Hexter, Jeanette, Stoian, Carmen R. and Phillips, Paul A. (2010) *Divided We Stand: Cultural Differences within Europe and Their Impact on International Collaborative Arrangements.* **Working paper. University of Kent, Canterbury**

Kent
Business School

Working Paper Series

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

Jeanette Hexter
Kent Business School

Carmen Stoian
Kent Business School

Paul Phillips
Kent Business School

University of Kent

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

Jeanette Hexter, Carmen Stoian[1] and Paul A. Phillips

Abstract

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

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

Introduction

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

---

[1] Corresponding author: C.R. Stoian, Kent Business School, Parkwood Road, CT2 7PE, 0044(0)1227827991, C.R.Stoian@kent.ac.uk .

2008; Pothukuchi et al., 2002; Merchant and Schendel, 2000; Gomez-Mejia and Palich, 1997).

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

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

We use a mixed-methodology to analyse the results of a questionnaire-based survey with managers working in the European telecommunications industry. We triangulate the results of the survey-based statistical analysis with the findings from semi-structured interviews with a sub-sample of managers working in the European telecommunications industry. This allows us to interpret better the results of the statistical analysis conducted. The telecommunications industry offers an interesting population for studying the effects of national cultural differences in a European market as European cultural differences within it are already acknowledged (Burman, 2006). It is one of the fastest moving European industries, dominated by ICAs and with a high level of internationalisation (Yidirim, 1997;

Schäfer, 2004; Lal et al., 2001; OECD, 2004). Furthermore, the European telecommunications industry has not been used to research the impact of cultural differences. This paper has several significant contributions:

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

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

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

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

Literature Review

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

Collaborative Arrangements and Cultural Differences: Friends or Foes?

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

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

Soft reasons for ICA failure include: unsuitable partners with ambiguous goals (Kashlak et al., 1998; Brouthers, 1995; Schuler, 2001); partners with unsuitable background and lack of cultural issues acknowledgement (Lane and Beamish, 1990); Habeck et al., 2000). ICA failure can also result from soft stratefic factors such as: strategic and capability misfit (Brouthers, 1995); lack of vision (Habeck et al., 2000); missing CA

experience, inability to learn, wrong strategic planning (Schuler, 2001) or unsuitable HRM and compatibility (Tsang, 2004; Saint-Onge and Chatzkel, 2008). Finally, soft cultural factors can lead to ICA failure; these include national cutlural differences (Hanvanich et al., 2003;Woodcock and Geringer, 1991; Schuler, 2001; Hutzschenreuter and Voll, 2008) and corporate cultural differences, lack of trust, communication or common objectives (Chan-Olmsted and Jamison, 2001; Hanvanich et al., 2003).

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

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

Other authors agree that the greater the distance between partners, the more valuable the learning effect, but also the more difficult the management and the post-merger integration (Chakrabarti, 2009; Morosini et al., 1998). Furthermore, Dunning (1998), Lenartowicz and Roth (1999) and Wiesema and Bowen (2008) argue that cultural differences can be turned into location specific competitive advantages through adequate management strategies. Overall, opinions if increased cultural distance increases (Chakrabarti, 2009) or decreases ICA success (Pothukuchi et al., 2002) vary. However, proximity such as in Europe or between certain European countries may be misleading and cultural differences may be underestimated (Chapman et al., 2008). Chakrabarti et al. (2009) even suggest that cultural

proximity is in fact more likely to reduce long-term M&A success. This is where our study adds value by investigating whether cultural differences affect international collaborative arrangements success negatively or positively

Making Sense of Culture and Cultural Differences

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

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

Unlike previous studies which see cultural differences as the distance between cultural country scores (Hanvanich et al., 2003), we design our questions to investigate directly perceived national cultural differences between our respondents and other individuals. This is a unique contribution of this study.

Figure 1. Hofstede's Cultural Onion
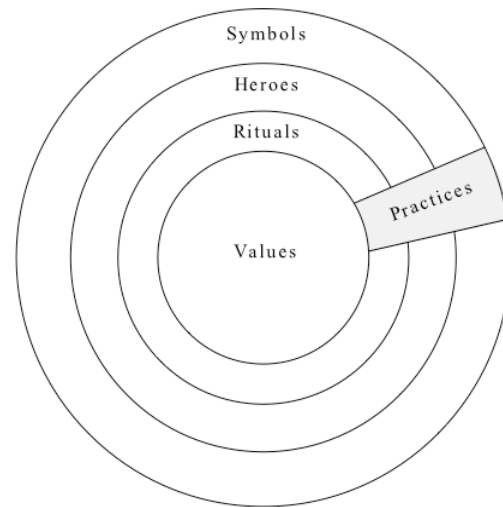
Looking at Europe through the Magnifying Glass: A 'Myriad' of Cultural Differences

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

Existing Cluster Analyses

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

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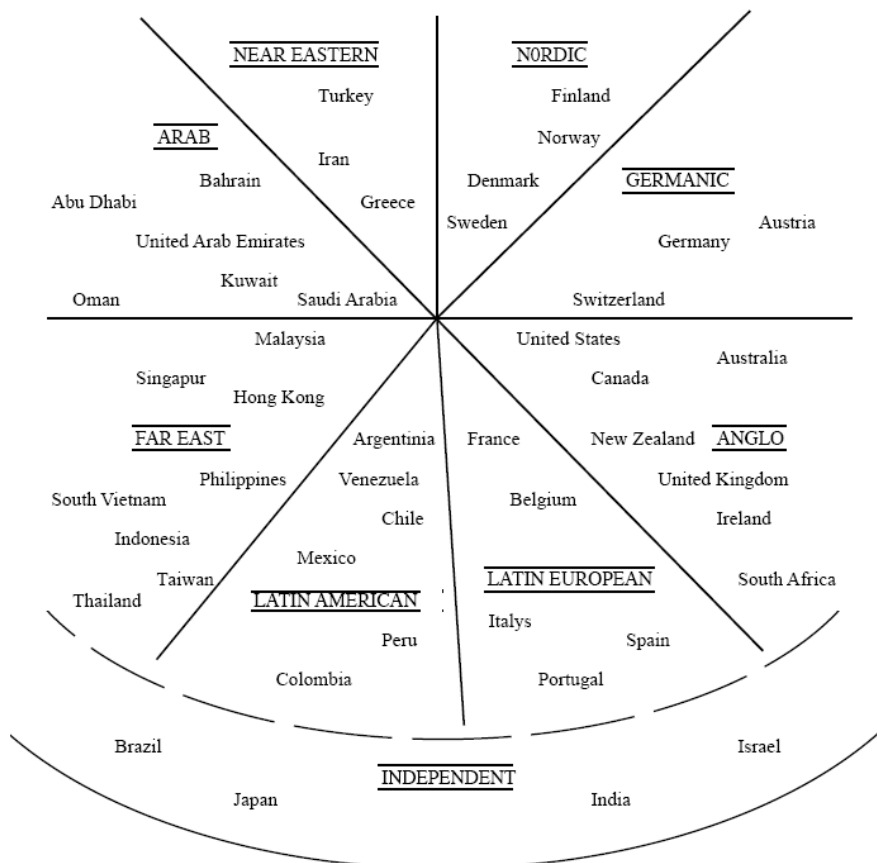

Source: Ronen and Shenkar (1985:449).

