1. Strategic alliances and culture in a globalizing world

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INTRODUCTION

Alliance instability is an endemic feature of organizational life and scholars have offered various explanations for its causes (for example, Das and Teng, 1998, 2000, 2003; Doz, 1996; Kumar and Nti, 1998, 2004; Ring and Van de Ven, 1994). Alliance instability has been linked to internal tensions that characterize an alliance (Das and Teng, 2000), lack of confidence in partner cooperation (Das and Teng, 1998), the existence of process and outcome discrepancies (Kumar and Nti, 1998), and the failure of alliance partners to achieve equity and efficiency (Ring and Van de Ven, 1994). Yet many of these frameworks, barring a few exceptions (for example, Kumar and Nti, 2004), are silent on how national culture may impact upon alliance evolution. The debate among scholars has tended to be about the importance of national culture in shaping alliance evolution. Many studies have held that national culture is important (for example, Barkema and Vermeulen, 1997; Kumar and Nti, 2004; Li and Guisinger, 1991; Meschi and Riccio, 2008; Steensma et al., 2000), whereas others have challenged this importance relative to corporate and professional culture (for example, Pothukuchi et al., 2002; Sirmon and Lane, 2004).

In our view, the relative importance of national, corporate or professional cultural differences remains an empirical matter, and not one that is amenable to clear-cut generalizations. While corporate and professional cultures may well influence some aspects of alliance evolution, they do so in the context of the national cultural distance that separates the partners. In other words, national cultural differences are the salient overriding factor within which the other differences may exert their own influence; that is, the influence of other variables may be less determinative relative to that of national culture. We will therefore primarily look at the impact of national cultural differences among alliance members in shaping alliance evolution.

Many alliances cross national boundaries and this already brings into
play the role of national culture, although it is fair to say that the impact of national culture may be more salient in some alliance contexts than in others. For example, Dong and Glaister (2007), in a study of the impact of national and corporate cultural differences in international strategic alliances between Chinese and foreign partners, noted that the impact of national cultural differences was stronger the lower the longevity of the alliance. In a similar vein, Kwon (2008) in a study of joint ventures between Korean, Japanese and Western companies (US and European firms), found that trust and commitment played a greater role in alliances between Korean and Japanese companies relative to alliances between Korean and Western companies. A study of international joint ventures between Chinese companies and firms from Western and other Asian countries revealed that legalism was positively associated with satisfaction among Western international joint venture partners in contrast to joint venture partners from other Asian cultures (Lin and Wang, 2008). Gill and Butler (2003), in a study of Japanese joint ventures with British and Malaysian companies, found that for the Japanese trust was the most important factor in determining joint venture stability, whereas for the British stability was a function of dependence, and for the Chinese-Malaysians both trust and dependence played a critical role.

Many of the alliance frameworks that we alluded to earlier neglect the impact of micro behavioural processes in shaping alliance evolution. This neglect is a generic limitation in the alliance literature, and is particularly unfortunate in the context of international alliances because these alliances bring together managers who have been socialized in different cultures. The decisions that are taken or not taken, and the manner of their implementation, are necessarily influenced by cultural differences, so that they have an important bearing on how an alliance develops over time.

We contend that understanding the role played by micro behavioural processes is particularly important for several reasons. First, micro behavioural processes are the proximate determinant of how alliance partners manage the expectational gap in an international alliance. Secondly, micro behavioural processes may instigate emotions and strengthen or weaken confidence in partner cooperation in alliances (Das and Teng, 1998). Finally, micro-behavioural processes determine how alliance managers make decisions in situations characterized by ambiguity and uncertainty. When an alliance fails to live up to its potential, the alliance managers have to make attributions as to the causes of unsatisfactory alliance performance, including whether it is due to situational factors or factors internal to the alliance (Das and Teng, 2000; Kumar and Nti, 2004). Micro behavioural processes, in turn, are no doubt shaped by a number of different factors such as the strategy and capabilities of the alliance partners.
However, for purposes of this chapter, we focus on the role of national culture in influencing micro behavioural processes.

