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Comprehending Organizations Cultural Compatibility as a Success Factor in Alliance Formation

Five Case Studies on Cultural Compatibility

Paper within	Master Thesis in Business Administration
Author:	Dolf Grande
	Neda Angela Sobhi
Tutor:	Anna Nyberg
	Hamid Jafari
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Neda Angela Sobhi

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Master Thesis within Business Administration

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Authors:	Dolf **Grande**, Neda Angela **Sobhi**
Tutor:	Anna Nyberg, Hamid Jafari
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Abstract

Problem: To compete effectively in today's global market, organizations are eager to expand their operations abroad. Entering a partnership accounts as a preferred way of doing this. In order to be allowed to participate in many important markets, corporations must recognize the influence of cultural orientations other than their own. In many cases it appears that this is however neglected, considering that up to two out of three partnerships ends in dissolution. Causes related to the cultural aspect of a relationship are often mentioned to form the root of the problem.

We noticed that a vast number of studies have focused on how culture affects single organizations, fewer studies however focused on how partnerships are affected by cultural aspects. And even fewer studies have tried to decipher the role that cultural compatibility has prior to entering a partnership. More so, throughout our extensive literature review, we have noticed that there has not been obtained a comprehensive understanding of what cultural compatibility entails.

Purpose: The intentions of our research are twofold: first, we have theoretically derived a framework that allows a comprehensive understanding of cultural compatibility as well as its influence on alliance performance, and second, we have explored how this theoretically derived framework is reflected in practice.

Method: To achieve the purpose of this study we completed a qualitative, exploratory research including five case studies and five interviews/consults. The case studies were well selected based on requirements such as industry significance and the implication of a high level of cultural diversity.

Conclusions: The major conclusion to our research indicates that cultural compatibility is not necessarily a requirement prior to entering a relationship, but unveils to be moreover a foundation that partnering firms should strive for in the early stages of their coalition. Additionally, we have obtained many valuable insights, yet utmost we have experienced that the subject is extremely complex, and that further research on the topic as well as the framework is indispensable to further justify our findings.

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1 Introduction

The purpose of our introductory chapter is to provide meaningful preliminary insight into the nature and complexity of culture on alliance formation in today's business and academic world. To achieve this goal, background and problem definition are introduced, followed by research questions, purpose and implications necessary to highlight the importance and value of our work.

1.1 Background

Today's era of rapid globalization forces the worlds of numerous industries, e.g. academia, automobile, airline, to extend their presence into multiple markets and countries around the world to satisfy with their customer's demands in context to supply chain services. Joining an alliance or starting a partnership seem to be preferred ways of achieving such company objectives (Brockelman & Cucci, 2000). Through forming an alliance, two or more firms combine their individual strengths and unique resources (Whipple and Frankel, 2000). This trend is reflected in the number and value of mergers and acquisitions that continue to grow at record rates. The Institute of Mergers, Acquisitions and Alliances (IMAA) records show that the number of transactions worldwide has increased from barely 5,000 in 1985 to almost 50,000 in 2007. The excitement of mergers and acquisitions is driven by the anticipation of financial success due to reduced competition, operational synergies, and access to larger customer bases (Senese J. , 2007). Accordingly, we can conclude that the strong interest in expanding into new markets can be validated from the supporting figures of mergers and acquisitions.

An investigation on Institutionalizing Alliance Capabilities in 2000 by the Corporate Executive Board confirms this growing interest in inter-organizational expanding, reporting heightened alliance activity by averagely large companies. The report also indicates that the preferred method of achieving strategic objectives – in this case for the telecom industry – was to ally with others, rather than develop internally, outsource or carry out a joint venture, merger or acquisition (Molony, 1999)[1]. However, the same source reports that the rate of failed alliances have ranged from 30% up to 70%, suggesting that companies experience severe difficulties when attempting to develop organization-wide alliance competencies. Sir Richard D. Lewis also supports this finding, indicating that most mergers fail, speculating around 51% (R. Lewis, personal communication, 14-03-2012). Furthermore, the study indicates that *shifts in partners' strategic objectives* and *clashes of corporate culture* are both top causes of alliance failures at 87% and 69%, respectively, while both *securing organizational wide engagement* and *managing alliance skills transfer* are both integration efforts that are coming up short[2].

As a result of globalization, the increasing connections between companies forming an alliance do not imply that cultural differences are diminishing or disappearing. On the contrary, as pointed out by Doug Ivestor, the former CEO of Coca Cola, "as eco-

[1] Economist Intelligence Unit

[2] Corporate Strategy Board Research, N = 112. Strategy Board 2000 member survey

nomic borders come down, cultural barriers go up, presenting new challenges and opportunities in business" (Javidan & House, 2001). According to an explanation provided by Sir Richard D. Lewis, it is critical to understand the other company's purpose in doing business, which is partly rooted in its cultural background. (R. Lewis, personal communication, 14-03-2012).

Other reasons for failure amongst alliances occur when excessive rivalry eclipses cooperative tendencies (Park & Ungson, 2001). Park and Ungson (2001) postulate that alliance failure results from competitive rivalry and managerial complexity that act as destabilizing characteristics within an alliance. They also state that there is a lack of explanations as to why strategic alliances fail, but further mention poor management, poor communications, lack of trust, competitive rivalry, lack of top management commitment, and cultural differences, may be a few factors to failure (Park & Ungson, 2001). Unfortunately, many international organizational alliances fail to meet expectations because the cultures of the partners are incompatible (Cartwright & Cooper, 1993). Collectively, all of these failure factors boil down to one major pitfall, which is poor partner selection at the early stages of international alliance formation. Therefore, an integrated coordination of all processes and operations within a strategic partnership is therefore a prerequisite for a successful alliances (Lönngren, Rosenkranz, & Kolbe, 2010). In other words, aligning "the way things are done"; an expression which describes culture, as described by Martin (2002).

Given the impact a partner can have on alliance success, partner selection is critical (Kannan & Tan, 2004). However, partner selections are usually driven by financial and strategic considerations (Cartwright & Cooper, 1993).

Yet, Hofstede argues that one should think twice before applying the norms of one person, group, or society to another. Information about the nature of the cultural differences between societies, their roots, and its consequences of such should precede decision and action (Hofstede & Hofstede, 2005). An opinion well expressed by Sir Richard D. Lewis is that differences in culture imply differences in behavior, which can impede doing business successfully (R. Lewis, personal communication, 14-03-2012). It is therefore critical to understand this phenomenon in the initial phase of partner selection, as this step determines the outcome of successful alliance formation.

Forming an alliance is not an easy feat. Whipple and Frankel (2000) state that "while interest in such arrangements remains strong, it is well accepted that creating, developing, and maintaining a successful alliance is a very daunting task". We wonder why it is a "daunting task" and how to turn it around in order to make it a simple and successful integration process.

1.2 Problem Definition

As the background indicates, culture may not be recognized as a key component during partner selection. In other words, why is it not considered a vital ingredient for success during this stage since it has such a major impact?

A preliminary review of the literature on the compatibility of company culture indicates that most extant research focuses on defining and measuring culture (through culture models) and how this affects the performance of a single organization. Considerably fewer researchers have explored the role and magnitude of culture in a dyadic or multi-dyadic relationship. Moreover, only few have started to investigate if there is a way to decipher the compatibility of culture prior to forming an alliance. Martin (2002) states that the current literature on culture is often conflicting in its conclusions, making it difficult to adjudicate one truth. However, we believe that culture contributes significantly to successful international collaboration. Since understanding cultural differences has evolved into a thriving field of study, we believe that understanding and acknowledging cultural factors throughout the partner selection phase in forming an international alliance is key to recognizing this one common truth.

1.3 Research Question

Based on the above discussion, the main research question is as follows:

> *How can implementing an international, dyadic alliance based on cultural compatibility components contribute to success with the proper partner selection?*

Sub questions with regard to the main research questions are:

> *1. Why is culture a critical driver for alliance success?*
>
> *2. Why is culture a critical success driver to alliance formation?*
>
> *3. What are the aspects and dimensions of culture that should be taken into consideration with regard to compatible alliance formation? Or, in other words: How can we express compatibility in terms of culture?*

1.4 Purpose and Significance of the Study

As outlined above, this study aims to explore *the nature and complexity of culture* in regard to partner compatibility. Ultimately, we will try to determine on how cultural compatibility matters when forming a strategic international alliance across the global market. The aim is to identify key compatibility components and their contribution to alliance success.

1.5 Managerial Implications

In terms of its contributions, the findings of this study will aid in understanding and redefining the importance of culture with an emphasis on partner selection. In other words, we aim for the recognition that cultural compatibility is equally important as resource complementarity, market coverage and other factors when selecting a compatible, strategic partner.

1.6 Academic Implications

This study will seek to provide a comprehensive overview on cultural compatibility of international alliance formation, including its definition, the dimensions involved and its impact upon success or failure of alliances.

If our theory is supported, further research will be required in the areas such as redefinition of roles and how partner selection is conducted.

2 Literature Review

Throughout this chapter, we explore and analyze literature to "extend the reader's field of acquaintance with the complex cases of the real world" (Boulding, 1958 cited by Stebbins, 2001). Extensive review of literature is presented, revealing theories, previous studies and related literature on our subject.

2.1 Globalization

Globalization is not limited by geographical base, culture, or language rather, as companies evolve toward global sourcing, supply chains lengthen (Byrne, 1992). However, it is continually expanding and increasing the complexity of doing business, especially when trying to deal with cultural differences, new business practices, and logistics challenges (Zubrod, 1996). As a result, the necessary action from companies taken in order to understand the specific needs, requirements, and customs of as many as 200 to 300 regional markets are evident in order to compete in the world marketplace (Byrne, 1992). In connection, logistics is critical to successful global competiveness, more so than the domestic markets (Zubrod, 1996). Additionally, Zubrod (1996) postulates that most companies underperform, both internally and externally in going global because they are either "too local" or tailor strategies to reflect too much cultural diversity.

2.2 An Alliance to Compete Globally

Collaboration has been referred to as the driving force behind effective supply chain management (Min, et al., 2005). Globalization impacts the territorial reach of, for instance, carriers and shippers, and therefore results in the formation of strategic alliances and partnerships. Managing and leading these new partnerships and alliances demand special skills, knowledge, commitment, and a good bit of wisdom (Neuschel & Russell, 1998). According to Zubrod (1996), to effectively manage international operations such as logistics, sensitivity to – if not expertise in – the distinct cultural needs of the markets, sources, and organizations in foreign countries is essential to success as a global player. Moreover, Gopal, Viniak, & Caltagirone (2004) mention that to compete successfully in this type of environment, companies need to rethink their sourcing strategies, especially when a company has design and development organizations spread over multiple countries and when its products are produced and sold globally.

Unfortunately, most strategic-planning approaches fail to strike an effective balance between the global and local aspects of running an international business (Zubrod, 1996). Zubrod's (1996) research concludes that the alignment of geographical strategy with the forces affecting the logistics industry and forcing it to change is responsible for approximately 40% of relative globalization success. Overcoming cultural barriers is a major and time-consuming process to execution, requiring a long-term (three-to-five-year) effort (Zubrod, 1996). What is needed is a plan for strategic sourcing that is efficient, global, and incorporates the key capabilities and perspectives of the organization (Gopal, Viniak, & Caltagirone, 2004).

2.2.1 Definition of Alliance

Now that the significance of effectively and strategically cooperating on a global scale has been established, a definition of what cooperation in the form of partnering is and contains is required. It is noticed that the current literature is rife of formal definitions that describe some form of partnerships. Common examples among others are alliance, joint ventures, consortiums, product swaps, license agreements as well as supplier and buyer agreements (Bleeke & Ernst, 1993) (Borys & Jamison, 1989). However, it appears that in practice the terms are seldom used correctly, e.g. interviewees misusing and interchanging definitions (Banks Pidduck, 2006). It therewith becomes inevitable that definitions are used interchangeably in literature as well when researching partnering agreements.

Whipple and Frankel (2000) define alliance as "a long-term relationship where participants cooperate and willingly modify their business practices to improve joint performance". Another and more appropriate definition to this research is presented by Hertz (1996), whereas she defines a strategic alliance as a relationship between two organizations that have some impact on the total network of the industry and will lead to changes in the network positions of the organizations involved in the strategic alliance. The latter definition emphasizes on the impact rather than the longitudinal aspect of forming an alliance, which is essential to this study as it particularly focuses on comprehending cultural influences. The definition addresses multiple forms of partnerships, such as alliances, mergers and joint-alliances, and therewith omits the confusion that may arise from misinterpreting these definitions. The definition of Hertz (1996) also primarily considers a dual relationship, which this study will focus upon. For these reasons, the definition given by Hertz (1996) will be used in the proceedings of this research. Going forward, considering that we are investigating alliances in a global context, will from now on refer only to "international strategic alliances" when referring to any form of partnership.

According to Pett and Dibrell (2001), a strategic alliance has to fulfill a set of criteria. An alliance is seen as a form of cooperative relationship or hybrid type of organization. A hybrid organization exists when two or more companies start an attempt to compete as single unit, while also combining essentially incongruous elements. There are several criteria to a hybrid organization. For one, there needs to be a strategic element in the alliance. Second, the organization involved should be aware of the boundaries of the organization as well as the potential boundaries and mechanisms to resolve problems and operations. A third criterion facing a hybrid is the need to produce wealth and value to the organizations involved, whilst eyeballing that the organizations involved do not lose their 'core competencies'. Finally, the hybrid type of organization should be geared towards the stability of the alliance (Pett & Dibrell, 2001).

2.2.2 Types of Contracts

There is a distinction between the recurrent and the relational contract type of hybrid organization. A recurrent contract is a continuity of short-time agreements of collaboration in which both companies remain more autonomous, while pursuing an acceptable long-term agreement of collaboration. Such a relationship can only be successful when two essential criteria are respected: trust and risk. (Buckley &

Casson, 1988) (Ring & Van de Ven, 1992). Trust is having confidence in each other's goodwill towards the relationship, whereas risk is the willingness to reduce uncertainty to the goals of the alliance. When these elements are present organizations can exchange knowledge, resources and take advantage of each other's capabilities. As companies then explore the different advantages made possible to them, and the levels of trust and risk increase, the recurrent relationship may evolve into a relational contract alliance (Pett & Dibrell, 2001).

2.3 Alliance Process

There are many authors that have tried to framework the alliance process. One of the first models by Kogut (1988) is proposing three simple sequential stages; formation, operation and outcome. His model was considered rather passive, whilst the actual process was perceived more active. Later models therefore speak more of stages such as formation, implementation and evaluation (Lorange & Roos, 1992) or courtship, negotiation, start-up, maintenance with two outcomes, dissolution or extension of the alliance (Murray & Mahon, 1993). Another aspect that authors have come to realize is that alliances can be social entities, fulfilling personal or political motives. On the other extreme, they can be serious, business-oriented relationships, where profitability and creating wealth are the only motivations. This led to two different suggestions on how the alliance formation is executed. One is the resource-based, more *rational form of selection* and the other is network-based where *negotiation* is likely to be at the heart of alliance formation (Banks Pidduck, 2006). It is therefore important to understand the motives for forming an alliance.

2.3.1 Motives to Form an Alliance

Firms can have various reasons to form an alliance. Motives are (1) to move into international markets in a response to keep up in the increasingly competitive global environment, (2) to gain access to new external recourses, technology and internalize skills from alliance partners, (3) to achieve economies of scale and scope and reduce the financial and political risk of performing specific activities in different international locations through use of global alliances. And (4) global alliances also offer strategic flexibility without sacrificing the autonomy of firms, since they can be developed and disbanded, if necessary, relatively quickly in response to changing demands in the global marketplace (Kim & Park, 2002) (Sambasivan & Nget Yen, 2010).

It is important to highlight that alliances prove useful to access new global markets and/or acquire highly sought after resources to gain a *competitive edge*, while maintaining their vigilance upon other strategic priorities (e.g. domestic market share) and so remain autonomous to a certain degree. (Pett & Dibrell, 2001).