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

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

Figure 3. Inglehart's (1997) Cluster Analysis
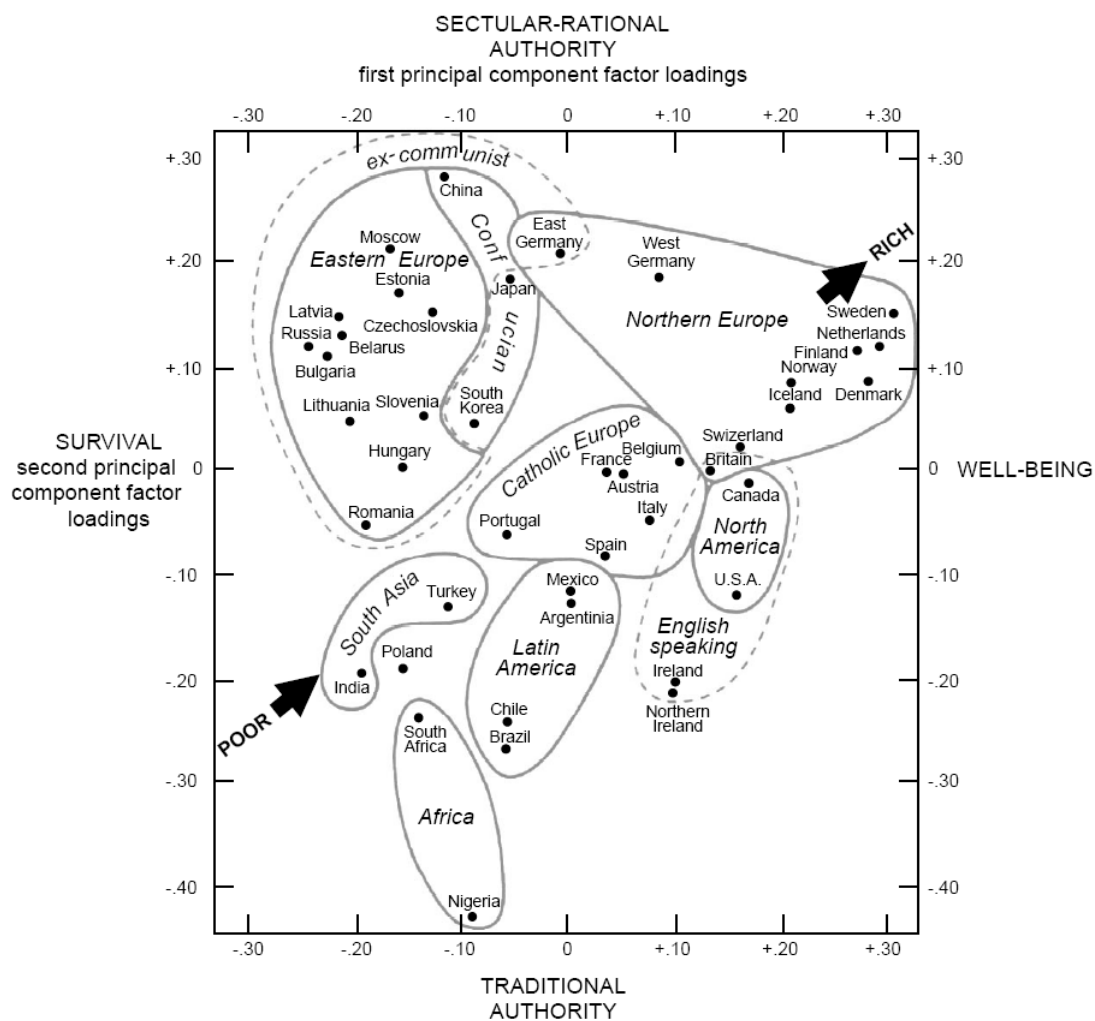
Source: Inglehart (1997:93).

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).

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

Cultural Differences within Europe and ICA Success

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

Hexter et al (2010) propose a framework for achieving international collaborative arrangement (ICA) success, by taking into consideration the consequences of cultural

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

Theoretical Framework

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

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

H_1:   *Cultural differences within Europe show a clear North-South divide.*

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

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

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

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

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

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

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

On the other hand, companies can turn cultural differences into competitive advantages (Dunning, 1998; Lenartowicz and Roth, 1999), thus affecting ICAs positively. Cultural differences can enhance inter-organisational learning and innovation (Collett and

Cook, 2000). As there is no 'one best way of doing things', ICAs can leverage cultural differences by making the best of the creativity that cross-cultural teams can provide (Hexter et al, 2010). We thus propose:

$H_{3a:}$ *Cultural differences within Europe affect negatively ICA success by creating complexity.*

$H_{3b:}$ *Cultural differences within Europe affect positively ICA success by creating competitive advantages.*

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

Methodology

Study Design

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

Sample and Context

This study investigates ICAs within the European telecommunications industry with the headquarters in Germany. European CAs are a particularly important research area (Grell, 2007) given the rise in intra-European trade and M&As. We chose Germany as a research area as it presents the largest European telecommunications market[xii]. Its former incumbent, Deutsche Telecom AG and its sub-divisions represent the largest European telecommunications service provider with interests in more than 50 countries globally (Datamonitor 2007; Schäfer, 2004; Gallacci, 2006). Furthermore, de-nationalisation and

market power of former monopolists are still an issue and developments within the industry are current and fast. The focus of our research on a one-country sample, in line with Morosini et al. (1998) and Adler (1983), is an accepted method in international research, taking into account the practical limitations of international studies and allowing for a good basis of comparison. We consider the four dimensions of cross-cultural research e.g. complexity, number of cultures, focus of observation and unit of analysis (Lenartowicz and Roth, 1999). We minimise complexity by choosing a single country and industry perspective. We use inference and interpretation of qualitative data and all participants were aware of the research focus. We clearly identify the national level as our unit of analysis.

The Strata

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

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

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

The Samples

For the survey stage, WE achieve a random and representative sample of companies matching our criteria by distributing questionnaires to all relevant German telecommunications companies exhibiting at the IFA 2007 in Berlin and at the CeBit 2007 in Hannover. Employees with CA experience are then asked to respond to the main survey. All interviewees were German. In order to avoid an organisational bias we contact only a limited

number of employees per company.[xiv] The non-response rate is very low at <10%, hence liming the non-response bias.

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

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

Data Collection, Variables and Processing

Data Collection

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

Self-completion questionnaires are distributed electronically and on paper. Questions are devised relating to four general areas: 'company information' variables, 'cultural differences' variables and 'cultural differences and their impact on ICAs' variables.

Questions are pre-coded either giving participants bands[xv] or 6-Point forced Likert scales to make a decision rather than choose the middle option (in exceptional cases, where a contradictory answer is possible 7-point). According to Lenartowicz and Roth (1999), ordinal scales are particularly useful measures when investigating culture. The collected data include categorical, nominal and ordinal variables. All responses to the questionnaires are pre-coded and the variables described in Appendix 1 are investigated[xvi].

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

Variables

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

Secondly, to collect information capturing the strength and nature of cultural differences within Europe, we follow Boyacigiller's (1990) lead and create indices of cultural distance which range from 3 denoting *negligible*, to 8, denoting *very important*. Following

Rao and Smith (1998), we ask respondents directly how differently they perceived specific European countries be it in general, or in terms of national pride shown by their business partners. We compare respondents' answers between countries to infer meaning (Hofstede, 2004).

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

Data Handling and Data Presentation

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

Data Analysis

We use different methods to investigate the data: statistical mapping, cluster analysis, regression, frequency and principal component analysis.[xviii] To examine if cultural differences within Europe exist and have an impact on ICAs we use statistical mapping and cluster

analysis. Through statistical mapping we establish distances between variables which we then represent on a two dimensional map.[xix] We use *Kruskal's Stress I* as a measure of goodness of fit (Kruskal and Wish, 1984) which shows how much of the variation remains unexplained by the dimensions.[xx]

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

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

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

Finally, we interpret the results obtained through the statistical methods described above keeping in mind the insights data gathered through interviews. Through triangulation we are able to attach richer meanings to the results of the quantitative analysis (Hammersley, 1996). Hence, when relevant, we refer to the findings from the field study based on semi-structured interviews.

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

Cultural Differences within Europe: 'Alive and Kicking'

We firstly investigate how strongly cultural differences are perceived within Europe. We test H_1 stating that *cultural differences within Europe show a clear North-South divide between countries that can affect ICA success.* For this analysis, we use the following variables, each measuring the perceived level of cultural differences between Germany and other European countries or regions: *CuDiDIre; CuDiDUK; CuDiDFra; CuDiDBlx, CuDiDSpa; CuDiDPor; CuDiDIta; CuDiDSca; CuDiDAus; CuDiDSwi; CuDiDPol; CuDiDDen.*

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

The graphical representation of the MDS carried out with our data reveals that cultural differences within Europe still exist and can be shown on two dimensions. To interpret these dimensions, we draw on the findings from the semi-structured interviews. In Figure 4, Dimension 1 is positively associated with countries that are easy to communicate with for a German company. Austria and Switzerland have the highest association as they speak a form of German and communication is relatively easy. Slightly to the left are countries that often show a good working knowledge of German i.e. Scandinavia, Denmark and Benelux. In the middle of the map are countries that speak English. In these cases, the German side has the working language knowledge. Still, communication is comparatively easy. The left hand quadrants represent countries that neither have a good working knowledge of German, nor speak a language that German businesses tend to be well educated in. Communication here is much more complicated and the use of a third language or even a translator may be necessary. We call Dimension 1 *Communication.*

