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## ***Working Paper Series***

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**Culture's Consequences for  
International Collaborative  
Arrangements: A Cross-Cultural  
Framework for Successful European  
Collaborative Arrangements**

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# **Culture's Consequences for International Collaborative Arrangements: A Cross-Cultural Framework for Successful European Collaborative Arrangements**

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## **Abstract**

This study puts forward a framework for achieving international collaborative arrangement (ICA) success through selecting the most appropriate ICA type and the most effective management strategies. Based on 30 in-depth interviews with managers from the German telecommunications industry, other German industries and the British telecommunications sector, the findings identify pride and attitude to language as cultural differences within Europe with a significant impact on ICA success. The framework suggests that cultural differences affect ICA success at the national, corporate, departmental and individual level. Correct choice between mergers and acquisitions (M&As), non-equity and equity alliances and appropriate management strategies can turn national cultural differences into competitive advantages.

**Keywords:** collaborative arrangements, strategic alliances, mergers and acquisitions, culture, cultural differences, entry mode, management strategies.

## 1. Introduction

Growing international competition, reductions of trade barriers and the internationalisation of financial markets (Eurostat, 2007; Hornibrook and Yeow, 2004) have led to a steep rise in international ventures (Wiersema and Bowen, 2008). Furthermore, the opening of European telecommunications markets has facilitated large amounts of international collaborative arrangements (ICAs)<sup>1</sup> within Europe (Angwin, 2001), be they acquisitions, equity or non-equity alliances. Despite the recent global financial crisis, collaborative arrangements (CA)<sup>2</sup> continue to be popular (Reuvid, 2008) and instrumental to revenue increases (Haberberg and Rieple, 2008).

However, most collaborative arrangements fail (Haberberg and Rieple, 2008; Dyer et al, 2004; Kale et al, 2002). They either cease, miss their financial targets or experience very low rates of growth (Styhre et al., 2006; Habeck et al., 2000; Killing, 1983). Success is usually derived from synergies, i.e. an effective and competitive way of combining complementary skills, resources and capabilities (Nielson, 2005). This requires: first, a rigorous internal gap analysis in which companies identify the appropriate, complementary ICA partner (Geringer, 1991); second, the selection of the appropriate collaborative arrangement for the given companies (Dyer et al, 2004); third, strategies to manage successfully the collaborative arrangements (Slangen, 2006; Kale et al, 2002). However, companies tend to decide the type of collaborative arrangement they enter on the basis of past experience rather on a full analysis of the alternatives available, thus leading to ICA failure (Dyer et al, 2004; Kale et al, 2002). Furthermore, ICA management strategies tend to be overlooked, also leading to ICA's missing their objectives (Haberberg and Rieple, 2008; Dyer et al., 2004). To prevent ICA failure, Dyer et al. (2004) have devised a framework allowing companies to choose between mergers and acquisitions, equity alliances and non-equity alliances. However, their approach can only apply to CAs within the same country as it does not consider the impact of cultural differences on the appropriateness of a particular type of CAs or the role of management strategies in ensuring ICA success.

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<sup>1</sup> We use international collaborative arrangements and European collaborative arrangements interchangeably, as the ICAs investigated were between European countries.

<sup>2</sup> We include here acquisitions, equity or non-equity alliances.

In this study we address this gap in the literature by formulating a cross-cultural framework for successful ICA entry modes and management strategies. In particular, we address three main research questions: First, how can cultural differences within Europe affect the success of an international collaborative arrangement? Second, how can managers best take into account cultural differences when choosing the appropriate collaborative arrangement, thus ensuring a successful ICA? Third, how can managers best manage cultural differences in order to ensure the success of the chosen collaborative arrangement?

Our study extends Dyer et al.'s (2004) *strategic CA choice framework*, allowing managers and companies to choose an appropriate ICA type, taking into account cultural differences and recommending strategies to manage skills, capabilities, cultures and attitudes correctly in order to increase future ICA success. Within our framework we identify national pride and attitude to language as important contributors to national cultural differences within Europe that affect the success of various types of collaborative arrangements. Furthermore, we identify various hierarchical levels – i.e. national, corporate, departmental and individual- at which these cultural differences affect the success of collaborative arrangements and we explain the relationships between these levels of impact. This framework enhances the debate about a multi-level approach to cultural investigation (Hornibrook and Yeow, 2004). This hierarchical multi-level approach also contributes to the discussion of the link between national and corporate culture and it clearly identifies the importance of national culture as a determinant of organisational culture.

We build on 30 in-depth interviews with managers of German telecommunications companies, other German companies and British telecommunications firms, all companies involved in collaborative arrangements across Europe<sup>3</sup>. Our focus on Europe represents a strength of this investigation for several reasons: Firstly, as European companies are seeking to increase their pan-European presence to successfully compete with the USA and Asia (Calori and Lubatkin, 1994,

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<sup>3</sup> We use the European Union as a proxy for Europe as membership of the EU can affect significantly the involvement of companies in ICAs.

Bergsten, 2001), it is important to investigate the impact of culture on European CAs. Secondly, as the majority (60%) of international trade within Europe is intra-European (Eurostat, 2009), using Europe as our research focus is highly relevant (Rugman and Hodgetts, 2001). Finally, despite the increasing physical and economic closeness, cultural distances still exist, notably within a highly heterogeneous Europe (De Mooij, 2000). Culture should be considered when choosing commercial partners in different geographical areas and internationally active companies need to be aware of the host markets' or partner's underlying national culture and their consequences in order to create realistic expectations and make justified investments. Furthermore, these cultural differences affect not only intra-European collaborative arrangements, but also the expansion strategies pursued by non-European investors targeting Europe. Non-European investors need to be aware that each European country has its own national culture and this may affect differently the types of collaborative arrangements chosen and the managing strategies of ICAs in each of these markets.