2.3.2 Framework of the Strategic Alliance Process

Using the two hybrid arrangements, Pett and Dibrell (2001) provide a framework that examines the integral components of an alliance. The framework is designed around four stages: the exploration stage, the recurrent contracts stage, relational contracts stage and the outcome stage. Within each stage there are elements to consider and evaluate, which determine whether or not to continue investing in the current alliance. To get a more comprehensive view the stages and influencing components are briefly discussed.

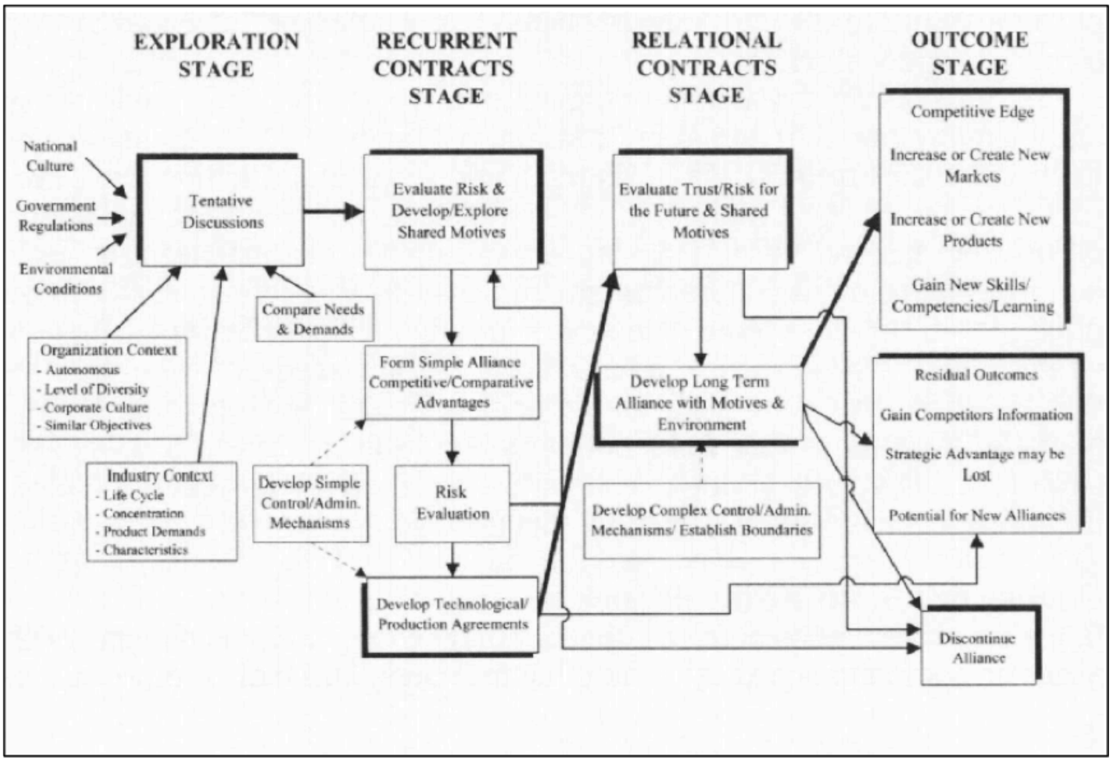

Figure 1: Process Model of Strategic Alliance Formation, Pett and Dibrell (2001)

2.3.3 Exploration Stage

This stage considers the discussion on how to bring together two or more autonomous organizations in an attempt to complement each other. The authors indicate that in this step it is essential to consider national and company culture and to understand the impact of cultural differences and similarities. Furthermore, firms should examine both levels of autonomy and the compatibility of their motives and objectives. Organizational characteristics are also considered however less significant such as relative performance, relative size of the company and network associates (Kim & Park, 2002). Complementarity, compatibility and organizational characteristics will help the potential partners to allocate appropriate resources to work the alliance. Additionally, needs and demands should be compared to access dependency. External factors referring to governmental regulations, national culture and environmental conditions should be inquired.

Key in this stage is to foster one’s own organization’s goals and achievements. In this stage multiple potential partners should be evaluated and eliminated, because as management will realize, many potential partners will not fit into the organization’s long-term plans. Pett and Dibrell (2001) specify that although this stage might be time-consuming, it should be considered well, as it will significantly affect the further development of the alliance.

2.3.4 Further Development of the Alliance

In the further development of the relationship, costs and benefits arise. In the recurrent contract stage the key factor is communication, whereas both firms will further balance ability to requirements. In this stage the organizations bring some type of competitive or comparative benefit to the agreement. As satisfaction increases the level of trust, the organizations may enter the relational contract stage. This stage entails structuring the relationship to "optima forma", thus preventing opportunistic and unfavorable behavior. Efficiency, stability and legitimacy are key words to this stage. The outcome stage is the result of the agreement. Results can either be gaining competitive edge (e.g. opening new markets, new products translated in a monetary reward or organizational learning) or discontinuity of the agreement. Pett and Dibrell (2001) note that dissolution of the alliance (either long-term or short-term) does not necessarily mean that the alliance was unsuccessful. All stages share the necessity of monitoring and evaluation. Monitoring the behavior of the partner is considered a costly procedure (Kim & Park, 2002).

As stated in the background of this study and as the alliance further develops, culture can play an important role as it can cause conflict. Culture shapes the behavior of alliance managers as well as the interpretations imposed by alliance managers on alliance functioning. Differences in culture (national or corporate) are likely to be reflected in differences in organizational routines or standard operating procedures and it is these differences that create problems of appropriation and coordination.

2.4 Alliance Success and Failure

By combining individual strengths and unique resources, partners seek to achieve mutual benefit, or sometimes referred to as a win-win relationship. Literature shows that nearly thirty to seventy percent of the alliances fail, indicating that a significant amount of alliances have difficulties maintaining their relationship. Literature reveals that the financial and technical aspects of the alliance is not so much the issue, however the organizational aspect appears to be the greatest barrier in developing a successful alliance. A study that was executed in the United States revealed that only one out of five alliances established guidelines for maintaining the relationship. Without guidelines, managing an alliance becomes a haphazard task. For this reason *people* play an important role, as it requires a specific skill to modify traditional habits and beliefs and adopt new ways of conducting business. Another prerequisite for adopting an alliance is the obtaining of enhanced performance. Goals must be achieved and performance must be enhanced in order for both the firms to acknowledge that the transition to an alliance is worthwhile. As such, it is not solely interpersonal attributes, rather factual performance that defines alliance success and failure. "Win-win" therefore has both a 'soft' people-oriented as well as a 'hard' business-performance implication. In essence, performance and people skills interact to determine the viability and success of an alliance. (Whipple & Frankel, 2000).

2.4.1 Fundamental Factors

There has been done a fair amount of research on the topic of alliance success factors. Authors have identified a considerable number of factors that may lead to success (when embraced) and might equally so cause failure (when neglected). Whipple and Frankel (2000) compiled eighteen factors from an extensive literature review. These eighteen factors are listed below in Figure 2.

FACTORS WHICH MAY INFLUENCE ALLIANCE SUCCESS/FAILURE	
Ability to Learn from Partner	Leadership on Our Part
Ability to Meet Perfromance Expectations	Partner Compatibility
Accomplishment of Strategic Objectives	Senior Management Support
Clear Goals	Sharing of Critical Information
Compatible Goals	Similar Organizational Culture
Compatible Information Systems	Technical Sohpistication
Equivalent Human Recource Commitment	Trust
Equivalent Physical Resource Commitment	Willingness to be Flexible
Lack of Financial Constrains	Written Agreement or Contract

Figure 2: Factors which may Influence Alliance Success/Failure, Whipple and Frankel (2000)

In the article of Whipple and Frankel (2000), the authors listed the top five factors that were perceived as most significant by both partnering firms in regards to maintaining a long-term relationship. Although they appeared in slightly different order the top five consisted of trust, senior management support, the ability to meet performance expectations, clear goals and partner compatibility.

Trust is often mentioned in the literature as a critical factor. An acceptable level of trust is a prerequisite for many other factors to subsist. Whipple and Frankel (2000) distinct two forms of trust: characteristic-based trust (i.e. integrity, identification of motives, consistency of behavior, openness and discreteness) and competence-based trust (i.e. specific competence, interpersonal competence, competence in business sense and judgment). Trust is related to commitment and communication between supply chains partners, which are two other aspects often mentioned in the literature. Trust is forged and maintained by effective communication and moderates the impact of communication on commitment as shown in Figure 3 on the next page (Zeffane, Tipu, & Ryan, 2011). If communication is ineffective this can lead to mistrust and possible dissolution (Elmuti & Kathawala, 2001). Effective communication signifies the quality of the information transmitted and joint utilization, and requests a degree of joint participation and openness of both firms (Mohr & Spekman, 1994). This is also a prerequisite for heaving and maintaining clear goals according to Whipple and Frankel (2001).

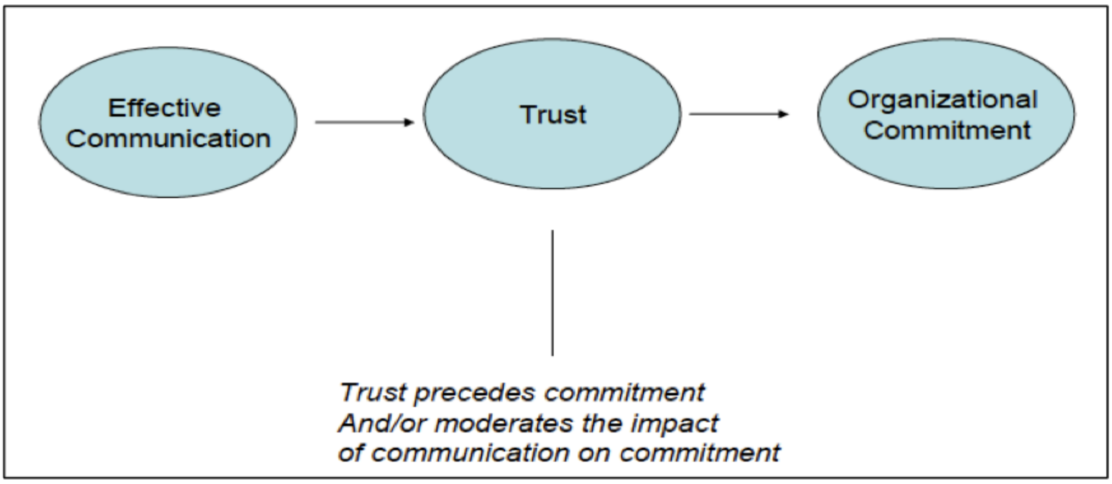

Figure 3: An Alternative-Consideration for future research, Zeffane, Tipu & Ryan (2011)

Trust and commitment are also very much intertwined with the sharing of critical information and asset investment (Kwon & Suh, 2005), which in turn has a direct link to 'ability to learn from partner' (Suseno & Ratten, 2007) and 'ability to meet performance objectives' (Kocuglu, Imamoglu, & Ince, 2011). The latter concerns execution and evaluation of partner's goals as well as individual goals. The focus is on the alliance rationale: improving both partners' competitive position in the market by carrying out the day-to-day responsibilities in respect to the alliance. Whipple and Frankel (2000) signal in their research an apparent inequity in how partnering firm's perceive each other's contribution and how keen they are on taking responsibilities (reflecting 'top management support') in the alliance. The authors identify these inequities as potential points of conflict.

Partner compatibility refers to the ability to plan and work together in a productive, solution-oriented manner. Partner compatibility is specifically concerned with two issues: (1) assessment of operational philosophy and style; and (2) cooperation and problem-solving ability (Whipple & Frankel, 2000). Sarkar, Echambadi, Gavusgil and Aulakh (2001) distinguishes between operational compatibility and cultural compatibility, wherein cultural compatibility refers to congruence in organizational goals, philosophies and values and operational compatibility refers to procedural congruence. They also add another critical factor for alliance success, namely recourse-complementarity. The authors claim, based on their empirical study that collaborative value creation, measured in project performance (relating to financial survival: e.g. perceived performance, project quality, client satisfaction and efficiency) and strategic performance (relating to strategic uncertainties and organizational learning), requires the pursuit of partners that posses similar/compatible characteristics on certain dimensions and pursuing of dissimilar/complementary qualities on other dimensions.

A comprehensive model of these requirements is shown in Figure 4. The model by Sarkar et al. (2001), indicates that there is a direct and indirect connection from inter-firm diversity/compatibility to performance. Indirectly these factors first influence relationship capital expressed in mutual trust, reciprocal commitment and bilateral information sharing, whereas these then influence performance. The empirical study highlights the significance of the direct and indirect influence of cultural and operational compatibility to alliance performance. In Figure 4, 'enhancing' relations of cultural compatibility are marked in blue. Hence, cultural compatibility has a significant effect on the degree of integration and consequently affects value creation (Sambasivan & Nget Yen, 2010). Still, it must be said that only a few empirical studies as such have linked culture to strategic alliance (Sambasivan & Nget Yen, 2010).

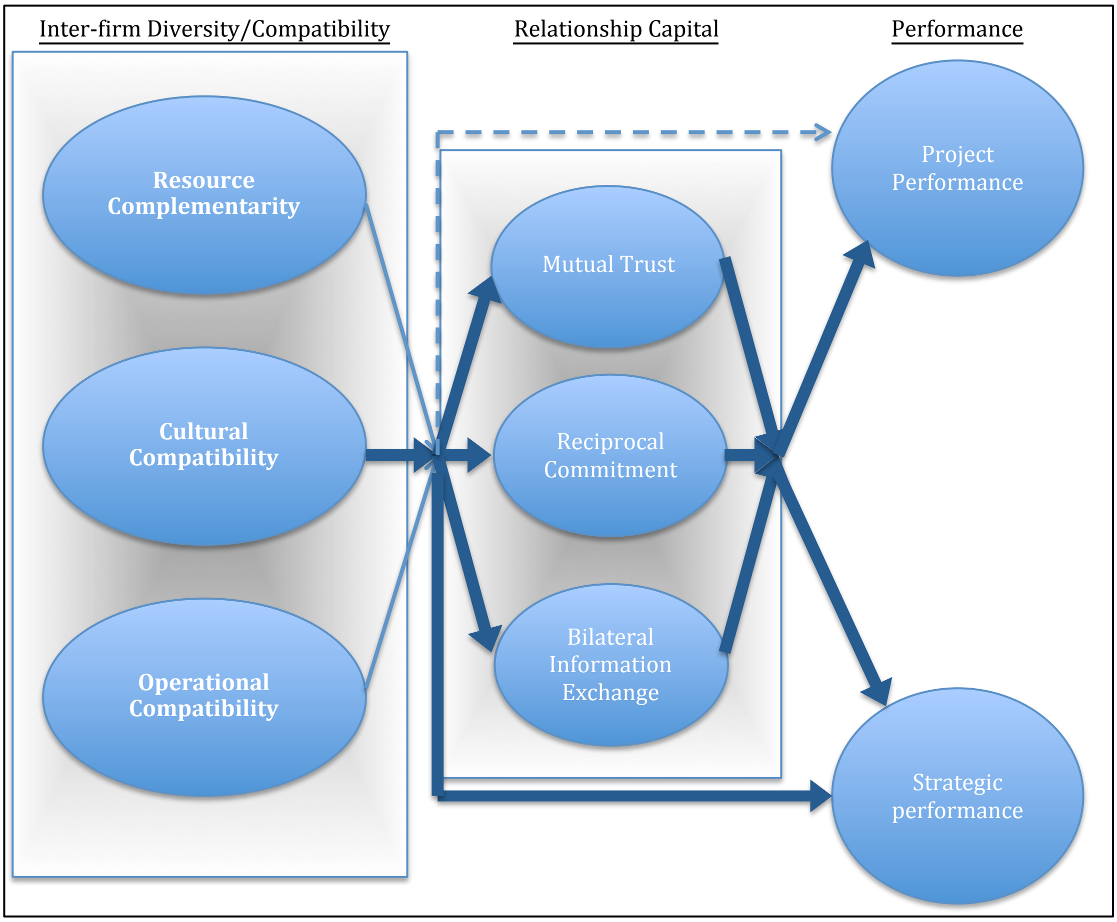

Figure 4: Model of the Role of Complementarity, Compatibility and Relationship Capital on Alliance Performance, Sarkar et al (2001)

To complete the review on fundamental factors, literature appoints a comprehensive number of additional influencers for success and failure, e.g. interest in continuous improvement, capability of joint problem solving, rapidness of responding to failures in order to meet expectations (Min, et al., 2005), having a prior relationship (meaning that the firms were network associates), partner's reputation, degree of shared decision making and strategic similarity (Saxton, 1997), environmental factors (Geringer, 1991), assets, perception of opportunistic behavior, partner selection and interdependence between alliance partners (Das & Kumar, 2010) (Sambasivan & Nget Yen, 2010)

2.4.2 Defining Collaborative Value

The research on international alliance success has indicated that there is no single adequate measure of success. One of the main issues is the lack of a clear definition on international alliance success. For one, there are difficulties associated to financial and objective measures of international strategic alliances performance. Often information in this regard is confidential and therefore not accessible to researchers.