**Figure 4.   Cultural Distance from Germany**
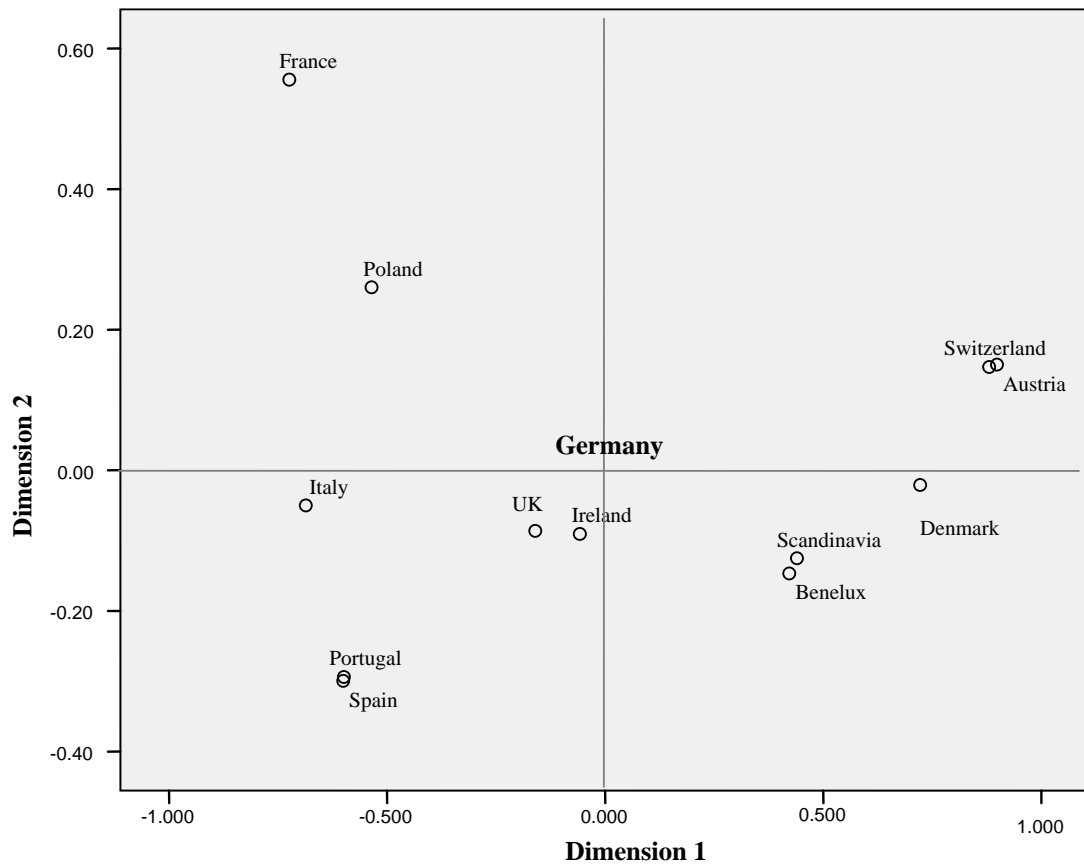
Dimension 2 is harder to identify; drawing on the interviews, it seems to measure how countries portrait themselves towards German companies. We call this component *Feeling of Equality*. France and Poland have been described in the interviews as sometimes feeling threatened by German companies and may feel the need to overemphasise their importance. With companies from Scandinavia, the UK and Austria, for example, an equal partnership is more likely, as identified in interviews. Spain and Portugal, at the other end of the scale, have been lagging behind most of Central Europe economically for a long time and despite recent changes, there may still be an inferiority feeling regarding economic strength.

Our findings show that cultural differences within Europe still exist and appear in different strengths and complement findings published by Hofstede (1991), Ronen and Shenkar (1985), Inglehart (1997), Inglehart and Baker (2000) and Inglehart et al (2004). However, our dimensions are unique to this study. The two dimensions found represent a new contribution to the study of cultural differences. They show new aspects of inter-country cultural variation that can affect ICA success.

We now use the results from the MDS to carry out a cluster analysis, establishing which European countries can be grouped together with regard to our two cultural dimensions and inferring implications for ICAs. SPSS has created a dendrogram that allows us to visually establish which countries should be grouped together (Appendix 3). Elongated horizontal lines depict variables that can be grouped together. We thus identify three clusters with the following composition: firstly, Spain, Portugal, Italy, France and Poland; secondly, Austria, Denmark and Switzerland; thirdly, Ireland, UK, Benelux and Scandinavia (Figure 5).

Figure 5. Our Cultural Clusters
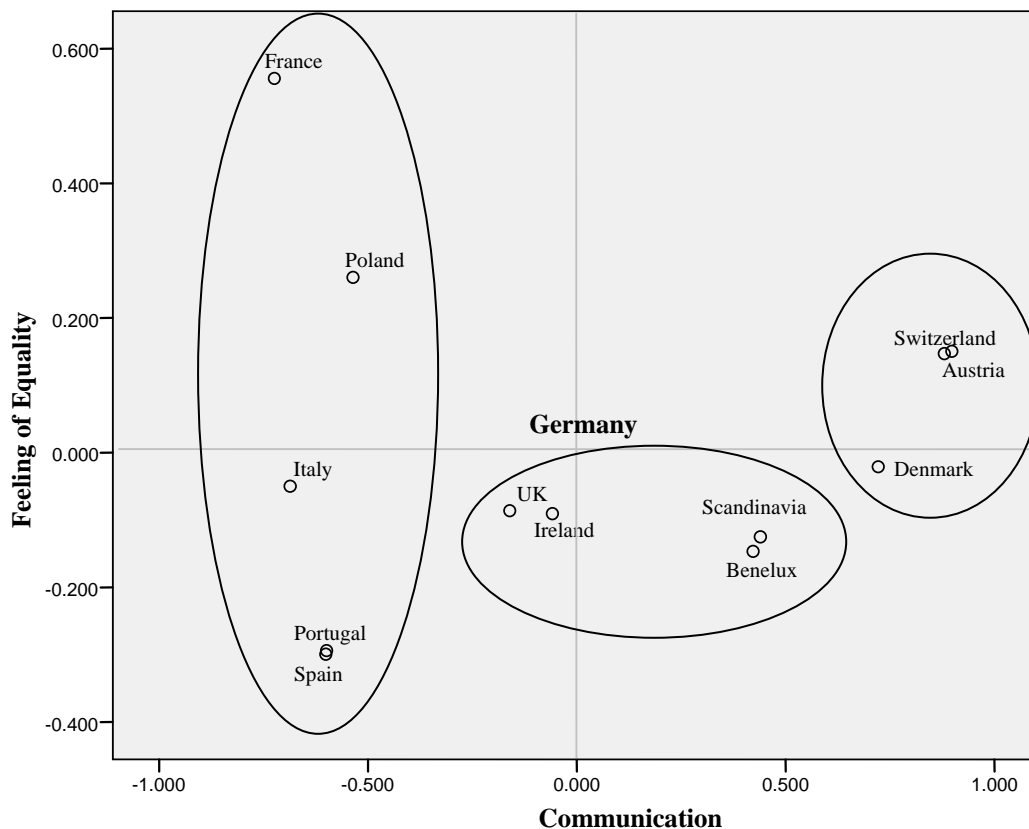
We now represent these clusters on the map created through MDS (Figure 5). This map shows the location of the three broad clusters within the European countries examined. It is not surprising that, geographically close countries and those sharing a similar or the same language and history e.g. the UK and Ireland, Spain and Portugal or Switzerland and Austria appear close in terms of their cultural distance from Germany. As reasoned previously, it

appears justified that Denmark is considered separately from Scandinavia. It is geographically close to other Nordic countries but belongs to a different cluster. We also find a clear North-South divide in terms of cluster arrangement. Poland presents an exception, explainable possibly due to its socialist history.

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

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

Cultural Differences in Europe and Their Impact on ICAs: The Importance of National Pride
National Pride: A Major Contributor to Cultural Differences within Europe

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

Table 1. Regression Analysis Results

| 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

As in Table 1, we find a definite link between national pride and national cultural differences. Respondents who felt strongly that national pride varied also felt national cultural differences between European countries to be large, resulting in an adjusted R^2 of 0.347 This indicates that the amount to which national pride is portrayed towards foreigners strongly influences the feeling of national cultural distance by the foreign individual. These results support the findings of Hexter et al (2010) who suggest that there are significant differences between national pride within Europe. Our findings represent an important addition to the *International Business* literature. However, national pride may only influence the perceived cultural distance rather than a real, measurable entity as the national pride shown and really felt may vary. Testing for a difference in real and perceived national pride levels is, however, beyond the scope of this study.

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

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

Our representation clearly shows that Germany has an isolated position regarding its national pride within the European national pride map. It is at the opposite scale on Dimension 1 to France. Dimension 1 is negatively associated to the outward portrayal of one's national pride. To verify whether or not this portrayed level of pride is synonymous with the actual level of pride felt, is beyond the scope of this study as large scale investigations in all countries would be necessary. Our findings show the level of pride portrayed and perceived by others.