We will examine how micro behavioural processes are impacted upon by national culture by discussing two significant frameworks of alliance functioning, namely, those of discrepancy and legitimacy (Kumar and Das, 2007; Kumar and Nti, 2004). We argue that the impact of culture is manifested differently in the two frameworks. The discrepancy framework stresses the importance of expectations while the legitimacy framework highlights the relevance of appropriate behaviour. Although expectations and behaviour are no doubt related, they are also quite distinct, and this distinction is important in understanding the genesis of the stability problems in an alliance.

We begin by outlining the concept of micro behavioural processes and its relevance to alliance development. We then discuss the concept of national culture, outlining the ways in which differences in national culture might affect alliance functioning. Next, we discuss the relevance of national culture in the context of two extant models in alliance theorizing, namely that of discrepancy detection, attribution and reaction (Kumar and Nti, 2004), and of interpartner legitimacy (Kumar and Das, 2007). Finally, we discuss the theoretical and managerial implications of these two alternative but complementary perspectives for studying the impact of national culture on alliance development.

MICRO BEHAVIOURAL PROCESSES

The micro behavioural processes that we are alluding to are all critically implicated in alliance decision-making. Alliance managers (those within the alliance and others in the parent companies) continuously have to make various kinds of decisions. These decisions centre on issues of commitment, restructuring the alliance, governance structures and the decision to continue with or exit the alliance. These decisions are also critically impacted upon by factors such as the level of trust, attributions, legitimacy, harmony and the existence of emotions. Such impact is relevant to the managerial behaviour in the partner firms as well as expectations about how their counterparts might behave (Das and Kumar, 2009; Das and Teng, 1998; Kumar 2008; Kumar and Das, 2007). It is also the case that these variables are crucially shaped by culture. Micro behavioural processes therefore refer to the impact of these variables on alliance managers’ decision-making.

Micro behavioural processes may determine whether any conflict cycle gets instigated and, if so, whether the conflict cycle will then escalate or
de-escalate. These processes are also determinative of the consequences of conflict resolution, that is, whether conflict resolution strengthens, weakens or leaves the relationship between alliance partners unchanged. Finally, micro behavioural processes highlight the importance of human agency in decision-making and learning in alliance management (Das and Kumar, 2007).

NATIONAL CULTURE

In an increasingly interdependent world economy cross-cultural managerial interactions are unavoidable. While such cultural influences are inevitable, there is now increasing recognition that culture, relevant as it is, may not matter in a predictably consistent manner. As Leung et al. (2005, 368) note: ‘scholars have argued that instead of addressing whether national culture makes a difference it is more useful to address the issue of how and when it makes a difference’.

Alliances provide a fertile ground for examining the impact of culture because an essential characteristic of alliances is their ambiguity and uncertainty. Scholars have noted that under conditions of uncertainty and ambiguity individual behaviour is often shaped by culturally shaped responses (for example, Meglino et al., 1989), and also that uncertainty leads to rigidity (for example, Staw et al., 1981).

The central idea in the many definitions of national culture (for example, Hofstede, 2001; Kluckhohn and Strodtbeck, 1961) is that culture consists of the dominant assumptions, values, beliefs and behaviours that are transmitted intergenerationally in different societies. It is also widely recognized that culture exists at both an overt and a covert level. At the overt level culture manifests itself in the manner in which people behave. However, at a deeper and covert level, culture manifests itself in unconsciously held assumptions that govern an individual’s perceptions and behaviour. It is at the covert level that cultural influences are both more insidious and powerful, for the very simple reason that individuals may not even be aware of the fact that culture is influencing their behaviour. If individuals or managers are unaware of the role that culture plays, they may both be oblivious to the consequences of their culturally shaped behaviour and be overly sensitive to the behaviour of their partner as they will not have considered the role of culture in shaping their partner’s responses. National cultural differences have been linked to differences in communication styles (Hall, 1959), decision-making processes (Adler, 2001), negotiation styles (Kumar, 1999) and attributional processes (Markus et al., 1996).