The remainder of the paper is organised as follows: we first provide the relevant theoretical context of this investigation; we then discuss the methodology; later we put forward a cross-cultural framework for successful ICA entry modes and management strategies; then we discuss how the framework can help managers to identify the right ICA and to best manage the impact of cultural differences at various levels; finally, we discuss the contribution to knowledge and further research, as well as managerial implications.

## **2. Relevant Literature and Contexts**

This study draws on several strands of *International Business* and *Strategic Management* literature. We first review the literature on various types of collaborative arrangements and their relevance at network level; we then present the reasons for collaborative arrangement failure as well as factors that can lead to collaborative arrangement success; in particular, we focus on the impact of culture on ICA success.

### ***The More, the Merrier: CAs: Strategic Choices for Growth***

In business, ‘size does matter’ and obtaining critical mass or position within a tight timeframe is often critical (Meyer and Estrin, 2006). Haberberg and Rieple (2008, p. 385) note that ‘...competition is no longer just between firms but also between extended networks of firms, such as supply chains. This means that 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 (Gulati, Nohria and Zaheer, 2000).

Due to increasing competitive pressure (Gulati et al., 2000), forming networks has become increasingly important to access capabilities (Capasso, Dagnino, and Lanza, 2005) gain learning, scale and scope advantages, share risks, improve operational effectiveness (Gulati et al., 2000) and create value (Rasche, 2007). Network level strategy becomes the highest strategic level (Rasche, 2007). Gulati et al. (2000, p. 205) state that appropriate network level relationships create better industry understanding and increase performance. However, the biggest paradox at the network level is aligning the competition and cooperation between the firms within a network (De Wit and Meyer, 2004). Moreover, 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. Hence, we accept networks as the highest strategic level.

### ***Pick and Mix? Various Collaborative Arrangements Types and Their Relevance***

Companies enter various ICAs which include different forms of external company growth e.g. mergers, acquisitions, joint ventures (JVs), i.e. equity alliances and strategic alliances, i.e. non-equity alliances. Different collaborative arrangements (CA) types are all ‘alternative ways of implementing

particular strategic options' and face varying degrees of risk (Haberberg and Rieple, 2008). Each has different strengths and weaknesses and is more or less appropriate in different situations (Dyer et al., 2004). Making the wrong strategic CA choice can create diminished shareholder value. However, the right choice can increase a company's success (Cho and Padmanabhan, 2005; Villalonga and McGahan, 2005).

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 brands<sup>4</sup> (Meyer and Estrin, 2006).

Alliances- be they equity or non-equity 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 (Dyer et al., 2004; Hanvanich et al., 2003). 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

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<sup>4</sup> T-mobile integrated Hungarian brand *Westel* after using its local name for 10 years (Meyer and Estrin, 2006).



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). 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) agree that alliances are unstable and often result in future acquisitions. All types of ICAs allow companies to internalise profits from integrating across markets (Chan-Olmsted and Jamison, 2001). This study includes all types of ICAs.

### ***Collaborative Arrangements: Doomed to Failure?***

Evidence shows that, despite the ICA's popularity and contribution to revenues, most collaborative arrangements fail (Donath 2005; Dyer et al., 2004; McKinsey, 2001; Habeck et al., 2000; Hudson and Barnfield, 2001; Killing, 1983; Styre et al., 2006). The causes are summarised in Table 1.

*Insert Table 1 here.*

*International Business and Strategic Management* literature focus mainly on strategic, financial, even political factors as causes of ICAs failure. Wrong collaborative arrangement choice (Dyer et al, 2004) and unsuitable management strategies (Dyer et al, 2004; Haberberg and Rieple, 2008) are cited as leading to poor ICA performance. However, soft factors such as cultural differences are rarely looked at specifically in connection with ICA failure, despite their importance for international business (Sivakumar and Nakata, 2001). This is where our study makes an important contribution.

### ***Choosing the Right ICA Type: A Stepping Stone for Future Success***

Companies have various ways to choose the type of international collaborative arrangements they enter. This choice is within the wider choice of an entry mode of when internationalising. *The Uppsala School of Thought* is concerned with the speed, evolution and commitment of companies' foreign investments and markets (Sarkar et al., 1999). Internationalisation follows a pre-determined

path through exports, sales activities and then production abroad (Johanson and Vahlne, 1977). According to this School, companies are more likely to enter into foreign markets that are culturally close first before venturing into distant markets as part of their internationalisation strategy (Johanson and Vahlne, 1977; Sarkar et al., 1999). This theory emphasises the role of learning from previous expansion in determining the resource commitment to foreign markets. However, companies can avoid the need to accumulate their own experiences by entering collaborative arrangements, thus taking place in the internationalisation process in a way that differs from the traditional one (Garcia-Canal et al., 2002). This is why we review below the frameworks for choosing between various collaborative arrangements.

Companies' entry mode choices encompass strategic decisions relating to location, entry mode, timing, marketing, human resources, logistics and specific business issues (Meyer and Estrin, 2006). The entry mode is also influenced by the competition that companies face in their home and host markets (Wiersema and Bowen, 2008). The preferred entry mode is often related to the cultural background of the home nation (Kirkman et al., 2006; Mayrhofer, 2004), and cultural distance between home and cost country (Padmanabhan and Cho, 1996; Kogut and Singh, 1988). Cho and Padmanabhan (2005) and Hutzschenreuter and Voll (2008) discuss conflicting findings in the literature relating to ICA success and entry mode choice respectively in relation to cultural distance. Cho and Padmanabhan (2005) call the conflicting evidence the *Cultural Distance Paradox* and conclude that entry mode or collaborative arrangement specific knowledge is a stronger determinant for entry mode choice preference than prior country specific or general international experience.