Figure 6. National Pride within Europe
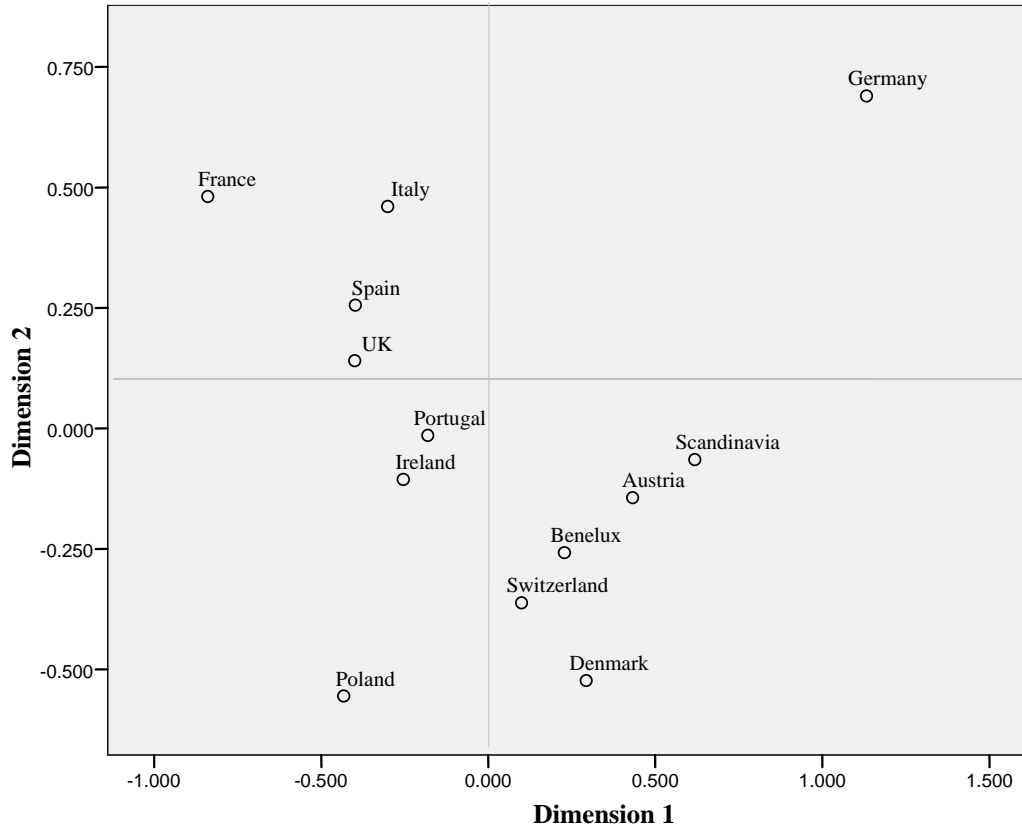
Indeed, national pride in Germany has taken on a unique position. After the *Second World War*, Germans on both sides have actively been educated to feel a sense of shame, regret and guilt about historic events. However, this negativity has been translated into 'not being allowed to feel proud' of one's country. Furthermore, as Germany itself has had a varied recent history due to the country's division, it is clear, that it is still lacking a feeling of unity. Many interviewees commented on cultural differences not just with other countries but specifically between former East and West Germans. Older people still very much feel the intra-German divide. However, as a generation that has grown up in a united Germany gets older, difference diminish. Recent events such as the *Football World Cup* in 2006 and the *European Football Championship 2008* have a positive effect on the feeling of national pride and the acceptance of its portrayal. On the other hand, France and the UK, are either very proud of their historic achievements (UK) or tend to ignore negative events in favour of positive ones (France), despite equally eventful histories. This is a very different way of presenting one's history and creating associated feelings. The former is a way of promoting a positive association towards one's nation, whereas the latter appears to be a more serious,

formal and more rigid way of displaying national pride. Therefore, we call this dimension *Lack of National Pride.*[xxii]

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

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

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

This can suggest that managers have to be aware of the impact of national pride on ICAs especially in countries such as France, Italy and Spain which show low variance of national pride portrayal. This, however, should not be taken to suggest that national pride may not be an issue for ICAs when operating in Germany, as interviews show that recently

there has been a 'renewal' of national pride. Furthermore, pride shown may be different from the pride felt.

Figure 7. National Pride within Europe: Clusters
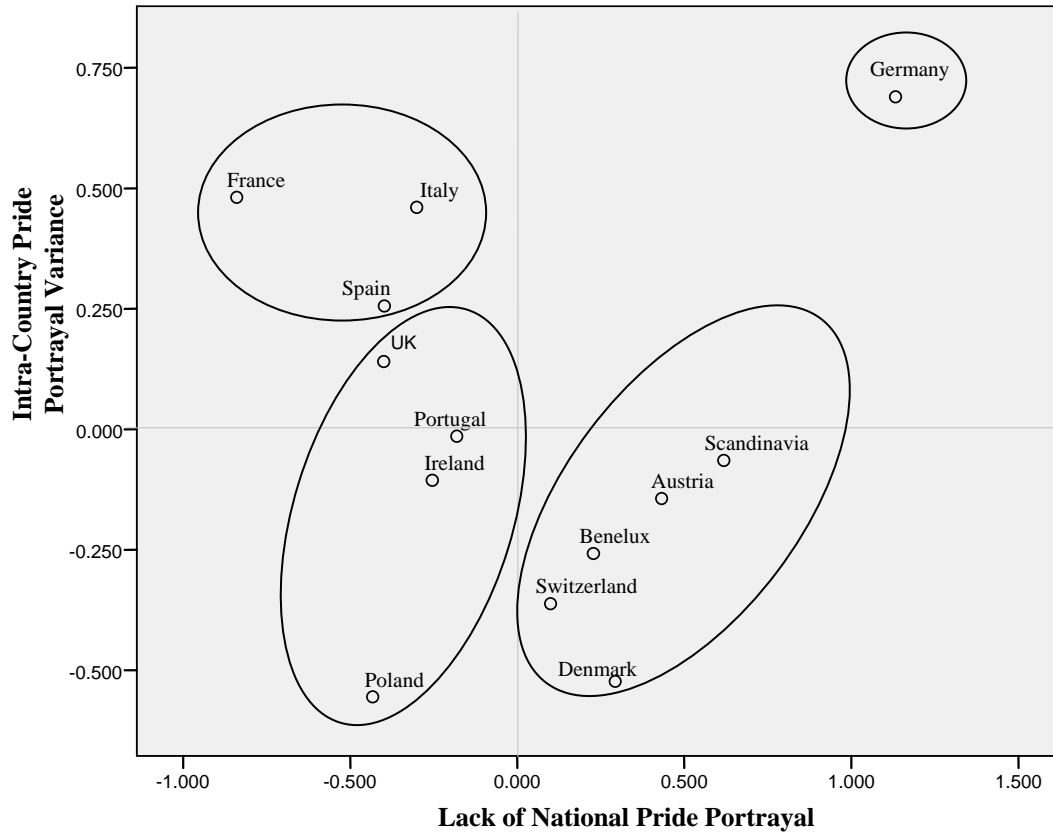
The Impact of National Pride on ICA success

We now test H_{2b}, H_{2c}, H_{2d}, H_{2e}, stating that *high levels of national pride impact negatively on ICA success by minimising acceptance of foreign languages; high levels of national pride impact negatively on ICA success by minimising acceptance of new processes; high levels of national pride impact negatively on ICA success by discouraging adoption of different working styles; high levels of national pride impact negatively on ICA success by minimising foreign products and foreign partner acceptance.* National pride appears influential to conducting business in different European countries. Hexter et al (2010) indicate that national pride variances affect the ICA success in terms of the acceptance of their product, language, processes and working styles. This may be of particular relevance for German companies that

may not be accustomed to strong national pride influences. Questionnaire respondents were asked to judge to what extent the level of national pride influences the acceptance of foreign products and companies, foreign languages, different working styles and the rate of adoption of new processes. The 6-point Likert used a scale from 3 for *negligible* to 8 for *very strong* influence. We use frequency analysis to show trends in the data.

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

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

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

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

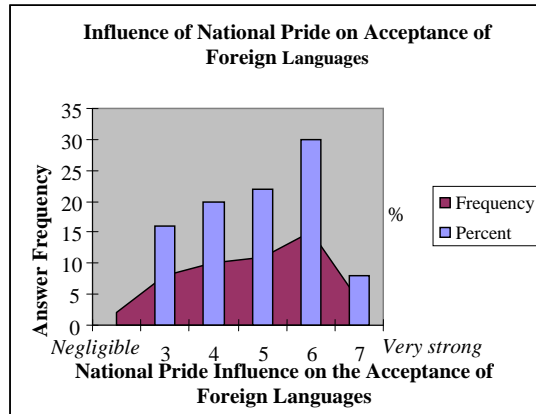**Figure 8. Influences of National Pride on Acceptance of Foreign Languages**

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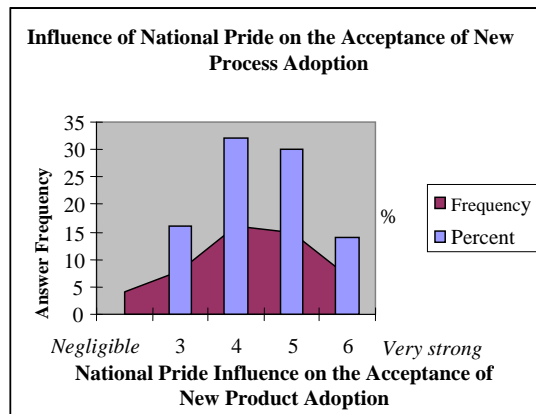

Figure 10. Influences of National Pride on Acceptance of Different Working Styles
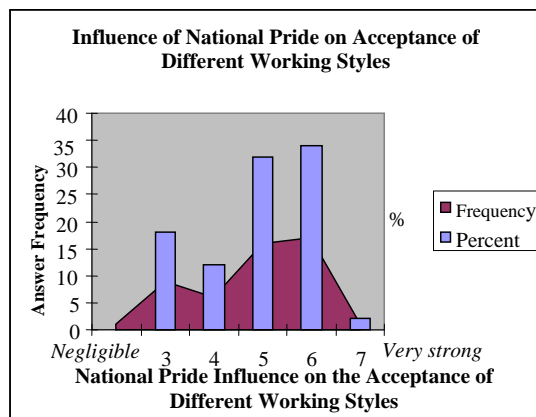
Figure 11. Influences of National Pride on Acceptance of Foreign Players/Products
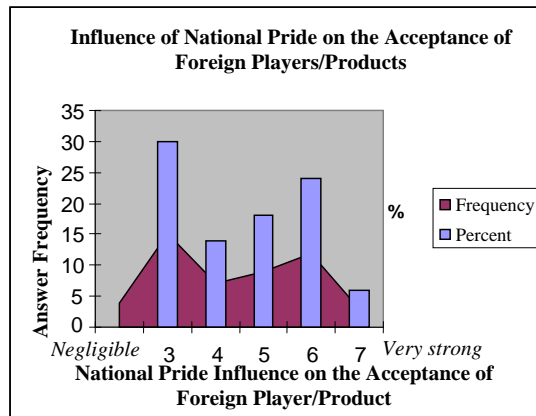
Figure 12 shows a distinct difference between strata that experience a low and strata that experience a high level of resistance towards their products. Stratum 2 (mobile) experiences considerably lower levels of resistance than stratum 1 (fixed telephony). Companies in stratum 3 (alternative) have a mixed experience. However, this is to be expected as this stratum included a far wider variety of services and companies than the other two.

