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Strategic Alliances in Emerging Markets: An Investigation of the Effects of Culture and Emerging Market Characteristics on the Performance of Acquisitions in Eastern Europe.

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March 2000

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Acknowledgments

The author wishes to express heartfelt thanks to the many people who have helped to make the submission of this thesis possible.

Dr Carla Millar undertook much of the onerous burden of supervision, and was always available for advice and constructive guidance and criticism. Carla also ensured that deadlines were met and was most encouraging in the subjection of the work to outside scrutiny by the writing of papers and attendance at conferences. Suffice to say that without her involvement this investigation would never have been completed. Professor Chung Choi was also an excellent source of good ideas and encouragement.

The second group of helpers are those of the sponsoring organisation, particularly Jean Martin, President for Central and Eastern Europe, who permitted the study to go ahead and provided access to the Eastern European subsidiaries, Frank Braeken, Vice President Finance for Central and Eastern Europe who provided resources for the study, Mar Jansen who provided secretarial support and undertook the at times difficult task of coordination between myself, Headquarters, and the subsidiaries, the Chairmen of each subsidiary, Fergus Balfour, Tjalling Tiemstra, and Fergus Cass, and their respective secretaries, Dora Suto, Barbara Kowalik, and Andreia Nastase, who organised the distribution and collection of the questionnaires.

Finally to my partner Susan and sons Freddie and Ben, who saw a lot less of me that they should, but provided other sources of help and support and created some sort of balance in my life between study and family comforts.

Declaration

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Abstract

The objective of this study is to investigate the effects of culture - national, organisational, and regional - on the performance of strategic alliances (mergers, acquisitions, or joint ventures) in Eastern Europe.

From a research perspective Eastern Europe is very much 'virgin territory', in which the effect of Western European management techniques and processes should be uniquely detectable as few have previously existed. There are schools of thought that suggest that because of the years of Soviet domination there may be homogeneity of organisational cultures in the region, which will make the effect of national cultural differences easy to detect. Further, freedom from communism will result in the newly liberated economies exhibiting similar 'emerging market' characteristics as the economies evolve, hence pointing towards some homogeneity of regional influences. Alternatively, many observers suggest that Eastern Europe, having been freed from Soviet domination, is re-establishing latent forms of free market systems that have been dormant during the Soviet era, and consequently the markets' development can be thought of as 're-emergence'. These issues of cultural differences and emerging market characteristics have not been previously researched at the organisational level in this environment.

Hitherto international strategic alliances have largely been unsuccessful from the viewpoints of either management or investors. The reasons for this are thought to lie in the implementation phase of the management of the alliance, as it is now recognised that value can only be added after the deal or agreement has been signed. Within the implementation phase, cultural integration is thought to be the major challenge. Cultural integration may have different challenges in Eastern Europe because of the issues outlined above.

An exploratory study based on inductive methods has established that there is no homogeneity of organisational cultures in the region. The findings are in accordance with the small group of researchers who suggest that is the manner in which different cultures are managed, rather than the cultural differences themselves, which creates a basis for successful integration. Additionally, two factors, the effects of *experience* and *reputation*, not prominent in the management literature, are identified as important in the integration process.
It is postulated that success in managing the integration process is a function of organisational capability as much as the adoption of a formulaic process based on best practice or theoretical considerations, and a model for assessing such capability is proposed.
The findings suggest that the markets of Eastern Europe are following patterns of 're-emergence' rather than 'emergence', and the study questions whether in fact emerging markets display common characteristics which are observable at the level of the firm.

1. Introduction

The objective of this study is to investigate the effects of culture on the performance of strategic alliances (mergers, acquisitions, or joint ventures) in Eastern Europe. The study firstly aims to explore the extent to which existing research and cultural integration theory, largely developed in North America and Western Europe since the 1970's, is relevant within this new geographic context. Secondly, it aims to explore whether regional influences or 'emerging market characteristics' also influence cultural integration. This body of knowledge is much more recent and has been developed in the 1990's. The emerging markets in question were released from Soviet domination between 1989 and 1991.

There is now a wealth of literature written about strategic alliances which has been prompted by the growth in activity in the late 1980's and the mid-late 1990's, and also by the low rate of success evidenced by many researchers. Much of the research centres on motivations for undertaking strategic alliances with the object of understanding trends in this activity, and also research into reasons for success or failure, with the object of improving performance. In the area of performance improvement much attention has been paid to the management of the alliance as it is now widely recognised that success can only result from actions undertaken after the alliance agreement has been implemented. Within this context cultural integration has been found to be a key variable, the management of which is important for success. In the international context, because cultural differences are greater, the management of alliances presents greater challenges. Hitherto, this has resulted in a lower success rate for international alliances. The management of the cultural factors relating to 'emerging markets' within Eastern Europe should present additional challenges.

The structure of this study is as follows. The literature section 2, is divided into two parts. Section 2.1 explores the current context of strategic alliances covering definitions, trends, uses, and performance to provide a background to the study. The main theoretical constructs emerge from the subsequent section 2.2, which examines the impact of cultural differences and the role of cultural integration on the performance of alliances in Eastern Europe. From this section the research objectives, section 3, are derived.

In the subsequent section 4, Methodology, methodological options available for the research are discussed, the methodologies of earlier workers in this field are examined, and appropriate methodologies to fulfil the research objectives are chosen.

Thereafter the results of the study are presented in section 5. These take the form of analyses of interviews, which are integrated with findings obtained by tools which examine organisational and national cultures and emerging market characteristics.

Finally, conclusions are drawn and discussed in section 6 together with the study's contribution to knowledge. The methodology is reviewed in section 7, and directions for further research are outlined in section 8.

2. Literature Review

2.1 The Context of Strategic Alliances

2.1.1 Definitions

There are numerous definitions and descriptions of types of strategic alliance, and this section gives a short summary of the various views.

Many researchers draw few distinctions between a joint venture and a merger or acquisition whilst others define a joint venture quite narrowly, often as an autonomous entity in which each of the owners has an equity stake. For example, Fedor and Werther (1994) take the view that there is no practical difference between a joint venture and an acquisition, whilst Kogut and Singh (1988), reflecting the majority approach, define a joint venture as,

> 'the pooling of assets in a common and separate organisation by two or more firms who share joint ownership and control over the use and fruits of these assets'.

Preece (1996) has a similar but not identical definition, but calls the joint ventures 'strategic alliances'. Yoshino and Rangan (1995) note the confusion as to exactly what constitutes a strategic alliance, and give the following definition, a strategic alliance possessing simultaneously three necessary and sufficient characteristics:

- The two or more firms that unite to pursue a set of agreed upon goals remain independent subsequent to the formation of the alliance
- The partner firms share the benefits of the alliance and control over the performance of the assigned tasks.

