et al., 1998). Brock (2005), Hutzschenreuter and Voll (2008) and Cho and Padmanabhan (2005) discuss conflicting findings in the literature relating to ICA success and CA type choice respectively in relation to cultural distance. Cho and Padmanabhan (2005) call the conflicting evidence the *Cultural Distance Paradox* and conclude that CA type specific knowledge is a stronger determinant for CA type choice preference than prior country specific or general international experience. This supports our literature findings that many companies do not choose a strategic CA type due to its suitability for the specific situation but because they have existing experience and preference. Our study makes a valuable contribution by showing the importance of

¹⁸Hall, 1976; Hofstede, 1980; Trompenaars, 1993; Schwartz, 1994; Ronen and Shenkar, 1985.

evaluating each ICA opportunity and making an ICA type decision accordingly, taking into account cultural consequences and then employing appropriate management strategies.

According to Luo (2008) and as depicted in Figure 2.6, cultural distance affects the interaction between individuals and people involved in ICAs and the CA type on the other hand has an effect on the structures used in the CA. Rao and Schmidt (1998) describe cultural differences as a source of misunderstanding and communication issues due to reduced behavioural transparency. Furthermore, Morosini et al. (1998) and Hanvanich et al. (2003) conclude that cultural distance is an important factor for academics and practitioners alike when researching ICAs as it can hinder ICA performance. Having a local partner for local adaptation and government relations can increase performance as the market prefers similarity (Hanvanich et al, 2003).

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). Other authors agree that the greater the distance between partners, the more valuable the learning effect (Zou and Ghauri, 2008) but also the more difficult the management and the post-merger integration (Chakrabarti, 2009; Morosini et al., 1998). In any case, learning in an ICA situation is seen as vital to achieve company objectives (Zou and Ghauri, 2008). Opinions if national 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.

Furthermore, managers' perceptions about cost and risk associated with a specific ICA are strongly dependent on the degree of cultural distance between countries involved (Cho and Padmanabhan, 2005). However, their strength and influence affect different business areas e.g. innovation; entrepreneurship, decision-making, creativity, processes etc. to varying degrees (Morosini et al., 1998). Kashlak et al. (1998) believe that cultural and economic similarity as well the risk associate with each country affect international business relationships. Corporate governance can be employed to influence the effect of the aforementioned national influences.

Despite the large number of negative cultural implications, Wiersema and Bowen (2008), Lenartowicz and Roth (1999) and Dunning (1998) believe that adapted and

efficient ICA management strategies can create and retain location specific competitive advantages which still exist globally (Buckley and Ghauri, 2004). Dyer et al. (2004) agree that companies can reduce conflict and improve success by preparing, learning and applying specific internal strategies. This includes culturally-fit performance measures (Luo, 2008). Our study suggests a model and practical recommendations that reduce the negative impact of and increase competitive advantages gained from cultural differences by answering research questions One and Two (Chapter 1) and hypotheses 1-8 (Chapter 4).

ICA management

Despite the literature focusing on ICA creation, the real and longer lasting challenge is the management of the new structure. Many management short-comings and necessities have been discussed. First and foremost, the internationally expanding firm and its employees and expats need some cultural adjustment and understanding of the international business environment (e.g. through an analysis of the political, economic, socio-cultural, technological, environmental and legal environment) (Johnson et al., 2006; Tung, 1982) as closeness to the local market and learning from local competitors creates competitive advantage and knowledge (Ghemawat and Hout, 2008). Cultural competencies (Gertsen, 1990) to reduce long-term failure costs and relationship breakdown are crucial (Storti, 2001). These include awareness, knowledge and skills to facilitate effective communication in cross-cultural situations (Hofstede, 2001) and motivation to use these skills (Earley, 2002).

Nevertheless, working together in an international environment is more complex due to internal heterogeneity (Doz and Prahalad, 1991). This heterogeneity varies between functions and countries but is always existent. Due to the complexity of an ICA, central management is not always effective. De-centralised management ensures that advantages at lower levels or smaller linkages can be better utilised. Routines and repeatability are necessary for the ICA but at the same time, innovation and change need to be fostered when the external environment changes (Doz and Prahalad, 1991). Companies should allow for additional resources and cost for employee preparation to tackle this (Apud et al., 2003; Madhok and Tallman, 1998; Goerzen, 2005; Bamford et al., 2004). Competitive advantages can be gained through these cultural differences (Barkema and Vermeulen, 1997; Morosini et al., 1998) and value can be created if knowledge is shared and built (Simon and Lane, 2004; Lorenzoni and Baden-Fuller, 1995; Dyer et al., 2001; Grant and

Baden-Fuller, 2004). However, costs and value-chain activities should be carefully managed for competitiveness (Ghemawat and Hout, 2008).

Alliances are predominantly used in a search for additional company resources (Grant and Baden-Fuller, 2004) which need to be kept complementary between partners to effectively manage ICAs (Harrison et al., 2001; Grant and Baden-Fuller, 2004). However, this is not enough (Sarkar et al., 1999). To leverage any benefits, interactions and communication between involved individuals need to be effective (Simon and Lane, 2004; Rao and Smith, 1998; Dyer et al., 2001) to facilitate knowledge creation (Lorenzoni and Baden-Fuller, 1995) and knowledge-sharing (Parkhe, 1991).

Creating opportunities for knowledge acquisition (Goerzen, 2005) is a major part of ICA management (Dyer et al., 2001). However, this is particularly difficult when language and culture are not common and the ICA needs to be managed in ways that allow a common understanding even of tacit facts. A common organisational identity and a clear hierarchy between involved firms can help knowledge sharing and creation (Grant and Baden-Fuller, 2004). Furthermore, a strong, valuable, rare and non-imitable corporate culture can increase management effectiveness and create sustainable competitive advantage (Barney, 1986a; Peters and Waterman, 1982).

ICAs should actively encourage interactions between employees (Noorderhaven and Harzing, 2009) and see the right individuals in specific positions (Goerzen, 2005) as an important entity in order to create knowledge and use it for value creation (Grant and Baden-Fuller). Corporate workshops (Goerzen, 2005) and positive motivation and incentives help create closeness and team spirit (Bower, 2001).

Doz and Prahalad (1991) state seven points that ICA management should consider:

1. **Structural indeterminacy:** No single structure is going to be sufficient. Structure and strategy within the ICA should develop with each other and simultaneously (Lorenzoni and Baden-Fuller, 1995). Organisational routines need to be managed and coordinated (Dyer et al., 2001) so that specialist knowledge can be integrated and hence create value for the organisation (Grant and Baden-Fuller, 2004). Strategic ICA decisions and implementation structures should allow changes in tradition and accept specific events as starting points for change, innovation and learning when the external environment develops (Kanter, 1983).

A detailed business plan and good continuous conversation is also necessary (Bamford et al., 2004).

2. Internal differentiation: Management processes need to take countries, products and functions into account. Lee et al. (2008) also call for cultural adjustment.

3. Integrative optimisation: Trade offs between different internal interest groups have to be made. There will always be different forces apparent within an organisation – all should be considered and compromises made.

4. Information intensity: Information becomes a focal point for management. The information transfer between individuals from different company backgrounds creates synergies and competitive advantage and needs to be enhanced and encouraged.

5. Latent linkages: An openness for linkage creation is needed. Linkages between involved organisations ensure a smooth management, synergies and cost savings.

6. Networked organisation: All relationships, internally and externally, should be considered by the management. External visibility needs to be created (Dyer et al., 2001).

7. Learning and continuity: A balance has to be found between standards and innovation (Lorenzoni and Baden-Fuller, 1995). Streamline processes for example may be useful (Bower, 2001). This allows for a combination of reduced costs and stability through standardisation as well as innovation and development through learning and knowledge creation.

All the previous points should be considered by ICA management and a decision needs to be reached if these are already sufficiently addressed or not. All are important but vary in strength and relevance according to each individual situation. The above points are considered in some of the interview, questionnaire and case study questions in Chapters 4, 5 and 6.

Lorenzoni and Baden-Fuller (1995) state in a similar way that within ICAs, management should ensure that all partners have a creative function, share their expertise, create new and common technologies and ensure that partner rivalry is productive rather than destructive. It should thrive for strong brands and a common belief in the products/services to ensure common goal development (Lorenzoni and Baden-Fuller, 1995). According to Dyer et al. (2001), a dedicated alliances function (see also Goerzen, 2005; Bamford et al., 2004) at the appropriate level of the organisation, visionary leaders, clear rules and manuals can help achieve this. Visionary leaders will also allow innovation

to take place (Kanter, 1983). ICA management should also include a problem-tracking template and trust building exercises (Dyer et al., 2001; Lorenzoni and Baden-Fuller, 1995). Summing up, it becomes clear that ICA management involved additional dimensions in comparison with CA management. Additional potential problems but also opportunities for learning and growing need to be kept in mind and effectively dealt with by the management.

Cultural consequences on the departmental and individual level

Hornibrook and Yeow (2004) state that research into cultural consequences on more than one level is limited. However, culture effects are notable at various levels throughout the organisation. National culture affects organisational departments differently (Styhre et al., 2006). The marketing mix, for example, should be closely related to the specific national culture, the HR department needs to ensure adequate and relevant cultural training and the appropriate personnel for international tasks as well as the fitting reward system for foreign operations. Hofstede (1998a) established that many companies reduce their profitability by centralising and standardising their products and departments, in particular Marketing. Our study investigates cultural consequences on different departments and suggests ways of including department specific information in the CA type decision process.

The individual is becoming an important asset to achieve competitive advantage (Herrmann, 2005). The changing world economy towards service industries further increases the importance of the individual within an organisation (Kundu and Merchant, 2008). The investigation of cultural consequences for the individual becomes critical, as each person within an organisation is strongly affected by national culture (Hutzschenreuter and Voll, 2008). Ideal employees for international assignment have international experience and are flexible and open to new cultures. They should be fluent in the host country's language and familiar with its specific culture (Cannon, 1991). People are more likely to adopt a global culture if they are better educated, more experienced in cross-cultural encounters and hence increasingly open towards other countries (Steenkamp, 2001). Knowledge and training in general and specific cultural issues are important (Harrison, 1992). We include the personnel level in our model.

On the one hand, diversity within the workforce, cultural and otherwise, is seen as desirable. Many companies actively encourage and promote diversity to attract the best new recruits and retain talent (Collett and Cook, 2000; IBM, 2007). This awareness allows for culturally adapted management, operations and communication styles. On the other

hand, cultural differences can create misunderstandings between international partners and their employees (Shenkar and Zeira, 1992; Woodcock and Geringer, 1991). However, not all combinations of cultural backgrounds present the same level of challenge (Barkema and Vermeulen, 1997). Here, our study makes a significant contribution to the International Business and Strategic Management literature. By combining qualitative and quantitative findings on perceived cultural differences, cultural implications for ICAs and the importance of appropriate management strategies, our study puts forward a blueprint for choosing the appropriate ICA type and management strategy to create cultural competitive advantages.

Culture should be considered when entering different geographical areas and internationally active companies need to be aware of the host market's or partner's underlying national culture and its consequences in order to create realistic expectations, justified investments and successful management strategies. Findings from this section of the literature review are used to inform the theoretical framework (Chapter 4) and variables for our quantitative analysis (Chapter 5).

The following section investigates the literature relating to the European and German telecommunications market.

2.4 European Telecommunications: An Overview

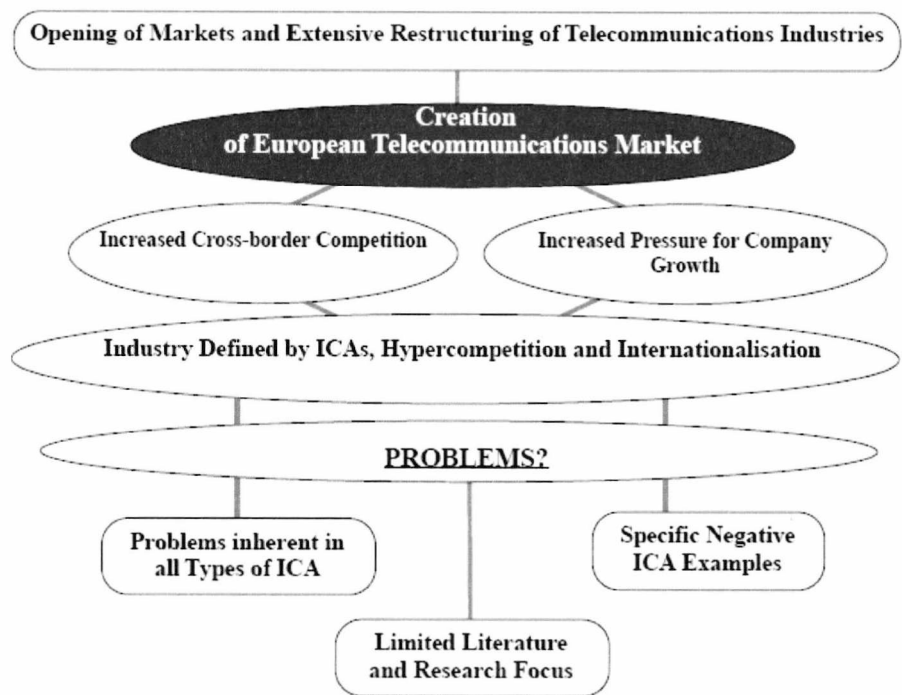
The telecommunications industry is hypercompetitive, characterised by only small periods of stability and constant change, often due to technological advancements (Bogner and Barr, 2000; Onken, 1999), increasing development speed and ICA activities (Schäfer, 2004, Lal et al., 2001; Yidirim, 1997). New technologies and communication methods demand a continuous industry development (ITU, 2004). Companies within the industry source, transfer and create value from information (Kashlak et al., 1998).

Worldwide, telecommunication markets have seen extensive restructuring (OECD, 2004; Lal et al., 2001) and barriers to entry have been severely reduced, especially as a result of the GATT/WTO's Uruguay Round, WTO agreements and deregulation (VCDWG, 2006; Yidirim, 1997). These have led to reduced costs and prices for foreign providers and hence increased competition in any local market (Chan-Olmsted and Jamison, 2001). Information and communication is now the fourth biggest production factor after raw materials, capital and labour (Yidirim, 1997).

Once monopolistic and nationally based (Srivastava and Finger, 2005; ITU, 2004; Gallacci, 2006) the global telecommunications market has seen a large increase in

competition and pressure especially from foreign players (Clegg and Kamall, 1998). In 2009, Deutsche Telekom already announced a partnership with the Dutch Tele2 to provide mobile connections and BT struck a deal with the German *Elster* company to provide international IT and communications services. Strategic alliances and a continuous merging and divesting of resources is shaping its industry environment (Schäfer, 2004; Lal et al., 2001; Yidirim, 1997), as most companies have placed great importance on income from foreign markets, achieved often through ICAs. Figure 2.7 depicts this study's summary of the current European telecommunications industry. With the creation of an open European telecommunication market, competition has increased and the industry experiences problems related to ICAs in general, but also industry specific problems. We also describe the lack of up to date studies or literature for this industry. The following illustration underlines the importance of studying this particular sector as it experiences frequent change, strong international influences and the resulting problems. However, we believe that findings will be transferable to other industries, in particular service industries.

Figure 2.6 An Overview of the European Telecommunications Industry



Compiled by the author.

Telecommunications: A global industry?

The structure of telecommunications has changed due to privatisation, liberalisation and political agreements worldwide (Chan-Olmsted and Jamison, 2001). This has created an industry that gains competitive advantages through worldwide integration and has reached revenues of \$1.8 trillion in 2007, despite the fall in fixed line income (Hahn and Pham, 2008). Growth sectors, even in the US and Europe are broadband and networks (Rosenbluth and Bensinger, 2008). Rugman and Hodgetts (2001) suggest that telecommunication business activities generally take place in regional blocks e.g. Europe. This new market structure increases competition and opportunities but also reduces profits of incumbents (Oh, 1996). The industry’s internationalisation has led to increased convergence in consumer taste (Wiersema and Bowen, 2008). It is driven by and has at the same time created increased pressure for international strategy but does not suggest a complete convergence of markets.

Telecommunications: A combination of services

The word *telecommunications* is used to describe “the transmission, between or among points specified by the user, of information of the user’s choosing, without change in the

form or content of the information as sent and received” (Yidirim, 1997). According to the 1990 revised (Schober-International, 2007) European NACE classification (NACE 64.2), the telecommunications sector also includes providing access to other networks e.g. the Internet, distribution and transmitting of sound, images, data or other information using cables, broadcasting, relay or satellite networks and maintenance of networks (EFILWC, 2005). The literature varies in the type of services included within this industry and the classifications used. The most common distinction is made between fixed and mobile telephony. However, enterprise network services and VoIP are also often included (Budde, 2007) or grouped into a single third group (e.g. Key Note, 2005). VoIP is more and more becoming a competitor for traditional landline and mobile communication (Springer, 2006) and has thus started to appear more regularly as part of the industry classification. The appearance of companies offering VoIP alternatives and software such as Skype has shocked the industry and changed the rules of the game (VCDWG, 2006). The new information technology side of this industry is important for future growth as the traditional income streams such as fixed line telephony have reached quasi saturation (Hahn and Pham, 2008) and growth in the mobile sector has slowed down (EFILWC, 2005; ITU, 2004). Growth now comes from network and broadband services (Rosenbluth and Bensinger, 2008). We follow the above industry division and refer to three strata: fixed telecommunications; mobile telecommunications and enterprise, network and ICT services.

Recently, the term *ICT* has become popular, paying tribute to the merging and diversifying of the telecommunications and IT sector (Clegg and Kamall, 1998). It is now difficult to define industry boundaries and players (Srivastava and Finger, 2005). We include ICT companies producing, supplying and enabling voice or video communication in our third stratum. However, we will only use the term *telecommunications* to not confuse the reader.

The European Telecommunications Industry

For this study, we choose the European telecommunications market as our research area (Rosenbluth and Bensinger, 2008; Rugman and Hodgetts, 2001). The European telecommunications industry has a long history of national monopolies and state ownership (Clegg and Kamall, 1998) often described as *natural monopolies* (EFILWC, 2005) but is now at the forefront of privatisation and abolishment of barriers to entry (Chan-Olmsted and Jamison, 2001). Foreign ownership within the sector is unrestricted (ITU, 2005).

The European Telecommunications market represents the most competitive (ITU, 2004) and largest regional market worldwide (Table 2.4). In 2005, the European telecommunications industry had a value of €650 billion (Reding, 2007), over 60% of which from its four largest markets Germany, UK, Italy and France (Eurostat, 2008).

Table 2.4 Estimated Breakdown of the Global Telecommunications Market 2001-2005

% of Total Global Value in Telecommunications	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005
Western Europe	27 %	28 %	27 %	27 %	27 %
US	29 %	28 %	27 %	27 %	26 %
Japan	11 %	12 %	12 %	11 %	11 %
Eastern Europe	2 %	2 %	2 %	3 %	3 %
Rest of World	31 %	30 %	31 %	33 %	33 %

Source: Key Note (2005)¹⁹.

The majority of telecommunications services are at least partly competitive (ITU, 2005a; Key Note, 2002). Monopoly positions were lost and monopolists are now facing competition in their home markets (Gallacci, 2006; Srivastava and Finger, 2005; ITU, 2004) and have to compete on value adding service provision and functionality (Chan-Olmsted and Jamison, 2001; Clegg and Kamall, 1998). How services are delivered is becoming inconsequential and increases price competition (Chan-Olmsted and Jamison, 2001). Nevertheless, the industry is still largely characterised by an oligopoly situation led by former monopolists (Kaack, 2007; VATM, 2006; Gallacci, 2006; Springer, 2006; dsltarife.net, 2006) who experience majority market shares and power due to experience, existing networks and economies of scale (BEKOVERBAND, 2008; EFILWC, 2005).

Industry growth comes from new technologies (GFK, 2006; GFU, 2006), VoIP and Broadband (Rosenbluth and Bensinger, 2008; Dialog Consult and VATM, 2007; VATM, 2006), geographical expansion and technology combination (Chan-Olmsted and Jamison, 2001; Kashlak et al., 1998)²⁰. Mobile telephony has reached quasi-saturation (Eurostat, 2008; Budde, 2007; Lumio, 2006) and fixed line services are at best stagnant (Eurostat, 2008; Lumio, 2006), suggesting that traditional technologies are replaced by new ones.

¹⁹ Latest freely available data.

²⁰ See, for example, Deutsche Telekom and Telefonica (Chan-Olmsted and Jamison, 2001).

ICAs have played a major role in shaping the industry (Lal et al., 2001) e.g. a total of 95 international ventures were recorded in Europe between 1985 and 1994 (Sarkar et al., 1999). The appetite for ICAs was expected to remain strong within the sector, despite the financial crisis (istockanalyst, 2008). Most telecommunications companies are placing great importance on income from foreign markets (EFILWC, 2005), due to price reductions and saturation in home markets (Gallacci, 2006) as well as the emergence of internet trade. Therefore, competition is increasing and pressure, especially from foreign players coming into the industry either through licences²¹, acquisitions²², mergers²³ or JV/partnerships,²⁴ is added. Internationally controlled firms tend to be larger and more productive than national ones (Grell, 2007; Schneider, 2004). They account for approx. 15% (2003) of value added generated, 60% of which was generated by companies controlled within another EU member states. However, ICAs such as Global I²⁵ are also seen as a big threat to competition and a step back into monopolies (Yidirim, 1997). This underlines the importance of studying ICAs within the European telecommunications market in more depth, as these facilitate strategic growth. We will be taking a German perspective, as most of our research investigates German companies in the European market. Lal et al. (2001) summarise the dynamics of European telecommunications, indicating relationships between market influences and forces (Diagram 2.2).

Table 2.5 Legend

Factor	Representation
Competition	A
Price reduction	B (1a)
Demand for integrated services	B(2)
Spare capacity	B(1b)
Price reduction	B (1a)
Integrated and standardised networks	C
Industry investment	D
Opportunities for CAs	E
Industry restructuring	F
Market entries and liberalisation	G(1); G(2)

Direct relationships are indicated by +, indirect relationships by -.

²¹ e.g. T-mobile Austria

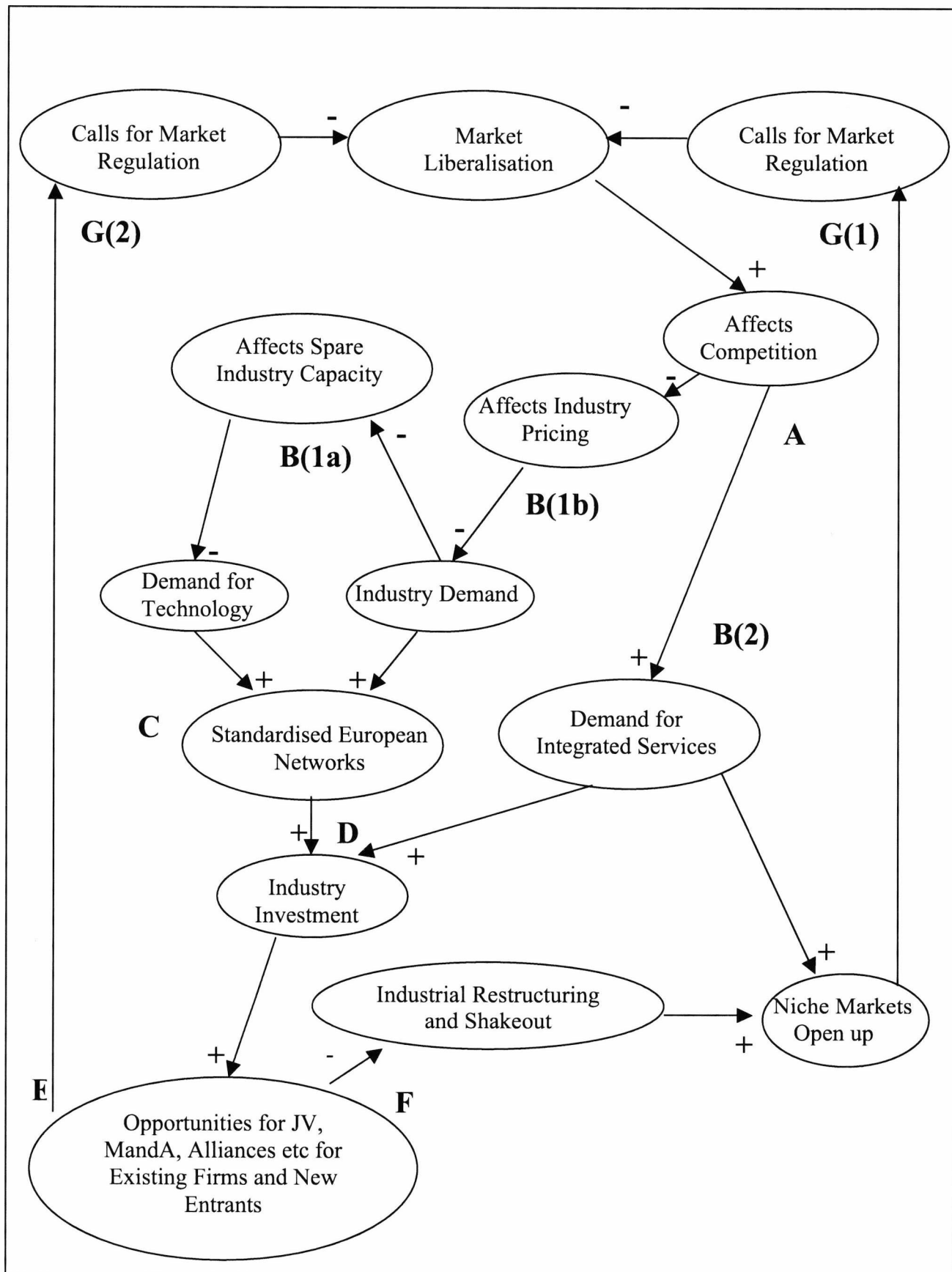
²² e.g. Vodafone and Arcor 2006; Hansenet and Aol Germany, 2006

²³ e.g. Freenet and Mobilecom, 2005

²⁴ e.g. QSC and Tele2, 2006

²⁵ Former JV between Deutsche Telekom, France Telecom and Sprint

Diagram 2.2 An Evolving Model of the European Telecommunications Industry



Source: Lal et al. (2001).

Diagram 2.2 depicts the evolution in the liberalised European telecommunications market. Liberalisation leads to increased competition, price reduction and a greater demand for integrated services. Lower prices lead to spare capacity reduction requiring additional industry investment and increasing opportunities for ICAs. However, due to the mentioned investments, companies may struggle financially and additional legislation is required to stabilise the market, creating new barriers to entry, further reducing market entries and thus liberalisation. Hence, investments and ICAs lead to industry restructuring and niche creation. Technological advancements and more interconnected services lead to integrated and standardised networks (Lal et al., 2001).

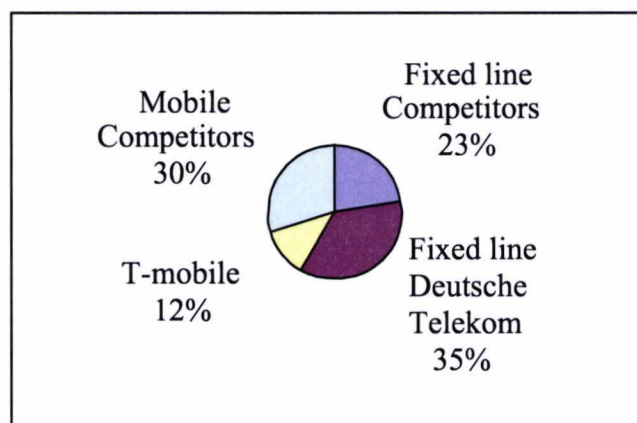
The model demonstrates the link between market liberalisation and increased competition with a need to increase regulation and curb competition. This model explains the contradictory nature of deregulation leading to reduced competition and oligopoly rather than perfect competition structures and also goes a long way to highlight the importance of and increased opportunities for ICAs within this market. An industry analysis using Porter's Five Forces would not sufficiently represent the relationship between industry changes and regulation amendments (Lal et al., 2001) and hence was not included.

2.4.1 The German Telecommunications Market

Germany is the single largest national telecommunications market in Europe (Budde, 2007) and represents the focus of our study. It is the third largest telecommunications market globally after the US and Japan (Yidirin, 1997). The German market was expected to achieve €55.4 billion in 2009 (input-consulting, 2008).

The German telecommunication sector faces increased competition in all strata (Budde, 2007; Springer, 2006; Diagram 2.3). Deutsche Telekom's market leadership is uncertain and has forced the former incumbent to diversify into other geographical markets. It has achieved a dominant position amongst European and US mobile phone operators (T-mobile), business network (T-systems) and online services (T-online). In the first quarter of 2007, approximately 50% of Deutsche Telekom's revenues came from international markets (Budde, 2007). T-mobile, for example, is the fifth largest operator in the UK, holding 5.7% in terms of market share (Key Note, 2007) and the forth-largest mobile operator in terms of revenue and subscriptions in the mobile sector (Key Note, 2007). Our study investigates the strategic ICA growth of German telecommunications companies within Europe. Our sample looks at Deutsche Telekom and its competitors.

Diagram 2.3 Fixed and Mobile Telecommunications in Germany 2008
% of Total Turnover



Source: Dialog and VATM (2008).

2.4.2 Internationalisation and ICAs in the European Telecommunications Industry

The 1990s saw the beginning of the M&A's trend in the industry as telecommunications companies tried to increase their competitive advantage (Chan-Olmsted and Jamison, 2001), bargaining power and size (Sarkar et al., 1999). Many ICAs within the European industry involve leading telecommunications companies, with a large rise in industry FDI (Sarkar et al., 1999). This trend of cross-border activities is further described by the CEO of Telecom Italia, stating that, compared to other former monopolists in the telecommunications sector, his company lacks a major international presence (Financial Times, 2008)²⁶.

As telecommunications companies face a great deal of collaboration and cooperation during their internationalisation, partner and market selection is of critical importance (Sarkar et al., 1999). Our study represents an important contribution by supporting companies in making the appropriate strategic ICA choices and management strategies and by highlighting the strategic importance of the sector, which has previously been neglected (Sarkar et al., 1999). This strategic importance creates increased government interest in the industry (Clegg and Kamall, 1998) but also potential competitive advantages through specific government support. Host governments are exerting increasing pressure on international business activities, thus forcing international firms to create good bargaining capabilities (Kashlak et al., 1998). Countries are interested

²⁶ Telecom Italia is strong in Brazil and Argentina, but recently has sold interests in other countries.

in a good telecommunications industry, as a good communication infrastructure is vital for attracting global business and hence companies which can offer desirable benefits can receive important government support and create barriers between rival companies.

The way we expand

ICAs within the European telecommunications industry face similar negative results to ICAs in other industries (Nam et al., 2005; Warner, 2003, McKinsey, 2001). Nevertheless, ICA activities still drive cross-border transactions within Europe (Angwin, 2001). Globally, the telecommunications sector generated 12% of the total value generated through M&As (Reuvid, 2008). Sarkar et al. (1999) state that telecommunications companies mainly expanded through alliances, as potential partners were small and costs for bidding could be shared. Clegg and Kamall (1998) suggest IJVs with local firms to be most appropriate. However, we believe that this may have changed due to the increased number of firms in the industry, opening of markets, less political restrictions and forces to work with a partner rather than acquire or merge with its capabilities.

Oh (1996) suggests four sets of strategic goals for an ICA. Firstly, ICAs are used to spread risk and cost. Secondly, ICAs increase international competitiveness through global sourcing and economies of scale. Thirdly, ICAs help companies produce more efficiently and effectively and lastly, they allow companies to benefit from the use of joint, often limited resources. Kashlak et al. (1998) found that most ICAs in the European telecommunications industry were intra-industry and involved companies with a focus on both geographical and product development, hence following a full diversification strategy (Ansoff, 1987). M&As are the preferred ICA mode in the telecommunications industry, mainly due to mergers' ability to quickly integrate different communications and customer segments, combine niche markets, reduce competition, increased technological development and introduction speed because of combined resources (Chan-Olmsted and Jamison, 2001).

When an alliance is chosen, the specific type of alliance pursued is often related to a company's size, profitability, capabilities and position within the market (Oh, 1996). Increased profitability, size, research and development capabilities increase a firm's independence and hence a tendency for alliance structures with higher risk and cost but also increased profit potential.

Nonetheless, some companies within the sector, for example BT and Telecom Italia, have chosen to focus their activities nationally rather than internationally. Both have

recently sold interests in other countries and have changed their centre of attention to national markets and customers (Financial Times, 2008; EFILWC, 2005) to increase their home market strength.

The European telecommunications industry is an important and fast changing industry sector and deserves additional attention in the literature. Within this industry sector, Germany, the biggest European market, is a relevant focus for research purposes. Furthermore, with the industry's high proportion of ICAs and competition, this area represents a particularly interesting setting for research into European CAs. Due to a substantial lack of literature combining the European telecommunications industry and Strategy, our study will make a substantial contribution to this area.

The majority of studies looking at the European and in particular the German telecommunications industry exclusively investigate legislation changes and competition status²⁷. Telecommunications studies focusing on other geographical areas (Hsiang-Hsi et al., 2007; Nam et al., 2005) combine CA success and industry analysis but do not include Europe and further neglect cultural issues. This study fills the gap in the literature by looking at the industry from a strategic point of view.

²⁷ E.g. Srivastava and Finger, 2005; Monopolkommission, 2005; OECD, 2004; Kaack, 2007.

2.5 Conclusion

In this chapter, we carry out our literature according to Figure 2.1. We investigate past and present research in our research areas, look at methodologies, establish research gaps and indicate how our study is intended to bridge these.

Firstly, our investigation of ICAs indicates that non-organic growth options have increased in importance internationally (Wiersema and Bowen, 2008). We investigate the reasons behind the high ICA failure rates and establish national cultural differences as an important soft issue to be taken into account in ICA strategy formulation²⁸. We conclude that it is important for managers to be aware of the impact of different cultures on several strategic levels and plan accordingly (Brock, 2005). Our study makes a contribution with regard to a better insight into the relationship between the appropriate management of cultural consequences and ICA success.

Secondly, our analysis shows a lack of literature combining a focus on different cultures within Europe and their consequences on ICA success. Our study aims to fill this gap. Furthermore, we discuss the relationship between organisational and national culture and highlight the importance of the network, departmental and individual level in the investigation of cultural consequences for ICAs.

Lastly, we analyse the European telecommunications market, its background and current trends and the industry's relevance for the investigation of ICAs. Furthermore, we discuss the rationale behind choosing the German telecommunications sector as point of reference for our research. Our study aims to close the gap between researching the European telecommunications industry and ICAs.

Our study aspires to combine all three strands of literature to carry out an investigation of the cultural consequences on ICAs within the European telecommunications industry from a German perspective. The following Chapter 3 gives an overview of our methodology.

²⁸ See Harrigan, 1988; Shenkar and Zeira, 1992; Woodcock and Geringer, 1991; Schuler, 2001; Parkhe, 1991.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

The aim of this chapter is to outline this study's methodology. We discuss the overall context of the study and the sample used, the data collection methods employed and the data analysis methods applied. This chapter is designed to give a methodology overview for all three research methods employed.

3.1 Study Design and Research Design Model

We employ a multi-strategy design (Hammersley, 1996). This is a set of different methods that combines both quantitative and qualitative research (Mingers and Brocklesby, 1997) and was previously rare and often criticised (Hofstede, 1998; Bryman, 2004). However, more recently, opinions have changed²⁹, acknowledging that limitations and problems encountered by one research method can be counteracted and findings enhanced by using a multimethodology³⁰, especially in multi-cultural (Lane and Beamish, 1990; May, 1997: 89) and Strategic Management research (Herrmann, 2005) such as this study.

For this study, we chose a three-part methodology. First, we use interviews for model and hypothesis creation. They facilitate the development of a quantitative questionnaire design. Using a qualitative method to inform a quantitative method is an accepted way of carrying out multi-stage data collection³¹. The interviews also form the basis for in-depth case studies. The questionnaires test the hypotheses and the model. We use the interview findings again here to triangulate the questionnaire findings to ensure consistency. Lastly, the case studies triangulate the findings of the quantitative questionnaire research and validate the interview findings. They also reduce possible limitations in terms of reliability due to the limited number of interviews and questionnaires. The interview and case study methods are two different and independent methods used in this study.

²⁹ See Hammersley, 1996; Cohen and Manion, 1986: 254; Altrichter et al., 1996; O'Donoghue and Punch, 2003.

³⁰ See Marschan-Piekkari and Welch, 2004; Bryman, 2004; Creswell, 2003; Mingers and Brocklesby, 1997; Hammersley, 1996; King et al., 1994.

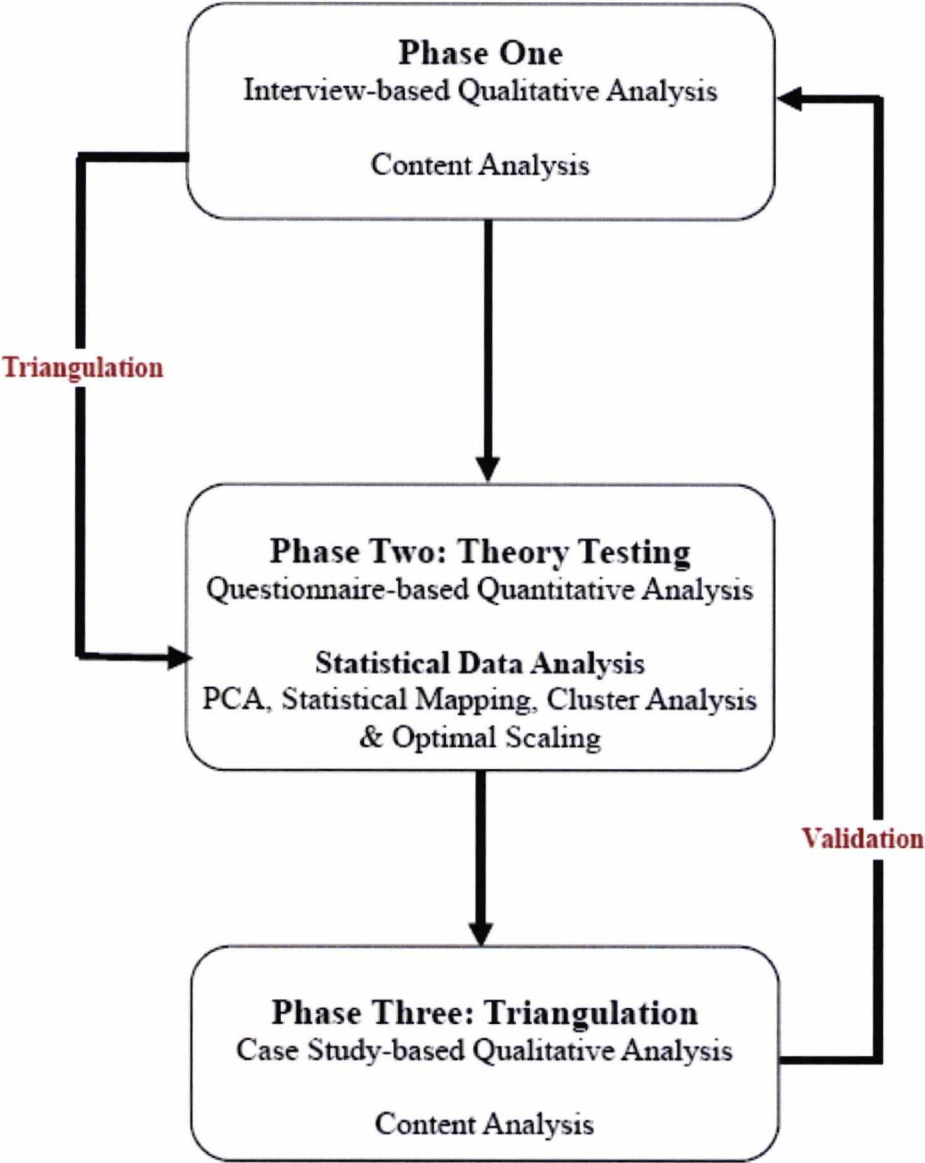
³¹ See Hughes et al., 1997; Pope and Maye, 1995; Wellings et al., 1994; Carlson et al., 1996; Laurie and Sullivan, 1991; Walklate, 2000.

We use this multi-methodology to portray a holistic view of the research area and questions. Moreover, the limitations of one can be counteracted by the advantages of the other. Recently, this combination of research methods has been used and accepted increasingly as a mainstream research strategy by authors and strongly advocated by academics (Mingers and Brocklesby, 1997). Morosini et al. (1998) have used quantitative and qualitative research in their cross-cultural research as the quantitative methods alone would not allow an in-depth insight into the cultural issues investigated³². More recently, La et al. (2009) utilised an interview-based qualitative analysis to inform a questionnaire-based quantitative research tool. According to Mingers and Brocklesby (1997) research should firstly give as much insight into a particular situation as possible, then it should analyse why the situation is the way it is and lastly, it should demonstrate ways of changing it. Our analysis suits this paradigm. The following figure 3.1 depicts the relationship of the different methods within our methodology.

“Real-world problem situations are inevitably highly complex and multi-dimensional.so multimethodology is necessary to deal effectively with the full richness of the real world” (Mingers and Brocklesby, 1997: 492).

³² See also Acedo and Casillas, 2005; Lenartowicz and Roth, 1999; Hofstede, 1998a.

Figure 3.1 Research Design Model



Compiled by the author.

Using qualitative methods in Social Sciences is often viewed as “non-scientific” (King et al., 1994: 4) as it lacks a clear separation between the researcher’s own opinion, influence and interpretation and the subject’s intentional meaning and experience. More recently, however, the importance of more flexible and creative qualitative research methods within International Business have been established (Sinkovics et al., 2008). As social science deals with human beings and their environment, defining clear boundaries

that would suit a positivist approach is not always possible. Some meanings or truths can be implicit and not readily observable using only explicit expressions (King et al., 1994).

Nevertheless, in many business disciplines, quantitative analyses have long been at the forefront of research (Acedo and Casillas, 2005) and a debate has been evident that suggests that qualitative and quantitative approaches should be used to build a complementary methodology (Acedo and Casillas, 2005).

A qualitative interview-based approach and a case study approach within International Business research are deemed incompatible with a positivist research philosophy (Kvale, 1996: 18) but rather seen to suit a hermeneutic or interpretive approach (Marschan-Piekkari and Welch, 2004: 92). We use the latter in this study, allowing the researcher to make inductions from interview responses and during case study research. The research also borrows from feminist research methods, as the researcher needs to engage with the participants and show empathy relating to their experience and personal, often non-rational feelings and opinions (Kvale, 1996: 70).

3.2 Sample and Context

This study investigates German-based ICAs within the European telecommunications industry. European CAs are a particularly important research area (Grell, 2007). As previously discussed, the telecommunications industry allows an interesting viewpoint due to the continuous and rapid changes taking place, the fairly recent deregulations, its drive for internationalisation (OECD, 2004), its economic importance (Yildirim, 1997) and due to Europe being an important economic region (Rugman and Hodgetts, 2001).

We chose Germany as a research area as it presents the largest European telecommunications market³³. Its former incumbent, Deutsche Telecom AG, and its sub-divisions represent the largest European telecommunications provider with interests in more than 50 countries globally (Datamonitor 2007; Schäfer, 2004; Gallacci, 2006).

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 limitation of international studies (See 7.3) and allowing for a good basis of comparison. This also allows comparability of results with previous studies. 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

³³ Market share estimated at 19-22% (Data Monitor, 2007, 2007a; Key Note, 2002; Budde, 2007).

minimise complexity by choosing a single country and industry perspective. We use inference and interpretation of qualitative data. All participants were aware of the research focus. We clearly identify the national level as our level of analysis.

3.2.1 The Strata

For this research we use stratified random samples of the German telecommunications industry. The population are all German telecommunications companies, with HQ in Germany and international activities. Limiting the research population to this extent means that the achieved sample may be seen as statistically unreliable. However, through the use of two further qualitative research methods we ensure validity of results. 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 companies involved in providing fixed line services; the second combines companies providing and enabling mobile services and the third includes companies involved in business telephony service provision, network providers and new communication channels such as VoIP³⁴. Within the literature on telecommunications, these strata are an accepted way of dividing the market (Budde, 2007). For this study, companies had to be engaged ICAs within other European countries to be included.

3.2.2 The Samples

We follow Morosini et al.'s (1998) methodology by using snowball sampling for our interview process and partly in our case study approach. We use stratified random sampling for our questionnaire-based quantitative study and to gain initial access to the companies studied in our case studies. Companies were sampled at CeBit and IFA³⁵ 2007 to increase our sample and reduce the bias inherent in snowball sampling. Our samples comprise mainly German interviewees, however, four interviewees had a different European background.

³⁴ Transmitting voice data e.g. talking via Internet channels.

³⁵ See abbreviations

The samples are not weighted in terms of company size, market share or numbers of comparable companies within the industry. This means that some groups or companies may be over or under-represented within the sample (Waters, 1997). However, it is crucial that companies from all strata are sampled. Otherwise, within the German telecommunications industry, a bias of former incumbents would be inherent in the findings. The following sections explain the samples and sampling methods used for each of the three-part methodology.

3.2.2.1 Model Building: Informants and Sampling

We conducted 30 in-depth interviews with middle and high-level managers across 12 companies between March and July 2007. 25 interviews across 9 companies sampled the German telecommunications industry. 3 interviews in 1 company from the British telecommunications sector and 2 interviews, one from the German energy sector and one from a government body allowed comparisons across industries (Table 3.1). The sample size for our qualitative model-building phase is comparable with other studies employing interviews for this purpose (Sharpiro et al., 2008) and the sample provided enough interviews until no additional relevant information was generated (Dean and Segal-Horn, 2007). All companies had experience with networks and follow, consciously or unconsciously, a network-level strategy.

Table 3.1 Interview Summary

Industry	Company	Number of Companies	Number of Interviews
German Telecommunications	MNE ³⁶	5	19
German Telecommunications	SME ³⁷	4	6
British Telecommunications	MNE	1	3
German Energy Industry	MNE	1	1
Government Agency	Ministry	1	1

Compiled by the author.

³⁶ Multinational Enterprise
³⁷ Small or Medium Sized Enterprise

Our field study sample included five market leaders in their stratum or area of expertise as well as telecommunications consultancies and ceased European ICAs. The five industry leaders were based on their 2007 ranking within the German NACE 61.2 sector.

An analysis of market share and position within each stratum of our chosen industry was carried out as represented in Table 3.2. We also sampled four SMEs to avoid a bias towards large and successful enterprises.

Table 3.2 Sampled Companies in German Telecommunications Industry

Telecommunications Sector	Ranking within German NACE 61.2	HQ
Overall Market Leader in German Telecommunications Industry and Fixed Line	1	Bonn, Germany
Market Leader in Mobile Telephony	2	Bonn, Germany
Market Leader in Network Services	3	Frankfurt, Germany
Market Leader for Professional Voice-Data Convergence	35	Kölleda, Germany
Market Leader for In-House Power Line/Modems and Adapters	n/a	Aachen, Germany

Sources: www.top500.de (2007); www.crn.de (2007); www.funkwerk-ec.com (2007).

The 25 interview contacts within the German telecommunications industry were established through industry analysis and snowball sampling (Morosini et al., 1998), which is accepted as a useful non-probability sampling tool when trying to enter a certain group that is otherwise hard to gain access to (May, 1997). A group bias was avoided as each contact only introduced a very limited amount of further interview partners, so that a diverse sample was achieved. Furthermore, personal contacts to two of the sampled companies and five of the interviewees were made during the CeBit in March 2007, further limiting the group bias.

Interviewees were chosen for their ICA experience within the telecommunications industry (Styhre et al., 2006). All interview partners within the German telecommunications industry were German nationals. However, several interviewees are married to non-German nationals or have spent long periods of time in other countries. This means that these interviewees had a more active understanding of cultural issues and

day-to-day problems. Interviews were also carried out with CEOs and senior managers of two of the biggest CA failures in European telecommunications history. This was deemed of critical importance as lessons learned from these could be invaluable for future partnerships.

Triangulation

Reference interviewees from a large British telecommunications company, a German company from a different industry sector and a former German ministry representative within the European Union were also chosen (Table 3.1). The reference interviews allowed the interviewer to verify that responses were similar in other industries and other countries. Furthermore, it allowed the triangulation of the interpretation of the German and English version of the interview guide.

Care was taken to interview people from different areas within the organisations. The above sample included board members, vice presidents, sales executives, finance executives, CEOs and international human resource managers. This allowed the triangulation of responses from different organisational levels and areas and identifying specific issues for each of these.

Sampling limitations

As with many qualitative studies in International Business, our sample is not representative of the industry population as a whole (Marchan-Piekkari and Welch, 2004). Our sample aims to give a broad insight into the industry and allows for model formulation in conjunction with the literature review. Many comparable international studies published in JIBS³⁸, AMJ³⁹ and ASQ⁴⁰ are based on convenience samples from one country and limited companies or industries (Marchan-Piekkari and Welch, 2004). Practical limitations including additional time and financial resource requirements, language barriers, restricted access and contacts and travelling modes in International Business research often prohibit the use of bigger samples from more countries (Sivakumar and Nakata, 2001; Nasif et al., 1991; Schollhammer, 1994).

Because of the snowball sampling, a personal bias may be inherent within the sample, although this was addressed. Furthermore, due to the limited free availability of

³⁸ JIBS: Journal of International Business Studies

³⁹ AMJ: Academy of Management Journal

⁴⁰ ASQ: Administrative Science Quarterly

up-to date market information and the fast changing industry, companies that may also be considered market leader in the same strata may have been overlooked.

3.2.2.2 Model Testing: Informants and Sampling

For the quantitative part of our primary data collection, we distribute questionnaires amongst a random sample of German telecommunications companies. For generalisation purposes and to substantiate themes and findings from our literature review and field study in Chapter 4, the sample for this quantitative analysis is larger than that in Chapter 4. We sample companies with headquarters in Germany, that were active within Europe in any of the three telecommunication strata identified in Chapter 2.

We achieve a random and representative sample of companies matching our criteria by contacting 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 survey. Our non-response rate is very low at <10%. Even after two consecutive contacts, studies often only achieve between 20-40% response rates (Waters, 1997; Luo, 2008). An investigation as to the non-response reason is then necessary. However, given that our non-response rate is very low, we are confident that our results are not affected by a non-response bias. Our presence at both exhibitions is the major factor for the high cooperation in line with Edwards et al. (2002) and the ability to check questionnaires straight away and reduce unusable contributions. Follow-up emails were sent in all non-response cases to ensure maximum response rates and reduced non-response bias (Cryer and Miller, 1994).

This method resulted in a usable sample of 50 questionnaires. This sample size may be considered rather small but it is deemed sufficient for our statistical analysis. 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. Given the sample universe, we believe that our sample will provide a good representation.

Many existing studies do not refer to their sample size in comparison to the total population or, when databases are used, the whole population is used for the study. We are unable to sample the whole population due to insufficient industry data, time and money considerations. Furthermore, other examples in the literature have either used similar sample sizes within a similar research question (Morosini et al., 1998) or stated that a sample size of 50 is sufficient if the population within the sample “is really homogeneous with regard to the criteria under study... (Then) there is very little to gain in reliability over an absolute sample size of 50. ...” (Hofstede, 1981: 65). This also renders our sample appropriate in size. Furthermore, to reduce sample bias, we conduct case studies to validate our findings and ensure that sample size does not affect the relevance of our results.

3.2.2.3 Validation: Informants and Sampling

We conduct five in-depth ICA case studies based on eleven interviews with middle and high-level managers across five German telecommunications companies between May and August 2008. These companies are chosen from the questionnaire sample and contacts were established through two industry conferences - CeBit in March 2007 and IFA in August 2007. Interviewees are chosen for their international experience in a particular European CA within their company (Styhre et al., 2006). All interview partners are German nationals and either in a managing director or in an international managerial position. We choose companies from all three industry strata to avoid a strata bias and verify information relating to company position, products and where possible financial information using publicly available data. We believe that the five case studies from all strata allow us to gain valuable and realistic insight into the industry. The case studies come from the following industry strata (Table 3.3).

Table 3.3 Case Study Summary

Case Study	Industry Strata	Number of In-depth Interviews
1	Stratum 2 - Mobile	2
2	Stratum 2 - Mobile/Consultancy	1
3	Stratum 1 – Fixed Business Services	4
4	Stratum 3 - ICT	2
5	Stratum 3 - ICT	2

Compiled by the author.

Sampling limitations

As with our interviews and with many qualitative International Business studies, our sample is not representative of the industry population as a whole (Marchan-Piekkari and Welch, 2004). The case studies aim to give a deeper insight into the industry and allow model validation. Practical limitations in International Business research often prohibit the use of bigger samples from more countries⁴¹. We are able to limit negative effects related to these limitations by establishing contact through industry conferences, having appropriate language skills and using telephone interviews where appropriate.

3.3 Data Collection Methods

As previously described, the study comprises three empirical parts: field study, questionnaires and case studies, each utilising an adapted data collection method. We use individuals who function within a specific culture and assess their perceptions. This is an accepted method to investigate culture and its impact (Chapman et al., 2008; Hofstede et al., 1993). Culture manifests itself in people and can be measured and inferred by verbal and non-verbal behaviour of individuals within that culture (Hofstede, 1998a).

3.3.1 Model Building: Field Study Approach

The first part of this study is model building. We conduct a literature review and carry out 30 in-depth interviews with middle and higher-level managers. Interviews are particularly strong for model building (Daniels and Cannice, 2004; Parkhe, 1993; Eisenhardt, 1989). They 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).