Scholars note that alliances go through several stages of development,
such as formation, operation and outcome (Das and Teng, 1997, 2002). The formation stage of the alliance involves partner selection, negotiation and contract formalization. The operation stage of the alliance is when the formalized commitments of the alliance partners become operational. At this stage the partner firms put in the necessary investments of both financial resources and managerial personnel. It is also the stage where the alliance commences operations. Finally, the evaluation stage of the alliance is when the alliance partners evaluate the performance of an alliance at some agreed point in time. National cultures influence alliance development at all of these different developmental stages. In this chapter, the impact of national culture will be assessed through the lenses of two alternative theoretical frameworks, one focusing on discrepancies and the other on legitimacy management. We will highlight the major points of contrast between these two frameworks and discuss both theoretical and managerial implications.

NATIONAL CULTURE AND DISCREPANCY MANAGEMENT IN INTERNATIONAL ALLIANCES

This discrepancy framework is premised on the idea that every alliance is potentially subject to two types of discrepancies (Kumar and Nti, 1998, 2004). The discrepancies may be favourable or unfavourable and may represent either a process or an outcome discrepancy. The focus is on unfavourable discrepancies because these discrepancies threaten alliance stability. For example, in an alliance characterized by high levels of conflict and the inability to attain performance-related goals, instability may well be the logical outcome. Process discrepancies are indicative of the fact that the interaction among alliance partners is dysfunctional, that is, there are high levels of conflict, opportunistic behaviour and lack of timely and relevant communication. Outcome discrepancies, by contrast, are indicative of the failure of the alliance to achieve performance-related goals. These could represent the failure to attain the desired level of market share, low levels of profitability, or failure in product development in the context of an R&D alliance. This framework rests on the implicit assumption that unfavourable discrepancies are unsustainable over the long term, and the fact that there is an interlinkage between the two sets of discrepancies, so that unresolved process discrepancies may create outcome discrepancies and vice versa.

National cultural differences play an important role in this framework. National cultural differences may lead alliance partners embedded in different cultures to have conflicting perceptions about the existence of
a discrepancy. For example, firstly, one of the alliance partners may perceive a discrepancy and the other partner may not. Alternatively, one of the partners may be more sensitive to a process discrepancy whereas the other partner is more sensitive to an outcome discrepancy. This is referred to as an interpretational conflict. Secondly, even when partners agree that there is an unfavourable discrepancy, they may differ as to the origins of such a discrepancy. Is the unfavourable discrepancy due to internal factors (for example, the partner not putting in the necessary effort) or is it due to external factors (for example, the market environment is not supportive of the alliance)? This is referred to as an attributional conflict. Finally, the alliance partners may differ as to how to deal with the unfavourable discrepancies. Should the partners put in greater effort or should they exit from the alliance? This is referred to as a behavioural conflict.

An example of a behavioural conflict between members of different cultural groups is the Anglo-Korean joint venture, Korea Beral (Butler and de Bettignies, 1997). T&N was a Manchester-based company engaged in high-technology automotive components, engineered products and industrial materials. The company responded to a licensing request from Korea to manufacture commercial vehicle linings and disc brake pads. Ron Cooke, who led the T&N team, was impressed by the Koreans and this led Beral Gmbh, recently acquired by T&N, to conclude a technical assistance agreement with the Koreans in March 1986. The joint venture factory began operations in September 1987. Korea Beral soon became a major player in the market, supplying 30–40 per cent of Hyundai’s needs. Later, however, the Koreans became very aggrieved when their request for access to a wide range of technologies was turned down by their British partners. The Koreans became emotionally aggressive because they felt that the British were not fulfilling their obligations. The British, by contrast, did not take kindly to the Korean tantrums and neither did they appreciate the Koreans’ disdain for completing the necessary paperwork.