Although the specific entry mode strategy chosen must fit into the overall company strategy, failure to adapt to the local market can affect the ICA success (Meyer and Estrin, 2006). Furthermore, knowing how to make the right collaborative arrangement choice could be more important than having a well-developed expertise in executing either (Dyer et al., 2004). However, for most companies, different collaborative arrangements are not seen as alternatives (Dyer et al., 2004). Companies prefer one strategy generally or have competencies in either, which often ends in

companies acquiring when they should have allied and vice versa. The lack of analysis reduces the likelihood of the right strategic CA choice and can lead to ICA failure. Indeed, there is limited work on how best companies can choose between M&A and alliances and this study addresses this gap in the literature. Two such frameworks stand out:

Building on the transaction-cost and the resource-based view of the firm, as well as on interviews with senior executives and consultants, Hoffman and Schaper-Rinkel (2001) propose a framework for deciding between acquisition and co-operation by taking into consideration environmental, transactional and company characteristics. They suggest that alliances should be pursued in high environmental uncertainty and when there is high knowledge dispersion because they provide greater flexibility and foster rapid learning (Hoffman and Schaper-Rinkel, 2001). Alliances are also preferable when companies have minimal financial strength and high learning capacity. On the other hand, acquisitions provide better opportunities of sustaining economies of scale and scope when there is less strategic uncertainty, less need for strategic flexibility and higher need for control because of large specific investments and uncertainty about partner behaviour. However, this framework does not include cultural factors or managerial characteristics in the decision between acquisition and co-operation (Hoffman and Schaper-Rinkel, 2001, p. 136).

Building on their relational view of competitive advantage (1998),<sup>5</sup> Dyer et al. (2004) have devised a framework to allow companies to evaluate CA opportunities by seeking synergies. 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

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<sup>5</sup> According to the relational view of competitive advantage, 'relation specific assets', 'knowledge sharing routines', complementary resources and 'effective governance' can lead to competitive advantages in inter-firm collaborations (Dyer and Singh, 1998:676). Furthermore, the preservation of relational rents generated through inter-firm collaboration depends on inter-organisational asset interconnectedness, partner scarcity, resource indivisibility and the institutional environment (Dyer and Singh, 1998:676). These findings can guide managers in enhancing the competitive advantage through collaborative arrangements.

resources and shared knowledge (Dyer et al., 2004, p. 111). Because of different requirements for each synergy type, some growth strategies are more appropriate than others. Dyer et al (2004) suggest 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. This allows companies to evaluate risks and choose most appropriately between acquisitions, equity alliances and non-equity alliances. When a combination of human capital is required, an acquisition is often problematic as people will feel they work for the 'predator' and do not commit enough energy and an equity alliance may be a better option. 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. Uncertainty within the market place, for example, increases the viability of alliances as a means to reduce risk and exposure (Dyer et al., 2004).

However, Dyer et al (2004) look at CA choice as a means to increase 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. Furthermore, the success of a collaborative arrangement depends highly on the management strategies put in place once the ICA has been chosen. These two latter extensions of the above framework are proposed in the present study.

#### *Managing the ICA: A Crucial 'Ingredient' for Future Success*

Whilst building a dedicated alliance function can lead to alliance success by facilitating inter-firm learning (Kale et al, 2002), poor management strategies are often cited as causes of ICA failure (Dyer et al, 2004; Haberberg and Rieple, 2008). Hutzschenreuter and Voll (2008, p.56) believe that the bigger the cultural distance, the more difficult it is to adapt firm specific structures, systems and processes. They further argue that there are differences in terms of level of internationalisation

complexity and culture effect on performance between culturally close and very distant countries. The reason for this added complexity is the need of the organisation to adjust to substantially different settings and hence create additional management complexity (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 the current literature may overestimate the role of national culture and underestimate the role of organisational culture and intra-country diversity. Our framework proposes a way to bridge national cultural differences by implementing appropriate ICA management strategies as part of their organisational culture.

Managing strategies and processes are part of the organisational culture. This represents 'the collective programming of the mind which distinguishes the members of one organisation from the other' (Hofstede, 1980:19). Hofstede et al. (1990) found that values are inherent in national culture but practices are organisation specific. The national values enter the organisation through the hiring process and influence markets through the individuals within it. They are rooted in history and are resistant to change (Hofstede and de Mooij, 2002). Values can influence the success or failure of a product or company (Hofstede and de Mooij, 2002) and are thus an important area of consideration for academics and practitioners.

#### *Leveraging Cultural Differences to Achieve Competitive Advantage*

Research shows that organisational cultures are deeply embedded in national cultures (Mayrhofer, 2004; Hofstede 2004; Hofstede et al., 1990; Pothukuchi et al., 2002; Trompenaars and Hampden-Turner, 1997) and that national cultural differences may affect the success of ICAs (Donath, 2005; Hall, 1976; Hofstede, 1980; Hudson and Barnfield, 2001; Ronen and Shenkar, 1985; Schwartz, 1994; Styhre et al., 2006; Trompenaars, 1993). Furthermore, the appropriateness of the organisational culture (Kaplan and Norton, 1996) as well as its consistency with national culture (Shenkar and Luo, 2004) can affect company performance. Culture is a human concept and as such difficult to define

(Sivakumar and Nakata, 2001). An influential definition provided by Hofstede (1991, p. 9) portrays culture as an 'onion'. Culture contains several 'layers' that are deeply ingrained in the values held by nations and manifest themselves in practices such as rituals, heroes and symbols (Hofstede, 1991, p.9). We adopt Hofstede's definition of culture as a multi-layered concept, and we expand it to identify various levels of cultural differences within companies and their impact on the ICA success. Our multi-level approach (Figure 1) suggests a link between national culture and organisational culture and addresses a gap in the literature, i.e. the lack of multi-level research into the impact of cultural differences on international business (Hornibrook and Yeow, 2004).