Due to challenging logistical and financial constraints, we carried out 23 personal and 7 telephone interviews. Consistency was achieved through the use of a common interview-guide suggested by Marchan-Piekkari and Welch (2004)⁴² and then comparing interviews across cases (Eisenhardt, 1989). Using an interview methodology is a difficult balancing act. There are often problems with inferences in qualitative research and researchers should be aware of their study’s limitations (King, 1989). If these are

⁴¹ See, for example, Sivakumar and Nakata, 2001; Marchan-Piekkari and Welch, 2004; Cavusgil and Das, 1997.

⁴² Appendix 2.

efficiently dealt with, interview studies grant important insights for International Business (Daniels and Cannice, 2004).

The interview guide was designed in English, then translated into German and then back translated to ensure that contents and meaning had not changed and interviewees have the same understanding of the issues. It was used in German in Germany and in English in the UK. In our study, interviews are semi-structured allowing participants to “tell stories” (Styhre et al., 2006) but also answer or refer to specific questions. The mean interview length was 60 minutes. By being open-minded, and using only a semi-structured interview guide, we gain new insights and use these to build our model and hypotheses. This openness allows the responses to be used without prejudice but also ensures that interviewees are not influenced. The three critical conditions for successful interviews: interviewee access to information; interviewee cognition of interview requirements; and interviewee motivation (Moser and Kalton, 1983) were fulfilled by using the snowballing technique and carrying out several stages of contact. Firstly, potential interview partners were contacted via email, explaining the purpose of the study and who had recommended them. This was followed by telephone contact to more closely explain the extent of involvement and then the establishment of a convenient personal or telephone meeting.

We avoid cultural misunderstandings, language ambiguity (Dean et al., 2006) and barriers, major obstacles in international research (Cavusgil and Das, 1997) because of the researcher’s German background and bi-lingual abilities.

3.3.2 Model Testing: Questionnaire-based Quantitative Approach

Data Collection and Processing

For model testing, we design a 42-question questionnaire using insights from both literature review and interview findings (Appendix 1)⁴³. Self-completion questionnaires are distributed electronically and on paper during August and September 2007. European culture and ICAs questions are devised to relate to the research questions and are pre-coded either giving participants bands⁴⁴ 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 when investigating culture. The collected data includes categorical, nominal and ordinal variables

⁴³ See Appendix 1 and Appendix 3 for variables table and questionnaire.

⁴⁴ E.g. smaller than, between, larger than.

To ensure consistency, the questionnaire is translated and back translated by a bilingual speaker and a German with fluency in English. Only small numbers of the English questionnaires are used. However, as the study is published in English, it is important to ensure that the meaning is unchanged. 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.

3.3.2.1 Variable Creation and Comparability

The interview analysis and literature review lead to the creation of variables to be tested through the questionnaire study. The questions are designed to give answers to the research questions posed in Chapter 1. We create four types of variables – company and personal information and responses to questions related to culture and ICA management and success. To ensure comparability we build the scales on previous studies (See Appendix 1 for details). Some new questions were created to encompass new findings from the interview chapter.

Company and personal variables

To put responses into context, accumulated information regarding the respondent personally and the company were collected. We use several variables to test firms' internationalisation status as suggested by Sullivan (1994) and Hassel (2003) to ensure validity. 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).

We use the company and personal variables in order to see any patterns related to them and to investigate research question two i.e. *How do specific management strategies, dealing with cultural differences, ensure ICA success* and in particular, $H_{5a} - H_{6b}$.

Cultural variables

Culture is more than a residual value and should not be overlooked (Lenartowicz and Roth, 1999). Its effect on business is the focus of this part of our investigation (Lenartowicz and Roth, 1999) and we hence attempt to answer research question one, asking *Which national cultural differences exist in Europe and how do they affect ICA success*. We use these variables to test Hypotheses _{1a-4b}. Culture has previously been shown to be distinguishable from other variables (Kelley and Worthley, 1981). To create a cultural distance measure, we follow Boyacigiller's (1990) lead and create an index of cultural distance which ranges from 3 denoting *negligible*, to 8, denoting *very important*. This ensures comparability. We ask respondents directly how differently they perceived specific European countries following Rao and Smith (1998) to ensure comparability. We compare respondents' answers between countries to infer meaning (Hofstede, 2004). We then investigate companies' attitudes towards these differences. We control for the effect of company size, strata and internationalisation effect wherever possible by looking at emerging patterns related to these variables.

The corporate culture effect needs to be controlled for when surveying individuals from a company. We do this by only surveying a limited amount of employees per company. 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).

ICA variables

Lastly, we look at ICA success and failure. Variables include companies' own experience and general measures of success. Griffin and Mahon (1997) review 51 articles on company performance and find 80 financial performance measures. We use profitability and market share, as these are likely to be known to employees and also allow for comparison with previous studies. We asked respondents to consider profitability in terms of sales, rather than any other possible financial ratio. Lastly, we ask participants to consider how cultural differences within Europe shape European business and how business should utilise resulting advantages⁴⁵. The ICA variables are used to answer research question two i.e. *How do specific management strategies, dealing with cultural differences, ensure ICA success?* These variables also support the testing of hypotheses ₅₋₈.

⁴⁵ See Appendix 1 for variables description.

3.3.2.2 Data Handling, Processing and Variable Description

As with any statistical analysis, a general investigation of the data was carried out before the statistical analysis takes place (Mar-Molinero and Mingers, 2007). This allowed a more informed decision about the accuracy of the statistical output.

Following the general investigation of the collected data, 5 variables were deleted prior to starting the analysis as no data, beyond 'Not applicable' was collected. These variables are: *Company working language Russian*; *Company working language Italian* – suggesting that none of the companies examined used either language officially in their offices or for presentations. Furthermore, three variables relating to *JVs between two small partners* (*JV between two small partners*; *Success of JV with two small partners* and *Ease of JV with two small partners*) were eliminated as no data was collected. This indicates that JVs between small partners are uncommon for German companies within the European telecommunications industry.

After data collection and inputting, the data set was formatted to be imported into the statistical software package SPSS. The initial coding of all dichotomous nominal and ordinal variables on scales starting with 'zero' or in some cases 'one' was changed as this created problems with the software. Two was added to each number so that the ordinal answers were now coded on a range from 'one' to 'eight' and the dichotomous variables were represented by 'two' for no and 'three' for yes. We used 'one' for ordinal variables to allow for a negative answer, denoting the counter-productivity of a specific attribute. Cases where no answer was recorded, rather than the respondent choosing the '*not applicable*' option, were changed to the latter.

The respondent's position within his or her company was recoded as ordinal, as positions and ranks can be placed in order of importance or status. Furthermore, we recoded several quantitative and qualitative variables into nominal categories starting with 'one', namely *Number of European Operations* and *Legal form of company*. *Number of European Operations* was recoded into categories as the spectrum of answers was too large and no additional insight was gained by analysing exact numbers. It was deemed appropriate to have 'above 20 European operations' as the highest band (John et al., 1997). We have made the decision to presume that companies with 20 or more foreign operations are highly experienced in international operations. Companies' legal forms were recoded using four categories: GmbH, AG, Private and GmbH and Co. These categories covered all encountered company forms. All variables included in the analysis are described in Appendix 1.

3.3.2.3 Data Presentation

Scandinavia and Benelux are used as group variables instead of measuring all included countries individually. The merging of the Scandinavian countries⁴⁶ 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 interviews 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 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 one or the other. This differs from Cho and Padmanabhan (2005) but is in line with previous research.

3.3.3 Validation: Case Study-based Qualitative Approach

Case studies are a qualitative method to collect evidence relevant to research findings (King et al., 1994). In this study, the case studies triangulate the findings from the questionnaire phase but also validate the model created in Chapter 4. We conduct five case studies with companies from all three strata. Companies are chosen from the questionnaire sample. Within these companies, we use snowball sampling and carry out several stages of contact like in the interviews. We provide interviewees with a company questionnaire⁴⁷ and a case study interview guide⁴⁸. Areas investigated in the case studies reflect the findings from phase one and two and are particularly chosen to verify and illustrate the produced model. The interview guide and company questionnaire were designed in English, then translated into German and then back translated to ensure that content and meaning has not changed. In the case study research, all materials were used in German only.

⁴⁶ Sweden, Norway and Finland

⁴⁷ Appendix 3

⁴⁸ Appendix 4

3.4 Data Analysis

Each employed research method uses specially tailored data analysis tools as described below:

3.4.1 Model Building: Field Study Approach

In Social Sciences, interviews have been acknowledged to be an appropriate and valuable tool to gain a deeper and more meaningful insight into a specific topic area. For this purpose, comparatively few cases are studied (King et al., 1994: 4). Information gathered through qualitative research methods do not rely on numbers but is often used as valuable information facilitating, triangulating or complementing quantitative data (Hammersley, 1996). In this study, we use interview-based qualitative analysis in our field study as a method to facilitate but also triangulate the quantitative research conducted in Chapter 5 (Diagram 3.1). We use the findings and insights gathered from the respondents rather than from a referent for model formulation through the identification of common themes and categories (Dean and Segal-Horn, 2007). However, these may not be exhaustive (Harrison et al., 2000).

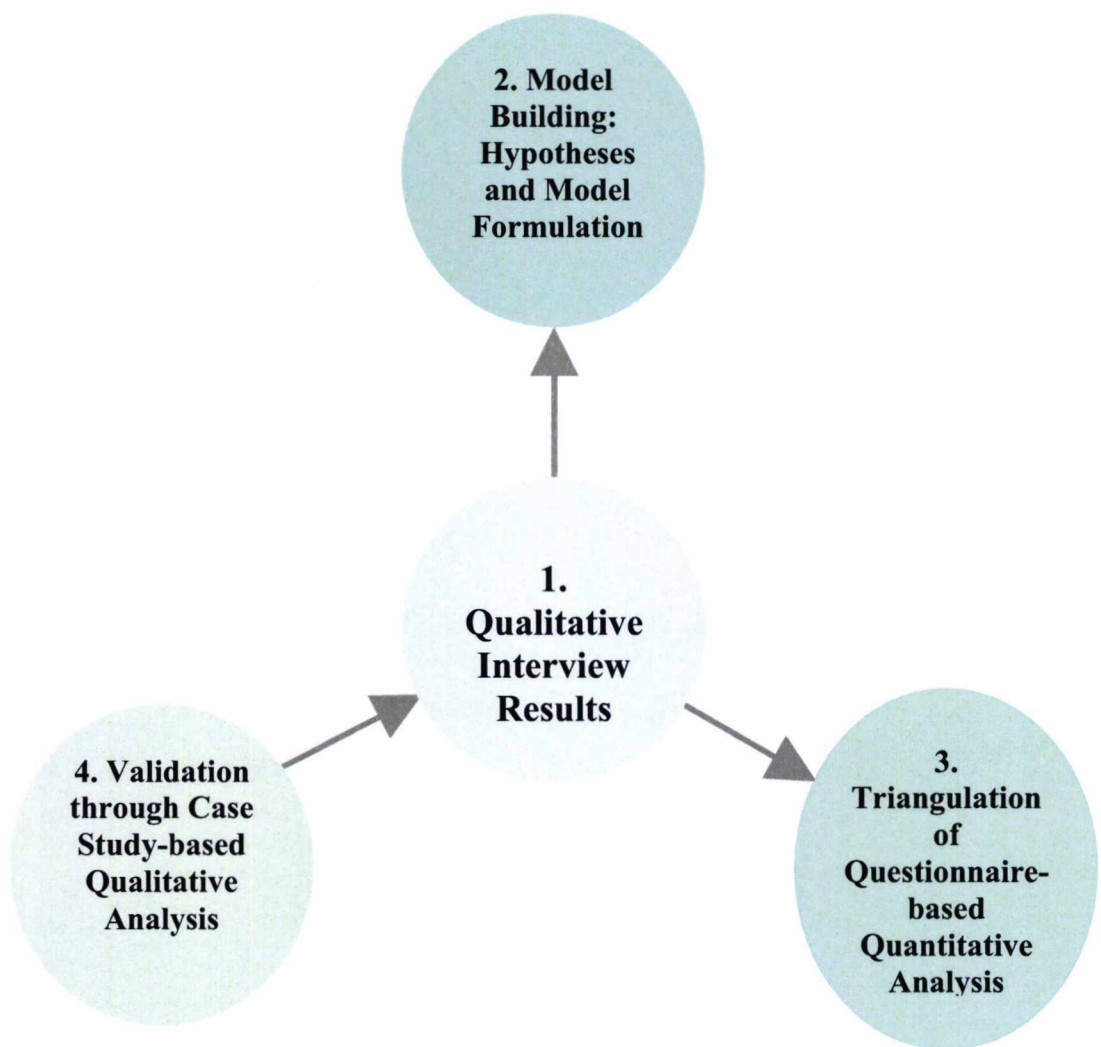
We analyse our field study data using content analysis. This method is particularly useful to gather additional empirical insights. Our analysis investigates the most important perceived national cultural differences and the positive and negative implications for ICAs. We further research internal strategies available to companies to use national cultural differences as a competitive advantage.

We use an interpretive approach for the analysis of the collected data (Chapman et al., 2008). The interview data was analysed at different points in time. Firstly, all interview recordings (where available) were transcribed and compared to written notes taken during the interview, with the objective of ensuring no important detail was lost and a full understanding of individual experiences was gained (Shapiro et al., 2008). Secondly, a summary of each interview was produced, compared across cases (Eisenhardt, 1989) and used to classify themes, areas of discussion and factors in terms of our research questions. Information gathered from the content analysis was continuously compared with findings from the literature to develop a well-founded conceptual framework (Shapiro et al., 2008).

After several months, we re-examined the data. This time, the objective was to verify the initial classification but also to obtain relative frequencies. These were obtained

using decision rules (Harrison et al., 2000) consistent of certain text elements, phrases and examples that were identified as relevant to a specific issue. Re-reading and analysing the data at different points in time ensures certain “reliability through stability” (Krippendorff, 1980, cited in Harrison et al., 2000). Comparing the frequencies with the categorisation of answers according to the research questions further enhanced the feeling of reliability by being able to re-produce themes and categories (Krippendorff, 1980, cited in Harrison et al., 2000). We did not count repetitions within the interviews and used words and short text groups as the unit of analysis, allowing for easier coding of variables (Gray et al., 1995, cited in Harrison et al., 2000). The results from the analysis are used for model building in Chapter 4 but also as qualitative findings to enrich and triangulate findings from our quantitative analysis in Chapter 5 (Diagram 3.1).

Diagram 3.1 Use of Interview Findings

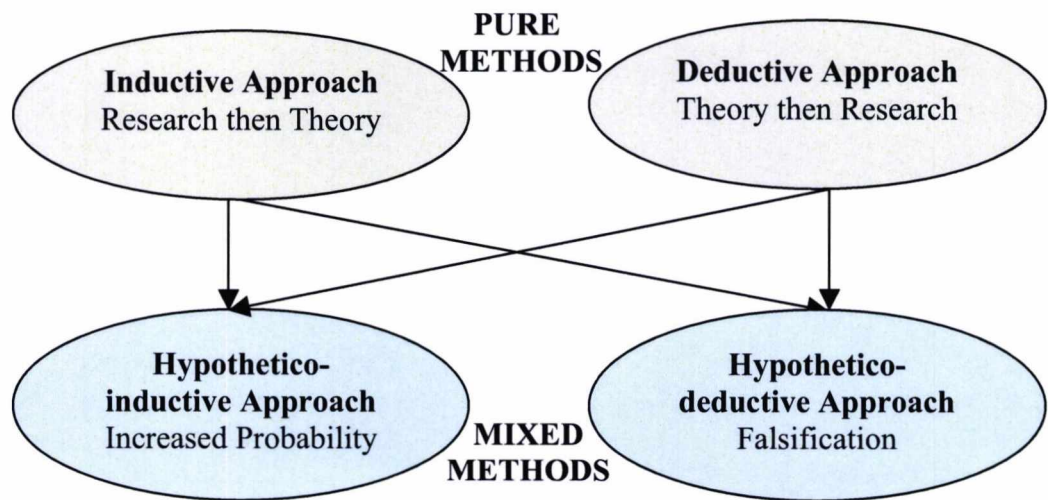


Compiled by the author.

3.4.1.1 Theory Development

There are two general methods for theory formulation: the inductive and the deductive approach (Hendriksen, 1982:7; Walliman, 2005). The deductive approach is guided by underlying and preceding theory, whereas the inductive approach uses experience and empirical data as a means to generalise (Walliman, 2005). Previously, these pure methods have been described as opposites, but according to Constantini and Galavotti (1986) and Hendriksen (1982), they should be regarded as complementing theories. In our study, we follow a hypothetico-inductive approach, combining empirical interview observations with underlying theoretical constructs from our literature review in order to develop our hypotheses and model. This reduces pre-conception but also allows for new idea generation. This approach is similar to Chapman et al.'s (2008). However, contrary to Chapman et al. (2008) we determine specific questions that need answering in advance, allowing narrative and new constructs but guiding the interviewees more directly. A falsification approach does not suit an interpretive methodology such as ours.

Diagram 3.2 Theory Formulation Model



Source: Adapted from Hendriksen (1982).

3.4.2 Model Testing: Questionnaire-based Quantitative Approach

We use three different methods to investigate the data: statistical mapping and cluster analysis; principal component analysis and property fitting; finally, we employ regression analysis; each method is explained in more detail below. We employ these methods throughout our statistical analysis as they allow different insights into the collected data. We explain the statistic methods here to avoid repetition in later sections.

Throughout our analysis, we use ordinal and nominal data, which are frequently used in questionnaires such as ours. The analysis of ordinal data is often seen as problematic as most statistical techniques are based on exclusively quantitative data sets e.g. scale variables (Portillo et al., 2006) and an analysis between pairs of variables cannot easily be carried out. The multivariate nature of data is ignored. Generally, statisticians agree that normal statistical techniques can be used for ordinal data, as long as it works (Hand, 1996) but the debate persists (Mar Molinero and Mingers, 2007). Methods such as optimal scaling are in place to deal with combinations of qualitative and quantitative data more appropriately. We employ these methods throughout our quantitative research for an enhanced analysis. All our statistical calculations are carried out using statistical software package SPSS Versions 15 and 16.

3.4.2.1 Optimal Scaling

Optimal scaling, a method first introduced by Fisher (1938), is an appropriate analytical tool when analysing questionnaires with a mixture of qualitative and quantitative information (Mar Molinero et al., 2007). However, this method is not well-known and taught (Portillo et al., 2006) and was rarely used or discussed until recently (Welsh and Robinson, 2005), particularly in the management disciplines (Mar Molinero et al., 2007).

The algorithm approach associated with the latter is known as “alternating least squares”. This process takes place in two distinctive steps – alternating between estimation and least square analysis. It is used by the statistical computer package SPSS (Portillo et al., 2006). Optimal scaling allows any form of qualitative and quantitative data to be used for analysis. We use this methodology throughout our statistical analysis wherever it is necessary to combine qualitative and quantitative data for a principal component analysis or regression.

3.4.2.2 Statistical Mapping and Cluster Analysis

We use statistical mapping and cluster analysis throughout the investigation to examine if firstly, cultural differences within Europe still exist and secondly, if there are any perceivable patterns that influence the success of ICAs in terms of departmental characteristics. Statistical mapping is a multivariate method to mathematically establish distances between variables. We use this for the investigation of H_{1-4b} and H_{7a-8} . 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).

We use *Kruskal's Stress I* as a measure of goodness of fit, which is common practice (Kruskal and Wish, 1984). This can be interpreted in percentage terms and shows how much of the variation remains unexplained by the dimensions. We have 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).

Stress I is the error term for this type of analysis and describes the amount of variance not explained by the model. 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 results. However, removing too many dimensions increases the error term and goodness of fit (Mar-Molinero and Mingers, 2007).

The maps created through employing statistical mapping are then used to complete a cluster analysis, creating groups with similar characteristics. Cluster analysis is regularly used in International Business literature (Acedo and Casillas, 2005; Gooroochurn and Sugiyarto, 2004) and a valid tool for country comparison. 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. It minimises intra-cluster and maximises inter-cluster variances. Visual inspections of dendrograms allow us to choose cluster membership.

3.4.2.3 *Principal Component Analysis*

PCA is used to simplify a data set with several variables using the correlation coefficient (Child, 2006). The variables are grouped together following common variance patterns to create a smaller number of new dimensions (principal components) that are then rotated to increase the relationship between the variables within the component and minimise the association with variables on other dimensions. The components can then be interpreted (Vogt, 1993). Previously, factor analysis has been used in cultural studies (Hofstede, 1980) and CA studies (e.g. Al-Khalifa and Eggert Peterson, 1999).

In PCA, all variance is analysed to create the principal components (Child, 2006: 48). The number of dimensions produced by SPSS is equal to the number of variables used for the analysis. However, 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.

As our data is mostly not of numerical value but ordinal and nominal, we employ optimal scaling in our PCA. SPSS utilises the *Categorical Principal Component* routine (CATPCA). CATPCA follows a two-step methodology. Firstly, an alternate least square algorithm is carried out, as per an optimal scaling routine. Secondly, a standard principal component algorithm is used. As per any PCA, CATPCA calculates the values of the principal components for each surveyed individual. Each individual can then be depicted visually in the space of the component (Mar Molinero et al., 2007).

3.4.2.4 Regression Analysis

Regression analysis estimates the value of one variable, called the dependent variable, from the value of others, called the independent variables, using a straight-line regression equation. It is used to estimate the relationship and dependencies between variables⁴⁹.

To measure how effective a model is, the coefficient of determination (R^2) is calculated. R^2 describes the variance in the dependent variable, which can be explained from the variance in the independent variables. R^2 is a positively biased estimate of the proportion of the variance of the dependent variable accounted for by the regression (Kinneer and Gray, 2004: 331). The adjusted R^2 corrects this bias i.e. it is corrected for the degrees of freedom, taking into account several variables including the size of the sample. It, therefore, tends to be smaller but also to have a better population value than the original R^2 . This is important as our sample is relatively small and we need to allow for a larger error term. We also see the relevance of the model through the F statistic, which is a reliable test of significance (Cryer and Miller, 1994). We use both the adjusted R^2 and the F statistic in our analysis, referring to the most meaningful one in each case.

3.4.2.5 Property Fitting

In later parts of our statistical analysis we use property fitting to plot vectors indicating the direction of variables in the component space created using MDS. Property fitting is based on regression; for every dependent variable, a regression is run. Dimensions created through MDS are the independent variables. Some of our dependent variables are ordinal and require optimal scaling and the CATREG function. Other dependent variables are nominal, rather than numeric. In these cases, a linear regression cannot be used at all (Kinneer and Gray, 2004). However, if the dependent nominal variable is qualitative, of the type absent/present, a normal regression is unsuitable and a logistic regression (Logit), used for categorical predictions, needs to be calculated (Kinneer and Gray, 2004: 17)⁵⁰. These kinds of variables are a dichotomy, where the position of a point x_r ⁵¹ can be related to “yes” “no” type situations. (Mar Molinero and Mingers, 2007). Logit takes the form of:

⁴⁹ General form of regression equation: $Y' = b_0 + b_1(x)$ or $Y' = b_0 + b_1(x_1) + b_2(x_2) \dots + b_n(x_n)$

⁵⁰ Y' = estimated value of Y ; b_1 = slope (regression coefficient); b_0 = intercept (regression constant) (Kinneer and Gray, 2004).

⁵¹ x_r is a point not on the plotted line. In logit, we project x_r on the line, nearest to its original position.

$$\ln \frac{p}{1-p} = \beta_0 + \beta_{1x1} + \beta_{2x2} + \dots + \beta_{rxr} + \varepsilon$$

To create the directional vector that allows us to use property fitting we use the “optimal values of the beta coefficients (to) define a direction that maximises the correlation between the property and the projections of the points on the line” (Mar Molinero and Mingers, 2007). The betas calculated using the Logit algorithm could be used to plot the directional vectors (p) of variables in a p-dimensional space.

3.4.3 Validation: Case Study-based Qualitative Approach

Case studies are an accepted qualitative research method to collect evidence relevant to research findings (King et al., 1994). They can generate profound insights but may lack reliability (Hofstede, 1998a). Information gathered through qualitative research methods does not rely on numbers but is often used as valuable information facilitating, triangulating or complementing quantitative data (Hammersley, 1996). In this study, we use case study analysis as a method to triangulate and validate quantitative findings from Chapter 5 and our research model generated in Chapter 4. Recently, Jerzy and Mei-Chen (2009) have employed case studies to validate their extended model. As our case studies form part of a multi-strategy research design, issues related to reliability are avoided.

We analyse our case study interview data using an interpretive approach, i.e. inferring conclusions from the information given (Chapman et al., 2008). This method is particularly useful for gathering specific, in-depth empirical examples to which we can apply our model. Our analysis investigates concrete European CA examples. Interviewees are asked to give information relating to cultural differences and associated positive and negative externalities. The interview questions are related to all areas investigated in Chapter 4 and 5, namely the cultural consequences for ICA.

Firstly, all interview recordings (where available) were transcribed and compared to written notes taken during the interview, with the objective of ensuring no important detail was lost and a full understanding of individual experiences was gained (Shapiro et al., 2008). Recording was not always possible due to resistance as well as technical issues with telephone interviews (Dean et al., 2006). Secondly, a summary of each case study organised in terms of interview questions was produced. The case studies were then written up and information gathered from the interviews was compared with findings from Chapter

5, consistent with Shapiro et al. (2008). No insight into internal documents was granted. However, external documents were sighted were available. We then use the model created in Chapter 4 to summarise each case study and draw conclusions in terms of success potential and ICA type choice. The results from the case studies are used to validate the model created in Chapter 4 and triangulate findings from Chapter 5.

3.5 Equivalence and Comparability

When using and defining variables, we have used existing scales (For example Internationalisation, Company Size, Company Success – Appendix 1)⁵² and follow existing literature (Rao and Smith, 1998). 6-Point Likert Scales were used throughout to allow better interpretation as it forces respondents to make a clear choice, rather than choosing a non-descriptive middle. We have also created the variables using existing definitions, findings and future research suggestions from existing literature (Pothukuchi et al., 2002). We use a one-country sample to allow comparability to existing cultural studies (Morosini et al., 1998; Adler, 1983) and we use reference interviews from other industries to ensure comparability across industries. In order to ensure comparability we have compared results with existing literature (Shapiro et al., 2008) and have found our results to be comparable e.g. with existing cluster analysis (Ingelhart, 1997; Ronen and Shenkar, 1985) and other cultural studies (Morosini et al., 1998; Dyer et al., 2004; Pothukuchi et al., 2002).

3.6 Conclusion

This chapter summarises the overall methodology of this study. We use a three-part multi-strategy research design, combining qualitative and quantitative research methods. We investigate the implications of national cultural differences on ICAs. To this end we use German telecommunication companies with European operations. The samples are created using snowball and stratified random sampling. We collect the data using *in-situ* and telephone interviews and web-based and hard copy questionnaires. Interviews are carried out with the help of interview guides and company questionnaires. Lastly, we analyse the interview data using content and case study and the quantitative data using several types of multi-variate statistical analysis. The following chapter combines our literature review findings with insights from our field study to create our research model and hypotheses.

⁵² Gooroochurn and Sugiyarto (2004); Hassel et al. (2003); Hsu and Boggs (2003); European Commission (2007).

CHAPTER FOUR: MODEL BUILDING AND PROPOSITIONS

A Qualitative Investigation of Cultural Consequences for ICAs in the German Telecommunications Industry

4.0 Introduction

This chapter aims to create our research model and formulate our hypotheses based on a field study approach, interpretive in-depth interview analysis and insights gained from our literature review. These hypotheses are then tested using quantitative methods in Chapter 5. Furthermore, as discussed in Chapter 3, we use findings from this analysis to triangulate results from the quantitative part of this study (Diagram 3.1). In Chapter 5, we firstly discuss the existing theory that our study builds upon. Secondly, we discuss the findings from our interviews and compare these with literature reviewed in Chapter 3 in order to build our theoretical framework.

4.1 Building on Existing Theory

To make a CA viable, partners need to work better and faster together than on their own (Interview 14). The following chapter explores the problems experienced within ICAs and suggests a model that supports decision-making in ICA situations.

Dyer et al. (2004) have devised a strategic CA type decision tool, allowing companies to evaluate CA opportunities (Table 4.1). Synergies need to be sought (Dyer et al., 2004). These can be modular, where resources are managed independently but results are combined; sequential, where one company completes a certain task before the other takes the results and continues, leaving both firms in a “sequential interdependency” or reciprocal, where tasks are carried out using combined resources and shared knowledge (Dyer et al., 2004: 111). Because of different requirements for each synergy type, some growth strategies are more appropriate than others. It is also important to understand that when a combination of human capital is required, an acquisition is often problematic as people feel they work for the “predator” and do not commit enough energy and an equity alliance may be a better option. An alliance is less aggressive and encounters less hostility and motivation loss. If there are a lot of redundant or duplicated resources, an acquisition is often best, allowing the acquiring company to either divest of those resources, generating a cash flow or reducing costs or to use them, increasing economies of scale. Furthermore,

market factors should be considered for a strategic decision, as there is always interdependency between internal factors and external conditions. Uncertainty within the market place, for example, increases the viability of alliances to reduce risk and exposure (Dyer et al., 2004).

The following Table 4.1 suggests investigating five different aspects of the companies' relationship, namely the synergies, the nature of resources combined e.g. more hard or soft resources, the extent of redundant resources, the degree of market uncertainty and competitive pressure involved to find a preferred strategy for different levels of each variable. Using this approach then allows companies to evaluate risks and choose most appropriately between acquisitions, equity and non-equity alliances as CA type s.

Table 4.1 Best Strategic Choice between Alliances and Acquisitions

	Factor	Strategy
1	Type of Synergy	
	Modular	Non-equity Alliance
	Sequential	Equity Alliance
	Reciprocal	Acquisition
2	Nature of Resources – Relative Value of Soft to Hard Resources	
	Low	Non-equity Alliance
	Low-Medium	Acquisition
	High	Equity Alliance
3	Extent of Redundant Resource	
	Low	Non-equity alliance
	Medium	Equity Alliance
	High	Acquisition
4	Degree of Market Uncertainty	
	Low	Non-equity Alliance
	Low-Medium	Acquisition
	High	Equity Alliance
5	Level of Competition – Degree of Competition for Resources	
	Low	Non-equity Alliance
	Medium	Equity Alliance
	High	Acquisition

Source: Dyer, Prashant and Singh (2004: 114).

However, the authors look at CA type strategies as a means to increase a venture's success potential without making a distinction between national and international arrangements. They fail to discuss cultural influences inherent in international

collaborative arrangements. We believe that in an international setting, an additional step is required to ensure success. This is where this study makes its contribution (Figure 4.3).

4.2 Theory Formulation through Interview-based Qualitative Analysis

This study aims to investigate how European cultural differences are perceived, which effect they have on ICA success and how they can be used as a competitive advantage. In this section we describe our field study findings according to the research questions formulated in Chapter 1. Each subsection deals with a specific research question.

As described in Chapter 3, we develop our theory using a mixed approach. We then test our model and hypotheses using quantitative analysis in Chapter 5. The findings from the quantitative analysis are then validated using case studies in Chapter 6 and findings from this interview analysis. Our interview and questionnaire findings are used to extend Dyer et al's (2004) framework. We refer to our interview partners strictly by number only so as to honour our anonymity agreement with the interviewees and their organisations.

4.2.1 Cultural Differences in Europe: Alive and Kicking

Firstly, we aim to establish whether cultural differences within Europe still exist. The interviews highlighted the importance of being aware that "European does not normally work.... You need to consider each country" (Interview 1). 97% of interviewees explicitly or through their conversation stated that there were considerable differences. Throughout our interviews, differences between European national cultures have been described as a between-country phenomenon, notwithstanding, of course, intra-country differences.

The previous answers agree with findings from Hofstede (1980), De Mooj (2000) and Brodbeck et al. (2000), who all concur that national cultural distances are still inherent in modern Europe. However, when it comes to asserting one's position against other, strong, non-European nations, such as the USA, European countries suddenly feel closeness and neglect cultural dissimilarities in favour of unity.

Cultural differences are often seen as a given fact and people do not feel the need to talk about their existence. Interviewee 6 tried to explain this fact by saying that "a German cannot think like an American". This is why some companies firmly believe that having a local partner, rather than trying to cope with the new culture themselves is more appropriate (Interview 25). However, it was also admitted by 10% of respondents that

cultural differences between European countries are far less extreme and often less important than differences between culturally more distant countries such as China and Germany. Even “subtle differences are important and need to be taken into account” (Interview 7), as they can cause severe problems and even failure in European business (Interview 9; 19; 27).

An underestimation or neglect of these differences and other *soft* factors, particularly at board level (Interview 10; 11; 27; 28) can have serious economic consequences. These statements underline Vianen et al.’s (2006) and Rijamampianina and Maxwell’s (2002) findings. Interviewee 28 gave the example of a German and Swedish acquisition in which culture was not seen as problematic, but proved to have a large effect. Strategic decisions in any ICA should be based on a holistic approach, including culture, and not on any one single factor (Interview 17).

The Importance of Primary Social Identity

Nationality is still seen as people’s primary social identity. This includes every day rites and commodities such as food (Keeler, 2007; Cesàro, 2002). Everybody interprets the other side using their own national cultural background (Interview 13). “Culture and language are used as a security blanket for people” (Interview 4) and differences in either reduce the feeling of ease for international employees. Cultural identity can be used to exclude others (Barth, 1969), but when people feel anxious or as an outsider, they are less likely to reach their professional potential, have motivation and remain in their position. This results in problems for companies as existent talent drain is experienced and additional time and money resources have to be committed to select and train new talent (Interview 22).

Differences in culture manifest themselves not in the problems that people face, but, as Maslow (1970) rightly claimed, in the way that the same problem is solved and in the priorities set. But there is no “one best way of doing things” (Interview 14; 15; Styhre et al., 2006). Interviewee 15 illustrated the priority differences using the example of the fast rail links ICE in Germany and TGV in France. The former is slower but comfortable, using old train lines, the latter is faster but uncomfortable, using new and controversial tracks. Priorities for a comparable project were set very differently.

Specific country cultures influence and determine the intensity of characteristics and priorities. Hofstede (1998a) and Hofstede et al. (2002) also reported this phenomenon citing differences in business goals and attitudes. This needs to be taken into consideration

when introducing a new product to the market. Differences in the way that telecommunications products are used and hence need to be adapted were also reported. Cross-border operations, even of generally standardised products, need to consider this (Interviewee 25; 26). This consideration is often overlooked in the literature and our model will highlight the importance of assessing each country's culture thoroughly.

Culture: A source of competitive advantage

The investigation of cultural differences is imperative because cultural variation between companies' home countries can be the source of competitive advantage (Dunning, 1998; Lenartowicz and Roth, 1999). Different cultures have different strengths and their utilisation can set companies apart from their rivals. Cross-cultural teams need to be sensitised to this fact, require instruction on how to gain a cultural advantage and eliminate weaknesses (Interview 15; 30). Therefore, team building is important in the host and the home country (Interview 12; 18). However, many companies appear to focus on expatriate preparation only, forgetting team members within the parent company that also directly or indirectly have contact with foreign employees. On the other hand, several interviewees felt that preparation was of little value and a "learning-by-doing approach – throwing people into the deep end"- was better. Consistent with Schneider and Barsoux's (1997) approach, we have found that most respondents felt that work placements abroad would enhance an employee's international abilities and thus possible positive cultural externalities. However, interviewees 3 and 19 and Feely and Harzing (2003) suggest that it may be easier to employ local professionals than expatriates as this reduces costs and expatriate failure, increases local employee moral, market understanding and government relationships. It allows the company to attract and retain local talent (Daniels et al., 2007).

In big collaborations such as Global I, for example, which consisted of two former European monopolists and a large US cooperation, it is vital to have government and industry support. This is often easier with a local representative.

Capabilities and characteristics available in one country may be limited in others. Combining the planning skills from Germany with the adaptation skills from France, for example, could create a venture with a well-planned but also crucially flexible and creative strategy. "Cross-cultural teams could thrive to get the best of both worlds" (Interview 15).

Beware of subtle differences

The cultural differences investigated in the following hypotheses have a number of influencing background factors. Different cultural upbringings, influenced by history, economy, education, religion, the legal system and politics lead to different expectations, values and behaviours (Hofstede, 1980; Kale, 1995). Culturally rooted differences in commitment, punctuality, body language, communication styles, traits that Hall (1960) has already identified, were all mentioned frequently throughout the interviews. The necessity to interpret and understand body language, for example, and “reading between the lines” is inherently flawed but at the same time an important part of human interaction (Hall, 1960; Interview 13). These traits are different between individuals with different national backgrounds but also areas where friction and misunderstandings happen easily if cultural preparation is not carried out appropriately.

In business, communication becomes particularly important when firms from different national backgrounds are involved. Culturally influenced communication styles have been discussed in great depth during all our interviews but also throughout the literature (Shenkar and Zeira, 1992; Woodcock and Geringer, 1991). These differences are far greater than Hall’s (1960) discussion about high and low context communication. However, they form part of the variation in communication styles as a whole. Presentation styles, for example, vary greatly and may lead to a misinterpretation of an otherwise commonly understood circumstance (Interview 9). For example, agendas are seen as crucial in presentations in Germany but only seen as rough guidelines in France. Differences in communication styles should be taken into account for any presentation, communication and negotiation strategy. However, communication skills are not natural and need to be learnt and facilitated (Interview 1). In international meetings, involved parties “often hold back and are purely suitably polite and nice”. Real problems and issues are often not discussed early on, which may lead to problems within the venture at a later point in time (Interview 4).

To reduce cultural friction and increase information exchange, a more focused approach to communication is needed in order to convey and understand all intended meaning (Interview 17). Culture specific examples and symbols, for example, should be used to create a connection with individuals from the other culture (Interview 16).

97% of interviewees agreed that misunderstandings, due to different cultures and languages happen (Cohen, 2005). The majority of respondents believed that misunderstandings could normally be resolved quickly and did not pose a long-term threat to the venture. Nevertheless, misunderstandings can severely hinder an international

business venture as “[they] are easily made but difficult to reverse” (Interview 28). Being aware and accepting these cultural but also economic and political differences and not being ethnocentric or arrogant about one’s own culture is important to avoid misunderstandings and communication breakdown. This does, on the other hand, not mean that one’s own culture should be neglected.

According to Interviewee 3, different negotiation tactics and professional relationships are followed in high and low context countries. In high context countries, for example, business is conducted on a more personal level. When the employee leaves, this relationship breaks down and can create disturbance for the company. Furthermore, interviewees 21 and 16 have experienced a strong North- South divide within Europe when it comes to communication styles, with Southern countries often only offering information in private settings. Southern countries also tend to hold informal conversations first and only later talk about business issues whereas companies from Northern European generally have an agenda and arrive quickly at the meeting purpose. This is important when thinking about the degree of socialisation needed in the work place or when collaborating with companies from other countries. The distinction between high and low context countries is in line with Hall’s (1960) model. Low-context countries or companies are more likely to enter into relationships for short-term political or economic gain whereas high context ones are more likely to choose long-term partners. Taking this into account, companies may have a better understanding of the long-term importance of particular ICAs, trade agreements or licences and can make a better budget allocation. This will reduce gaps between partners’ objectives and consequently conflict potential.

No attempt has been made to formally class European countries into these two categories but we deduct from our interviews that there is a clear divide between Southern and Northern European countries. However, it also seems clear that Northern countries are not as strictly low-context as North America and that Southern countries are less high-context than many Asian countries (Figure 4.1). These closer positions along a bi-polar continuum reduce any potential friction. However, these differences are still a possible source of conflict. A further investigation of this finding is outside the scope of this study but could be an interesting topic for further research.

Figure 4.1 Europe's Position on the Low-High Context Continuum



Compiled by the author.

We thus formulate our first hypothesis:

H_{1a}: Cultural differences within Europe show a clear North-South divide between countries.

The Effect of National Cultural Differences on ICA Success

As discussed in Chapter 3, national cultural differences are widely accepted to influence the success of ICAs⁵³. Our interviews also confirm that ICAs experience a higher level of complexity due to cultural and language differences than CAs (Buckley and Ghauri, 2002; Interview 16; 17; 18) and require additional control (Interview 17). The complexity becomes more important as the cultural differences increase (Interview 30). Although European CAs are seen as often less problematic than CAs with companies from economically very different countries or regions (Interview 1) such as America and Asia, respondents still unanimously stated that cultural differences between European countries constitute additional risks and difficulties and that it is crucial to have a well founded understanding and acceptance of the varying national and company cultures.

“One needs to know what triggers each company; where are people’s comfort zones?”

(Interview 22).

Differences between national industries, for example, between the Spanish and the German telecommunications industry also contribute to increased complexity and failure potential (Interview 25). ICAs are of great importance across industries, though certain areas rely more on collaboration than others. Burman (2006) explains that global telecommunications companies cannot simply impose a global taste “à la Coca-Cola”, but have to rely on ICAs to increase their business internationally. Difficulties arise as cultural differences lead to different approaches to project management (Interview 11) but the

⁵³ See Hall, 1976; Hofstede, 1980; Trompenaars, 1993; Schwartz, 1994; Ronen and Shenkar, 1985, Donath, 2005; Hudson and Barnfield, 2001; Styhre et al., 2006.

appropriate management of cultural differences can create competitive advantages for ICAs (Goshal, 1987; Brock, 2005). Interviewee 10 underlines that “a company is not global just because it acquires another company”.

Interviewee 3 explains that his company internationalises to close countries with the same language first, secondly to close countries but with a different language and thirdly to countries that are geographically further away, in line with Dyer et al.'s (2004) findings. This reduces the risk, cost and uncertainty of a company's international development. This internationalisation strategy is in line with the Uppsala School of thought (Johnson and Vahlne, 1977) and has also been witnessed and described in other industries (Chen, 2003). Interviewee 3 further explained that this follows the underlying assumption that geographical and cultural closeness are correlated and that culturally close markets are easier to understand. Nevertheless, all interviewees see cultural differences as a chance to become more creative and achieve competitive advantage. We thus formulate:

H_{1b}: Cultural differences within Europe affect negatively ICA success by increasing complexity.

H_{1c}: Cultural differences within Europe affect positively ICA success by creating competitive advantage.

Having established that cultural differences in Europe exist and affect ICA success, we now focus on two major differences, namely differences inherent in language and national pride. We believe the investigation of both issues to be major contributions of this study. We first explore the variance between national pride levels within European countries.

4.2.1.1 National Pride: Unexplored Territory

National pride manifests itself in many different ways in every day life. From public holidays and their celebrations, to buying behaviour, honouring historic events or showing admiration for personalities, national pride is continuously portrayed. Even food can be related to pride (Cesàro, 2002). It, therefore, appears unusual, that differences in national pride as a measure of cultural distance and as a measurable variation between countries have hardly been discussed within the literature. 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. The

analysis did not investigate the relationship between different pride levels and success. More recently, Moaddel et al. (2008) have looked at national pride in relation to political occupation, but again, they did not discuss the consequences for ICA success.

We included national pride in our study after it was mentioned consecutively in our first three interviews and we realised its importance. Our study is the first to identify national pride as an important component contributing to inter-country cultural variation and to investigate its effects on ICA success. This investigation is our unique and new contribution to the International Business and Strategic Management literature.

National pride and its portrayal have very different forms and strengths. A certain degree of pride is healthy and important to build national confidence (Interview 10; 30). However, there is a fine line between pride and confidence and arrogance, which “is fatal” (Interview 19; 27). Interviewees felt that countries with a high level of national pride such as France or Spain would also show a high degree of ethnocentricity in terms of processes, product design, packaging and marketing (Interview 3; 8; 20, 23; 24; 25). This was often deemed one of the major factors for venture difficulty and sometimes failure. This leads onto our second hypothesis:

H_{2a}: National pride determines the extent of cultural differences within Europe.

Germany: A country without pride?

When it comes to national pride, Germany appears to have a rather unique position. There is an “air of guilt” (Interview 12) and people hold back with their real feelings (Interview 13). Germans are described as very careful about how and when to show any pride. German companies may even put more emphasis on the needs of the foreign partner to “play down their origin” (Interview 4). Individuals with a German background in general feel very little pride or do not show it openly because of historic events, even though “Made in Germany” is still synonymous for good quality. “Dachau”, for example, is not used as a postal address anymore, as it is globally associated with *Second World War* atrocities (Interview 26). Interviewee 24 felt that Germany “had lost its national backbone”. Germans often feel that others deny them the right to any pride towards national achievements (Interview 7). However, this appears to be a German rather than a general perception (Interview 9; 17; 22), despite several respondents feeling that certain countries felt that Germany should be modest due to its past (Interview 7; 12; 16; 26; 27; 28). This unique pride position affects different business areas, specifically Marketing. The 2008 Citroen advert for their *C5 Tourer*, for example, may hit the right tone with British

consumers, but would undoubtedly fail on the German market with a very arrogant portrayal of “being German”. Germany’s unique position to national pride has never been discussed in the literature. Our study’s discussion of this country-specific characteristic and its impact on business represents a new contribution to the International Business literature.

Football: A country unites

Nevertheless, recent history also plays a major part in how people feel towards their country and the *Football World Championship 2006* in Germany was mentioned by several interviewees unprompted as an important event in the process of re-instating German national pride and its portrayal. More recently the German team’s second place in the *Euro 2008 Football Championship* has induced a further surge of positive national energy in Germany and especially young people may feel more inclined to be proud of their heritage. Interviewee 14 commented that the difference between countries lies more in how much pride is shown rather than how much pride is really felt.

The younger generation in many European countries appears to be losing their national pride and start to feel more European, due to the rise in short distance travel, intra-European migration, English language education and the use of English in everyday life. This convergence on a consumer level is also described by de Mooij (2003) and Hofstede and de Mooij (2002). This leads to our forth hypothesis:

H_{2b}: German national pride portrayal is substantially lower than the portrayal of pride in other European countries.

National pride and its effect on ICA success

National pride was described as leading to particular problems of rejection in acquisitions and to a lesser extent in mergers (Interview 6). IJVs with a local partner are seen as less affected as local adaptation is easier and acceptance more likely. The latest example of a company disregarding national pride and damaging its own image was Nokia. The company’s closure plans of the Bochum plant publicised in January 2008 and its relocation to Romania have created a wealth of negative feelings amongst Germans (Communicatinglabourrights, 2008). The announcement of the closure and of the relocation in the same press conference held in Germany was deemed highly insensitive. Interviewee 6 further described that national pride can affect ICAs even in industries such

as telecommunications that are often seen as greatly standardised. An example of acceptance difficulties in the fixed line sector in Spain was given. This sector has a long history of nationalisation and Interviewee 6 felt that countries with strong national pride would have difficulty accepting a foreign takeover.

Companies and individuals need to respect other's national feelings as neglecting them could be negative for business (Interview 6). However, one's own national pride should be "left outside" as it can be problematic in international mergers (Interview 6, 9). Southern Europe, for example, is often described as having a high level of national pride and France is described as displaying the most national pride. This can hinder communication with people from other nationalities (Interview 23). Interviewee 25 believes that people will choose a local product over a foreign one. However, in view of global brands such as Sony, Motorola, Vodafone etc, particularly in the ICT industry, this seems increasingly less common. Throughout the interviews, we find that national pride appears to be a major contributor not only to differences in perceived cultural differences but also when it comes to ICA success or failure. The level of pride within the host country or partner organisation is reported to affect several areas of business relationships and communication. Throughout the interviews, the acceptance of the foreign player and product, the language, the new processes and the new working styles were the most frequently mentioned areas of pride influence on ICA success. We hence formulate the following set of hypotheses:

H_{3a}: National pride influences the acceptance of foreign players and products.

H_{3b}: National pride influences the acceptance of foreign languages.

H_{3c}: National pride influences the acceptance of new process adoption.

H_{3d}: National pride influences the acceptance of different working.

National pride was also mentioned to affect management strategies. However, this was not tested in this study. Next to national pride, differences in national language and business languages used appear to be a further important issue in international business. English has long been accepted as the current global *lingua franca*. However, research into the influence of language abilities within ICAs is limited (Marschan et al., 2009) and often does not cross into International Business literature from other research areas. We investigate this issue in the next section and make a valuable contribution.

4.2.1.2 *The Effect of Language on International Business*

Within the literature, language differences and barriers are often cited as one of the most pressing difficulties and major contributor to cultural diversity (Buckley et al., 2005; Angwin and Savill, 1997; Gupta and Govindarajan, 1991; Vianen, et al., 2004) and ethnic affiliation (Gri, 2003; Angwin and Savill, 1997) in ICAs. Language as a phenomenon is closely associated with culture (Tang and Koveos, 2008; Salk and Brannen, 2000) and a major part of people's identity (Benwell and Stokoe, 2006; Richards, 2006). Similar to the discussion in the literature, in our interviews, language was unanimously cited as the biggest or one of the major difficulties in international business. However, respondents also experienced insufficient language abilities within their international workforce.

Language is a particularly important issue in areas where emotions and interpretation are involved, such as Marketing. Misunderstandings often arise due to a different understanding and interpretation of words and context rather than the disability to speak or read a language perfectly (Hall, 1960). Problems also occur when using a third language in countries where the native language is substantially different in terms of intonation and pronunciation (Interview 25).

English: The language of choice

Most ICAs rely on English as a *lingua franca* and do not use translators. This has also been acknowledged in the literature (Cohen, 2005; Feely and Harzing, 2003; Seidlhofer 2001). The exclusive use of English is sometimes problematic as a sizable number of interviewees felt that international employees often did not possess the right level of language capabilities, which can lead to insecurities (Interview 3; Feely and Harzing, 2003). The latter has several implications; firstly, many people associate 'stupidity' with having an accent (Interview 2), which is, of course, not the case. Secondly, people who in negotiations do not speak the language used well enough have a disadvantage (Interview 19; Cohen, 2005; Schneider and Barsoux, 1991:195) and misunderstandings happen if one does not question the understanding of the other side's conversation (Cohen, 2005). Thirdly, using a *lingua franca* reduces the language context and quality as people generally cannot express themselves accurately (Interview 3; 15). Fourthly, it increases the risk for misunderstandings and communication problems, which can be "difficult for an international venture" (Interview 15). Making "a little effort" (Interview 2) to speak the local language rather than just one's own or English is often seen as very positive and

shows a lack of arrogance (Interview 20; 21; Schneider and Barsoux, 1997). However, mastering a language well can also be interpreted as a sign of superiority (Burman, 2006).

Dealing with Language in International Business

Language barriers can severely hinder operations but can also be used strategically to keep a partner uninformed or demonstrate dominance (Interview 24). It is vital to allow for additional time and some degree of misunderstanding when conversing in a common, but foreign language (Interview 3). However, a common understanding of business issues at hand and the international use of a technical language aid communication (Interview 25).

A large number of interviewees indicated that France and to a lesser degree Spain pose exceptions when it comes to the use of English in ICAs. French companies often prefer or even dictate meetings and negotiations to be carried out in French. This increases communication barriers between the international partners, leads to a language dominance of the French side and often alienates the foreign partner. We believe that the reluctance to speak a foreign language, despite language knowledge, is a primary sign of national ethnocentricity. However, this language ethnocentricity also appears to diminish in a younger, more European generation (Interview 11).

Throughout the interviews, respondents have talked passionately about language; their use and acceptance and the associated difficulties. Literature regarding the importance of language further supports its importance as part of cultural differences (Feely and Harzing, 2003; Kramsch and Widdowson, 1998) and we thus formulate:

H_{4a}: Language determines the national cultural differences within Europe.

H_{4b}: Language education within Europe is insufficient.

The previous sections have clearly shown that national cultural differences are of substantial importance in ICAs. Dyer et al. (2004) have not included any cultural issues in their analysis. We believe that this represents a substantial gap in their analysis. Our model extension will provide an important contribution to the existing model. The following section discusses the qualitative information gathered concerning the effect of European cultural differences on ICA operations and success. We investigate in detail national cultural consequences at the corporate, departmental and individual level within ICAs.

4.2.2 The Effect of Culture: A Look at Different National and Organisational Levels

We now investigate in more depth the influence of national cultural differences on the corporate ICA level. From our interviews, we also suggest strategies to increase ICAs' success potential. We use Germany as a reference point as most of our respondents were German and investigate potential national patterns. This German viewpoint needs to be kept in mind as it most certainly impacts on our findings. However, it is an acceptable strategy for international research (Morosini et al., 1998). Future research may investigate the same issues from a different national reference point.

4.2.2.1 The Effect of National Cultural Differences on ICA Success: The Corporate Level

Partner selection, cultural differences and ICA success

An ICA is a combination of different business entities with different agendas and backgrounds. They should be handled cautiously and seen as learning experiences (Interview 9). Generally, ICAs are more difficult to manage than national ones (Interview 10). Compromises are inevitable (Interview 23) and a certain loss of power is unavoidable to gain the partner's trust and know how. Furthermore, companies should share their capabilities for their partner's support (Interview 15). Learning and capability gain is one of the major objectives discussed in the literature (Gulati, 1992).

For an ICA to be successful, all sides need to be sincere in their desire to cooperate with each other (Interview 1). Daniels (1971) agrees, stating that companies are most likely to look for partners of a similar size to ensure that the venture receives the same degree of commitment and is given the same level of importance by all partners. This balance of power also ensures that bargaining power is equally distributed (Daniels, 1971; Geringer, 1991). However, clear decision structures need to be in place. Several interviewees commented that equality, even though often sought and described as crucial (Wahyuni et al., 2007) can be counter-productive in decision-making. Interviewee 14, for example, suggests that bigger companies, who dominate a JV with a small company, can ensure success, as long as there is a degree of flexibility and adaptation in their management (Interview 26). A 50/50 JV on the other hand is unlikely to be successful (Saint-Onge and Chatzkel, 2008). According to our interviewees, this is a result of "too many cooks spoiling the broth". Unless one party is in a majority position, ICAs may fail due to continuous power struggles and an inability to make decisions (Interview 9; 15; 16; 17).