In the Confucian-oriented Korean culture the fulfilment of obligations is very important, whereas in the more individualistically oriented British culture, the only obligations that count are those stated in the contractual agreement. It is not surprising therefore that the cultural and strategic gap between the partners accentuated over time, illustrating the nature of a behavioural conflict.

The discrepancy framework has a number of key attributes. First of all, this is a decision-making framework that demonstrates that cultural problems may originate either at the interpretational stage, the attributional stage, or at the behavioural stage of alliance evolution. A key implication of this is that the earlier a potential problem is detected, the more likely it is that it will be satisfactorily resolved. When problems are detected at an
earlier stage, potential conflict can be avoided, or even if a conflict were to have emerged it may not have escalated to any significant degree. By contrast, if problems are detected a little later, the detection may have occurred in the context of a perception of shared expectations, and any such problem may not only be more consequential, given the already undertaken commitments, but may also be more conflict-provoking, given that the alliance partners may not expect such problems to arise at this stage.

A number of scholars have highlighted the importance of trust in international strategic alliances (for example, Kauser and Shaw, 2004; Kwon, 2008; Robson et al., 2008) with the implicit argument that high levels of trust may allow the alliance partners effectively to bridge the cultural gap between them (Das and Teng, 1998). There is much to commend in this line of reasoning, and while it is certainly plausible to argue that trust creates the motivation to bridge differences, it is not so clear whether it also creates at the same time the ability to bridge such differences. The discrepancy framework clearly illustrates the barriers in bridging these differences, with their focus more on the ability than on the motivation of the alliance partners.

The barriers revolving around ability are related to the partners’ unconsciously held assumptions. Till the time that managers recognize the constraining impact of these assumptions, not much is likely to change. A good example of this is the conflict that occurred between Deutsche Elektro-Informatica (DEI) a German electronics company, and Rural Red Star, a Chinese state-owned electronics firm (Bjorkman, 1999). Their 50:50 joint venture, Guangdong Electronics Co. Ltd, was established in 1991 and started its operations a year later. Rural Red Star was not the preferred partner for the German firm but it had to live with this constraint. During the period 1992–96 the joint venture grew fairly rapidly although the financial performance remained sub-par. When the German company decided to integrate the joint venture into its global operations, problems began to emerge.

The Germans wanted to institute stricter control on the venture and one consequence of this was a greater number of German expatriates in the operations. Unfortunately, many of the German expatriates lacked the skills necessary to bridge the cultural divide that existed between an individualistic (German) culture and a collectivistic (Chinese) culture. While they may have been motivated to bridge this gap, the case reveals that they were not particularly adept at it. The Chinese collectivistic culture values relationships, affective trust development, frequent interpersonal contact, indirect communication and sensitivity to face. By contrast, the German individualist culture does not prioritize relationships, is oriented...
to the cognitive basis of trust, values direct communication and is less sensitive to issues of face. In particular, the German general manager, Herbert Klein, was communicating with his Chinese colleagues through letters, could not control his temper, and took away the authority of the Chinese deputy GM to sign contracts on behalf of the company. The latter became furious and refused to cooperate. The Germans did eventually replace general manager Klein, but the case clearly illustrates the barriers to bridging the cultural gap.

The second attribute of the discrepancy framework is concerned with the decision-making processes that are at the heart of this framework. These processes may lead to distrust and negative emotions. As each alliance partner evaluates the other from its own cultural perspective, it may either begin to perceive discrepancies or may find it difficult fully to comprehend the actions of its partner. This not only amplifies the ambiguity and uncertainty inherent in alliances, but it also makes the managers want to shield themselves from such conditions, either by resorting to their culturally programmed course of action or by instituting actions that may give them a greater sense of control. As each partner seeks to reassert control by engaging in defensive manoeuvres, the cultural gap is only likely to be exacerbated, fuelling both distrust and negative emotions. The constraining impact of trust or lack of it, and of emotions, in shaping alliance dynamics is now widely discussed in the literature (Das, 2005; Das and Teng, 1998; Kumar, 2008), but the origins of these micro behavioural factors are not adequately recognized in the literature. The discrepancy framework (Kumar and Nti, 2004) goes some way to explaining the origins of such dysfunctional developments.