Researchers have subsequently added subjective measures comprising satisfaction and perceived performance (Kauser & Shaw, 2004). In any case the alliance is meant to create some sort of value to the parties involved. However, previous studies appear insufficient in providing a comprehensive and systematic view on the conditions for value creation. Secondly, most studies concentrate on one condition only, therewith ignoring the effects on other elements of the alliance. Thirdly, most studies focus on the domestic alliance context despite the current trend of globalization (Kim & Park, 2002).

2.4.2.1 Objective Measures

The three traditional and foremost used criteria to assess alliance performance are profitability, market share and sales growth. Kauser and Shaw (2004) also indicate in their research that over 60 per cent of the respondents used other measures such as access to market, an assessment of their competitive position and ROI as well as stock price.

2.4.2.2 Subjective Measures

Kauser and Shaw (2004) distinguish in their research between satisfaction with the relationship and satisfaction with the goals of the alliance. The latter is again expressed in terms of profitability, market share and sales growth. Satisfaction with the relationship is expressed in the following criteria: co-ordination of the activities, interaction between managers, compatibility of activities, participation in decision making, level of commitment, information sharing, management of activities and level of honesty.

2.5 Culture

As earlier mentioned, culture is important to account for when selecting an appropriate partner during and throughout the formation of an international strategic alliance. To understand its importance and impact, it is a good idea to understand the meaning of culture.

The word *culture* comes from the same root as the verb *cultivate,* meaning “to till the soil”: the way people act on nature or, in other words, the way in which a group of people solve problems and reconcile dilemmas (Trompenaars & Hampden-Turner, 2012). Culture, whether organizational or national, is frequently defined as a set of taken-for-granted assumptions, expectations, or rules for being in the world (Adler & Jelinek, 1986). In the broadest of terms, it is the “umbrella” of national culture, organizational culture and the sub-cultures within an organization such as marketing, research and development, and personnel (Trompenaars & Hampden-Turner, 2012). Hence, culture has an element of homogeneity, where through sense making and giving meaning to events, culture is produced (Ashkanasy, Wilderom, & Peterson, 2000). In this context a highly focused description of culture is that it is ‘a shared meaning system’ (Shweder & Levine, 1984) (Geertz, The Interpretation of Cultures, 1973).

Hofstede and Hofstede (2005) notes that there are different levels in how deeply we share the meanings of culture. Figure 5 depicts the four terms that cover the concept demonstrated in the form of an onion.

- *Symbols* can be words or pictures with a particular meaning and can be easily copied by other cultures.
- *Heroes* are role models representing a culture or aspect of a culture. They can be real or imaginary, dead or alive, however they can become extinct when new heroes arise.
- *Rituals* are technically superfluous and commonalities, but socially essential. An example is the way of greeting. Rituals include discourse.
- *Values* are broad tendencies to prefer certain states of affairs over others. Values refer to feelings and deal with interpreting norms like evil versus good.

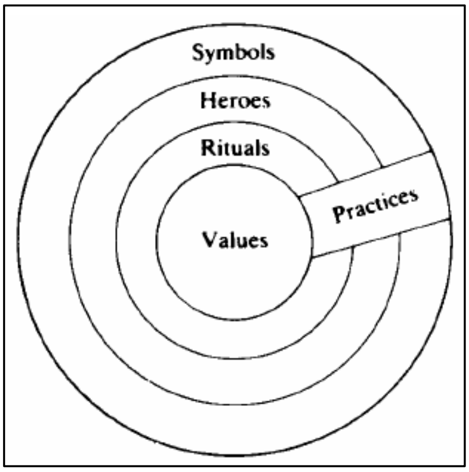

Figure 5: Onion Diagram, Hofstede (2005)

Symbols represent the most superficial, where values represent the deepest manifestations of culture. Heroes and rituals are found in between. According to Hofstede and Hofstede (2005), values are acquired in the early stages of our lives. Symbols, heroes and rituals are subsumed under the term practices. As such they are visible however, not immediately understandable to an outside observer.

Just as Hofstede and Hofstede (2005) demonstrate culture in the shape of an onion diagram, Trompenaar and Hampden-Turner (2012) also have a geographic representation of culture as a series of nested spheres. In their diagram the outer layer consists of products and visible artifacts. The middle layer reflects norms and values and the core refers to the basic assumption people strive for, which is survival.

Changes in a culture happen because people realize that certain old ways of doing things do not work anymore, such as when a firm begins to "die", therefore, it is not difficult to change culture when people are aware that the survival of the community is at stake, where survival is considered desirable (Trompenaars & Hampden-Turner, 2012). As a result, we can interpret this assumption as one of the basic motives for "dying" firms to form alliances as well as for individuals to adapt to this change when alliances and culture collaborate.

Whereas Hofstede and Hofstede (2005) interpret culture as values holding a consistency in culture, Trompenaar and Hampden-Turner (2012) argue that culture is anything but nature, rather it is beneath awareness in the sense that no one bothers to verbalize it, yet it forms the roots of action. The authors also mention that cultural differences affect the process of doing business and managing and not necessarily how to understand the people of different nationalities. It is their belief that you can never fully understand other cultures, just as those who are married know that it is impossible to ever completely understand even people of your own culture. Therefore, they believe understanding our own culture and our own assumptions and expectations about how people "should" think and act is the basis for success.

2.5.1 National Culture

Strictly spoken, the concept of a common culture applies to societies, not to countries. Nevertheless, many nations do form historically developed wholes even if they consist of clearly different groups and even if they contain less integrated minorities. In Figure 6, the differences between cultures are disclosed in three sources: identity, values and institutions. All three are rooted in history.

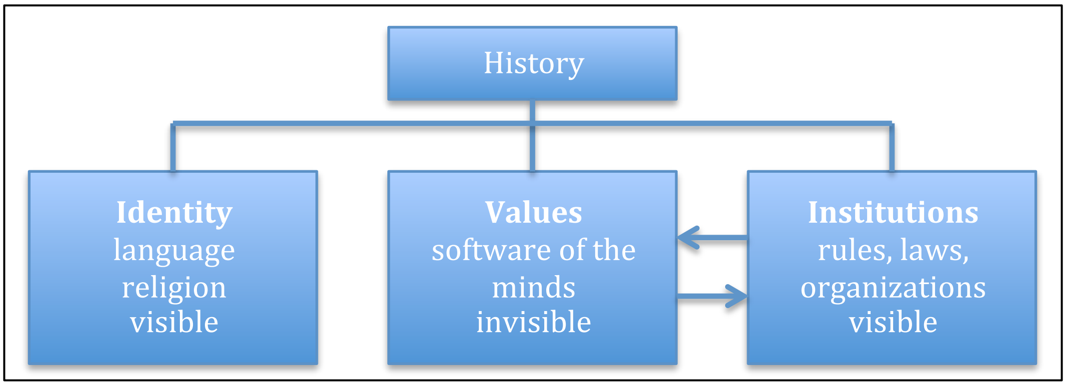

Figure 6: Sources of Differences between Countries and Groups, Hofstede (2005)

Hofstede and Hofstede (2005), as well as Trompenaar and Hampden-Turner (2012), state that national culture relates to our deeply held values such as right versus wrong and good versus evil. The values are the core of cultures, as pictured in the "onion diagram" of Figure 5, and acquired in the early stages of our life. Identity is much less of a core to culture, whereas it focuses on the question of "to which group do I belong?". It is more rooted in practices, i.e. shared symbols, heroes and rituals. Identity may shift over a person's lifetime. An example is an immigrant who successfully integrates in a different culture. Conclusively, countries have different historically grown institutions, e.g. laws, rules, schools, sports, media. The impact of these organizations is closely related to differences in values, hence the interplay of arrows in Figure 6.

In some ways, Lewis (1996) agrees with Hofstede and Hofstede (2005) and Trompenaar and Hampden-Turner (2012) as he points out and emphasizes the need to understand the people of different nationalities and argues that cultures cannot be defined by national boundaries. Instead he identifies three major attitudes to approaching life and work situations. These attitudes correlate to certain generalized values. Figure 7, the Cultural Characteristic Model by Lewis (2012), illustrates the attidudes or charactheristics in a pyramid and indicates where on that pyramid a national culture is positioned, based on generalizations. Below the three characteristics are explained:

- *Linear-active* are those who plan, schedule, organize, pursue action chains, and do one thing at a time. Rely mostly on data when gathering information.
- *Multi-active* are those lively, loquacious peoples who do many things at once, planning their priorities not according to a time schedule, but according to the relative thrill or importance that each appointment brings with it. Rely on face-to-face encounters and dialogues when gathering information.
- *Reactive* are those cultures that prioritize courtesy and respect, listening quietly and calmly to their interlocutors and reacting carefully to the other side's proposals. Information gathering relies on both data and dialogue.

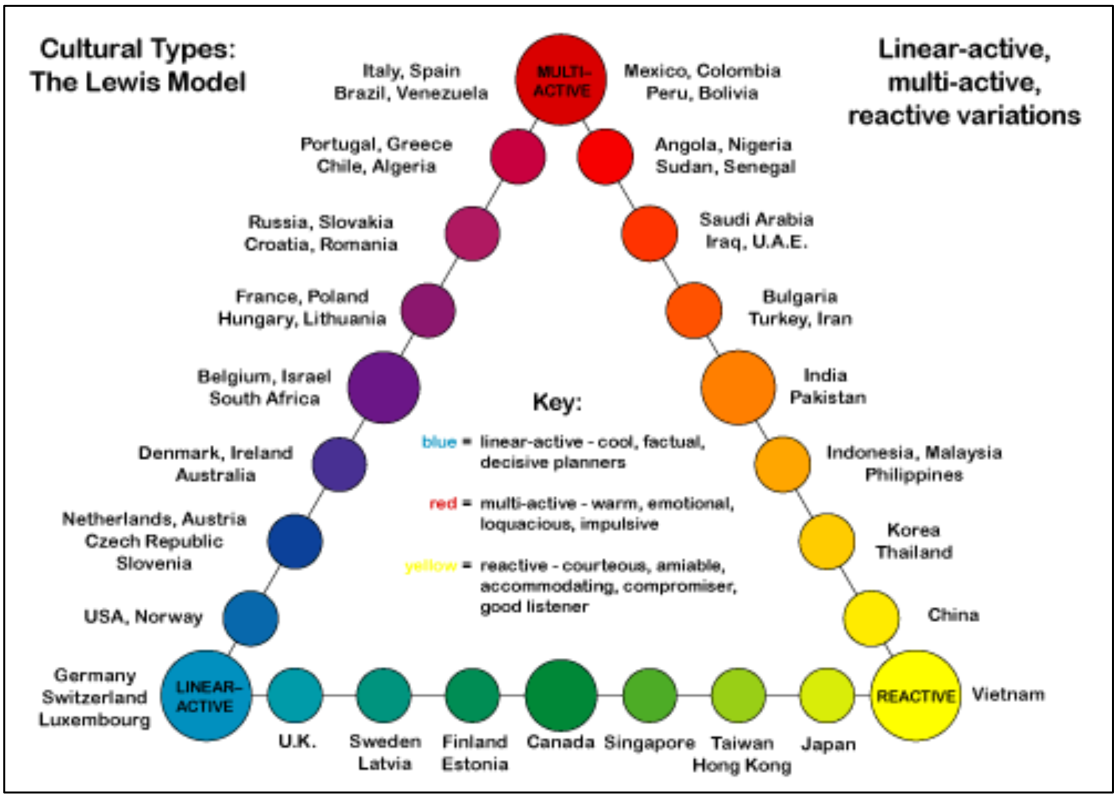

Figure 7: Cultural Characteristics Model, Lewis (2012), © CultureActive Limited 2012. Published by permission of the copyright owner.

Lewis (1996) also points out that *language* is an important part of our functional activity and we indicate, often in diagrammatic form, the varying communication patterns used in meetings and during negotiations. Listening habits as well as body language must also be considered, as both are important to communication.

The collective programming of a nation leaves a mark on the daily routines in the life of people, including work, leisure, decision-making and social skills. The self-identity is intertwined to the national culture, producing differences between countries. The differences in national culture may very well aid to understanding why organizations in different countries have different perspectives (Pett & Dibrell, 2001). If one is able to see oneself or one's culture from the outside and think more objectively as a consequence one has a good chance of clearing away certain cultural barriers, which would have impeded access to other thoughts or perspectives (Lewis R. D., 1996). In other words, if a firm is flexible in adapting or being aware of the other's culture, success is abound.

2.5.2 National Culture and the Influence on the Organization

According to Pett and Dibrell (2001), national culture is an often, overlooked influence in the current literature on international alliance formation. However, they postulate that international alliances should include an understanding of country's cultures as it has been indicated to influence organizational culture and economic growth (Pett & Dibrell, 2001)

Regardless of their distinction, it is important to understand both national culture and organizational culture in order to impact organizational performance (Hofstede, 2012). There are indications that there exists a relationship between national culture and organizational culture. However, these relations are not particularly strong (Hofstede & Peterson, 2000). Inkeles and Levinson (1969) however indicate that national culture is reflected in the designs of an organization as culture influences the relation to authority, conception of self, and ways of dealing with conflicts (Pett & Dibrell, 2001).

By referring to Ouchi (1981), Hofstede and Hofstede (2005) argues that founders and subsequent senior leaders influence organizational culture. They are responsible for establishing a strong or weak organizational culture. In a high power distance context, there is a portentous opportunity to implement values, distinctive from what the larger national culture encompasses. However, this is often superficial in nature. Compliance is moreover rooted in a heartfelt respect for superiority. Kelly and Earley (2009) advocate this, firmly stating that leadership is intertwined with culture formation, evolution, transformation and destruction.

The implication of such influence is that there is a significance of national culture in organizations, comprising both managers' as employees' values and practices. Therefore, companies that expand across borders will experience that organizational practices originally reflecting a particular set of values in the home country will be reinterpreted in light of local values. Maintaining coherence in a multinational firm requires transferring a configuration of practices, where practices more than values lie at the root of organizational culture (Hofstede & Peterson, 2000).

2.6 Organizational Culture

Since the organizational aspect appears to be the greatest barrier in developing a successful alliance understanding the cultural roots of an organization is a must. Lewis (1996) describes organizational culture as the behavior of the members of any cultural group, which is dependent on the history of the people in that society as well as the language (Lewis, 1996). Trompenaars and Hampden-Turner (2012) add that it is also the way in which attitudes are expressed within a specific organization and is shaped not only by technologies and markets but, by the cultural preferences of leaders and employees. All in all, *"the strength and degree of internal consistency of a culture (within an organization) are, therefore, a function of the stability of the group, the length of time the group has existed, the intensity of the group's* *experiences of learning, the mechanisms by which the learning has taken place (i.e., positive reinforcement or avoidance condition), and the strength and clarity of the assumptions held by the founders and leaders of the group"* (Schein, 1990).