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

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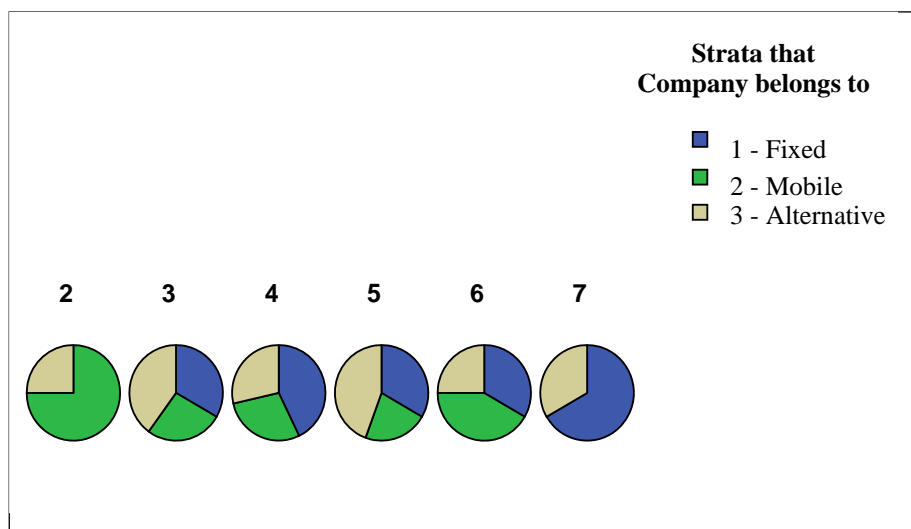
Companies within stratum 1 need to strongly consider the level of national pride in their target country. The high importance of national pride in this sector may be explained by stratum 1's long history of monopoly structures in most European countries. It is, similar to the aviation industry, also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

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

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

In this section, we aim to investigate whether cultural differences within Europe affect ICAs positively or negatively and to explore strategies that can be employed to achieve competitive advantage through cultural differences. We test *H_{3a} stating that cultural differences within Europe affect negatively ICA success by creating complexity* and *H_{3b} stating that cultural differences within Europe affect positively ICA success by creating competitive advantages.* To this end we perform a PCA using optimal scaling. We use the following variables for this analysis: *EuCuDi; CuDiChal; PridLev, CuDiCrea; IntCACom; CuDiPos; 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 impact on international business. This allows judgment about the impact of national cultural differences on ICA success.

After carrying out a PCA analysis, we see that there are two main dimensions, which account for 63.5% of the variance experienced regarding the influence of national cultural differences on ICAs. These are also the only two dimensions with an Eigenvalue of above 1. As these two dimensions account for the most important part of the variance, they are deemed sufficient for the interpretation. To interpret the components, we investigate how the component loadings represent themselves.[xxiii] 'High' loadings have been highlighted in Table 2.

Table 2. Principal Component Analysis: 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**

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

According to our findings, negative and positive effects are almost equally strong when it comes to national cultural differences. This is important as the literature focuses on the negative effects (Shenkar and Zeira, 1992; Woodcock and Geringer, 1991). The negligence of positive effects leads to an inadequate use of culturally rooted competitive advantages (Shenkar and Zeira, 1992; Morosini et al., 1998; Schneider and Barsoux, 1997: 7). The bigger complexity of ICAs does not only increase the risk of negative but also decreases potential benefits gained from positive cultural effects, such as increased learning

(Collett and Cook, 2000). Varying levels of pride, as discussed earlier can be an obstacle, but, if dealt with appropriately can also be the source of competitive advantage. For example, as countries with low levels of pride or high intra-country pride variation may show little opposition to ethnocentric approaches by their ICA partners. The same is true for working with people from different national backgrounds. Cultural diversity can create negative externalities in certain departments (Styhre et al., 2006) but can, if managed appropriately, also create a more talented and motivated human resource base (Collett and Cook, 2000; IBM, 2007). Our interviews also suggest that appropriate time for face-to-face communication could reduce any negative impact of culture on ICAs.

Companies engaged in ICAs should be aware that national cultural differences are relevant on two levels. Firstly, they need to be managed appropriately to reduce their negative impact on the team management. This is particularly important when it comes to large and complex ICAs. Secondly, companies should be thriving to increase the benefits stemming from this diversity. This is particularly relevant in terms of creative work such as idea generation, product design and marketing. Following the above analysis, we conclude that we cannot reject H_{3a} and H_{3b}. National cultural differences within Europe affect significantly ICA success. More importantly, whilst they can impact on ICAs negatively by enhancing complexity, they can also lead to ICA success, by creating competitive advantages.

Conclusion

Contribution to Knowledge and Further Research

This study has shown that Europe is still divided from a cultural point of view and that cultural differences affect ICAs success. In particular, we identify a North–South divide within Europe, with countries within each cluster showing a higher level of cultural similarity. We add to existing frameworks on cultural differences in Europe (Ronen and Shenkar, 1985; Inglehart, 1997) but we identify two unique dimensions to European cultures that help distinguish between various clusters of countries. These dimensions are the 'ease of communication' with other countries and the 'feeling of equality' with other nations and they are loosely connected with the main cultural differences in Europe identified by Hexter et al (2010), i.e. national pride – as shown by nationals of a certain country and perceived by outsiders- and attitude to languages.

We find that pride is a strong predictor of European cultural differences and that countries differ with regard to the national pride perceived by outsiders, as well as the variation of pride shown among the nationals of a certain country. Countries such as France, Italy and Spain are characterised by high levels of pride with little intra-country variation. Germany shows low levels of pride –albeit increasing-, also with little intra-country variation. On the other hand, Denmark and Poland show a high level of intra-country variation in terms of pride portrayed to outsiders. Furthermore, national pride can affect various aspects of ICAs such as acceptance of foreign languages, adoption of new processes, adoption of different working styles and acceptance of foreign players and products. Companies from countries with high levels of pride appear to be more likely to impose their practices in terms of languages spoken, working styles and adoptions of new processes when entering ICAs. Moreover, we find that the effects of national pride on the acceptance of foreign players and products are stronger in the fixed telephony stratum, given the long history of national monopolies in this sector.

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

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

Managerial Recommendations

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

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

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

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

Overall, we find that, from a cultural point of view, European countries are still divided by national pride and that managers of ICAs need to take these cultural differences into consideration and design appropriate strategies in order to improve ICA success.

References

Adler, N., Cross-Cultural Management Research: The Ostrich and the Trend, *Academy of Management Review*, 8, 2, 1983, pp. 226-232.

Aggarwal, V.K. and Fletcher, F., Political Economy of Service Sector Negotiations in the Uruguay Round, *HeinOnline, World Affairs*, 1992, accessed May 2008.

Barkema, H. G. and Vermeulen, F., What Differences in the Cultural Backgrounds of Partners are Detrimental for International Joint Ventures, *Journal of International Business Studies*, 1997, 28, 4, 846-864.

Bergsten, C.F. America's Two-Front Economic Conflict, *Foreign Affairs*, 2001, available at: http://www.foreignaffairs.org , accessed January 2009**.**

Bowman, C. and Asch, D., *Managing Strategy*, New York: Palgrave 1996.

Boyacigiller, N., The Role of Expatriates in the Management of Independence, Complexity and Risk in Multinational Corporations, *Journal of International Business Studies*, 1990, 21, 2, 357-381.

Brock, D. M., Multinational Acquisition Integration: The Role of National Culture in Creating Synergies, *International Business Review*, 14, 3, 2005, pp. 269-288.

Brodbeck, F.C., Frese, M., Ackerblom, S., Audia, G., Bakacsi, G. and Brendova, H., Cultural Variation of Leadership Prototypes across 22 European Countries*, Journal of Occupational and Organizational Psychology*, 2000, 73, 1, pp. 1-29.

Brouthers, K.D., The Influence of International Risk on Entry Mode Strategy, *Management International Review*, 35, 1, 1995, pp. 7-29.

Bryman, A., *Social Research Methods,* 2nd edition, New York: Oxford University Press 2004.

Budde, P., Communications, *Germany – Key Statistics, Telecom Market and Regulatory Overview,* May 2007.