- The partner firms contribute on a continuing basis in one or more strategic areas, e.g., technology products and so forth.

The authors themselves acknowledge that their definition would exclude the work of many other researchers. For example, they would exclude not only all mergers and acquisitions but also joint ventures as defined by Kogut and Singh and other workers.

Co-operative or collaborative agreements are described by Buckley and Casson (1988), hybrid arrangements by Borys and Jemison (1989), 'strategic' alliances by many including Ohmae (1989), joint ventures by Harrigan (1985, 1986), and coalitions or partnerships, for example, by Porter and Fuller (1986).

Moss Kanter (1994) is one among many researchers who take a wider view of an alliance,

> '...they are more than just the deal. They are living systems that evolve progressively in their possibilities'.

Her focus is on 'partnerships' rather than a closely defined typology. Yoshino and Rangan (1995) also note the emergence of 'new' alliances formed when independent firms co-operate and form alliances based on mutual needs.

Conclusion

There are two conclusions to be drawn from the literature concerning definitions and descriptions of strategic alliances. Firstly, there is no commonly accepted definition of strategic alliance, and researchers have responded to this by defining their own in relation to the organisations which they have studied. Secondly, a common thread in the literature is that the nature of alliances is changing.

This lack of precision in definition may reflect the fact that the business world is evolving constantly, and therefore strict scientific definitions are rarely applicable. It also may reflect the variety of forms of strategic alliance, and the variety of motivations for their formation, resulting in few unifying paradigms. In international strategic alliances the position may be further complicated by the different business practices and environments caused by the geographic spread of activity. Research appears therefore to have generally adopted a contingent approach in which an alliance or a group of alliances in a certain situation will be studied, and consequent conclusions drawn and generalised.

The divisions in the literature may also reflect the practitioner view (McKinsey Quarterly, Harvard Business Review) or the more academic (Journal of International Business Studies), the latter having more closely defined definitions.

Regarding definitions of strategic alliances this researcher's view is pragmatic. For the purpose of this study the term 'strategic alliance' includes both joint ventures and mergers and acquisitions of a 'strategic' nature, but when studies are quoted the form of the alliance will be made clear. This approach has the advantage of exploring the fullest range of literature to cast light on the subject. However, in constructing the methodology (section 3) one form of alliance is used to limit variables of the form of alliance.

Onward Linkages

Within the context of strategic alliances it is relevant to examine their demographics. For example, to explore whether there are patterns of formation by industry or by geographic area, and whether the use of alliances is increasing. Additionally it is

relevant to explore the motivations for their formation, and to examine their success. These issues are explored in the following section.

2.1.2 Trends

2.1.2.1 Sectoral Distribution

This section examines whether alliance activity is spread across industry sectors, or is focused on relatively few sectors.

El-Hajjar (1991) studied the demographics and motivations of British alliances between 1980 and 1989. In a survey covering various types of alliances, she found that 78% of alliances were accounted for by four industries:

- electronics
- aerospace
- telecommunications
- automobiles

Only two partners were involved in 77% of all alliances, and 70 British companies accounted for 337 alliances. Hibbert (1992) found that 87% of activity in 'co-operative ventures' was within the Triad (North America, Europe, and Japan), and that 81% of alliances involved one partner. The sectors of:

- aerospace
- telecommunications
- computers
- motor vehicles
- other electricals

accounted for 87% of agreements. In a similar but more comprehensive study over the same period, Glaister and Buckley (1994) surveyed the formation of joint ventures between U.K. firms and Western Europe, the U.S., and Japan. These regions accounted

for 94% of activity. The researchers found that there had been an uneven pattern of joint venture formation with a distinct increase in the final two years of the decade caused by joint ventures in Western Europe. The majority of the joint ventures were formed within Western Europe, the U.S. being the second most common source of partners. The authors found that 50% of all joint ventures fell into 4 groups of industry:

- financial services
- telecommunications
- aerospace
- manufacturing

No pattern of success by industry could be determined. The vast majority of ventures (85%) were formed with just one partner, though the U.K. organisations tended to be more 'promiscuous'. In method of formation equity based were more common than non-equity based, although no clear preference was determined from the sample. Bleeke et al. (1990a) examined trends in the Triad markets, particularly the type of alliance activity in each region. They found that the US tended to sell, that Japan's activity was increasing, and that Europe was the region of the most aggressive cross-border activity.

In Eastern Europe Lane (1995) notes that the sectoral distribution of joint ventures differs from those in the West in that most are involved in service industries including the media, and hotels. Other alliances involve consumer goods - foodstuffs, tobacco, cosmetics and pharmaceuticals - construction materials, and automobiles.

Conclusion

Within the three initial publications there is broad agreement on the pattern of alliance formation with the exception of Glaister and Buckleys' finding of alliances in financial services (14%) which is not mentioned by the other researchers. This could be due to a question of definition or the start of a new trend. Certainly the restructuring of the financial services industry in the 1990's has involved considerable merger and acquisition activity. El-Hajjar's study indicates that the same companies over time can be involved in several alliances, and points towards an experience curve for the companies involved. The geographic focus of activity in the mature markets of the Triad may reflect increasing cross-border activity as trade increases, or the restructuring of industries. The pattern in Eastern Europe may differ, being more service orientated and less hi-tech, possibly because industries in the region are not at the same stage of the life-cycle as industries in the Triad.

2.1.2.2 Growth

Cartwright and Cooper (1996) monitored U.K. merger and acquisition activity from the 1980's to the end of 1994. The rise in activity at the end of the 1980's is confirmed, though activity subsequently dropped, probably due, they conclude, to the recession of the early 1990's. Activity had recovered to the pre-1987 boom level by 1994, and looked set to continue. The increasing growth and complexity of alliances are reported by the Economist (1993), but the publication takes a more sceptical line. The authors question whether the growth in alliances is a short-term fad, and suggest they may become less widespread, although their advantages will ensure that activity survives. According to McDonald (1993) the privatisation process resulted in the growth of joint ventures in Poland. Schoenberg et al. (1995) report a quadrupling of European joint

venture and merger and acquisition activity over the previous five years, whilst Whitelock and Rees (1993) investigated the growth of mergers and acquisitions and joint ventures within Europe and discovered a significant increase in activity against a background of a global slowdown. They found that the most likely cause was the 1992 formation of the Single European Market, although no direct link was proved.

More recently the growth has continued. Merger and acquisition deals in 1996 reached a record high of $262 billion, and the drivers to sustain such growth were still in place (Finkelstein 1998).