Impressionistic studies have described organizations as microcosms, with cultures revealing some similarities to national culture. In both levels of culture a sense of homogeneity occurs. Nevertheless, the dimensions of national culture cannot be applied to organizational culture (Schein, 1990). This lies in the fact that a group carries organizational culture less deeply than national culture. An immigrant for example has more difficulties integrating into a new culture than an employee has when switching jobs. Hofstede (2005) therefore argues that organizational culture is rooted in organizational practices (symbols, heroes and rituals) learned on the job.

According to Schein (1990), if one wants to decipher what is really going on in a particular organization, one has to be more inductive in order to find out which dimension is the most pertinent on the basis of that organization's history. Based on this, he concludes on three fundamental levels at which culture manifests itself and should be considered when analyzing an organization or particular group: observable artifacts (practices), values and basic underlying assumptions.

In Schein's (1990) view, culture derives from an underlying pattern of assumptions that members of an organization come to share as a result of common experiences in their working life. These assumptions, in turn, are reflected in and give meaning to expressed values and observable artifacts and pattern of behavior (Ashakansy, Broadfoot, & Falkus, 2000). The impact of events should therefore be considered.

To express how the literature conflicts in views, researchers of GLOBE opposed Hofstede (1980) and Schein's (1990) view that organizational culture only involves practices. They reviewed Hofstede's (1980) empirical study and claim that there is no correct justification to measuring organizational culture different from national culture (Javidan, House, Dorfman, & Sully de Luque, 2006).

2.7 Matching Theory

The matching theory has been often applied to consider the employee-to-employee relationship in economics and is fairly integrated into the study of sociology. Its fundamental tenet is that a theory of relationships needs to simultaneously address all parties' preferences, opportunities, and constraints by using data "on the characteristics or resources that each side values in the other" (Logan, 1996). The matching theory relies on the following assumptions: (1) matching is voluntarily done and entered after actors have estimated the benefits to be positive, (2) the match quality is influenced by observable qualities whereupon the actors can judge, (3) the match quality is also affected by unobservable criteria and hence uncertain, (4) search costs prevent excellent matches from occurrence, and (5) actors are also influenced by unobservable criteria whenever these are available (Mitsuhashi & Greve, 2009).

Matching is related to partner selection based on differences and similarities between firms, referring to the interaction of people' skills and performance. Complementarity gives match quality through *differences*—capabilities are complementary if they are different in a way that can be combined to create greater value. Compatibility gives match quality through *similarities*—capabilities can be combined to create value because they are similar or share a standard interface.

Mitsuhashi and Greve (2009) conclude in their research that potential partners are more focused on observable assets that motivate an alliance (e.g. market position, resources, fleet, network ties), but often overlook how unobservable qualities (e.g. cultural aspects, misinterpretation and miscommunication) may be of influence to effectiveness and efficiency. The authors furthermore conclude that a compatible alliance – where partners are matched – experiences better performance and a better chance of survival.

As Schein (1990) states, one of the most foreseen challenges toward alliance formation is the bringing together of two or more cultures. He further explains that the culture compatibility issue is not addressed until after the deal has been "consummated", which leads, in many cases, to cultural "indigestion" and the eventual reduction of units that cannot become culturally integrated. As a result, he concludes by adding that to avoid such problems, organizations must either engage in a "premerger diagnosis" to comprehend cultural compatibility or conduct training and integration workshops to aid in the engagement process. Finally, these workshops have to take into consideration "the deeper assumption layers of culture to avoid the trap of reaching consensus at the level of artifacts and values while remaining in conflict at the level of underlying assumptions" (Schein, 1990).

3 Conceptual Framework

From the literature review we derived a conceptual framework. Below we clarify how we conceived the framework as well as explain the relationships between the concepts.

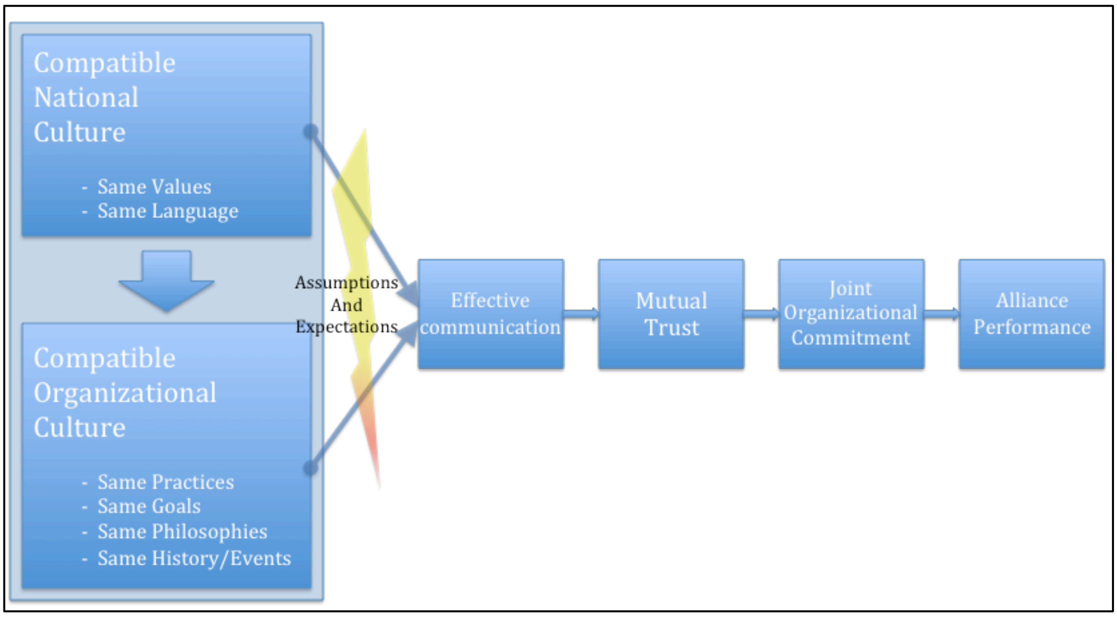

Figure 8: Conceptual Framework on Cultural Compatibility Components

3.1 Integrating the Framework

In relation to the literature review we have aimed to provide a comprehensive view on models and theories related to the alliance process itself, alliance success factors and the influence of culture. Beginning with the alliance process, Pett & Dibrell (2001) describe multiple stages where trust and commitment are evaluated. They also specify that national culture and organizational culture should be taken into account in the exploration/formation phase of an alliance. This connects to the findings of Whipple and Frankel, who recognize trust, partner compatibility and similar organizational culture as essential factors, among others, to alliance success. They define compatible organizational culture as having similar goals, philosophies and values, wherein philosophies refer to business ethics (do as you say) and how self-focused/relationship-orientated one towards the other is. As the theory on culture reveals, values are more related to national culture than organizational culture. Organizational culture is more rooted in practices (Trompenaars & Hampden-Turner, 2012) (Schein, 1990) (Hofstede, 2005). 'History' mentioned by Hofstede and Hofstede (2005) and 'events' mentioned by Schein (1990) are of certain importance, as they are explained as being cornerstones to how culture is 'produced'. Furthermore, on a national level, the aid to speaking a common language is explained as an influential factor (Lewis, 1996).

Going back to trust, which is essential throughout the relationship, Elmuti and Kathawala (2001) identify the importance of effective communication to operate an alliance successfully, whereas Zeffane, Tipu and Ryan (2011) classify and link trust to communication. They also see effective communication functional as a moderator for organizational commitment. Sarkar et al. (2001), in his turn, relates communication, trust and commitment to performance. 'Performance' of an alliance is explained in multiple ways. Sarker et al. (2001) moreover differentiate between short-term projects, i.e. financial results, perceived performance, customer satisfaction, and strategically often more longitudinal performance measures, i.e. overcoming strategic uncertainties, of a relationship. Kauser & Shaw (2004) distinguish between objective and subjective measuring. Objective measuring is focusing on (financial) figures and facts whereas subjective measuring concerns mainly perception and organizational learning. In the framework we outline performance as a single dimension, however we do realize that it has an objective as well as a subjective element and is time-bound.

3.2 Description of the Framework

From the literature review we managed to derive a conceptual framework, which is illustrated in Figure 8. Although the research intention was to focus on the compatibility of organizational culture solely, research revealed that one cannot evaluate organizational culture without considering the influence of national culture, a dispute also expressed by Sir Richard D. Lewis (Lewis, R., personal communication, 14-03-2012). For that reason national culture has a substantial role in the model and connects to organizational culture compatibility as well as it has direct influence on the effectiveness of communication. The connection to organization culture compatibility encompasses the national background of management and signifies national dimensions, mentioned by both Lewis and Hofstede (2000), which to a certain extent affect organizational behavior, and therewith affects practices. In an effort to combine the national 'value' aspect to organizational level we encompass Lewis's (2012) pyramid of cultural characteristics, as seen in Figure 7. It enables companies to see which of the three characteristics are most expressed in 'the way things are done around here' (Martin 2002). It underpins nationality, though in generalizations.

The underlying notion in the framework is that the more compatible allying firms are, the fewer these firms have to depend on the ambiguity of assumptions and expectations. The fewer disturbances rising from this ambiguity, the more effective the communication. This then ties into the formerly mentioned model by Zeffane, Tipu, & Ryan (2011), illustrated in Figure 3, whereas, through means of mutual trust and joint commitment, it eventually leads up to performance as explained and validated in the model of Sarkar et al (2001), shown in Figure 4. The bottom line is that effective communication, mutual trust and commitment are considered critical factors to alliance performance and have an essential impact on success and failure. Cultural compatibility of partners facilitates congruency, and therewith significantly aids to the effectiveness and efficiency of an alliance.

4 Methodology

This chapter aims to provide an overview of the methodological approaches, research design and data collection for application to the study of comprehending culture compatibility as a component contributing to successful outcome at the beginning and duration of alliance formation.

4.1 Research Background

Prior to this study, a semi-structured interview was conducted with Sir Richard D. Lewis[3], founder of Lewis Communications[4] and "guru" in the field of culture, in order to gain a comprehensive view of our topic prior to writing our literature review. Key areas useful to our investigation such as culture and alliances were discussed and clarified enabling us to better understand our field of study. Since Sir Richard D. Lewis was a hired consultant in the DaimlerChrysler merger, his first-hand data will be used in one of our case studies.

We were unfamiliar with the concept of cross-cultural diversity. To investigate the idea of cross-cultural diversity further, we attended a cross-cultural diversity seminar hosted by Michael Gates[5] of Lewis Communications and Peter Hård[6] of Talent AB[7],

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[3] Interview conducted on March 14, 2012 in Stockholm, Sweden at the Östermalm office of Lewis Communications. Richard Donald Lewis, also known as Sir Richard Lewis, is an Englishman with two main qualifications; one as a linguist and the other as a culture consultant. He has travelled to over 135 countries around the world and has worked in 20 of those countries. He has also founded over 100 schools since the age of 25 and has written over 30 books on the subject of language and culture mainly When Cultures Collide, which has sold over one million copies worldwide. More recently, Sir Lewis was instrumental in training the politicians, including the prime ministers, destined to go to Brussels on behalf of the Finnish ministries for their entry into the European Union in 1995 and was later knighted by the royal Finnish family for his accomplishment.

[4] Richard Lewis is the founder and creator of Lewis Communications; a company started in 1988 with the mission of teaching "different forms of culture in different business areas as well as teaching languages", not only in business to companies, e.g. multi-nationals, but also to NGOs and organizations of different kinds, including governments.

[5] Michael Gates was a scholar of St. Catherine's College Oxford, where he gained an M.A. in English Language and Literature. He is a Group Managing Director for Lewis Communications internationally, but also takes an active role as a speaker and trainer. His clients have included Nokia, Microsoft, The World Bank, Duke Fuqua Business School, Rolls-Royce, and Oxford University. He is a board member of the Finnish-British Trade Association and Director of Operations of The English-Speaking Union of Finland. He has contributed to books on cross-cultural topics and published numerous articles in The Telegraph, La Tribune, People Management and many more (retrieved from seminar invitation 2012, see appendix I).

[6] Peter Hård has worked with leadership development for 16 years in Swedish and international organizations. In 2002 he started the change management consultancy Talent Sverige AB. Today, he acts mainly as an executive coach for top managers and management teams and as an inspiring lecturer and change management consultant. Peter is Nordic marketing partner to Team Coaching International, Inc. (US). His clients include Adecco, Bonniers, Ericsson, Ernst & Young, Komatsu, Nordea, Skanska, and Vasakronan as well as government agencies and public sector organizations (retrieved from seminar invitation 2012, see appendix I).

both experts in this particular field. There, models and insights with interactivity on how to manage international teams and how to deal with cultural differences in leadership were examined and discussed and proved to be helpful to our research. The seminar we attended was held on March 14, 2012 at the Kungliga Tekniska Högskolan in Stockholm, Sweden.

In this study, the concept of cross-cultural diversity will not be noted in our ideal, conceptual framework as it mostly addresses compatibility factors taken into consideration when selecting a partner whereas cross-cultural diversity is instilled once an alliance has formed.

Additionally, we conducted a semi-structured interview with Sören Eriksson[8], Professor of Economic Geography at Jönköping International Business School and leading expert on the international aerospace industry, in order to further our knowledge and gain valuable insight on globalization and its impact on alliances as well as the aerospace industry. At first, the aim was to gain first-hand information on two case studies in the aviation sector, which are presented in the empirical study portion of our research. However, Sören quite notably indicated that he did not experience any of the alliances first-hand, but was still capable of providing us with an in-depth view on the alliances and its impact on success and/or failure, thus furthering our comprehensive knowledge in these case studies. Much of his input is generalized in our work, however we have not directly quoted his input in the case studies since it is not primary data.

4.2 Choice of Subject

The idea emerged when we were reading articles on alliances for one of the courses at our university. The articles indicated that there is a major amount of alliances that fail. It also suggested that cultural clashes could be a major cause of alliance dissolution. At the same time, thoughts faded away from the article into more personal spheres, deliberating on the single life and the current possibility of internet dating. At that moment a connection was made and the question emerged on if it would be possible to match companies based on organizational culture, just as individuals are matched on personal values on online dating websites.

To start our thesis on this subject was a natural choice for us, because we are both from different nationalities and have experienced living in different countries and cultures apprehending the issues that comply with this. Equally, in our collaboration we see similarities, as well as differences in how we perceive and interpret things

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[7] For almost 10 years, Talent Sverige AB has delivered consultative efforts in the form of coaching leaders and teams, career development and recruitment in Sweden and abroad. It works for behavioral change at the system level through increased influx of positivity in the organizations.

[8] Sören Eriksson was educated at Gothenburg University (Bachelor and Master levels) and received his Ph.D. in Economic Geography from Gothenburg School of Economics and Commercial Law (1995). He has worked at JIBS since its establishment in the middle of the 1990s. Dr Eriksson´s teaching and research activities focus on technology diffusion and innovation, globalization processes and regional economic development. He is a leading expert on the international aerospace industry; its organization, production and geographical characteristics. Dr. Eriksson has an extensive experience in teaching, as well as transportation and logistics issues (retrieved 2012-05-02, from http://hj.se/jibs/en/research/persons/soren-eriksson.html)

resulting in synergy, however also clashes. In selecting each other as partners, we believed in that synergy, yet not foreseeing the clashes. Our curiosity is to investigate how this selection affects corporations in the business world, and how valuable it is to take each other's values and practices into consideration. The current globalization that increasingly affects our field of study, logistics and supply chain management, also signifies the value of the topic as well as our approach.

4.3 The Thesis Writing Process

"Everything begins with an idea" as Earl Nightingale once said, but in working out an idea in a thesis, we have experienced that alterations are often made in the execution process. The initial idea, as explained in choice of subject, intentions to survey how cultural dimensions could be used to match potential alliances. The aim was to develop a score model (e.g. in percentages), that would indicate the likelihood of a successful marriage between two partners. However, in the process of familiarizing ourselves with the topic, we started to realize more and more the vast complexity of the topic. Subsequently we realized that our theoretical knowledge of the subject was not substantial and that we were compelled to make a lot of assumptions on topics such as cultural dimensions usage, the meaning of success and failure and the concept of matching. This awareness, taken into the light that we have to write another thesis in the second year, gave us the refined idea to use this thesis as a preparation for the second thesis. Therefore, the purpose of this thesis is to explore and so comprehensively understand the nature and complexity of organizational culture in regard to dyadic, international alliance formation.