Burman, E., Managing Cultural Diversity in a Global World', 2006, available at: *http://www.workinfo.com/free/Downloads/299.htm* - accessed June 2006.

Calori, R. and Lubatkin, M., *Euro Mergers 1993: Viewpoints and Predictions*, in von Korogh, G et al. (eds.)*, The Management of Corporate Acquisitions*, New York, USA: MacMillan 1994, pp. 128-148.

Cavusgil, S.T. and Das, A., Methodological Issues in Empirical Cross-Cultural Research, a Survey of the Management Literature and a Framework, *Management International Review*, 37, 1,

1997, pp. 71-96.

Chakrabarti, R., Gupta-Mukherjee, S. and Jayaraman, N, Mars–Venus Marriages: Culture and Cross-border M&A, *Journal of International Business Studies*, 40, 2, 2009, pp 216–236.

Chan-Olmsted, S., and Jamison, M., Rivalry through Alliances: Competitive Strategy in the Global Telecommunications Market, *European Management Journal,* 19, 3, 2001, pp. 317-331.

Chapman, M., Gajewska-de Mattos, H., Clegg, J. and Buckley, P.J., Close Neighbours and Distant Friends – Perceptions of Cultural Distance, *International Business Review*, 2008, 17, 3, pp. 217-234.

Chatfield, C. and Collins, A., *Introduction to Multivariate Data Analysis*, London: Chapman and Hall 1992.

Child, D., *The Essentials of Factor Analysis, 3rd edition,* London: Continuum 2006.

Cohen. S.P., Are Many Great Nations Divided by a 'Common' Language?, available at: *http://www.negotiatormagazine.com/cohen_december2005.doc*, 2005.

Collett, P. and Cook, T., Diversity UK: A Survey on Managing Diversity in the United Kingdom Department of Experimental Psychology, University of Oxford, available at: *http://users.ox.ac.uk.,* 2000.

Creswell, J., *Research Design: Qualitative, Quantitative and Mixed Method Approaches, 2nd edition,* London: Sage 2003.

Cryer, J.D. and Miller, R.B., *Statistics for Business*, Belmont CA: Duxbury Press 1994.

D'Andrade, R., *A Folk Framework of the Mind,* in D., Holland and N. Quinn (eds.), *Cultural Frameworks in Language and Thought,* New York: Cambridge University Press 1987, pp.112-148.

Data Monitor, Fixed Line Telecoms in Germany, *Datamonitor,* May 2007.

Delanty, G., The Making of a Post-western Europe: A Civilisational Analysis, *Thesis Eleven*, 72, 2003, pp. 8–25.

Donath, B., Marketers Hold Key to Successful Mergers, *Marketing News*, April 2005, p. 8.

Dunning, J. H., Location and the Multinational Enterprise: A Neglected Factor, *Journal of International Business Studies,* 29, 1, 1998, pp. 45-66.

Dyer, J., Prashant, K. and Singh, H., When to Ally and When to Acquire, *Harvard Business Review,* July, 2004, pp. 109-115.

Earley, P.P.C., Leading Cultural Research in the Future: A Matter of Paradigms and Taste, *Journal of International Business Studies*, 37, 6, 2006, pp. 922-931.

Eisenhardt, K.M., Building Theories from Case Study Research, *Academy of Management Review*, 14, 4, 1989, pp. 532-550.

Eurostat, *Eurostat Statistics 2009*, Luxembourg: Eurostat 2009.

Eurostat, Special Topics – Globalisation, available at: *http://epp.eurostat.ec.europa.eu/port/, 2007*, accessed June 2007.

Financial Times, *Sarkozy Seeks to Repel 'Predators'*, Ben Hall, 24 October 2008, p. 7.

Gallacci, L., Telecommunications Industry Report, *eMarket Services, ICE*, Italy, 2006.

Geisler Asmussen, C., Pedersen, T. and Dhanaraj, C., Host-Country Environment and Subsidiary Competence: Extending the Diamond Network Framework, *Journal of International Business Studies*, 40, 1, 2009, pp. 42-57.

Bartlett, C.A. and Ghoshal, S., Managing across Borders: The Transnational Solution, 2nd ed., Boston, Mass: Harvard Business School Press 1998.

Gomez-Mejia, L. R. and Palich, L. E, Cultural Diversity and the Performance of Multinational Firms, *Journal of International Business Studies*, 28, 2, 1997, pp. 309–335.

Gooroochurn, N. and Sugiyarto, G., Measuring Competitiveness in the Travel and the Tourism Industry, *Economic Division and Tourism and Travel Research Institute*, Nottingham University Business School, July 2004.

Gravetter, F.J. and Wallnau, L.B., Statistics for the Behavioral Sciences, 3rd ed., NY: West Publishing Company 1992.

Grell, M., The Impact of Foreign-Controlled Enterprises in the EU, *Statistics in Focus*, 67, 2007, Luxembourg: Eurostat.

Gulati, R., Nohria, N. and Zaheer, A., Strategic Networks, *Strategic Management Journal*, 21 (Summer), 2000, pp. 203-15.

Habeck, M., Kröger, F. and Träm, M, *After the Merger,* London: Prentice Hall 2000.

Haberberg, A. and Rieple A., *Strategic Management: Theory and Application*, Oxford: Oxford University Press 2008.

Haire, M., Ghiselli, E.E. and Porter, L.W., *Managerial Thinking: An International Study*, New York: Wiley 1966.

Hall, E. T., *Beyond Culture,* New York, USA: Doubleday 1976.

Hall, E., The Silent Language in Overseas Business, *Harvard Business Review*, 38, 3, 1960, pp. 87 – 97.

Hammersley, , The Relationship between Qualitative and Quantitative Research: Paradigm Loyalty versus Methodological Eclecticism, in: J. T. Richardson, (eds.) *Handbook of Research Methods for Psychology and the Social Sciences*, Leicester: British Psychological Society 1996.

Hanvanich, S., Miller, S.R., Richards, M. and Cavusgil, S.T., An Event Study of the Effects of Partner and Location Cultural Differences in Joint Ventures, *International Business Review*, 12, 1, 2003, pp. 1–16.

Harrigan, K. R., Strategic Alliances and Partner Asymmetries, in Contractor and Lorange (eds.) *Cooperative Strategies in International Business*, pp. 205-26, Lexington: Lexington Book 1988.

Hassel, A., Hoepner, M., Kurdelbusch, B. and Zubehoer, R., Two Dimensions of the Internationalisation of Firms, *Journal of Management Studies*, 40, 3, 2003, pp. 705-723.

Heiser, W.J. and Groenen, P.J., Cluster Differences Scaling with a within-Cluster Loss Component and a Fuzzy Successive Approximation Strategy to Avoid Local Minima, *Psychometrika*, 62, 1, 1997, pp. 63-83.

Herrmann, P., Evolution of Strategic Management: The Need for New Dominant Designs, *International Journal of Management Reviews*, 7, 2, 2005, pp. 111–130.

Hexter, J., Stoian, C. and Phillips, P. A. (2010) 'Culture's Consequences for European Collaborative Arrangements', *forthcoming, Working Paper*, Kent Business School, University of Kent.

Hofstede, G., Attitudes, Values and Organisational Culture: Disentangling the Concepts, *Organisation Studies*, 19,3, 1998, pp. 477-492.

Hofstede, G. and Bond, M.H., The Confucius Connection: From Cultural Roots to Economic Growth, *Organizational Dynamics*, 16, 4, 1988, pp. 5-21.

Hofstede, G. de Mooij, M. Convergence and Divergence in Consumer Behaviour: Implications for International Retailing, *Journal of Retailing,* 78, 1, 2002, pp. 61–69.

Hofstede, G., Business Goals and Corporate Governance, *Asia Pacific Business Review,* 10, 3/4, 2004, pp. 292-301.

Hofstede, G., *Culture's Consequences: International Differences in Work Related Values*, Beverly Hills, CA: Sage 1980.

Hofstede, G., *Cultures and Organizations: Intercultural Cooperation and Its Importance for Survival: Software of the Mind*, London: McGraw Hill 1991.

Hofstede, G., Neuijen, B. and Sanders, G., Measuring Organisational Cultures: A Qualitative and Quantitative Study Across Twenty Cases, *Administrative Science Quarterly*, 35, 1990, pp. 286- 316.

Hofstede, G., Van Deusen, C. A., Mueller, C. B. and Charles, T. A., What Goals Do Business Leaders Pursue? A Study in Fifteen Countries*, Journal of International Business Studies,* 33, 4, 2002, pp. 785-803.

Hudson, J. and Barnfield, E., Mergers and Acquisitions Require Social Dialogue, *Strategic Communication Management*, 5, 2, 2001, 130-145.

Hutzschenreuter, T. and Voll, J.C., Performance Effects of ''Added Cultural Distance'' in the Path of International Expansion: The Case of German Multinational Enterprises, *Journal of International Business Studies*, 39, 1, 2008, pp. 53–70.

Ingelhart, R. and Baker, W., Modernization, Cultural Change and the Persistence of Traditional Values, *American Sociological Review* 65, 2000, pp. 19–51.