Meyer and Estrin (2006) also deduct from their case studies that a dominant partner or even full control is preferable. Killing (1982) describes that dominant IJVs are normally used for more complex and difficult projects, suggesting that shared IJVs are much more difficult to manage. If a shared IJV is chosen, partners need to keep their autonomy and it is important that the venture experiences early success to increase moral and motivation and give IJV managers credibility in front of their parent companies (Killing, 1982). However, when the IJV encounters difficulties, the autonomy is often lost and decision-making becomes confused.

It is vital to be well established as a company (Interview 27) and make a complementary partner selection (Interview 16; 19) in terms of portfolios (markets and products), capabilities but also cultures (Interview 17; 23). Partner selection and its importance have been described by all interviewees as influencing ICA success and ease and it is widely referenced in the International Business literature⁵⁴.

To gain the most advantage from an ICA, procedures, functions, cultures and job descriptions should be harmonised and integrated between all parties involved, aims agreed and plans to achieve these followed and employees motivated (Interview 1; 2; 4; 6; 14; 17; 26). Schneider and Barsoux (1997) found that this did not happen frequently, causing difficulty and misunderstanding. They published similar findings for success and control measures. Similarly, in our interviews we found that progress and success measures should also be streamlined (Interview 7). Employees need to be prepared and trained for the task and communication channels should be used purposefully (Interview 2; 3; 4; 14; 17; 26; 27).

Furthermore, it appears that the size of companies involved in the venture contribute to the success or failure potential and to the objectives of any ICA. Small companies generally cooperate for money purposes, whereas large companies take part in CAs for also strategic reasons, seeking non-financial advantages such as association, image etc. For large companies, merging with small, innovative companies can be a successful way to grow (Donath, 2005). Such is the strategy of IBM, Cisco and Johnson and Johnson, who merge with small independent companies which possess a certain skill, technology or capability. These mergers are low profile, do not worry shareholders, have little impact if unsuccessful, but can yield great rewards for all stakeholders. It is therefore imperative to ensure that the advantages of having the support of the partner will outweigh the

⁵⁴ See, for example, Schmietendorf et al., 2006; Brouthers, 1995; Killing, 1982; Killing, 1983; Harrigan, 1988; Geringer, 1991.

disadvantages caused by the additional management problems. The following table 4.2 summarises the findings related to partner attributes and their success factors.

Table 4.2 Company Variables influencing ICA Success

Partner attributes	Size	Equality	Company Attitude	Company Age
Success Factor	Same size or substantial difference is best	Depending on situation, equality can be positive or counter-productive	Positive management attitude and favourable company culture	Age leads to stability – the older the companies, the better

Compiled by the author

We hence formulate the following hypotheses:

- H_{5a}:** *Employee training, experience and communication increase ICA success.*
- H_{5b}:** *Partner attributes and a common working and communication style determines ICA success.*

Implications for the top team

A top team that is on “good terms” is associated with “working well together” (Interview 7; 9; 19; 27). The top-level should be named quickly in any venture to avoid confusion and uncertainty (Interview 16). It is indeed often the case that ventures are born out of personal friendships (Interview 9). Kanter (1994) and Al-Khalifa and Eggert Peterson (1999) both commented on the importance of top-level compatibility. Top team knowledge and commitment to the international venture is a major contributor to a CA’s success potential (Interview 8; 14; 15). Herrmann (2005) identifies the importance of the top team and its culture as influence on strategy and network success, particularly in terms of innovation and learning. Both, the management team and the employees need to be committed to the venture and open to new and different cultures (Interview 14). We hence formulate:

- H_{5c}:** *Effective top team synergies increase ICA success.*

The importance of integration for continuing ICA success

The CA type decision is only the beginning of the ICA integration process and should not be seen as an isolated issue. As discussed in the literature review, according to Dyer et al. (2004), many companies do not implement an appropriate long-term post-merger strategy. However, mergers are often used as stepping stones into an acquisition (Interview 6) and different merger strategies are necessary for the future of the newly merged entity (Interview 5). Killing (1982) further discovered that problems within shared IJVs may lead to the IJV changing to a dominantly managed structure. Meyer and Estrin (2006) also find that integration in internationalisation often takes a step-wise approach. However, strategic issues are attached to these incremental changes as, for example, in an IJV, all parties are by now used to managing the venture and accepting dominance is difficult (Killing, 1982).

In M&As, the buyer or larger party needs to take great care to avoid a resentful attitude and fear on the target company's or smaller national side – integration is key (See for example Dyer et al, 2004). This is also reflected when Habeck et al. (2000:105) talk about “them” and “us” mentalities that occur through ineffective communication and can lead to cooperation and management problems. Wahyuni et al. (2007) also discuss the importance of a “we” culture and good communication channels. However, open communication about a forthcoming merger or acquisition should be limited in order to avoid competitor action such as possible rival takeover bids and a potential share price reduction due to shareholder uncertainties and fears (Interview 10; Habeck et al., 2000).

Employees are very susceptible and sensitive towards cultural differences in an international workplace (Interview 15) and need to be kept informed in order to reduce frustration and fear (Interview 9). Differences related to employee participation, union involvement (Interview 6) and employee anxiety about their future career options - in either the parent company or the venture - can create additional stress (Interview 14). The German telecommunications industry, for example, has a high level of co-determination⁵⁵, which may present challenges to foreign investors.

Employees need to feel secure to use their potential (Interview 17) and inappropriate management strategies are major contributors to international venture difficulties (Tsang, 2004). There is a general consensus that people initially feel more at ease and “safer” (Interview 4; Schneider and Barsoux, 1997:183; Kramsch and Widdowson, 1998) when working with people from the same national background but also

⁵⁵ Company practices that allow employees to participate in the company management. It is of great importance within German companies.

share a larger amount of knowledge (Buckley et al., 2005). Groups are often initially formed based on nationality (Interview 2). Many employees leave during or shortly after the merger (Interview 22) but appropriate management may reduce conflict and increase achieved benefits. “Euphoria and excitement” and “promoting a positive feeling” at the beginning of a new venture can help all stakeholders overcome cultural differences and anxieties (Interview 6; 9; 12) and should be encouraged.

Problems with the acceptance of a new corporate culture particularly arise in “winner/loser” situations in which the “loser” rejects the “winner’s” corporate culture (Interview 29). Donath (2005) further believes that CA failure is often correlated with the lack of benefits created for customers and other stakeholders. Interviewee 12 summarises this by saying that:

“Ignorance is fatal, acceptance is the key for success” (Interview 12).

Furthermore, employees’ personal perceptions and feelings regarding ICAs are important. JV performance, for example, weakens if personnel stay too attached to the parent company and hope to return to it in future (Interview 14). This happens particularly with large, dominating firms. Killing (1983) also underlines the fact that employees’ emotional attachment, feeling and motivation in relation to an IJV is of particular importance for its success. This also highlights the importance of measuring performance at the right level and location (Luo, 2008).

“Avoid a winner/loser feeling” (Interview 6; 8; 17).

There are distinct national differences that influence the effectiveness of management practices (Interview 27; 28; Hofstede, 1984). These differences can cause problems, misunderstanding and unease as internal strategies are inappropriate, misunderstood or simply unsuccessful. Interviewee 16 suggested, that “sometimes a cultural problem is really a management problem”. Performance measures’ and systems’ effectiveness, for example, strongly depend upon the national cultural background of the employees (Shenkar and Luo, 2004). Most sampled companies use quantitative performance measures, neglecting qualitative indicators that would have suggested a higher local responsiveness. However, several interviewees mentioned the use of the

balanced scorecard (Kaplan and Norton, 1996) and the need to improve performance measures (Phillips, 2003), hence hinting at the importance of also non-financial measures.

Time: The essential requirement for integration

Companies should allow additional time for team development, merging, cultural understanding and integration (Interview 7; 18; 19; Hutzschenreuter and Voll, 2008). This allows multinational teams to overcome cultural differences and converge (Interview 12). The literature agrees that multicultural teams need to be given time to find common ground and work methods (Schneider and Barsoux, 1997:185). Building relationships (Interview 20; Schneider and Barsoux, 1997:163) and personal networks (Interview 7) are an important aspect of successfully working together and can decrease decision and communication lag. In international ventures where a lot of communication takes place via telephone or email, a personal contact towards the beginning of and short trips throughout the professional relationship (Interview 7) can be of great importance as it eases difficulties inherent in long-distance communication such as misinterpretation (Interview 18; 29). Communication, employee ease and satisfaction were also linked by Hofstede (1998a).

Getting to know employees from the partner organisation personally greatly enhances cooperation, ease, trust and information transfer between companies (Interview 1; 5). "Liking each other" is important (Interview 12). Trust between employees is an important tool for enhancing communication and information transfer (Interview 14; 27). This is also discussed in great lengths in Schneider and Barsoux (1997). However, there are also important cultural differences in the way that trust is earned and maintained (Daniels et al., 2007). Time is essential in building trust and it is the company's responsibility to allow employees to develop these inter-personal relationships. The importance of relationship-building and trust was also mentioned by Dean and Segal-Horn (2007).

Most companies struggle to provide the additional temporal resource due to limited capacity (Hutzschenreuter and Voll, 2008) and associated costs (Interview 12; 17). This potentially increases misunderstandings and problems between ICA employees, decreases collaboration efforts and can contribute to ICA failure. Furthermore, time allowances for communication, tasks and decision-making, taking into account local customs, holidays and culture need to be tailored to each country (Interview 3; 19; 20; Hall, 1960). In German companies, for example, the team leader or head of department has decision



power. In France, on the other side, people make recommendations only and the final decision always lies with the “patron”, the owner or managing director. Having adapted and hence effective management strategies increases ICA success potential.

The Effect of National Culture on the Success of Different ICA Types

Any of the CA forms discussed in Chapter 2 are options for a company’s non-organic growth and represent types of CAs (Villalonga and McGahan, 2005) with different strengths and weaknesses (Dyer et al., 2004). The appropriate strategic choice in terms of entry method is an important pre-requisite for a successful CA (Dyer et al., 2004) and should be interdependent with other factors such as speed and market position and hence, not chosen for purely political reasons (Interview 14; Meyer and Estrin, 2006). The unsuitable strategic CA type choice can create diminished shareholder value (Villalonga and McGahan, 2005; Cho and Padmanabhan, 2005). However, the wrong management strategy in relation to the chosen ICA type can also stall any success prospects. Interviewee 30 suggests that mergers may be more likely to be affected by cultural differences than acquisitions, where the buying company imposes its own culture. Furthermore, Interviewee 6 suggests that the acceptance of a foreign player or its products in a very ethnocentric and proud market may be difficult. It may require the use of less “aggressive” CA types or a conscious adaptation of the management structure according to ICA type and country. From the previous analysis, we formulate the following hypothesis:

H_{6a}: *The adaptation of ICA management strategies according to CA type increases ICA success.*

4.2.2.2 The Effect of Country-Specific Characteristics on ICA Success

National and corporate culture are both seen as important, but they are also both accepted to be highly correlated. The latter is often described as rooted in the former (Interview 15) as national culture influences every individual within its reach. This finding is in line with Pothukuchi et al. (2002), Hofstede et al. (1990), Barney (1986b) and Weick (1985). The debate if one is more critical than the other continues. Many interviewees have experienced both differences but found the organisational culture component to be more dominant in a business setting (Pothukuchi et al., 2002). However, national culture underlies any corporate culture (Pothukuchi et al., 2002) and is hence a strong influence on the latter

(Figure 4.2). It also explains a greater amount of variance between national values (Hofstede et al., 1990; Kale, 1995; Styhre, 2006).

Hofstede et al. (1990) further found that values are inherent in national culture but practices are organisation specific. The national values enter the cooperation through the hiring process. Values are “broad tendencies to prefer certain states of affairs to others [...] they have a plus and a minus side” (Hofstede, 1991:8). Values are rooted in history, are resistant to change (Hofstede and de Mooij, 2002) and influence markets through the individuals within them. Values can influence the success or failure of a product or company (Hofstede and de Mooij, 2002) and are thus an important area of interest for International Business and Strategic Management literature and practitioners. Practices, on the other hand, are “visible to an outside observer” (Hofstede, 1991:8) and incorporate heroes, symbols and rituals (Figure 3.3). However, the true meaning and underlying importance of these practices are invisible to an observer and can only be understood by an insider. Therefore, it appears pertinent that practices, even though part of organisational culture, are also assessed and understood in terms of the national culture that defines them, as individuals from different backgrounds may interpret these practices very differently. We believe that our interviewees have stressed the importance of differences in corporate culture due to its blatancy but we strongly feel they often really describe differences in national cultures that influence the organisational ones. Our model will show the relevance of different levels of cultural analysis. However, as national culture influences the organisational cultural level, an emphasis on national culture is justified.

Company size also appears to be an important variable in the importance of national culture as a determinant of corporate culture. SMEs appear more likely to be defined by their national culture, whereas larger companies have a stronger, independent corporate culture (Interview 25). The strategic position in the company’s home country market is a further, major contributor to corporate cultural differences. Employees need to feel “at home” in their company. If there is a culture clash between the host country national culture and the foreign company’s corporate culture, internal management problems are likely to arise.

The investigation of cultural differences is particularly important in business areas with high service content, such as the telecommunications industry. National culture is inherent in individuals who play a major part in the provision and the acceptance of any service. Companies who focus on financial issues alone often overlook the “people level”

(Interview 22). This financial narrow-mindedness has also been reported by Dyer et al. (2004), McKinsey Quarterly (2001) and Donath (2005).

Hofstede and de Mooij (2002) found that services have experienced consumer divergence, indicating a strong need for local adaptation. The authors have also shown that differences in the telecommunications industry are still significant across Europe. Furthermore, cultural issues are most importantly considered in ICAs in which two individual cultures collide; they are of minor importance in a domestic CA.

Based on a large proportion of interview responses and the descriptions of some of the most important European markets, we find that patterns related to the ease of ICAs are often related to specific host countries' characteristics. Within the interviews, respondents referred to specific country traits that they have experienced in their professional life. Opinions and impressions vary depending on personal experience. However, certain characteristics, problems and attitudes often appear inherent to each countries.

In interviewee descriptions, Germany is described as *stringent, organised, pragmatic, technically* but also *narrow-minded, precise, punctual*, and *conscious* about their past but often *arrogant* and *abrupt* (Interview 6, 13, 14, 15, 23). These descriptions were identical in German and British companies. However, the German interviewees put a larger emphasis on the *negative German traits*. Several German respondents recited a quote by Emanuel Geibel (1861), which was used by the nationalists during the *Second World War*: "am Deutschen Wesen soll die Welt genesen" (German essence to cure the world) to illustrate how they have experienced German arrogance. However, respondents also felt that the "German tank" was purely a misunderstanding of being straight to the point. Several respondents have indicated that some of these "Deutsche Tugenden" (German qualities) have been lost in new generations. The perception of German quality but also of arrogance may influence the success of German CAs abroad, but also CAs within Germany. Dyer et al. (2004) only refer to non-cultural variables for CA type choice. However, when foreign countries perceive Germans as arrogant, a German acquisition bid may actually be rejected (Interview 6). On the other hand, is "German" perceived as a sign of quality, the German bidder may have an acquisition advantage.

Germany's European Neighbours

Austria was described as similar to Germany but with a higher level of pride and a reluctance to be dominated, especially in a partnership with Germany. This creates problems for German-Austrian CAs. The UK was depicted as creative, sales-oriented, communicative and very proud in terms of historic achievements and institutions. Language skills are minimal and companies expect their counterparts to converse in English (Feely and Harzing, 2003). However, perfection is not expected. Although communication is comparatively simple, companies need to be aware that despite flat seeming hierarchy, strict decision pyramids often exist.

France, on the other hand, as a further major European market is often described as openly strictly hierarchal, with steep decision-making structures, in line with Hofstede's (1980) high *PD* score. The French express a strong feeling towards national achievements and heritage, especially the French language (Gri (2003; Machill, 1997). An often encountered reluctance to converse in any language other than French and the expectation that international partners should be communicating well in French often create difficulties and resentment in ICAs. Interviewee 5 suggests that a positive strategy of managing an ICA with France is to make the other side feel special and important, possibly beyond their economic importance. In contrast to Hofstede's (1980) *IDV* scores, France is described by many interviewees as highly collectivist, which manifests itself in a high propensity to strike and in an attitude that puts national interests above companies' economic profit. Similar to other Latin-European countries, France puts great emphasis on social relationship building as part of business ventures and a high context communication style. The high ethnocentricity is also noticeable in telecommunications with France making specific efforts to artificially create words to substitute any *anglicises*.

Spain, as a Latin neighbour to France, has also been described as having similar characteristics in terms of pride, language and social relationships but also creativity. The Spanish national pride was also cited a main reason for the reluctance to accept foreign takeovers (Interview 6). As a stark contrast, the Netherlands were described almost unanimously as easy to do business with, pragmatic and less hierarchal. A medium *PD* score was also produced by Hofstede (1980) in his country evaluation.

Our research found Denmark to be the only country with contradicting descriptions throughout the interviews. It combines a high national pride level with an open and pragmatic working and life style. It also appears to have a mixed relationship with Germany. Investigating the context under which companies operate in their host country or

the background of their partner organisation is vital for successful strategy formulation (Meyer and Estrin, 2006).

The previous section clearly shows that country specific characteristics vary greatly within Europe and may lead to ineffective management and strategies. It is important to ensure that strategies are adapted to each host country or partner specifically and differences between European countries should influence any CA type and further strategic decisions. Dyer et al.'s (2004) strategic CA type decision tool has been shown to be inadequate for ICAs. It neglects pride, language and general country-specific cultural issues potentially influencing the success of ICA. However, throughout the interviews it has been shown that neglecting country-specific characteristics can influence ICAs' success. We hence believe that an extension of Dyer et al.'s (2004) framework is required.

The success of a European CA depends on the appropriate management not only of the business but also of the host country employees, government, general public and customers. The success potential gained from national cultural differences hence strongly depends on a company's fitting CA type strategies and the extent to which internal strategies are tailored specifically to the host or partner country. We thus formulate:

H_{6b}: *The adaptation of ICA management strategies to host or partner country characteristics increases ICA success*

4.2.2.3 The Effect of National Cultural Differences on ICA Success: The Departmental Level

Companies have become "networks". They manage resources and capabilities in different countries to achieve competitive advantage. Specific departments and activities are located according to locality specific variables (Kotabe and Mudambi, 2002). The literature suggests that different departments within a company are affected to varying degrees by national cultural differences (Styre et al., 2006). Within our interviews we found that the more internal and technical areas such as Finance tend to be less affected by cultural differences than more external and "emotional" departments such as Marketing and Sales. However, even in technical departments communicating in numbers and codes, companies need to certify that numbers supplied are reliable and comparable (Interview 11; 29). Operational standardisation is often needed for cost reasons (Interview 3) but can lead to problems if interpretation on different sides varies (Interview 17; 25). Local adaptations to product and packaging design and to negotiation tactics are necessary to pay tribute to local variations and characteristics (Interview 3; 17; 25).

For international success, a thorough understanding of the market and its underlying culture is necessary (Interview 10). These differences manifest themselves in different client communication, different invoicing methods etc. (Interview 13). Companies often negate the particularly important role of the Marketing department as a communication interface for the communication of the CA's benefits to employees and customers. Donath (2005), for example, believes that a lack of customer attention and communication has played an important role in previous high profile failures such as the HP-Compaq merger.

Harmonisation and standardisation need to take into account local characteristics and adapt accordingly (Interview 5). Different laws and regulations, which are often culturally embedded (Interview 12), local language preferences and the lack of a common business language need to be taken into account as they make internal functions that are less structured such as HR, Marketing, PR and Strategy difficult (Interview 3; 11; 23, 25; 27; 28). Departments such as Finance and IT, which have a common method, clear structure and use a common technical language are described as less affected by negative culture effects (Interview 3; 11; 13; 14; 22; 26; 28). Packaging, for example, is a large issue and the aforementioned differences render standardised packaging very difficult (Interview 3). ICT products, for example, always need to reflect local language options in their manuals and in each device (Interview 3; 25). However, the assumption that technical departments are not affected by cultural differences may also lead to a neglect of soft issues in those areas (Interview 1; 18).

H_{7a}: *The effect of cultural differences at departmental level depends on department focus and technology.*

H_{7b}: *ICA success depends on adapting management strategies according to department focus and technology.*

4.2.2.4 The Individual Level: The Ideal International Employee?

For any international position, the appropriate employees with professional, international and language capabilities (Interview 7; 8; 9; 10; 12; 14; 15; 17; Feely and Harzing, 2003) should be chosen and given enough time to adapt to new countries and situations (Interview 17). Problems arise when the wrong employees are chosen for ICAs. Often these are experts in their fields but do not have the necessary language skills, cultural understanding and education to carry out an international assignment appropriately

(Interview 24). Cannon (1991) also suggests that cultural and language capabilities are vital for internationally successful employees.

General problem solving abilities are important in any, but particularly in international business situations (Interview 4). However, all interviewees agree that cultural and language skills too are vital for ICA success. However, language (Feely and Harzing, 2003) and cultural preparation in companies is described as at best “inadequate”.

Employees who are married to foreign nationals, have lived in another country or have international experience with the other cultures often have an advantage in international day-to-day business as they empathise with both sides (Interview 3; 4; 10; 22; Cannon, 1991). Individuals who thrive for an international career should study and live abroad (Interview 19). Surprisingly, less than 50% of interviewees, all of which in managerial positions related to ICAs, have actually spend more than 3 consecutive months abroad. This suggests that either, international skills are not as easily available, or that a combination of the relevant professional skills and international capabilities are not easily accessible. Companies often lack the investment and foresight to create their own “international employees”. However, teams should incorporate professional, cultural and language skills and combining knowledge and flexibility (Interview 23).

Practical experience and preparation in terms of language, communication, culture and negotiation techniques should be facilitated to help employees become proficient in international issues and show respect to the partner’s culture and heritage (Interview 3; 4; 23; 30). Preparation for the company, teams and individuals is also vital in order to choose the adequate strategies, obtain the right state of mind and benefit from people’s previous experience (Interview 2; 8; 9; 10; 26; 27). International employees must deal with different cultures and associated historically rooted behaviours when carrying out cross-border activities. Different countries, for example, use technology differently and their behaviour needs to be taken into account, particularly in a technologically-based industry such as telecommunications (Interview 25). This means that technological awareness and usage can also be seen as an element of culture.

Companies who understand the benefit of cultural knowledge and diversity can achieve competitive advantage from attracting the best new recruits but also retaining existing talent (Collett and Cook, 2000). Dyer et al. (2004) refer to the extent of soft resources, including staff. However, no emphasis is placed on a more detailed analysis of this resource and the influence of cultural variation in employees. Furthermore, they do not investigate management strategies to improve and adapt companies’ talent bases.

The balancing act between time, first-mover advantage and cost often means that additional time for employee contact, international experience and training is not provided, reducing potential future performance (Herrmann, 2005). Measures that could improve day-to-day activities and avoid CA failure are hence neglected for cost reasons (Interview 4; 6; McKinsey Quarterly, 2001). We thus formulate:

H₈: *International employees that increase ICA success possess business, cultural and international communication skills.*

Having formulated our hypotheses, we now summarises the findings from this chapter and formulates a theoretical model. We test this model using quantitative methods in Chapters 5 and validate it using a case study-based qualitative approach in Chapter 6.

4.3 Our Contribution: A Cross-Cultural Model of Successful ICAs

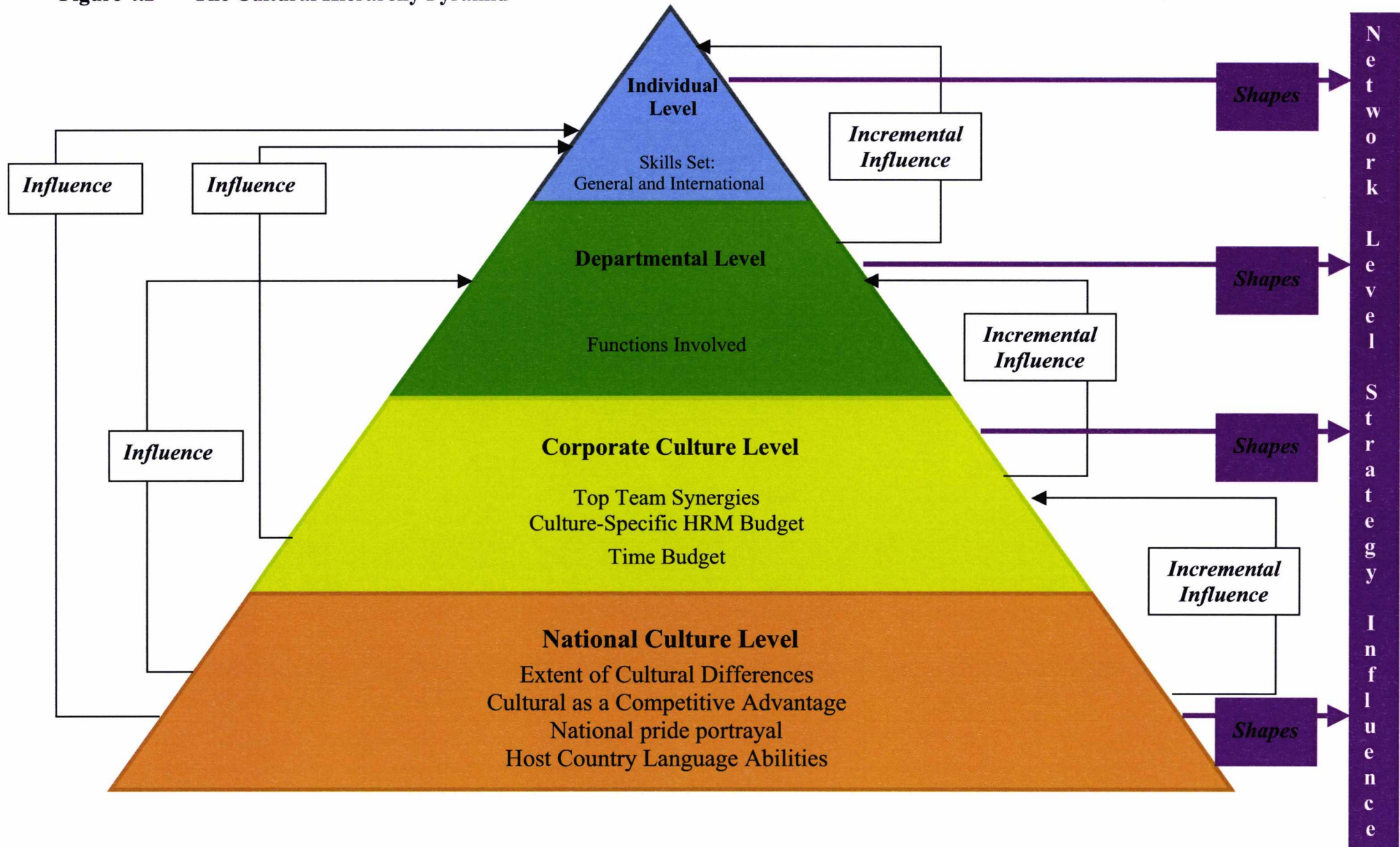
From our interview findings, we have created our hypotheses, a “Cultural Hierarchy Pyramid” and also formulated an extension (Figure 1.1) to Dyer et al.’s (2004) “Right Strategic Choice of Entry Mode Model” (Table 4.1). The focus of our model extension is the cultural consequences for ICA success i.e. achieving organisational and financial objectives and growth (Hudson and Barnfield, 2001; Killing, 1983; Styre et al., 2006). The success of an ICA depends on the right strategic choices with regard to ICA type, as defined in Chapter 2 and on appropriate management strategies. Our model “The Extended Choice of ICA Type and Management Model” (Figure 4.4) should be used to aid CA type decisions and management strategies in any ICA situation. We follow Dyer et al.’s (2004) distinction between *Low*, *Low-Medium* and *High* influences to create a combined framework.

The cultural hierarchy pyramid

In our *Cultural Hierarchy Pyramid*, we suggest that cultural differences affect ICA success on four different levels, namely the national, corporate, departmental and individual level. We propose that there is no actual network culture but that all of the aforementioned levels of culture influence companies' network structures and strategies, including ICAs.

Furthermore, we argue that there is a level hierarchy (Figure 4.2). The national level is influenced strongly by general national cultures and their differences. The other three levels are related to national and corporate cultures. Each level is shaped, at least partly, by the underlying levels (See also Pothukuchi et al., 2002). Hence, all corporate levels, despite being influenced by organisational culture, also have an important relationship with the underlying national culture. This justifies our methodological focus on national culture as it directly or indirectly affects all business levels. Furthermore, our model contributes to the "national vs. corporate culture" debate discussed earlier and proposes a way of successfully managing the influences of both in an ICA situation. The pyramid is a representation of this study's understanding of the cultural interrelationships.

Figure 4.2 The Cultural Hierarchy Pyramid



The extended choice of ICA type and management model

Components on all levels affect the success of specific ICA types and management methods. Where cultural differences and national pride within the host or partner country are low and potential cultural competitive advantages to be gained are high, an acquisition may be advisable to gain the most benefit but taking the least cultural risk. On the other hand, if cultural differences and national pride are high and there is little competitive advantage to be gained from host country culture, a contractual alliance may be the most appropriate option for reducing risk and expense but maximising consumer response. In situations with medium levels of national cultural differences, competitive advantage and pride, an equity alliance where risks and benefits are shared could be the best strategy.

Department level issues and top team synergies should be taken into account when choosing an entry and appropriate management strategies. Where top team synergies are high and the involved departments low in external contact and high in technology contents, an acquisition might be appropriate. On the other hand, where top team synergies are low and a high level of local adaptation and contact is needed, a non-equity alliance reduces risks and market confrontation. Equity alliances may balance benefits and risk-sharing in medium synergy, people contact and technology contents situations.

Other components related to language, the corporate and individual levels are management considerations that require attention and specific adjustment independent of the CA type strategy chosen. These strategic adjustments should be tailored to each situation, country and ICA type specifically and be reviewed continuously as the appropriate management of these can help ensure ICA success.

The created components summarise the most important issues related to the management of cultural differences in ICAs. When assessing the appropriate ICA type, Dyer et al.'s (2004) and our cultural components should be combined. Where the analysis of Dyer et al.'s (2004) strategic CA type decision tool and our extended model result in conflicting advice, an incremental approach to market entry, as described by Myer and Estrin (2006) may be advisable. This would allow companies to adapt their CA type once market experience has been gained and to manage effectively the consequences of cultural differences at network, national, corporate, departmental and individual level. Furthermore, in this situation, the importance of management strategies increases to compensate for conflicting CA type influences (Figure 4.3).

Figure 4.3 Successful ICA CA Type and Management Strategy Determination

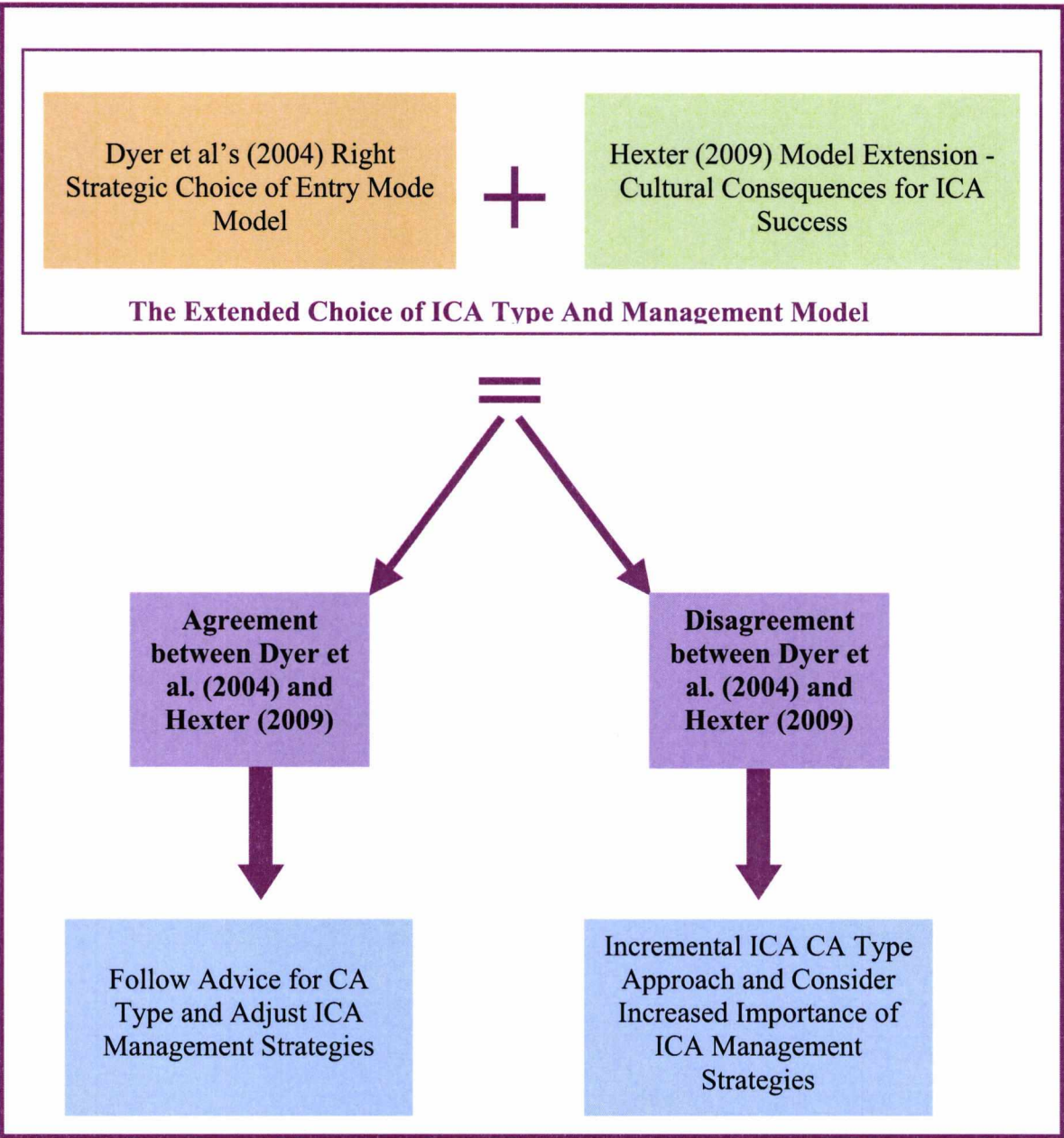


Figure 4.4 The Extended Choice of ICA Type and Management Model

		Influence	Factor	Strategy
Dyer et al.'s (2004) Strategic Choice of CA Type	Type of Synergy	CA Type Choice	Modular	Non-equity Alliance
			Sequential	Equity Alliance
			Reciprocal	Acquisition
	Nature of Resources – Relative Value of Soft to Hard Resources	CA Type Choice	Low	Non-equity Alliance
			Low-Medium	Acquisition
			High	Equity Alliance
	Extent of Redundant Resource	CA Type Choice	Low	Non-equity Alliance
			Medium	Equity Alliance
			High	Acquisition
	Degree of Market Uncertainty	CA Type Choice	Low	Non-equity Alliance
Low-Medium			Acquisition	
High			Equity Alliance	
Level of Competition – Degree of Competition for Resources	CA Type Choice	Low	Non-equity Alliance	
		Medium	Equity Alliance	
		High	Acquisition	
Model Extension - Cultural Consequences for ICA Success	National Culture Level			
	Extent of Cultural Differences	ICA Type Choice	Low	Acquisition
			Low-Medium	Equity Alliance
			High	Non-equity Alliance
	Cultural Competitive Advantages to be gained	ICA Type Choice	Low	Non-equity Alliance
			Low-Medium	Equity Alliance
			High	Acquisition
	National Pride of Host or Partner Country	ICA Type Choice	Low	Acquisition
			Low-Medium	Equity Alliance
			High	Non-equity Alliance
	Host Country Language Attitude and Education	ICA Management	Specific Strategy Adjustment	
	Corporate Level			
	Top Team Synergies	ICA Type Choice	Low	Non-equity Alliance
			Low-Medium	Equity Alliance
			High	Acquisition
	Culture-Specific HRM Budget	ICA Management	Specific Strategy Adjustment	
	Time Budget	ICA Management	Specific Strategy Adjustment	
	Departmental Level			
	Functions involved – Extent of People Focus and Technology	ICY Type and Management	Low/High	Acquisition
Both Medium			Equity Alliance	
High/Low			Non-equity Alliance	
Individual Level				
General and International Skills Set	ICA Management	Specific Strategy Adjustment		

Compiled by the author.

4.3.1 Hypotheses Summary

This study proposes that in order to succeed, an ICA requires specific measures and decisions relating to national cultural differences. Our model (Figure 4.4) extends Dyer et al's. (2004) strategic CA type decision tool using international and management variables. The hypotheses relate to each part of the model extension as follows (Table 4.3).

Table 4.3 Relationship Model Extension and Hypotheses

Model Extension - Cultural Consequences for ICA Success	Research Question	National Culture Level	Related Hypotheses
	Which national cultural differences exist in Europe.	Extent of cultural differences	Hypotheses 1a-1c
	How do they affect ICA success?		
	How do cultural differences affect ICA management and success?	Cultural competitive advantages to be gained	Hypotheses 1b, 6b
	What is the relationship between national pride, cultural differences and ICA acceptance?	National pride of host or partner country	Hypotheses 2a – 3d
	What is the relationship between language and cultural differences?	Host country language attitude and education	Hypotheses 4a-4b
		Corporate Level	
	How do specific management strategies, dealing with cultural differences, ensure ICA success?	Top team synergies	Hypothesis 5c
		Culture-specific HRM budget	Related to Hypotheses 5a - 5b as well as Hypotheses 6a – 6b and 7a-7b– but specifically tested in case studies
		Time budget	Related to Hypotheses 5a and b as well as Hypotheses 6a – 6b and 7a-7b – but specifically tested in case studies.
		Departmental Level	
	Which levels within an organisation should be considered to ensure ICA success?	Functions involved – extent of people focus and technology	Hypotheses 7a-b
		Individual Level	
		General and international skills Set	Hypothesis 8

Compiled by the author.

Drawing on studies investigated in the literature review and on findings from the interview stage, the hypotheses were formulated as follows. They will be studied and tested in our quantitative research phase:

The following hypotheses H_{1a} - H_{4b} relate to research question one i.e. Which national cultural differences exist in Europe and how do they affect ICA success?

H_{1a} : *Cultural differences within Europe show a clear North-South divide between countries.*

H_{1b} : *Cultural differences within Europe affect negatively ICA Success by increasing complexity.*

H_{1c} : *Cultural differences within Europe affect positively ICA success by creating competitive advantage*

The first set of hypotheses is designed to emphasise the existence of national cultural differences amongst European countries and their importance for international business. Many authors agree⁵⁶ that Europe is culturally heterogeneous, but the literature fails to investigate in depth the resulting consequences for ICAs. The existing literature and models⁵⁷ suggest that close countries, particularly if they share historic events and religions, are culturally closer than others. We propose a more concrete European hypothesis in relation to the similarities of European cultures, suggesting that cultures within Europe vary most noticeably along a North-South divide.

Furthermore, national cultural differences are cited amongst the most frequent reason for ICA failure⁵⁸. However, the majority of interviewees state that companies' ignorance, arrogance and oblivion towards this issue means problems keep re-occurring. Also, decisions regarding the appropriate personnel for international assignments is often questioned. Senior personnel from arguably the biggest ICA failure in European Telecommunication's history, Global 1, cited national cultural differences, including pride and language as one of the underlying reasons for its failure. The IJV was dissolved despite continuous economic benefits that should have ensured survival (Wahyuni et al., 2007). Nevertheless, culture is seen as creating both complexity and advantages.

⁵⁶ See Brodbeck et al., 2000; Hofstede, 1980; De Mooij, 2000; Inglehart, 1997; Ronen and Shenkar, 1985.

⁵⁷ See Hofstede, 1980; Inglehart, 1997; Ronen and Shenkar, 1985; Johnson and Vahlne, 1977.

⁵⁸ See Harrigan, 1988; Shenkar and Zeira, 1992; Woodcock and Geringer, 1991; Schuler, 2001; Habeck et al., 2000; Sivakumar and Nakata, 2001; Lane and Beamish, 1990.

H_{2a}: National pride determines the extent of cultural differences within Europe.

National pride is not discussed in the literature strands investigated, neither in studies concerned with ICAs, nor in papers discussing cultural differences. However, during our field study, national pride is frequently cited as a major point of friction and a notable difference between countries. It is, furthermore, suggested, that national pride may lead to a rejection of foreign companies' products or ownership and can contribute to failure.

H_{2b}: German national pride portrayal is substantially lower than the portrayal of pride in other European countries.

In our field study, Germany is cited as a unique case as national pride is widely understood in a nationalist light, even though all respondents suggest that German nationals still have the right to show pride. The negative connotation is seen as being a German construct, rather than a feeling shared by foreign nationals. The majority of interviewees describe national pride as a dynamic phenomenon. The Football World Championship in 2006 is cited as the single most important event to revive national pride in Germany.

H_{3a}: National pride influences the acceptance of foreign players and products.

H_{3b}: National pride influences the acceptance of foreign languages.

H_{3c}: National pride influences the acceptance of new process adoption.

H_{3d}: National pride influences the acceptance of different working styles.

Our interview process clearly showed that national pride affects several areas within ICA management as well as the acceptance by the partner company and within the host country. The general acceptance of the foreign player and its products are a major obstacle towards the success of the ICA. Furthermore, the ability to create a common working style and introduce new processes is strongly influenced by national pride and substantially affects ICA management and communication success.

H_{4a}: Language determines the national cultural differences within Europe.

H_{4b}: Language education within Europe is insufficient.

Within cultural frameworks, language is accepted as part of national culture, but little has been done to show how strongly language influences cultural distance. During our study, the majority of interviewees comment on the importance of language abilities over and above the use of a *lingua franca*. Several interviewees suggest that ICA success depends on the eloquent use of the other side's native language. Furthermore, a lack of language abilities within companies due to a lack of language education and its negative impact on previous ICAs is noted. Basic language programs and cultural workshops may be in place. However, experience available within companies is often not used and HRM strategies are "inadequate". Employee exchange and mentoring programs are rarely used to increase employees' ability to manage and work successfully within ICAs, despite most interviewees believing in their effectiveness. Language superiority is seen as an ICA advantage.

The following hypotheses H₅- H₈ relate to research question two i.e. How do specific management strategies, dealing with cultural differences, ensure ICA success?

H_{5a}: Employee training, experience and communication increase ICA success.

H_{5b}: Partner attributes and a common working and communication style determines ICA success.

H_{5c}: Effective top team synergies increase ICA success.

Partner compatibility and selection criteria have been an important part of the Strategic Management and International Business literature⁵⁹. Our analysis shows that company size, culture and age all influence ICA success and hence need to be taken into consideration when choosing an ICA partner. Employee development and communication should also be adapted and managed appropriately to ensure ICA success.

⁵⁹ See Brouthers, 1995; Schuler, 2001.

Top team synergies have been previously cited to be of great importance in ICAs (Kanter, 1994; Al-Khalifa and Eggert Peterson, 1999). Our field study clearly shows that this importance is also been recognised by many of our interviewees. We hence propose the hypothesis that there is a strong connection between top team compatibility and success within ICAs.

H_{6a}: *The adaptation of ICA management strategies according to CA type increases ICA success.*

H_{6b}: *The adaptation of ICA management strategies to host or partner country characteristics increases ICA success.*

Negative externalities arising from national cultural differences in ICAs have been discussed in length⁶⁰. However, competitive advantages that can be gained from cultural differences are neglected. We believe that the appropriate and adapted management strategies can achieve positive externalities from national cultural differences and create competitive advantage. Studies such as Hofstede (1980), Inglehart (1997) and Ronen and Shenkar (1985) acknowledge through cluster analysis that patterns within Europe exist. However, no judgement has been passed as to ease or difficulty of ICAs between different clusters or countries within them. It becomes apparent that certain countries, notably often countries that were deemed culturally close, presented more difficulty for the working of an ICA than others.

Furthermore, we suggest that the ICA type influences the effectiveness of specific management strategies. It is therefore necessary to adapt management and communication strategies according to ICA type.

H_{7a}: *The effect of cultural differences at departmental level depends on department focus and technology.*

H_{7b}: *ICA success depends on adapting management strategies according to department focus and technology.*

⁶⁰ See Harrigan, 1988; Shenkar and Zeira, 1992; Woodcock and Geringer, 1991; Schuler, 2001; Parkhe, 1991.

Literature relating to the effect of cultural differences on the departmental level of an ICA is limited (Styre et al., 2006). Nevertheless, it appears to be an important issue in our field study. We further propose that the effects of culture appear related to the extent of technology used and internal and external contact required in each department. Therefore, it seems clear that ICA success can only be realised if management and ICA type strategies are adapted according to the characteristics of the departments involved.

H₈: *International employees that increase ICA success possess business, cultural and international communication skills.*

The analysis of the individual level within an organisation is rather uncommon in the International Business and Strategic Management literature. However, our analysis shows that the individuals involved can make a substantial difference to ICA success, not just at top management level. They are important assets throughout the ICA.

4.4 Conclusion

In this chapter, we carry out a field study using content analysis of our interview results. Our findings show that cultural differences affect ICA success substantially. Cross-border management is more complex than national management and needs particular attention (Interview 6; Wahyuni et al., 2007; Chapman, 2004). The importance of cultural differences varies depending on specific external and internal circumstances but their existence is always apparent. During the interviews, we find overwhelming evidence that soft issues need to be considered early on in ICAs. This is in line with our literature review⁶¹ findings from Chapter 2. However, companies often neglect these issues.

We identify national pride portrayal and language as areas of importance in terms of national cultural differences. Furthermore, the interviews allow the definition of three levels of intra-company focus, namely corporate, departmental and individual. Each of these levels will be considered in our statistical analysis in Chapter 5.

We further find communication to be vital. A flexible, open, professional and honest approach is best in order to increase success and reduce potential problems. Diplomacy and open communication allow for a smooth integration or starting phase by

⁶¹ See, for example, Brouthers, 1995; Schuler, 2001; Habeck et al., 2000.

reducing conflict created by different expectations of companies involved. Communication with all stakeholders (Hudson and Barnfield, 2001), but especially with employees is crucial for a successful venture (Chapman, 2004). Good communication strategies on all company levels and a good relationship between the top teams are important to avoid any pitfalls from a lack of communication.

Our qualitative analysis allows the formulation of a theoretical model which is intended as an extension to Dyer et al.'s (2004) '*Right strategic CA type choice model*' in cross-cultural situations. The interview-based field study further enables the formulation of hypotheses alongside our initial research questions and the creation of a questionnaire research tool for the quantitative part of our methodology. We also highlight similarities and differences with the reviewed literature. We validate our results from this chapter using case studies in Chapter 6 and utilise results from our field study to triangulate findings from Chapter 5.

In the following chapter we test our hypotheses using a questionnaire-based quantitative analysis.

CHAPTER FIVE: THEORY TESTING, STATISTICAL ANALYSIS AND FINDINGS

A Quantitative Investigation of Cultural Consequences for ICAs in the German Telecommunications Industry

5.0 Introduction

The aim of this chapter is to statistically test our hypotheses and model from Chapter 4. The chapter is organised in two parts. *Part One* deals with the statistical analysis related to general cultural variables and their impact on business and *Part Two* looks in more detail at strategies to increase ICA success. The questionnaire tool was produced using variables discussed in existing literature. Where interviews suggested new ideas, we created new variables as discussed in Chapter 4. Each variable background is explained in Appendix 1. Each section in this chapter details which hypothesis is to be tested with the help of which variables.

We firstly review the hypotheses. Secondly, we perform the data analysis and thirdly, we discuss our findings by research question and hypothesis as follows:

Research question one: Which national cultural differences exist in Europe and how do they affect ICA success?

- H_{1a}: *Cultural differences within Europe show a clear North-South divide between countries.*
- H_{1b}: *Cultural differences within Europe affect negatively ICA Success by increasing complexity.*
- H_{1c}: *Cultural differences within Europe affect positively ICA Success by creating competitive advantage.*
- H_{2a}: *National pride determines the extent of cultural differences within Europe.*
- H_{2b}: *German national pride portrayal is substantially lower than the portrayal of pride in other European countries.*
- H_{3a}: *National pride influences the acceptance of foreign players and products.*
- H_{3b}: *National pride influences the acceptance of foreign languages.*
- H_{3c}: *National pride influences the acceptance of new process adoption.*
- H_{3d}: *National pride influences the acceptance of different working styles.*
- H_{4a}: *Language determines the national cultural differences within Europe.*

H_{4b}: *Language education within Europe is insufficient.*

Research question two: How do specific management strategies, dealing with cultural differences, ensure ICA success?

H_{5a}: *Employee training, experience and communication increase ICA success.*

H_{5b}: *Partner attributes and a common working and communication style determines ICA success.*

H_{5c}: *Effective top team synergies increase ICA success.*

H_{6a}: *The adaptation of ICA management strategies according to CA type increases ICA success.*

H_{6b}: *The adaptation of ICA management strategies to host or partner country characteristics increases ICA success*

H_{7a}: *The effect of cultural differences at departmental level depends on department focus and technology.*

H_{7b}: *ICA success depends on adapting management strategies according to department focus and technology.*

H₈: *International employees that increase ICA success possess business, cultural and international communication skills.*

5.1 Results and Discussion: Part One - Cultural Differences within Europe: Perceivable and Important

5.1.1 Introduction

We start with the general investigation into cultural differences within Europe. Furthermore, we investigate two specific cultural areas that we predict to greatly influence success within ICAs, namely the importance of national pride and the role of different languages.

5.1.2 Cultural Differences within Europe

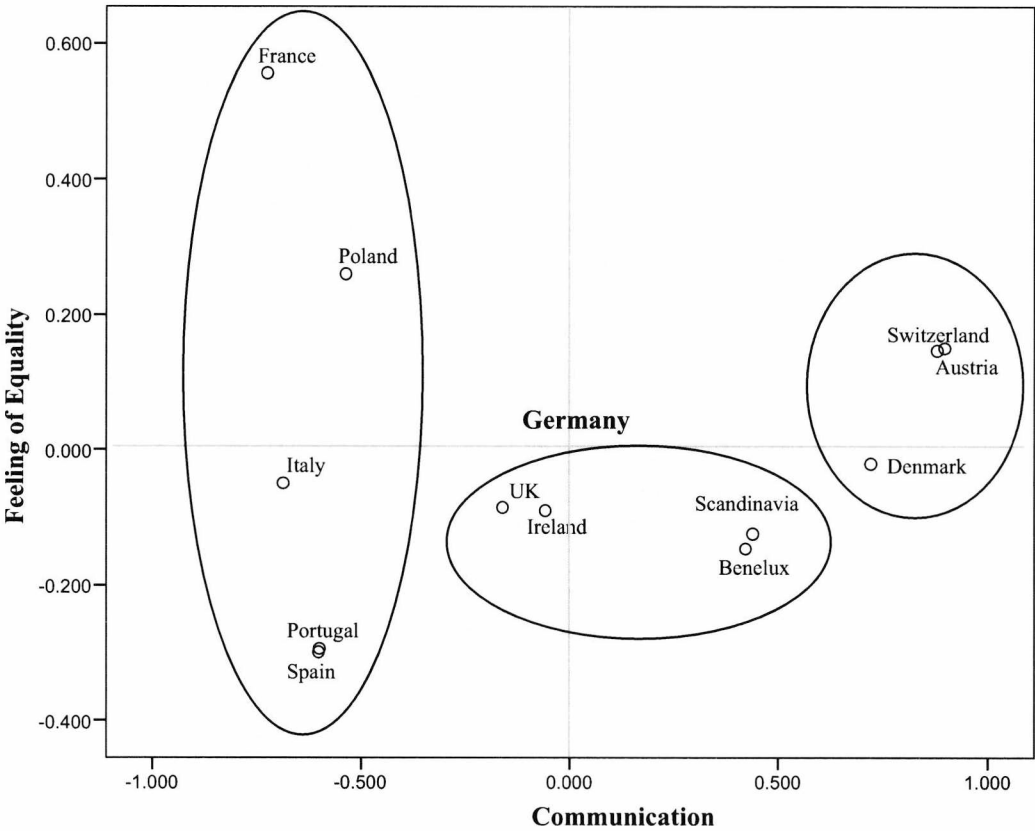
The first research question is concerned with the differences between cultures within Europe, their strengths and their manifestation through language and pride. We firstly investigate if a common European culture exists and how strongly cultural differences are perceived. We test H_{1a} stating that *cultural differences within Europe show a clear North-South divide between countries*. 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*, *CuDiDSpa*; *CuDiDPor*; *CuDiDIta*; *CuDiDScs*; *CuDiDAus*; *CuDiDSwi*; *CuDiDPol*; *CuDiDDen*⁶². We measure cultural distance using perceived cultural differences between a country of origin (Germany) and other European countries that each organisation has experience in. The differences were measured on a 6-point Likert scale from 3-8, with 3 denoting *negligible* and 8 denoting *very important*.

Using the statistical mapping technique as described in chapter 3, we find that our examined data lies close to a two-dimensional sub-space. As discussed in 3.4.2.2, we carry out the analysis retaining three dimensions. This gives us an excellent error term of 2.7%. (See Appendix 6 – A.1). We only represent the first two dimensions as a representation beyond this is difficult and the third dimension only represents residual information. We then establish the variable positions on the retained dimensions using the SPSS MDS function (See Appendix 6 – A.2). These results are the basis for a cluster analysis, establishing which European countries can be grouped together with regard to our first two cultural dimensions. SPSS has created a dendrogram that allows us to visually establish the

⁶² See Appendix 1 for variable description.

clusters. Variables that are connected through elongated horizontal lines are grouped together (See Appendix 6 – A.3 and A.4).

Diagram 5.1 Cultural Distance from Germany



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. We call Dimension 1 *Communication*. It 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 this dimension *Feeling of Equality*. It is harder to identify but it seems to measure how countries portray themselves towards German companies. 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, a *par* situation and equal partnership is more likely.