> 'Whilst cross-border direct investment is expanding rapidly acquisitions and especially alliances are increasing even faster',

reports the Financial Times (Wagstyl 1997) and David Ernst of McKinsey's is quoted predicting a 20% annual growth rate in the future. 'A mergers runaway', exclaims Shearlock (1997). A further record $2100 billion was achieved in 1998 (Harris 1999).

Conclusion

The conclusion to be drawn from the research in this area is that there is little doubt that alliance formation has increased considerably in the past decade and will continue in the future. The scepticism of the Economist (1993) appears to have been unfounded. The drivers do appear to be cross border deals and the international restructuring of industry. There is little difference in the patterns of development for different forms of alliance – all forms have shown tremendous growth in the 1990's. It will be interesting to see whether the trends set in the 1980's and 1990's will continue beyond the millennium or whether the effects of a global recession will again reduce this activity.

2.1.3 Motivations and Uses

There is a vast literature covering the motivations and uses of strategic alliances. This section has therefore been subdivided into quantitative studies, mode of entry, functional uses, strategic development, internationalisation, and network formation. These divisions reflect the most common themes in the literature.

Quantitative Studies

An extensive survey undertaken by Trautwein (1990) categorised merger motives and concluded that asset building, growth, and increased efficiency were the most plausible. El-Hajjar (1991) found that only 10% of U.K. companies used alliances, primarily as a mode of entry into new international markets. The spreading of R&D costs and technological development risks were considered important by 33% of the companies surveyed whilst a further 33% emphasised motives concerning market spread. Lorange and Roos (1991) note economies of scale in manufacturing whilst Hibbert (1992) found the predominant strategic rationale was product development/marketing, mentioned by 45% of respondents. Major motivations included economies of scale in manufacturing and technological development, international market access, and cross-fertilisation of technology. A survey of 4182 technological alliances, reported in the Economist (1993), found the most common motivations were market access, the exploitation of complementary technologies, and the reduction of innovation lead time. Glaister and Buckley (1996) found that gaining a presence in a new market was the most important motivation for international alliances.

Mode of Entry

The use of alliances as a mode of entry is perhaps the approach most often found in textbooks (Keegan 1984, Hibbert 1989, Norgan 1994, Albaum et al. 1994, Rugman and Hodgetts 1995, Douglas and Craig 1995). Bleeke and Ernst (1991), in a study of 49 cross-border alliances found alliances were most effective for entry into related businesses or new geographic markets. The general thrust is to gain market access, sometimes to difficult markets, whilst reducing risk. Eastern Europe is considered an example of this by Quelch (1991), and Moss-Kanter (1994). The main risk factors in this region identified by the European Bank for Reconstruction and Development (1993) were the lack of a clearly defined legislative framework, confusion over property rights, lack of a developed market economy, lack of a capital market, and uncertainty with respect to price trends. These factors acted as de-motivators to inward investment. Within Eastern Europe market access seems the most common motivation (Guzek 1992, Corrigan et al. 1993, Lane 1995). The reason for this according to Corrigan et al. (1993) is because the underdeveloped markets of Eastern Europe present opportunities to companies competing in the mature markets of Western Europe. Motivations for Eastern partners include access to Western technology and expertise, access to Western markets, and the prestige involved in having links with an international name. A major finding of Lane (1995) is that foreign firms were no more likely to take advantage of lower labour costs than domestic investors and are not entering sectors which require higher capital. Corrigan et al. (1993) had found low cost to be a secondary factor.

Functional Uses

Alliances can be used to improve logistics (Bowersox 1990, Larsson 1993, Mohr and Spekman 1994, van Laarhoven and Sharman 1994), and in I.T. outsourcing (Willcocks and Choi 1995, McFarlane and Nolan 1995). Their uses for marketing related strategies are described by Bucklin and Sengupta (1993), and for product development, innovation, and distribution by Whitehall (1993), Walters et al. (1994), Ridault and Cummings (1994), Zagnoli and Cardini (1994), and Littler and Leverick (1995).

Strategic Development

The use of alliances for restructuring in response to environmental changes is reviewed by Morgan (1988), Napier (1989), Hopkins (1991), Abravanel and Ernst (1992), and Inham and Thompson (1994). Joint ventures can turnaround an alliance according to Bery and Bowers (1991). Bleeke and Ernst (1992) note that 80% of joint ventures end up as a sale and that the median life-span of an alliance is only seven years. The same authors (1993) suggest that an alliance (joint venture) is part of a continuum of strategic development, which most often results in an acquisition. Their work suggests not only that a joint venture is often merely part of a continuum of organisational development, but also often a disguised part of an acquisition process. Earlier work by Kogut (1988) is in agreement, a conclusion being that organisations should not regard joint ventures as permanent.

This evolutionary perspective is developed by other authors, such as Taucher (1993) and Nanda and Williamson (1995, 1996). The development of the core business and core competencies is given prominence by Corrigan et al. (1993), Lei (1993), and Kozin and Young (1994). A different approach taken by Bleeke and Ernst (1993) who construct a typology of alliances by sorting them into collisions between competitors,

alliances of the weak, disguised sales, evolutions to sale, and alliances of complementary equals.

Many of these ideas are encapsulated by the 'Six L's' typology of Preece (1995), who suggests alliances can be used to:

- develop an organisation's knowledge base (Learning)
- gain support of a stronger partner (Leaning)
- extend competitive advantage (Levering)
- form connections with similar organisations (Linking)
- aid rapid technological development (Leaping)

or

form a consortium against a competitor (Locking out).

Internationalisation

Ohmae (1989), in 'The Global Logic of Strategic Alliances', states that alliances are a necessary part of the path to globalisation, because of the impossibility of one organisation being able to totally service global markets. The advantages of alliances lie not only in cost savings but also in greater market spread. The development of the global business is highlighted by Banks and Baron (1993). Porter's (1986) view is simply that global companies must compete on a global basis, and alliances are a mechanism that enables them to do so. In a paper with Stonham (1994), Moss-Kanter is in agreement, regarding alliances as part of the inevitable route to globalisation. Porter and Stonham (1991) suggest that alliances can be used to transform organisations from domestic to European, or even international, competitors. Porter stresses the need for corporate direction,

'The idea that companies can truly network between subsidiaries does not hold water'.

He is therefore not in agreement with authors who see alliances evolving into networks of organisations.