*Insert Figure 1 here.*

Despite the vast number of negative consequences of culture for ICAs, Dunning (1998), Lenartowicz and Roth (1999) and Wiersema and Bowen (2008) believe that understanding as well as adopting adequate ICA management strategies can create and retain location specific competitive advantages. Chakrabarti et al (2009) further suggest that cultural distance may actually increase ICA success potential. The literature agrees that companies can improve success by preparing, learning and applying specific internal strategies (Dyer et al., 2004). In our framework we show which CA choice decision rules and management strategies should be pursued to increase the benefits and the competitive advantage gained from cultural differences, by identifying the impact of cultural differences at various levels.

The effects of culture are notable at various levels throughout the organisation (Styhre et al., 2006), including departmental and individual level. Furthermore, the individual is becoming an important focus to achieve competitive advantage (Herrmann, 2005), especially with the changing world economy towards service industries (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

assignments have international experience, are fluent in the host country's language and familiar with its specific culture as well as flexible and open to new cultures (Cannon, 1991). Our framework suggests including departmental and individual level management strategies to increase ICA success.

### **3. Research Questions**

When companies enter collaborative arrangements with foreign companies, cultural differences have to be taken into consideration, as they may affect the success of the ICA. In this study we address a gap in the literature by formulating a cross-cultural framework for successful ICA choice and management strategies for European collaborative arrangements. In particular, we address three main research questions: First, how can cultural differences within Europe affect the success of an international collaborative arrangement? Second, how can managers best take into account cultural differences when choosing the appropriate collaborative arrangement, thus ensuring a successful ICA? Third, how can managers best manage cultural differences to ensure the success of an ICA?

### **4. Methodology**

#### ***Theory Development, Sample and Context***

We follow a hypothetico-inductive approach to theory formulation. We combine interview findings with underlying theoretical constructs in order to develop our framework. This reduces pre-conception and allows for new idea generation (Chapman et al., 2008). We conducted 30 semi-structured in-depth interviews with middle and high-level managers across 12 companies. These included 25 interviews across the German telecommunications industry, 3 interviews from the British telecommunications sector and 2 interviews from the German energy sector and from a government body, allowing comparisons across industries. The sample size is comparable with other studies employing interviews for this purpose (Shapiro, Ozanne et al, 2008). The purpose of the interviews was to identify various aspects of culture that can affect the success of various types of international collaborative

arrangements and ways in which managers can deal with these cultural differences in order to improve the performance of such collaborations.

European collaborative arrangements are an important research area (Grell, 2007) and we investigate German ICAs within the European telecommunications industry. The telecommunications industry allows an interesting viewpoint due to the continuous and rapid changes taking place, the fairly recent deregulations and its drive for internationalisation (Chan-Olmsted and Jamison, 2001). We chose Germany as a research area as it presents the largest European telecommunications market<sup>6</sup>. Its former incumbent, Deutsche Telecom AG and its sub-divisions represent the largest European telecommunications service provider with interests in more than 50 countries globally (Datamonitor, 2007). Furthermore, the German market is of interest as de-nationalisation and market power of former monopolists are still an issue and developments within the industry are current and fast. Therefore, studying telecommunications with respect to German telecommunications companies engaging in CAs in other European countries is of great relevance. Furthermore, 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 and allowing for a good basis of comparison (Schollhammer, 1994).

We use stratified random samples of the German telecommunications industry. The population are all German telecommunications companies, with HQ in Germany and European activities. Looking at a single-country sample allows for good comparison but may limit the results' general applicability. We use the following strata: 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). These samples were identified in policy and industry reports.

Our sample for the interview analysis included five market leaders in their area of expertise on the one hand and telecommunications consultancies and ceased ICAs on the other hand, to allow

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<sup>6</sup> The market share is estimated at 19-22% (Datamonitor, 2007, 2007a; Key Note, 2002; Budde, 2007).



for a broad insight into the industry. Interviews were established through industry analysis and snowball sampling. This method consists of asking each initial interviewee to provide leads for further potential informants and it 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. Furthermore, personal contacts to two of the sampled companies and five of the interviewees were made during the CeBit fair in March 2007, further limiting the group bias.

The interviewees were chosen for their ICA experience (Styhre et al., 2006). Interviews with CEOs of two of the biggest ICA failures in European telecommunications history were deemed of critical importance as lessons learned from these could be invaluable for future partnerships. We use reference interviews to verify that responses were similar in other industries as well as other countries.

#### ***Data Collection Methods***

The data was collected via semi-structured in-depth interviews, allowing participants to ‘tell stories’ (Styhre et al., 2006). Interviews are seen as particularly strong for theory building (Daniels and Cannice, 2004; Eisenhardt, 1989; Parkhe, 1993). By using the snowballing technique and carrying out several stages of contact, we fulfilled the three critical conditions for successful interviews, i.e. interviewee access to information, cognition of interview requirements and motivation (Moser and Kalton, 1983). The interviews were carried out in the interviewees’ organisational settings or over the phone. The instrument comprised an interview guide as suggested by Marchan-Piekkari and Welch (2004), which was designed in English, translated into German and back translated for consistency.

#### ***Data Analysis***

We use the insights gathered from the respondents rather than from a referent for framework formulation through the identification of common themes and categories. However, these may not be exhaustive (Harrison et al, 2000). We use an interpretive content analysis approach (Chapman et al, 2008). The interview data was analysed at different points in time. All interview recordings (where

available) were transcribed and compared to written notes taken during the interview, with the objective of ensuring completeness and understanding (Shapiro et al., 2008). 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 a several months period, we re-examined the data to verify the initial classification but also to obtain relative frequencies (Harrison et al., 2000). Comparing frequencies with the categorisation of answers enhanced the feeling of reliability by being able to reproduce themes and categories (Krippendorff, 1980, cited in Harrison et al., 2000).