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 that cultural differences within Europe still exist and appear in different strengths verify our field study results and appear similar to findings published by Hofstede (1991), Ronen and Shenkar (1985) and Inglehart (1997). 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.

Looking at the established clusters, 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 were strengthened by our field study and further explain why many companies choose to expand into geographically close countries first. These also validate 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 hence consider placing a larger emphasis on cultural preparation and consideration within any ICA, even within Europe.

We, therefore, cannot reject H_{1a} . Firstly, national cultural differences within Europe still exist; secondly, there are clear indications that shared history, language and geography

increase cultural similarity; thirdly, here is a clear North-South divide within the clusters, similar to the clusters found by Ronen and Shenkar (1985).

In the following section, we look at national pride, a cultural trait mentioned continuously throughout our field study, but overlooked within the literature. Our findings related to national pride contribute strongly to the debate on cultural differences but also add to the Strategic Management literature by showing how different national pride levels can affect strategic growth and management.

5.1.3 Cultural Consequences for ICAs: The Importance of National Pride

We now investigate if national pride is a predictor of the strength of European national cultural differences. With this question we are testing hypothesis H_{2a} and H_{3a} – H_{3d} stating that national pride determines cultural differences in Europe and that national pride can impact on the acceptance of foreign players and products as well as on language, process and working style acceptance. We use *EUCUDI* as our dependent and *PRIDLEV* as our predictor variable, following our belief that European national culture = f (National pride)⁶³. We are using optimal scaling and the CATREG function for this regression analysis as explained in 3.4.2.1 and 3.4.2.4, as we are dealing with ordinal data. Our regression analysis yields the following results:

Table 5.1 Regression Analysis Results

Measure	Result	Significance
R ²	0.387	
Adjusted R ²	0.347	
One-way ANOVA	F (3; 46) = 9.678; p< 0.0005	Significant beyond 1% level

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 R² of 0.347. R² > 0.1, which classifies the predictor (*PRIDLEV*) as having a large effect on the

⁶³ See Appendix 1 for variable description.

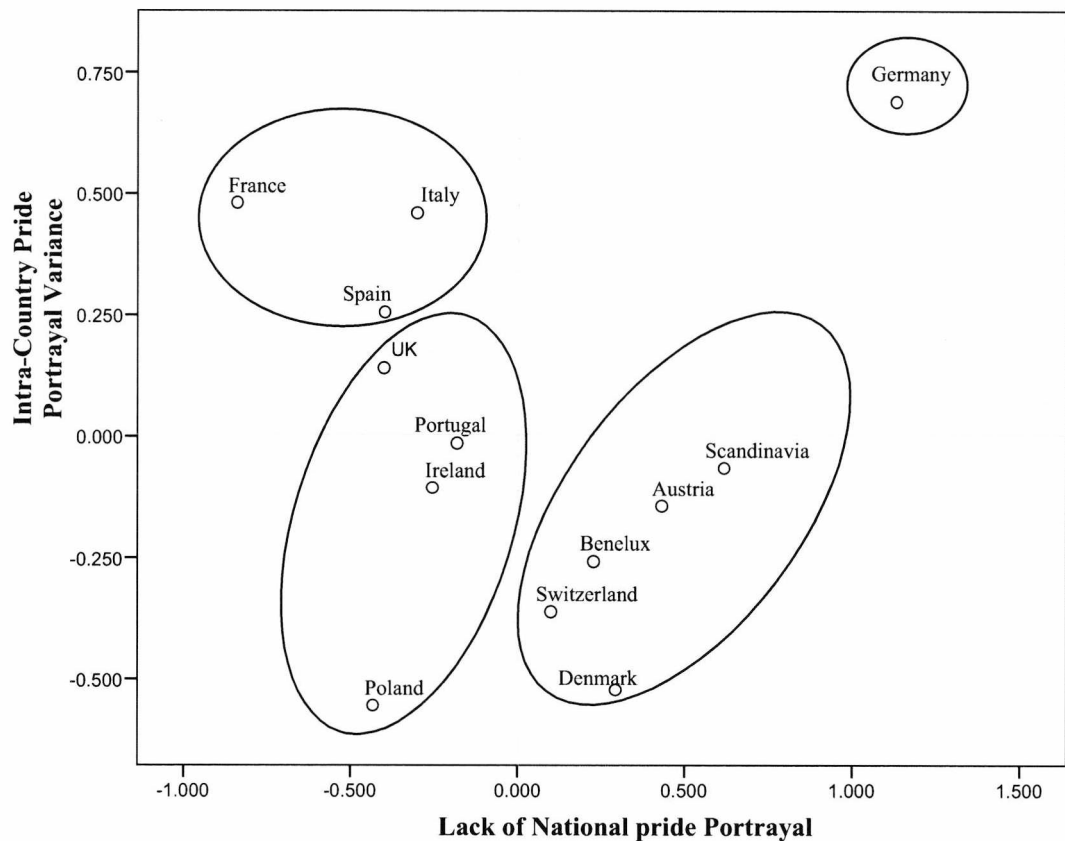
dependent variable (*EUCUDI*) (Kinneer and Gray, 2004: 299) and a significance beyond the 1% level following the F statistic. This indicates that the amount to which national pride is portrayed towards foreigners strongly influences the feeling of national cultural distance by the foreign individual. These results support our findings from Chapter 4. During our field study over 50% of respondents commented on the importance of national pride and its variation. We cannot validate our findings through the literature as this aspect has not been previously discussed in depth (Hofstede et al.; 2002; Hofstede, 2004). 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 portrayed and really felt may vary. Nevertheless, testing for a difference in real and perceived national pride levels is beyond the scope of this study. We validate this finding again using empirical examples in Chapter 6.

We now investigate the difference in attitude towards national pride in different European countries. This is important for companies operating in Europe due to the strong correlation between pride and national cultural differences. This analysis also tests H_{2b} stating that *German national pride portrayal is substantially lower than the portrayal of pride in other European countries*. In addition, we test which aspects of cross-border business are affected by varying levels of national pride. The following variables were used to compare the intensity of national pride portrayed by European nationals towards others: *PridIre*; *PridUK*; *PridFra*; *PridBlx*; *PridSpa*; *PridPor*; *PridIta*; *PridSca*; *PridAus*; *PridSwi*; *PridPol*; *PridDen*; *PridGer*⁶⁴. These variables ask respondents to judge the level of national pride 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 follow a similar method to section 5.1.2 in order to establish dimensions that can be used to explain differences in European national pride levels. As in section 5.2.2, we will be using three dimensions for the analysis as the error term is very good at 2.24% unexplained variance and shows a good model fit (See Appendix 6 – A.5 and A.6).

⁶⁴ See Appendix 1 for variable description.

Diagram 5.2 National pride within Europe



Our previous representation clearly shows that Germany has an isolated position regarding its national pride. This special position is very apparent within the European National pride map. It is at the opposite scale on Dimension 1 to France. We therefore call this dimension *Lack of National Pride Portrayal*. It 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.

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. As a generation that has grown up in a united Germany gets older, difference diminish. However, older people still very much feel the intra-German divide. As described in Chapter 4, recent, positive events have a positive effect on the feeling of national pride and the acceptance of its portrayal. Despite our clear findings regarding German national pride, we must be cautious with their relevance. As the majority of respondents and interviewees were German, a country specific bias could be possible, whereby respondents may feel uncomfortable responding truthfully.

France and the UK on the other hand, despite equally eventful histories are either very proud of their historic achievements (UK) or tend to ignore negative events in favour of positive ones (France). 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.

Dimension 2 depicts the level of uniformity in the portrayal of national pride. We call this dimension *Intra-country Pride Portrayal Variation*. 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.

Diagram 5.2 clearly shows that the portrayal of national pride varies substantially between different European countries. This confirms our field study findings regarding substantial differences between national pride portrayal. Our pride variable appears to be of great importance when it comes to national cultural differences and ICA success. Nevertheless, we are aware that the data is collected from a mainly German sample. This may have resulted in a country specific bias e.g. people from other nationalities may portray themselves differently to people from different backgrounds. This could be verified and tested in a later study.

Using the results from the MDS clusters are created (See Appendix 6 – A.7 and A.8). The clusters depicting the importance of National pride in different European countries show similarities to Diagram 5.1. '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 frequencies, 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 Portrayal* dimension and the variance decreasing along the *Intra-Country Pride Portrayal 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.

We also show that national pride substantially influences national cultural differences and should be considered an important variable of culture. We believe our findings are a new contribution to the literature concerning national cultural differences. This area could be further developed in future research.

National pride effect on international business

Throughout the field study, national pride appears influential to conducting business in different European countries. Interview results 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. Questionnaire respondents were asked to judge the extent of pride influence on the acceptance of foreign products and companies, foreign languages, different working styles and the rate of adoption of new processes. The 6-point Likert scale uses 3 for *negligible* to 8 for *very strong* influence.

Diagram 5.3 Influences of National Pride on Acceptance of Foreign Players/Products

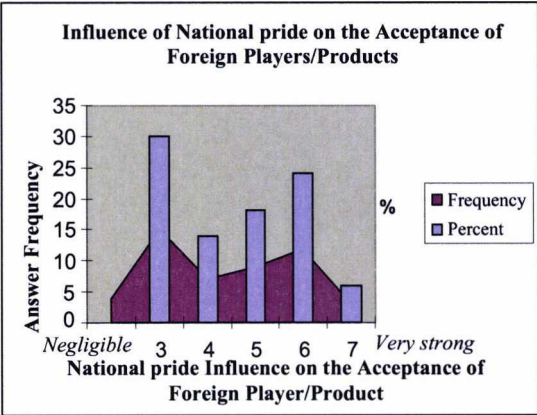


Diagram 5.4 Influences of National Pride on Acceptance of Foreign Languages

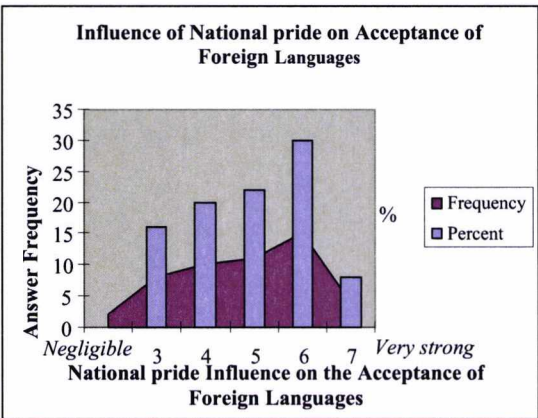


Diagram 5.5 Influences of National Pride on Acceptance of New Process Adoption

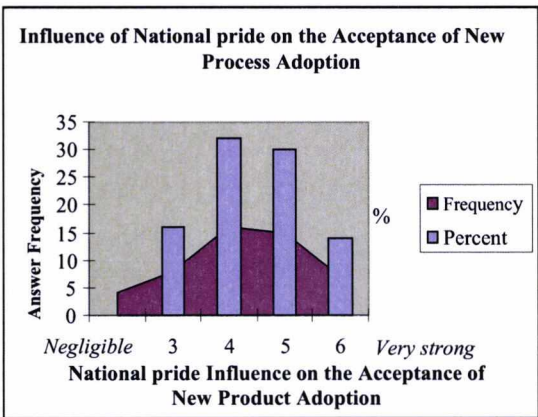
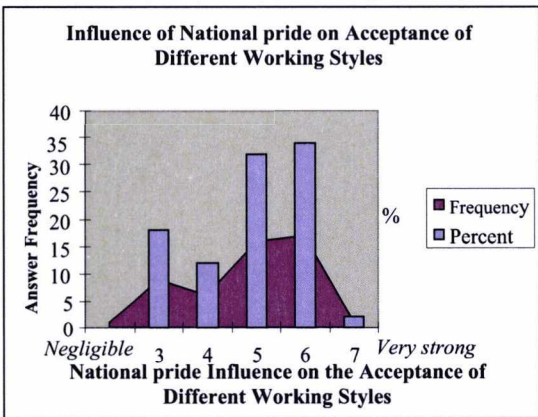


Diagram 5.6 Influences of National Pride on Acceptance of Different Working Styles



In Diagram 5.3, opinions related to the acceptance of foreign players very drastically. There are no significant patterns when comparing answers from different sized companies. However, an interesting finding appears when looking at the acceptance of

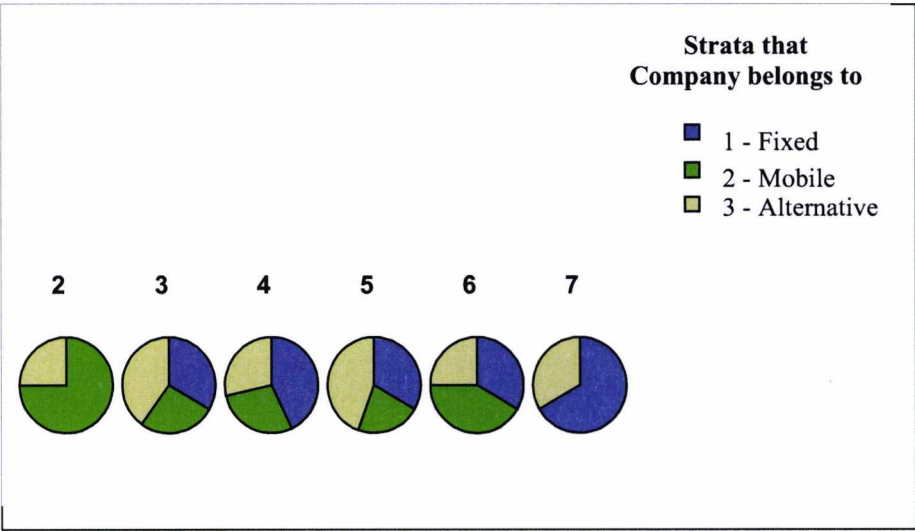
foreign players related to the strata that the respondent's company belongs to. Diagram 5.7 depicts answers in terms of strata and answer categories.

The influence of national pride on language acceptance is rated as medium in Diagram 5.4. 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 importance of market or group size when it comes to dominant language development was also discussed by Gri (2003).

The influence of national pride on new process adoption as shown in Diagram 5.5 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.

Finally, diagram 5.6 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 success.

Diagram 5.7 Acceptance of Foreign Players or Products according to Strata



The previous diagram shows a distinct difference between strata that experience a low and a high level of resistance towards their products. Stratum 2 (Mobile) experiences considerably lower levels of resistance than Stratum 1 (Fixed). Stratum 3 (Alternative) has mixed experience. However, this is to be expected as this stratum includes 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 the consumer. There was little time to establish long-lasting loyalties with the provider.

Companies within Stratum 1 on the other hand 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. 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 in Stratum 1 ICAs, companies may consider less offensive ICA types such as alliances or IJVs or may consider keeping the appearance of the acquired company e.g. reframing from re-branding.

These findings are of great importance for the telecommunications sector and have considerable implications for internationally expanding fixed telephony companies. Our findings are new to the literature and should be extended in future research to include the implications of other cultural values, ICA success in different telecommunication strata and the investigation of the effect of national pride on other industries.

We cannot reject H_{2a} or H_{2b} , realising that national pride determines national cultural distance and also clearly showing Germany's unique position in terms of a substantial lack of national pride. Furthermore, variances in national pride portrayal also affect important areas of international ventures as described in Diagrams 5.3-5.6. We hence cannot reject H_{3a} - H_{3d} . These differences result in variations in the effectiveness of strategic decisions related to product design, marketing, branding, CA type and working

style and hence may 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. We believe that these findings are also applicable to other geographical areas and industry sectors. However, this investigation is beyond the scope of this study.

In the following section we investigate the third part of our first research question. The section is concerned with the effect of different languages on international companies within the European market.

5.1.4 Cultural Consequences for ICAs: The Importance of Language

We now investigate the extent to which language differences act as a predictor of the strength of national cultural differences within Europe. This section tests the hypothesis that *language is an important contributor to national cultural differences within Europe*. We use *EUCUDI* as our dependent and *COMLANG* and *IMPELASK* as our predictor variables⁶⁵. This reflects our belief that the importance of language abilities and similarities can explain the variance in the level of national cultural differences. As in the previous section, we are using optimal scaling and the CATREG function for this regression analysis as explained in Chapter 3, as we are again dealing with ordinal data. Our regression analysis yields the following results:

Table 5.2 Regression Analysis Results

Measure	Result	Significance
R ²	0.168	
Adjusted R ²	0.114	
One-way ANOVA	F (3; 46) = 3.103; p< 0.05	Significant beyond 5% level

The F statistic’s significance beyond 5%, reflects the importance of language to people who work internationally and to ICA success (Buckley et al., 2005; Freely and Harzing, 2003). It is significant in respect to working internationally. This is not surprising, as 92% of respondents suggested that a common language evokes the feeling of cultural

⁶⁵ See Appendix 1 for variable description.

closeness. Furthermore, Buckley et al. (2005) state that language is an important piece of the culture puzzle. We believe this might be explained as follows: Language is an obvious, but also expected difference between countries. Individuals who privately or professionally reside in a foreign country or who have acquired language proficiency tend to feel more at ease, if they easily understand and communicate with the nationals around them (Freely and Harzing, 2003; Kramsch and Widdowson, 1998). The influence of national language does not go beyond this stage and real cultural differences or similarities are independent of the language spoken. However, findings may be influenced by limitations in the measurement of language influence throughout different integration stages.

When companies consider international operations, language is nevertheless a considerable issue that is too often underestimated (Freely and Harzing, 2003). A common language, whether national or *franca*, increases the ease with which employees behave and act within the work place and reduce communication lag (92% of respondents; Freely and Harzing, 2003). It is an important strategic, training and HR issue to think about. Companies should spend a reasonable amount of their training budget on educating their international workforce in languages, at least in English, beyond basic knowledge or follow a recruitment policy in which language abilities are seen as a prerequisite for employment (Freely and Harzing, 2003). This is particularly important as 80% of questionnaire respondents believe that native speakers have an advantage over non-native speakers in ICA negotiations. According to our interviews, this advantage decreases as the non-native speaker's language abilities increase. However, one requires a very high language proficiency to fully eliminate the disadvantages (Freely and Harzing, 2003). The quantitative results are weaker than the field study and the literature suggested. Throughout our interviews, language was named as a major contributor to national cultural differences and as an important factor in ICA success and ease. We validate our language findings again in our case studies in Chapter 6.

We now investigate the importance of local language knowledge in different European countries due to the importance of language barriers in international business. To this end, we employ MDS and geographical Mapping as explained in chapter 3. Following our interviews and the differences that have become apparent between countries' language behaviours, we expect strong variations in the way language is perceived and acceptance.

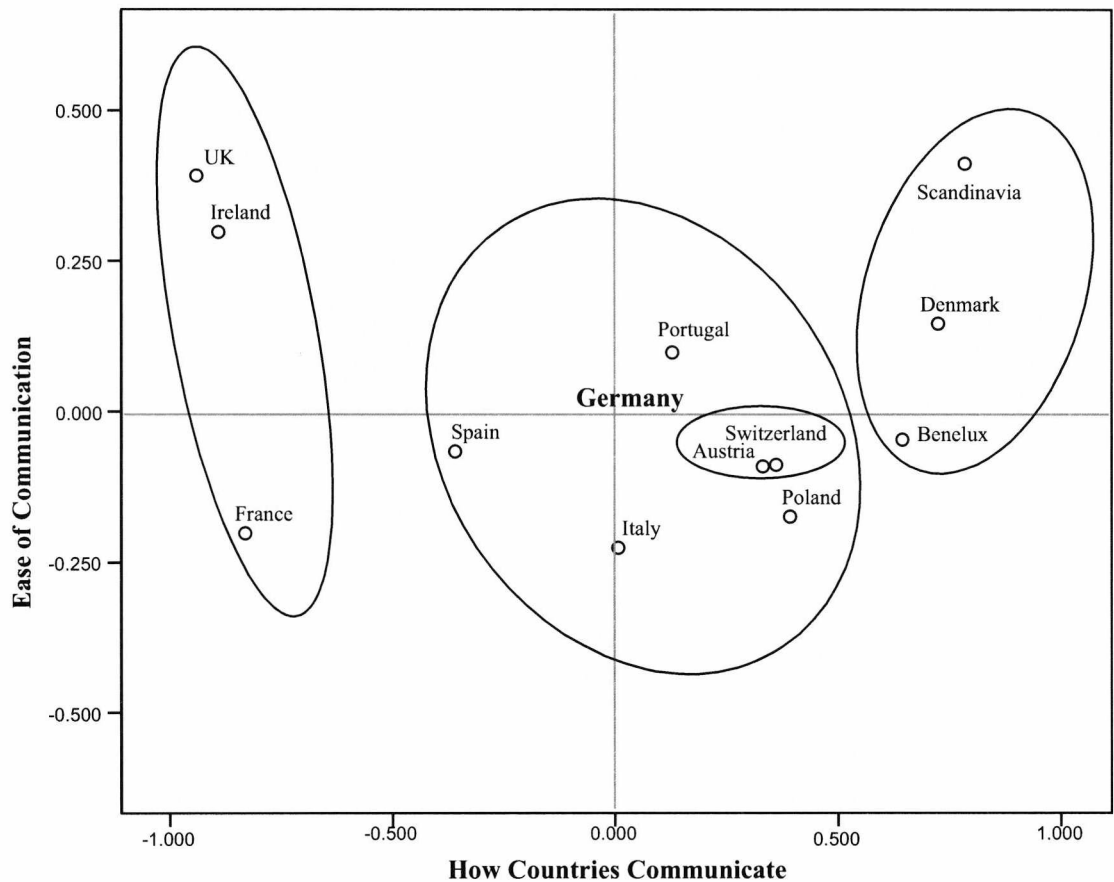
Our interview findings show that countries vary greatly in firstly, their acceptance of foreign language use, secondly, their willingness and capabilities to speak another language and thirdly, their expectation of language proficiency in non-native speakers.

We use the following variables to compare the need to speak the local or a general business language in different European countries: *ImLanIre*; *ImLanUK*; *ImLanFra*; *ImLanBlx*; *ImLanSpa*; *ImLanPor*; *ImLanIta*; *ImLanSca*; *ImLanAus*; *ImLanSwi*; *ImLanPol*; *ImLanDen*⁶⁶. These variables ask respondents to judge the importance of local language knowledge in European countries with current company operations. We asked respondents to judge the importance of speaking the local language on a 6-point Likert scale from 3-8, with 3 denoting *negligible* and 8 denoting *very important*.

As previously, we look at the Stress I measure, to determine the level of dimensions retained for analysis. The error term is again very good with 1.95% at three dimensions, showing a good model fit (Appendix 6 – A.9, A.10, A.11 and A.12). We hence continue the analysis with three dimensions.

⁶⁶ See Appendix 1 for variable description

Diagram 5.12 Languages within Europe



From the previous MDS map, we see that there are substantial differences between European countries in the need to speak their national language. Dimension 1 represents *How Countries Communicate* with others. Towards the left, countries expect others to converse in their national language. UK companies, for example, expect others to speak English with over 1/3 of companies using English exclusively (Metcalf, 1991). French companies, as reported repeatedly within our interviews, often make a point of speaking and negotiating in French only.

Countries on the right hand side of the vertical axis tend to speak the other side's language e.g. a company in the interviews that was taken over by a Swedish parent experienced the Swedish employees involved to speak German. Countries located towards the middle may be most likely to converse in a common business language whereas countries located towards the left-hand quadrants will rely on their counterparts speaking their national language.

Dimension 2 represents the German point of view regarding the ease with which language communication in other countries takes place regardless of the language used. We call this dimension *Ease of Communication*. We draw this conclusion using insights from our interviews. The UK and Ireland, for example, are often seen as easy to communicate with, as most people have a basic understanding of English. Throughout our field study, respondents commented that despite the lack of advanced English skills, most employees working internationally “get by”, which makes language communication with companies from the UK and Ireland comparatively simple.

French, Italian and Polish on the other hand are languages that are either inconsistently taught in German schools or difficult to learn for native German speakers. Varying pronunciations and difficulty or reluctance to speak a common business language can render communication, even in a common language, between German companies and enterprises from countries in the bottom quadrants more difficult.

It is also interesting that, except for the English speaking countries, there appears to be a linear North-South divide between European countries, indicating that Southern cultures are more likely to be language ethnocentric and more difficult to communicate with for German companies than Northern ones. We draw this conclusion as firstly, the Northern European countries are mainly situated towards the middle to right hand side of Dimension 1, showing that they are either communicating in English or German with the German company, whereas *Latin* European countries appear more likely to use their own language exclusively. Secondly, the Northern countries are more commonly situated within the positive quadrants of Dimension 2, representing easier communication with German firms. This is consistent with field study answers.

A majority of interviewees commented that even though language rarely leads to ICA failure, it could substantially increase cost and time and reduce employee satisfaction and motivation. A company active within the European market should be aware of language behaviour differences and problems on several levels and increase language education budgets or recruitment strategies. Firstly, if a company or country emphasises the use of its own language, employees that are fluent in both written and spoken communication are important. Furthermore, if there are difficulties in communication, additional care and time should be invested to ensure negotiations are favourable, all sides have a common understanding and that the “Chinese whisper” syndrome of losing meaning along the way is reduced to avoid misunderstandings and future misconceptions.

As previously, we have created clusters using the SPSS dendrogram. We divide the variables in four clusters, accepting Austria's and Switzerland's unique position. On the one hand, Switzerland is made up of three official languages, German (Swiss German), French and Italian. This could suggest Switzerland to be open to using different languages. However, questionnaire and interview evidence suggests that Switzerland is very particular in their languages use.

On the other hand, Austria's national language is German, but it is subject to a strong regional variation, evident in the accent and different vocabulary. Several interviewees in Chapter 4 commented on these German-Austrian language differences and on Austria's particularity in the use of German. Speaking German in both Austria and the German-speaking part of Switzerland, but particularly in the latter, is less straightforward than it may seem. Both regions put great emphasis on using their regional dialect and may use this to gain negotiation advantages or exclude other non-dialect speakers from a conversation. Cluster 1, including Austria and Switzerland, depicts countries that use "Germanic Variations". As we refrained from asking about Germany's language behaviour due to the German background of most respondents and the resulting bias, Germany is only included as a geographical centre in the map. It does not feature in any cluster. However, from interview responses it is believed that Germany would be most likely to be closest in its language behaviour to countries situated close to Cluster 3. We reach this conclusion as all interviewees have stated that most business communication takes place in English and that an understanding of German by foreigners is not commonly expected.

Cluster 2, including Scandinavia, Denmark and the Benelux countries, are "open to non-national languages". Countries within this cluster display a high expectance of people not speaking the local language because firstly, languages spoken in Cluster 2 countries are not taught widely in other European countries and it is necessary to accept the use of other languages; secondly, as these countries have comparatively small populations, their languages are spoken by less people and a dominance of other languages is inevitable; thirdly, countries in Cluster 2 display a high level of foreign language proficiency (Hoffman, 2000) and are also less likely to translate films or movies (Luey, 2001). This leads to populations that are better at speaking foreign languages and more at ease in conversing in them.

Cluster 3 includes predominantly Southern European countries e.g. Portugal, Italy and Spain with high national pride levels (*Note Poland has a unique position here*) who prefer foreign companies and individuals to speak their national language. This appeals to their sense of pride. However, Southern European languages are not taught as frequently as French, German or English (www.ebslondon, 2008) and these countries may not have any other choice but to accept a *lingua franca* or speak themselves the language of their business partner.

Cluster 4 includes the countries with the highest need to speak the countries' national languages e.g. the UK, Ireland and France. France is widely known for its reluctance to accept foreign languages, attributable partly to its high level of national pride. This became evident throughout most interviews and is strengthened by French language protection laws (Machill, 1997). Several interviewees noted that despite the extensive language education within the French schooling system, an emphasis on written, rather than spoken language is evident and individuals are less likely to feel at ease speaking a foreign language. As a result, building personal and professional networks and negotiating with a French partner can be difficult and employees with specific French language abilities should be sought to ensure good communication.

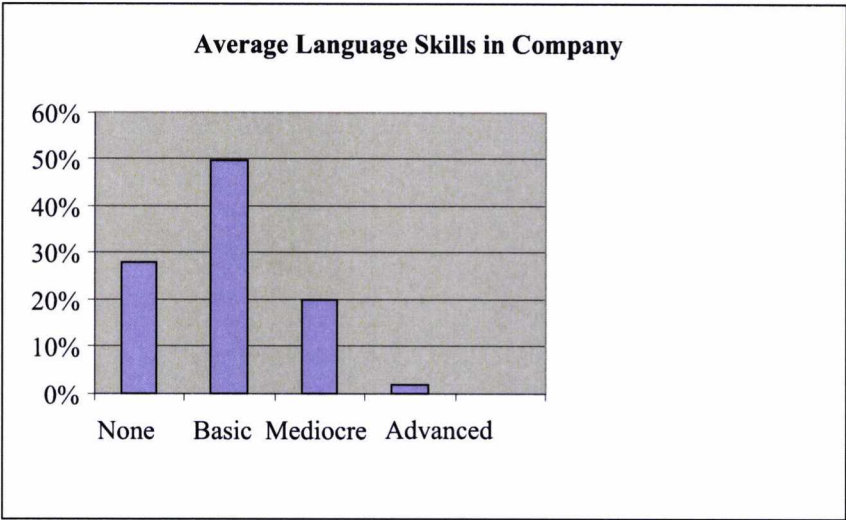
The UK and Ireland find themselves in the same cluster with France, but we strongly believe, for different reasons. English is the business language of choice (Seidlhofer, 2001). 74% of our questionnaire respondents believed that it is vital to have a good knowledge of a common business language.

Consequently, there is little need for any English-speaking country/company within Europe to put forward large resources for language education. Furthermore, English-speaking companies may gain business advantages in negotiations and ventures where English is chosen as business language. The interviews and 80% of questionnaires highlighted that native speakers may have an advantage over non-native speakers as they are able to dominate negotiations and express facts more easily in their favour. This may result in undesired decisions and negotiation results and can hinder or impede strategic decisions.

Within the German Telecommunications industry, there are major discrepancies between the awareness of the importance of language skills and the level of companies' language skills. The majority of questionnaire respondents only rated average language

skills in their companies as basic (Diagram 5.9), also reflecting the experience of our interviewees. However, as stated previously, a majority of people questioned believe that good language skills are vital in international business situations. This indicates a substantial skills gap within the industry. Companies should increase the level of importance placed on language skills during the recruitment process and offer language courses to improve internal language skills.

Diagram 5.9 Average Language Skills in Respondent’s Companies



Feely and Harzing (2003) offer several strategies to cope with language differences in international business, all of which are a combination of cost, practicality and ease. Companies need to decide which of these factors is of most importance in any given international encounter. The importance placed on language as part of cultural differences and its effect on ICAs represents an important managerial implication of this study.

Summarising our findings, we cannot reject H_{4a} and H_{4b} . language is an important contributor to national cultural differences within Europe. We accept the important implications that language differences have on international business and employees. We also clearly show that the level of language skills does not match up with the level of language proficiency required for ICA success and ease. We triangulate the influence of language differences in Chapter 6, using empirical case studies.

Part One dealt with our analysis related to cultural differences in Europe. We test hypotheses $H_{1a} - H_{4b}$. All hypotheses could not be rejected.

In Part Two, we discuss our findings regarding the influence of culture and of specific management/organisational strategies and characteristics on ICA success. In the following section we test hypotheses H_{1c} , H_{1d} and $H_5 - H_8$. As previously, this section is structured according to different level of analysis i.e. corporate, departmental and individual levels.

5.2 Results and Discussion: Part Two - Company Strategies: The Cultural Dimension to Successful ICAs

5.2.1 Introduction

We now investigate the consequences of national culture for ICAs. Sections 5.2.2 –5.2.3 use the company as their unit of analysis. Section 5.2.4 looks at the departmental level and finally, section 5.2.5 investigates the impact of national cultural differences on the individual level. We investigate management strategies to deal with national cultural differences and patterns that increase or limit ICA success potential. The first section looks at the general cultural consequences for ICAs.

5.2.2 The Effect of Cultural Differences on ICAs

In this section, we aim to investigate whether culture effects can be positive or negative for ICAs and which strategies can be employed to achieve competitive advantage through cultural differences. We test H_{1b-1c} , stating that *national cultural differences affect ICA success negatively by creating complexity and positively by creating competitive advantage*; H_{5a} stating that *employee training, experience and communication increase ICA success*; H_{5b} stating that *partner attributes and a common working and communication style determines ICA success*; H_{5c} stating that *effective top team synergies increase ICA success*; H_{6a} stating that *the adaptation of ICA management strategies according to CA type increases ICA success*; and H_{6b} stating *the adaptation of ICA management strategies to host or partner country characteristics increases ICA success*; H_{7a} stating that *the effect of cultural differences at departmental level depends on department focus and technology* and H_{7b} stating that *ICA success depends on adapting management strategies according to department focus and technology*; H_8 stating that *international employees that increase ICA success possess business, cultural and international communication skills..* To this end we perform a PCA using optimal scaling as explained in 3.4.2.3. We use the following variables for this analysis: *EuCuDi*; *CuDiChal*; *PridLev*, *CuDiCrea*; *IntCACom*; *CuDiPos*; *CuDifNeg*. 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 effect on

international business⁶⁷. This allows judgment about the consequences of national cultural differences on ICAs.

Brown et al. (1989) declare that national cultural differences influence all areas of business. 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 business. These are also the only two dimensions with an Eigenvalue of above 1 (Table 5.3). 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. 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. “High” loadings have been highlighted in Table 5.4.

Table 5.3 Variance

Dimension	Variance Accounted For	
	Total (Eigenvalue)	% of Variance
1	2.827	40.384
2	1.619	23.123
Total	4.446	63.507

Table 5.4 Component Loadings

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

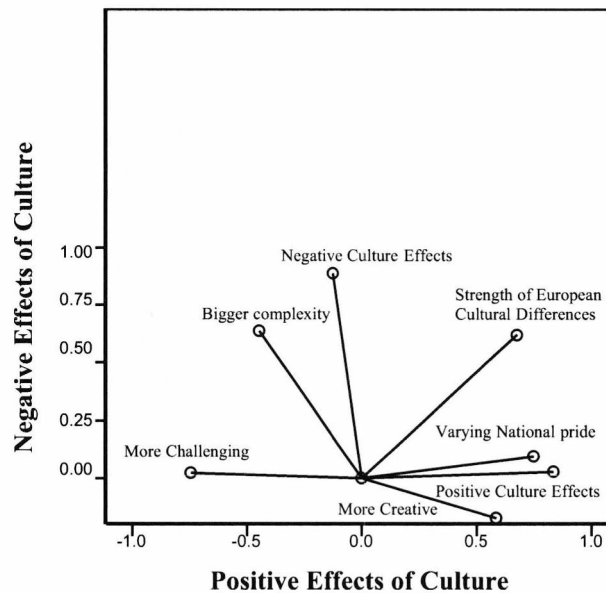
⁶⁷ See Appendix 1 for variable description.

Drawing on the previous component loadings, we define Dimension 1 as the *Positive Effects of Cultural Differences* and Dimension 2 as the *Negative Effects of Cultural Differences*.

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 negative effects (See Shenkar and Zeira, 1992; Woodcock and Geringer, 1991). The negligence of positive effects leads to an inadequate use of culturally rooted competitive advantages (For example, Shenkar and Zeira, 1992; Morosini et al., 1998; Schneider and Barsoux, 1997: 7). 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. 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 networking and face-to-face communication could reduce any negative cultural impact.

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. This is particularly important when it comes to large and complex ICAs. Secondly, companies should be thriving to increase the positive benefits stemming from this diversity. This is particularly relevant in terms of creative work such as idea generation, product design and marketing. Diagram 5.10 depicts how the variables associated with the effect of cultural differences influence international business. The vectors indicate the development of each variable along the two dimensions.

Diagram 5.10 Component Loading of Cultural Variables



The previous diagram clearly depicts both positive and negative effects of culture. This is shown by the use of negative and positive values on the X-axis. It further suggests that, to increase ICA success potential, companies need to reduce negative effects and nurture positive attributes through effective management. An incremental change in variables associated with positive culture effects has a substantial positive impact on the venture.

Following the above analysis, we conclude that we cannot reject H_{1b} and H_{1c} . National cultural differences significantly affect ICA success negatively by creating complexity and positively by creating competitive advantage. However, evaluating the strength of this relationship and country-specific characteristics is beyond the scope of this study and should be carried out in later research projects. Our findings about the relevance of cultural differences along a positive and a negative dimension confirms previous literature findings (e.g. Morosini et al, 1998).

The following section now tests which corporate measures and attributes can be used and developed to help companies increase the positive and reduce the negative cultural influences and gain cultural competitive advantage.

5.2.3 Cultural Consequences for ICAs' Corporate Strategies

We now investigate which corporate measures and attributes are most important in reducing any negative cultural implications and increase the competitive cultural advantage gained from ICAs. In this section we test H_{5a} stating that *employee training, experience and communication increase ICA success*; H_{5b} stating that *Partner attributes and a common working and communication style determines ICA success*; and H_{5c} stating that *effective top team synergies increase ICA success*.

We again perform a PCA, using the variables below. All examined variables reflect questions regarding the importance of company strategies and corporate attributes for ICA success and ease: *CuDiStan*; *CuDiLang*; *CuDiWkSh*; *CuDiMent*; *CuDiAbro*; *CuDiteam*; *CuDiPres*; *CuDiLbyD*; *ImBizLan*; *ImComAge*; *ImOpProc*; *ImStrCul*; *ImTopMan*; *ImEmpMot*; *ImIntExp*; *ImComSiz*; *ImSimSiz*; *ImExpPa*; *ImKindCA*; *ImTTSyny*; *ImCommEm*; *ImCuTrAw*; *ImIntegr*; *ImEqualy*; *ImComple*⁶⁸. All above variables are ordinal and measured on a 6- or 7-Point Likert scale from 3-8 (2-8), with 1 denoting *counterproductive*, 3 denoting *negligible* and 8 denoting *very important*.

As discussed previously, we use the Kaiser's criterion to decide how many dimensions should be retained for analysis. There are seven dimensions with an Eigenvalue of above one. However, as the first four dimensions account for already 63% of the variance experienced (Table 5.5) we choose to limit our analysis to those components.

This is also justified when visually examining the scree plot A the first four dimensions are clearly situated before the flattening of the curve. As the first four dimensions explain nearly 2/3 of the variation, we believe that the most important part of the "story" can be told using only those for the analysis.

Table 5.5 Eigenvalues

Dimension	Variance Accounted For	
	Total (Eigenvalue)	% of Variance
1	5.642	22.568
2	4.021	16.082
3	3.068	12.273
4	3.012	12.048
Total	15.743	62.972

⁶⁸ See Appendix 1 for variable descriptions.

The following table reflects which particular variables explain each retained principal component. The variables with the highest positive or negative component loading per dimension are the most pertinent for their explanation. As per Table 5.4, we have highlighted all “high” loadings of 0.5 and above in bold letters.

Table 5.15 Component Loadings

Variables	Dimensions			
	1	2	3	4
<i>Importance of:</i>				
Standardised operations	.546	-.164	.379	-.289
Language courses	.878	.088	-.305	-.261
Cultural workshops	.621	.338	-.233	-.271
Mentoring	.712	.093	-.206	-.204
Work placements abroad	-.063	.634	-.204	-.079
Multicultural teams	-.328	.432	.276	-.178
Standardised reporting and presentation	.787	.146	.230	.325
Learning by doing	-.223	.389	.270	.040
Good knowledge of common business language	.107	-.119	.823	-.396
Company age for international success (older is better)	-.103	.509	.036	-.344
Company openness towards new ways of doing things	.002	.598	.098	-.218
Strong corporate culture	.182	.410	.285	.679
Top management attitude	.233	.389	.313	.720
Employee motivation	.201	.595	.091	.419
Importance of international experience	.090	.423	.186	.473
Importance of company size (bigger is better)	.899	.068	-.260	-.256
Similar size and position	.642	-.122	.406	.153
International experience of all parties	.105	-.140	.792	-.406
Type of collaboration	-.626	-.109	-.081	-.304
Top team synergies	.020	.642	.167	-.296
Staff communication	-.373	.635	-.147	-.028
Cultural awareness and training	.878	.088	-.305	-.261
Level of integration (higher is better)	-.083	.741	.014	-.363
Equality of partners	.221	-.226	.745	-.149
Complementary partners	-.387	.381	.129	-.493

We show four dominant dimensions regarding a company’s internal strategies and its corporate attributes that explain a large proportion of variance in ICA success and ease. From the factor loadings analysis, we define the retained components as follows.

Dimension 1 explains almost a quarter of the experienced variance and can be described as *Training and Partner Similarity*. It is mainly associated with variables concerned with employee communication and the preparation of employees for the international task such as importance of standardised communication methods but not necessarily operations, importance of language training and cultural awareness, cultural workshops and mentoring. This supports Herrmann (2005) stating that training is important for future performance. We also find a high association to attributes concerning partner similarity and company size. This includes variables related to the following assumptions: firstly, bigger companies have fewer problems through cultural differences; secondly, the ICA type companies use in any one situation can influence its success; finally, the similarity in partner size and company position within home markets can influence the ICAs' success and strategies.

This dimension shows clearly that the effects of national cultural differences can be reduced using both cultural and language training, mentoring and standardised communication formats. It also states that bigger companies experience fewer problems through cultural diversity, similarly to Oh (1996) who stated that larger company have flexibility and freedom in their CA type choice. This enables firms to choose the ICA type they are most comfortable with and that yields the best combination of reduced conflicts, risks and profit. Our findings also reflect the ability of larger cooperations to implement more substantial training and development budgets. Furthermore, similar companies have an advantage over substantially different ones. Hambrick et al. (1996) argue that similar partners forgo a large cognitive learning potential, but at the same time suffer less from communication breakdowns and integration difficulties than CAs with substantially different partners. Similar company sizes command similar processes and standards - integration and communication may be easier. It also appears that the type of CA strongly determines how efficient cultural training and development is. For example, the interviews have shown a clear distinction between attitudes in IJVs and in acquisitions. The latter requires a more sensitive approach to avoid target resistance whereas the former requires compromise and understanding on both sides as no one partner fully dictates procedures and operations.

We define Dimension 2, explaining over 16% of variance, as *Staff Integration and Working Together*. It includes staff level variables such as concern for staff

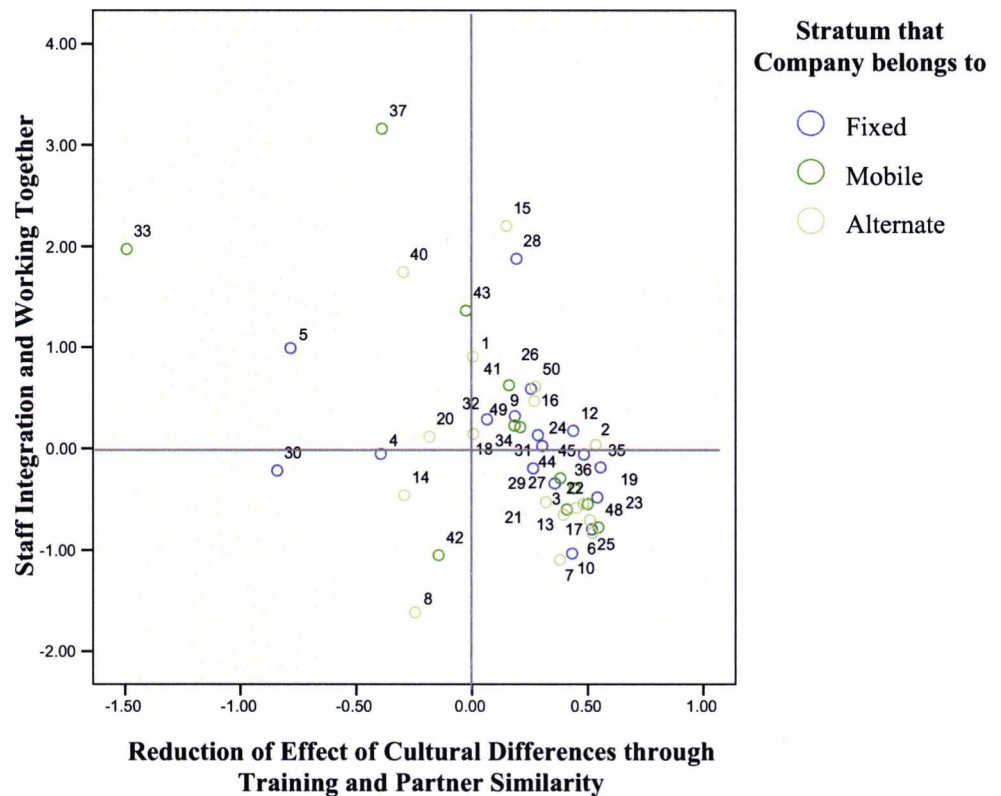
communication, the level of integration and work placements abroad but also realises the importance of top team synergies. This dimension describes the fact that good staff communication, a high level of integration between employees and offering employees the possibility of gaining international experience abroad can be advantageous to their commitment and motivation and hence to ICA success. Killing (1982) also cites staff motivation as an important part of IJV success. Furthermore, positive top team synergies can create an ICA atmosphere that is conducive to the creation of competitive advantage from national cultural differences (See Kanter, 1994; Al-Khalifa and Eggert Peterson, 1999).

Dimension 3 includes variables relating to international experience, language skills and partner equality. It is defined as the *Understanding of ICA and Partner Equality* and refers to the importance of being able to communicate with an equal partner in a common language and using existing experience and capabilities to gain more benefits from the ICA. However, equality is not as straightforward as it appears. Our respondents often referred to it as counter-productive as neither partner is in a decision-making position.

Finally, we believe Dimension 4, *Corporate Attitude*, summarises a company's top team attitude and the parent company's corporate culture. It agrees with Pothukuchi et al. (2002), who state that the effects of national and corporate culture need to be considered in combination. If the corporate culture is contrary to believes and values carried in the host country, integration and successful business is difficult. In our analysis, corporate culture is used to manage national cultural differences. However, one could argue that the right corporate attitude is also needed to deal with differences in corporate culture. It, therefore, appears that the relationship and influence of both kinds of culture cannot be completely separated and our model from Chapter 4 bridges this gap.

The following diagrams show a visual representation of each of the respondents on the four dimensions created in this PCA. We choose to represent the combinations of variables that are most interesting visually. These diagrams allow a visual recognition of possible trends, relationships or issues. Outliers have been removed to make the graphical representation more meaningful and easier to interpret. We do not believe that this has altered our findings.

Diagram 5.11 Representation of Company Measures and Attributes by Dimensions 1 and 2⁶⁹



The previous diagram clearly shows that the majority of cases are situated in the bottom right quadrant of the diagram. Respondents attached more importance to *partner similarity and employee training* than to *staff integration* in order to reduce negative culture effects. This may also reflect the feeling that employees within the parent companies need to be prepared prior to any venture, which was also expressed in the interviews though opinions varied in terms of the success of prior preparation. There is no real pattern in terms of strata, reflecting that the importance of these components is not stratum dependent.

⁶⁹ Outliers 38 and 39 have been removed.

Diagram 5.12 Representation of Company Measures and Attributes by Dimensions 2 and 3⁷⁰

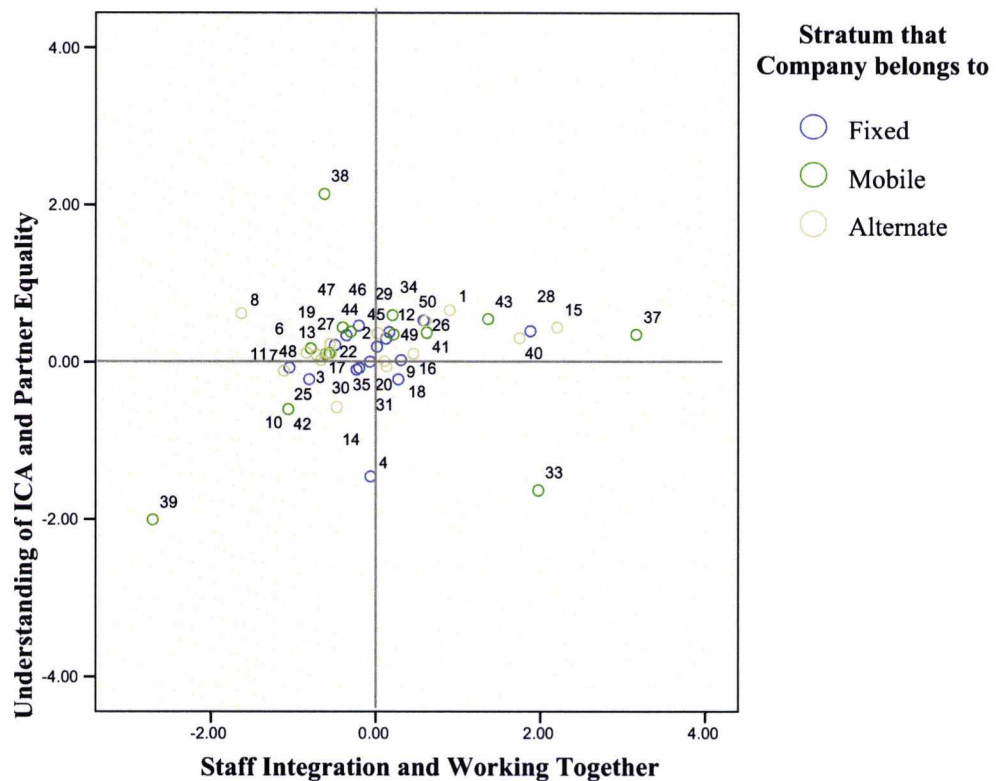


Diagram 5.12 represents Dimensions 2 and 3. The majority of cases is situated towards the middle left of the diagram. Again, a distinction between the strata seems irrelevant. It is worth pointing out that all extreme cases, namely 39, 33, 37 and 38 are from mobile companies. This may suggest a larger variance in terms of international experience within this sector. Similar to Diagram 5.11, it appears that a higher importance is placed on a company's *international competencies and partner issues* than *staff integration*. It is imaginable that because our respondents were mainly employees, *staff integration*, though important, also includes an element of uncertainty as this may mean losing or changing one's position or even location within the company. This may explain why other factors deemed more important.

⁷⁰ Outlier 5 has been removed.

Diagram 5.13 Representation of Company Measures and Attributes by Dimensions 1 and 4⁷¹

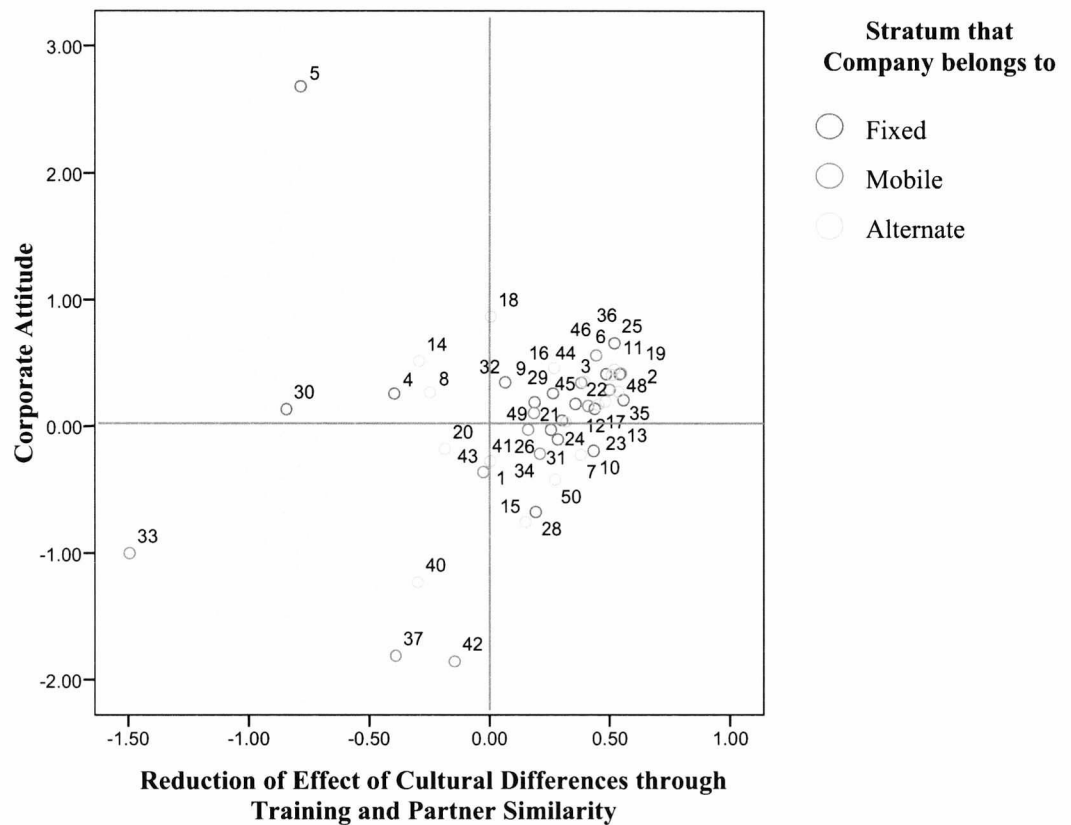


Diagram 5.13 represents Dimensions 4 and 1. A high percentage of respondents are located towards the middle right of the diagram, suggesting a higher importance of *training and partner similarity* than *corporate attitude*. However, it is interesting that *corporate attitude* appears more important in the fixed stratum, with no respondent from this sector attaching a low rating to this component. This may be due to the size of companies often attached to this stratum. The fixed telecommunications sector incorporates former incumbents and their suppliers. In larger companies, bureaucracy is more common and renders corporate attitude and culture stronger and hence of more importance.