The discrepancy framework also highlights the fact that problems emerge in international alliances due to conflicting expectations that may not be sufficiently recognized by the alliance partners. As the alliance partners begin the process of sense-making with the expectation or hope that they will be able to forge an agreement, they are likely to focus more on what unites them than what separates them. There is also likely to be an underlying sense of optimism and, when coupled with the fact that the managers who negotiated the alliance are often not the ones who will run the alliance on a day-to-day basis, the expectational gap may not be easily bridged.

The expectational gap, as this framework suggests, is pervasive throughout the alliance life cycle (interpretation, attribution and behavioural phases). A key implication of this is that for an alliance to function smoothly, the expectational gap among the alliance partners needs to be bridged effectively. An associated implication of this framework is that while accurate expectations may impede the emergence of conflict in the
first instance, a recalibration of expectations may effectively contain or diffuse the conflict once it has arisen.

A focus on reducing or eliminating the expectational gap among alliance partners also sidesteps the issue as to which partner should do more of the adapting in an international alliance. Often enough, the issue of adaptation is linked to the issue of the alliance partners’ bargaining power, with the partner with the lesser bargaining power having to make the necessary adaptation. Our framework suggests that for an international alliance to succeed, even the more powerful partner may need to engage in sense-making with the objective of reducing the expectational gap, for it is only under these circumstances that even the more dominant partner can effectively exercise power.

NATIONAL CULTURE AND LEGITIMACY MANAGEMENT IN INTERNATIONAL ALLIANCES

Kumar and Das (2007) have developed the concept of interpartner legitimacy and have suggested that alliance partners need to establish and maintain interpartner legitimacy during alliance functioning. This is a framework that is not cultural in origin or content but, as we argue here, a cultural extension of this framework is warranted for better understanding of alliance dynamics. Interpartner legitimacy is defined by Kumar and Das (2007, 1430) as: ‘the mutual acknowledgement by the alliance partners that their actions are proper in the developmental process of the alliance’. An alliance partnership that is characterized by perceptions of appropriateness on the part of either partner is likely to be more durable over time. Such a partnership may also more easily withstand the vicissitudes of the external environment, that is, it will not be unduly susceptible to exogenous shocks that are beyond either partner’s control. Furthermore, appropriateness goes hand in hand with commitment, with the implication that alliance partners will put in all the necessary effort to sustain the relationship. The outcomes of such efforts may not always be positive, but rather, and more to the point, the effort and the commitment will not be lacking under conditions of interpartner legitimacy.

The framework of Kumar and Das (2007) also draws a distinction between three types of interpartner legitimacies. These are referred to as pragmatic, moral and cognitive interpartner legitimacies. Pragmatic interpartner legitimacy implies that the alliancing firms view their efforts and commitment to the alliance as furthering their interests and that of the larger alliance as well. Without the attainment of pragmatic interpartner legitimacy, the alliance may not come into existence, or even if it does, it
Strategic alliances, mergers and acquisitions may not survive the test of time. Moral interpartner legitimacy refers to the judgements made by the alliancing firms about the appropriateness of the alliance, that is, is it the right thing to do? This judgement is in large part based on the actions of the partner firm, that is, does the partner behave or act in a way that conforms to the tenets of moral legitimacy? Finally, cognitive interpartner legitimacy means that the decision to enter into the alliance is something that is seen as natural or inevitable, given the strategic orientation of the partner firms.

The authors have also suggested that the saliency of the different types of interpartner legitimacies varies across the formation, operation and outcome stages of the alliance. Pragmatic interpartner legitimacy is the most salient at the formation stage of the alliance, as in its absence the alliance may not even come into existence. However, it remains equally true that pragmatic interpartner legitimacy may become an issue during the operation and outcome stages of the alliance. Moral interpartner legitimacy is most important during the operational and outcome stages of the alliance, as an alliance partner’s behaviours and commitments are most explicitly tested here. Cognitive interpartner legitimacy also becomes salient at the operation and the outcome stages as the alliance evolves over time. This is so because over time commitments may get strengthened, or may wither away. In other words, cognitive interpartner legitimacy is either reinforced or, alternatively, undermined as the alliance evolves over time.