## **5. Findings: Culture's Consequences for European Collaborative Arrangements: A Multi-Level Approach**

Our first research question asked: How can cultural differences within Europe affect the success of an international collaborative arrangement? In order to answer this question, we build on Hofstede's (1991) concept of culture as an 'onion'. 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. Furthermore, cultural differences manifest themselves at various levels, all rooted in the national culture. We allow for individual and collective influences, obvious and underlying cultural manifestations, not neglecting cultural values. This approach is appropriate for any type of cultural study (e.g. D'Andrade, 1987). We find that cultural differences affect ICAs at several levels, i.e. national, corporate, departmental level and individual level and that managers need to take into consideration these impacts when deciding the type of collaborative arrangements they choose and the management strategies they put into place as follows.

### ***The Effect of Cultural Differences on ICA Success: The National Level***

*Cultural Differences in Europe: 'Alive and Kicking'*

National cultural differences influence the success of ICAs (Donath, 2005; Hall, 1976; Hofstede, 1980; Hudson and Barnfield, 2001; Ronen and Shenkar, 1985; Schwartz, 1994; Styhre et al., 2006; Trompenaars, 1993), as ICAs experience a higher level of complexity than national collaborations (Interviews 10;16;17;18;30). Our interviews highlight the existence of cultural differences between European countries and their relevance for international business: 97% of interviewees explicitly stated that there were considerable differences. Throughout our interviews, differences in European national cultures have been described as a between-country phenomenon, notwithstanding, of course, intra-country variations.

*'European does not normally work... You need to consider each country' (Interview 1).*

According to interviewee 6, 'a German can only think like a German'. This is why some companies firmly believe in having a local partner (Interview 25). Although 10% of respondents admitted that cultural differences between European countries are less important than differences between culturally more distant countries, even small variations can cause severe problems and even failure in European business (Interview 9; 19; 27). An underestimation or neglect of these cultural differences and other *soft* factors, particularly at board level (Interview 10; 11; 27; 28) can have serious economic consequences (Rijamampianina and Maxwell, 2002; Vianen et al., 2006). 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).

*'Subtle differences are important and need to be taken into account' (Interview 7).*

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' (Interviewee 14; 15; Styhre et al., 2006). These priority differences can create problems but can also be used to create competitive advantage (Wiersema and Bowen, 2008). 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 fast but uncomfortable, using new and controversial tracks. Priorities for a comparable project were set very differently. Cultural variation between companies' home countries can be the source of competitive advantage (Dunning, 1998; Lenartowicz and Roth, 1999). Cross-cultural teams need to be sensitised to this fact. They require instruction to gain a cultural advantage and eliminate weaknesses (Interview 15; 30) and time for team building (Interview 12; 18). 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 should thrive to get the best of both worlds' (Interviewee 15).*

The above findings lead to the formulation of the first two hypotheses:

*H1a: Cultural differences within Europe affect negatively ICAs success by increasing complexity .*

*H1b: Cultural differences within Europe affect positively ICAs success by creating competitive advantage.*

*National Pride: An 'Unexplored Territory'?*

Our respondents identify national pride as an important cultural difference between European countries that can affect communication (Interview 3; 8) and the success of collaborative arrangements (Interview 19; 17). We believe that national pride is deeply anchored in the values held

by various nations, hence it is an important component of national culture. 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 on the one hand and arrogance, on the other hand, which 'is fatal' (Interview 19; 27). National pride manifests itself in many different ways in every day life (Cesàro, 2002) but it has hardly been discussed within the literature.<sup>7</sup>

In our interviews Southern European countries are described as having a high level of national pride, with France displaying the most national pride. This can hinder communication with people from other nationalities (Interview 23). 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.<sup>8</sup>

*'Germany had lost its national backbone' (Interviewee 24).*

Although 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, pride appears still to contribute to

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<sup>7</sup> 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.

<sup>8</sup> However, the process of re-instating German national pride appears to have been started with the *Football World Championship 2006* and with the German success in the *Euro 2008 Football Championship* (Interviewee 14).

cultural differences within Europe. This (limited) convergence on a consumer level is also described by de Mooij (2003), as well as by Hofstede and de Mooij (2002).

Our next research question asked: How can managers best take account of cultural differences when choosing the type of CA? Interviewees felt that countries with a high level of national pride 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 deemed one of the major factors for international venture difficulty. 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 by national pride as local adaptation is easier and acceptance more likely. 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. To deal with the impact of national pride, companies and individuals need to respect each others' 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 ICAs (Interview 6, 9). Based on the above findings, we formulate:

*H2a: National pride affects the success of European collaborative arrangements.*

*H2b: To ensure ICA success, the choice of CA type has to take into consideration national pride.*

#### *Attitude to Language: Another Facet of National Pride?*

Another important cultural difference between European countries that our interviews identify is the attitude to languages. Language as a phenomenon is closely associated with culture (Tang and Koveos, 2008; Salk and Brannen, 2000; Kramsch and Widdowson, 1998) and a major part of people's identity (Benwell and Stokoe, 2006; Richards, 2006). 97% of interviewees agreed that misunderstandings due to different cultures and languages happen. Although the majority of

respondents believed that these could normally be resolved quickly and did not pose a long-term threat to the venture, misunderstandings can severely hinder ICAs. 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 inability to speak or read a language perfectly (Hall, 1960).