Furthermore, the highest rating for *corporate attitude* comes from a small consultancy company within the fixed sector. The respondent here had great experience with large fixed sector cooperations. Case 5, out of consultancy i.e. third person experience, attaches a very high rating to corporate attitude. The lowest rating for

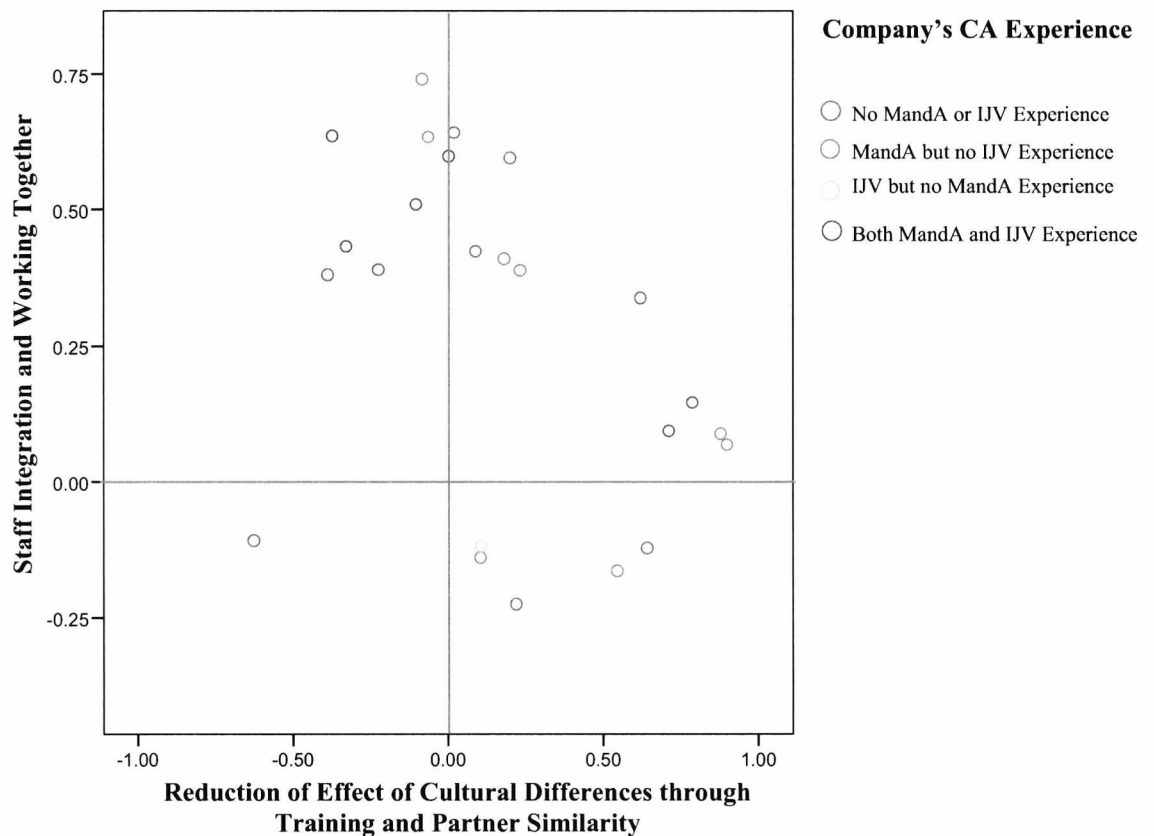
⁷¹ Outliers 38 and 39 have been removed.

corporate attitudes come from mobile sector respondents, indicating that the youth of the industry may have led to companies being more aware and open-minded towards international issues, therefore reducing the concerns for this dimension.

The organisation of internal company strategies along Dimensions 1-4 is unique. These dimensions could be used in order to assess companies' internal measures and attributes along these categories.

The following diagram again represents Dimension 1 and 2 as these are the most important components in this analysis but also influenced by the ICA type. We now investigate if there is a relationship between the ICA experiences of the company in terms of ICA types the company is engaged in.

Diagram 5.14 Representation of Company Measures and Attributes by Dimension 1 and 2 with reference to Companies' CA Experience



Interpreting Diagram 5.14, it appears that most companies with M&A and IJV experience attach a high importance to *staff integration* and *working together* and a relatively low importance to *training and partner similarity*. Companies with both types of ICA experience tend to be bigger and may be able to acquire locally adaptive companies so that training needs are reduced.

Companies with only M&A experience show a higher concern for *training and partner similarity* but a varied opinion regarding *staff integration*. It appears that companies either focus on one dimension or the other but do not attach high importance to both at the same time. This may indicate that successful staff integration reduces the need for training and vice versa. We investigate this issue in our case studies in Chapter 6. Furthermore, this could be the subject of future research. We do not represent the other dimensions in terms of the companies' ICA experience as they reveal no additional insight and the "story" is already told using Dimension 1 and 2.

The previous analysis leads to the following conclusions. We cannot reject $H_{5a} - H_{5c}$. Top team synergies as well as employee training, experience and appropriate communication increase ICA success. Furthermore, characteristics of the partner firms and a common working and communication style on all sides play an important role in shaping future ICA success. Company characteristics regarding resources and market positions have also been looked at by Dyer et al. (2004). However, there was no consideration for any cultural level inherent in their analysis and this is where our contribution lies. Previously we have shown that national culture can have positive or negative effects on an ICA's success. In this section we have also proven that corporate culture is important to achieve a successful collaboration.

Corporate Strategies for CA Success

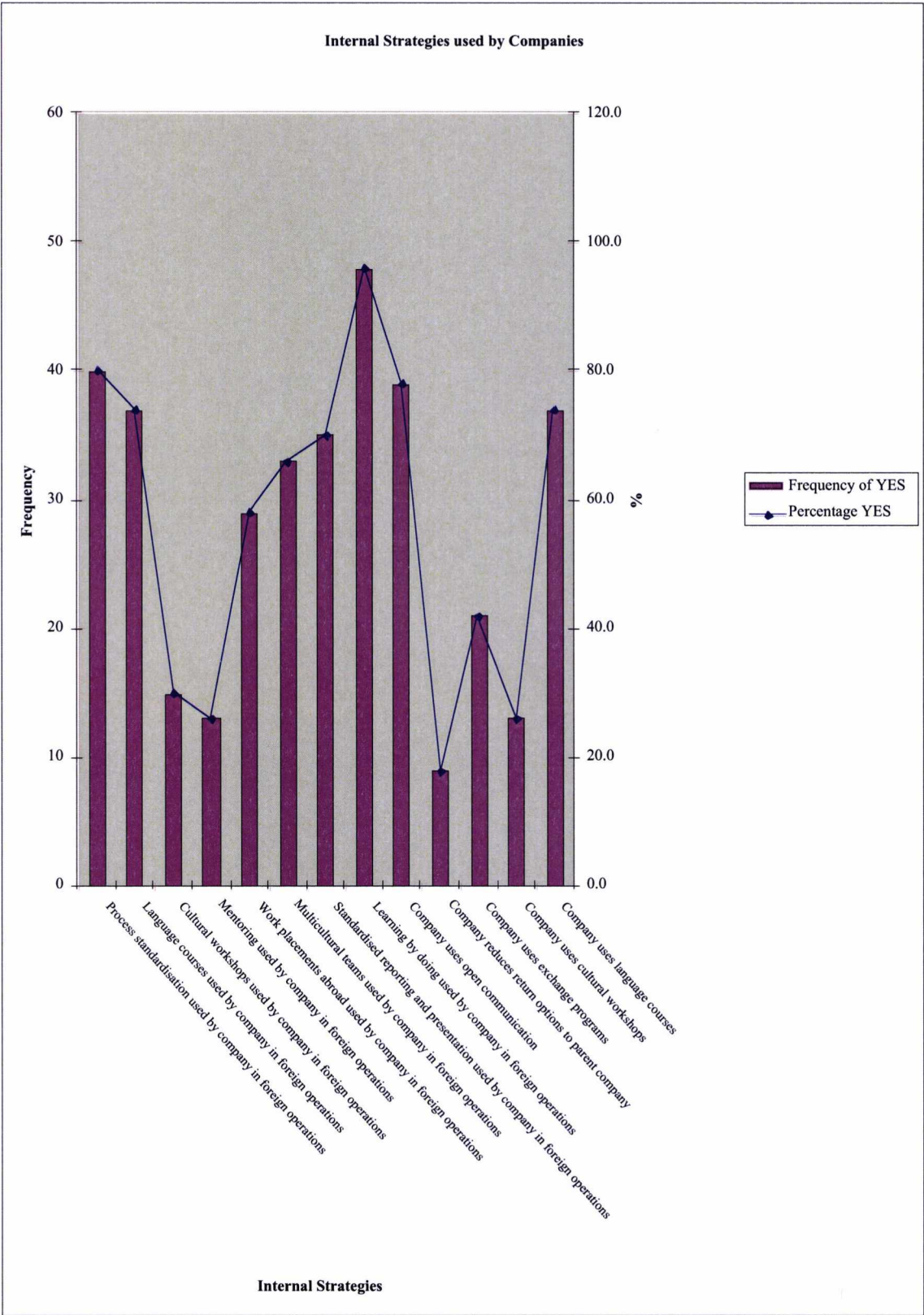
We now investigate internal strategies used. In this section, we test H_{6a} stating that *the adaptation of ICA management strategies according to CA type increases ICA success*; and H_{6b} stating that *the adaptation of ICA management strategies to host or partner country characteristics increases ICA success*. We firstly investigate strategies actually employed by the companies investigated and then conduct a MDS analysis and use

property fitting as explained in chapter 3 to plot the vectors of ICA success and ease measures. The vectors show the directions variables take on specific dimensions created through MSD. When plotted against the cases, one can draw conclusions to the influence of certain measures or characteristics. To conduct an overall descriptive analysis and for the MDS, the following variables were used: *CuDiStaF*; *CuDiLanF*; *CuDiWkSF*; *CuDiMenF*; *CuDiAbrF*; *CuDiteaF*; *CuDiPreF*; *CuDiLbyF*; *FiComEBC*; *FiRedEBC*; *FiExcEBC*; *FiWoSEBC*; *FiLaCEBC*. All these variables are a dichotomy and take the values *yes* or *no*.

Diagram 5.15 shows the frequency and percentage of respondents stating that their company uses a particular internal strategy. Throughout section 5.2.3, our analysis shows that the most important internal company strategies with regard to gaining cultural competitive advantage are: staff communication, language and cultural training and options to gain international experience abroad. Our findings in Diagram 5.15 suggest that companies appear to be aware of the importance of communication and training. 78% of respondents feel that their company used open staff communication. 74% state that language courses are offered. However, our interview findings further suggest that these language courses may be of little value, as the acquired language competencies are “too basic and lacking necessary repetition” (Interview 6; 9).

Furthermore, we find that only 30% of respondents who work internationally were actually offered cultural workshops. Again, several interviewees commented that, despite cultural preparation being important, workshops are often “too superficial and ineffective” (Interview 15; 23). Work placements and employee exchange programs are used by 58% and 42% respectively.

Diagram 5.15 Internal Company Strategies Experienced by Respondent



To establish whether the use of specific internal strategies is related to ICA success, we perform a MDS and produce a statistical map using the variables described. We then use the newly found dimensions to carry out property fitting as explained in Chapter 3. This allows extrapolation of a specific internal strategy that influence ease or success potential in ICAs. We use the following variables to draw vectors into the map, thus showing the direction of specific variables within a two dimensional space: *JVEaseSB*; *JVEase50*; *JVEaseBB*; *JVEase2*; *JVSuccSB*; *JVSucc50*; *JVSuccBB*; *JVSucc2*; *EaseMerg*; *EaseAcqu*; *EaseAcBo*; *EaseMstA*; *EaseHTO*; *SuccMerg*; *SuccAcqu*; *SuccAcBo*; *SuccMstA*; *SuccHTO*. For the following dichotomous variables, i.e. qualitative variables of the form *yes* or *no*, a logistic regression calculation is performed: *JVGeneral*; *JVSmaBig*; *JV5050*; *JVTwoBig*; *JVTwo*; *Merger*; *Acquisit*; *Acqbough*; *MstepA*; *HoTkOver*⁷². Respondents were asked to measure success through market share and profit. These financial performance measures are accepted within the literature (Griffin and Mahon, 1997) and assumed to be known to most employees, at least in terms of general tendency. We were unable to ask for qualitative performance measures as these are only known to a limited extent. As described in Chapter 2, both qualitative and quantitative performance measures should be considered. Our assessment of ICA ease is a subjective qualitative measure following the continuous mentioning of this variable throughout the interviews. However, an investigation into further qualitative performance measures could be subject to future research.

We firstly calculate the Stress I measure but contrary to our previous analysis, the Stress I error term is only acceptable at five dimensions (See Appendix 6 – A.13) not adequate sat two or three dimensions. Ideally, the error term should be below 0.5, so we continue our investigation with five dimensions for the statistical calculation and represent sets of two dimensions at a time.

We use the 5 dimensions and present each questionnaire's response (Case) on the dimensions retained for analysis. The same company may be represented in several cases. We believe that this does not alter the findings, as respondents are from different departments in which training provisions and available information vary. The cases with the highest positive or negative component loading per dimension are the most pertinent for explanation. Hence, we look at those cases, find common denominators and find what

⁷² See Appendix 1 for variable description.

the dimension refers to. We use information about company characteristics and management measures given to us in the questionnaires. As per Table 5.6, we have highlighted all “high” loadings of 0.5 and above in bold letters.

Table 5.7 Internal Strategies Reported by Respondents on Five Dimensions

Dimension	1	2	3	4	5
Case 1	-.224	-.396	-.661	.318	-.080
Case 2	.314	-.276	-.219	-.184	.374
Case 3	.388	-.089	-.235	-.124	.011
Case 4	-.568	-.286	.270	.130	.064
Case 5	-.455	-.370	.543	.209	.082
Case 6	-.598	-.005	.041	-.243	.017
Case 7	.061	.298	-.363	-.202	.439
Case 8	.385	-.154	-.394	-.283	-.069
Case 9	-.442	.013	.035	.112	.112
Case 10	-.796	-.044	-.050	.212	-.248
Case 11	-.796	-.043	-.053	.211	-.250
Case 12	-.782	.030	.027	-.034	-.040
Case 13	-.782	.030	.027	-.034	-.041
Case 14	.147	-.068	-.019	-.145	-.216
Case 15	-.018	-.290	-.191	-.297	.040
Case 16	-.123	-.094	.398	-.055	.328
Case 17	-.038	.527	.187	-.015	.194
Case 18	.345	-.296	-.055	.039	.174
Case 19	.461	-.381	.276	.060	.197
Case 20	.063	-.030	.448	-.206	-.161
Case 21	-.353	.314	.044	-.605	-.059
Case 22	-.357	-.080	-.224	.315	-.412
Case 23	.810	.367	-.321	.228	-.377
Case 24	.147	-.067	-.017	-.146	-.215
Case 25	-.040	.679	-.076	-.148	.326
Case 26	.147	-.068	-.019	-.143	-.217
Case 27	.147	-.067	-.018	-.139	-.220
Case 28	-.446	.181	-.266	.253	.472
Case 29	.441	.198	-.244	-.040	.103
Case 30	.480	-.427	.130	.417	.070
Case 31	.461	-.378	.281	.065	.195
Case 32	.750	-.048	.351	-.038	-.130
Case 33	.633	.308	.395	.440	-.307
Case 34	.917	-.150	.216	-.347	-.470
Case 35	.052	-.194	-.156	.322	-.054
Case 36	.095	-.344	.255	.020	.190
Case 37	.345	-.298	-.055	.039	.172
Case 38	.153	.377	.688	.163	.187

Case 39	-.079	-.472	.019	-.518	-.142
Case 40	-.826	-.077	-.169	-.181	-.123
Case 41	.753	.399	-.085	.284	-.144
Case 42	.380	.393	-.310	.375	.187
Case 43	.356	.406	-.148	.054	.299
Case 44	-.334	.797	.123	-.101	-.179
Case 45	-.334	.798	.134	-.103	-.161
Case 46	.388	-.089	-.236	-.126	.009
Case 47	.391	-.087	-.230	-.130	.015
Case 48	-.394	-.102	.104	-.066	.288
Case 49	-.795	-.041	-.054	.211	-.251
Case 50	-.430	-.302	-.121	.176	.021

Using the above table, we are able to identify and name the first four dimensions. The fifth dimension remains unexplained and could be subject to investigation in future research. In our analysis, dimension 5 combines all unexplained variance and will not be further investigated. The remaining four dimensions were interpreted as follows:

We found Dimension 1, *Local vs. Global Attitude*, to be positively associated with companies which display a low regard for cultural considerations generally e.g. little interest in cultural and language training, employee preparation and local adaptation. This dimension is polarised and describes companies' attitudes towards either following a global or standardised strategy or a strategy that adapts to the local culture of the partner company or country with regard to work processes and communication.

We interpret Dimension 2 as *Integration vs. Understanding*. This dimension is polarised and positively associated with companies, which try and integrate communication styles. These companies favour diversity with all its associated management difficulties in order to utilise the positive cultural effects discussed earlier (Collett and Cook, 2000; IBM, 2007). At the other end of the spectrum are companies that are more concerned with understanding the other side but not integrate and hence follow a different, standardised HR strategy.

We define Dimension 3 as *Offering Employee Experience Abroad*. This dimension is positively related to companies using work placements and employee exchange programs in order to develop the international experience and competence of their employees.

We interpret Dimension 4 as *Lack of Communication Infrastructure*, the way in which companies behave towards their employees. It is positively related to companies that do not communicate openly with their employees. However, as employees in those institutions are badly informed, these companies also tend to allow their expatriates and international employees to return to their parent company. Companies who have non-return to parent company protocols in place tend to communicate openly with their workforce.

We now create diagrams using the MDS data and plot directional vectors indicating the direction of further variables related to the existence, ease and success of ICAs as explained previously, to comment on the relevance of specific internal strategies for ICA success. As described in 3.4.2.5, the vectors are calculated using the β 's from a regression analysis (See Appendix 6 – A.14 and A.15. for results). We only represent variables that are well explained through the established dimensions i.e. have an R^2 or Nagelkerke (logistic) R^2 of above 0.5. This indicates that the dimensions used in the regression equation can be used to explain a large percentage of variance within these variables. Other variables did not produce enough relevant data to calculate their vectors and were hence excluded from the analysis⁷³.

The dimensions created and their importance for variables related to ICA success and ease are an important contribution to the Strategic Management literature. They relate to research question two and specifically to Hypotheses 5a-6b. Following are the graphical representations of the vectors in two-dimensional spaces defined by pairs of the five dimensions.

⁷³ JVEase50; JVEaseBB; JVEase2; JVSucc50; JVSuccBB; JVSucc2; EaseMstA; EaseHTO; SuccMstA; SuccHTO; JVSmaBig; JV5050; JVTwoBig; JVTwo;; MstepA; HoTkOver

Diagram 5.16 Questionnaire Cases Represented on Dimensions 1-2⁷⁴

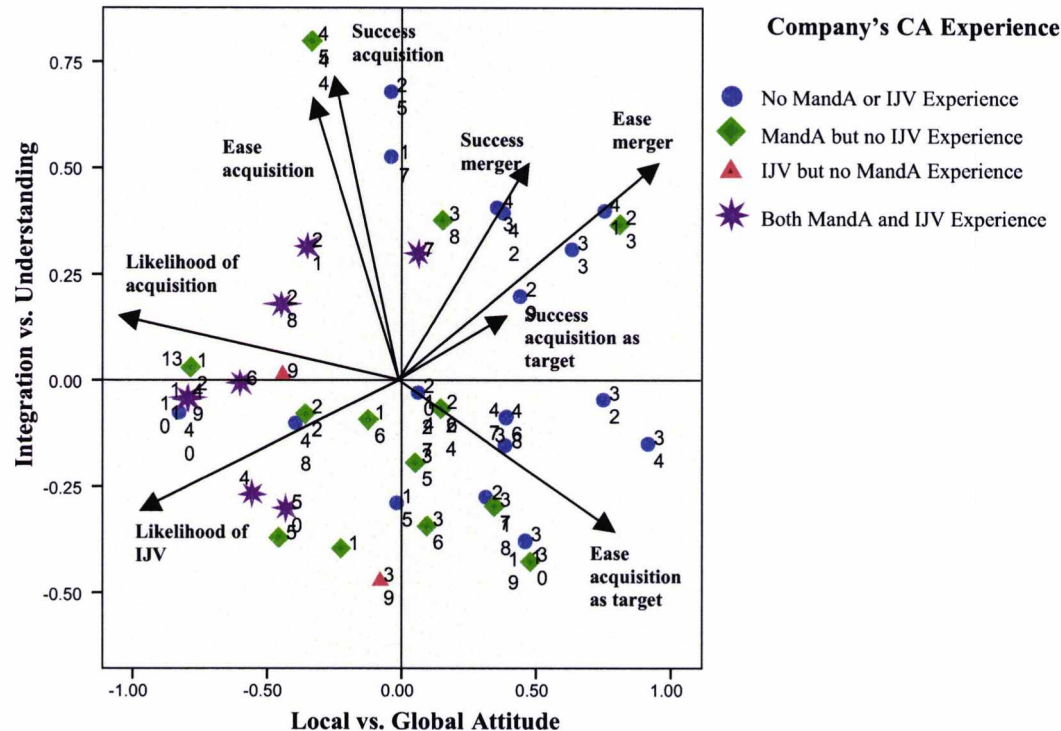
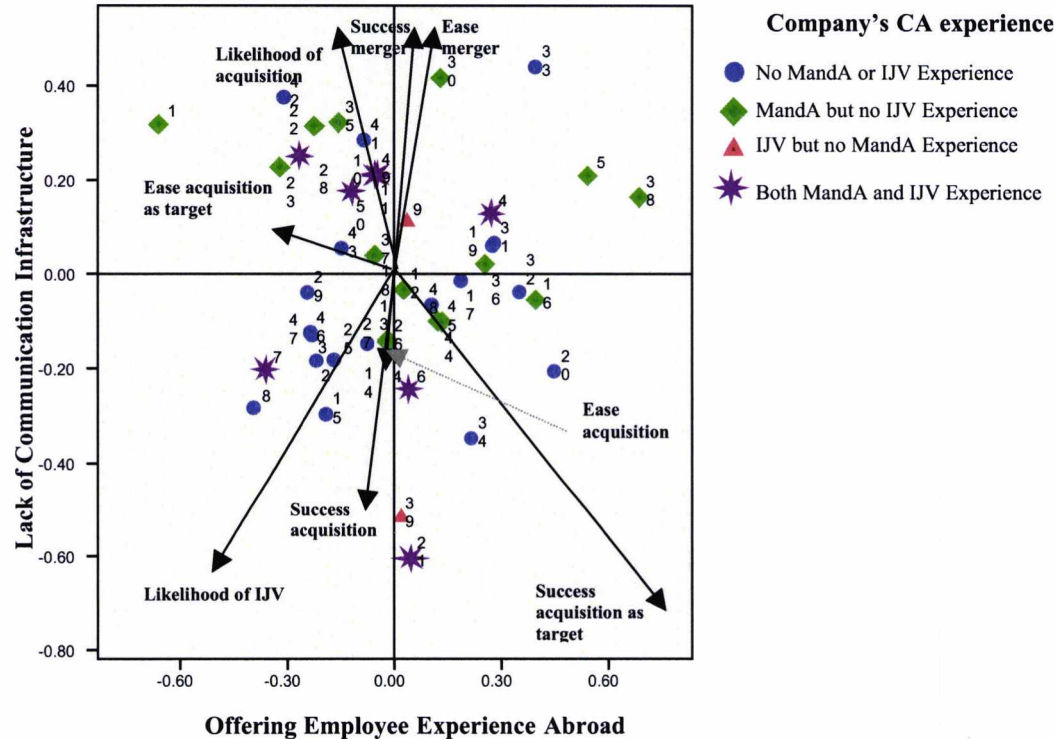


Diagram 5.17 Questionnaire Cases Represented on Dimensions 3-4



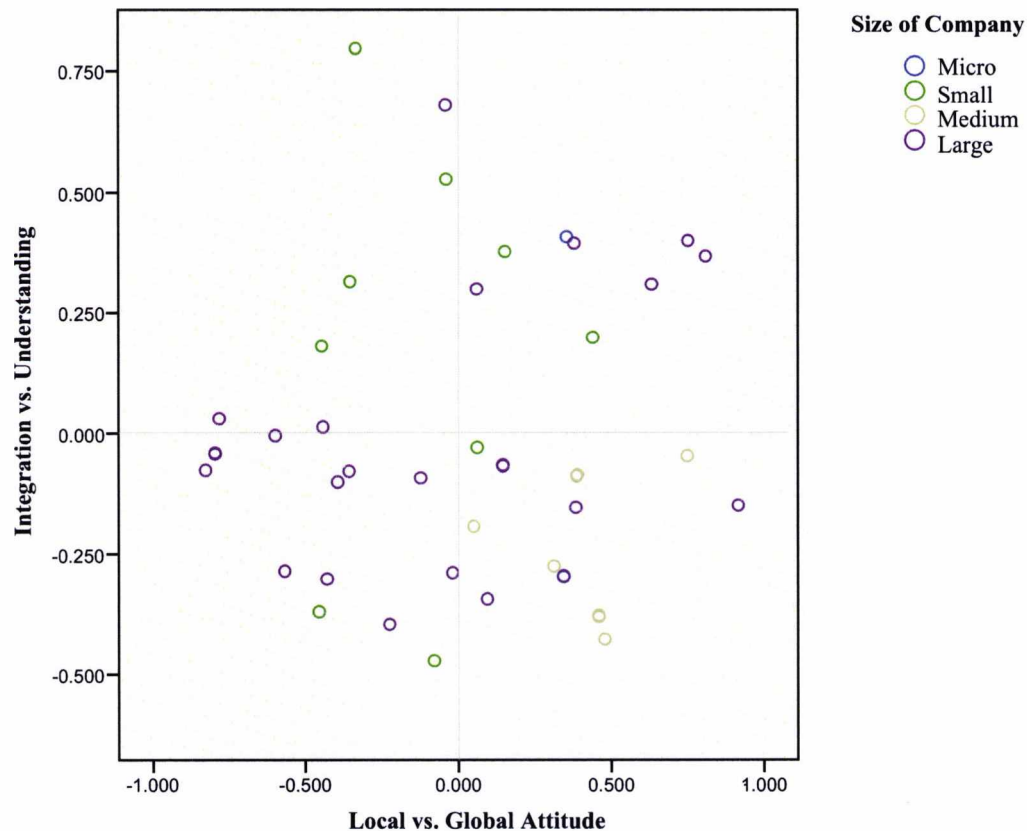
⁷⁴ Dimension 5 which includes all unexplained variance is not graphically represented

Through the use of statistical mapping and property fitting, we have been able to plot the directional vectors of variables relating to ease, success and general likelihood of taking part in ICA activities. There are no significant patterns relating to strata, however, the ICA type experience appears to influence companies' attitude. Companies with M&A and IJV experience appear to adapt locally. This may suggest that companies form ICA's with view of having local partners that understand the local markets. Internationally active companies without M&A and IJV experience operate using alliances, networks and partnerships and appear predominantly concerned with promoting standardised products and strategies.

Furthermore, company sizes influences companies' behaviour concerning *Local vs. Global* and *Integration vs. Understanding* (Diagram 5.18). Large companies seem to prefer integration, neglecting measures to understand cultural variations within their partners. This finding would reflect interview responses suggesting that large companies are the decision makers in ICAs. This is expected in terms of their economic strength, power and influence. However, this does not necessarily suggest a global approach. Large companies in our sample depict local and global attitudes to market development. There also appears to be no association between ICA type experience and company size, indication that CA type choice is not size dependent.

Furthermore, our findings indicate that small companies score highly on the understanding scale. This appears logical, as the lack of economic strength forces companies to adapt and compromise rather than dictate and integrate. Flexibility is generally associated with SMEs. Also, medium sized companies appear to strongly consider national cultural differences, but prefer integration. These companies may already have the economic background to integrate staff into their operations, but are more open-minded and tolerant towards other measures and procedures.

Diagram 5.18 Dimensions 1 and 2 by Size of Company



Using the interpretation of the four dimensions (Local vs. Global; Integration vs. Understanding; Employee Experience; Lack of Communication Infrastructure) and the vectors created using property fitting, we create the following recommendations for successful ICAs. The following diagrams are a result from our quantitative analysis.

5.2.3.1 Strategies for Different ICA Types

The following section relates to research question two and in particular to hypothesis 6a. We use the answers and experience from the questionnaire respondents to determine successful ICA strategies. These findings are then also used in the case study interpretation.

Successful IJV Strategy

The results from our questionnaire study shows that companies which are polycentric e.g. placing importance on local national culture, in their attitude towards cultural differences and which prepare their employees for their international tasks are also more likely to choose JVs over mergers or acquisitions. This loosely confirms the interview findings that acceptance of differences and flexibility are a key ingredient to ICA success. Our results also agree with Dyer et al.'s (2004) findings that companies tend to be more likely to choose one CA type over another as they have experience and already reached a higher position on the learning curve. Companies in our findings appear to conduct their international business either using M&A or IJV and Partnerships. Companies seem less frequently engaged in both kinds of European CAs.

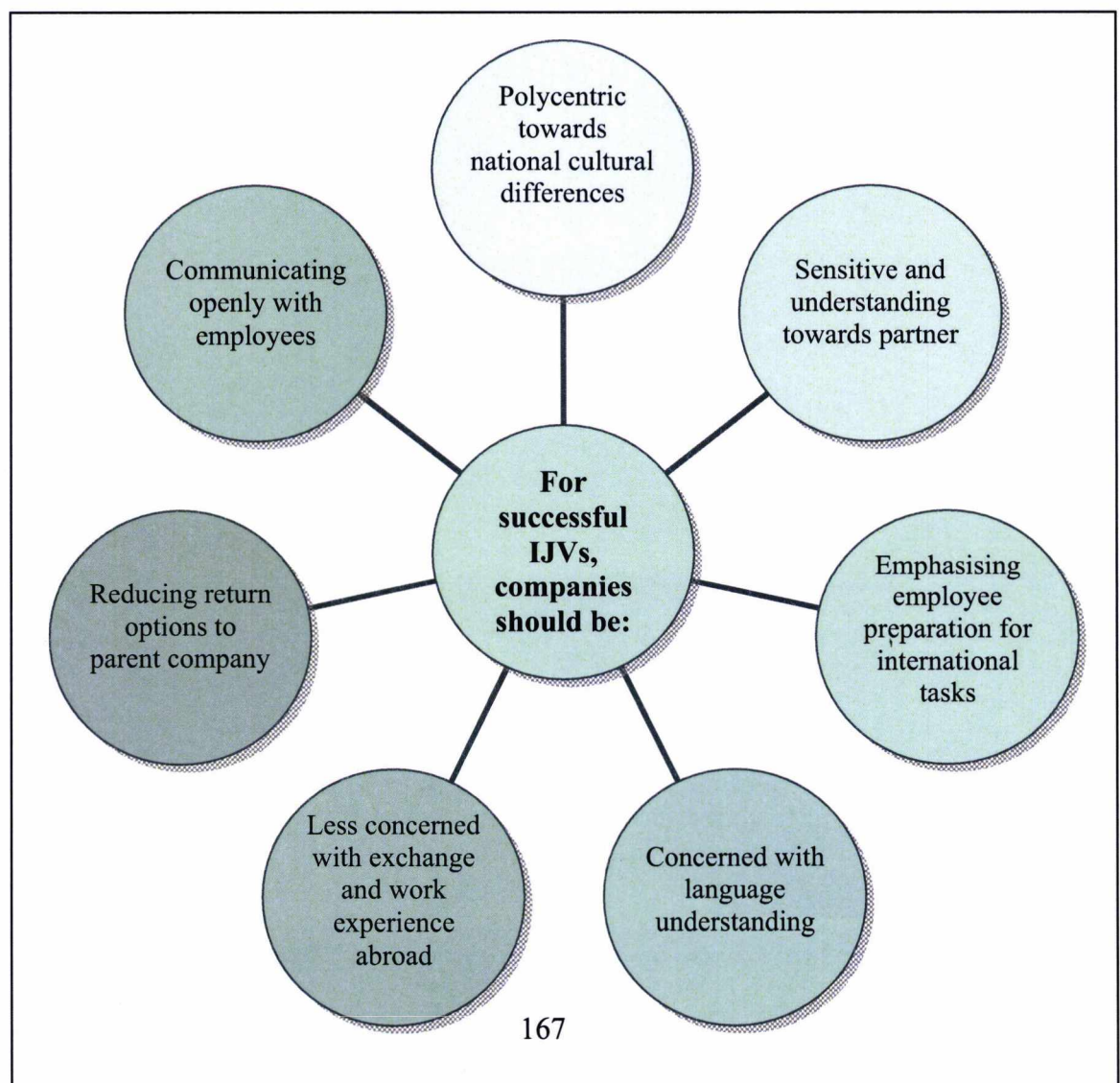
According to Al-Khalifa and Eggert-Peterson (1999), many companies lack local knowledge regarding culture, politics, economies and internationalisation capabilities. Our interviews show that JVs depend on the continued understanding and the ability to portray a sensibility towards their partner's needs. Our questionnaire findings suggest that companies which are involved in IJVs appear more likely to be concerned about understanding other companies involved e.g. through understanding their native language, than to integrate communication techniques through, for example, standardisation of presentation and communication styles. This insight is particularly critical for companies devising their network level strategy as the understanding of the social and cultural surroundings of the alliance is vital for success (Gulati et al., 2000). However, companies should not underestimate the network paradox as described by De Wit and Meyer (2004) as the contradiction between the need to compete and the need to cooperate may blur objectives, reduce honesty and create conflicts.

Surprisingly, companies which are more likely to be involved in IJVs are less likely to offer international employee exchange programs or work placements. This may be because IJVs often include a local company and there may be less necessity to be versed in the host country's culture than compared to companies following acquisition or merger strategies. However, Nicolson (2004) calls it a dangerous pitfall if employees are uncomfortable and badly prepared to deal with different cultures on a daily basis. Swierczek and Hirsch (1994) further conclude that it is vital for cultural differences to be understood very early in IJVs and generally in any equity or non-equity alliance situation.

Employees who work for IJVs are less likely to receive the opportunity to return to their home companies but more likely to be included in open communication. This may be necessary to increase the commitment towards the JV rather than the parent company. Several interviewees believe not allowing employees to return to the parent company reduced the number of volunteers for the JV but increased the commitment to the venture.

Concluding, we find that a polycentric and open approach to a company's internal management is more likely to suit companies internationalising through IJVs rather than M&A. Companies that work with local partners have a reduced need to culturally educate their own employees than those entering a new market without a knowledgeable partner. Furthermore, we find that not allowing returns to the home company can severely reduce initial enthusiasm, may lead to loss of talent but at the same time, can also drastically increase employees' IJV commitment. Diagram 5.19 below summarises our findings about the profile of a companies choosing IJVs as their preferred internationalisation CA type.

Diagram 5.19 A Successful IJV Strategy



Successful Merger Strategy

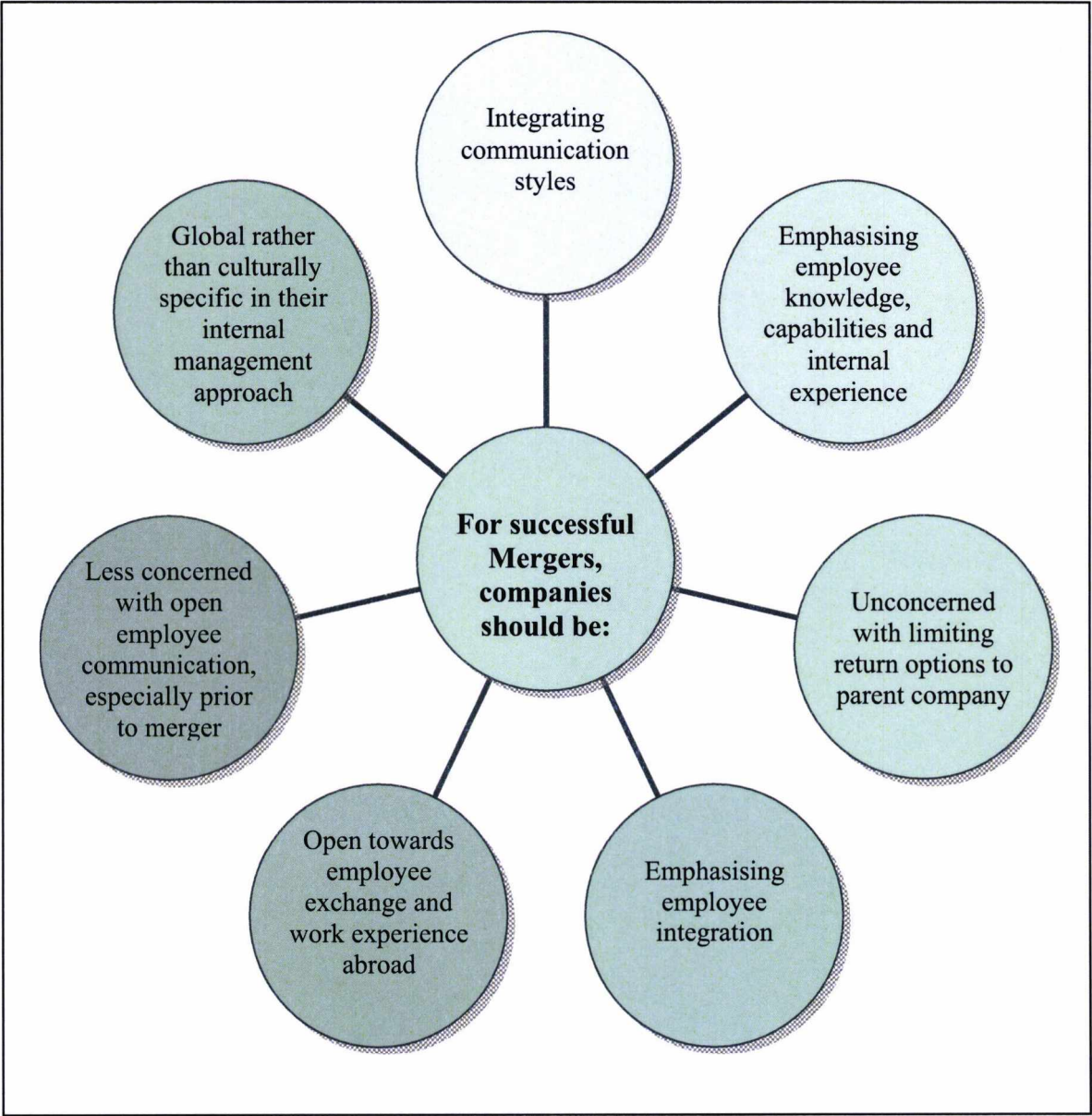
Our findings show that mergers are more likely to be successful and easier to handle if companies involved follow a global approach and focusing to integrate communication styles rather than trying to understand the other side's communication method. This should allow for a smoother and less culturally influenced transition into the new entity. It should also increase the likelihood of equal treatment for employees. However, following an integration rather than an understanding policy may neglect the importance of including employees in decision-making and communication.

We also deduct from our research that companies which offer their employees the chance to extend their own experience abroad can expect positive externalities for themselves in terms of operations' ease. These externalities come from increased in-depth cultural and language capabilities, which companies would otherwise only gain from employees with personal long-term foreign experience. This experience has been described as highly important by Cannon (1991) and throughout our interview process.

However, the use of placement schemes abroad can only marginally influence the success potential of a merger. Open communication with employees does not appear to be necessary for the ease or success of mergers. There may be certain secrecy inherent in merger activities in order to guide stock prices and manipulate competitor activities (Habeck et al., 2000). As mergers do not require employees to choose between loyalties directed towards their parent company or the venture, there appears to be no need to restrict employee return options to the parent company.

We conclude that the success and ease potential of a merger, in terms of internal company strategies, can be increased following a global approach towards the internal management structure but an open and proactive approach towards increasing the merger's new and old employees' knowledge, capabilities and experience is needed. Diagram 5.20 summarises our findings regarding strategies increasing a merger's ease and success potential.

Diagram 5.20 A Successful Merger Strategy



Successful Acquisitions: Strategies for Target Companies and Acquirers

In the literature, mergers and acquisitions are often used synonymously, partially, because a lot of companies see a merger as a step towards full integration (Meyer and Estrin, 2006). The latter has become apparent throughout our interviews. However, even though our statistical findings show that acquisitions behave more like mergers than IJVs, they appear nevertheless “independently minded”. Furthermore, we believe a distinction should also be made between being a successful acquirer on the one hand and achieving successful outcomes as a target company on the other hand. Similar to IJVs, companies, which engage in acquisitions are more likely to be concerned about cultural understanding and preparation than companies that merge. This may seem unlikely, but it could be explained because acquiring means being able to be successful in a foreign market. It requires a lot of internal competence and confidence to deal with the foreign situation without the support of a partner within the new market.

Hudson and Barnfield (2001) conclude that the social dialogue with all stakeholders should be sought to establish a positive new culture that is not based on *them* and *us*. Our analysis further shows that cultural understanding is likely to increase the success and ease of acquisitions. Developing an antagonistic culture between the acquirer and the target was also cited as one of the most important management pitfalls in an acquisition throughout our interviews and in the literature (Donath, 2005; Hudson and Barnfield, 2001).

However, when it comes to ease and success of acquisitions from the target’s point of view, it is important to keep one’s identity and culture, rather than being assimilated or changed. Companies are more likely to feel positive about an acquisition of their assets if they can retain their own culture, whether national or corporate. In this respect, a target company should be treated like a merger partner.

Target companies can substantially ease the stress of the buying process if they are able to understand the acquirer’s communication style and language. However, the literature lacks insights into acquisition success from a target company’s point of view. Our finding is a vital contribution in this area and should be seen as a first step into understanding and better managing target assets.

Overall, the success of an acquisition strongly depends on the ability to integrate and standardise communication processes, ease the problems of miscommunication and

increase understanding. It appears that the success and ease of acquisitions does not depend on a company's employees having gained extensive experiences abroad. This can be explained by the internal politics of the new business entity. Employees from the target company who are not able or willing to accept new management styles and practices are likely to leave the company, according to our interviewees. For employees who want to remain in the new structure, adaptation is a necessity. Prior knowledge may have a positive effect on specific employees personally, but will not overall have a significant impact.

However, we do find that the success of an acquisition from a target's view can be enhanced by giving employees the opportunity to gain experience abroad and develop a more open attitude towards different processes and working styles. This is a sign of goodwill and faith in the remaining target company employees.

The ease and particularly the success of acquisitions, both as the acquirer and as the target, strongly depend on open communication channels with all employees. Chapman (2004) also reach this conclusion, stating that it is of utmost importance to include employees in decision-making and communication. Good internal stakeholder communication is important to reduce the negative feelings on the target side but also to reduce insecurities and improve attitudes towards the new structure on the acquirer's and any third party's side. Our findings agree with McKinsey Quarterly (2001), stating that employees are often distressed and nervous about their future, customers are uncertain and the acquired company often underperforms due to low morale. Nevertheless, it appears that companies show very limited communication when acquiring, possibly due to the uncertain nature of acquisition deals and the fast changing business environment.

In conclusion, our findings show that internal communication with all remaining personnel is very important to the collaboration within and hence to the success of an acquisition. However, companies often lack communication. This may be one of the reasons for the high failure rates cited within the literature (See McKinsey Quarterly, 2001; Donath, 2005: 8). Diagrams 5.21 and 5.22 summarise our findings relating to increasing acquisition ease and success from the acquirer's and the target company's point of view.

Diagram 5.21 A Successful Strategy For Acquirers

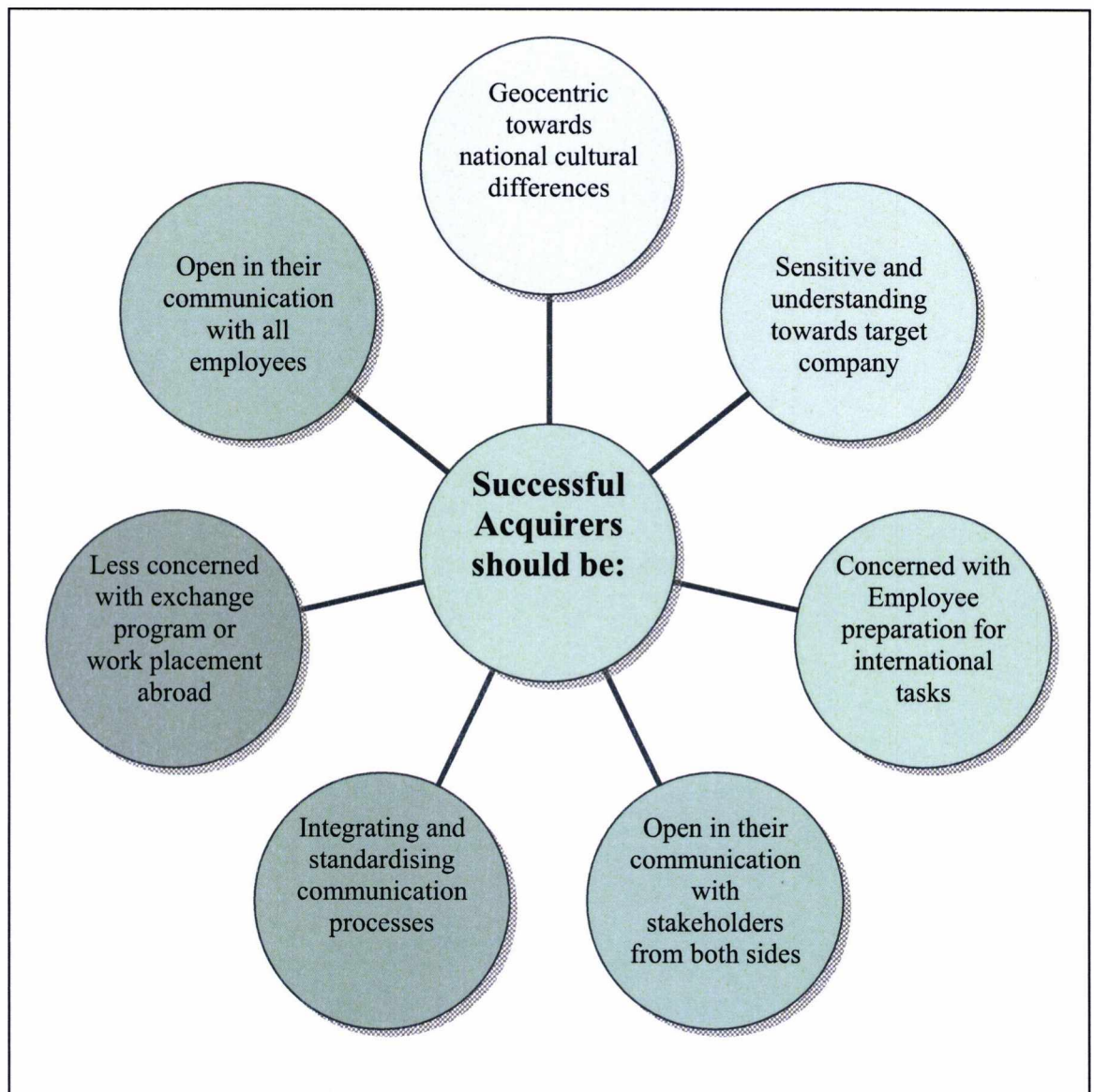
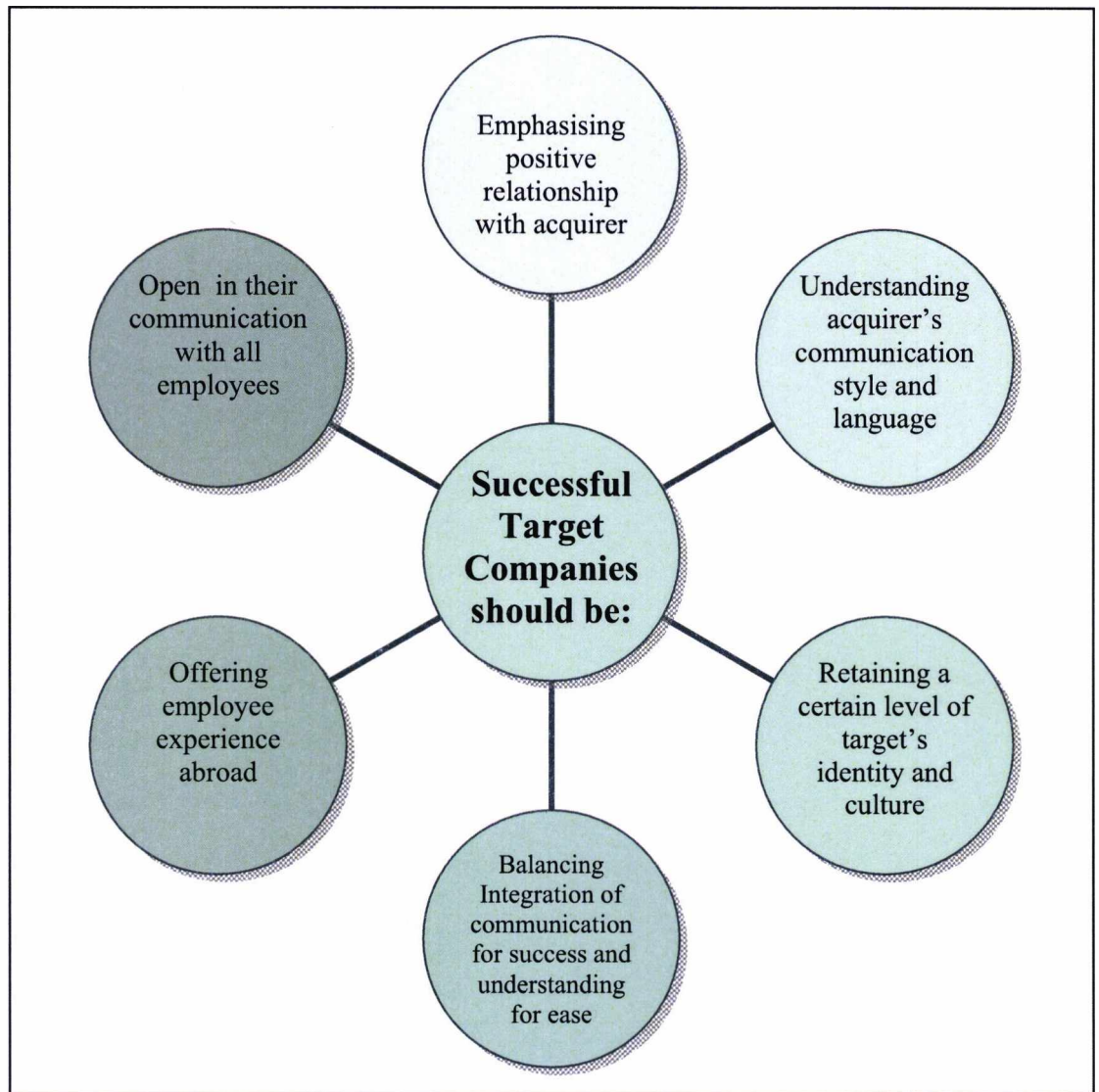


Diagram 5.22 A Successful Strategy For Target Companies



Our analysis of internal strategies in relation to different ICA types has clearly shown that there are substantial differences between different ICA types. In 5.1, we have shown that different national culture variables can influence ICA success. We hence feel confident in not rejecting H_{6a} - H_{6b} . After the investigation of the corporate level, we now move our analysis onto the departmental level.

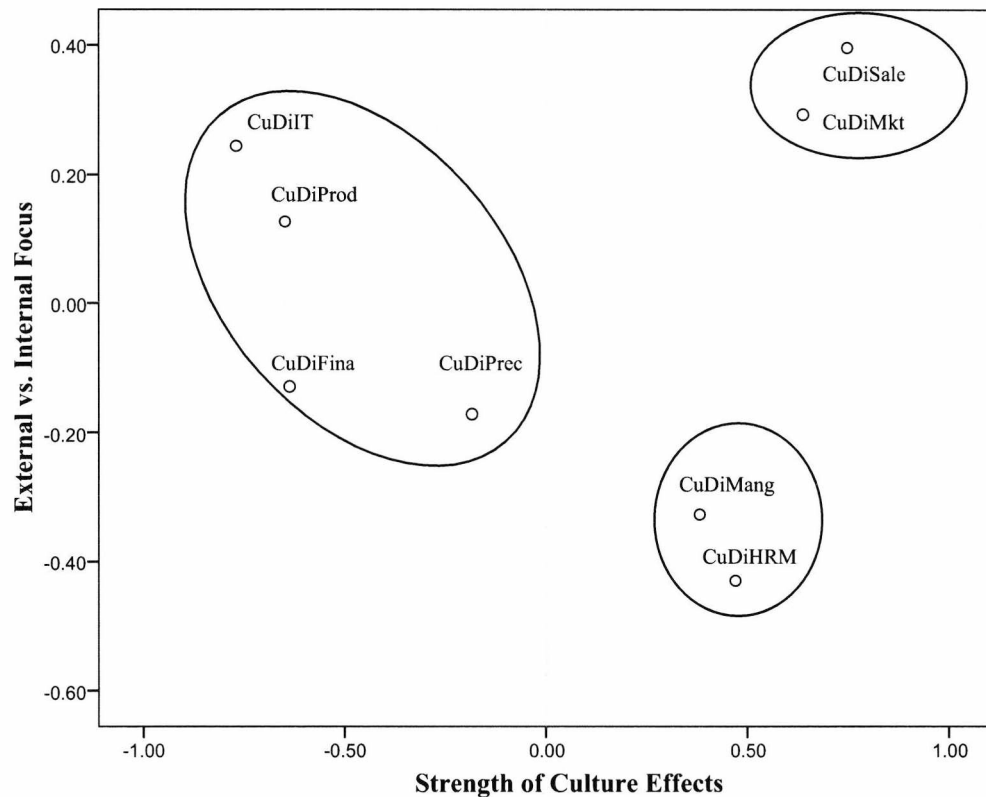
5.2.4 Cultural Consequences for the Departmental Level

We now investigate any patterns emerging from the way that different departments deal with the effects of cultural differences in ICAs. In this section we test H_{7a} and H_{7b} i.e. if *the effect of cultural differences at departmental level depends on department focus and technology and if this may influence ICA success*. For this investigation, we perform optimal scaling, MDS and cluster analysis as in previous sections and explained in chapter 3. We use the following variables: *CuDiMang*; *CuDiHRM*; *CuDiFina*; *CuDiIT*; *CuDiMkt*; *CuDiSale*; *CuDiPrec*; *CuDiProd*⁷⁵. All these variables refer to the effect of cultural differences on specific departments within the company. Respondents were asked to judge the impact of cultural differences on different departments on a 6-Point Likert scale from 3 -8, with 3 denoting *negligible* and 8 denoting *very high*.