Inglehart, R., *Modernization and Postmodernization: Cultural, Economic and Political changes in 43 Societies*, Princeton: Princeton University Press 1997.

Johanson, J. and Vahlne, J., The Internationalisation of the Firm: A Framework of Knowledge Development and Increasing Foreign Market Commitment, *Journal of International Business Studies*, 8, 1, 1977, pp. 23-32.

Kaack, J., Telekommunikation in Deutschland – Gesunder wettbewerb, available at: *www.perspektive-mittelstand.de* - accessed May 2007.

Kale, S.H., Grouping Euro-Consumers: A Culture-based Clustering Approach, *Journal of International Marketing*, 3, 3, 1995, pp. 35-48.

Kashlak, R.J., Chandran, R. and Di Benedetto, C.A., Reciprocity in International Business: A Study of Telecommunications Alliances and Contracts, *Journal of International Business Studies*, 29, 2, 1998, pp. 281-304.

Key Note, *Market Report 2002. European Telecommunications,* 2nd edition, Sketchley, M. (ed.), Key Note, December 2002.

Key Note, *Market Report 2005. Telecommunications, 20th edition*, Drewer, P., (ed.), Key Note, December 2005.

Kidder, L., *Research Methods in Social Relations, 4th edition*, New York: Holt-Saunders 1981.

Killing, J.P., *Strategies for Joint Venture Success*, New York, USA: Praeger 1983.

King, G., O'Keahane, R. and Verba, S., *Designing Social Inquiry,* Princeton: Princeton Paperbacks 1994.

Kinnear, P.R. and Gray, C.D, *SPSS 12 Made Simple*, Hove: Psychology Press (2004).

Kogut, B. and Singh, H., The Effect of National Culture on the Choice of Entry Mode, *Journal of International Business Studies*, 19, 3, 1988, pp. 411-432.

Kroeber, A. and Kluckhohn, C., *Culture: A Critical Review of Concepts and Definitions,* Harvard: Harvard University Cambridge Mass 1952.

Kruskal, J.B. and Wish, M., Multidimensional Scaling, London: Sage 1984.

Lal, D., Pitt, D. and Beloucif, A., Restructuring in European Telecommunications: Modelling the Evolving Market, *European Business Review*, 13, 3, 2001, pp. 152 – 156.

Lane, H. W. and Beamish, P.W., Cross-Cultural Behaviour in Joint Ventures in LDC, *Management International Review*, 30, Special Issue, 1990, pp. 87-102.

Lenartowicz, T. and Roth, K., A Framework for Cultural Assessment, *Journal of International Business Studies*, 30, 3, 1999, pp. 781-798.

Luo, Y., Contract, Cooperation and Performance in International Joint Ventures, *Strategic Management Journal*, 23, 2002, pp. 903-919.

Luo, Y., Procedural Fairness and Interfirm Cooperation in Strategic Alliances, *Strategic Management Journal,* 29, 2008, pp. 27–46.

Mar Molinero, C. and Mingers, J., An Evaluation of the Limitation of, and Alternatives to, the Co-plot Methodology, *Journal of Operational Research Society*, 58, 2007, pp. 874-886.

Marschan-Piekkari, R. and Welch, C. (Eds.), *Handbook of Qualitative Research Methods for International Business*, Edward Elgar: Cheltenham 2004.

May, T., *Social Research Issues, Methods and Process, 2nd edition*, Buckingham: Open University Press 1997.

McKinsey Quarterly, Why Mergers Fail, *The McKinsey Quarterly,* 4, 2001, pp. 6-10.

Merchant, H. and Schendel, D., How Do International Joint Ventures Create Shareholder Value, *Strategic Management Journal*, 21, 2000, pp. 723–737.

Mingers, J. and Brocklesby, J., Multimethodology: towards a framework for mixing methodologies, *Omega, International Journal of Management Science,* 25, 5, 1997, pp. 489-509.

Mooij, de, M., The Future Is Predictable for International Marketers, *International Marketing Review,* 17, 2/3, 2000, pp. 103-113.

Morosini, P., Shane, S. and Singh, H., National Cultural Distance and Cross-border Acquisition Performance, *Journal of International Business Studies,* 29, 1, 1998, pp. 137-158.

OECD, Regulatory Reform in Telecommunications in Germany, available at: *https://www.oecd.org/dataoecd/46/19/32408088.pdf* , 2004, - accessed July 2006.

Pothukuchi, V., Damanpour, F., Choi, J., Chen, C.C. and Park, S.H., National and Organizational Culture Differences and International Joint Venture Performance, *Journal of International Business Studies*, 33, 2, 2002, pp. 243-265.

Rao, A. and Schmidt, S. M., A Behavioural Perspective on Negotiating International Alliances, *Journal of International Business Studies*, 29, 4, 1998, pp. 665-694.

Redding, G., Some Perceptions of Psychological Needs among Managers in South-East Asia*,* in Y.H. Poortinga, (ed.) *Basic Problems of cross-cultural Psychology*, Amsterdam: Swets and Zeitlinger 1976.

Ronen, S. and Kraut A. I., Similarities among Countries based on Employee Work Values and Attitudes, *Columbia Journal of World Business*, 12, 2, 1977, pp. 89-96.

Ronen, S. and Shenkar O., Clustering Countries on Attitudinal Dimensions: A Review and Synthesis, *Academy of Management Review*, 10, 3, 1985, pp. 435-454.

Rugman, A. and Hodgetts, R., The End of Global Strategy, *European Management Journal,* 19, 4, 2001, pp. 333–343.

Saint-Onge, H. and Chatzkel, J., *Beyond the Deal: A Revolutionary Framework for Successful Mergers and Acquisitions that Achieve Breakthrough Performance Gains*, USA: MacGraw Hill 2008.

Salk, J. E. and Brannen, M. Y., National Culture, Networks, and Individual Influence in a Multinational Management Team, *Academy of Management Journal,* 43, 2, 2000, pp. 191-202.

Schäfer, R., Competition-based Demand Characteristics in the German telecommunications Market, *Communications and Strategies*, 55, 2004, p.167.

Schneider, S.C. and Barsoux, J.L., *Managing across Cultures*. Englewood: Prentice Hall 1997.

Schuler, R.S., Human Resource Issues and Activities in International Joint Ventures, *International Journal of Human Resource Management*, 12, 1, 2001, pp. 1-52.

Shenkar, O. and Zeira, Y., Role Conflict and Role Ambiguity of Chief Executive Officers in International Joint Ventures, *Journal of International Business Studies*, 23, 1, 1992, pp. 55-75.

Sivakumar, K. and Nakata, C., The Stampede toward Hofstede's Framework: Avoiding the Sample Design Pit in Cross-Cultural Research, *Journal of International Business Studies,* 32, 2001, pp. 555-574.

Steenkamp, J.B., The Role of National Culture in International Marketing Research, *International Marketing Review*, 18, 1, 2001, pp. 30-45.

Styhre, A., Börjesson, S. and Wickenberg, J., Managed by the Other: Cultural Anxieties in Two Anglo-Americanized Swedish Firms, *Journal of Human Resource Management*, 7, 7, 2006, pp. 1293-1306.

Sullivan, D., Measuring the Degree of Internationalisation of the Firm, *Journal of International Business Studies*, 25, 2, 1994, pp. 325-342.

Tang and Koveos, A Framework to Update Hofstede's Cultural Value Indices: Economic Dynamics and Institutional Stability, *Journal of International Business Studies*, 39, 6, 2008, pp. 1045-1063.

Tihanyi, L., Griffith, D. A. and Russel, C.J., The Effect of Cultural Distance on Entry Mode Choice, International Diversification, and MNE Performance: A Meta-Analysis, *Journal of International Business Studies,* 36, 2005, pp.270-283.

Trompenaars, F., *Riding the Waves of Culture*, London: The Economist Books 1993.

Tsang, E.W.K., Human Resource Management Problems in Sino-foreign Joint Ventures, *International Journal of Manpower,* 15, 9/10, 2004, pp.4-21.

Tung, R. L., The Cross-Cultural Research Imperative: The Need to Balance Cross-National and Intra-National Diversity, *Journal of International Business Studies*, 39, 1, 2008, pp.41-46.

Vianen, van, A., Pater, de, I., Kristof-Brown, A. and Johnson, E., Fitting in: 'Surface and Deep-Level Cultural Differences and Expatriates' Adjustment, *Academy of Management Journal*, 47, 5, 2004, pp. 697-709.

Vogt, P. *Dictionary of Statistics and Methodology*, London: Sage 1993.

Wiersema, M. and Bowen, H., Corporate Diversification: The Impact of Foreign Competition, Industry Globalisation and Product Diversification, *Strategic Management Journal*, 29, 2, 2008, pp. 115-132.

Woodcock, P. and Geringer, J.P., An Exploratory Study of Agency Costs Related to the Control Structure of Multi-partner International Joint Ventures, *Academy of Management Best Paper Proceedings*, 1991, pp. 115-18.

www.IBM.com - accessed December 2007.

www.VATM.de – accessed June 2008.