*'Misunderstandings due to culture and languages are easily made but difficult to reverse'*

*(Interview 28).*

Our findings go beyond the simple assertion that differences in the national languages spoken can affect communication and ICA success (Angwin and Savill, 1997; Benwell and Stokoe, 2006; Richards, 2006; Salk and Brannen, 2000; Vianen et al., 2004). First, we find that there is a strong North- South divide within Europe when it comes to communication styles, with Southern countries often only offering information in private settings. 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 (Interviewee 16 and 21). The distinction between high and low context countries is in line with Hall's (1960) framework. 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 and can make a better budget allocation. This will reduce the gaps between the partners' objectives and consequently failure potential.

We deduct from our interviews 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

2). These closer positions along a bi-polar continuum reduce any potential friction. However, these differences are still a possible source of conflict. This is consistent with the findings by Hall (1976).

*Insert Figure 2 here.*

Second, we find that various nations have different attitudes towards using foreign languages or English as a *lingua franca*, leading to various problems (Seidlhofer, 2001). This appears to be related to the level of national pride, as countries with more national pride tend to prefer using their own language when negotiating or managing ICAs. 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, leading to insecurities (Interview 3; Feely and Harzing, 2003). This has several implications: negotiation disadvantages for partners with limited language abilities (Interview 19; Cohen, 2005; Schneider and Barsoux, 1991:195); misunderstandings and communication problems (Interview 15; Cohen, 2005); reduction in language context and quality as people generally cannot express themselves accurately (Interview 3; 15). 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). From the above findings, we propose:

*H3a: Different attitudes to languages within Europe affect the success of ICAs.*



### *Leveraging National Cultural Differences through Appropriate Management Strategies*

Our third question asked: how can managers best manage cultural differences to ensure the success of an ICA? Difficulties arise as cultural differences lead to different approaches to project management (Interview 11) but the appropriate management of cultural differences can create competitive advantages in ICAs. Interviewee 10 underlines that ‘a company is not global just because it acquires another company’. Companies need to put in place strategies to deal with the impact of cultural differences on the ICAs. Illustrating the effect of language on ICAs, interviewee 3 explained 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. This reduces the risk, cost and uncertainty of a company’s international development. This internationalisation strategy is in line with the Uppsala School (Johanson and Vahlne, 1977). This followed the underlying assumption that geographical and cultural closeness are correlated and that culturally close markets are easier to understand (Interview 3; Dyer et al., 2004). We find that language barriers can severely hinder operations but can also be used strategically to keep a partner uninformed and demonstrate dominance (Interview 24). It is important to allow for additional time and some degree of misunderstanding when conversing in a common, but foreign language (Interview 3). 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, a common understanding of the business issues at hand, as well as the international use of a technical language aid the understanding (Interview 25). Overall, national cultural differences within Europe such as pride and attitude to language affect not only the choice of ICAs but also the strategies to successfully manage such agreements. From this, we formulate:

*H3b: To ensure ICA success, specific management strategies are needed to deal with different attitudes to languages between ICA partners.*

### *The Effect of Cultural Differences on ICA Success: The Corporate Level*

We find that cultural differences affect ICA success at corporate level. National and corporate culture are both seen as important and highly correlated. The latter is often described as rooted in the former (Interview 15; Hofstede et al., 1990; Pothukuchi et al., 2002; Weick, 1985) as national culture influences every individual within its reach. We find that leveraging cultural differences through appropriate management strategies and appropriate CA choice can increase ICA success. 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 or misunderstood. For example, the effectiveness of performance measures and systems strongly depends upon the national cultural background of the employees (Shenkar and Luo, 2004). In our interviews, most companies use quantitative performance measures, neglecting qualitative indicators that would have suggested a higher local responsiveness. This can account for the failure of collaborative arrangements.

*‘Sometimes a cultural problem is really a management problem’ (Interviewee 16).*

#### *Leveraging Cultural Differences through Appropriate Management Strategies or CA Choice*

Companies need to allow additional time for team development, merging, cultural understanding and integration (Interview 7; 12; 18; 19; Hutzschenreuter and Voll, 2008; Schneider and Barsoux, 1997, p. 185). Building relationships (Interview 20; Schneider and Barsoux, 1997, p. 163) and personal networks (Interview 7) are important aspects of successfully working together and can decrease decision and communication lag. In ICAs where a lot of communication takes place via telephone or email, a personal contact towards the beginning of the professional relationship as well as short trips throughout (Interview 7) can be of great importance as they ease difficulties inherent in long-distance communication (Interview 18; 29).

Getting to know in person employees from the partner organisation greatly enhances cooperation, ease, trust (Hall, 1960) and information transfer between companies (Interview 1; 5; 14,

27; Schneider and Barsoux, 1997). The latter is described as particularly difficult when companies from different cultural backgrounds are involved (Geisler Asmussen et al., 2009; Brock, 2005; Hanvanich et al., 2003). Time is essential in building trust and it should be the company's responsibility to allow employees to develop these inter-personal relationships. However, most companies struggle to provide the additional temporal resource due to limited capacity (Hutzschenreuter and Voll, 2008) and associated costs (Interview 12; 17). 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). From the above findings we formulate:

*H4a: To ensure ICA success, specific HRM strategies and time allowances are needed to deal with cultural differences at corporate level.*

Ultimately, the efficiency of management strategies depends on the top team. The top team should be on 'good terms' and 'work well together' (Interview 7; 9; 19; 27; Al-Khalifa and Eggert Peterson, 1999). 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). 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 important influence of the top team and its culture as influence on strategy and network success, particularly in terms of innovation and learning. The management team and the employees need to be committed to the venture and open to new and different cultures (Interview 14) in order to ensure ICA success. The effect of these depends on the various types of international collaborative arrangements. We thus formulate:

*H4b: To ensure ICA success, synergies between the top teams need to be considered when choosing a CA type.*