As previously, we first look at the error term to determine the number of dimensions we need to retain for analysis. It is already excellent at below 3% in a two and three-dimensional space and we hence continue this model using 3 dimensions (Appendix 6, A.16). We then show the variables positions on the two dimensional space as previously (Appendix 6 – A.17) and create clusters using the SPSS Dendrogram (Appendix 6 – A.18 and A.19) retain the model using three dimensions but treating Dimension 3 as unexplained variance.

⁷⁵ See Appendix 1 for variable description.

Diagram 5.23 The Effects of Culture on Different Departments



The above diagram unquestionably shows that different departments feel a different degree of influence from national cultural differences and should be managed accordingly. Our findings mirror Styre et al.'s (2006) research and conclusions drawn from our qualitative interview analysis.

From looking at the frequencies of answers provided, it becomes clear that Dimension 1, *Strength of Culture Effects*, depicts the increase in the effect cultural differences can have on a business with the two extremes IT and Marketing receiving almost opposite scores. The former was defined by 86% of questionnaires as feeling little effects of cultural differences whereas the latter was described by 82% as being strongly affected.

Dimension 2, *External vs. Internal Focus*, appears to depict the internal to external nature of the departments. Sales and Marketing find themselves at the highest external level, whereas Management and HR focus on internal issues.

We draw the following conclusions: Firstly, the effect of cultural differences on a department depends strongly on the amount of human contact inherent in the department's work and to a second degree on whether or not these individuals are external or internal to the organisation. The latter appears logical as employees are more likely to accept changes stemming from different cultures to retain their job, whereas customers have a choice and cannot be forced to accept a foreign product or company against their will. Secondly, whether or not a department deals with internal or external issues alone does not give a good indication of its likelihood to be affected by national cultural differences. It is only in combination with the amount of human interaction within the department that we can make a judgement about the degree of national cultural influence at the departmental level.

Our cluster analysis further reveals three groups that are distinctly different in terms of incorporated departments and the effect national cultural differences have on the included company areas. Cluster 1, *Client Side*, situated in the top right hand corner of the map, combines the two departments with end-customer contact. The second cluster, *Management Side*, incorporates departments that deal with internal clients and employees. The third cluster, *Production Side*, incorporates all departments responsible for the production and technical side of any operation, namely IT, Finance, Production and Procurement.

We conclude that it is easiest to relocate departments that have little interaction with external individuals and work on the production side of the company. These departments do not need a great deal of adjustment to ensure functioning in a host country. An ethnocentric approach (Perlmutter, 1969) in these departments is possible although national cultural differences and their possible effect should still be considered. Furthermore, according to Mudambi et al. (2007), it is of great importance to consider the link between motivation and knowledge before choosing department locations.

Relocating departments on the client side into a foreign market is most difficult and most sensitive to cultural variation. These departments need to take extra care and money to research the market and their foreign customers, devise a communication method that is adapted to the market and follow a polycentric approach. The management side of the business also deals with people but have little contact to external individuals. These departments need to adjust following an analysis of the different national cultures but can

follow a mixed approach combining both cultures to arrive at a management style that suits the company culture and methods and the local employees.

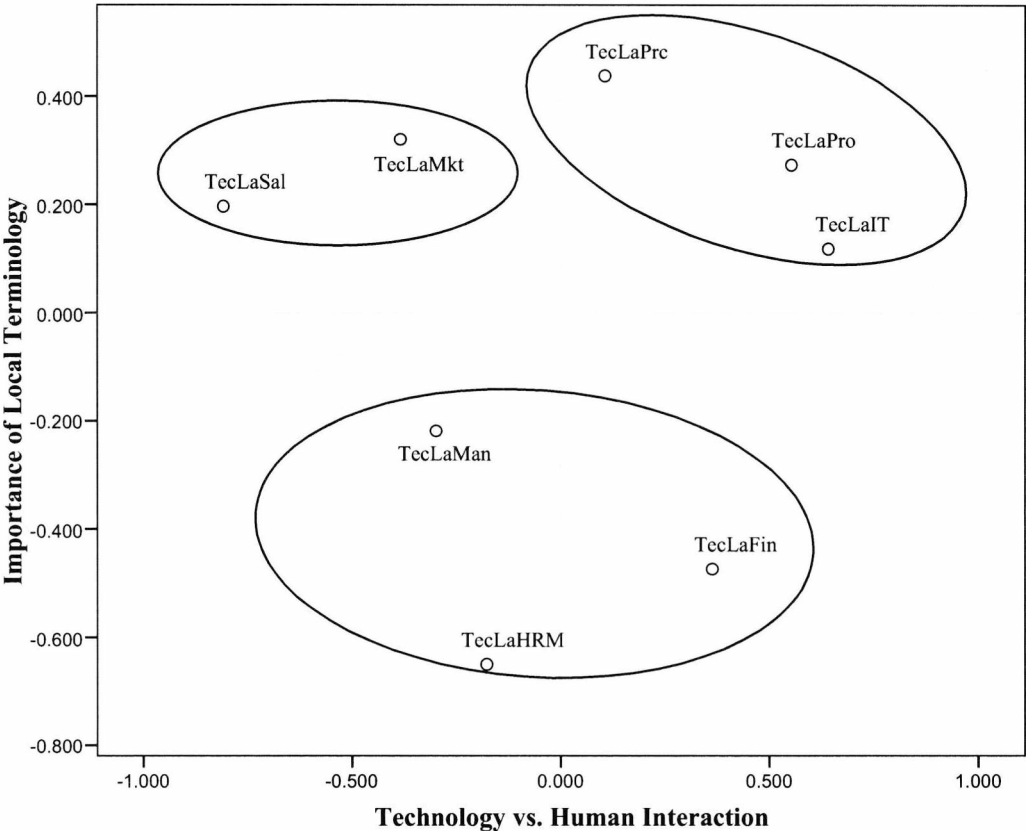
There appears to be little or no literature supporting or rejecting our findings. These are hence a new contribution to the literature and should be used as a starting point for further research into the effect of culture on the departmental level.

A Common Technical Language to Reduce the Effects of Culture

After establishing that different departments are affected differently by national cultural differences, we now investigate if a common technical language can help overcome negative effects of cultural differences. We again use MDS and cluster analysis, using the following variables: *TecLaMan*; *TecLaHRM*; *TecLaFin*; *TecLaIT*; *TecLaMkt*; *TecLaSal*; *TecLaPrc*; *TecLaPr*⁷⁶. All these variables refer to the effect of a common technical language to reduce possible negative departmental effects created by cultural differences. Respondents are asked to judge the impact of a common technical language in reducing negative culture effects on different departments on a 6-Point Likert scale from 3-8, with 3 denoting *negligible* and 8 denoting *very high*. The good error term (2%) again allows us to only retain 3 dimensions. We then produce the map and clusters as previously described (See Appendix 6 – A.20, A.21, A.22 and A.23).

⁷⁶ See Appendix 1 for variable description.

Diagram 5.24 Common Technical Language Effect on Departments



In our questionnaire, 78% of respondents agreed with the notion that a common technical language can help overcome the effects of national cultural differences. This also corresponds with our interview findings, stating that technical departments are more likely to deal better with cultural differences due to their common understanding of terminology and professional conduct. However, we found substantial differences in the strength of the effect this common terminology can have on different departments.

Dimension 1, *Technology vs. Human Interaction*, assumes an almost opposite definition to Dimension 2 in the previous departmental analysis and represents the amount of technology used compared to human interaction required within the department. Clearly, the Sales function, which directly deals with the clients or distributors, has the lowest technology component and the highest level of human interaction. IT at the other end of the scale has little human contact but a high level of technology. Therefore, a common technical language is more likely to reduce the effects, positive and negative of

national cultural differences within departments that display a high level of technology and a low level of human contact. Dimension 2, *Importance of Local Terminology*, is the amount of host country technicality needed to operate within the market. Procurement, Marketing and Production, all likely to deal with host country nationals, have the highest need to have a profound knowledge of the local technical terminologies. Departments that only work internally such as HR or in some cases Finance may continue to use standards from the home country and are less concerned with mastering local terminologies. Hence, knowledge of this terminology is unlikely to reduce the impact of national cultural differences felt by the department.

Using cluster analysis, we determine that the department variables can be group into three clusters, each combining a very different set of departments. All variables, with the exception of Finance, appear very similar in position to the clusters created when examining the influence of culture on different departments. We keep our previous cluster definitions with Cluster 1 being the *Client Side*, Cluster 2 representing *Management* and Cluster 3 combining departments concerned with *Production*. We suspect that the position of Finance strongly depends on the ICA type and reporting agreements within the company. In acquisitions, for example, the target company's reporting style will simply be integrated, whereas IJVs may have to adapt different styles or finance practices according to reporting guidelines in both parent companies and their host country. However, this was not verified. Our clusters also fit into Hofstede's (1998) classification of departments as *professional*, *customer interface* and *administrative* and Jones' (1983) classification of *production*, *bureaucratic* and *professional*.

We conclude that when dealing with the client and production side of the host country venture, it is necessary to be fluent in the local terminology and methods. However, the former is strongly influenced by culture and using a common technical language does not reduce this impact. Departments within the latter cluster on the other hand can be managed much more smoothly and with a greater understanding if a common terminology or if the local technical language is understood and used. The management side of an ICA does not necessarily have to be fluent in local terminology. However, conversing in a common and widely understood terminology can help to reduce the impact of different national cultural backgrounds and increase the ease of working within these departments and simplify, for example, communication and negotiations with

governments, councils and recruitment agencies. Furthermore, contracts need to be aligned with local legal requirements and appropriate adaptations should be made.

From our analysis, we conclude that any assumptions concerning the influence of national cultural differences on ICAs should ideally be mediated by looking at the departments involved. Awareness that a common terminology can, in specific cases, reduce any negative culture effects could be used to increase a venture's success. Companies should consider that an external focus, a low level of technology and a high need to be fluent in local terminology increases the need to adapt to local culture. It may be easier to use local partners or individuals to manage these departments efficiently. Departments that display the opposite characteristics may be best managed by experts from the parent company. However, care should be taken to recognise even small cultural differences and manage these effectively. The consideration of culture on the departmental level should affect the ICA type choice as well as the management. We hence cannot reject H_{7a} and H_{7b} .

We find a distinct lack of literature concerned with the departmental level and hence our findings regarding the influence of technical language and terminology and the varying degrees of the effect of culture are new contributions to International Business literature. Finally, we now investigate cultural consequences for the individual level.

5.2.5 Cultural Consequences for the Individual Level

We now investigate which personal attributes are seen as most important for individuals with careers in international business. This section investigates H₈ stating *international employees that increase ICA success possess business, cultural and international communication skills*. We again use optimal scaling and PCA. We run the analysis with the following ordinal variables: *ImProfSk*; *ImPeLaSk*; *ImSpCuKn*; *ImOpenCu*; *ImCommSk*; *ImPeFlex*⁷⁷. All these variables refer to the importance of specific personal attributes for a successful international position. Respondents were asked to judge the impact the importance of specific capabilities on a 6-Point Likert scale from 3-8, with 3 denoting *negligible* and 8 denoting *very important*.

As previously, we are firstly interested in the goodness of fit of the model. When using PCA, the first two dimensions account for over 64.4% of the total variance experienced within the above variables (Table 5.8). These were also the only dimensions with an Eigenvalue of above 1 i.e. fulfilling the Kaiser’s criterion. Hence, we limit our analysis to two dimensions and plot these against each other. Table 5.9 shows the loading of each examined variable on the two dimensions. All “high” loadings i.e. above 0.5 are highlighted. We use the high loadings to interpret the meaning of each dimension.

Table 5.8 Variance

Dimension	Variance Accounted For	
	Total (Eigenvalue)	% of Variance
1	2.340	39.002
2	1.525	25.420
Total	3.865	64.423

⁷⁷ See Appendix 1 for variable description.

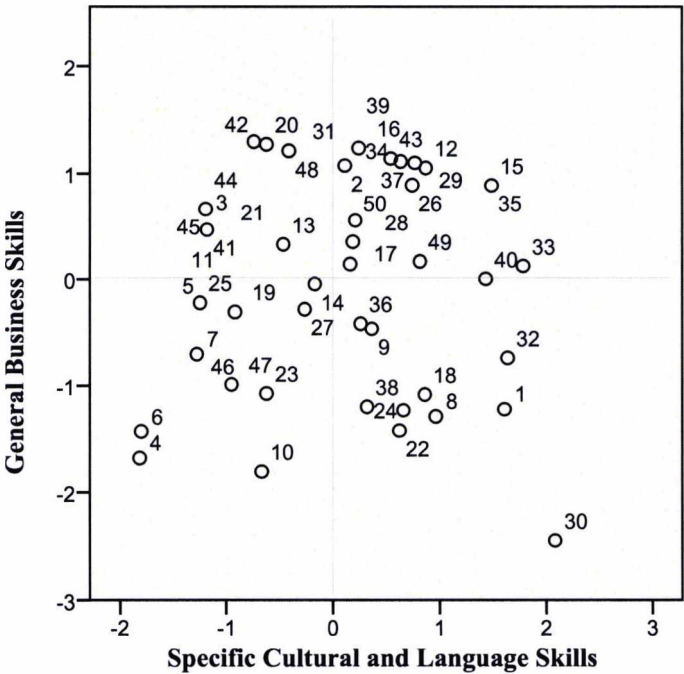
Table 5.9 Component Loadings

Variables	Dimensions	
	1	2
<i>Importance of ... for international work</i>		
Professional skills	-.368	.621
Language skills	.786	-.133
Specific cultural knowledge	.766	-.145
Openness to different cultures	.776	.020
Communication skills	.626	.567
Flexibility	.084	.883

From the above table 5.9, we deduct the following interpretation: Dimension 1, *Specific Cultural and Language Skills*, is strongly associated with variables describing capabilities specifically relevant to international assignments e.g. language skills, specific cultural knowledge, general cultural openness and communication skills. This principal component accounts for almost 40% of the total variance and is of substantial importance for an internationally successful employee.

Dimension 2, *General Business Skills*, presents high loadings with variables that describe personal attributes important to general business. This component includes variables related to professional and communication skills and flexibility. The following diagram represents questionnaire responses on the two dimensions retained for analysis.

Diagram 5.25 Scatter Plot of Object Points of Personal Characteristics for a Successful International Career



Our analysis indicates no pattern in the importance placed on different attributes associated to strata, company age or size of company. We hence do not represent these here. This means that our findings in terms of personal attributes required for a successful international position appear universally transferable. However, there appears to be a pattern regarding the importance placed on specific cultural and language skills depending on companies' internationalisation. In this case, the deciding factor is not the amount of foreign turnover but the number of countries that the company operates in (Diagram 5.26). Companies with experience in fewer countries appear more likely to emphasis general business over specific international skills. If internationalisation takes place according to our interview results and Dyer et al.'s (2004) findings i.e. companies are more likely to venture into culturally close countries first, companies with a lower number of foreign operations may not have experienced very culturally distant markets. This may lead to an underestimation of the importance of cultural capabilities and hence to inadequate recruitment strategies for future ventures - contributing to long term ICA failure. However, opinions regarding the importance of specific personal attributes vary greatly.

Diagram 5.26 Importance of Personal Attributes by No of Foreign Operations

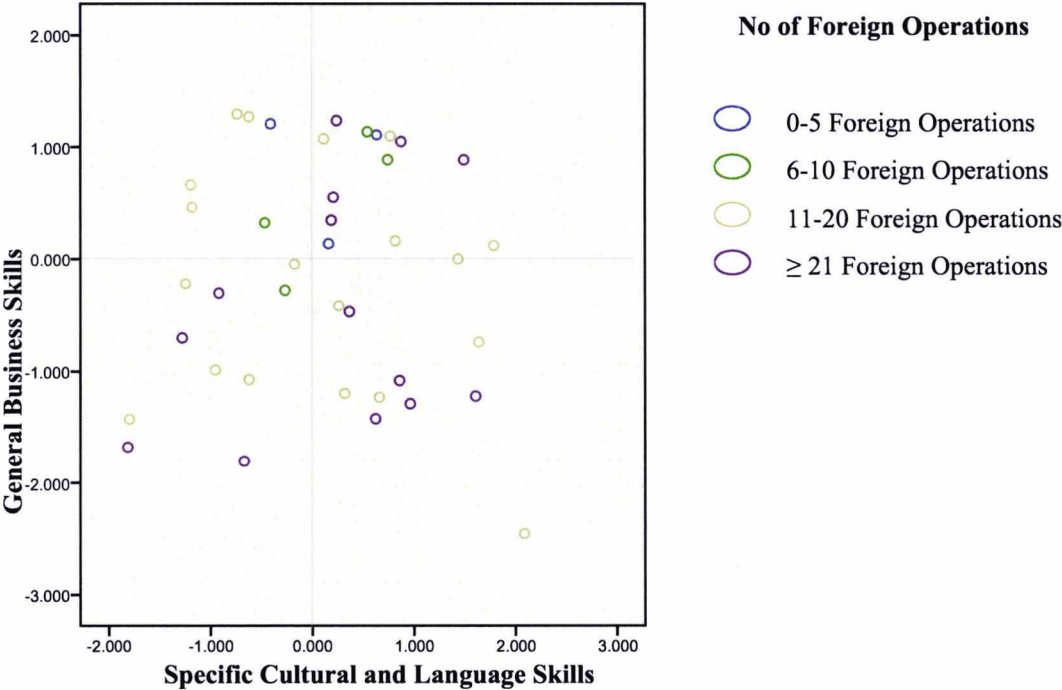


Diagram 5.27 Component Loading of Professional and Cultural Skills

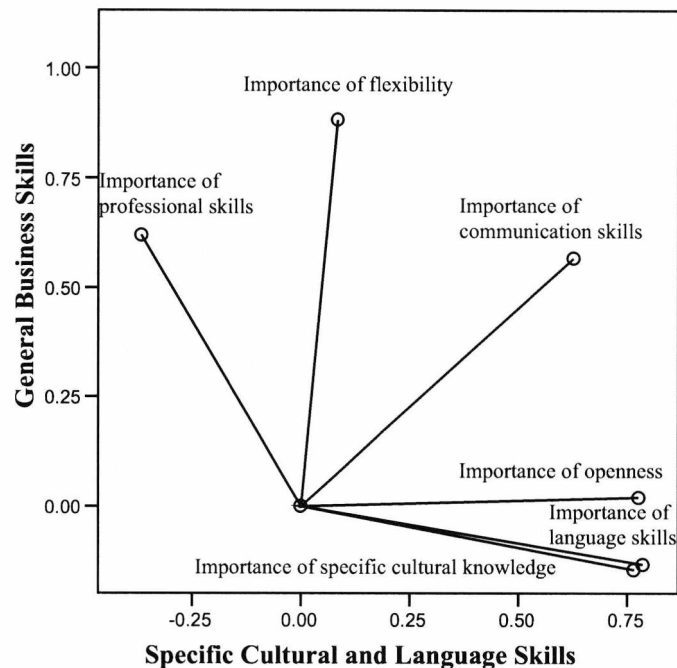


Diagram 5.27 visually depicts the component vectors in the two-dimensional space created. From this diagram and the component loadings from Table 5.9, we deduce that communication skills are simultaneously important as both general but also specific international skills. This variable loading is similar on both dimensions. This relevance on both dimensions becomes evident as an almost 45 degree straight line. All other variables are only highly relevant to one dimension. Hence, we deduce that we cannot reject H_8 . Employees working within an international setting should show capabilities on a general business and a specific international level, including cultural and language capabilities (See also Cannon, 1991). It is hence not enough to employ people who are either good at their profession but are not suited when it comes to the cultural and language attributes or vice versa. Our interview findings suggest that professionals who have either studied abroad, are of dual nationality or who have spent a considerable amount of time in a foreign country may be the most suitable employees for an international position. These employees often combine professional, language and cultural skills. Furthermore, a company can increase its competitive advantage gained through a culturally diverse and competent workforce by sponsoring foreign exchange programs (Schneider and Barsoux, 1997), university courses and further education and hence create their very own brand of

international employee. Our findings support Harrison (1992) as we find specific and general cultural abilities of significant importance. Governments should promote companies' effort to further employees' cultural and language abilities through providing subsidies for training courses. Furthermore, as shown in H_{4a-b}, language is a major part of cultural differences that has been neglected. Language education at school and university level should hence be enhanced to create competent individuals for international assignments.

Following the overall analysis of research questions one and two and our hypotheses, we state that ICA success clearly depends on the country and ICA type - specific adaptation of management strategies and communication. Companies should make appropriate strategic decisions relating to corporate and departmental strategies and create HRM strategies that favour individuals who are competent in both international and professional skills to increase ICA success. We did not draw further conclusions as to specific country requirements but will look at specific examples in Chapter 6. The next section summarises our quantitative findings and their ability to test our research model from Chapter 4.

5.2.6 Research Model Testing

Our research model suggests nine national cultural and corporate components important for European CA success. We use Table 5.10 to summarise our quantitative findings from this chapter and their relevance to our research model.

Table 5.10 Testing the Research Model

Cultural Consequences for ICA Success	Tested by Quantitative Analysis	Quantitative Analysis Results
National Culture Level		
Extent of Cultural Differences	Yes	It confirms the existence of cultural differences within Europe and the importance of their appropriate management.
Cultural Competitive Advantages to be Gained	Partly	It offers further insights into language and national pride. A further investigation of country specific characteristics will be carried out in our case studies in Chapter 6.
National Pride of Host or Partner Country	Yes	It confirms the importance of national pride and its implications.
Host Country Language Attitude and Education	Partly	It investigates the different levels of language attitude but did not investigate local language abilities further. This could be tested in future research.
Corporate Level		
Top Team Synergies	Yes	The importance of top team synergies and understanding with the partner company were tested.
Culture-specific HRM Budget	Partly	It investigates the importance of cultural and language training for different ICA types. This will be investigated further in our case studies in Chapter 6.
Time Budget	No	This will be examined in our case studies in Chapter 6.
Departmental Level		
Functions Involved – Extent of People Focus and Technology	Yes	It investigates different departments and their suitability for cross-border relocation.
Individual Level		
General and International Skills Set	Yes	It confirms two levels of required skills. This will be triangulated further in our case studies in Chapter 6.

5.3 Conclusion

In this chapter, we discuss the results from our questionnaire-based qualitative analysis. We perform several forms of statistical analysis to test our hypotheses formulated in Chapters 4 and hence verify our model. We are also able to confirm the importance of most variables in our research model. Throughout this chapter, we use findings from our field study in Chapter 4 and our literature review in Chapter 2 to triangulate our results. We draw the following conclusions:

We cannot reject hypothesis H_{1a} . A visual analysis of the produced map and clusters shows a clear distinction between countries from Northern and Southern Europe. Furthermore, it is obvious, that countries with a common history, geographical closeness and similar language are often closely situated. *We cannot reject hypothesis H_{1b} und H_{1c} .* We clearly show that national cultural differences positively and negatively affect ICAs through complexity and competitive advantages and that companies have a range of options to increase the competitive advantages gained from national cultural differences.

We also cannot reject hypothesis H_{2a} . Our analysis finds a strong correlation between national cultural differences and differences in national pride levels. Cultural pride has been neglected in cultural studies so far and this paper makes a strong contribution with these findings. Furthermore, we show that national pride also influences the acceptance of international companies. This appears to be of particular importance for fixed telephony firms, which are much more affected than mobile or alternative telephony companies. This finding is an important contribution to the literature on the European telecommunications industry. We are also able to produce a map and a cluster system depicting the varying pride levels in Europe. These allowed us to analyse Germany's position in relation to other European countries. From this analysis, we concluded that *we cannot reject hypothesis H_{2b} .* *We also cannot reject hypothesis H_{3a} and H_{3d} .* We clearly show that ICAs are substantially affected by national pride. We also show that specifically the fixed telecommunications industry is strongly affected by national pride differences. *We cannot reject hypothesis $H_{4a} - H_{4b}$.* We find a strong correlation between language differences and cultural distance. However, this is less important than previously expected. Nevertheless, language is an important part of national cultural and it contributes greatly to misunderstandings and unease between employees due to an insufficient language

education within Europe. We triangulate this hypothesis further in our case study analysis in Chapter 6.

We cannot reject hypothesis H_{5a-b} . Our analysis clearly states that company attributes and compatibility of all partners involved is a major contributor to ICA success. Furthermore, we also show a link between corporate and national culture, draw on the importance and interdependence of both areas, show the importance of managing internal corporate culture in relation to external influences including national culture. The importance placed on top team synergies when it comes to the success of an ICA allows us to conclude that *we cannot reject hypothesis H_{5c} .*

We show the difference in effectiveness of specific internal management and communication strategies and practices depending on ICA types and therefore *cannot reject hypothesis H_{6a} .*

On the departmental level, our analysis shows a strong correlation between success and types of departments involved in cross-border activities. We investigate differences in terms of people interaction, technology contents and terminology and hence find that *we cannot reject hypothesis H_{7a} and H_{7b} .*

Following the investigation of the individual level we cannot reject *hypothesis H_8 .* Our analysis shows that international employees should have a skill set that combines general business skills with specific international skills.

The investigation of our hypotheses allowed us to evaluate our model created in Chapter 4. We believe that the research model is valid. However, there are specific issues that still need further investigation. In the following Chapter 6, we validate our findings and triangulate our research model using five in-depth case studies.

CHAPTER SIX: VALIDATION AND DISCUSSION

Validation through Case Studies and Study Discussion

6.0 Introduction

In this chapter, we triangulate our findings from Chapter 5 and validate our model and hypotheses from Chapter 4 using five empirical case studies. Case studies have previously also been used for model building and their importance is described as the “understanding (of) dynamics present within single settings” (Eisenhardt, 1989). They are a particularly useful research tool as they provide in-depth insights into social processes in their context (Wahyuni et al., 2007) and complement and contrast previous quantitative methods (Orr and Scott, 2008). This chapter ensures comparability of results through triangulation.

6.1 Case Studies: Empirical Validation of Model and Findings

This section analyses five case studies from different telecommunications strata. We look at companies from the fixed, mobile and alternative network strata. The five case studies represent theoretical saturation for the industry and issues studied (Eisenhardt, 1989), adding value to our study by empirically validating our previous model and results. We triangulate our findings from Chapter 5 and our model from Chapter 4 in each study and are hence able to show the relevance and applicability of our model.

6.1.1 Case Study 1: Failed Non-equity Alliance between Germanic Countries

Venture background and partner selection

Company Alpha⁷⁸ was founded in 2005 by a medium-sized, globally active German telecommunications company to manage a European non-equity alliance. As this was its only task, no network strategy beyond managing this ICA was apparent. Company Alpha, at its highest, had a head count of five employees. However, this has now been reduced to one, with a current turnover of only €50.000 per annum and with a possible liquidation of the subsidiary imminent. The company specialises in safety and security communication devices and is solely responsible for the German market.

⁷⁸ All names have been changed for anonymity purposes.

The venture took place in partnership with a Swiss mobile telecommunications device producer⁷⁹. The non-equity alliance was founded in 2005 but ceased in 2008, following a mutual agreement between the partners. Initial partner selection and ICA decisions were made through existing business contacts. This meant that the management on both sides knew each other prior to the venture. There were already existing top team synergies and conflict potential at top level was hence reduced early on. This confirms our interview findings and supports H_{5c} with regard to the importance of top team synergies.

Venture objectives and product information

Company Alpha was responsible for the German market entry of Partner Swiss' combination mobile phone and security device. The product was successful in the Swiss market and was already accessible in the Netherlands through an alliance.

The mobile device produced by Partner Swiss is a mobile phone that can also be located via GPS and allows rescue teams to locate people within a three metres radius. Furthermore, it is directly linked to security or service companies that can be alerted by using an alarm button in emergency situations and when detecting gas. It is designed for vulnerable individuals that may require sudden assistance such as the elderly or people with disabilities, but also in high risk situations where access and locating may be critical e.g. remote skiing. For the security protocol to work, contracts and shared systems with third parties i.e. motor rescue or emergency services are necessary in each country that the phone operates in.

Company Alpha used this alliance and the mobile device to gain access to a new market segment, namely the health care and specifically the elderly care sector in Germany. Partner Swiss entered the venture to gain access into a new geographical market. This strategy allowed a low risk, low cost expansion approach. Our research and literature review showed that CAs are often created to access new target markets or segments and reduce market entry risk. Dyer et al. (2004) suggest that alliances are particularly useful for new market entries. The venture's objectives are in line with these findings. Furthermore, it also shows that companies often venture into geographically close countries first, in line with the Uppsala School (Johnson and Vahlne, 1977) and our interview findings.

⁷⁹ We refer to the Swiss partner company as "Partner Swiss".

Non-cultural reasons behind the failure

The alliance was dissolved in 2008, after failing to meet its objectives of achieving profit within the German market. Several problems were responsible for the venture failure. The first issue was market related. The product was not accepted in the German market and did not achieve its sales potential. Furthermore, not enough money was allocated by Partner Swiss for marketing in the German market.

The second issue was product related. The device was designed for the Swiss market and for Swiss communication channels and systems. However, adaptations to make it more suitable and acceptable in the German market were not realised quickly enough, causing delays and loss of contracts. Furthermore, price expectations from Partner Swiss were unachievable in the German market. Flexibility, long-term strategy and appropriate financial and human resources were insufficient.

Thirdly, the reliance on third parties for the provision of security and emergency services complicated the venture. Not enough emphasis was placed on creating working relationships between company Alpha and third party organisations that would allow the acceptance and adaptation of the product. This fact supports our findings relating to the importance of additional time in ICAs and shows the importance of network level strategies.

The importance of cultural differences

At first glance, the international perspective in this ICA does not appear to have influenced the course of the venture. Culturally based issues that we have encountered in our research were not seen as problematic. Company Alpha's MD felt that any problems were not attributable to cultural backgrounds. Because of cultural and language similarity and the division of responsibilities, national cultural differences were not described as influential. Due to this feeling of closeness and equality between the two partners, no effort was made towards cultural or language training. Nevertheless, Company Alpha's MD has encountered problems related to national cultural differences in previous international work. The awareness of cultural differences in culturally distant countries may have fooled company Alpha into neglecting cultural differences between seemingly similar countries. However, as we have shown throughout our interviews and in H_{1a-c}, cultural differences between European countries, though less prominent than, are still affecting ICA success.

The negligence of these, even small differences, may have contributed to venture failure.

As a constructive aspect, Company Alpha was able to appreciate the higher flexibility inherent in Swiss management and adapt their management style accordingly. Furthermore, meetings with Partner Swiss and its other partners from the Netherlands allowed Company Alpha to learn from other markets and adapt their strategy if appropriate. This was seen as a positive effect of culture and is in line with our findings that increased flexibility often results from cultural differences and that culture can attribute to competitive advantage.

Nevertheless, despite the assurance that cultural differences were inconsequential, we argue that the first two issues attributed to the venture's liquidation, namely inappropriate marketing and lack of product adaptation are indications for ignored cultural differences. As shown in our analysis of the departmental level and by H_{7a} and H_{7b} , departmental differences affect the influence of cultural differences and the effectiveness of departmental practices and strategies. Marketing, for example, is high in people contact and a management from the Swiss partner may very well have resulted in an inadequate consumer communication, contributing to the alliance failure.

National pride: Negligible influence in the German market

National pride was not described as an issue in the venture. However, Partner Swiss was very particular that the device should be sold as a Swiss product because features such as quality, precision and durability are ascribed to Switzerland. The influence on the marketing of the product was the only noticeable influence of national pride on the partnership. Neither the acceptance of the product, nor the partner selection or working relationships were influenced by national pride. According to our research, marketing a foreign product in Germany should not be problematic as national pride is at a minimum and foreign product acceptance is high.

Simplicity in communication

In terms of communication, Partner Swiss has a German speaking background. It was not necessary for Company Alpha to converse in either of the other two official Swiss

languages e.g. Italian and French. No reductions in understanding or increased misinterpretations were apparent due to different regional influences.

“There were no problems with the language as we all spoke German. Sometimes, the language variations were just amusing.”

Even when Company Alpha cooperated with Partner Swiss’ other partners in the Netherlands, communication was unproblematic. In those encounters, a mix of German and English was successfully used. This is in line with our findings depicted in Diagram 5.8. Furthermore, it appears that there was no feeling of superiority or inferiority on either side, reflecting our findings from Diagram 5.1.

Internal company strategies

Company Alpha invested a lot of time into preparing the market entry. Due to its focus on the German market, the company was able to follow an ethnocentric approach to managing their projects within their home market. Preparation involved meeting of partner employees in Partner Swiss’ home market and regular weekly meetings to discuss progress and suggestions for future projects. Regular face-to-face meetings and briefings enhanced the comfort and ease of working within the alliance. However, these meetings were only short trips and not designed to gain a deeper understanding of the other partner.

Company Alpha’s employees were trained and inducted by the device producer and by Partner Swiss. Marketing was discussed between both partners and projects suggested. Team development was prioritised and the company kept a continuous and open channel of communication with its employees on both sides of the partnership. However, motivational methods were old-fashioned and limited, only consisting of bonus structures and financial rewards. However, this suits a performance system for high MAS countries such as Germany and Switzerland (Shenkar and Luo, 2004).

Our interview findings in Chapter 4 show the importance of budgeting enough time for relationships building to ensure ICA ease and success. It seems likely that more time should have been allowed for better mutual understanding. Furthermore, the open-communication structures should have encouraged a successful ICA, as shown in 5.2.3.1.

Possible management oversights

Once projects and strategies were discussed, responsibilities were shared and little common project management was needed. This further reduced the need for process integration and cultural adjustment between the partners. It was Company Alpha's responsibility to suggest strategies for the German market. However, implementation and larger scale marketing relied on Partner Swiss and Company Alpha's suggestions were often ignored, which contributed to the ICA failure, particularly in areas with a high people and low technology content.

Company Alpha recruited employees especially for this partnership. However, no importance was placed on international experience or abilities. General business skills such as knowledge, flexibility, experience, independent working styles and creativity were all important aspects of selected individuals. Our research and H₈ suggest that the ideal employee selection for a successful ICA should involve international capabilities. This lack of international recruitment may have been a further issue resulting in alliance failure.

Both companies were similar in terms of processes and structure as they belonged to bigger parent organisations. However, the Swiss side had a noticeably steeper hierarchy. Differences occurred in the accountability and reporting structures. Company Alpha was accountable to its parent only in terms of budgets and profits. Partner Swiss, on the other hand, had stronger ties and decision routes. This may have contributed to the increased time in product and marketing adaptation, both of which were described as responsible for the venture failure. Furthermore, Partner Swiss was substantially larger than Company Alpha, which appears to have increased their weighting. H_{5b} suggests that company variables on all sides should be considered and dealt with thoroughly to ensure ICA success. We suggest that differences on both sides were not considered and attributed to ICA failure. However, power struggle was reduced as no cross-holdings existed and responsibilities were clearly divided.

Lessons learnt

The alliance described here was unsuccessful and ceased, similar to many examples discussed in the literature (Habeck et al., 2000; Styhre et al., 2006; Killing, 1983; Harrigan, 1988) within the first few years. Cultural differences between the partners were described as negligible, supporting the assumptions and findings that geographical and

linguistic closeness can also relate to cultural closeness and therefore a less complex venture management. Geographical closeness also increased the face-to-face contact and enhanced communication. Nevertheless, we argue that the negligence of slight cultural differences may have negatively influenced the success of the standardised product and marketing strategy. We also believe the relationship building should have received more attention.

Existence of top team synergies prior to the venture meant a more harmonious and equal partnership could be established. It also ensured that company structures and corporate cultures were compatible. However, due to the top team relationship, demand and profitability of the product may have been overestimated and potentially incompatible corporate characteristics overlooked. Furthermore, the importance of partnerships with third party service providers and the marketing budgets was underestimated.

This example shows that, despite geographical closeness and the perceived absence of cultural differences, subtle cultural differences can lead to financial and market miscalculations and a lack of product marketing in ICAs. Furthermore, the example shows that complete product standardisation is often not viable, even in a technology oriented sector repeatedly described as standardised.

Case study summary and limitations

The ICA type chosen in this case study was a non- equity alliance. To judge if a different ICA type may have been advisable or if different management strategies of specific areas could have increased venture success, we analyse this case using the *Extended Choice of ICA Type and Management Model* from Chapter 4 in Table 6.1.

Table 6.1 Extended Choice of ICA Type and Management Model - Case Study 1

Factors and Cultural Components	Degree	Recommended Strategy
Dyer et al.'s (2004) Factors		
Type of Synergy	Sequential	Equity Alliance
Nature of Resources – Relative Value of Soft to Hard Resources	High	Equity Alliance
Extent of Redundant Resources	Low	Non-equity Alliance
Degree of Market Uncertainty	High	Equity Alliance
Level of Competition – Degree of Competition for Resources	Medium	Equity Alliance
National Culture Level		
Extent of Cultural Differences	Low-Medium	Equity Alliance
Cultural Competitive Advantages to be Gained	Low-Medium	Equity Alliance
National Pride of Host or Partner Country	Low	Acquisition
Host Country Language Attitude and Education	No Specific Adjustment Required	
Corporate Level		
Top Team Synergies	High	Acquisition
Culture-specific HRM Budget	Additional Resources Required	
Time Budget	Additional Resources Required	
Departmental Level		
Functions Involved – Extent of People Focus and Technology	Both Medium	Equity Alliance
Individual Level		
General and International Skills Set	More International Skills Required	
Recommended Strategy: Equity Alliance		

According to Dyer et al.'s (2004) original framework, the alliance should have engaged in an equity alliance. This may have resulted in a better and more appropriately adapted approach to marketing the product in the German market. However, the framework does not allow any judgement with regard to the cultural differences inherent in this alliance and the internal management. The *Extended Choice of ICA Type and Management Model* fills this gap and allows a judgement in terms of ICA management options and ICA types.

Cultural differences were described as negligible, but may have led to an underestimation of country specific characteristics, also resulting in missed marketing opportunities and undesirable product features. Issues related to national pride and language were limited and their negligence remained inconsequential. However, problems with decision and budget locus were apparent. Recommendations from the German partner, for example, were not always followed. Nevertheless, networks were established and team synergies nurtured, despite a lack of time resources for relationship building. Employees were chosen only for their general business skills and further international training was not provided. Although this may have been inconsequential in terms of language, additional international capabilities could have enhance the alliance's success. Concluding, our model extension also suggests that an equity alliance may have been a more appropriate and potentially more successful ICA type choice for this venture.

Alliance failure in this case may be attributable to unsuitable ICA type choice, a negligence of cultural variations and market specific conditions and a lack of adapted management strategies. Both Dyer et al.'s (2004) original and our *Extended Choice of ICA Type and Management Model* suggest an unsuitable strategic ICA type choice. The latter further clearly shows a negligence of cultural issues and international preparation. This case study underlines the importance of our model created in Chapter 4.

Unfortunately, at the time this case study was produced, company Alpha had already been substantially reduced in size and information was limited. Due to ICA failure and with view to possible future projects, interviewees were cautious in the answers given throughout the interview process. However, final consultation with the interview partner confirmed that our understanding of the provided information is correct.

6.1.2 Case Study 2: Difficult Alliance between Neighbours

Venture background and partner selection

Company Beta⁸⁰ is a small German consultancy company that operates in a network with other German firms to provide support, market entry and distribution services to telecommunications companies interested in ICAs. In 2006 Company Beta entered into a non-equity alliance with a Dutch handset producer⁸¹. The venture partners found each other through a network portal. These exist through chambers of commerce and allow SMEs who lack networks and knowledge to create ICAs in new geographical markets.

Partner Dutch is also a small company with seven full-time employees. However, it achieves a turnover of approximately €15 Million. This alliance again shows that companies are more likely to follow an incremental internationalisation approach, starting with geographically and culturally close countries (Johnson and Vahlne, 1977). A network level strategy was not apparent on Company Beta's side.

Venture objectives and product information

Company Beta is the sole German partner and responsible for the German market. This alliance is trying to introduce a low cost mobile handset into the market. The objectives were the successful market introduction of the mobile device but so far, the venture has fallen short of its objectives. This is not predominantly due to cultural problems but because of inadequate preparation on Partner Dutch's side in terms of adaptation and legal requirements. Nevertheless, the alliance is ongoing and is now described as "having turned a corner". Our results have shown that time is an important factor for the success of ICAs. "Teething problems" and adaptation needs require additional time resources, which should have been budgeted for at the beginning of this alliance.

Non-cultural challenges to this alliance's success

There are several obstacles for telecommunications products entering new geographical sectors that were encountered by this alliance. Firstly, these relate to the fact that product standardisation is favoured by producers. However, all functions, manuals etc. need to be

⁸⁰ All names have been changed for anonymity purposes.

⁸¹ We refer to the Dutch partner company as "Partner Dutch".

amended to suit the local language. This means standardisation is not possible and local adaptation is required, which is costly and often only done reluctantly by the producer.

Secondly, different economic, legal and technical backgrounds and platforms require further device changes. Particularly legal issues often need a local partner to ensure legality. These changes are time consuming. However, it is also described as nearly impossible to promote and market a product as potential business customers are unlikely to order a product of which no final samples have been inspected.

Lastly, the biggest obstacle was a trademark issue with a large writing equipment manufacturer. The latter had bought all rights for the German market and did not allow a similarly named product from the venture to be marketed. This meant high product recall and adaptation costs and a crucial lack of time for market entry also causing problems with product actuality. The re-branded product was then re-introduced into the market. Our research has shown country-specific differences to be an important factor for consideration in any ICA. We have also shown that full standardisation, even in areas with a high degree of technology, is nearly impossible.

“People often don’t realise that handsets are no longer a brick, but devices that can do nearly anything, including opening doors”.

The importance of cultural differences

In this alliance, cultural differences were described as limited and had little effect on the success of the business relationship. Both partners feel equal in background, strength and economic power. Legal differences and technological requirements are more pressing adaptation requirements than culture. This experience is in line with our interview and questionnaire findings which put Benelux countries, including the Netherlands, culturally close to Germany in terms of feeling of equality (Diagram 5.1). However, from previous experience and projects, Company Beta found Latin-European countries to show the most substantial differences. These findings further support H_{1a} as this case suggests that geographically close countries show more cultural similarity.

Furthermore, even subtle cultural differences should be taken into account in ICAs. Company Beta found that success in a new market is more likely if Marketing is involved from the beginning. Rather than Production prescribing what Marketing needs to sell, the

host country Marketing should elaborate on the high demand functions and products within the market. Again, Company Beta clearly describes the need for local adaptation.

National pride: varying experience

Company Beta has not encountered any problems related to national pride with regard to mobile products and their company or venture partners in general. This would be in line with our findings from Chapter 5, which showed that the mobile industry experienced little effects from national pride. However, a previous experience from the third, the ICT strata, involving a German product in the British market has encountered rejection due to the product's national background. Company Beta believes it to be important to not show nationalistic tendencies in any international business relationship and said that it "would not tolerate any employees or partners that portrayed their nationality too offensively".

"An international employee should not feel German, French or British, but international".

Simplicity in communication: Do you speak English?

According to Company Beta's CEO, English is a prerequisite in cross-border situations. He commented that "without English one is lost in an international position". Bi-lingual capabilities are described as desirable, but not of essence. The venture between Company Beta and Partner Dutch uses English as a means of communication throughout. Language did not appear to be a stumbling block as both sides were able to fluently converse in English. Any employees, consultants and specialists that were active in the venture are expected to speak English fluently. However, a functional area that is strongly affected by language differences are manuals, websites and language tables (e.g. menus in phones). Company Beta has experienced a very poor level of translation within products from Partner Dutch. This has severely limited the acceptance of the product in the German market and shows a neglect of host country language issues on the Dutch partner's side. This supports the idea that marketing and product adaptation is very much affected by cultural differences and that language is an important part of those (H_{4a}). This experience is also in line with our findings from Chapter 5, which places the Netherlands in a language cluster that is open to *third-country languages* in business situations (Diagram 5.8).

Internal company strategies: The importance of people

Company Beta believes in strict leadership, guidelines and financial reward as favoured by high MAS countries such as Germany (Shenkar and Luo, 2004). However, the company does not budget for cultural and language training but relies on existing capabilities and learning-by-doing. The company's CEO describes that in his experience, often even large MNEs spend little on this training area, relying on good recruitment strategies. He described Motorola as a good example of high levels of international diversity and capabilities. In line with our findings, Company Beta is aware of two general areas of capabilities important for international employees, namely business skills relevant to the market and industry and skills relevant to the international position i.e. cultural abilities and language capabilities. This supports our findings from Chapters 4 and 5 and H₈.

Company Beta's experience has shown that individuals active within the international telecommunications industry firstly and foremost need to be knowledgeable and experienced in the industry's technical standards. This is particularly important in an industry that experiences rapid and continuous change and where "one is completely lost after six months outside the industry". However, cultural understanding, openness and language abilities are also described as pre-requisites and do not act as a competitive advantage between employees and consultants.

Similar to our findings, Company Beta believes that general business skills, up to date market knowledge and experience are more important for international employees than culture. However, Company Beta's experience in this venture i.e. low relevance of international abilities, is not supported by our findings but may be due to the closeness of the two cultures i.e. the Netherlands are in the cluster closest to Germany (Diagram 5.1). Furthermore, cultural competencies may have appeared of low importance if all individuals regard these capabilities as "second nature". Company Beta's CEO, nevertheless, describes that in ventures with more culturally distant partners cultural abilities are vital. MNE employees should always have international capabilities and experience.

The departmental level: Relevant even in SMEs

The biggest stumbling block for Company Beta is Marketing. This has proven difficult with input from both sides as communication and styles vary substantially between countries. Company Beta's experience shows that Marketing should be kept either with the

host or home nation operation but should never be mixed. To create a global brand, the customer communication, where possible, should be standardised. As an industry leader and role model, Company Beta cited NOKIA who, with *Connecting People*, have created a global campaign, that is instantly recognisable and does not conflict with cultural values.

On the other hand, Company Beta has experienced Logistics and Finances as the least problematic areas of their ICA. Here, universally understandable numbers and cost savings are key, leaving little room for ambiguity. These departmental findings are in line with our results. Marketing, as the function with the most consumer contact, appears the most difficult department internationally, whereas internally and technically oriented departments as described previously, have the most common communication bases. Our research in Chapter 5 also showed that Marketing is highly influenced by culture and that adaptations are inevitable. This alliance's experience supports H_{7a} and H_{7b} and our finding with respect to the effect of cultural differences on specific departments.

Lessons learnt

Company Beta describes local adaptation as crucial; however, at the same time it describes standardised marketing as desirable. Although it may be possible for some brands and products to standardise their communication, we strongly believe this to be an exception. Furthermore, Company Beta has also described differences in style and the need for adaptation, even in areas with high technological standardisation. Strong leadership is seen as an important part of successful HR. Nevertheless, when working with partner organisations, a polycentric and open approach should be adopted. This loosely mirrors our findings from Chapter 5, stating that in alliances, such as IJVs, a polycentric approach is more likely to yield ICA success. Company Beta has experienced that the general interest in the venture, honesty towards the partner and openness towards new methods and processes are important pre-requisites for a successful alliance.

Case study summary and limitations

The ICA type chosen in this case study was a non-equity alliance. To judge if a different ICA type may have been advisable or if different management strategies could have increased venture success, we analyse this case using our *Extended Choice of ICA Type and Management Model* from Chapter 4 in Table 6.2.

Table 6.2 Extended Choice of ICA Type and Management Model - Case Study 2

Factors and Cultural Consequences for ICA Success Cultural Components	Degree	Recommended Strategy
Dyer et al.'s (2004) Factors		
Type of Synergy	Sequential	Equity Alliance
Nature of Resources – Relative Value of Soft to Hard Resources	High	Equity Alliance
Extent of Redundant Resources	Low	Non-equity Alliance
Degree of Market Uncertainty	Low-Medium	Acquisition
Level of Competition – Degree of Competition for Resources	High	Acquisition
National Culture Level		
Extent of Cultural Differences	Low	Acquisition
Cultural Competitive Advantages to be Gained	Low	Non-equity Alliance
National pride of Host or Partner Country	Low	Acquisition
Host Country Language Attitude and Education	No Specific Adjustment Required	
Corporate Level		
Top Team Synergies	Low-Medium	Equity Alliance
Culture-specific HRM Budget	No Specific Adjustment Required	
Time Budget	Additional Resources Required	
Departmental Level		
Functions Involved – Extent of People Focus and Technology	Both Medium	Equity Alliance
Individual Level		
General and International Skills Set	No Additional Requirements	
Recommended Strategy: Equity Alliance/ Acquisition		

According to Dyer et al.'s (2004) original framework, the alliance should have engaged in an equity alliance or even followed an acquisition strategy from Partner Dutch's side. It is even possible that Partner Dutch is following an incremental internationalisation strategy as described by Meyer and Estrin (2006) and may consider a move to an acquisition later on in the alliance's life, if successful. Equity share or an acquisition of Company Beta may have resulted in a more coordinated adaptation and marketing process. However, Dyer et al.'s framework again does not consider cultural consequences or management implications for this ICA. Our *Extended Choice of ICA Type and Management Model* fills this gap, also suggesting that an equity alliance or an acquisition may have been advisable. However, it also showed that as all Company Beta's employees and partners have pre-existing international experience and capabilities, little additional resources and adjustments are needed. Problems with national pride and language communication were limited in line with our findings from Chapter 5. Both partners are culturally close which requires only a limited amount of cultural adjustment. However, it was also described that problems have arisen due to Partner Dutch's rejection of accepting that local adaptations for the German market e.g. language adaptations, were necessary due to cost reasons, in line with McKinsey Quarterly (2001). This caused problems on a legal and a marketing level. These problems may have been reduced by an equity alliance or an acquisition. We identified time management as an area requiring additional resources. This would allow the alliance to better prepare its sales tactics and market entry and prevent further costly product amendments. Speed was described vital, however, a slower approach may have resulted in an easier market entry.

This case study supports our findings from Chapters 4 and 5 in terms of national cultural differences between European countries, and findings related to all corporate levels. As Company Beta is a small company, this case study allows an interesting insight into the functional level and the individual level of an ICA. Furthermore, it clearly shows that people's international experience help manage cultural differences. However, it also suggests that organisations often ignore necessary local adaptation for cost reasons.

Case study 2 faced some limitations due to the size of Company Beta, as only one interview was possible. Furthermore, additional product information was not available as it was withdrawn from the market for re-branding and no additional data was openly available.

6.1.3 Case Study 3: A Meeting of North and South: Slow Success in a Non-equity Alliance

Venture background and partner selection

Company Gamma⁸² was founded in 1940. The company is a market leader in the fixed business to business telecommunications sector. Its head office has global responsibility with market share on all continents. The company employs approximately 200 people and has a turnover in excess of €50 Million.

During a large industry conference in 2002, Company Gamma was approached by a small Spanish telecommunication company⁸³ to facilitate Company Gamma's entry into the Spanish and Portuguese market. A distribution non-equity alliance was created in which the Spanish partner is responsible for the Spanish and Portuguese market entry and expansion. Both companies are in a sequential relationship (Dyer et al., 2004) and show a network strategy in terms of their choice of ICA and partner selection.

Venture objectives and success

In 2008, the alliance's market share in the Iberian market was 7%. This only represents a partial achievement of the venture's objectives. Even though objectives had been formulated loosely "to achieve market presence in a so far unexplored geographical area", a higher market share after 5 years and a faster progress in terms of market presence had been expected. Nevertheless, Company Gamma's management has taken a pragmatic position on the venture. Short-term annual goals are being set to create "success stories" and allow incremental growth strategies.

The importance of cultural differences

Company Gamma strongly feels that cultural differences within Europe exist and have influenced this venture's structures, management and success. It attributes the majority of difficulties and misunderstandings to cultural issues. This is in line with our findings from Chapters 4 and 5, particularly in terms of a cultural divide between Southern and Northern Europe. National cultural differences have been very apparent in this alliance, and have led to active debates between partners and subsequently a loss of time. Different

⁸² All names have been changed for anonymity purposes.

⁸³ We refer to the Spanish partner company as "Partner Spanish".

communication styles and interpretations have at several occasions led to misunderstandings and frustration on both sides. Company Gamma's experience is to be expected as we identified Spain as part of the *Latin- European* Cluster that shows the biggest cultural difference compared to Germany in terms of feeling of equality and communication. Furthermore, Company Gamma perceives Partner Spanish to feel subordinate to the German partner. These experiences also verify H_{1a} and Spain's position on Diagram 5.1.

"It feels as though the Spanish side believes that we are better but also arrogant but they are too proud to admit to the former. So all we hear is: be less arrogant".

"Many arguments and misunderstandings happened because of a higher propensity to reject the other side's ideas or interests due to different cultural origins".