Ybarra, O., Chan, E., Park, H., Burnstein, E., Monin, B. and Stanik, C., Life's Recurring Challenges and the Fundamental Dimensions: An Integration and Its Implications for Cultural Differences and Similarities, *European Journal of Social Psychology,* 38, 2008, pp. 1083–1092.

Yidirim, E. (1997). Comparison of telecommunication between the US and Germany, available at: *http://www.econ.ilstu.edu/dloomis/335web -* accessed May 2007.

Appendix 1. Variables Description

Variable Definition	Variable Code	Variable Type	Scale/Range	Source
Number of questionnaire	Number	Numerical	1-50	General.
Company Information 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 4= Private	General.
Company age	FirmAge	Ordinal	2= <2 years 3= 2-5 years 4= 6-10 years 5= > 10 years	General.
Size of company	NoEmploy	Ordinal	2= Micro 3= Small 4= Medium 4= 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).
Cultural Differences 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; CuDiDIta; CuDiDSca; CuDiDAus; CuDiDSwi; CuDiDPol; CuDiDDen	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Morosini et al. (1998).
Are there varying amounts of national pride?	PridLev	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hofstede et al. (2002); Hofstede (2004); Interviews.

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	Hexter et al (2010).
Cultural Differences and Their Impact on ICAs Variables				
Influence of national pride on acceptance of foreign players/products	Pridprod	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hexter et al (2010).
Influence of national pride on acceptance of foreign languages	PridLang	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hexter et al (2010).
Influence of national pride on acceptance of new process adoption rate	PridProc	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hexter et al (2010).
Influence of national pride on acceptance of different working styles	PridStyl	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hexter et al (2010).
Increased complexity in ICAs	IntCACom	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hexter et al (2010); Gomez-Mejia and Palich (1997); Merchant and Schendel (2000); Hutzschenreuter and Voll (2008)
More challenging working with people from different cultures	CuDiChal	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Styhre et al. (2006); Sarkar et al. (1999); Hutzschenreuter and Voll (2008).
More creative results when working with people from different cultures	CuDiCrea	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Hexter et al (2010)
National cultural differences can have positive effects on ICAs	CuDiPos	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Morosini et al. (1998), Shenkar and Zeira (1992).
National cultural differences can have negative effects on ICAs	CuDifNeg	Ordinal	6-Point Likert Scale 3= Negligible 8= Very	Morosini et al. (1998), Shenkar and Zeira (1992).

Appendix 2. Cultural Distances on Three Dimensions

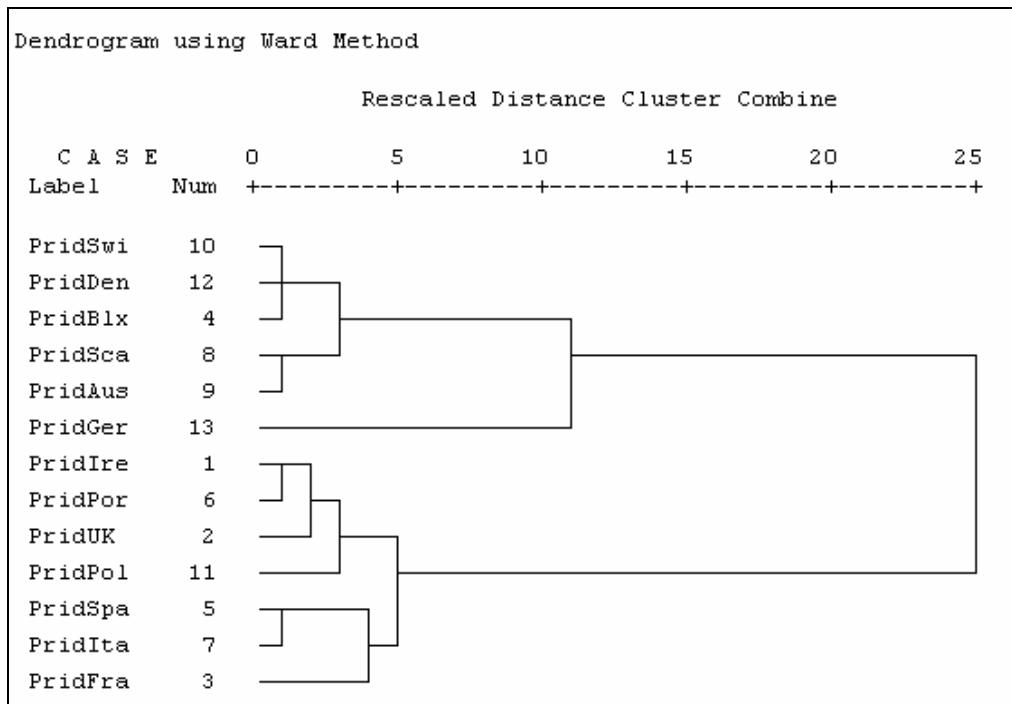| Country	Dimension 1	Dimension 2	Dimension 3
Ireland	-0.058	-0.091	-0.175
UK	-0.16	-0.086	-0.167
France	-0.724	0.556	-0.018
Benelux	0.422	-0.147	-0.017
Spain	-0.601	-0.299	0.135
Portugal	-0.599	-0.294	0.148
Italy	-0.686	-0.05	0.014
Scandinavia	0.44	-0.125	-0.239
Austria	0.898	0.15	0.362
Switzerland	0.881	0.147	-0.173
Poland	-0.535	0.26	0.02
Denmark	0.722	-0.021	0.11

Appendix 3. Cultural Distances within Europe Dendrogram
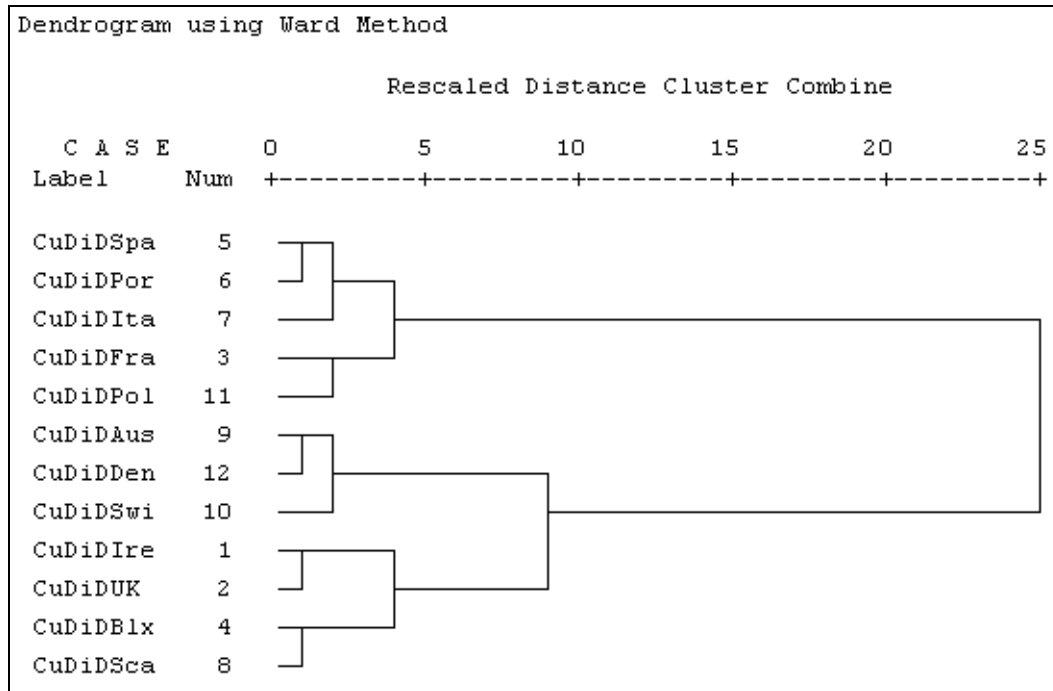
Appendix 4. National Pride Distances on Three Dimensions

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

Appendix 5. Differences in National Pride within Europe Dendrogram

```
Dendrogram using Ward Method

                    Rescaled Distance Cluster Combine

   C A S E       0         5        10        15        20        25
  Label    Num   +---------+---------+---------+---------+---------+

  PridSwi    10  ─┐
  PridDen    12  ─┤
  PridBlx     4  ─┤
  PridSca     8  ─┤
  PridAus     9  ─┘
  PridGer    13  ─
  PridIre     1  ─┐
  PridPor     6  ─┤
  PridUK      2  ─┤
  PridPol    11  ─┘
  PridSpa     5  ─┐
  PridIta     7  ─┤
  PridFra     3  ─┘
```

47

Endnotes:

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

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

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

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

[v] See Habeck et al., 2000; Styhre et al., 2006; Killing, 1983; Harrigan, 1988.

[vi] See Hall, 1976; Hofstede, 1980; Trompenaars, 1993; Schwartz, 1994; Ronen and Shenkar, 1985.

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

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

[ix] Ronen and Shenkar (1985); Haire et al., 1966; Redding, 1976; Sirota and Greenwood, 1971; Ronen and Kraut, 1977; Hofstede, 1980.

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

[xi] Appendix 3.

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

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

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

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

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

[xvii] Sweden, Norway and Finland

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

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

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

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

[xxii] This is pride portrayed, rather than felt.

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