### ***The Effect of Cultural Differences on ICA Success: The Departmental Level***

The third level where we find that cultural differences have an impact is the departmental level. Leveraging cultural differences at this level through appropriate CA choice and management strategies can lead to successful ICAs. MNEs 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). We find 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. 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 are important as they make functions that are less structured such as HR, Marketing, PR and Strategy difficult (Interview 3; 11; 23, 25; 27; 28). Local adaptations to product and packaging design and to negotiation tactics are necessary (Interview 3; 17; 25) to ensure ICA success (Interview 10). 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 interpretations vary (Interview 17; 25). The tension between standardisation and adaptation depends on the type of CA pursued. We thus formulate:

*H5: To ensure ICA success, a different type of CA may be appropriate, depending on the departments involved.*

### ***The Effect of Cultural Differences on ICA Success: The Individual Level***

The final level where we find that cultural differences have an impact within an ICAs is the individual level. People tend to hold the values of the nations they belong to and leveraging cultural differences at this level through appropriate management strategies can lead to successful ICAs. As ICAs involve

international positions, the cultural backgrounds of such employees may influence the success of such agreements. For any international position, the appropriate employees with professional as well as 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 the new country and situation (Interview 17). 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). Although cultural expertise and language skills too are vital for ICA success (Canon, 1991) language (Feely and Harzing, 2003) and cultural preparation in most companies are described as at best 'inadequate'. Companies often lack the HR investment and foresight to create their own 'international employees'. 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). Furthermore, teams should incorporate professional, cultural and language skills, combining knowledge and flexibility (Interview 23). General problem-solving abilities are also particularly important in an international business situation (Interview 4).

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) also refer to the extent of soft resources, which include staff. However, no emphasis is placed on a more detailed analysis of this resource and the influence of cultural differences within employees. 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 are hence neglected for cost reasons (Interview 4; 6), contributing to ICA failure (McKinsey Quarterly, 2001). We thus formulate:

*H6: To ensure ICA success, for international positions employees with professional, international and language capabilities should be chosen and given enough time to adapt to the new country and situation.*

## **6. Discussion: A Cross-Cultural Framework for Successful European CAs**

From our interview findings we have formulated an extension to Dyer et al.'s (2004) framework for choosing between M&As, equity and non-equity alliances in order to ensure ICA success. The focus of our framework extension is an examination of the impact of cultural differences on the ICA type choice and management strategies leading to a successful ICA. Our framework (Table 2) should be used as a CA choice decision as well as an ICA management tool to achieve ICA success e.g. increased profitability and market share. 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. Depending on the impact of cultural differences, different collaborative arrangements should be pursued and different management strategies should be implemented in order to ensure the ICA success.

*Insert Table 2 here.*

We argue that there is a level hierarchy (Figure 1). Each level is shaped, at least partly, by the underlying levels (Pothukuchi et al. 2002). The national level is influenced strongly by general national cultures and their differences. Hence, all corporate levels, despite being influenced by organisational culture, also have an important relationship with the underlying national culture. All levels shape a company's network level strategy. Furthermore, our framework contributes to the 'national vs. corporate culture' debate (Pothukuchi et al. 2002) and proposes a way of successfully managing the influences of both in an ICA situation.

Components on all levels affect the success of ICAs by influencing the appropriateness of a CA or a management strategy. Where cultural differences and national pride are low and potential cultural competitive advantages 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 also be taken into account when choosing a CA type. 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 find the right balance between benefits and risk-sharing in medium synergy, people contact and technology contents situations.

Language differences and cultural differences at corporate and individual level require attention and specific adjustment independent of the CA type chosen. These strategic adjustments need to be tailored to each situation, country and CA type and should be reviewed continuously. Management strategies in these areas are particularly important for the creation of cultural competitive advantages. These strategies address the three levels of cultural consequences i.e. corporate, departmental and individual, as follows. Companies need to allow additional time for team development, merging, 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 in order to ensure ICA success. At 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, when recruiting for international positions, the appropriate employees with professional as well as

international and language capabilities should be chosen and given enough time to adapt to the new country and situation (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 culture and heritage.

The above framework summarises the most important issues related to the management of cultural differences in ICAs. When assessing the appropriate CA choice, Dyer et al.'s (2004) and our framework could be combined. In situations where the two frameworks result in conflicting advice, an incremental approach to CA choice, as described by Myer and Estrin (2006) may be advisable. This would allow companies to adapt their CA choice once market experience has been gained and to manage effectively the consequences of cultural differences at national, corporate, departmental and individual level. Furthermore, in this situation, the importance of management strategies increases to compensate for conflicting CA choice influences.

## **7. Conclusion**

### *Contribution to Knowledge and Further Research*

Our findings show that cultural differences within Europe still exist and have considerable consequences for European CAs. Cross-border management is more complex than national management and needs particular attention. The importance of cultural differences varies depending on specific external and internal circumstances but their existence is always apparent. During the interview process, we have found overwhelming evidence that soft issues need to be considered early on in ICAs. However, companies often neglect these. We have identified national pride and attitude to language as areas of importance in terms of national cultural differences. Furthermore, the interviews have allowed the definition of three levels of intra-company focus, namely corporate, departmental and individual. Our qualitative analysis has allowed the formulation of an extension to Dyer et al.'s (2004) framework in a cross-border situation (Table 2), leading to a multi-level analysis of the impact of culture on ICAs. Future studies may investigate if there are culture specific CA preferences and if



these are related to increased ICA success. This may allow an insight into CA specific performance outcomes. Furthermore, further research can test our framework using internal ICA data with respect to their CA, cultural characteristics, internal strategies and performance.

### *Managerial Implications*

Our framework can guide managers with regard to collaborative arrangement choice and strategies to manage cultural differences and ensure ICA 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 host country culture response; 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; 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, leading to successful European collaborative arrangements.