The biggest differences were experienced in company processes, which were not appropriately discussed at the beginning of the alliance. Partner Spanish was not accustomed to long planning phases or strict meeting agendas. On the other hand, they felt that Company Gamma was a typical "Square German" that was too detailed, structured, inflexible and direct. This stereotypical description of the German partner and the description of different methods to achieving a common goal mirror findings from our field study in Chapter 4. However, Company Gamma has also experienced positive externalities and additional competitive advantage from the cultural differences. These include a higher learning curve, more creative thinking due to a combination of different approaches and the ability to be more flexible and sensitive to a partner's needs. The latter includes listening and allowing additional time for communication. Our research in Chapter 4 also showed that this time allowance can be crucial for the success or even the survival of ICAs. This case further underlines the importance of both negative and positive aspects of national cultural differences in ICA situations and underlines abilities such as more creative thinking that should be used as a competitive advantage in an international setting. The negative and positive aspects of cultural differences confirm our findings from Chapter 5 and H_{1c} that the appropriate corporate culture can create positive externalities and gain competitive advantage from national culture.

National pride: An important consideration

Company Gamma, as the dominant alliance partner grants the Spanish side a lot of freedom to manage its geographical sector. Partner Spanish suggests strategies for the Iberian market that are then approved or amended by Company Gamma. However, due to the high level of National pride and also a resentment towards Company Gamma's "German structures and strategies", negotiations and decisions are a balancing act between achieving the best for Company Gamma but also making Partner Spanish feel in control and not hurt in its pride. It requires a lot of sensitivity and "selling skills" from Company Gamma to highlight all the advantages of future decisions to its partner and to ensure they do not feel overruled or trapped. Long-term decisions and changes need long discussions and decision time, allowing the Spanish side to feel comfortable. Company Gamma is aware of the additional time budget needed and allowances are made.

Partner Spanish is thought by Company Gamma to be very much concerned with retaining its freedom and decision power. This pride does not affect product acceptance as *Made in Germany* is seen as a sign of quality. However, a reluctance to accept and adopt Company Gamma's processes and structures is evident. This is in line with findings from section 5.1.3. Partner Spanish's high level of national pride is confirmatory of our Diagram 5.2 and also supports H_{2a} i.e. that national pride is important to consider in ICAs.

"The dominant partner is Germany. However, the Spanish side does not like this and tries to introduce its own rules and borders. Partner Spanish gets very defensive if they feel they lose their freedom. We need to be very sensitive and careful to ensure their cooperation."

Language: A crucial ingredient

This alliance was initially managed under the European division but problems arose as no one in Company Gamma spoke Spanish and only one person at Partner Spanish spoke German and the use of English was at best "limited". This was an unusual situation for Company Gamma, which normally uses English in all its ICAs. The only exception the company had encountered so far was France and even here, the level of English was adequate if French-speaking employees were not available.

This lack of language abilities with Partner Spanish led to a reliance on only one employee on the Spanish side for all communication. The problems experienced due to a

lack of national language knowledge are typical for countries to be found in Cluster 3 in Diagram 5.8. These countries often rely on their partners speaking their national language and reject the use of or have a limited knowledge of English. English is only used as a “last resort” or if a manager from Company Gamma visits Partner Spanish’s offices. Comparable to our findings relating to the influence of language on cultural differences, the described language issues did not lead to venture failure but required an adapted strategy. Here, the reliance on a single employee also meant that communication times and misunderstandings were substantially increased.

Internal company strategies

Following the above described language problem, Company Gamma appointed a new export manager especially for this relationship. Pre-requisites were general business acumen, a background in business and Spanish language abilities. The export manager was then sent to an intensive language course to ensure knowledge of all technical terminology. However, this was the only training provided. Other employees who are involved in the venture might also benefit from experience gained in other international partnerships, but were not given any additional language or cultural training. Furthermore, Company Gamma does not facilitate employee exchange programs or foreign work placements. Company Gamma’s export manager felt that the company’s previous international experience has increased this venture’s ease. This is in line with H_{5a-b} as specific company variables clearly influence ICA success here. Employees have also benefited from realistic expectations and an idea that in an international setting, sensibility and careful communication is important.

“However, every country, even in Europe, is substantially different and communication needs to be tailored. Previous cultural experience in other countries does not really help with any communication issues with Partner Spanish.”

This is in line with our findings from Chapter 5 (Diagram 5.1) stating that especially the Iberian countries are often perceived to feel unequal to a German partner. It further underlines the differences perceived between Northern and Southern countries as suggested in H_{1a} .

Within Company Gamma, employees who are directly involved in the day-to-day management of the alliance communicate regularly about its progress and events. Information is also relayed to Partner Spanish. Other employees are kept informed but on a more *ad hoc* basis. Communication is open and honest with information passing easily between partners. Continued communication channels with Partner Spanish are ensured through daily contact via email or telephone and face-to-face meetings at location in Spain every three weeks. The latter is described as vital for the professional relationship.

“Especially in Spain it is important to have a personal relationship with the business contact. Reducing contact time to video conferences or telephone would not work”.

The above statement underlines our description of the differences in high and low context communication adapted from Hall (1960) in Figure 4.1 as Spain is a relationship-based high context European country.

This professional relationship in Spain is mainly managed through a limited number of very personal relationships with key employees i.e. firstly the Spanish-speaking export manager and secondly, the English-speaking European export executive. This increases communication and reduce time lag. The relationships are nurtured by regular face-to-face meetings in Spain. However, these also serve the purpose of subtly demonstrating control and superiority over Partner Spanish. Relying on a small number of relationships also increases the risk of communication breakdown if either side's employees change.

Company Gamma and Partner Spanish are very different companies due to the difference in size. Partner Spanish is described as being comparable to other small companies in terms of structures. The business area that was described as being most comparable is Finance, which helps set all sides on equal footings in financial discussions. This is in line with findings from 5.2.4.

Until recently, Company Gamma has followed a rather polycentric approach to managing its ICAs, allowing adaptation and a dominance of local processes and business acumen. However, as Company Gamma grows and its international presence increases, it has changed towards a more ethnocentric and standardised approach to its international

activities. This newly found ethnocentricity suits a large company with a larger variety of international interests. As described in Diagram 5.18, large companies are more likely to impose their own standards and rules onto smaller partners. The move to an ethnocentric corporate attitude is more likely to result in successful acquisitions than partnerships (Diagram 5.9 and 5.11) and one may suggest that Company Gamma's future internationalisation strategy should change accordingly. However, there is a clear understanding that a certain amount of adaptation is still required in any host market due to cultural and country specific differences.

With regard to this alliance, Company Gamma has actively tried to integrate Partner Spanish in all decisions and processes concerned with the venture. Our findings in Chapter 5 describe partner integration as a strategy more in line with a successful M&A, rather than an alliance strategy. However, despite the integration attempt, a substantial effort has also been made to understand Partner Spanish's requirements and feelings. Our research in Chapter 5 found this strategy in line with a successful alliances strategy. The two strategies described above are attributes of different ICA type strategies and may indicate that Company Gamma's strategy with regard to this alliance is not focused enough. It may also suggest an incremental strategy (Meyer and Estrin, 2006) that might see the eventual acquisition of Partner Spanish, in line with Company Gamma's changing internationalisation strategy.

Possible management oversights

The alliance between Company Gamma and Partner Spanish relies on financial and personal motivation. No motivational incentive or recognition scheme is in place beyond salaries and promotion possibilities. This does not suit a country with a medium MAS index such as Spain and will not efficiently improve performance (Shenkar and Luo, 2004).

Partner Spanish's main interest is also financial, although Company Gamma tries to motivate its partner through the recognition of positive achievements and support. However, this is difficult due to the cultural issues discussed. This lack of adapted motivational strategies may have contributed to the lack of goal achievement and the alliance's initial problems. This supports our Diagrams 5.11-5.13, in which results showed

that motivation, communication and staff placements can be important contributors to a successful venture. It also supports H_{6b} as national culture here clearly influences the effectiveness of ICA management strategies.

Lessons learnt

This case study has shown a range of different strategies and experiences, all in line with our findings discussed in Chapters 4 and 5. It also clearly depicts the importance of dealing with and responding to cultural differences in terms of local adaptation and adjusted internal strategies. However, it appears that Company Gamma is on the verge of change and that contradicting strategies and measures are leading up to a new corporate identity and international strategy. We use our model to verify if a strategy change is advisable. The success of this particular alliance may increase with a higher level of integration, motivation and a more defined internal strategy. However, long term, it is imaginable that as Company Gamma's Iberian market share increases, the company will have a more defined strategy, clearer goals and may increase its interest in the Spanish venture.

Case study summary and limitations

The ICA type chosen in this case study is again a non-equity alliance. To judge if a different ICA type may have been advisable or if different management strategies could have increased venture success, we analyse this case using our model in Table 6.3.

Table 6.3 Extended Choice of ICA Type and Management Model - Case Study 3

Factors and Cultural Consequences for ICA Success	Degree	Recommended Strategy
Dyer et al.'s (2004) Factors		
Type of Synergy	Sequential	Equity Alliance
Nature of Resources – Relative Value of Soft to Hard Resources	High	Equity Alliance
Extent of Redundant Resources	Medium	Equity Alliance
Degree of Market Uncertainty	High	Equity Alliance
Level of Competition – Degree of Competition for Resources	High	Acquisition
National Culture Level		
Extent of Cultural Differences	High	Non-equity Alliance
Cultural Competitive Advantages to be Gained	High	Acquisition
National Pride of Host or Partner Country	High	Non-equity Alliance
Host Country Language Attitude and Education	Additional Resources Required	
Corporate Level		
Top Team Synergies	High	Acquisition
Culture-specific HRM Budget	Additional Resources Required	
Time Budget	No Additional Requirements	
Departmental Level		
Functions Involved – Extent of People Focus and Technology	High/Low	Non-equity Alliance
Individual Level		
General and International Skills Set	More International Skills Required	
Recommended Strategy: Equity/Non-equity Alliance		

According to Dyer et al.'s (2004) original strategic CA type decision tool, the alliance should have engaged in an equity alliance. This may have increased Partner Spanish's motivation. However, it may be difficult to establish due to the substantial size difference of both companies. Furthermore, if we take into account the cultural issues inherent in this case, using our *Extended Choice of ICA Type and Management Model*, the current non-equity alliance appears most advisable. Due to the large cultural differences and good top-team synergies an acquisition may also be a future option. However, our research suggests that resistance due to national pride in a possible takeover situation is likely. Company Gamma is aware of the importance of cultural differences through previous ICAs. However, it required specific experience from Spain to make adequate adaptations. This initial lack of cultural and management adaptation reduced the initial ICA achievements. The gradual understanding of cultural and National pride issues led to amended management and control strategies.

Internal strategies and staff were also adapted incrementally to suit this alliance. There is now an emphasis on continued personal meetings and face-to-face contact in line with Spanish culture. However, as this alliance is generally managed through a single employee, this relationship is very volatile and additional international capabilities suitable for this alliance should be sought in future recruitment. We believe that recent success but also initial problems of this ICA can be attributed to the management of country specific cultural differences. According to Dyer et al. (2004) the unsuitable ICA type was chosen. However, our model suggests that the cultural component warrants the current strategy, which should result in a successful collaboration. As discussed in Chapter 4, if ICA type strategy recommendations vary between the original and the extended model, we suggest an incremental approach as described by Meyer and Estrin (2006). This allows companies to carefully evaluate each individual situation, taking into consideration cultural and success factors without an initial high risk approach. It also increases the importance of management strategies to manage the conflicting influences.

Some limitations related to the lack of insight into internal documents to compare statements with company data and the limited amount of people involved in the ICA management, which reduced the possible interview contacts, were inherent in this case. Furthermore, as no functions were moved, no information was available on specific departmental requirements.

6.1.4 Case Study 4: Cultural Issues in Failing Acquisitions – What’s That?

Venture background and partner selection

Company Delta⁸⁴ is a large family-owned network and telecommunications development and distribution company from the South of Germany. The company was founded in 1991, currently employs approximately 250 staff and has a turnover of €75 Million. Company Delta was one of the first IT companies to combine IT and telecommunications products. It is now globally active with subsidiaries and offices in Austria, Italy, Denmark, UK, USA and Taiwan. However, company HQ and the Central European office are still situated in Bavaria. Company Delta is structured into 10 business units responsible for a specific product and technology area. The company sponsors telecommunications workshops and courses to ensure an up-to-date knowledge transfer throughout the industry and specifically for their employees.

Next to its subsidiaries and foreign offices, Company Delta also engages in M&A throughout Europe. They have always been the acquirer and never the target. This case study involves Company Delta’s acquisition of a small Spanish telecommunications distributor⁸⁵ in 2006. Target Spanish is the first Spanish partner.

This acquisition was initiated by the Spanish company. A target company initiating a foreign acquisition is rare, but not unusual (Bragg, 2008; Meyer and Estrin, 2006). Target Spanish was also a family-run firm and Company Delta’s CEO felt that despite the discrepancy in size, the similarity in company culture and the apparent similarity in sector and activity would allow a successful acquisition. The top teams had a personal affinity. According to Company Delta “this is vital. Without it, this acquisition would not have materialised”. This statement supports H_{5c} and the importance of top team synergies.

Venture objectives and success

For Company Delta, the acquisition aim was the development of the Spanish market. Target Spanish is its only Spanish arm. However, the aims and objectives of this acquisition were only approximately 20% realised. The target company has only achieved a turnover of €500.00 and its market share in the Spanish market is negligible due to a lack of sales. The management structures on both sides have remained mainly unchanged.

⁸⁴ All names have been changed for anonymity purposes.

⁸⁵ We refer to the Spanish target company as “Target Spanish”.

German HQ has so far not introduced a management team from Germany in the Target Spanish. Nevertheless, general, overall decisions are now made in Germany. A closer control mechanism may further be put into place if performance targets are not met.

The importance of cultural differences

National cultural differences were obvious and noticeable throughout the acquisition but negative externalities were described as limited. Problems between Company Delta and Target Spanish were mainly attributed to different time keeping and working hours. Difficulties with clients and third party companies were mostly seen in “payment practices, time management and personal relationships”. On the one hand, the differences in payment practices were blamed for a wealth of problems from delays and customer dissatisfaction to non-deliveries. On the other hand, Target Spanish’s higher level of care on a personal level, which was also reflected in its client relationships, ensured that customers were communicated with openly, honestly and friendly. This type of customer relationship is not common in Germany. However, the Spanish account management was seen as an improvement by Company Delta and employees in the German HQ have made a conscious effort to adapt their communication styles. The high level of cultural differences cited in this acquisition underlines this study’s cultural findings from Chapter 5 as we also place Spain and Germany in distant, substantially different clusters. This case also supports, H_{1a} and H_{6b}.

National pride: A major consideration

Target Spanish portrays a very high level of pride. As the acquired company, Target Spanish is naturally subordinate to Company Delta. “They had to just accept this”. However, this appeared difficult and resistance or negative attitudes towards Company Delta’s decisions or processes were common. Nevertheless, the “hierarchy” between Company Delta and Target Spanish should help decision-making even if this faces some resistance. No influence on the acceptance of Company Delta’s products in the market was detected. So again, resistance manifests itself in the rejection of new work methods and processes rather than product rejection. To avoid issues based on process rejection, the target company’s structures remained largely unchanged. The retained autonomy in day-to-day activities in Target Spanish is seen as the major reason for a target company to initially

approach a future buyer that they believe will show little interest in interfering with the local business (Meyer and Estrin, 2006). Nevertheless, following the acquisition, Target Spanish may also feel “inferior” and “lost”, which may have increased the propensity to reject any management changes. Motivation in the Spanish workforce should hence be expected to be limited and may have reduced the achieved success rates further.

The high level of national pride apparent in this Spanish company is in line with our findings from Chapter 5. Furthermore, the relatively small effect of national pride on the product and company acceptance of a telecommunications firm from the third industry stratum also confirms our results from Diagram 5.7.

Language: The reliance on key employees

Communication was not seen as a problem within this acquisition. Language misunderstandings were rare. An existing employee within the German HQ had a good working knowledge of Spanish and similarly, the Spanish CEO spoke German. This helps the communication, although the general communication in English is also described as unproblematic. Company Delta’s existing internal policy to create presentation and reports mainly in English for an easier distribution and understanding throughout the company and its subsidiaries and acquisitions made information transfer and presentation easier from the beginning of the professional relationships. The ease of communication between both sides is not reflected in our language findings from Chapter 5. As there are pre-existing capabilities in terms of German on the Spanish side, and Spanish on the German side, potential communication difficulties were avoided. However, this relationship may become problematic if any of the key employees vital for communication leave this acquisition. The predominant use of English may also further increase the feeling of rejection and hence still contribute to additional friction.

Internal company strategies

Employees within Company Delta were not involved in any decision making regarding the acquisition. The management teams in Germany and Spain informed their employees after the acquisition decision had been made. According to our findings, the limited information flow within the company and between the company and its acquisition may be an indication of the source of problems currently experienced. Company Delta’s information

limitation is in line with the behaviour of many acquiring companies. However, the high failure rates and difficulties cited in the literature (Chapman, 2004; McKinsey Quarterly, 2001) are also proof to the fact that employee communication and involvement in decision making should be a bigger part of acquiring companies' strategies.

Company Delta does not believe that language or cultural training should be provided for employees and hence does not have a training budget for those purposes. The CEO comments that "we do not need this nonsense". This shows a high sense of ethnocentricity on the German side and contradicts our finding related to German pride that suggests that Germans tend to adapt. However, the company does offer employees from the German office the option of spending time in foreign offices, though so far, this remains unused.

Employees from offices in Spain and Italy have used the opportunity to get to know the Bavarian HQ and improve their German knowledge. This is in line with both countries higher regard for personal relationship building which has become clear in our field study. The experience in the German office also meant that these employees were closer and had better personal relationships with the German team. In future projects, they were called upon more frequently and had a better chance of future involvement and internal professional prospects. However, our findings in Chapter 5 show that for the ease and success of an acquisition, allowing employees to gain international experience abroad is not an important variable. Cultural preparation and understanding, on the other hand, is. This is clearly lacking and is likely to form part of the underlying problems.

Company Delta and Target Spanish are described as being "similar in structure, but different in size" with Target Spanish only employing seven staff. This similarity increases the ease of communication and is likely to be responsible for the feeling that communication is "not really problematic". Management synergies between the two companies ensured that the acquisition actually took place. According to our results from Chapter 5, the personal understanding and relationship of the management team on both sides is imperative for a successful acquisition and company characteristics in all parties can substantially influence ICA success potential. This case hence also supports H_{5b-c} . Due to the described similarity of corporate cultures between both companies, we attribute the experienced problems mainly to different national cultures, in line with H_{6b} .

When it comes to employee motivation, Company Delta appears exemplary. Success is met with not only financial or professional reward but also with personal praise from the CEO, increasing performance by paying tribute to different national cultural backgrounds in subsidiary offices (Shenkar and Luo, 2004). Furthermore, successful employees are offered additional benefits such as company cars or better internal staff options. According to our research, these motivational strategies, and the top team synergies are important for achieving positive externalities from national cultural. Having appropriate internal strategies contributes to the general international success within Company Delta' international dealings. However, the lack of cultural and language training and the limited staff communication is likely to reduce these positive externalities and success achieved in this specific acquisition. Existing experience in ICAs "did not really help in this acquisition and we do not know why", suggesting that locally adapted management, strategy and communication are necessary but clearly missing. However, previous experience will have fostered an open and flexible culture within the company as a whole. Despite Company Delta's clear opinion that existing international experience helps with new ventures, Target Spanish and its culture is substantially different to other ventures. Even though a certain level of standardisation and the use of existing strategies from other countries can be employed and should ease the acquisition process, a certain level of cultural adaptation should have taken place. The lack of understanding of the local culture will have reduced cooperation, understanding and ultimately success. Company Delta has "given up" on Target Spanish and is waiting for them to fail in order to "pick up the pieces", introduce Company Delta's standards, processes and policies and start afresh. The realisation that country-specific adaptations and management are necessary further supports H_{6b}.

"Firstly, we tried to integrate them into our processes but they [Target Spanish] were not happy and we faced a lot of resistance. Then we left them a free hand ... and we were hoping for a slow natural adaptation, but the Spanish side just ... cut themselves off from us. Now we are waiting for them to crash so that we can build them up again afterwards".

The departmental level

Logistics were described as the least problematic business area. This corresponds to our findings from Chapter 5 as Logistics is a low external contact department. The departments with the highest cultural discrepancies and adjustment difficulties were described as Sales and Accounts. Companies and individuals in Germany were described as reliable and on time when it comes to payment terms. Spanish payment practices have been experienced as more relaxed. Company Delta described a “substantially varying payment culture”. The experience mirrors our findings from Chapter 5, stating that Sales, which has a strong external focus and a high culture effect is amongst the departments most affected by culture in ICAs. The description of the varying effect of cultural differences on different departments supports H_{7a} and H_{7b}.

Possible management oversights

Company Delta’s employee base already comprised all the professional skills and language skills required to deal with the new acquisition. Nevertheless, the negligence of cultural competencies within its workforce may have contributed to the low success rate of the acquisition to date. Furthermore, our research showed Spain to be highly language proud and the almost exclusive use of English in Company Delta may have contributed to underlying problems. The negligence of culture specific training will have reduced future performance potential (Herrmann, 2005).

We feel that an unclear strategy between allowing autonomy but at the same time expecting obedience may have caused confusion and frustration on both sides. We also find that, compared to our findings with regard to successful acquisitions, Company Delta’s management strategies do not favour an acquisition strategy. Communication is relatively limited, integration is not carried out and a polycentric approach is only partially visible. A different ICA type strategy may have been appropriate.

Lessons learnt

This case clearly shows that underestimating national culture and pride can substantially affect ICA success. Furthermore, previous international experiences can only be used as a guideline and specific adaptations and considerations are necessary. Again, personal relationships and communication appear pertinent for the realisation and ultimately ICA

success. A clear strategy rather than an *ad hoc* approach should have been followed to facilitate a better alliance integration phase.

Case study summary and limitations

An alliance was chosen as the ICA type in this case study. To judge whether a different ICA type may have been advisable or if different management strategies of specific areas could have increased venture success, we analyse this case using our model in Table 6.4.

Table 6.4 Extended Choice of ICA Type and Management Model - Case Study 4

Factors and Cultural Consequences for ICA Success	Degree	Recommended Strategy
Dyer et al.'s (2004) Factors		
Type of Synergy	Reciprocal	Acquisition
Nature of Resources – Relative Value of Soft to Hard Resources	High	Equity Alliance
Extent of Redundant Resources	Medium	Equity Alliance
Degree of Market Uncertainty	Low-Medium	Acquisition
Level of Competition – Degree of Competition for Resources	High	Acquisition
National Culture Level		
Extent of Cultural Differences	High	Non-equity Alliance
Cultural Competitive Advantages to be Gained	High	Acquisition
National Pride of Host or Partner Country	High	Non-equity Alliance
Host Country Language Attitude and Education	Additional Resources Required	
Corporate Level		
Top Team Synergies	High	Acquisition
Culture-specific HRM Budget	Additional Resources Required	
Time Budget	No Additional Resources Required	
Departmental Level		
Functions Involved – Extent of People Focus and Technology	High/Low	Non-equity Alliance
Individual Level		
General and International Skills Set	More International Skills Required	
Recommended Strategy: Acquisition/Non-equity Alliance		

According to Dyer et al.'s (2004) original model, the alliance strategy was the correct ICA type strategy to be used. However, the framework does not provide a suggestion as to why this acquisition is failing or which management strategies may have been adapted. Our Extended Model allows a different insight into the case. Once cultural issues have been taken into account, a non-equity alliance appears to have been a potentially more successful ICA type structure for this acquisition. As stated in Chapter 4, as the original and extended model suggests different ICA type strategies, an incremental approach may have been advisable, starting with a non-equity alliance and incrementally increasing Company Delta's interest in Target Spanish. Furthermore, our model suggests that additional management resources should have been employed for language and cultural training.

Company Delta expected prior international experience to be sufficient for understanding and communication in the venture. However, local requirements and particularly employee resistance due to national pride were not thoroughly taken into account. An ethnocentric "take it or leave it" approach was followed by the acquiring company and may have further increased feelings of resentment.

Company Delta substantially underestimated cultural differences, which our research showed to be substantial between German and Spanish companies. A clearer understanding of differences and adequate strategies to cope with these should have improved the venture's success. Company Delta lacks a general acceptance and understanding of the need to further employees' international skills. Furthermore, in this case, no particular effort was made to communicate in Spanish. Communication is described as adequate but, following our findings, we suggest that relationships could have been enhanced substantially by a more adapted communication strategy. Additional resources are necessary in terms of cultural and language preparation and to enhance the international abilities present within the company.

This case study supports our model, clearly showing that Dyer et al.'s (2004) strategic CA type decision tool is not sufficient for choosing an ICA's strategy. However, as previously, we did not have access to internal company data and were unable to verify financial statements and objectives. Due to the company's corporate culture and its position on culture and cultural preparation, potential underlying difficulties may have been overlooked.

6.1.5 Case Study 5: The Benefits of Cultural Capabilities in a Successful European Partnership

Venture background and partner selection

Company Epsilon⁸⁶ is a market leader in the European in-house power line market. The company was founded in 2002 as the result of a management buyout. It has an overall turnover of approx. €50 Million, more than half coming from other European markets. With 100 employees, Company Epsilon has increased its staff numbers by almost 50% over the last 18 months. Internationally, the company operates through local partners, distributors or agents. Company Epsilon is mainly active in Central Europe but also has interests in the Middle East, Asia and America. The company is not listed at the German stock exchange due to its CEO's opinion and prior negative experience before the buyout.

In 2006, Company Epsilon established contact to a large telecommunications company in Belgium⁸⁷ during an industry conference. Company Epsilon appears to fit into Partner Belgium's network strategy by choosing local, innovative and adaptive suppliers. After long negotiations, the non-equity alliance finally commenced in spring 2008.

The relationship is managed only through a small project team, including the European development manager in the Sales department. All other departments in the company are subordinate to Sales with relation to this partnership and act as internal suppliers. Information is kept at a need to know basis.

Venture objectives, product information and success

Partner Belgium supplies telecom packages to end clients. It is a large firm with more than 8,000 employees. Despite the discrepancy in size, a relatively balanced and equal relationship has been established. Company Epsilon feels confident with its product offering and its references in terms of customers and partners. The company's success is evident in their client base but also in the company's recent growth. However, generally speaking, the producer is often less important than the paying link in the value chain. Company Epsilon believes that equality between partners is important. Our research agrees that this equality increases the likelihood of ICA ease and success. However, this strategy is only successful if strict decision rules are present as equal partners will otherwise

⁸⁶ All names have been changed for anonymity purposes.

⁸⁷ We refer to the Belgium partner as "Partner Belgium".

experience difficulties in reaching any conclusions as suggested in our interviews in Chapter 4.

Partner Belgium uses Company Epsilon's products as part of their customer package. However, these products have been re-branded in line. Even though the partnership has only been active for several months, so far, expectations have been met and the partnership is described as "very positive" However, as Company Epsilon is only one of the supplying partners of Partner Belgium, they have no clear understanding of the exact turnover generated by the telecommunications packages produced and marketed through the partnership.

Management synergies are positive, which is described as "vital, especially when there are problems". Our research also suggests that negative management relationships can be detrimental to the success of any business relationship. The importance of personal management relationships confirms our findings from Chapter 5 and supports H_{5c} .

The importance of cultural differences

Cultural differences between Company Epsilon and Partner Belgium were described as limited, in line with Diagram 5.1. The Belgian side was described as open, multicultural and welcoming, something that Company Epsilon has taken onboard. This positive externality from this ICA supports H_{1c} . Company Epsilon's key employees' previous international experience was described as invaluable for the handling of Partner Belgium. Our findings also suggest that the likelihood of success and ease in ICAs increases with previous international experience, supporting H_{5a} and H_8 .

National pride: Easy to underestimate

Belgium's national pride is not described as very prominent. However, Company Epsilon describes the country as being proud of its local languages. Companies that are not taking the use of German or English in an ICA with a Belgium company for granted are appreciated. This is very important, for example, in packaging design and manual production. Belgium's national pride does not affect product acceptance. However, Company Epsilon, in other ICAs, has also experienced countries where people have a much stronger affinity to national products, for example, Spain and France, whereas Belgium imports the majority of its products due to the limited national production.

Company Epsilon is not aware of any foreign product avoidance in Belgium but explains that “there is a definite North to South national pride increase in Europe”. This statement supports H_{1a} and our findings from Chapter 5.

“Belgium is very proud of its national languages and it makes a good impression, if one does not assume that everything will be done in German or English.”

Simplicity in communication

Communication in this alliance is described as easy and uncomplicated due to the language skills of Partner Belgium but also because both sides have a good working knowledge of English. However, despite the language skills on the Belgian side and the English proficiency on both sides, Company Epsilon was open to the use of other languages in the venture.

Despite the low level of communication difficulties, Company Epsilon has introduced a policy of creating communication transcripts after several minor misunderstandings occurred. These are produced and distributed to the partner with the request for content confirmation and ensure that potential misunderstandings or miscommunications are flagged up quickly and can be rectified without problems. They are described as particularly important in a situation where both sides speak a foreign language. Often, the same words are used, but the understanding and intended meaning are different.

“Reminder, for example, as the subject of an email, is often used by French or Belgium-French employees. This is meant as a polite and friendly gesture to ensure something is remembered. On the German side, this is seen as a little rude, as people feel accused of being forgetful but also feel they are not trusted.”

For cost, branding and corporate culture reasons, presentations and communication is largely standardised. However, adaptation for each situation, partner, country and language is carried out. Generally speaking, Company Epsilon produces all presentations and documents in English first, often even for circulation in Germany, to reduce the amount of translation needed. Initially, this change in procedures faced some resistance

internally, especially from employees with limited English abilities. However, these problems were overcome through training and adapted recruitment strategies.

Internal company strategies

Involved employees on both sides were prepared using informative presentations, face-to-face meetings and online and offline contact. The personal aspect of the business relationship is seen as the most important, particularly at the beginning of the venture and additional time was allocated to create personal synergies. The importance placed on sufficient contact time supports our findings from Chapters 4 and 5.

Furthermore, much information was put in writing. This appealed to the high need for security in Germany and the “even higher UA experienced in Belgium. This security thinking [on Partner Belgium’s side] is one of the reasons a European rather than an Asian partner was sought”⁸⁸. This experience is in line with Hofstede’s UA scores for both countries.

Employees are not given work experience opportunities abroad. However, our findings suggest that this has only limited influence on ICA success. Company Epsilon does not employ specific motivational techniques but believes in self-motivation. The company believes money to be a hygiene factor (Herzberg, 1987) as long as a good wage level is paid but that the autonomy, which increases with success, in itself motivates. This statement is comparable to Maslow’s (1970) top motivational level of professional self-actualisation.

Company Epsilon has also realised that a local representative enables a better communication with the host country. Often these representatives are independent managers that are more likely to respond to local needs. It portrays a better understanding of local issues and allows a more tailored communication. Company Epsilon, for example, realised that “managing Scandinavian countries together is difficult. We started managing these countries together as their individual markets were too small at the beginning. However, despite their closeness, they are too different and individual to be managed together successfully”. This statement contradicts our rationale of grouping the Scandinavian countries together. However, in previous analyses (e.g. Hofstede, 1980; Ronen and Shenkar, 1985; Inglehart, 1997) these are closely grouped together and

⁸⁸ Security need and UA was linked by Hofstede (1991:262).

generally in the same cluster. If countries cannot be successfully managed together, despite their relative cultural closeness, the importance of country-specific differences and their management, as stated in H_{6b} becomes particularly apparent. Local representatives were employed to cater for each country's needs. These strategies represent a polycentric management approach. Company Epsilon believes that each country needs to be treated individually.

Company Epsilon's internal and external communication is limited to avoid competitors' actions prior to finalising any ICA or contract. This need for secrecy has previously been described by Habeck et al. (2000) and is particularly relevant in the telecommunications industry, which faces hypercompetition and a high level of ICAs.

In Company Epsilon, only people needed for any one project and the management are informed. This is particularly important when Company Epsilon's products are sold under a different label or other competitors may have an interest in "breaking the deal". However, once negotiations or deliveries are finalised, press releases are created and employees are informed. This covert communication may have a negative impact on employee motivation and understanding of Company Epsilon's own brand and company. It is also likely to reduce the trust within the company. However, in a competitive environment, this approach appears necessary. Employees' understanding of the need for secrecy in certain situations improves the internal understanding and limits the negative impact of this communication style.

The departmental level

In their partnership with Partner Belgium, Product Management, Marketing and Sales have proven most challenging. For example, Partner Belgium attempted to move a delivery ahead of the agreed date. However, Company Epsilon had safety concerns. This issue threatened the success and existence of the whole partnership but Company Epsilon was able to convey the importance of the product issues to Partner Belgium in a face-to-face meeting. Again, the face-to-face contact and understanding of the partner's ideas and issues were crucial for the successful collaboration. This mirrors findings from Chapter 5.

Company Epsilon's European development manager describes Marketing as the most difficult department with regard to respecting and using national cultural differences in this alliance. It is seen as a primary department as it is often the link between the

customer and the producer. However, before Marketing actually gets involved, the technology needs to be created, adapted and sold to the client. This is often much more difficult than expected. Different expectations, usages of technology, languages etc. need to be taken into account. Only when the product convinces the customer, does Marketing get involved. In our study, we include Product Development in the Production department. Our results show that Production has a strong external, customer focus but is only affected to a limited degree by cultural differences. These findings are similar to opinions voiced in this case. The products need to be focused on the client and need to appeal to the end user. They are not as strongly dependent on culture as, for example, Marketing. However, country specific adaptations were required for cultural but also non-cultural reasons e.g. legal requirements, languages or technical standards. Moreover, some cultural elements may also be inherent and should be considered for adaptation purposes. This case underlines the importance of H_{7a} and H_{7b}.

The individual level

Company Epsilon has not recruited especially for this ICA. However, 30 new employees have recently joined and were selected using several criteria including knowledge in their field, being customer oriented, friendly, polite, focused on problem-solving and displaying adequate language abilities i.e. at least a good working knowledge of English. The company actively encourages employees to extend their language skills by providing language classes in-house. These are generally taught by native speakers and include an introduction into the foreign culture. Our findings from Chapter 5, in line with H_{6b} and H_{1c} suggest that this cultural openness and preparation increases Company Epsilon's chances of successful relationships abroad and increases future performance potential (Herrmann, 2005). This has been proven in their successful expansion strategy. Furthermore, the focus on general business and specific international skills within company Epsilon's workforce supports H₈.

Lessons learnt

The success of Company Epsilon clearly shows the importance of considering national culture and associated issues such as language and pride in ICAs. It further suggests the importance of appropriate recruitment and training strategies, ensuring that employees

combine general business and specific international capabilities. Again, this case is a good example of the importance of even subtle differences and their appropriate management. Company Epsilon is an ideal example of a company that values the competitive advantage that can be achieved through the appropriate management of national culture.

Case study summary and limitations

A non-equity alliance was used in this case study. To judge if the success of this alliance may have been enhanced by using a different ICA type or by adopting different management strategies, we analyse this case using our Model in Table 6.5.

Table 6.5 Extended Choice of ICA Type and Management Model – Case Study 5

Factors and Cultural Consequences for ICA Success	Degree	Recommended Strategy
Dyer et al.'s (2004) Factors		
Type of Synergy	Sequential	Equity Alliance
Nature of Resources – Relative Value of Soft to Hard Resources	Low	Non-equity Alliance
Extent of Redundant Resource	Low	Non-equity Alliance
Degree of Market Uncertainty	Low-Medium	Acquisition
Level of Competition – Degree of Competition for Resources	Medium	Equity Alliance
National Culture Level		
Extent of Cultural Differences	Low-Medium	Equity Alliance
Cultural Competitive Advantages	Low	Non-equity Alliance
National Pride	Low-Medium	Equity Alliance
Host Country Language	No Specific Adjustment Required	
Corporate Level		
Top Team Synergies	High	Acquisition
Culture-Specific HRM Budget	No Additional Resources Required	
Time Budget	No Additional Resources Required	
Departmental Level		
Functions Involved – Degree of People Contact and Technology	Low/High	Equity Alliance
Individual Level		
General and International Skill Set	No Additional Resources Required	
Recommended Strategy: Equity Alliance		

According to Dyer et al.'s (2004) model, the non-equity alliance between Company Epsilon and Partner Belgium was the right decision. We use our Extended Model to judge if the cultural component may have changed this and may have suggested additional management strategies. Our findings suggest that an equity alliance may have improved the success of this venture. This may have potentially reduced any conflicts due to the delivery and safety issues. However, due to the difference in size and because Company Epsilon is not the sole supplier to Partner Belgium, the latter may not have shown any interest in cross-holdings. Furthermore, as Company Epsilon achieves individual global success and does not favour a shareholder situation, an equity alliance may never have been a viable option. As previously, an incremental approach is possible (See Meyer and Estrin, 2006). Our model further suggests that no additional management strategies are recommended for this ICA. Company Epsilon already has all the internal strategies and necessary capabilities in place to ensure a well-balanced cultural management. Furthermore, as functions were not integrated and stayed local, little adaptations were necessary on the departmental level. This case study supports the importance our model places on cultural management strategies and shows clearly that country specific management and adaptations can increase the ICA success.

This case study experienced some limitations due to the age of the alliance as no long-term results or insights are available. However, due to the international experience of Company Epsilon and our interview partners' international knowledge, we believe that the case study is a good example of company Epsilon's European alliances and the influence of culture and its management on their success.

6.2 Discussion

6.2.1 Case Study Summary

As the third stage of our multi-methodology approach, the case studies in this chapter enrich findings from Chapters 4 and 5 and confirm areas from our model that are not tested in our quantitative analysis, such as the importance of an additional time budget in ICAs. They are a good tool to validate our *Extended Choice of ICA Type and Management Model* using specific empirical examples. Any one case study does not substantiate all hypotheses, but together, all hypotheses and the model are supported. Case study 1 clearly shows the importance of the management of even subtle cultural differences. Case study 2 is particularly useful in describing the importance of local knowledge, product adaptation and time budgeting. Case study 3 is a good example of emergent cultural management and its effect on ICA success. It is also useful in showing the importance of language and pride considerations within ICAs. Case study 4 successfully demonstrates how failure occurs through the neglect of cultural issues but also as a result of a vague and confused ICA strategy such as an unsuitable strategic CA type and missing management strategies. Furthermore, this is the strongest example of the effect national culture can have on ICA success. Lastly, Case study 5, in contrast to Case study 4, shows how international success can be facilitated through cultural training and management.

Through the case study validation of our model we are able to show the relevance of the model extension to Dyer et al's (2004) original strategic CA type decision tool. Furthermore, the case studies clearly identify the importance of including the corporate, departmental and the individual level in any ICA type and management decision. Although the case studies' insight into national pride issues is rather limited, they nevertheless make a strong contribution towards the discussion on language influences and their effect on ICA success.

The case studies support our *Extended Choice of ICA Type and Management Model* and hypotheses from Chapters 4 and 5. The following section summarises the empirical and statistical findings from Chapters 4, 5 and 6 and aims to provide practical guidelines for successful ICA management strategies and ICA type choice.

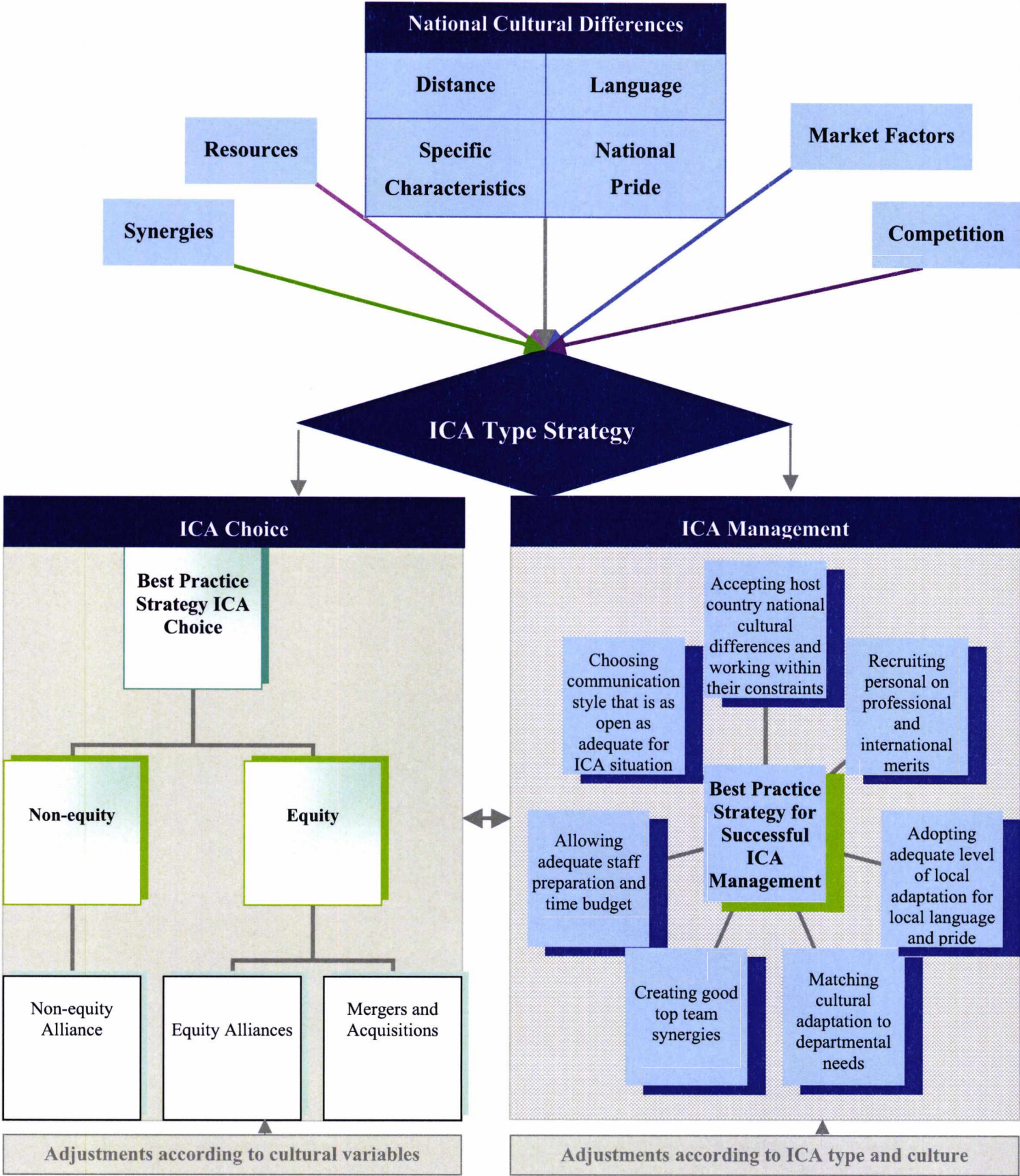
6.2.2 Recommendations of Best Practice - Summarising our Findings

Throughout Chapter 4, 5 and 6, we have identified strategies that support ICA success. We have shown that these vary depending on ICA type, national cultural background and companies' international capabilities. Following our qualitative and quantitative analysis, we now aim to define a best practice approach for ICA type decisions and for successfully managing ICAs. When entering into a new ICA, companies should consider the best practice approach described in Figure 6.1.

This approach is a combination of Dyer et al's (2004) original model and our findings from our research. It suggests that synergies, resources, market factors, competition and national culture should be analysed before deciding an ICA type strategy. This strategy in turn should look at the ICA type as well as the management. The latter should take into consideration the host country culture, language and pride. The appropriate individuals should be chosen and given enough time and support to prepare for the ICA task. Cultural adaptation should be carried out taking into account cultural but also departmental factors. Furthermore, the company should adopt a suitable and, wherever feasible, open communication style and foster positive top team relationships to increase ICA success.

Both ICA type choice and ICA management strategy need to be adapted according to cultural variables. However, management strategies also need to take into consideration the chosen ICA type. Open communication, for example, may be inappropriate in an impending merger situation but vital for an IJV. Furthermore, M&As may be managed appropriately using a geocentric management style, whereas alliances and IJVs very much depend on local adaptation. Similarly, the way in which employees are managed, rewarded and motivated should be strongly influenced by the local culture as well as by the ICA type. It is, for example, important to ensure that loyalties are directed towards the IJV rather than the parent company. Achieving this may require a limitation of return options to the parent. However, in M&As, this strategy is not necessary.

Figure 6.1 Best Practice ICA Type Strategy and ICA Management



6.3 Conclusion

In this chapter we carry out a content analysis of five in-depth case studies. We use the case study for model validation, triangulation of our statistical findings and for the creation of a best practice ICA type and management framework.

All case studies describe European CAs involving German telecommunications companies. We apply our *Extended Choice of ICA Type and Management Model* to each case to judge if a different ICA type or different management strategies may have increased the ICA's success. Furthermore, the case studies are also used to validate our hypotheses and triangulate findings from Chapters 4 and 5.

The case studies allow us to demonstrate the effectiveness and practical application of our model (the extension to Dyer et al's tool) and the relevance of our research questions and hypotheses. Finally, we define a best practice model that could be used to guide managers with regard to ICA type choice and strategies to manage cultural differences and ensure ICA success.

CHAPTER SEVEN: CONCLUSION

7.0 Introduction

In this chapter, we summarise our findings and results. We then explain in which ways this dissertation contributes to the academic literature, business knowledge and practices as well as policy-making and how our results can be used as a basis for future research. Furthermore, we discuss the limitations faced and the ethical issues inherent to our study.

7.1 Dissertation Summary

In this dissertation, we have set ourselves the task of answering the following research questions:

1. What national cultural differences exist in Europe and how do they affect ICA success?
 - e. *What is the relationship between national pride⁸⁹ and cultural differences?*
 - f. *What is the relationship between national pride and ICA acceptance?*
 - g. *What is the relationship between language and cultural differences?*
 - h. *How do cultural differences affect ICA management and success?*
2. How do specific management strategies, dealing with cultural differences, ensure ICA success?
 - c. *Which management priorities should an ICA set to achieve success?*
 - d. *Which levels within an organisation should be considered to ensure ICA success?*

ICAs and their failure have been at the forefront of cross-border research over the last three decades⁹⁰. However, insights into many areas are still insufficient. Our study is innovative in its investigation of new cultural consequences on ICA success and in its extension of existing theory. We are contemporary in our research methodology by combining qualitative and quantitative methods and contributing to academic literature, business knowledge and practice as well as policy making alike. We provide empirical evidence for

⁸⁹ Throughout the dissertation, pride, National pride and National pride portrayal are used interchangeably. They always refer to the subjective personal impression.

⁹⁰ See Harrigan, 1988; Shenkar and Zeira, 1992; Woodcock and Geringer 1991; Schuler, 2001.

the notion that cultural differences affect ICA success and can create positive firm level externalities.

Through the use of interviews, questionnaires and case studies, we find that national differences within Europe are still very much *alive and kicking*. Differences are particularly strong along a European North-South divide and are significantly influenced by language differences and national pride portrayal. This study identifies national pride and language as major contributors to cultural differences and as strong influences on ICA success. We identify European countries' closeness with regard to cultural, language and pride and create clusters of countries with similar attributes on specific dimensions. This allows a simplified and more practical approach to studying but also managing European countries by showing similarities in their attributes. This may mean, for example, that management techniques that were successful in one country within the cluster may also be considered, though with appropriate adaptations, as likely to be successful in other countries within the same cluster.

Furthermore, our study identifies Germany as distinctive with regard to national pride. We show that history and education have created a nation that only slowly regains national confidence and pride. The cultural division of Europe and the inclusion of pride and language in the investigation of culture are unique contributions of our work.

Soft issues, including culture, are important in ICA type choice and management. However, these are often neglected. Our dissertation suggests the inclusion of cultural variables in any ICA type and management decision process. Our *Cultural Hierarchy Pyramid* (Figure 4.2) identifies the importance and interrelationship of the national, corporate, departmental and individual level of culture. Accepting several levels of culture is in line with Pothukuchi et al. (2002) who strongly argue that exclusively studying on level is insufficient.

We include cultural variables on all levels in our extension of Dyer et al's (2004) strategic CA type decision tool for the use in ICAs (Figure 4.4) and suggest the inclusion of management strategies in the ICA process. National pride, for example, influences the acceptance of foreign processes, working styles, languages, companies and products within the telecommunications industry. National pride particularly influences the acceptance of foreign fixed line companies within the European market. This finding allows fixed line companies to adapt their CA type and management strategy and reduce ICA risk.

This study's investigation on cultural consequences for ICA success suggests that culture can create positive externalities in terms of flexibility and creativity. We identify training, partner similarity, understanding, integration, communication and corporate attitude as management areas that can substantially increase ICA success if managed appropriately. The appropriateness of ICA management varies with the ICA type. We propose that IJVs should be polycentric and sensitive towards their partner, invest strongly in employee preparation and language knowledge and foster an open communication infrastructure. However, IJVs' success does not depend on offering employee return options to the parent company or indeed exchange programs. Mergers on the other hand should emphasise the integration of communications systems without the need to have a very open communication. They should follow a geocentric approach to management and emphasise employee capabilities and experience.

Acquirers should also allow for geocentric management styles and open communication. Employee preparation and standardisation of communication should have priority. However, a sensitivity and understanding of the target company is also advantageous. The target company on the other hand should thrive to facilitate a positive relationship with its acquirer, understand and integrate the buyer's communication styles and language while maintaining a certain level of identity and culture. This can be supported by following an open communication approach and allowing employee experience gaining. Using the inappropriate management style for any ICA type will reduce success potential and may ultimately result in ICA failure. Furthermore, independent of ICA type, budget allowances should be made for additional management complexity and time needed for network building. Identifying appropriate management strategies for different ICA types as well as stressing the need for additional management and time resources is an important contribution of our study.

Different departments in an organisation may display very different internal cultures. At the same time, the influence of national and corporate culture on the departments also varies. Our investigation highlights the importance of including the departmental level in any ICA type and management decision. We show that an external departmental focus increases the need to manage national cultural differences but that a common technology or technical language and the knowledge of local terminology reduce potential cultural risks.

Lastly, we clearly show that the consideration of individuals involved in any ICA as well as adapted recruitment and selection strategies are crucial to ensure ICA success. Selected individuals should have capabilities on both a general business as well as a cultural and language dimension. ICAs are dependant on their employees to manage cultural differences appropriately and sensitively. Our case studies have clearly shown the importance of having capable international employees that combine business as well as cultural and language knowledge. A disregard for culture, e.g. Case 4, can lead to failure.

Companies thriving to achieve competitive advantage through managing cultural diversity need to contemplate both qualitative and quantitative issues. A positive and knowledgeable attitude towards the partner's culture is the first strategic step in utilising cultural differences effectively and capitalising on the others' culturally rooted distinctive capabilities. However, we identify a substantial gap between useful internal ICA strategies and actual strategies employed within internationally active German telecommunications companies. This clearly indicates the importance of creating clear business guidelines and best practice approaches. Our study helps fulfil this need by suggesting our *Extended Choice of ICA Type and Management Model* (Figure 4.4), *Successful Strategies for Different ICA Types* (Section 5.1.3.1) and a *Best Practice ICA Type Strategy and Management* approach (Figure 6.1). Companies should consider external, internal and cultural variables for their ICA strategy. Management strategies relating to communication, HRM, time and departments should be tailored to the ICA, taking into account culture, language, pride and top team synergies.

Inter-company relationships are seen as vital for future success and learning how to manage these relationships is an imperative, especially given the large number of markets and cultures within Europe. Our literature review clearly shows a substantial research gap between national cultural differences and ICA strategy. There is also a distinct lack of studies looking at the European telecommunications industry, culture and ICAs. This is where our study substantially contributes to existing knowledge.

We could not reject any of our hypotheses from Chapter 4 following our quantitative analysis. We were also able to answer our research questions from Chapter 1.2. However, our findings relating to research question One were stronger than those for research question Two, particularly the sub-questions regarding the corporate attitudes and country-specific characteristics. This may be due to the heterogeneity of ICA structures

and experience encountered in the interview responses. Cultural experiences displayed a bigger homogeneity. Nevertheless, our study goes a long way to explain ICA and culture specific management strategies. 7.4 explains how the short-comings of this study can be tackled in future research.

7.2 Contribution

As set out in 1.3, our study makes a contribution to academic literature, business knowledge and practices as well as policy-making. Following, we explain in these contributions in more detail.

7.2.1 Contribution to Academic Literature

Our study makes three main contributions to the academic literature. Firstly, it contributes to the Strategic Management literature regarding managing cultural differences to establish successful ICAs (Pothukuchi et al., 2002). We contribute to the literature by showing which management strategies can create positive externalities from culture and hence increase ICA success. This is often overlooked as literature focuses on negative influences of culture (See, for example, Reuvid, 2008; Miller, 2008; Saint-Onge and Chatzkel, 2008; Bragg, 2008). We further suggest that these strategies need to be considered on the corporate, departmental and individual level as put forward by Hornibrook and Yeow (2004). We stress that the management of cultural differences is relevant even between culturally close countries. This is usually overlooked and our study fills an important gap.

Secondly, we contribute to the literature on the European telecommunications. We use industry samples in our qualitative and quantitative research. We show that cultural consequences affect even this highly technical and fast-moving industry (Yidirim, 1997; Schäfer, 2004; Lal et al., 2001) but that the effects of culture can vary depending on strata, countries involved and ICA type. We contribute by showing how culture affects companies within this industry and how the appropriate management of culture can create competitive advantage and success. Lessons learnt here can be leveraged by other industries.

Thirdly, we contribute towards the literature on European culture. We explicitly show that national cultural differences in Europe are strong and relevant, that there is a European North-South divide and that language and national pride are important factors to consider when evaluating European culture. We agree with authors such as Hofstede

(1980), Ronen and Shenkar (1985) and Inglehart (1997) that culture in Europe is heterogeneous, but we emphasise the importance placed on it within the literature. Furthermore, we look at previously underestimated issues, namely pride and language. Both variables show correlations with national culture. Furthermore, we show that national and corporate cultures are interlinked with the later being rooted and influenced by the former and that appropriate corporate strategies and attitudes can be used to manage national cultural differences within ICAs.