4.4 Research Design

The answers (or testing of) to the research questions presented in chapter 1.3 depend heavily on the process of research design. According to Yin (2011), there are three types of case study research: exploratory, descriptive, and explanatory. In this study, exploratory research will be administrated as it is often used to gain insights into a topic and often relies on secondary research such as reviewing available literature and data in combination with qualitiatve approaches such as interviews and case studies. We chose this research design because through our literature review, interviews and secondary case study analysis, the research questions will be answered. Therefore this study is neither descriptive nor explanatory, because we aim to investigate social phenomena without explicit expectations.

4.5 Research Approach

The selection of research approach is considered critical to the decision-making process (Creswell, 2009). According to Creswell (2009), one must consider how each of the various approaches may contribute to, or limit, the study in order to satisfy the articulated objectives and design an approach which best satisfies the research's requirements.

The research approach is threefold: deductive, inductive and abductive. For some research projects, literature helps to uncover theories and ideas that can be tested using data (Saunders, Lewis, & Thornhill, 2009), which is the deductive approach. The inductive approach does not start with any predetermined theories or conceptual framework, although the research still has a clearly defined purpose with research questions. Finally, abductive reasoning combines the afore mentioned approaches as the experience is often advantageous and perfectly possible (Saunders, Lewis, & Thornhill, 2009) and allows the researchers to move from theory to data collection where the theory will be compared to practice.

As discussed in Chapter 3, we deductively developed a conceptual framework on cultural compatibility components derived from our review of literature. Theoretically, the framework does answer our research questions. Going forward, we will use the method of abduction to explore the collected data from case studies and determine if it works in practice in order to further develop our theory.

4.6 Research Strategy

Without a strong research strategy, fulfillment of purpose will not be reached. The choice of research strategy is guided by the research questions, the extent of existing knowledge, the amount of time and other resources available, as well as the philosophical underpinnings of the researchers (Saunders, Lewis, & Thornhill, 2009).

According to Yin (1989 cited in Noor, 2008), a case study is “an empirical inquiry that investigates a contemporary phenomenon within its real life context using multiple sources of evidence”. It is mostly concerned with how and why things happen, allowing the investigation of contextual realities and the differences between what was planned and what actually occurred (Anderson, 1993 cited in Noor, 2008). It is particularly useful when one needs to understand some particular problem or situation in great-depth, and where one can identify cases rich in information (Patton, 1987 sited by Noor, 2008).

With this in mind, the case study approach is the most appropriate in fulfilling our purpose and will therefore be carried out throughout the empirical study. The study aims to better understand why culture is a critical driver to success and alliance formation and how implementing a strategic alliance based on culture compatibility could contribute to successful alliances. The case studies reflect on leading, major industries in international alliance formation with a small case in academia relevant to our research.

4.7 Data Collection

Qualitative research is most suitable when exploring using abductive reasoning. The qualitative data collected is “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Strauss and Corbin, 1990 sited by Golafshani, 2003) rather it is the kind of research that produces evidence arrived from real-world settings where the “phenomenon of interest unfold naturally” (Patton, 2001 sited by Golafshani, 2003). Many methods and approaches fall under qualitative research such as case study, participant observation, visual methods, interviewing and interpretive analysis. This study focuses on case studies and interviews.

Qualitative researchers seek illumination, understanding, and extrapolation to similar situations (Hoepfl, 1997 sited by Golafshani, 2003). The cases we explore are similar in that they fall along major industries affected by globalization. Therefore, we have collected data both primary and secondary to explore our topic and arrive to valid conclusions on our case studies.

4.7.1 Case Study

We have chosen 5 case studies reflecting over three leading industries most affected by globalization: airline, automobile and education as confirmed by Sören Eriksson, expert in Globalization. We searched for these cases on Google's search engine, using the key word "alliance". From those results, we chose these particular cases off of the top 10 lists that revealed major impacts within their particular industry. Of these 5 cases, 3 are considered successful and the others, failures. These cases were chosen on the basis of reaching an overall, comprehensive view of how culture may be a determinant to success or failure.

4.7.2 Semi-Structured Interview

We chose a semi-structured interview over a structured or unstructured interview as it allows for flexibility in our approach to the various respondents while still covering the same areas of data collection. The interviews were digitally-recorded to ensure accuracy, reliability and validity of the conversations and to avoid losing any data as it is almost impossible to write everything down during the interview. Each interview was meticulously transcribed and coded in order to provide thoroughness of the information used in our research and to avoid complication.

Semi-structured interviews were conducted on two out of our 5 cases: DaimlerChrysler and Babson College. First, Tomas Müllern[9], Head of Marketing and Logistics at Jönköping International Business School experienced the Babson College/JIBS case first-hand and is an expert in organizational learning. Second, Sir Richard D. Lewis, author of many cultural books and founder of Lewis Communications, was a hired consultant during the DaimlerChrysler merge and therefore, provides first-hand insight and validity to our research.

4.7.2.1 Limitations

As with any research technique, there are limitations. Partner selection when forming an alliance, historically, requires longitudinal time effort.. Therefore, all of our case studies originate from secondary data that we found online and are reflected on its

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[9] Interview conducted on April 26, 2012 in Jönköping, Sweden at Jönköping International Business School (JIBS). Tomas Müllern is a Professor in Business Administration and Head of the Marketing and Logistics department at JIBS. He has a PhD from Umeå University (Sweden) with a major on organizational learning in large renewal projects. He has published a number of books and articles in the field of leadership, culture and strategic change. Among his most recent publications is a book titled, "Leadership in the new economy". At the moment, he is currently engaged in four major research project at JIBS (received 2012-04-20, from http://hj.se/jibs/en/research/persons/tomas-mullern.html)

past events with the exception of two particular cases. Additionally, we are conducting qualitative research rather than quantitative, therefore we lack support and primary, "first-hand" data from organizations and participants such as investment reports and other miscellaneous data usually obtained when working on a "real-life" case. However, this information is seldom open to the public. Ergo, perception of our findings may not be as justifiable or supportive as with quantitative research or primary data. The exception applies to two of our case studies.

In regards to the limitations of sources, our interviewees were given the freedom to respond how they wish which may lead to biased answers leading to interpretative, long-term analysis. Although the interviews were semi-structured, the respondants were given free-will and range to answer as they wish, which can cause confusion either because of a lack of understanding of the question or by lack of understanding of the respondants answer by the researchers. Since semi-structured interviews allow flexibility, providing a large amount of data. Furthermore, the non-standardization of the questions means that it is difficult to generalize it on a larger scale.

4.8 Data Analysis

Qualitative analysis results in a different type of knowledge than does quantitative inquiry because one can argue from the underlying philosophical nature of each paradigm, thus "enjoying the rewards of both numbers and words" (Glesne & Peshkin, 1992 cited by Golafshani, 2003).

Based on the cumulative and comprehensive information we embraced throughout our literature review, we were able to develop a conceptual framework based on compatible cultural elements that could be used to effectively and successfully select partners when forming an international, dyadic alliance. This tool as well as a cross-sectional approach will be used to evaluate cases on past strategic alliances; both successful and failed. First, 5 cases were selected and summarized based on its factual and conceptual background. Once the field work was complete, we then used the compatible elements from national culture and organizational culture from the conceptual framework, to determine if each of the alliances took these elements into consideration or not before and after alliance formation because it is important to understand cause and effect in order to come to a valid conclusion. The data will be arranged into a chart and will be coded using degrees of congruence. The degrees are illustrated in Figure 9, which is also the legend of the cross-sectinal analysis.

High = High degree of congruence
Moderate = Moderate degree of congruence
Low = Low degree of congruence
N/A = Not Applicable

9: Legend Cross-sectional Analyses

To complete the cross-sectional analysis a structure of questions is applied to rate congruence. The structure is evident to explaining the way of reasoning. The rating is based on the information available on the cases. Below, in figure 10, the structure of questions is illustrated. In the questions we try to explore the congruence within different stages as well as the significance of this congruence. Whenever an element has not been referred to or when the case shows that component's compatibility was considered irrelevant the rating of not applicable (N/A) applies. Eventually, with these questions in mind, an educational estimate is done to score the degree of congruence. The graph, illustrated in Figure 12, is divided in four sections distinguishing between failure and success cases as well as before and after the exploration/formation stage.

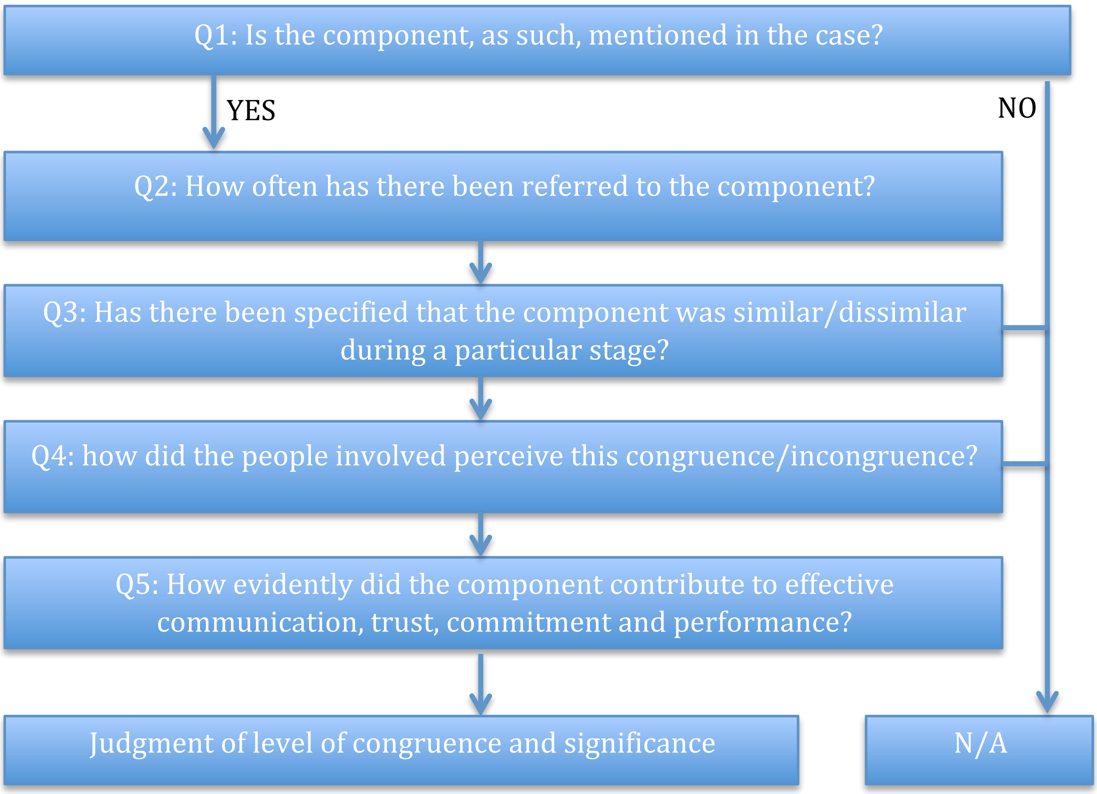

Figure 10: Questioning structure to cross-sectional analysis

Once the data is collected and arranged in such a way that it can be interpreted, we will then utilize a reflective approach as it relies upon knowledge, it is generated both empirically and self-reflectively, and it is in a process of interaction. Additionally, it will aid us to analyze, resist and change constructed power relations, structures and ways of thinking (Fook, 1999 cited by Osmond & Darlington, 2005). The key benefit to this approach is its usefulness in elating a researcher's unquestioning theories of action. According to Osmond & Darlington (2005), "one of the most valuable features of the critical reflective approach is its ability to transcend and engage with difference – in that different knowledge, ideas, speculations, feelings and theories can be ascertained reflectively from a range of positions". In that we wanted to broaden our range of positions by adding the expertise of our interviewees in that they contributed in the analysis to our framework.

To summarize, we use data from the case studies and convey this data in scores using the cross-sectional approach. We then reflect these results to the conceptual framework, which postulates the linkage between cultural compatiblity to mutual trust, joint organizational commitment, and ultimately performance. Upon reflection, we will draw conclusions based on our purpose of the study. Figure 11 illustrates an overview of the steps taken in our research.

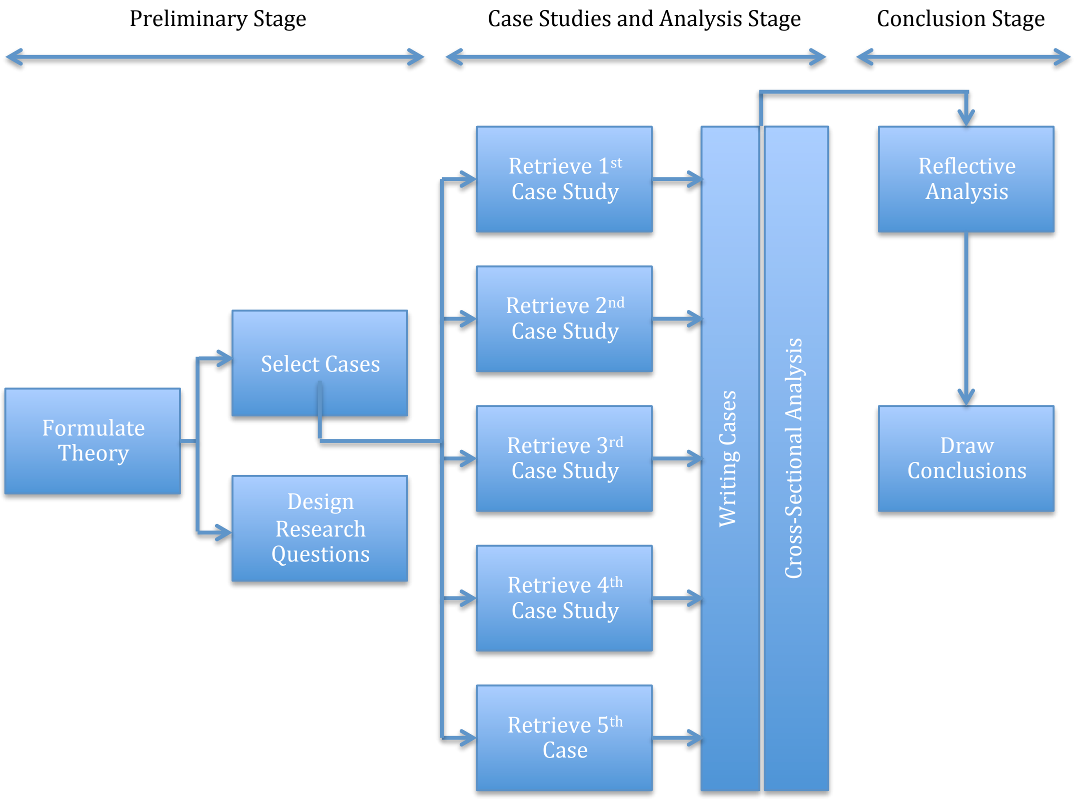

Figure 11: Stages involved in conducting a case analysis, Noor (2008), modified by the authors

4.9 Reliability and Validity

The terms "reliability" and "validity" are terms often used in quantitative studies, however, both qualitative and quantitative researchers need to test and demonstrate that their studies are credible (Golafshani, 2003). Credibility in qualitative research means "the researcher is the instrument" (Patton, 2001 cited by Golafshani, 2003). In essence, the reliability of this thesis largely depends on our capability to comprehend a holistic and abridged understanding of the subject. Therefore, the credibility of the qualitative researcher depends on the ability and effort of the researcher. To make our ability and effort seen, we attended a seminar in Stockholm, Sweden led by 2 experts in the fields of culture and cross-cultural diversity. For our research to be deemed as credible, we interviewed leading experts in the fields of culture and globalization.