Table 1. Reasons for ICAs Failure

Reasons for Failure	Authors	Type of Failure	
Unsuitable strategic entry mode	Dyer et al. (2004)	Strategic	<b>HARD</b>
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)	Strategic	

Neglected additional ICA costs due to increased coordination and management needs	Hanvanich et al. (2003).	Strategic	Hard
Failing to offer additional customer benefits	Haberberg and Rieple (2008); Donath (2005)	Strategic	
Overemphasised or unrealised cost cutting causing lower share prices	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)	Partner Selection	SOFT
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 and impact evaluation	Schuler (2001)	Strategic	
Unsuitable HRM and compatibility	Tsang (2004); Haberberg and Rieple (2008)	Strategic	
National cultural differences	Parkhe (1991); Schuler (2001); Chan-Olmsted and Jamison (2001); Hanvanich et al. (2003); Hutzschenreuter and Voll (2008)	Cultural	
Corporate cultural differences, missing trust, lack of common objectives, communication and information sharing	Chan-Olmsted and Jamison (2001); Hanvanich et al. (2003)	Cultural	

Table 2. A Cross-Cultural Framework for Successful European Collaborative Arrangements

	Influence	Factor	Strategy	
Dyer et al. (2004) Strategic Choice of Collaborative Arrangements	Type of synergy	CA choice	Modular	Non-equity alliance
		Sequential	Equity alliance	
		Reciprocal	Acquisition	
	Nature of resources – relative value of soft to hard resources	CA choice	Low	Non-equity alliance
			Low-medium	Acquisition
			High	Equity alliance
Extent of redundant	CA choice	Low	Non-equity alliance	

	resources		Medium	Equity alliance
			High	Acquisition
	Degree of market uncertainty	CA choice	Low	Non-equity alliance
			Low-medium	Acquisition
			High	Equity alliance
	Level of competition – degree of competition for resources	CA choice	Low	Non-equity alliance
			Medium	Equity alliance
			High	Acquisition
	<b>Model Extension – Culture’s Consequences for ICA Success</b>	National culture level		
Extent of cultural differences		CA choice	Low	Acquisition
			Low-medium	Equity alliance
			High	Non-equity alliance
Cultural competitive advantages to be gained		CA choice	Low	Non-equity alliance
			Low-medium	Equity alliance
			High	Acquisition
National pride of host or partner country		CA 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		CA 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		CA choice	Low/high	Acquisition
			Both medium	Equity alliance
	High/low		Non-equity alliance	
Individual level				
General and international skills set	ICA management	Specific strategy adjustment		

Figure 1. Culture's Consequences on ICAs: A Multi-Level Approach

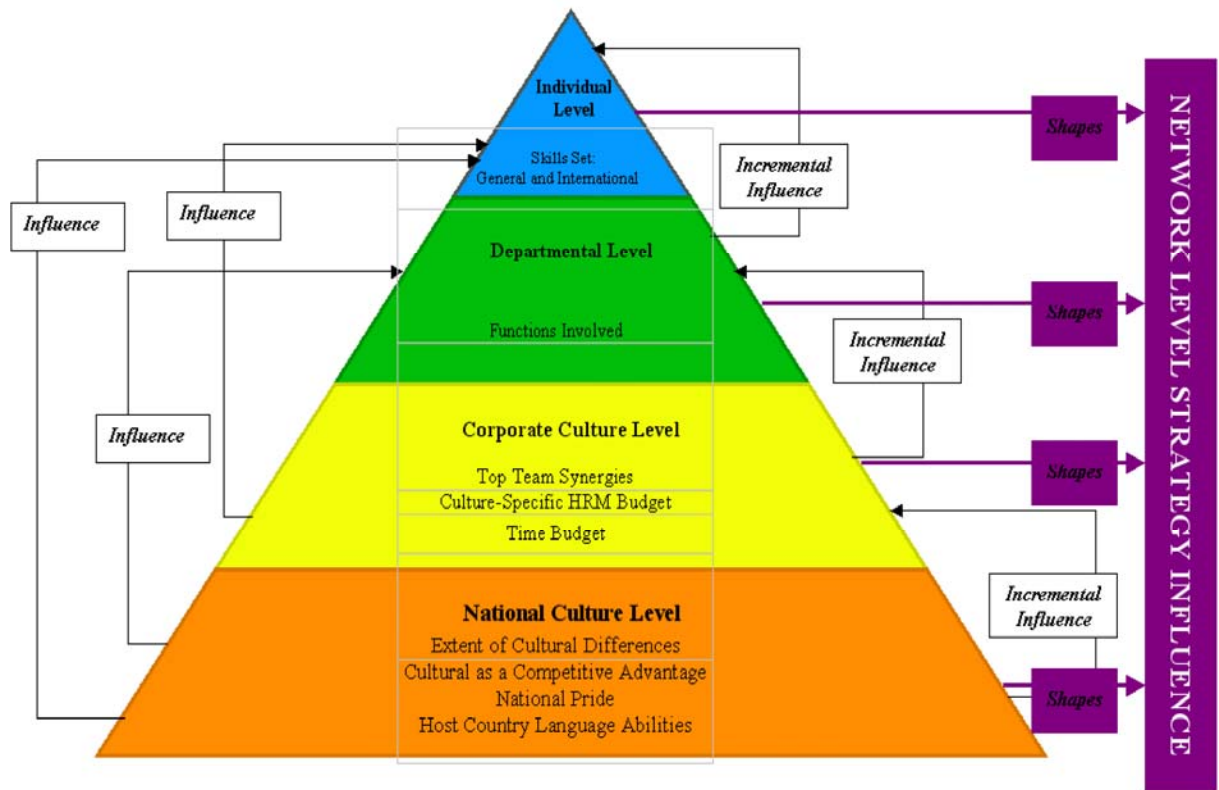


Figure 2. Europe's Position on the Low-High Context Continuum



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