Networks

Gomes-Casseres (1994) takes the development of alliances a step further. His vision is that future competition will take place between competing networks rather than between individual companies. The drivers that will enable this to happen are new technology, globalisation, increasing complexity of products, and shared technology. Technologies are creating links between businesses that were formerly separate, and allow specialists in each field to co-operate. The author points out that networks are not new and gives the Japanese *keiretsu* as an example. Barnatt and Wong (1992) note that networks

'allow firms to exist without the encumbered inefficiencies of overburdened line structures',

and have become feasible because of the development of information technology (IT). The authors question whether new forms of organisation lead to mergers or mergers are part a move to new network forms. Harland (1994) envisages the 'virtual corporation', a network of alliances. The network model and the more traditional multinational configuration are compared and contrasted by D'Cruz and Rugman (1994). Lorenzoni and Baden-Fuller (1995) essentially agree with Ohmae and Gomes-Casseres' vision. They envisage the international organisation as being at the centre of a web of alliance partners, in which it must fulfil the role of leading the web, creating value for its partners and directing the structure and strategy.

Conclusion and Onward Linkages

The majority of publications focus on several aspects of alliances, so there is much overlap of subject matter. Various other themes can be identified from the publications. Firstly, there is a movement from the use of alliances for competition to collaboration, first promulgated by Perlmutter and Heenan (1986). Secondly, there is a focus on 'people' issues throughout the literature. There is a recognition that alliances have an emotional side, and issues such as people management, partnership, complementarity, communication, and the building of trust, are prominent. The work of Bleeke and Ernst (1991, 1992) strongly suggests that there is overlap in use between joint ventures and mergers and acquisitions which reinforces this researcher's view that the literature covering each different form of alliance should not be treated as separate.

Many of the examples quoted in the publications, with the exception of Eastern Europe, come from the hi-tech sector, but the quantitative studies suggest that motivations and uses in general are more down to earth than, for example, the building of networks. There are links between these latter papers and the ideas of organisational development theorists such as Handy (1986, 1992) who predicts the disappearance of the organisation and patterns of work as we know them. Whether alliances result in global organisations of competing networks or not, it is clear that most authors envisage alliances as far more than an alternative mode of entry. The wide variety of uses illustrates the scope, versatility, and flexibility of alliances.

Given these attributes and the rapid growth in alliance formation one would expect that they are generally very successful. The question of success is addressed in the next section.

2.1.4 Performance

The abysmal performance of alliances is now part of business literature folklore, but the fact that most organisations putting money into an alliance would be better off keeping it in the bank (McManus and Hergert 1988) does not seem to have deterred prospective partners as the trends of growth in alliances confirm.

The stability of joint ventures was researched by Gomes-Casseres (1989), who found that stability was a major problem, though reasons for this are not established. It has already been noted (section 2.1.3) by Bleeke and Ernst (1992) that 80% of joint ventures end up as a sale and that the median life-span of an alliance is only seven years. Their work on the longevity of joint ventures is supported by Swierczek and Hirsch (1994) and Barkema et al. (1996). Fedor and Werther (1994) note that over half U.S. joint ventures fail, whilst Rigby and Buchanan (1994) are more pessimistic than most, stating that only 2% of alliances produce lasting performance improvements for the partners. This pattern of failure is generally supported by Ingham et al. (1992).

Love and Scouller (1990) agree with the poor rate of success of acquisitions. Schmidt and Fowler (1990) find that acquisitions are not profitable for shareholders but managers involved in the merger or acquisition gain significant increases in compensation.

More recent research into performance shows the same pattern. Moynihan (1994) reports that a massive 80% of acquisitions destroy value for the acquiring shareholders and questions why such activity continues. Cartwright and Cooper (1996) review merger and acquisition performance and come to familiar conclusions. 'A disappointing history', is an understatement which they conclude is largely due to the process being financially and legally led, to the neglect of 'people' issues. A recent study by the Economist Intelligence Unit (1996) found 'remarkable consensus' that less than half

acquisitions can be considered successful. The major problems in the implementation phase are usually concerned with human resource issues. 'The one asset that appears to be overlooked is people'. Meschi (1997) agrees. 'Too many alliances end in divorce', notes Medcof (1997).

Recent joint ventures fare no better. That matters are not improving is evident in a review of joint ventures published by KPMG (1997). The title, 'Joint Ventures A Triumph of Hope over Reality?' summarises the findings.

2.1.4.1 National v International Success Rates

A further question is whether international alliances are less successful than national alliances.

As early as 1973 Kitching (1973) found that between 1965 and 1970 only 50% of international mergers could be termed as successful. Work by Killing (1982) established that the failure rate for international joint ventures was over 30%.

Marks and Mirvis (1992) assert that foreign mergers and acquisitions carry a higher degree of risk because management is more difficult. Culture clash is a problem area. Taucher (1993) notes that cross-national alliances have an unusually high rate of failure and Fedor and Werther (1994) also found that failure rates were higher for international alliances. Konieczny and Petrick (1994) noted that although international alliances have become widespread their 'divorce rate', ranging from 30% to 60% indicates a high susceptibility towards failure. Swierczek and Hirsch (1994) report that of over 800 international alliances involving U.S. firms only 60% lasted for over four years and only 14% lasted more than ten. 50% of all joint ventures between U.S. and Asian companies resulted in failure and fewer than 5% of joint ventures involving U.S. Japanese, Taiwanese, Singaporean, and Hong Kong partners achieved their objectives.

Zahra and Elhagrasey (1994), in a broad review of the management of international joint ventures, defined various types of venture and examined the causes of failure at each stage of the venture development. They report a 60% failure rate. Finkelstein (1998) states that the majority of cross-boarder mergers and acquisitions are unsuccessful, more so than national mergers or acquisitions.

There is little research into the success of strategic alliances within Eastern Europe but Corrigan et al. (1993) state that mergers and acquisitions are not as successful as had been hoped. Gooding (1994) found that the conduct of joint ventures in the former U.S.S.R. was fraught with difficulties.

Conclusion and Onward Linkages

Though high rates of failure for alliances were established in the 1970's, there is little evidence of improvement in the next twenty odd years. There is very little disagreement among researchers looking at the success of alliances in all their forms. The more recent studies reinforce the earlier, and the overall pattern has not changed over time. The lack of success does not seem to be given the same prominence in the media as the growth of alliances and their theoretical benefits.

In general there is broad agreement that international alliances are more problematical and less successful than national alliances. Given the additional environmental complications in conducting business abroad this is to be expected. A logical recommendation for business would be therefore to avoid international alliances at all costs! However the challenge of business research in this area is to try and identify the reasons for failure and so increase the likelihood of success. Organisations, presumably, expect to be part of the successful minority when they decide to undertake an alliance.

Various questions concerning the performance of alliances naturally arise. Why are some alliances more successful than others? More specifically, what factors promote success and militate against failure? These issues will be examined in the next section.