This is a framework that is easily amenable to cultural extension. Interpartner legitimacy deals with the issue of appropriateness and so does the concept of national culture, although the levels at which the concepts are applied in the first instance are no doubt different. Interpartner legitimacy deals with appropriateness of behaviour at the interfirm level while national culture focuses on societal values. It is clear though that societal values constrain or shape behaviour at the micro level. Given this interlinkage it follows that in international alliances national cultural differences are an important, although not necessarily the exclusive, determinant of interpartner legitimacy. We now outline the linkages through which national culture influences interpartner legitimacy.

We have noted that interpartner legitimacy can be distinguished into pragmatic, moral and cognitive legitimacy. While all of these legitimacies are important in all cultures, the saliency of different kinds of legitimacies may be culturally dependent. In other words, in some cultures pragmatic interpartner legitimacy may be the most important, whereas in other cultures moral or cognitive interpartner legitimacy may be so. Why might this be the case and what cultural values may explain the relative dominance of one type of interpartner legitimacy over another? As we have
pointed out earlier, national cultural values represent the preference of a
group for a particular set of assumptions over alternative assumptions.
For example, in North American and European cultures the dominant
assumption is that time is money, whereas in Latin American cultures
there is a more elastic view of time (Lane et al., 1998). When an assump-
tion varies, then so does an alliance firm’s behaviour and its perceptions
or interpretations of its partner’s behaviour. In other words, uncon-
sciously held assumptions are likely to shape an alliance firm’s expecta-
tions of the appropriateness of its partner’s behaviour. Alternatively put,
these assumptions may hinder or facilitate the attainment of interpartner
legitimacy.

Scholars note that the individualism–collectivism dimension is one of
the most important dimensions along which cultures vary (Chen et al.,
1998). Individualists are most fundamentally concerned with achiev-
ing their own goals, whereas collectivists give greater priority to group
over individual goals. Collectivistic cultures also stress the importance
of harmony management, and while individualists may not necessarily
like open conflict, they are much less averse to conflict should it occur.
Individualists also tend to be task-oriented while collectivists have a strong
relationship orientation. This relatively brief description of differences
between an individualist and a collectivist culture already suggests to us
that in individualistic cultures, for example, it is pragmatic interpartner
legitimacy that will be most salient whereas in collectivistic cultures it is
moral interpartner legitimacy that will be more dominant. The reason
for this is fairly simple. Individualistic cultures are goal- and outcome-
oriented and pragmatic interpartner legitimacy is directly tied to issues
of goal attainment. Collectivistic cultures, by contrast, are much more
process- and harmony-oriented, and this has the implication that moral
interpartner legitimacy takes on greater salience. Thus when an alliance
firm from an individualistic culture gets together with a partner firm from
a collectivistic culture, we can easily anticipate the conflicts that may
occur, and why attaining interpartner legitimacy may be made that much
more difficult. The alliance firm from an individualist culture will focus its
attention on attaining pragmatic interpartner legitimacy, while its partner
from a collectivistic culture will be focused more on attaining moral
interpartner legitimacy.