Unlike quantitative researchers who seek casual determination, prediction, and generalization of findings, qualitative researchers seek instead illumination, understanding, and extrapolation to similar situations (Hoepfl, 1997 cited by Golafshani, 2003). Therefore we explore 5 cases spread across three leading industries most affected by globalization. Johnson (1994 sited by Noor 2008) addresses that case studies often are criticized for having a lack of scientific rigour and reliability and that they do not address the issues of generalizability. However, there are strengths such as allowing the researchers to get a holistic view of a certain phenomenon or series of events and can be useful in capturing the emergent and immanent properties of life in organizations such as the organizational flow of activity. Cases studies also allow generalizations as a result of findings when using multiple cases which may lead to some sort of replication (Noor, 2008).

Since, the key quality control issue in qualitative research is the validity of a study and its findings (Yin, 2011), the cross-sectional approach in combination with reflective analysis of the case studies ensure the ability to scientifically answer the questions it is intended to answer.

5 Empirical Findings

Below 5 case studies are discussed. The empirical study scrutinizes the attitude firms have towards addressing key cultural compatible aspects in their exploration stage and how these attitudes affected the development of their relationship.

5.1 KLM-Northwest Case

The KLM-Northwest alliance was the very first *airline* alliance recorded in history. KLM, short for Koninklijke Luchtvaart Maatschappij, is in English also known as Royal KLM Dutch Airlines. Northwest Airlines is North America's oldest carrier still holding its own name. In 2001 KLM was recognized as number 15, whereas Northwest was the 4th biggest airline in the world. The partnering between the two carriers began in 1989 after government had deregulated routes, flight frequencies and seating capacity a few years earlier. Northwest required KLM to do a leverage buy out, in which it had to acquire 19,3% of Northwest's stocks. Later in the alliance KLM would sell all stocks back to Northwest when tensions arose, as Northwest feared a takeover by KLM, when it intended to buy another 5%. The alliance first agreement was based on an evergreen terms with a minimal collaborating period of ten years, where both parties agreed on a three-year notice for termination. The alliance is unique as no new legal form was established. Moreover surprisingly was that although the American way of doing business is contractual based, the alliance, which officially started in 1993, did not have a formal contractual agreement until 1997.

Due to the deregulation in the airline industry, competition became more fierce. The former CEO of KLM, Peter Bouw, said the following about this:

"We realized that KLM could not do it alone because it was impossible for an airline with a small country base such as the Netherlands to become a mega-carrier. In addition, regarding the prevailing law in Europe and the Netherlands, it was impossible to acquire an airline and build a global airline system through acquisition of another airline. We concluded that a strategic alliance would be the best way to improve the revenue side of the business, achieve competitive cost levels, generate all kinds of traffic and offer the market far better connections as the result of synchronizing the network."

KLM then carried out an analysis of all potential partners in the United States and found in Northwest the most suitable. There were three major reasons for this: (1) they had a compatible scope, since they both operated a strong combination of passenger and cargo transportation, (2) in the view of market potential in the pacific, it was very important to KLM to combine operations in the United States, Europe and the Pacific, (3) in that period Northwest was the most international American carrier with more international experience compared to other American airline companies. When KLM started the negotiations, Northwest first rejected the idea of the alliance, but due to inadequate efficiency causing poor financial results, Northwest revised its notion and approved of the alliance four months later.

In the eyes of the Northwest Senior Vice President of Alliances, Douglas C. Birdsal "*the partnership with KLM was more "an accident of history" because they had an* *ownership position in Northwest".* He also indicates that Northwest foresaw in KLM a compatible partner wherewith they could construct an efficient international network.

The main goals of the alliance were to increase the global coverage as well as gain expertise knowledge in the United States (for KLM) and Europe (for Northwest) and to increase efficiency by co-operating in the field of cost handling, catering, joint purchasing, engineering, marketing, ground handling, sales, pricing and capacity control (revenue management) and code sharing (computer reservation system), reciprocal Frequent Flying Programs and operating cargo.

The alliance is experienced as a success by both KLM and Northwest. In 1999, Candance Browning, an aviation analyst of Merrill Lynch in New York, acknowledged the Northwest – KLM partnership as the most profitable and the most integrated alliance in the airline industry. Of major significance in the alliance has always been the great level of trust between the partners. Both experience the alliance as an alliance of equals, where contributions as well as gains are equal. This is also expressed by the following saying of Douglas C. Birdsal:

"The bottom line is split 50-50. When we work together in a managerial sense, both companies have an equal representation and an equal say."

An element that contributed to the 50:50 approach is that organizationally the alliance is coordinated by an Alliance Steering Committee, this committee governed multiple Working Groups installed at different levels and departments. Whereas both firms remained completely autonomous, the committee purpose is to control alliance activities. They exist out of an equal number KLM and Northwest employees and are to solve disputes using consensus. Whenever the first Working Group is unable to reach consensus the dispute is given to the next Working Group, with as final option the board of CEOs. The intertwined structure of the alliance proved to create synergy, as it facilitated knowledge exchange and enabled the alliance to cope with problems and changes fairly easily The reaching of understanding (consensus) between both partners was key in order to operate the alliance and deal with changes, besides the contract could never clarify every single situation, as expressed by Hans Korteweg, KLM Vice President of Alliances:

"In principle our contract is clear. However it is always difficult to cover all situations. We still have to settle important details during the operations of the contract without having a detailed contract ruling."

The reaching consensus is typical for the Dutch culture. The KLM director expresses that this could sometimes lead to irritation:

"Northwest has a simpler organization structure compared to KLM that has more layers in their organization. This condition sometimes makes the decision-making process longer, which eventually could irritate the alliance relationship. This governance structure is also highly related to the inherent culture of their nation. Northwest is more an Anglo Saxon type of business environment and the in the Netherlands people take a much longer time to come to agreement because they believe in consensus."

Problems occasionally led to conflicts. However, the conflicts where perceived as positive because they led to another round of talks about certain issues, how things were done and how things would be or should be done. Problems that occur where mostly financially related or strategically of nature. The latter involved differences in decisions such as in short-term orientation (Northwest) and long-term orientation (KLM), the positioning in the competitive market and how to compete with other alliances. The dissimilarities of goals were noted by consumers, who have not always perceived the alliance as a success indicated by Sören Eriksson (Eriksson, S. personal communication, 02-05-2012). Problems arose from the disparity in service quality and the reluctance towards taking responsibility for client complaints. Furthermore there were several external happenings that led to tensions in the alliance; one of these is the WTC attack on September 11.

Both companies stated that a maximum exchange of information is deemed important to obtain an optimum result for the alliance. Both companies made sure there was extensive daily contact. The case shows that communication increases mutual understanding in the group, which in turns reduces the likelihood of conflict. Human chemistry also proved to have an important role in operating the alliance smoothly. The longer both partners were 'married' the better they understood each other, enhancing the relationship and the integrity to helping each other.

One element recognized to be hindering the communication was the aspect of language. Although the Dutch English speaking skills are fairly good, sometimes misspelling and misinterpretation could lead to miscommunication. However, this was not perceived as a problem by Northwest. Gary L. Fishman, the Northwest Vice President of Operations Administration said the following about language and communication:

"The communication actually works very well with telephone, email, etc. In terms of technical abilities, there is no problem. In terms of culture, I say there is no problem. I think maybe there are some company differences like philosophy about certain things and there is good healthy debate toward the right and the best way to settle those issues. As far as culture differences between the Dutch culture versus American culture there is really nothing. It is quite comparable. I have been traveling in Amsterdam many times in the last ten years, I feel perfectly comfortable in their offices and their meetings. I don't feel any cultural differences in this alliance. It has been going on so long and so well developed that we know each other very well. If you go out for dinner with us, you will not notice that we are from different companies.

To conclude on culture, both companies admit that there are cultural differences, but these become more accepted over time. The informal communication (understanding jokes and word plays) could be improved which is recognized to further improve the efficiency of the alliance.

The alliance between Northwest and KLM has prevailed many conflicts since 1993. In 2004 both firms joined the StarTeam alliance, wherewith both firms automatically allied with Continental Airlines, Air France, Delta Air Lines, Alitalia, Korean Air, CSA Czech Airlines, and Aeromexico. This was shortly after that KLM merged with Air France. The joining of KLM with another European player has always been one of the prerequisites of Northwest to ally with KLM.

Sources: (Wahyuni, 2003) (Wahyuni & Karsten, 2006)

5.2 The KLM-Air France Case

In September 2004 Royal Dutch KLM and Air France agreed to merge their operations under one roof. Unlike the alliance between KLM and Northwest, Air France and KLM decided to institutionalize one legal entity: Air France-KLM Group. The Group holds 100% of the stocks of KLM and 100% of the stocks of Air France, however with regard to KLM's voting rights the Group only holds 49%, the remaining 51% still remained in hands of KLM foundations and the Dutch State.

Due to the merger Air France-KLM immediately became the world's greatest airline in terms of revenue and the third biggest in terms of passenger volume. Jean-Cyril Spinetta, CEO of Air France, explains that the merge was indispensible, ever since in 1993 Europe Union established liberalization, turning the air transportation market into one single market among all member states. This change enabled European Airlines to grow beyond national boundaries more easily and encouraged the emergence of major European players. As a consequence, mergers offer an opportunity to preserve any significance and sustain in an increasingly competitive market. In a speech in 2006 at the Nyenrode European Business Forum, Spinetta expressed this strategy in the following saying:

"Obviously we had to belong to an alliance but that's not enough. We also need to make ourselves heard and to influence the decisions to come. In the long-term, Air France would not have been able to do this alone. Air France-KLM guarantees that a European carrier will play a leading role in SkyTeam. This common ambition that Air France and KLM share did not come from a desire to dominate. It came from a legitimate wish to ensure profitability for both airlines and to play a global role in the air transport industry."

Sören Eriksson (Eriksson, S. personal communication, 02-05-2012) also recognized the mutual understanding that came from desiring the same goal as a valuable component (Eriksson, 2012). However, as he and case studies tell, one of the most crucial barriers to the merger was the wariness by the governments and public opinion that a national identity, which KLM and Air France both are respectively for their country, would get lost. Leo van Wijk, Director of KLM and Vice-Chairman in Air-France Alliance Group addresses this issue in an interview with Air Transport World saying:

"On our side, we had to overcome the perception that the merger would be bad for the Dutch stakeholders. KLM is an airline with a great history and people were afraid that we would be kind of gobbled up and disappear in the merger. There existed a fear in the Netherlands that most of the business would be transferred to Paris, although both Jean-Cyril and I have continuously indicated that would not happen."

This fear came from Air France's history of trying to overtake control, as it had tried to in previous alliances with relatively smaller airlines, as indicated by Sören Eriksson (Eriksson, S. personal communication, 02-05-2012). Both partners therefore started a project that would aim to protect both identities as clarified by Spinetta:

"The only acceptable solution in today's Europe: one group but two different airlines, each with its own brand, products and flag. We have a sort of "control tower" to define the guidelines for the overall strategy – the Strategic Management Committee – but each airline is responsible for day-to-day running of its own business."

The three major reasons for Air France to merge with KLM were that in both airlines the managers and top managers experienced a common vision of the industry's future right from the start (1), because both companies hold highly skilled workforces experienced in efficiency, besides that KLM also had a previous successful experience in implementing a Joint Venture (2), and there was a tremendous asset in combined development potential of the Airports Amsterdam Schiphol and Paris-Charles de Gaulle (3).

Furthermore the goals for the merger contained creating synergies and cost savings that would come from achieving economy of scale and optimizing routes as well as joint coordination of ground activities. Another important aspect was the integration of IT. Spinetta expresses this matter by saying: "*Merger synergies can easily be wasted through technical incompatibility. So this issue has to be addressed right from the start.*"

Both Spinetta and Van Wijk perceive the merger as a great success. Six months after the completion of the merger, in May 2004, they already raised their potential synergies. After two years of cooperation, KLM-Air France managed to double the targeted synergies. Spinetta reveals that he was especially impressed by the speed at which all these synergies and cost savings were achieved.

In respects to communication a presentation on HR-experiences by Miriam Kartman from KLM to the European Commission shows that the focus was on preserving national identities and brands, maintaining existing labor- and work-condition arrangements, and bridging the cultural gab. Elements in bridging the cultural gab were the induction of one common language; *"No French, No Dutch, but English",* possibilities offered to learn French, Dutch or English, Management Exchange, Mixed training courses and meetings and exchange of best practices.

On the question of how to go forward, maintaining and reinforcing trust is one of the main challenges mentioned by Spinetta. In his believe a working partnership based on trust is one which is creative and innovative, and where morale is high. A key element according Spinneta is to do as you say, expressed in the following quote:

"For one thing, Leo and I have scrupulously respected the commitments we made. We said "profitable growth" and we are delivering this, not only by being profitable but also by gaining market share. We said "fair development between Schiphol and Paris" and everyone has seen that this has been the case. We said "no lay-offs due to the merger" and we have fully respected this commitment."

The partnership has always focused on and respected certain principles: dialogue, mutual respect and fairness, something that is shared among all levels in both firms. The surveys carried out by both airlines confirm that the staff is supportive and enthusiastic towards the alliance. Spinetta indicates that *"the percentage of satisfied employees was so high that it resembled a Soviet election in the good old days."*

Conclusively, Spinetta finishes his speech by saying:

"Even if creating trust remains an ongoing priority, we have reached a stage further where we need to inspire commitment, motivation and even passion for the success of our combination."

Sources: (Katarzyna, 2004) (KLM, 2011) (Kartman, 2009) (Spinetta, 2006) (Buyck, 2005)

5.3 Renault-Nissan Case

In March 2004, one of the most universally regarded success models in alliance formation was created and witnessed by competitors, practitioners, and business schools around the world, but the assumptions and expectations of the venture 5 years earlier would have told you different. In March of 1999, two well-known automobile makers from across the globe made the executive decision to form an alliance: Renault and Nissan. Renault, a French company, and Nissan from Japan had all odds against them and for many reasons. Culture accounted as the biggest concern, which was notably and unanimously expressed by the international media, company executives, management academics and consultants from all over the world. At the core of their culture, France and Japan were known for being both nationalistic and patriotic and thus, believed their way was the right way of doing things.

Culture was not the only hurdle the two firms had to endure. On the business side, both firms had issues. Renault, although a distinct and well-known brand in France and Europe, had recently climbed out of a major financial hole of USD 680 million in 1996 and had turned it around into USD 1.6 billion profit in 1998 and 1999. They were also recovering from a failed merge with Volvo that occurred in 1995 and more importantly, had never run a global operation. A final barrier and to make matters worse, the French state had a 44 percent controlling stake in Renault.

On the other hand, Nissan was nearly bankrupt, with a total debt of USD 20 billion in 1999 as a result of losing money and market share continuously since 1991. Car production dropped by 600,000 units, which meant Nissan's factories were running at 53 percent capacity utilization. Additionally, their product portfolio was aging and it had 10 times the amount of suppliers and 4 times the number of manufacturing platforms as other carmakers such as Ford and Volkswagen respectively. As Japan's second largest automaker, Nissan was a highly iconic symbol of the country's strength.

What they had to offer each other was complementary in geographic scope and scale. Renault was proficient in marketing and design, and was strong in Europe and Latin America. Nissan possessed great force in engineering and had a strong presence in Japan, North America and Asia. Given Renault's financial turn-around, Nissan desperately needed their financial security and Renault wanted more market exposure.

With challenges abound and benefits foreseen, the partnership between the two firms was explored during the months of July and December 1998. Renault and Nissan's top executives, as well as a selected number of managers from both companies, collaborated through a six-month living experiment of working together with the idea of forging a relationship contract between the two companies. At the beginning, Renault's Schweitzer and Nissan's President Yoshikazu Hanawa met several dozen times alone throughout these particular months to ensure trust and build a common future for their strategic co-operation. It was then decided to pick 100 engineers and managers from both companies to work together in joint study teams without any formal objective. The teams were encouraged to drop their mental stereotypes about France and Japan and solely concentrate on the tasks at hand. This proved to be great as the teams formed a common ground where neither prejudices nor pre-established goals existed. This made evident that the two firms could be complementary in geography, products and personality.