2.1.5 Success Factors

The overall lack of success has led a multitude of researchers to investigate factors for success and reasons for failure. From the studies already mentioned issues of form of alliance, strategic fit, the alliance process, partner fit and cultural factors, are prominent.

2.1.5.1 Form of Alliance

Harrigan (1988) maintains that alliances offer better odds than mergers or acquisitions. Moynihan (1994) suggests that an alliance is preferable to a hostile take-over. Madhok (1995) also asserts that the assumption that wholly owned subsidiaries are more efficient than joint ventures is not necessarily true. Hall (1995) suggests that withdrawal of co-operation and goodwill in mergers and acquisitions is more difficult than in alliances such as joint ventures and therefore these are more vulnerable to failure. However Chan (1995) undertook a quantitative investigation into the performance of 100 US companies using either a joint venture or a wholly owned subsidiary as a mode of entry into foreign markets. Surprisingly he found little difference in financial performance but stated wholly owned subsidiaries may be more profitable. Barkema et al. (1996) examined 225 ventures involving 13 Dutch companies using data from company reports and accounts. They found that wholly owned subsidiaries last longer than joint ventures. In a further major study of performance and mode of entry, Woodcock, Beamish et al. (1994) hypothesised that a direct investment should outperform a joint venture which in turn should outperform an acquisition. Their study was based on 321 Japanese entrants to the U.S. and the hypothesis was supported. The question of whether this would hold in all cases is still open, and supporting studies are awaited.

Dominant Partner

There appear to be two schools of thought. Killing (1982) found that alliances with dominant partners were more successful than those with shared management. Those with independent management were the most successful of all, but the author suggests that this may be due to a self fulfilling prophecy, good performance leading to independence. Harrigan (1988) suggests that whilst consensus by partners is desirable she found from her analysis that one partner should be in charge. The dominant partner effect was observed by Millington and Bayliss (1997) in their study of 49 UK equity joint ventures with EC partners. Majority ownership had a stabilising effect where levels of policy standardisation and interdependence were high, and dominant joint ventures were more stable in developed countries.

These findings of the benefit of dominant partners have not been corroborated by other researchers (section 2.1.3) who find co-operative control to be more successful. In the case of joint ventures Bleeke and Ernst (1992) found that alliances between the strong and the weak rarely work, and those with a 50% / 50% share of ownership are the most successful. Bleeke and Ernst (1995) develop many of their earlier themes (for example see Bleeke (1990b)). They state that alliances between competitors with similar core businesses, markets and common skills tend to fail. Alliances of the weak, 'bootstrap' alliances, in which the stronger partner attempts to bring the weak partner up to scratch are also likely to fail, but alliances of complementary equals are most likely to succeed. Harrigan (1988) herself suggests that similarity of size and shared strategies are more important than dominance of partnership. However, Balloun and Ridley (1990) point out that there are rarely mergers of true equals, and beg the question of how equality is defined.

Schaan (1988) researched the outcome of 23 joint ventures and concluded that success requires a subtle balance to be drawn between the need to exercise control and the need to maintain a good relationship with the partner. The question of a majority equity shareholding is seen as unimportant, and the author notes that success depends on the achievement of objectives, which need not be financial. Hence a successful alliance may be unprofitable, and conversely a failed alliance might make money.

Conclusion

It is interesting that the supposed the supposed advantages of joint ventures over acquisitions are not supported by the three quantitative studies. The questions regarding dominant partner advantages remain open, but it is worth noting that an acquisition, by definition, results in an alliance with a dominant partner.

2.1.5.2 Strategic Fit

Strategic fit has been was found to be a key determinant of success by Harrigan (1988), Geringer (1991), Geringer and Herbert (1991), Zahra and Elhagrasey (1994), Rigby and Buchanan (1994), and Medcof (1997). Haspeslagh and Jemison (1991) suggest that strategically logical acquisitions are more likely be successful; 'value creation' is preferable to 'value capture'. Cartwright and Cooper (1995) state that mergers and acquisitions in related markets perform better than those in unrelated markets. More recently Healy et al. (1997) examined acquisitions which were financially driven and acquisitions that were strategically driven. They found that the financially driven acquisitions mergers at best break even whilst the strategically driven generate gains.

There is a debate as to whether 'fit' should imply similarity or duplication of strategies or complementarity. For example, Schill et al. (1994) studied the alliance between Rover and Honda and found that one of the reasons for its success was because both partners had clear complementary strategies and objectives, and did not compete in the same markets. Bleeke and Ernst (1995) are in agreement.

However, a host of researchers (Chatterjee 1986, Lubatkin 1987, Sing and Montgomery 1987, Shelton 1988, Seth 1990) have quantitatively investigated the relationship between strategic fit and performance, with mixed results. Overall, there does not appear to be a strong correlation between strategic fit and the success of alliances. Jemison and Sitkin (1986) derive a similar conclusion, and stress that alliance decision-making is not usually a wholly rational process. They suggest that it is the process itself and the way in which it is conducted that determines the outcome of the alliance. Following their earlier work Chatterjee and Lubatkin (1990) found that provided core technologies are shared unrelated product diversifications can be successful, but also point out that unrelated mergers can be as successful as well.

Conclusion

The diversity in findings can be summarised by saying that although strategic fit is important it does not alone explain differences in performance. The mixed results of the quantitative studies support this. The literature indicates not only that there are exceptions but also that other factors are involved.

2.1.5.3 Alliance Process

The alliance process covers the sequence of actions necessary to complete an alliance from initial motivation through to implementation. Many researchers have identified

steps in the acquisition process and potential difficulties or weaknesses at each stage. Jemison and Sitkin (1986) consider that the management of the process is the key to a successful outcome. Love and Scouller (1990) suggest that rigorous questioning of motivation and rationale would improve the success rate. Lorange and Roos (1991) conclude that most failures can be traced to weak strategic analysis in the first place, and that opportunism is a driving force for many alliances, the success of which would be improved by a more systematic approach. This systematic approach is developed by many authors. Harrigan and Newman (1990) explore the formation of joint ventures as forms of inter-organisation co-operation. They propose a six phase model, with a feedback loop to improve success, and note that the alliance will evolve and change over time which requires modifications to the initial framework of formation. Haspeslagh and Jemison (1991) review the management and success of acquisitions. Their research led to the establishment of a six criteria framework for judging the soundness of an acquisition proposal:

- quality of strategic assessment
- widely shared view of objectives
- degree of specificity of sources of benefits and problems
- organisational conditions to effect acquisition
- implementation timing
- maximum price i.e. determination of the walk-away price

In a comprehensive review of the literature in this area, Hitt and Tyler (1991) report a research study into the decision-making process and conclude that objective criteria for selecting the target firm in an acquisition are frequently used, and that personal and

industry characteristics influence decision making. These personnel and industry characteristics may explain the variance between actual and intended outcomes, but the authors conclude that the decision process is complex.