A good illustration of the above situation is the joint venture Chiang-
Sho Ltd (CSL) that was established in 1993 between Chengdu, a subsidiary
of the Zhang group of China, and Globe Engine Company of Germany
(West, 2004). As a consequence of the joint venture the Chinese company
would gain access to new technology while the German company would
become a dominant player in China. Problems in the partnership began
Strategic alliances, mergers and acquisitions
to emerge when the first invoice was sent to Chengdu by CSL, in which
the cost of a single engine was greater than the cost of the entire tractor.
Chengdu executives were unhappy with the costs as well as with the
performance-related problems that began to emerge. The Chinese felt that
the negotiated agreement lacked moral legitimacy and pressed for a rene-
gotiation. This second round of negotiations led to the German company
reducing its margins on components and on the royalty from the joint
venture, while the Chinese company agreed to discount further the price
of castings and forgings that it supplied to the joint venture. Although
many managers in the German company were positive about the renegoti-
tiation, this sentiment was not universally shared. The German company’s
willingness to renegotiate demonstrated its willingness to be responsive to
the Chinese partner’s moral legitimacy concerns. However, this was not
to be the end of the story, because a little later the Chinese put pressure
on Globe to reduce the price of its engines further. It seems that the moral
interpartner legitimacy concerns of the Chinese had not altogether been
allayed. Globe, by contrast, also began to feel over time that Chengdu did
not suitably express appreciation for Globe’s efforts, and to that extent
felt that not only was the pragmatic interpartner legitimacy of the venture
threatened, but so also was its moral interpartner legitimacy.

A related point on cultural differences is that the speed with which the
different types of legitimacies are attained may also vary across cultures.
In individualistic cultures the alliance partners may be much quicker in
determining whether the alliance has or has not attained interpartner
legitimacy. They may also put in considerable effort from the beginning
to ensure the success of the venture. Alliance partners from individualistic
cultures are very strongly goal-focused and this means that the determina-
tion of whether an alliance has achieved pragmatic interpartner legitimacy
is very important to them. Partners from collectivistic cultures are likely to
be more cautious in making such a judgement. Collectivists do not enter
into relationships easily and nor do they like to terminate them on a whim.
This means that they will take their time in making the relevant judg-
ments. This is likely to be true for the assessments that they make about
moral interpartner legitimacy as well. It is also the case that even within
individualistic cultures there may be a difference in that cultures that are
strongly individualistic will want to complete the process of legitimation
at the earliest possible time.

An example of this is the alliance between the Dutch company Avebe
and the American company Noveon (Wahyuni, 2007). This was a product
development and distribution alliance in which the partner firms were
developing and planning to distribute a ‘high-performance thickener
for textile printing applications’. The alliance initially began well, with
high levels of trust and a shared vision. This led to extensive information exchange and intensive discussions among managers involved in the project. The case writer notes that both internal and external factors affected the development of the alliance adversely. However, she also notes that cultural differences had a detrimental impact on the alliance. She goes on to observe that: ‘Americans tend to be more aggressive in achieving their goals. This different attitude in business was one of the reasons why Noveon had given up sooner than Avebe’ (Wahyuni, 2007, 16). In a similar vein the Noveon vice-president of technology noted: ‘I think Avebe wanted a result but they were willing to wait longer. We were expecting the result much faster than perhaps Avebe could or understood what we wanted’ (Wahyuni, 2007, 16). In other words, the Americans got frustrated by their inability to achieve pragmatic interpartner legitimacy and probably decided to refocus their efforts elsewhere.

The stability of legitimacy judgements made by alliance partners from individualistic and collectivistic cultures is also likely to vary. The goal-oriented individualist may be quick to make judgements but by the same token may also be quick in discarding them in response to environmental shifts. Instability in judgements arises whenever goal attainment is threatened. The process-oriented collectivist, by contrast, may be slower in making judgements, but is likely to stick with them once the judgements are made. Concerns of face and harmony maintenance (Das and Kumar, 2009) impel the firm embedded in a collectivistic culture not to discard their partners peremptorily.