The hard data drawn from the findings of the team study encouraged Renault's Schweitzer decision to form a large-scale collaboration with Nissan and therefore urged Nissan's board of directors to consider the concept with a presentation aligning their benefits. As the two companies were unfamiliar to each other and had no history of working together prior to the team study, the exploration proved to be successful as it established trust, open communication and knowledge and social capital in the form of valuable social networks between the two companies, thus proving their abilities and capabilities to work co-operatively as well as deliver on the promise of a shared future. Renault performed static analytical evaluations and focused on finding synergies based on past and current strengths, which gave them an advantageous lead over other competitors such as Ford or DaimlerChrysler when it came time to alliance negotiations.

Throughout the 6-month trial alliance between the two firms, Renault Schweitzer and Nissan's Hanawa continuously communicated and provided insight to each other on their hopeful venture together. Schweitzer suggested that to make their relationship solid, each should hold each other's shares; however Nissan was financially incapable of buying Renault stock and proposed the investment from Renault of USD 6 billion in cash to finalize the deal. This was well over their budget, however Schweitzer agreed that there was *"no future without Nissan"* as Renault would eventually be driven out of the market. Hanawa was approached by DaimlerChrysler and Ford as potential investors, but eventually the agreement of Renault buying a stake in Nissan was made at USD 5.4 billion under four outlined conditions: 1) to keep the Nissan name, 2) promote restructuring under the lead of Nissan, 3) protect jobs, and 4) pick a CEO from inside Nissan. Overall, it was the level of confidence in their ability to work cooperatively, the mutual trust that had been created and the informal pledges that played a critical role in the final outcome of the negotiations. On March 17, 1999, Renault and Nissan announced a signed alliance agreement based on trust and agreement of terms on equal position.

This was only the beginning of the challenges that lay ahead between the newly formed "marriage". This notion was met by boundary-spanning leadership, directed by a South American of Lebanese descent and French educated COO of Nissan, Carlos Ghosn, in July of 1999. He handpicked 17 French executives from Renault who were approximately 40 years old, open-minded, and coaches who were team-players to work with him at Nissan in Japan. From there, he continued to lead the integration with the initial attitude of dropping all prejudices, developed "cross-company" or "cross-functional" teams and created a common language (English).

In developing his new teams, he requested that 1,500 profiles of Nissan employees be posted in headquarters to select about 200 people for nine cross-functional teams. He was looking for, *"young mavericks who would be the backbone of the next Nissan leadership generation. Multicultural experience was not considered an absolute requirement for success, but it was a value-added"*. He thought that the basic personal qualities (values) of an individual could always overcome any lack of experience. He also suggested that, *"when you have taken the time to understand and accept that people don't think or act the same way in France or in Japan, then the cultural* *differences can become seeds for innovation as opposed to seeds for dissention"*. In early 2000, Ghosn had formed his boundary-spanning leadership team of 200 executives and together, created the company-wide building blocks that not only aided the fastest, most successful turnarounds ever, but also became his leadership trademark: "walk-the-talk" and transparent communication.

English became a common language and helped Nissan's work in "cross-company" teams effectively, with Renault and Nissan executives from different functions and nationalities working together to achieve business objectives. Ghosn made sure that everyone communicated on the same level by reinforcing the common language of English between the two companies. He and his team established a dictionary of essential terms such as "commitment", "authority", "transparency" and "target" to ensure this objective as well as held intensive language courses for all the company's employees regardless of level. As Ghosn stated in 2002, "*If you want to mobilize 130,000 people, in different cultures and different countries you have to be precise, you have to be factual, and you have to base everything you say on hard evidence that people can measure"*. Hence, a new culture was instilled of extremely transparent, open, precise and factual communication, both inside Nissan and with outside parties such as the media.

Ghosn also looked for and encouraged certain common character traits on the company's employees, especially those who played or expected to assume leadership roles, such as the "walk-the-talk" behavior. Ghosn explains, *"What we think, what we say, and what we do must be the same. We have to be impeccable in ensuring that our words correspond to our actions. If there are discrepancies between what we profess and how we behave, that will spell disaster"*. Nissan's new culture of transparent and factual communication was transfused by its leaders' habit of "walking-the-talk", or in other words, through their behavior, interactions and practices. Some of these daily events and practices became powerful and clear rituals that made the new walk-the-talk approach to communication come alive within the company.

Of course, creating the new culture of communication was problematic in the beginning due to compartmentalized culture within Nissan. This prevented the flow of communication across the company's various functions, borders and hierarchical lines. Therefore, the "cross-functional" teams were imperative to turn the prevailing culture into a more open spirit that boosted cross-boundary communication. As a result, Nissan used personnel and career growth policies effectively in order to break boundaries, rotate key executives around and create a truly global leadership group inside the company.

In July of 1999, Ghosn introduced the Nissan Revival Plan (NRP). It had clear targets and aligned strategic goals, however few people believed Nissan could achieve such ambitious goals. With Ghosn's "cross-functional" teams in tact along with their commitment, he was able to prove them all wrong. Nissan achieved and in some cases exceeded all of the NRP's goals despite every expectation. Each international, cross-functional team had one topic, one goal, one deadline, one rule and one belief. Company-wide business initiatives such as the NRP became a continuous feature of Nissan, driving its leadership cohesiveness and competitive performance across functional and cultural boundaries. In relation, Ghosn said, *"In my experience, executives in a company rarely reach across boundaries. Working together in cross-functional teams helps managers to think in new ways, challenge existing practices,* *explaining the necessity for change and projecting difficult messages across the entire company".* These teams provided an approach that allowed initial cooperation first, which then moved into more formal frameworks of collaboration and knowledge exchanges on a case-by-case basis. As a result, Renault and Nissan managers formulated ways to leverage the strengths of both companies.

By March 2004, Renault's original USD 5.4 billion investment in Nissan was worth USD 18.4 billion, which made Renault's 36.6 percent stake in Nissan worth more than the total market value of the French carmaker itself. The Japanese company's profits of USD 7.6 billion and 11 percent operating margins were the highest in the automotive industry. Nissan's head of Europe and former Renault executive, Patrick Pelata called it, *"the biggest return on investment in the history of the automotive industry".* This alliance had been the largest corporate marriage between a Western and Eastern partner to that date and was also one of the very few examples of successful international alliances in any major global industry. A common environment of genuine trust, loyalty and reciprocity was created despite the corporate cultural divides that most people characterized as gaping.

Source: (Morosini, 2005) (Donnelly, Morris, & Donnelly, 2005) (Segrestin, 2004) (Emerson, 2001)

5.4 DaimlarChrysler Case

On May 6, 1998, a "merger in heaven" was formed between two, leading global car manufacturers: Daimler-Benz and Chrysler Corporation. According to Lewis (2012), it was the biggest cross-border industrial merger ever. It was a USD 36 billion deal marked as a "merger of equals" with anticipated synergies of USD 1.4 billion for combined revenue of USD 132 billion in its first year of operation. The merger became a symbol for global players in a complex business environment such as total transparency, Wall Street formulation earnings growth, and enormous scrutiny of all stakeholders involved. It seemed like a fairytale wedding with an obvious happy ending, however as the saga goes, , it became known as one of the most notoriously, unforgettable failed partnerships. Sir Richard D. Lewis, guru in the field of culture and consultant during the case of DaimlerChrysler, even refers to it as "the biggest culture disaster in modern business" (Lewis, R., interview, 14-03-2012).

Although surprising to the public and industry, the two firms were complementary through geography, product dimensions and outstanding reputations. American-owned Chrysler and German carmaker Daimler-Benz were looking to expand their markets and utilize each other's resources. Chrysler was a top producer and earned more cash than any other automaker in the industry at that time. Daimler's Mercedes-Benz car division was the envy of the industry. Daimler had high hopes that Chrysler would drastically raise its standing in the North American auto market. Unfortunately, due to tough competition from the Asian market, Chrysler fell short. As for product dimensions, the plan was for Chrysler to use Daimler parts, components as well as vehicle architecture in order to drastically reduce the cost to produce future vehicles. However, problems arose when Daimler's Mercedes-Benz luxury division, whose components Chrysler would use, opposed sharing platforms with Chrysler. To indicate, competitors in the industry considered platforms as the "holy grail" for reaping synergies.

Executives and board members wanted to turn DaimlerChrysler into one company, not just a company name. A smooth integration of the two famous corporations would enable the group to meet the demands of nearly all segments of the car market, and sales could be expected to increase exponentially (Lewis, 2012). The integration was organized around multiple clusters and dealt with both automotive and nonautomotive issues. A corporate airline was established to shuttle employees between the home of Daimler-Benz (Stuttgart) and the home of Chrysler (Auburn Hills, Michigan) as well as video or telephone conferences were set up to complement the integration efforts. However, as Lewis (2012) states, *"that phrase 'smooth integration' was a key challenge to Daimler-Chrysler as well as the route to success. Certain elements of the Daimler-Benz management were awake to the problems likely to arise in uniting German and American executives and workforces at various levels of activity and responsibility, since the German and American mindsets and worldviews differ sharply. There are worse cross-cultural mismatches, but there are also better ones. Wisely, Daimler-Benz appointed a senior executive, Andreas Renschler, to supervise the integration. He had worked for several years in the United States and was sufficiently well versed in both cultures to foresee and hopefully circumvent the cultural difficulties that would undoubtedly present themselves".*

Due to prior working history with the Mercedes executives and teams between 1975 and 1995, Andreas Renschler contacted Richard Lewis Communications and arranged for an initial meeting in Stuttgart to discuss training programs for executives who would be involved in the early stages of cross-border activity (Lewis, 2012). According to Lewis (2012), Renschler was *"an experienced and mature individual with a good grasp of cross-cultural teams and a keen insight into American and German behavioral patterns".* Lewis's team, Renschler and a German HR team (assembled specifically to facilitate the merger) met for a day and discussed the varying communication styles, procedural and structural differences between the two cultures. All the aspects discussed made sense to the Mercedes training officers and Renschler, however they pondered on how and what to train to facilitate the merger. The response was this, *"many mergers fail because neither side is sufficiently versed in the historical values, core beliefs, communication patterns, behavioral habits, and worldview of each other. Training would address these issues systematically according to the model we put forward. An important target in such training is to make one side like the other, which transcends simple knowledge of the other culture."*

The Lewis team returned the following month and met with Renschler again along with a much larger, assembled HR team, including one professor from "DaimlerChrysler University". They had formed executive teams to address several projects in the merger, however the teams they formed were not quite "cross-cultural" as planned. In Stuttgart, the teams consisted largely of Germans, with a small number of Americans and Brits. Other teams formed in Detroit had more American members than German.

The model Lewis's team created and developed specifically for the integration entailed a six-month, cross-cultural training period in which teams would be exposed to full-day seminars, special briefings, and a home-study program. According to Lewis (2012), Renschler and his committee were sufficiently pleased with the program and agreed that 50-60 percent of the activity would be carried out in Stuttgart and the others in Detroit. As there was an urgency to "consummate" the marriage of the two companies, a starting date was discussed however there was one obstacle: the training program had to be approved by the DaimlerChrysler University. The professor on their committee promised to submit the proposal the following week. Shortly after that, Renschler changed jobs. Sir Lewis and his team never heard from DaimlerChrysler again.

However, integration of the two companies proceeded and Manfred Gentz, DC's chief financial officer, made the following comment on their integration process: *"The merger of the former Chrysler Corporation and the Daimler-Benz Aktiengesellschaft presented us with a number of integration challenges, including how to combine two different legal systems in such a way as to meet the differing expectations of each company's shareholders and management. With DaimlerChrysler AG's corporate governance, which was already finalized in the Business Combination Agreement of May 6, 1998, we tried to find a solution that combines German and U.S. forms of corporate management".*

Before Jurgen Schrempp, Chairman of Daimler-Benz, announced the completion of the integration of both companies on September 27, 1999, the second quarter earnings in 1999 failed to meet Wall Street's expectations and the stock began to fall. Moreover, the share was refused by the American S&P 500 Index because it was legally headquartered in Germany, which took the stock off the shopping list of many funds. The effort and bureaucracy involved was enormous since they had to adhere to rules and regulations within both countries. Before the end of the second quarter, the company had to reduce its earnings growth expectations and suddenly synergies became imperative to survival.

Once the formal integration process was complete, the Integration Resolution Team that was established prior to completion came to an end as well as the Chairman's Integration Council which was abandoned after 2 of its 8 members left the company. Tom Stallkamp, who had been the president of North American Chrysler operations and the executive in charge of integrating the company, was replaced by James Holden, who was previously executive vice president of sales and marketing. One year later, when the Chrysler Group missed a set of prearranged goals and profit levels, a supervisory board meeting decided to dismiss Holden and brought in Dieter Zetsche, who had been running the commercial vehicles division. The share price fell below 50 Euro. He arrived in Detroit with only his COO, Wolfgang Bernhard, to a welcome that was anything but friendly. During a press conference, he was asked how many more Germans they should expect in Detroit in which he responded, "Four. My wife and three kids".

At this point, the Chrysler Group had lost USD 1.8 billion in the last two quarters of 2000. Within DC, the Mercedes Car Group was producing strong cash flows which were interpreted by the public to be financing the rest of the group. Within three months of inheriting a complicated mess, Zetsche presented his turnaround plan which called for lowering the breakeven point from 113 percent of plant capacity in 2001 to 83 percent in 2003. According to the Economist on February 3, 2001:

"Chrysler's German overlords this week mounted a dramatic assault on the growing losses at DaimlerChrysler's ailing American subsidiary. At least 26,000 jobs will go (equivalent to 20 percent of the total workforce) in a reorganization that will close six plants and trim production at seven more…Analysts…noted the absence of any American assembly plants on the list. The plant in Belvidere, Illinois, which produces the slow selling Neon, seemed a sure bet to be shuttered, but Chrysler inadvertently outsmarted itself two years ago, when it agreed to restrictions on plant shutdowns as part of its contract with the United Auto Workers union".

In 2002, Chrysler recorded an operation profit. Capital spending was cut by 30 percent while 8 new models were added. At last, Mercedes Car Group collaborated with Chrysler Group to develop a new model car called the Chrysler Crossfire. Executives had high expectations for all of the new vehicles since sales at Chrysler had fallen from 3.2 million units in 1999 to 2.8 million in 2002. Regardless of the figures, Chrysler set a growth target of one million additional units by 2011. Unfortunately, going into 2003 remained a challenging year as so The Financial Times reported on June 5, 2003:

"Chrysler's incentives for buyers have reached USD 4,500 per vehicle, almost doubling in a year. …the company said Chrysler's second-quarter operating loss would be about EUR 1 billion – against analyst forecasts of a EUR 500 million profit. Most of the difference was accounted for by an estimated USD 4 million-5million write-down in the value of 500,000 cars in dealers' lots and by a cut in the second-hand value of cars held by rental companies".

By the third quarter in 2003, Chrysler was able to rebound to earn a profit, however the focus on controlling costs continued. The share price remained about thirty euro.

The corporate governance between the two companies was quite different. For example, German board meetings were quite large in number and size. It was typical to have 20 members of the supervisory board, the board of management, and staff members included at the meetings. As an American board member put it, "A German supervisory meeting is like an opera". Also, the salaries of the German supervisory board members were heavily debated among the general public. Lastly, German corporate law was written with the intention to protect creditors, which allowed companies to accumulate hidden reserves using book values rather than market values in accounting. In contrast to the American system, corporate laws were aimed at creating transparency for shareholders, thus allowing them to control management and thereby limiting principal-agent conflicts.

Schrempp did not want any barriers to information and therefore established English as the common language to be used throughout the management team and especially at meetings. However, it is important to note that at the board meetings, German was the spoken language, but all documents were prepared in both German and English, with simultaneous translation at the meetings.

In 2007, DaimlerChrysler AG announced the sale of the Chrysler Group to a private-equity firm for USD 7.4 billion, thus dissolving the 1998 merger which was struck with high hopes, but failed to live up to expectations. DaimlerChrysler retained a 19.9 percent stake in the Chrysler automaker.