Forrest (1992) proposes a framework for each stage of the alliance process to avoid pitfalls whilst Pekar and Allio (1994) use case studies to derive their factors for success which revolve around planning and budgeting. Cauley de la Sierra (1994) focuses on the pre-implementation phase. Zahra and Elhagrasey (1994), in a broad review of the management of international joint ventures, examine the causes of failure at each stage of the venture development. A stage by stage checklist is given to avoid pitfalls

Many researchers have focused on the implementation phase. A 'three P' framework, Purpose, Power, and People, is proposed by Balloun and Ridley (1990) to manage the implementation process for projects to be accomplished. Pursche (1990) advocates various implementation approaches which depend on various variables, such as the degree of overlap between the organisations, and their willingness to change. Foote and Suttie (1991) suggest that the post merger management approach will be determined by the health of the acquired business and the degree of overlap between the respective businesses. Medcof (1997) focuses on control issues. Konieczny and Petrick (1994) suggest treating the alliance as a project and use project management techniques to manage it.

Conclusion

There is a broad consensus in the management literature of the importance of the management of the alliance process. A recurring theme is that alliance formation is finance led, whereas success can only be achieved by managing all aspects of the

alliance process, particularly the implementation phase. It is recognised that all to often the process finishes when the deal is signed, when paradoxically additional long term value can only be created after the deal is signed. In general therefore research in this area has tended to concentrate on the identification of important factors which affect the alliance process, developing a list of such factors, and concluding with advice of how to manage them.

2.1.5.4 Partner Fit and Cultural Factors

Partner Fit has been recognised as important by Schaan (1988), Geringer (1991), Lorange and Roos (1991), Robert (1992), Ingham et al. (1992), Zahra and Elhagrasey (1994), and Medcof (1997). Brouthers et al. (1995) stress the importance of partner fit and propose their own framework, 'The Four C's of Strategic Alliances' to identify factors which affect partner fit:

- Complementary skills
- Co-operative cultures
- Compatible goals
- Commensurate levels of risk.

This issue of cultural differences are implicit in any discussion of partner fit and an examination of the relevant literature now follows.

Culture

The relevance of appropriate organisational culture to corporate performance has been emphasised by many authors. Peters and Waterman (1982) have succeeded in bringing this topic into the mainstream of business literature. Similarly the effect of culture on strategic alliances has received increasing attention and this and people issues have already been mentioned several times in this study.

Though awareness of cultural issues is now high the management of cultural differences is often found to be lacking (Rowley 1996). The inadequacies of the rational economic model to determine alliance success was reported long ago by Kitching (1967) who found that objective performance measures bore little relationship to results, but it has taken nearly two decades for reasons for this to be established (Cartwright and Cooper 1986). The latter two authors have been major researchers in this field for over a decade. In 1986 they focused on the merger process and the implementation phase to study reasons for failure, and regarded the failure to manage culture as a major U.K. weakness. In 1989 they studied three IT joint ventures, examined the role of culture and linked it to the success of the joint ventures. Cartwright (1990) links cultural management firmly to the success of acquisitions.

Cultural fit is also linked firmly to alliance success by Franck (1990), and Olie (1990) who also found that cultural fit is a major contributory cause of failure in the implementation phase. Meyerson and Martin (1984) suggest that good cultural fit is not the same as cultural similarities; cultures change over time, and it is the complementarity, rather than similarity, that is most important. Cartwright and Cooper (1991) found that acquisition management, especially in the early months, determines the ultimate success of the alliance and within this a programme of cultural change is all

important. Guptara (1992) found cultural incompatibility to be the main cause of acquisition failure and suggests a cultural audit, based on 15 elements to provide a cultural portrait of each organisation, from which differences can be identified.

Pinnington (1992) investigated high-tech ventures in research based organisations and found that when issues concerning expertise, experience, and resources are resolved, differences in culture can still militate against success. Leighton (1993) highlights the problems associated with cultural differences and gives anecdotal advice on how best to avoid them. Egan and Willey (1993) studied one large successful joint venture, and describe how cultural difficulties were overcome. Flanagan (1993) warns against short-termism in alliance formation and gives general advice on how to manage cultural differences. Faly (1993) investigated the acquisition of a paper plant in Poland and notes that the cultural element, particularly language, was the biggest impediment to success. Cartwright and Cooper (1993) state that cultural incompatibility is the main reason for lack of alliance success and suggested that the type of merger will determine the degree of integration and cultural change required. They propose a cultural audit to assess compatibility. Lorenz (1994) studied a Germany-U.K. cross-border take-over. Factors which influence success include a long-term commitment and shared technology and training. Initial difficulties were caused by cultural differences that were being addressed by inter-cultural training courses. A large scale study by Fedor and Werther (1994) stresses the need to assess cultural fit and to achieve cultural integration for the alliance to succeed. In two of the three cases examined by Olie (1994) cultural differences had been underestimated, resulting in one failure. The author advocates leadership of the alliance as a key role to manage the cultural integration factors to aid success. Schill et al. (1994) investigated technology exchange between different

cultures and management styles in the automobile industry. They found that managing people is more important than managing the technology, and the success of this greatly contributes to the success of the alliance. Paik-Sunoo (1995) points to assessment of cultural differences being most significant in a variety of forms of strategic alliance. Stiles (1996) found that cultural similarity is a significant factor in emphasising the co-operative aspect of an alliance, and generates more enthusiasm to retain the relationship for the long-term. Within the context of acquisitions in the former East Germany, Thomson (1996) found that,

> 'the greater the foreigness of the purchaser, the more likely the belief between acquirer and acquired that cultural differences were present and needed addressing'.

Cartwright and Cooper (1995, 1996) update and review their earlier studies. They conclude that alliance decisions are rarely based on 'soft issues' involving human factors. They reiterate the importance of cultural management in the implementation process and state that cultural fit is as necessary as strategic fit. Quoting Porter (1986) they note a move from competitive to co-operative strategy. Generally they find that different ways of doing things by a foreign partner are thought of as 'wrong' rather than 'different', and recommend inter-cultural training and research in order to identify and minimise problems. Barnes et al. (1997) identify cultural differences as the main cause of failure for alliances in the former Soviet bloc. Finkelstein (1998) focuses on the difficulties of the cultural aspects of integration.