Alliance partners embedded in individualistic and collectivistic cultures may also differ in the way they deal with the emergence of any kind of legitimacy crisis. For example, when an alliance experiences the crisis of pragmatic interpartner legitimacy, an alliance partner from an individualistic culture will seek to deal with the problem in a very direct and upfront manner. After a thorough and speedy analysis the partner may either wish to put in greater effort, re-evaluate the expectations, or seek to exit from the alliance. These decisions are likely to be made in a calculative manner, although emotions may also play some role. By contrast, an alliance firm in a collectivistic culture will deal with the problem in a much more careful and measured way so as to avoid disrupting harmony and upsetting its partners. Relatedly, alliance partners may also differ in their assessment of what they might consider to be a satisfactory resolution to any form of interpartner legitimacy crisis, be it pragmatic or moral. Alliance partners from an individualistic culture will want to see tangible results that are indicative of problem resolution, whereas alliance partners in collectivistic cultures may be willing to accept a certain degree of ambiguity in this regard.
In this chapter we have highlighted the relevance of micro behavioural processes in understanding international alliance evolution, making the argument that a neglect of the micro behavioural processes is a crucial shortcoming of the existing literature on strategic alliances. We have also stated that national culture is always either implicitly or explicitly a factor in international alliances, and we therefore need to deepen our theoretical understanding of how national culture influences alliance evolution. We have drawn on two theoretical frameworks – discrepancy (Kumar and Nti, 2004) and legitimacy (Kumar and Das, 2007) – for this endeavour and demonstrated the relevance of these frameworks in explaining the role played by national culture.

We would like to add here that these two frameworks complement each other, with the discrepancy framework relying more on the linkage between culture and expectations and the legitimacy framework on the linkage between culture and behaviour. In any international alliance both are undoubtedly intertwined, but from an analytical and a managerial standpoint it is perhaps helpful to discuss them separately. If expectations shape alliancing firms’ motivational orientation, behaviour reflects the consistency between the firms’ motivational orientation and their ability to enact such an orientation. The two may not necessarily be synchronous, for reasons that may range from an incomplete understanding on the part of top management regarding what it takes to make an alliance successful, to a gap between the top managers who initiated the alliance and middle-level managers in charge of day-to-day operations.

Several other implications follow. First, while cultural conflicts may be inevitable in international alliances, these conflicts may have their roots either in conflicting expectations or in conflicting behaviours. Conflicts rooted in conflicting expectations are not immediately discernible whereas conflicts rooted in conflicting behaviours are clearly visible. This has the obvious implication that conflicts relating to conflicting behaviours may attract the attention of alliance managers more readily than conflicts relating to conflicting assumptions.

Secondly, the assumptive and the behavioural roots of conflict may also vary as a function of the developmental stage of the alliance. In the formation stage of the alliance, assumptive conflicts may be more salient, whereas at the operation stage behavioural conflicts may be more dominant.

Thirdly, alliance management involves interaction among partner firms at different levels (Das and Kumar, 2007; Kumar and Andersen, 2000).
There is the interaction between top management of the partner firms, interaction between alliance managers where the partner firms have seconded a manager from their firm to the alliance, and then there is the interaction at the operational level between the partner firms. We would surmise that while both assumptive and behavioural conflicts are likely to manifest themselves at all of the different levels, the relative salience of these conflicts may vary as a function of the management level. In other words, assumptive conflicts may fall into the lap of top management whereas behavioural conflicts may be more dominant at the level of interactions between alliance managers or at the operational level. This suggests that the decomposition of conflicts rooted in either expectations or behaviour has important managerial implications. Managers involved in international alliances must of course develop cultural sensitivity, but beyond that they must also develop the ability to assess accurately the impact of culture and to discern whether the dominant impact is through expectations or behaviour.

The arguments advanced in this chapter also suggest future research directions for the study of international alliances. First, it might be useful to integrate the two models and develop and test propositions that incorporate the interface at multiple organizational levels in alliances. Second, while both expectations and behaviour are affected by national culture, the issue is whether their impact is similar for all types of alliances, or whether their effects depend on the type of alliance under consideration, such as equity joint ventures, minority equity alliances and non-equity alliances. It would also be interesting to assess the interlinkages between expectations and behaviour and the variables of trust and commitment that often enough occupy centre stage in the study of alliances. Studies along these lines will not only help us develop a strong theoretical foundation for understanding international alliances but they may also provide useful guidelines for alliance managers.

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