Sources: (Business and Managment Case Studies, 2010) (Woods, 2007) (Krebs, 2007)

5.5 JIBS-Babson Case

Jönköping International Business School (JIBS) takes an active role in international research collaboration (JU, 2011). JIBS works with a number of universities all over the world. There is a distinction between less intensive partnerships and the more intensive relationships. The reasoning for JIBS to get involved in the latter type of relationship is twofold: first, to expand abroad and to reside outside Jonkoping, and second, to generate new income for school.

A few years ago JIBS saw the opportunity to further develop the relationship with an american university called Babson College. Babson is a big player in studies regarding entrepreneurship, which is also one the key areas of JIBS. In addition, both universities are strong in research. On an individual basis researchers from both sides were relatively customized to each other and it was because of these reasons that the former dean of JIBS and the provost of Babson met up to discuss the possibility of intensifying the collaboration. The idea was that both universities could very well complement each other, since JIBS could offer Babson access to PHD programs, whereas JIBS could benefit from the Babson College specialisms, as they are more specialized in graduate and undergraduate programs, especially MBA programs.

So far it was mainly about complementarities. In terms of cultural compatibility the researchers shared a strong connection. Tomas Müllern (Müllern, T. personal communication, 26-04-2012) describes this by saying “We liked each other. We have, I have more in common with an American academic than I have with a Swedish caretaker or cleaner”. The cultural compatibility was strongly related to the profession of being an academic researcher. He describes the academic professional culture as very strong. “It tends to overcome cultural differences between countries.” National culture he even explains as being totally irrelevant to this case.

The partnership however never proceeded, which was perceived as a disappointment as Tomas Müllern (Müllern, T. personal communication, 26-04-2012) outlines by saying: “The way we wanted to have it was clearly a failure. We didn't continue with the ambitious partnership. We still are still doing things together with them, but back on an individual basis.”

The reason for the failure can be found in the differences in values and goals that both universities exert. According to Tomas Müllern (Müllern, T. personal communication, 26-04-2012), the business side of the university, pertaining to Babson’s “commercial culture”, did not favor cooperating “with a small Swedish university that happened to be strong on research and degrees.”

“So, on one level there was a very good match, we understood each other. On the academic level: teachers and researchers. But very poor match when it comes to the commercial side of this.”

6 Analysis of Empirical Findings

Using secondary and primary sources on cases, we will reflect our framework of cultural compatibility to explore if our theoretically-founded conceptual framework is validated by practical situations.

In Figure 12, we first determined the degree of congruence that each of the cases presented with regard to the components. A distinction is made between the situation *before* and *after* the exploration/formation stage. We will cross-sectionally analyze the discrepancies between success and failure cases, as well as the discrepancies appearing *before* and *after* the exploration/formation stage. In the discussion, we add relevant comments discussed by the experts.

BEFORE exploration/formation phase	**Successes**			**Failures**	
	KLM-Northwest	KLM/AirFrance	Renault-Nissan	DaimlerChrysler	Babson-JIBS
National Culture					
Same Values	High	Moderate	Low	High	N/A
Same Language	Moderate	Low	Low	Low	Moderate/High
Organizational Culture					
Same Practices	Low	High	Low	Moderate	High
Same Goals	Low	N/A	Moderate	Low	Moderate
Same Philosophies	Moderate	High	N/A	High	N/A
Same History/Events	N/A	N/A	Low	N/A	High

AFTER exploration/formation phase	**Successes**			**Failures**	
	KLM-Northwest	KLM/AirFrance	Nissan-Renault	DaimlerCrystler	Babson-JIBS
National Culture					
Same Values	High	High	High	Low	N/A
Same Language	Moderate	High	High	Low	N/A
Organizational Culture					
Same Practices	High	High	High	Low	Moderate
Same Goals	High	High	High	Low	Low
Same Philosophies	Moderate	High	High	Low	N/A
Same History/Events	N/A	N/A	N/A	N/A	N/A

Legend:	
	High = High degree of congruence
	Moderate = Moderate degree of congruence
	Low = Low degree of congruence
	N/A = Not Applicable

Figure 12: Cross-sectional Analysis

6.1 Analysis

Same Values

In regard to how the cases differ before and after the formation stage there is a relative significance to value congruence, especially the Nissan-Renault case. It shows that although national values may be incompatible at first, firms can work towards an environment where general values are shared cohesively among employees, considering that they used the first six months to analyze their dissimilarities and how they acted progressively to secure the cultural gap. Moreover, the DaimlerChrysler case makes clear that ignorance towards differences in national/organizational culture is unwise, as they literally "swept it underneath the rug", causing some of the core problems (R. Lewis, personal communication, 14-03-2012). This case also very much reflects a quote by Tomas Müllern (personal communication, 26-04-2012): “it is a lot about the way you approach this, of what I call the cultural sensitivity. How you actually try to understand the other culture.”

Tomas Müllern (personal communication, 26-04-2012) asserts that national culture is irrelevant. Cultural discrepancies are more significant in terms of profession, meaning that subcultures are of more importance. In his opinion, it is therefore more significant to analyze the degree of compatibility in values between professional groups (e.g. marketing employees, HR employees, operations employees, management). As a result, it is necessary to add another layer to the framework in which professional culture is considered. The reasoning for this is illustrated in the following quote: “People have values based on being Swedes. They have values based on working for Volvo. They have values based on being engineers or marketing people.”

Same Language

The success cases as well as the failure case of DaimlerChrysler show that establishing a common language is an important factor to alliance success. Whereas, DaimlerChrysler ignored this factor, the success cases all established a common language, contributing to a compatible environment.

According to Sir Richard D. Lewis (R. Lewis, personal communication, 14-03-2012) language is a crucial element to culture enabling people to “think outside the box”. He states: “You realize that language and culture are very closely intertwined, and that the language you are speaking is limiting your ability to think and your ability to understand certain concepts.”

Same Practices

In regard to more organizational cultural elements, same practices seem to be moderately relevant prior to starting an alliance. The successful cases prove foremost that synergies can only be achieved by applying each other’s practices to a high degree. In the case of KLM-Northwest, this point is illustrated by how Northwest Airlines adapts to the Dutch approach of reaching consensus. Renault and Nissan founded multi-cultural teams to integrate work efforts, resulting in a cohesive determination as well as one single working culture. The unsuccessful case of DaimlerChrysler illustrates that friction arose when they neglected to synchronize the working efforts. The two management styles were different: Chrysler applied a more relaxed freewheeling style, whereas Daimler-Benz was more formally structured. Additionally, the two units had different perspectives, traditionally, on important things like salary scales and travel expenses. Daimler-Benz tried to overrule these aspects, which resulted in an immense decrease of satisfaction. Likewise, in the case of Babson-JIBS, there appeared to be a more structurally related mismatch. Where researchers were enthusiastic, the business side of Babson University disapproved of the coalition with JIBS, mainly because JIBS was perceived as too small of a player. The unsuccessful cases prove that, to some degree, congruence in practices is required.

Same Goals

Prior to forming an alliance, the two companies will most likely not have the same goals. The case of Northwest-KLM illustrates that two companies with relatively dissimilar goals and customer segments can still cooperate with considerable success. All cases reveal that it is first and foremost vital to establish common ground by creating common goals from the very beginning. This is however a process that is developed in negotiations prior to and after the official launch of an alliance, and is associated with the concept of continued improvement.

Same Philosophies

The same philosophies can be described as similar business ethics or congruence in mutual working spirit. This component appears to be a prerequisite for a successful partner relationship, but is not vital to alliance formation success. Particularly the 'walk-the-talk' mentality is an important factor to effective communication and eventually leads up to trust and performance. In both cases of Renault-Nissan and KLM/AirFrance it is clear that how doing as you say adds value to the relationship. This is exemplified when Nissan expresses the 'walk-the-talk' concept and KLM/AirFrance explains how they deliver what they promise. The alliance between Northwest-KLM shows a more flexible approach, wherein conflict was valued as necessary to improve the alliance. The acceptance of using consensus, a practical tool, is essential to this strategy. In this scenario clarity and transparency is preserved rather than adopting the same practices over philosophies. Additionally, it proved valuable for safeguarding relational tensions. Regarding the failed case of DaimlerChrysler, it is obvious how both trust and performance decreased when initial promises were reneged upon and conceptual agreements appeared misleading. For example, it was put forward as a partnership of equals, but in actual fact, it turned out to be a German takeover.

Same History/Events

We were not able to adequately demonstrate how shared history affects the alliance prior to and after entering an alliance. In fact, only two cases shared some history prior to the alliance, namely Renault and Nissan and Babson and JIBS. It cannot, however, be absolutely confirmed that this component contributes to communication, trust and performance. In the case of Babson and JIBS, the long-lasting relationship between researchers of both universities inspired them to investigate the possibility to further develop the collaboration. In the case of Renault-Nissan they ran a test-period prior to officially announcing the alliance. This action, which in the literature is described as a recurrent contract, was essential to achieving a common ground used as a model throughout the alliance formation.

Another aspect of history is the experience of a company. Sören Eriksson (Eriksson, S. personal communication, 02-05-2012) explains this by saying: "both KLM and AirFrance were very mature companies in essence, as they both share a great history market by many events. This is also why they more or less perceived each other as equals". This expresses the idea that companies with relevant experience may be more compatible.

Components Affecting Outcome

As our conceptual framework shows, the components sequentially affect the outcome: effective communication, then trust, then commitment, and finally performance. Barriers, such as assumptions and expectations, can negatively affect these components and therefore, the final outcome. For example, in the DaimlerChrysler case, both companies assumed or expected the other to submit to each other's procedural and structural differences, as well as communication styles. As a result, communication was unclear, thus resulting in lack of trust and commitment and finally, poor performance resulting in the dissolution of the partnership. This is also made clear in the Babson College and JIBS case because the researchers assumed that their previous working history would bind the partnership, however their expectations were crushed by the business team at Babson College, thus ending a potentially successful working relationship. As for all three success cases, each created cross-cultural diversity teams and/or committees in order to oversee the integration of the two firms, as well as to create a transparent environment, thus overcoming the barriers of assumptions and expectations. As a result, effective communication thrived, leading to mutual trust and commitment, and finally, successful performance.

7 Conclusive Thoughts

This final chapter aims to present a conclusion based on the findings of the empirical study, which was conducted in order to answer the posed thesis questions. Recommendations for further research will also be provided.

7.1 Conclusion

With the idea to explore how cultural compatibility contributes to success and failure of alliance formation, we conducted a qualitative research including five case studies. To recap the purpose question of this research:

> *How can implementing an international, dyadic alliance based on cultural compatibility components contribute to success with the proper partner selection?*

This study has elaborated on a framework that was derived from the literature review. The framework signifies the compatibility of six potential success components on the level of national culture (values and language) and organizational culture (practices, goals, philosophies and history/events). The framework assumes that the congruence of these factors result in effective communication, thereby enhancing mutual trust and organizational commitment, which eventually leads to improved performance.

It is difficult to determine whether or not the culture compatibility components outlined in our framework hold true, as most of the cases are derived from secondary data and focus more on the effect of the alliance rather than the rationale and logic behind picking a partner. However, we can conclude that culture compatibility is important, if not imperative, throughout international alliance formation and a driver for successful integration.

One major similarity across all cases is the obvious fact that none of the firms were compatible in the beginning of the partnerships, however what we can conclude from the cases is that creating a compatible environment proves successful. This is evident in all three success cases as each alliance focused on diversifying their teams in the form of cross-cultural teams. More significantly, creating one common language was proven key in order to create common goals, practices, values, philosophies and, in the end, history between the two firms.

Assumptions and expectations are major barriers necessary to overcome as made evident in the two cases on failure. Each party assumed or expected the other to understand the motives behind the partnership and, as a result, were unable to compatibly integrate resources successfully. In this regard, it is clear how assumptions and expectations are determinants that must be considered and overcome when creating a culturally compatible environment.

Approaching culture from a broad perspective, culture is entirely complex and difficult to measure. What we have learned based on our conceptual framework and the success elements from the case studies is that language (communication), goals and practices are the most relevant and it can be noted that creating a compatible environment is important to a successful international alliance. These components overall affect effective communication and as a result, mutual trust, then commitment and finally, performance. Therefore, these are the elements important to consider when implementing and developing an international, strategic alliance.

7.2 Implications for Further Research

As our research has consisted mostly of secondary data, it would be wise to apply our conceptual framework on culture compatibility to a real-life case, especially during the partner selection phase of an alliance. Such research would then provide a better understanding and comprehensive view on whether or not the culture compatibility components outlined in our framework justify the means to the end.

Additionally, our research on culture compatibility is on a broad scale and therefore may need to be brought on a more detailed scale in order to further support our theory.

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9 Appendix

I Invitation to Seminar: Complex, Multicultural Diverse Teams

INVITATION TO SEMINAR:

Complex, Multicultural and Diverse Teams

-Creating value and gaining competitive advantage in global management.

Diverse teams are an effect of expanding global life. Research has shown that diverse business teams tend to perform either better or worse than homogeneous teams. Diverse teams have a lot of potential, but they need to be designed and managed in the right way to transform cultural differences from a liability into an asset. This applies to multinational teams as well as complex teams from e.g. different company cultures and with different professions and functions.

HALF-DAY INTERACTIVE SEMINAR IN:

STOCKHOLM *March 14 at KTH, room D36, Lindstedtsvägen 5*
COPENHAGEN *March 19 at First Clients, Langebrogade 5*
HELSINKI *March 21 at Innopoli 2, Tekniikantie 14, Espoo*

Time: 8.30-11.30 am (Stockholm and Helsinki) 13-16 pm (Copenhagen)

Fee: 69 € + VAT incl. light snack, non-alcoholic beverages and coffee.
Apply to: info@talent.se or info.finland@rlcglobal.com or call: Sweden +46 70 560 03 24

DO YOUR OWN PERSONAL CULTURAL PROFILE FOR FREE! As a participant of this seminar you will get free access to the CultureActive website for two weeks. Here you can do an assessment and get feedback on your own cultural profile and see how you fit in with over 100 cultures. Normal annual licence fee is Euro 75 + VAT.

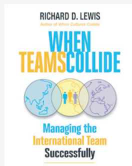
RICHARD LEWIS COMMUNICATIONS

TALENT tar team och ledare vidare

In this seminar you will get an insight into team dynamics in general and the special factors that make a diverse team come together and flourish despite individual personalities, experiences and competencies. You will get ideas and tools for creating and gaining business advantages.

Learn about:

- Success factors for teams.
- A model for developing high-performing and sustainable teams.
- How to create commitment in times of change.
- Getting the most out of cultural diversity.
- Communicating across cultures more effectively.
- Building trust in teams.
- Managing the international team.
- **A business case from Richard Lewis's forthcoming book When Teams Collide – Managing the International Team. Participants can order a signed copy for a 50% reduction.**



This seminar is for anyone who leads or works in an international or otherwise diverse team, or organises development training for such teams. The seminar is led by Peter Hård, Executive Partner at TALENT Sverige AB (www.talent.se) and Michael Gates, Group MD of Richard Lewis Communications Ltd. (www.crossculture.com)

PETER HÅRD *has worked with leadership development for 16 years in Swedish and international organizations. In 2002 he started the change management consultancy Talent Sverige AB. Today he acts mainly as an executive coach for top managers and management teams and as an inspiring lecturer and change management consultant. Peter is Nordic marketing partner to Team Coaching International Inc, (US). His clients include Adecco, Bonniers, Ericsson, Ernst & Young, Komatsu, Nordea, Skanska and Vasakronan as well as government agencies and public sector organisations.*

MICHAEL GATES *was a Scholar of St. Catherine's College Oxford, where he gained an M.A. in English Language and Literature. He is Group Managing Director for Richard Lewis Communications internationally, but also takes an active role as a speaker and trainer. His clients have included Nokia, Microsoft, The World Bank, Duke Fuqua Business School, Rolls-Royce, Oxford University. He is a board member of the Finnish-British Trade Association, and Director of Operations of The English-Speaking Union of Finland. He has contributed to books on cross-cultural topics and published numerous articles in The Telegraph, La Tribune, People Management and many more.*

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