Johanson and Vahlne (1992) promote the concept of 'psychic distance'. Companies begin the internationalisation process in countries that are psychically close before venturing further. This is to reduce the level of uncertainty that they face. Nordstom and

Vahlne (1992) define psychic distance as factors preventing or disturbing information between potential or actual customers. Differences in education, business language, culture, and local language can cause are typical factors. These would normally be considered as part the cultural domain, and cultural distance seems a good proxy. O'Grady and Lane (1996) take a similar view of the difficulties caused by long psychic distance, but do point to cases where short psychic distances have paradoxically also resulted in failure, due to the organisations concerned assuming cultural similarities and foreseeing no differences or difficulties.

Bartholomew and Adler (1996) link organisational forms of future international organisations to cultural integration. In transnationals, rather than a dominant culture, the emphasis will be on collaborative learning, reflecting the movement from hierarchies of dominance to networks of equals. In this type of organisation cultural differences whilst existing would not cause conflict.

Quantitative Studies Relating Success to Cultural Fit

The above papers are based on case studies. Quantitative studies are less common but generally reinforce their conclusions.

Datta (1988) proposes a framework for analysis of international joint ventures, asserting that,

> 'many of the problems and misunderstandings in joint ventures have their roots in the cultural differences that exist both at the national and the organisational level'.

In a large scale questionnaire based quantitative study, (1991) he examined the impact of organisational differences on post acquisition performance. A broad view of performance was taken, in that whilst financial measures such as ROI, EPS, share price, cash flow, and sales growth were used, respondents were also asked for their perceptions of the merger's success which was measured using a Likert scale. The first hypothesis, that there was a negative relationship between differences in management styles and post-acquisition performance was supported. Datta also found that performance was affected whether or not a high post-acquisition integration or low post-acquisition integration was implemented. Differences in reward and evaluation systems had little significant effect.

One of the most comprehensive recent studies was undertaken by Chatterjee et al. (1992). The researchers assessed alliance performance by looking at shareholder gains in 198 mergers and acquisitions between 1985 and 1987. The first hypothesis, that the change in shareholder value of buying firms in related mergers was inversely related to the degree of perceived cultural differences between the combining top management teams, was strongly supported. The second hypothesis, that the change in shareholder

value of acquiring firms involved in related mergers was directly related to the degree to which the buyer's top management team tolerated multiculturalism, was also supported. However the third hypothesis, that the negative effects of cultural differences on shareholder value was greatest when cultural tolerance was lowest, was not supported, and this is worthy of further study.

Barkema et al. (1996) examined various factors related to the longevity of alliances, such as prior experience and cultural differences. The hypothesis that longevity decreases with cultural distance was supported. Cultural barriers seemed more prominent in 50/50 joint ventures and experience of alliances improved longevity. Meschi (1997), in a study based on 51 Hungarian joint ventures, found that longevity removed cultural differences significantly. He warns against waiting for differences to disappear and strongly recommends proactivity. Zeira (1996) studied 34 international joint ventures located in Hungary. His hypothesis, that parents who support HRM practices based on host country cultural characteristics would be more effective than those based on the cultural characteristics of their foreign parent, was supported, but data determining whether greater cultural differences between parents adversely effected efficiency proved inconclusive.

One would expect cultural differences to be transmitted in differing managerial styles and practices, and a recent publication by Rallston and Holt et al. (1997), in a study of national culture and economic ideology on managerial work values, found national culture to be of major significance in a corporate-national framework. The countries chosen, the United States, Russia, China, and Japan, represented the extremes of the ideological spectrum. Some evidence of convergence in multinationals was noted.

Divergent Views

Harrigan (1988) suggests that partner traits are subordinate to the competitive needs that the alliance seeks to address, implying that the economic imperative is the greater driving force. Forrest (1992) found that in small bio-technology company alliances cultural differences were not seen as a major problem. However she suggests that a reason for this could be the fact that the personnel involved had all come from a few larger companies in the same closely knit sector and were therefore likely to share a common culture from the outset.

A recent quantitative study by Gomes-Mejia and Palich (1997) is remarkable in that although the researchers were expecting a strong correlation between culturally related diversification and performance in multinationals they found none. Their sample was a random 100 firms from the Fortune 500 and their performance was measured over ten years between 1985 and 1994. This perplexing result led the researchers to various conclusions, cultural differences being perhaps not as important as previously thought, that cultural heterogeneity may improve performance, that cultural problems are temporary and disappear in the long term, that there could well be an experience effect, and that the sample was not generalisable.

Conclusion

There is little doubt that the management of cultural factors plays an important role in determining the success of all types of alliances, and conversely that all types of alliances are prone to culture related problems. The literature shows a development from the identification of cultural differences as a factor which can determine success, to a description of the different cultures and difficulties and the methods used to resolve them. This often results in a recipe or checklist, in which cultural audits and

intercultural training are often recommended. In general the publications tend to be broadly descriptive and management recommendations are relevant to the specific situation described. This is indicative of a contingent approach, no doubt as result of the wide diversity of types of alliances and their uses. Few publications use typologies to describe culture and none use typology descriptors to predict the effect of cultural differences. The later publications focus on the management of cultural integration as the process to resolve problems caused by cultural differences.

The quantitative studies generally support the case studies. It is difficult to know what to make of the publication by Gomes-Mejia and Palich (1997) as the results are not in accord with any other recent papers. There is also some debate as to whether the degree of cultural differences is proportionate to the difficulties encountered (Chatterjee et al. 1992, Zeira 1996). A conclusion from this set of the literature would be to follow the majority view of the importance of cultural differences with a degree of caution, as the study by Gomes-Mejia and Palich (1997) is a substantive piece of work.

The factors identified in section 2.1.5 (form of alliance, strategic fit, alliance process, partner fit and culture) are by no means exhaustive. For example, poor information flows and failure to separate ownership from control are suggested by Bowersox (1990), who also mentions cultural problems and failure to build trust. Corporate laziness is a conclusion of Hitt et al. (1990), who establish that acquisition can act as a substitute for innovation at the expense of in-house development, which can lead to long-term decline. The authors also point out that management preoccupation with the acquisition process and financial short-termism, which seeks to minimise risk, can also contribute to long-term decline. A concentration on avoiding disaster, rather than a positive outlook, and lack of strategic awareness are identified as causes of failure by

McArthur and Schill (1995). In the case of Eastern Europe, Hamill and Hunt (1993) found that in addition to many of the factors described above good relationships with the authorities are necessary in the Hungarian environment. The authors note the increased sensitivity to the development needs of the host economy that would distinguish these cases from a Western joint venture. This sensitivity can be achieved by matching alliance objectives to the country's foreign currency requirements, state of modernisation, capability for technology transfer, and the production of goods for transfer.