Our study bridges the gap in the literature between studies on European cultural differences, studies on cultural consequences for ICAs and literature on the telecommunications industry. A deeper understanding of cultural consequences for ICAs is valuable due to the rise in cross-border ventures (Hanvanich et al., 2003; Rao and Schmidt, 1998). Bridging the literature on strategy and culture with the telecommunications industry is particularly significant because this industry is characterised by strong ICA activity (Lal et al., 2001; OECD, 2004). Our contributions are relevant for both International Business and Strategic Management literature, thus successfully combining both research areas.

As described in 1.1, this study builds on three existing papers. Firstly, we follow Pothukuchi et al. (2002) by investigating the influence of culture on ICAs and looking at the interrelationship of different cultural levels and ICA success. Secondly, we follow Morosini et al.'s (1998) methodological approach of using a single country point of view for cultural investigation and thirdly, we extend Dyer et al.'s (2004) strategic CA type choice decision tool. Table 7.1 summarises the contribution our study makes with reference to each one of these papers.

Table 7.1 Extension of Inspirational Papers

Inspirational Paper	Contents	Inspiration	Extension
Pothukuchi et al. (2002)	Influences of different levels of culture on ICAs	Discussion of relationship between national and organisational culture	<i>The Cultural Hierarchy Pyramid</i> (Figure 4.2) clearly identifies national culture as an influence on the organisational, departmental and individual cultural level. It investigates the underlying cultures influencing each level of cultural analysis. We also identify strategies to manage cultural differences and support ICA success
Morosini et al. (1998)	Investigation of culture using a single country point of view	Cross-cultural research methodology	Our methodology highlights the appropriateness, importance and practicality of using a one-country sample for cross-cultural investigation. A one-country sample allows comparability, easier access to data and a homogenous sample.
Dyer et al. (2004)	Development of strategic CA type decision tool	Model extension	<i>Our Extended Choice of ICA Type and Management Model</i> suggests additional variables for international CA encounters. Dyer et al. (2004) tool is insufficient when different cultures are involved. We extend the previous model using variables relevant to cross-country arrangements and also emphasise the importance of management strategies to achieve ICA success.

7.2.2 Contribution to Business Knowledge and Practice

Our study further contributes to business knowledge and practices regarding ICAs. Our *Extended Choice of ICA Type and Management Model* (Figure 4.4) allows practitioners to establish the appropriate ICA type and management strategies by using our model as a “strategic skeleton”. In our *Best Practice ICA Type Strategy and ICA Management Model* (Figure 6.1) in Chapter 6, we suggest that companies’ ICA type and management decisions should include the following considerations. Firstly, companies should be open to all ICA types as alternative strategies. Secondly, companies should consider synergy, market, competition, resource and cultural factors for their ICA type strategy. Within the cultural factors, country specific differences and potential competitive advantages, language and national pride need to be evaluated.

The ICA type strategy comprises the decisions related to CA type choice and management strategies. Our *Extended Choice of ICA Type and Management Model* can guide managers with regard to both, ensuring ICAs success, as follows. Acquisitions may be advisable where cultural differences and national pride are low and potential cultural competitive advantages are high; also where top team synergies are high and the involved departments low in external contact and high in technology contents, an acquisition might be appropriate. Contractual alliances may be the most appropriate option for reducing risk and expense but maximising consumer satisfaction if cultural differences and national pride are high and there is little competitive advantage to be gained from internalising the host country culture; also where top team synergies are low and a high level of local adaptation and contact is needed, a non-equity alliance reduces risks and market confrontation. Equity alliances where risks and benefits are shared could be the best strategy in situations with medium levels of national cultural differences, competitive advantage to be gained and pride; they may also find the right balance between benefits and risk-sharing in medium synergy, people contact and technology content situations.

Moreover, through effective management strategies the corporate culture and structure can adapt appropriately to the national cultural differences and turn these into competitive advantages and better performance (Diagram 2.1). These strategies address the three levels of cultural consequences i.e. corporate, departmental and individual, as follows. On the corporate level, companies need to allow additional time for team development, cultural understanding and integration (Schneider and Barsoux, 1997;

Hutzschenreuter and Voll, 2008). The management team and the employees need to be committed to the venture and open to new and different cultures to ensure ICA success. At the departmental level, adaptation to local characteristics is necessary especially for HR, Marketing, PR and Strategy departments, although soft issues in technical departments should not be neglected either. Finally, the appropriate employees with a suitable culture on the individual level, combining professional as well as international and language capabilities, should be chosen and given enough time to adapt to the environment (Feely and Harzing, 2003). Practical experience and preparation in terms of language, communication, culture and negotiation techniques should be facilitated to help employees become proficient in international issues and show respect to the partner's background. These strategies support the development of employees fit for international assignments.

In line with Pothukuchi et al. (2002), we find that unsuitable communication, inappropriate corporate culture and ICA type, arrogance, complete standardisation, lack of awareness of cultural consequences and internationally unskilled employees can threaten ICA success.

7.2.3 Contribution to Policy-making

Our study contributes to policy-making by indicating potential areas for improvement. Firstly, we show that language capabilities are insufficient, particularly in English-speaking countries but also in international German telecommunications companies. New policies for continuous language education would increase language abilities and improve communication. Providing company grants to enhance employee training efforts would promote a learning society and create better global communication and collaboration. It would also increase the importance placed on long-term employee development. Furthermore, our study clearly shows that appropriate recruitment policies should be adopted to enhance international employee selection. Governing bodies could suggest guidelines for recruitment and selection processes and give incentives to companies to employ individuals with suitable international capabilities.

7.3 Research Limitations

This dissertation faces a number of limitations inherent to International Business studies (Nasif et al., 1991; Schollhammer, 1994). These limitations include financial and time constraints, response rates, translation and sample selection (Sivakumar and Nakata, 2001).

Financial constraints were mainly experienced due to self-funding limitations and travel expenses. Time constraints relate to the additional time requirement for *in situ* interviews abroad but also to the difficulty in achieving access to high-level employees. To reduce the impact of these limitations, we ensured appropriate logistics, achieving a balance between cost and ease of interview techniques. This was possible by back translating all relevant documents and carrying out the quantitative research predominantly personally at an industry conference rather than via post or email. Due to the above restrictions, the study is limited in geographical and industry scale and scope. Furthermore, because companies surveyed had to match specific criteria in terms of internationalisation and HQ, the sample population was reduced as explained in Chapter 3.

Due to the limitation in travelling time and expenses, the investigation of country-specific CA type preference is beyond the scope of this study. Although this may limit the relevance of our findings, our results provide a valuable reference point for future research into cultural influences on ICA success.

Our interview analysis may show scope for improvement in terms of ideal reliability and validity criteria for content analysis as we have created categories and themes from the interviews themselves rather than from a referent (Harrison et al., 2000). This means that findings may not be exhaustive as they only describe our set of respondents. However, identification of common themes and categories is commonplace and was obvious and straightforward in this study. We believe that our method does not influence reliability and relevance (Harrison et al., 2000) of our research.

7.4 Future Research

Our study contributes to several debates within International Business and Strategy. However, like “Pandora’s Box”, many additional questions come into sight in the process or were out of scope and could be investigated by future research.

Subsequent investigations would benefit from verifying our findings in different cultural and industry settings. This would show our results’ independence of a German bias. Eastern European countries, which have seen rapid development over the last decade may be of particular interest. Furthermore, it would be beneficial to establish a link between specific ICA type and ICA success. It is also of great interest to conclude, whether the cultural background gives an indication of the preferred CA type. Similarly, further investigation into the influence of departments on the success of the venture would allow for more detailed information about the importance of specific department level management strategies. Future research could also explore additional management strategies that may increase ICA success and their association with different company characteristics. Furthermore, a more detailed investigation into different high and low context communication styles, language behaviour and pride could be used for more effective communication, marketing and negotiations within international business.

7.5 Ethical Issues

To protect any participants from negative effects caused by our research, the empirical data was collected with participants’ consent. Access to organisations and individuals for interview, survey and case study purposes was obtained being open and honest about the researcher’s identity, research purpose and agenda. Presentations, request letters and emails in German or English were provided prior to participation, explaining research background, purpose and timetable. We further offered confidentiality agreements and supplied these prior to conducting the research where requested.

Participant anonymity was guaranteed by the use of pseudonyms and numbers. Furthermore, interview and case study participants were given insight into relevant chapters with the right to withdraw any contribution. Two interviewees subsequently amended their contribution and two case studies were extended following participants’ feedback. In cases where the participant’s English knowledge was not adequate, a

translation of all direct contributions was supplied. Limitations of this anonymous approach is that specific statements cannot be related back to specific companies or people by the reader of this study and future research will be unable to verify companies' responses. Following the described strategies, we believe that this study does not raise any ethical concerns.

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APPENDICES

APPENDIX 1 – Variable Definition, Sources and Abbreviations

Variable Definition	Variable Code	Variable Type	Scale/Range	Source
Number of questionnaire	Number	Numerical	1-50	General.
Company Variables				
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 5= 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 5= Large	European Commission (2007).
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).
Culture Variables				
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 verses European countries	CuDiDIre; CuDiDUK; CuDiDFra; CuDiDBlx; CuDiDSpa; CuDiDPor; CuDiDIIta; CuDiDSca; CuDiDAus; CuDiDSwi; CuDiDPol; CuDiDDen	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Morosini et al. (1998).

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	Interviews
Firm does not give enough attention to cultural differences	CuDiAtte	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Vianen et al. (2006); Rijamampianina and Maxwell (2002).
Underestimation of national cultural differences between close cultures	CuDiunde	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Vianen et al. (2006); Rijamampianina and Maxwell (2002).
Are there varying amounts of national pride	PridLev	Culture Ordinal	6-Point Likert Scale 3= negligible; 8= very	Hofstede et al. (2002); Hofstede (2004); Interviews.
Level of national pride in different European countries	PridIre; PridUK; PridFra; PridBlx; PridSpa; PridPor; PridIta; PridSca; PridAus; PridSwi; PridPol; PridDen; PridGer	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Influence of national pride on acceptance of foreign players/products	Pridprod	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Influence of national pride on acceptance of foreign languages	PridLang	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Influence of national pride on acceptance of new process adoption rate	PridProc	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Influence of national pride on acceptance of different working styles	PridStyl	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Good knowledge of common business language for success	ImBizLan	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Importance of knowing national language in different European countries	ImLanIre; ImLanUK; ImLanFra; ImLanBlx; ImLanSpa; ImLanPor; ImLanIta; ImLanSca; ImLanAus; ImLanSwi; ImLanPol; ImLanDen	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Schneider and Barsoux (1991).
Common language creates feeling of cultural closeness	ComLang	Nominal	2= No 3= Yes	Freely and Harzing (2003); Kramsch and Widdowson

				(1998); Interviews.
Average language skills in company	FirmAvLa	Nominal	2= No 3= Yes	General.
National cultural differences can have positive effects	CuDiPos	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Morosini et al. (1998), Shenkar and Zeira (1992).
National cultural differences can have negative effects	CuDifNeg	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Morosini et al. (1998), Shenkar and Zeira (1992).
ICA Success and Management Variables				
Standardised operations to reduce impact of cultural differences	CuDiStan	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Language courses to reduce impact of cultural differences	CuDiLang	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Storti (2001); Freely and Harzing (2003).
Cultural workshops to reduce impact of cultural differences	CuDiWkSh	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Mentoring to reduce impact of cultural differences	CuDiMent	Ordinal	6-Point Likert Scale 3 = negligible; 8= very	Interviews.
Work placements abroad to reduce impact of cultural differences	CuDiAbro	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Schneider and Barsoux (1997) .
Multicultural teams to reduce impact of cultural differences	CuDiteam	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Salk and Brannen (2000).
Standardised reporting/presentation to reduce impact of cultural differences	CuDiPres	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews. Dean and Segal-Horn (2007).
Learning by doing to reduce impact of cultural differences	CuDiLbyD	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Process standardisation used by company in foreign operations	CuDiStaF	Nominal	2= No 3= Yes	Interviews.
Language courses used by company in foreign operations	CuDiLanF	Nominal	2= No 3= Yes	Storti (2001).
Cultural workshops used by company in foreign operations	CuDiWkSF	Nominal	2= No 3= Yes	Burman (2006).
Mentoring used by company in foreign operations	CuDiMenF	Nominal	2= No 3= Yes	Interviews.
Work placements abroad used by company in foreign operations	CuDiAbrF	Nominal	2= No 3= Yes	Schneider and Barsoux (1997).

Multicultural teams used by company in foreign operations	CuDiteaF	Nominal	2= No 3= Yes	Salk and Brannen (2000).
Standardised reporting/presentation used by company in foreign operations	CuDiPreF	Nominal	2= No 3= Yes	Interviews.
Learning by doing used by company in foreign operations	CuDiLbyF	Nominal	2= No 3= Yes	Interviews.
Business success advantage for native over non-native speaker	AdvNatSp	Nominal	2= No 3= Yes	Schneider and Barsoux (1991).
Importance of professional skills for international work	ImProfSk	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Importance of language skills for international work	ImPeLaSk	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Cannon (1991).
Importance of specific cultural knowledge for international work	ImSpCuKn	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Cannon (1991); Cho and Padmanabhan (2005).
Importance of openness to different cultures for international work	ImOpenCu	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Cannon (1991).
Importance of communication skills for international work	ImCommSk	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Cannon (1991).
Importance of flexibility for international work	ImPeFlex	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Cannon (1991).
Importance of company age (older is better)	ImComAge	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Importance of company openness towards new ways of doing things	ImOpProc	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Perlmutter (1969).
Importance of strong corporate culture	ImStrCul	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Schneider and Barsoux (1997).
Importance of top management attitude	ImTopMan	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Kanter (1994); Al-Khalifa and Eggert Peterson (1999).
Importance of employee motivation	ImEmpMot	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Schmietendorf et al. (2006).
Importance of international experience for ICA success	ImIntExp	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Villalonga and McGahan (2005); Cho and Padmanabhan (2005).
Importance of company size (bigger is better)	ImComSiz	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Oh (1996); Interviews.

Bigger complexity of international collaborative arrangements	IntCACom	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Morosini et al. (1998), Hutzschenreuter and Voll (2008).
Importance of similar size and position	ImSimSiz	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Daniels (1971); Geringer (1991).
Importance of international experience for European CA	ImExpPa	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Villalonga and McGahan (2005).
Importance of type of collaboration	ImKindCA	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Dyer et al. (2004).
Importance of top team synergies	ImTTSyny	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Kanter (1994); Al-Khalifa and Eggert Peterson (1999).
Importance of staff communication	ImCommEm	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Chapman (2004).
Importance of cultural awareness and training	ImCuTrAw	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Kanter (1994).
Importance of level of integration (higher is better)	ImIntegr	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Interviews; Freely and Harzing (2003).
Importance of equality of partners	ImEqually	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Daniels (1971); Geringer (1991).
Importance of complementing partners	ImComple	Ordinal	7-Point Likert Scale 1=counterproductive 3= negligible; 8= very	Nielson (2005); Killing (1983); Harrigan (1985); Geringer (1991).
Does company have M&A only, JV only, neither or both	BothJVMA	Nominal	2= No 3= Yes	Dyer et al. (2004).
Company is engaged in IJV	JVGeneral, JVSmaBig; JV5050; JVTwoBig; JVTwo	Nominal	2= No 3= Yes	General.
Ease of different forms of IJV company is involved in	JVEaseSB; JVEase50; JVEaseBB; JVEase2	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Success of different forms of IJV company is involved in	JVSuccSB; JVSucc50; JVSuccBB; JVSucc2	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews; Griffin and Mahon (1997).

Company is engaged in M&A	Mageneral; Merger; Acquisit; Acqbough; MstepA; HoTkOver	Nominal	2= No 3= Yes	General.
Ease of different forms of M&A company is involved in	EaseMerg; EaseAcqu; EaseAcBo; EaseMstA; EaseHTO	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Success of different forms of M&A company is involved in	SuccMerg; SuccAcqu; SuccAcBo; SuccMstA; SuccHTO	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews; Griffin and Mahon (1997).
Open communication for commitment	ImComEBC	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Hudson and Barnfield (2001).
Reducing return options into parent organisation for commitment	ImRedEBC	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Exchange programs for commitment	ImExcEBC	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Schneider and Barsoux (1997).
Cultural workshops for commitment	ImWoSEBC	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.
Language courses for commitment	ImLaCEBC	Nominal	2= No 3= Yes	Interviews.
Company uses open communication	FiComEBC	Nominal	2= No 3= Yes	Interviews.
Company reduces return options to parent company	FiRedEBC	Nominal	2= No 3= Yes	Interviews.
Company uses exchange programs	FiExcEBC	Nominal	2= No 3= Yes	Schneider and Barsoux (1997).
Company uses cultural workshops	FiWoSEBC	Nominal	2= No 3= Yes	Interviews.
Company uses language courses	FiLaCEBC	Nominal	2= No 3= Yes	Interviews.
National cultural differences have different effects on different departments	CuDiDep; CuDiMang; CuDiHRM; CuDiFina; CuDiIT; CuDiMkt; CuDiSale; CuDiPrec; CuDiProd	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Styre et al. (2006); Hofstede (1998).
Common technical terminology helps to overcome cultural differences in different departments	CoTecLan; TecLaMan; TecLaHRM; TecLaFin; TecLaIT; TecLaMkt; TecLaSal; TecLaPrc; TecLaPro	Ordinal	6-Point Likert Scale 3= negligible; 8= very	Interviews.

APPENDIX 2 - INTERVIEW GUIDE STAGE ONE

Interview Guide

1. Lead in

Thank you

Ask about recording again and guarantee anonymity. Discuss option of reading interview chapter before publication and the right to withdraw any contributions at any time.

Describe Study: We are investigating the positive and negative effects of national cultural distances and differences between partners in European CAs. We are trying to establish a link between cultural differences and the success of ventures between European organisations in order to establish a framework that helps companies chose an appropriate entry mode and achieve competitive advantage from national cultural differences through appropriate management strategies.

Implications: Cultural differences can have a negative or positive effect on European ventures.

Why important: Develop a practical guide of how to use cultural differences to a positive effect within European ventures. Ensure that companies are aware that there are significant differences even between countries in central Europe. Also create awareness that Europe is not homogenous and that differences need to be taken into account in International Business situations.

Appreciate: Share of personal knowledge of how European M&A or JV happened, what difficulties and positive situations have been experienced, how performance was measured

Show knowledge of company from prior research

Re-assure confidentiality

2. Today's Agenda

Please give a personal account from start to finish of how you have experienced a specific European cross-border venture. I might ask some questions (listed below) to clarify a point or get a deeper understanding of a certain issue throughout your account.

Your description should include positive and negative experiences with the other organisation, what learning has occurred because of the cultural differences, how the venture's performance was measured and how successful it was in the long run.

Before we start, could I ask you to clarify the following personal and organisational points? This will be the only document where your name will appear. It will be treated as confidential and in any other documentation, only the interview number will be used:

3. Questions*Interview number:**Name:**Company now:**Company during JV, M&A:**Position now:**Position during JV, M&A:**Languages spoken:**Has interviewee lived abroad/have international experience prior to venture?**Name of venture:**Foreign company involved:**Nationality of foreign company:**Objective of venture:*

- Did you experience any problems between employees of the different nationalities?
- Did you experience any organisational or operational problems caused by differences in national traits, values and behaviours?
- Did you experience specific people or departments within the organisation that were challenged more by the international venture?
- Where there any positive learning experiences brought about because of your partner's different nationality?
- What language was used within the venture?
- Did you experience any problems due to language differences?
- Did you need/use translators?
- Did any problems or misunderstandings arise from the use of translators?
- Did you have any preconceived stereotypes before the venture?
- Were these proven wrong or did any aspect appear to be true?
- Where there differences in the partners' expectations in the venture?
- How was performance measured and perceived by all sides?
- Which event stands out most when you think about the venture?
- Would you be comfortable working with people from your partner's nationality again?
- What would you do differently/ behave differently if you were to re-enter this venture?
- What are the three main differences between you and your venture's partner?
- What would you say are the most important things to do or get right in order to make a venture between companies from two different countries work over and above the problems that would occur in a national venture?
- How did your company prepare you for this venture? Was there anything that could have been improved, included etc?
- Have you been part of a different JV, M&A? If yes, were there differences to the one described? (Problems, positive experience? Which? Easier, more difficult?)
- National pride? Did you experience any differences/implications for your business?

APPENDIX 3 – QUESTIONNAIRE STAGE TWO

Questionnaire Jeanette Hexter August 2007

This questionnaire is handled with utmost confidentiality and none of your answers will be used other than for the study and its publication. The information provided will not be relayed back to your company or any third party.

Part I - General Information

Company Info

1	Company name?	
2	Company status e.g. GmbH?	
3	Company age (in years)?	<input type="checkbox"/> < 2 Years <input type="checkbox"/> 2 -5 Years <input type="checkbox"/> 6-10 Years <input type="checkbox"/> > 10 Years
4	No of employees?	<input type="checkbox"/> Micro (1-9 employees) <input type="checkbox"/> Small (10-49 employees) <input type="checkbox"/> Medium (50-249 employees) <input type="checkbox"/> Large (250+ employees)
5	Does your company stipulate the use of languages (e.g. in meetings, negotiations, memo etc.) that differ from the language of the office location?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5a	If yes, which languages are prescribed?	<input type="checkbox"/> English <input type="checkbox"/> French <input type="checkbox"/> Spanish <input type="checkbox"/> Russian <input type="checkbox"/> Italian <input type="checkbox"/> Other (please specify):
6	Number of foreign countries company operates in (sales or production)?	
7	Foreign turnover as a percentage of total turnover?	<input type="checkbox"/> <1% <input type="checkbox"/> 1%-10% <input type="checkbox"/> 11%-25% <input type="checkbox"/> 26%-49% <input type="checkbox"/> 50%-74% <input type="checkbox"/> > 75%
8	European countries company operates in?	<input type="checkbox"/> Ireland <input type="checkbox"/> UK <input type="checkbox"/> France <input type="checkbox"/> Benelux <input type="checkbox"/> Spain <input type="checkbox"/> Portugal <input type="checkbox"/> Italy <input type="checkbox"/> Scandinavia <input type="checkbox"/> Austria <input type="checkbox"/> Switzerland <input type="checkbox"/> Poland <input type="checkbox"/> Denmark <input type="checkbox"/> Eastern European Countries (Please specify):

Respondent Info	
9	Respondent's position in the company? Specialist, team member or similar Team leader or similar Head of department or similar Management - Authority to sign or Vice Top Management/Executive or Vice
10	Respondent's age?
11	Respondent's time in the industry (in years)?
12	Respondent's time in the company (in years)?
13	Has respondent ever lived in a foreign country for more than 3 months (private, work or education)? Yes No
14	Foreign languages spoken? English Not at all Basic Mediocre Advanced Fluent (written and spoken) French Not at all Basic Mediocre Advanced Fluent (written and spoken) Spanish Not at all Basic Mediocre Advanced Fluent (written and spoken) Russian Not at all Basic Mediocre Advanced Fluent (written and spoken) Italian Not at all Basic Mediocre Advanced Fluent (written and spoken) Others (please specify):
Part II - Role and meaning of national cultural differences within the European telecommunications market Please answer the following questions using your personal opinion and experience:	
15	Are there national cultural differences such as different levels of risk avoidance, different hierarchy thinking etc. between different European countries? 1 (Negligible) 2 3 4 5 6 (Very)

16	How strong are the national differences between Germany and other European countries your company deals with?	Ireland	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		UK	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		France	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Benelux	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Spain	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Portugal	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Italy	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Scandinavia	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Austria	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Switzerland	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Poland	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Denmark	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Others (Please specify):							
17	Working with people from culturally very different countries is more challenging than working with people from culturally close or the same country. Do you agree?	1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)							
18	Working with people from culturally very different countries achieves more creative results than working with people from culturally close or the same country. Do you agree?	1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)							
19	National cultural differences do not receive enough attention within your company when working with companies from or within other European countries. Do you agree?	1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)							

20	National cultural differences and associated negative aspects are often underestimated between similar appearing cultures. Do you agree?	1 (Strongly disagree)					
		2					
21	The amount of national pride varies between different countries. Do you agree?	3					
		4					
		5					
		6 (Strongly agree)					
		1 (Strongly disagree)					
		2					
		3					
		4					
		5					
		6 (Strongly agree)					
21 a	Please rate the level of national pride within the European countries your company has dealings with.	Ireland					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		UK					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		France					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Benelux					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Spain					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Portugal					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Italy					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Scandinavia					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Austria					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Switzerland					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Poland					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Denmark					
		Not applicable	1 (Very little)	2	3	4	5 6 (Very strong)
		Others (Please specify):					

21 b	How would you rate the German level of national pride?	1 (Very little) 2 3 4 5 6 (Very strong)
22	How strongly are the following areas influenced by different levels of national pride?	Acceptance of foreign players/products 1 (Negligible) 2 3 4 5 6 (Very) Acceptance of foreign languages used 1 (Negligible) 2 3 4 5 6 (Very) Rate of adoption of new processes 1 (Negligible) 2 3 4 5 6 (Very) Acceptance of different working styles 1 (Negligible) 2 3 4 5 6 (Very) Others (Please specify):
23	How important are the following measures in reducing the impact of national cultural differences within a European operation?	Standardisation of operations 1 (Negligible) 2 3 4 5 6 (Very) Language courses 1 (Negligible) 2 3 4 5 6 (Very) Cultural awareness workshops 1 (Negligible) 2 3 4 5 6 (Very) Mentoring 1 (Negligible) 2 3 4 5 6 (Very) Work placements abroad 1 (Negligible) 2 3 4 5 6 (Very) Multi-national (cultural) teams 1 (Negligible) 2 3 4 5 6 (Very) Introducing standards for presentations, reports etc. 1 (Negligible) 2 3 4 5 6 (Very) Learning by doing 1 (Negligible) 2 3 4 5 6 (Very) Others (Please specify):

24	Which of the following measures are in place in your company for European operations?	<p>Standardisation of operations No Yes</p> <p>Language courses No Yes</p> <p>Cultural awareness workshops No Yes</p> <p>Mentoring No Yes</p> <p>Work placements abroad No Yes</p> <p>Multi-national (cultural) teams No Yes</p> <p>Introducing standards for presentations, reports etc. No Yes</p> <p>Learning by doing No Yes</p> <p>Others (Please specify):</p>
	25	Do you agree with the following statements? Stereotypes...
26		How important are good or very good language skills of a common business language for the success of an international collaboration?

27	How important is speaking the local language for the European countries your company deals with?	Ireland	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		UK	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		France	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Benelux	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Spain	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Portugal	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Italy	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Scandinavia	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Austria	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Switzerland	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Poland	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Denmark	Not applicable	1 (Negligible)	2	3	4	5	6 (Very)
		Others (Please specify):							
		28	Does a common language evoke the feeling of cultural closeness (e.g. France and Belgium or UK and Ireland)?	Yes					
No									
29	How would you rate the average language skills of your company's employees?	Not at all							
		Basic							
30	A native speaker has advantages for business success compared to a non-native speaker?	Mediocre							
		Advanced							
31	How important are the following personal attributes for international work?	Fluent (written and spoken)							
31	How important are the following personal attributes for international work?	Professional skills	1 (Negligible)	2	3	4	5	6 (Very)	
		Language skills	1 (Negligible)	2	3	4	5	6 (Very)	
		Specific cultural knowledge	1 (Negligible)	2	3	4	5	6 (Very)	
		General openness to different cultures	1 (Negligible)	2	3	4	5	6 (Very)	
		Communication skills	1 (Negligible)	2	3	4	5	6 (Very)	
		Flexibility	1 (Negligible)	2	3	4	5	6 (Very)	
		Others (Please specify):							

32	<p>How important are the following corporate attributes for an organisation operating internationally?</p>	<p>Age of organisation (the older the better) Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Openness to new ways of doing things Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Strong corporate culture Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Top management attitude Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Employee motivation Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>International experience of organisation Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Size of organisation (the larger the better) Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Others (Please specify):</p>
33	<p>International collaborative arrangements and partnerships are more complex than national ones. Do you agree?</p>	<p>1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p>
33 a	<p>Please explain your choice.</p>	
34	<p>How important are the following factors for the success of a European collaboration?</p>	<p>Similarity in size and market position Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>International experience of all parties Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Type of collaboration e.g. alliance, merger, joint venture etc. Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Top team/management synergies Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Communication with all levels of staff Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Cultural awareness and training within all organisations Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Level of integration between companies (the higher the better) Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Equality of partners Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Partners complementing each other Counter-productive 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Others (Please specify):</p>

35 If your company is engaged in Joint Ventures, which of the following forms does your company use? <i>If your company is not involved in Joint Ventures, please go straight to question 36.</i>	Joint Venture in general No Yes									
	1 large partner with 1 small partner No Yes									
	50/50 with equal partners No Yes									
	2 large partners, but not equal shares No Yes									
	2 small partners but not equal shares No Yes									
	More than 2 partners No Yes									
35 a How easy was the managing of the different Joint Venture forms employed by your company?	1 large partner with 1 small partner Not applicable 1 (Not at all) 2 3 4 5 6 (Very)									
	50/50 with equal partners Not applicable 1 (Not at all) 2 3 4 5 6 (Very)									
	2 large partners, but not equal shares Not applicable 1 (Not at all) 2 3 4 5 6 (Very)									
	2 small partners but not equal shares Not applicable 1 (Not at all) 2 3 4 5 6 (Very)									
	More than 2 partners Not applicable 1 (Not at all) 2 3 4 5 6 (Very)									

35 b	How successful were the different Joint Ventures forms and partnerships used by your company in terms of sales profit and market share?	<p>1 large partner with 1 small partner Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>50/50 with equal partners Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>2 large partners, but not equal shares Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>2 small partners but not equal shares Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>More than 2 partners Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p>
36	<p>If your company is engaged in mergers and acquisitions, which of the following forms does your company use?</p> <p><i>If your company is not involved in mergers and acquisitions, please go straight to question 37.</i></p>	<p>Mergers No Yes</p> <p>Acquisitions - as buyer No Yes</p> <p>Acquisitions - as target No Yes</p> <p>Merger - as stepping stone for acquisition No Yes</p> <p>Hostile takeovers No Yes</p>
36 a	How easy was the managing of the different merger and acquisition forms employed by your company?	<p>Mergers Not applicable 1 (Not at all) 2 3 4 5 6 (Very)</p> <p>Acquisitions - as buyer Not applicable 1 (Not at all) 2 3 4 5 6 (Very)</p> <p>Acquisitions - as target Not applicable 1 (Not at all) 2 3 4 5 6 (Very)</p> <p>Merger - as stepping stone for acquisition Not applicable 1 (Not at all) 2 3 4 5 6 (Very)</p> <p>Hostile takeovers Not applicable 1 (Not at all) 2 3 4 5 6 (Very)</p>
36 b	How successful were the different mergers and acquisition forms used by your company in terms of sales profit and market share?	<p>Mergers Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Acquisitions - as buyer Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Acquisitions - as target Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Merger - as stepping stone for acquisition Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Hostile takeovers Not applicable 1 (Negligible) 2 3 4 5 6 (Very)</p>

37	National cultural differences can have positive effects on an international venture. Do you agree?	1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)
37 a	Please list max. three of the most important positive effects national cultural differences can have on a collaboration:	
38	National cultural differences can have negative effects on an international venture. Do you agree?	1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)
38 a	Please list max. three of the most important negative effects national cultural differences can have on a collaboration:	
39	Do you agree with the following statements? <i>In an international collaboration:</i>	<p>The bigger party or the buyer should impose its own corporate culture 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>An already existing corporate culture should be used, if this fits the new venture 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>A new, joint corporate culture needs to be found 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>National culture fit is more important than corporate culture fit? 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>Corporate culture fit is more important than national culture fit? 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p>
40	How important are the following strategies in increasing employee buy in and commitment into a new international collaborative arrangement?	<p>Open communication with all levels 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>Reducing options to return into parent organisation 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>Employee exchange programs 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>Cultural workshops 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>Language courses 1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)</p> <p>Others (Please specify):</p>

40 a	Which of the following strategies are used by your company?	<p>Open communication with all levels No Yes</p> <p>Reducing options to return into parent organisation No Yes</p> <p>Employee exchange programs No Yes</p> <p>Cultural workshops No Yes</p> <p>Language courses No Yes</p> <p>Others (Please specify):</p>
41	National cultural differences affect different departments within an organisation differently. Do you agree?	<p>1 (Strongly disagree)</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6 (Strongly agree)</p>
41 a	How high is the level of difficulties posed by different national cultures for the following business functions?	<p>Management 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>HRM 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Finance 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>IT 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Marketing 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Sales 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Procurement 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Production 1 (Negligible) 2 3 4 5 6 (Very)</p> <p>Others (Please specify):</p>

42	A commonly known and used technical terminology helps to overcome cultural differences. Do you agree?	1 (Strongly disagree) 2 3 4 5 6 (Strongly agree)					
	42 a How important is a common technical terminology to overcome cultural differences for the following departments?	Management 1 (Negligible) 2 3 4 5 6 (Very) HRM 1 (Negligible) 2 3 4 5 6 (Very) Finance 1 (Negligible) 2 3 4 5 6 (Very) IT 1 (Negligible) 2 3 4 5 6 (Very) Marketing 1 (Negligible) 2 3 4 5 6 (Very) Sales 1 (Negligible) 2 3 4 5 6 (Very) Procurement 1 (Negligible) 2 3 4 5 6 (Very) Production 1 (Negligible) 2 3 4 5 6 (Very) Others (Please specify):					

Thank you for your time and cooperation in filling out this questionnaire.	
Should you wish to be sent the findings of this study please provide your email address	
If you would be happy to be contacted in case of any clarification needed either via email or telephone, please provide your email address and/or ...	
... telephone number.	
If you have any comments regarding this topic, please use the space provided below.	

APPENDIX 4 – CASE STUDY COMPANY QUESTIONNAIRE STAGE THREE

PhD Jeanette Hexter

CONFIDENTIAL INFORMATION

Case Study Questionnaire

General Company Information

Name of company:

Year the company was founded:

Approx. number of employees:

Approx. turnover:

Area of expertise:

Responsibility for geographical market:

Specific information for the example discussed:

Parent/subsidiary/partner nationality:

Year example was founded:

Year example ceased (if applicable):

Reason for example:

Reason for ceasing of example (if applicable):

Objectives prior to example (if known):

Objectives achieved (yes, no, partly, mainly etc.):

How were employees prepared?

Were employees with specific skills sought? If so, which skills?

How and how often were employees kept informed regarding the example?

Which department experienced the least adjustment problems in the venture and why?

Which department experienced the most adjustment problems in the venture and why?

Which management structures were used in the example?

PhD Jeanette Hexter

CONFIDENTIAL INFORMATION

Confidentiality Agreement

I, Jeanette Hexter, hereby declare, that all information, which I receive from on this questionnaire as well as through interviews with employees will exclusively be used for my PhD research and not shared with any third party without prior consent. Within my thesis, or any publication all information will be anonymous, including company name and employees. Furthermore, will receive its case study prior to publication and retains the right to change and amend any details it deems inappropriate or false.



Signature

Eccles,

Date

APPENDIX 5 – CASE STUDY INTERVIEW GUIDE STAGE THREE

Case Study Interview Guide

1. *Lead in*

Thank you

Ask about recording and note taking again and guarantee anonymity. Discuss option of reading case study before publication and the right to withdraw contributions at any time.

Describe Study: We are investigating the positive and negative effects of national cultural distances and differences between partners in European CAs. We are trying to establish a link between cultural differences and the success of ventures between European organisations in order to establish a framework that helps companies choose an appropriate entry mode and management strategy and achieve competitive advantage from national cultural differences.

Implications: Cultural differences can have a negative or positive effect on European CAs.

Why important: Develop a practical guide of how to use cultural differences to a positive effect within European ventures. Ensure that companies are aware that there are significant differences even between countries in central Europe. Also create awareness that Europe is not homogenous and that differences need to be taken into account in International Business situations.

Case Study Contribution: This is the third empirical part of our study and we now aim to enrich results gained from qualitative and quantitative analyses using empirical case study examples. This case study will be part of a multi case study approach with examples including German telecommunications companies from all industry strata.

Briefly talk about meeting the company at the industry conference and who had recommended the interview partner.

Re-assure confidentiality and mention confidentiality agreement from questionnaire

2. *Today's Agenda*

Please answer the following questions to the best of your knowledge and ability, referring to the chosen European CA example that you have contributed to in your current company. Before we start, could I ask you to clarify the following personal and organisational points? This is the only document that your name will appear in. It is confidential and in any other documentation, only the case study number will be used:

3. Questions*Case study number:**Name:**Company:**Position:**Languages spoken:**Name of venture:**Foreign company involved:**Nationality of partner:**Venture objective:*

1. How was the partner/target company and entry mode chosen/first contact made?
2. How difficult was the communication with employees from the host country?
3. How strongly did cultural differences affect the ease and success of the venture?
4. Did people on both sides feel and behave as equals?
5. How would you rate the portrayed national pride on all sides of the venture?
6. Did you experience strong differences between national pride portrayals between people of same/different backgrounds?
7. Which areas/departments, if at all, were influenced the most by national pride?
8. Which language(s) was (were) used?
9. Did the language barrier influence communication? If so, how strongly?
10. Can you remember any negative effects of national culture?
11. Can you remember any positive effects of national culture?
12. How successfully were employees prepared for the international task? Is there a budget for cultural or language training?
13. How similar were both sides? Please explain.
14. How well did the top management get on?
15. How did the employees get on and how did the communication between employees work?
16. How were the employees motivated and informed?
17. Did employees have the possibility to spend time abroad? Were there employee exchange possibilities?
18. How was the power distributed within the venture?
19. What was the management's position towards the venture?
20. Did the involved companies have previous international experience? Was it utilised?
21. Is your company poly or ethnocentric? This means, does your company adapt to suit the partner or expect the partner to adapt?
22. Did your company try to understand the partner or mainly to integrate the partner into existing processes and ways of working?
23. Which departments were the most/least influenced by national cultural differences and why?

APPENDIX 6 –STATISTICAL INFORMATION FROM CHAPTER 5

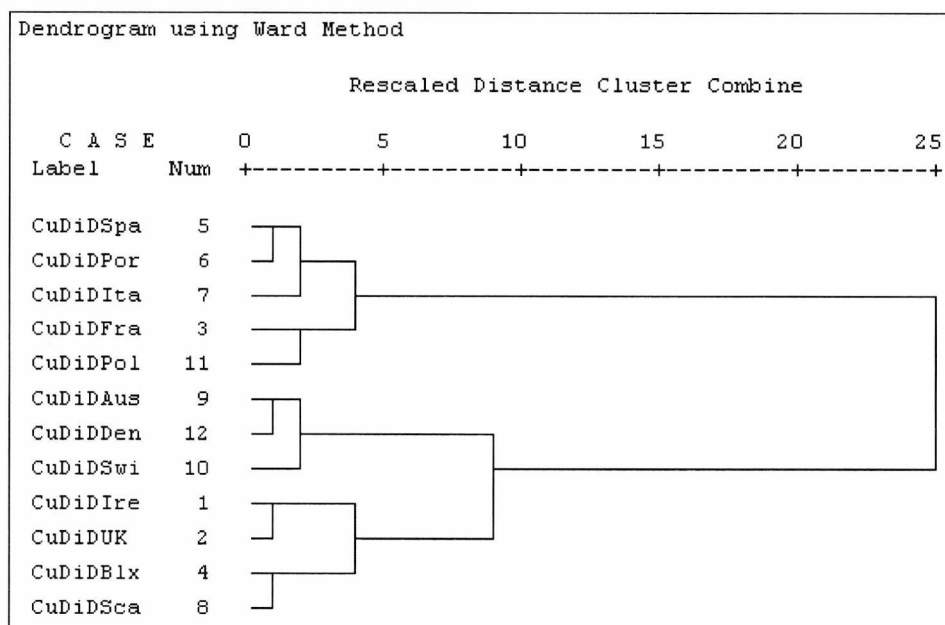
A.1 Stress I for Various Numbers of Dimensions - Cultural Differences

Number of Dimensions	Stress I
2	0.0311
3	0.0273
4	0.0163
5	0.0143
10	0.0139

A.2 Cultural Distances on Three Dimensions

Country	Dimension 1	Dimension 2	Dimension 3
Ireland	-0.058	-0.091	-0.175
UK	-0.16	-0.086	-0.167
France	-0.724	0.556	-0.018
Benelux	0.422	-0.147	-0.017
Spain	-0.601	-0.299	0.135
Portugal	-0.599	-0.294	0.148
Italy	-0.686	-0.05	0.014
Scandinavia	0.44	-0.125	-0.239
Austria	0.898	0.15	0.362
Switzerland	0.881	0.147	-0.173
Poland	-0.535	0.26	0.02
Denmark	0.722	-0.021	0.11

A.3 Cultural Distances within Europe Dendrogram



A.4 European Culture Clusters

Cluster 1	Cluster 2	Cluster 3
Spain	Austria	Ireland
Portugal	Denmark	UK
Italy	Switzerland	Benelux
France		Scandinavia
Poland		

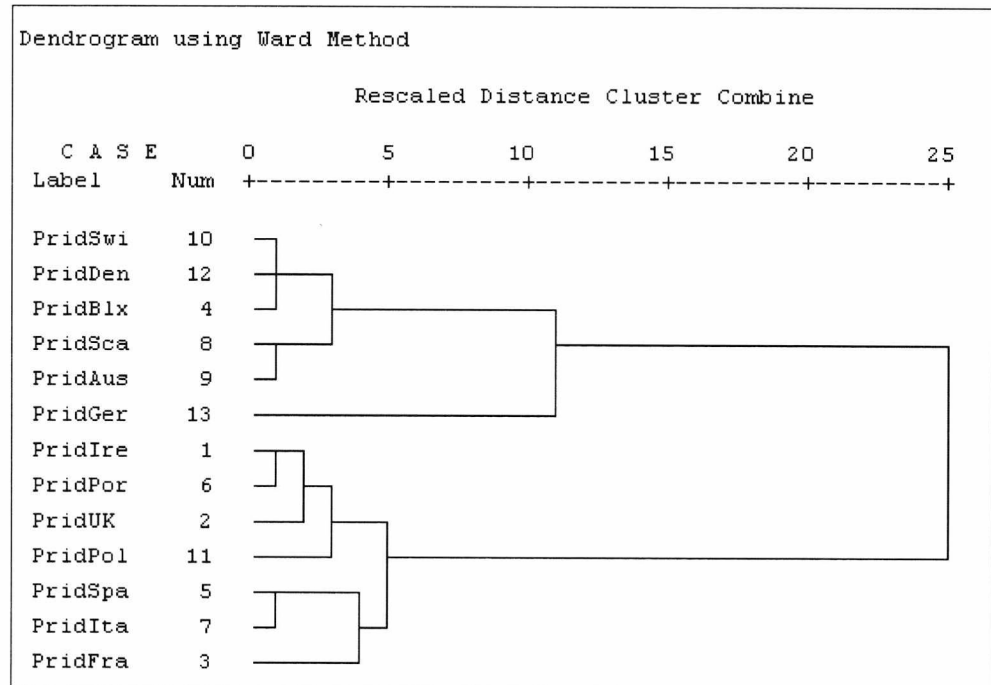
A.5 Stress I for Various Numbers of Dimensions - National Pride

Number of Dimensions	Stress I
2	0.081
3	0.0224
4	0.0175
5	0.0161
10	0.0107

A.6 National Pride Distances on Three Dimensions

Country	Dimension 1	Dimension 2	Dimension 3
Ireland	-0.254	-0.106	0.138
UK	-0.399	0.14	0.416
France	-0.839	0.481	0.325
Benelux	0.228	-0.258	-0.012
Spain	-0.398	0.256	-0.328
Portugal	-0.181	-0.014	-0.263
Italy	-0.301	0.46	-0.415
Scandinavia	0.618	-0.065	-0.043
Austria	0.433	-0.144	-0.225
Switzerland	0.1	-0.362	0.133
Poland	-0.433	-0.555	-0.068
Denmark	0.293	-0.523	0.159
Germany	1.133	0.69	0.183

A.7 Differences in National Pride within Europe Dendrogram



A.8 European National Pride Clusters

Cluster 1	Cluster 2	Cluster 3	Cluster 4
Austria	Germany	Ireland	Spain
Denmark		Portugal	Italy
Switzerland		UK	France
Benelux		Poland	
Scandinavia			

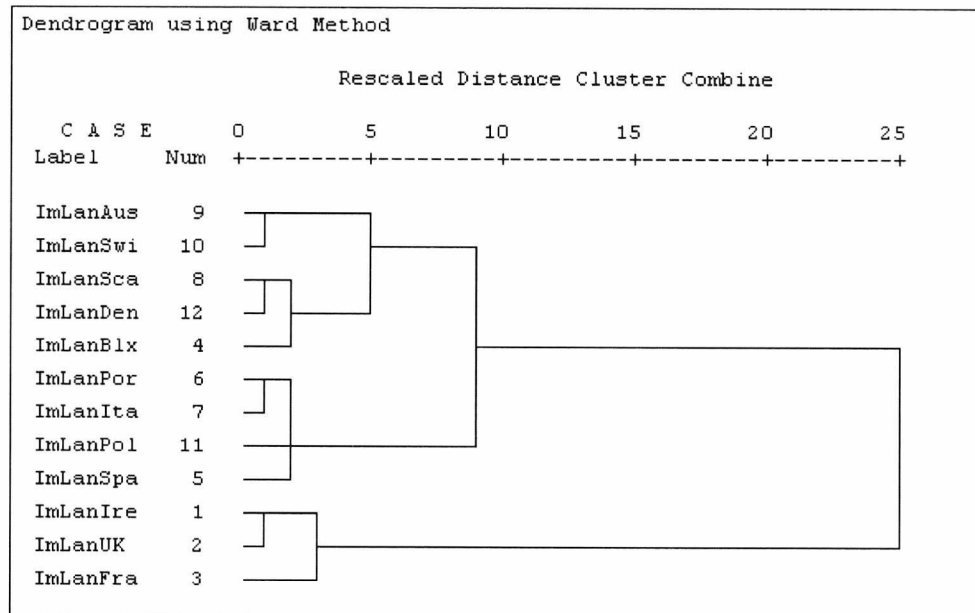
A.9 Stress I for Various Numbers of Dimensions - Languages within Europe

Number of Dimensions	Stress I
2	0.0363
3	0.0195
4	0.0175
5	0.0174
10	0.0124

A.10 Languages within Europe on Three Dimensions

	Dimension 1	Dimension 2	Dimension 3
Ireland	-0.89	0.298	-0.239
UK	-0.94	0.392	0.117
France	-0.831	-0.202	0.064
Benelux	0.645	-0.046	-0.077
Spain	-0.359	-0.066	0.14
Portugal	0.129	0.098	0.145
Italy	0.008	-0.226	0.113
Scandinavia	0.785	0.413	-0.005
Austria	0.332	-0.091	-0.395
Switzerland	0.361	-0.088	-0.391
Poland	0.394	-0.174	0.346
Denmark	0.725	0.146	0.217

A.11 Languages within Europe Dendrogram



A.12 Clusters of Languages within Europe

Cluster 1	Cluster 2	Cluster 3	Cluster 4
Austria	Scandinavia	Portugal	Ireland
Switzerland	Denmark	Italy	UK
	Benelux	Poland	France
		Spain	

A.13 Stress I for Various Numbers of Dimensions – Internal Strategies

Number of Dimensions	Stress I
2	1.289
3	0.081
4	0.054
5	0.039
10	0.017

A.14 Variables Well Explained by Dimensions 1-5

Variable	Nagelkerke/ adjusted R ²	Beta Dim 1	Beta Dim 2	Beta Dim 3	Beta Dim 4	Beta Dim 5
Ease of merger	0.801	1.512	0.535	0.169	0.977	0.04
Ease of acquisition	0.558	-0.311	0.67	-0.033	-0.247	0.219
Ease of acquisition as target	0.81	0.879	-0.38	-0.383	0.107	-0.47
Success of merger	0.71	0.969	0.987	0.071	0.457	0.258
Success of acquisition	0.586	-0.201	0.714	-0.115	0.516	0.857
Success of acquisition as target	0.782	0.373	0.18	0.756	-0.726	-0.588
Likelihood of acquisition	0.56	-3.946	0.928	-0.97	3.065	-1.129
Likelihood of JV in general	0.515	-4.933	-1.266	-2.215	-2.531	2.936

A.15 Variables Not Well Explained by Dimensions 1-5

Variable	Nagelkerke/ adjusted R ²
JV Ease between small and big JV partners	0.345
JV Success between small and big JV partners	0.002
Company is engaged in merger	0.114
Company is engaged in acquisition as target	0.155

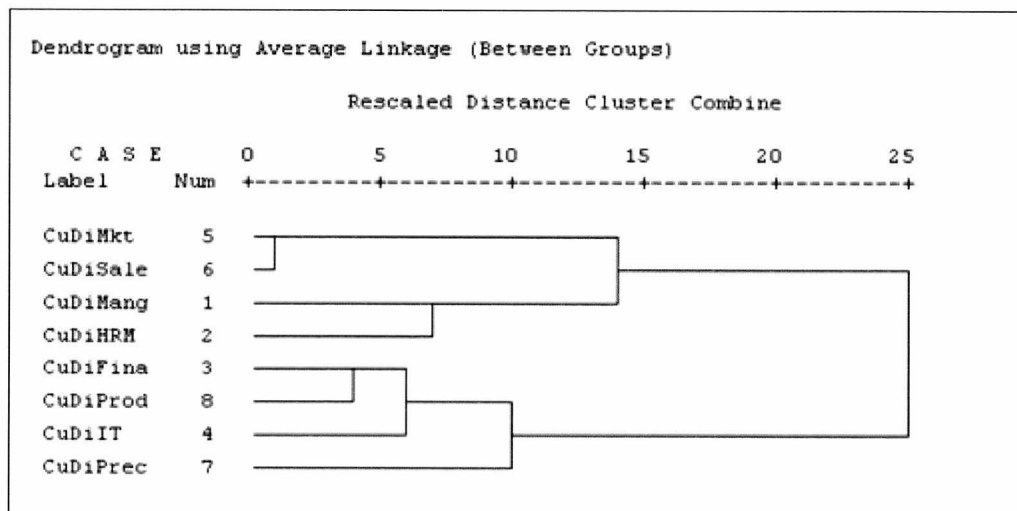
A.16 Stress I for Various Numbers of Dimensions - Difficulties Caused by Cultural Differences for Different Departments

Number of Dimensions	Stress I
2	0.0256
3	0.0213
4	0.0081
5	0.0080
7	0.0029

A.17 Cultural Effects on Departments on Three Dimensions

Variables	Dimensions		
<i>National Cultural Differences pose Difficulty for:</i>	1	2	3
Management	.382	-.327	.078
HRM	.471	-.430	-.095
Finance	-.637	-.130	.089
IT	-.769	.244	-.117
Marketing	.638	.293	-.095
Sales	.747	.396	.104
Procurement	-.183	-.172	-.023
Production	-.648	.126	.060

A.18 Effect of Cultural Differences on Different Departments Dendrogram



A.19 Effect of Culture on Different Departments Clusters

Cluster 1	Cluster 2	Cluster 3
Marketing	Management	Finance
Sales	HRM	Production
		IT
		Procurement

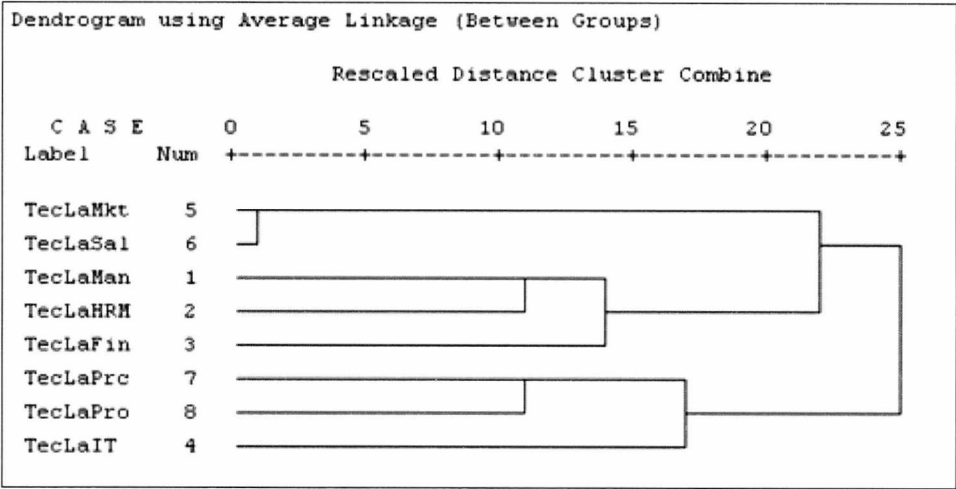
A.20 Stress I for Various Numbers of Dimensions – Common Technical Language Effect on Departments

Number of Dimensions	Stress I
2	0.0939
3	0.0205
4	0.011
5	0.0057
7	0.0036

A.21 Common Technical Language Effect on Departments on Three Dimensions

Variables	Dimensions		
<i>Common technical terminology helps overcome the effect of national cultural differences on:</i>	1	2	3
Management	-.298	-.219	.094
HRM	-.177	-.651	.182
Finance	.364	-.474	-.137
IT	.642	.118	-.513
Marketing	-.383	.320	-.017
Sales	-.808	.196	-.195
Procurement	.107	.437	.111
Production	.554	.272	.476

A.22 Common Technical Language Effect on Departments Dendrogram



A.23 Common Technical Language Effect on Departments Clusters

Cluster 1	Cluster 2	Cluster 3
Marketing	Management	Procurement
Sales	HRM	Production
	Finance	IT