An observation on the literature at this point is that, no doubt because of the poor success rate, most research concentrates on avoiding pitfalls - negative factors seem to prevail. Hence a conclusion derived from the literature in section 2.1.5 is in agreement with those authors who recognise that alliance formation can be a very complex process and that circumstances will differ from one alliance to the next.

Secondly, whilst there seem to be a consensus on the major issues concerning success there is no agreement on their relative importance and the key issues do not appear to be relevant to all situations. There is overall agreement that the process of managing the alliance is vitally important, but further work needs to be done on the components of the process. However there is almost universal agreement on the importance of cultural factors.

2.1.6 Summary of Section 2.1 and Onward Linkages

Alliances have been defined for the purpose of this study and their demographics examined. All forms of alliances have shown tremendous growth in the 1990's, the

sectoral distribution being towards hi-tech industries including electronics, aerospace, telecommunications, and automobiles. There is evidence that the sectoral distribution is widening to encompass services. Growth has been fuelled by internationalisation and the restructuring of industry. Motivations and uses of alliances are extremely diverse, market access being the most common motivation, and there is increasing evidence that they are used for strategic and organisational development. The performance of alliances is very poor; a success rate of only 50% can be averaged from the publications, and this is likely to be lower in international alliances. Because of this level of failure much attention has been paid to the management of the alliance process, particularly the implementation phase. Factors such as the form of alliance, strategic fit, and the management of the alliance process can be important in many situations. However cultural differences are recognised as a major barrier to the success of an alliance.

The purpose of the following section 2.2 is to examine cultural differences and how these can be identified and managed in more detail, and to relate this to the emerging markets of Eastern Europe. This section examines the nature of national, organisational, and regional cultural differences and how they have been measured. The investigation of the literature which explores these issues leads to the identification of the research problem and the research framework for this study.

2.2 The Impact of Cultural Differences

Underlying Assumptions

Implicit in the literature is the assumption that culture affects behaviour. In the organisational context the behaviour of employees is thus affected. The link between culture and behavior has been made by many researchers in this field, such as Mead (1953), Levi-Straus (1971), Geertz (1973), and Schein (1985).

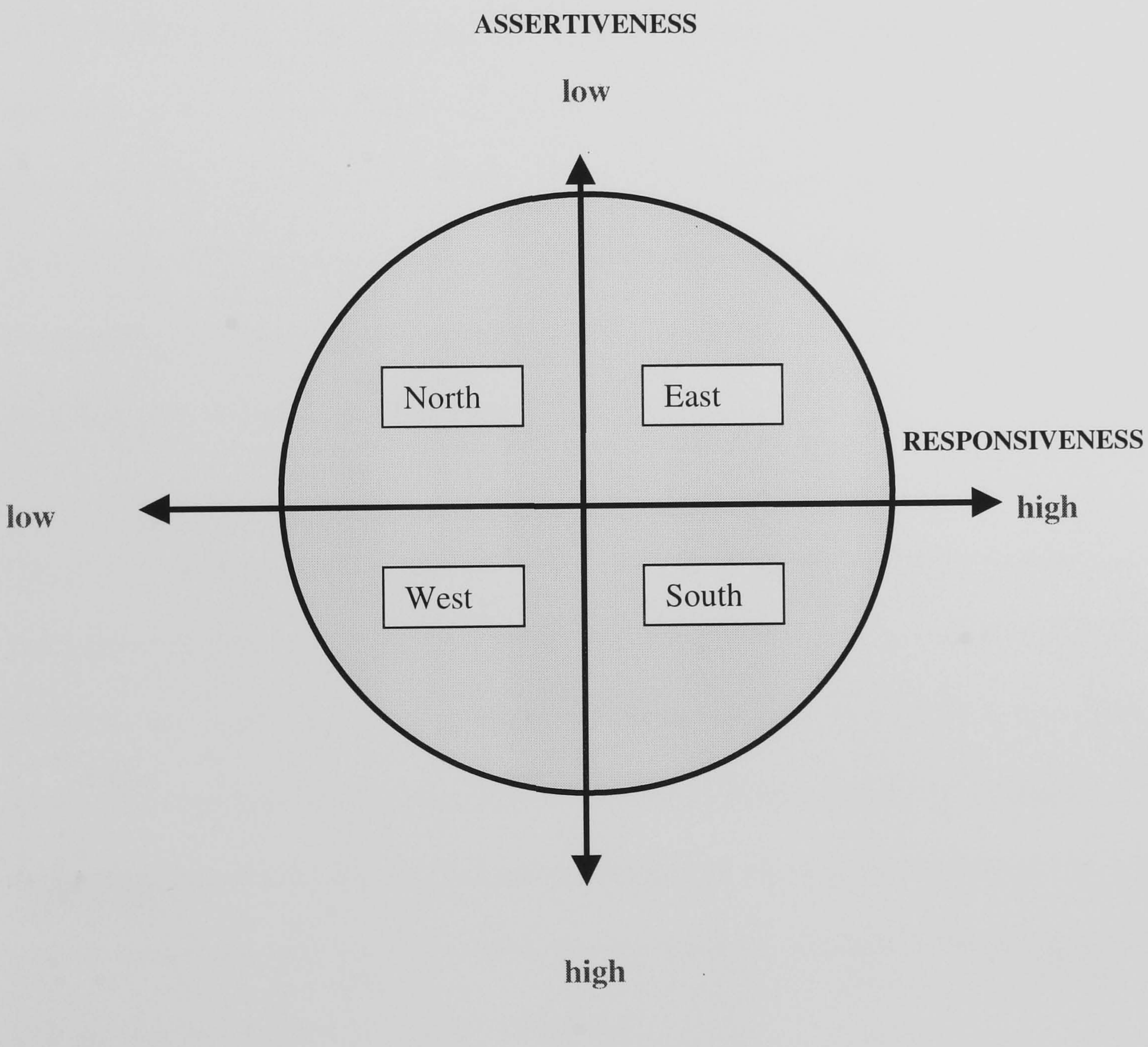
Various authors have developed models or typologies of culture. For example, Schein (1985) proposes that culture is composed of factors at three levels:

- Artefacts and Etiquette are the surface level, cultural differences being easy to identify and grasp.
- Behaviours and Actions operate at a deeper level in consistent patterns, called a cultural style, and more difficult to discern. These styles are 'neutral' neither right nor wrong.
- Core Morals, Beliefs, Values operate at the deepest level, which involves ethical and moral judgements, are strongly held and invisible.

Hall (1995) proposes a framework to establish where in an organisation, and at what cultural level, cultural differences apply. She has also developed a model, the 'Compass Model' to measure cultural differences. This model is based on just two indices, Assertiveness and Responsiveness. On 'high' and 'low' scalings this results in four quadrants leading to four cultural styles, North, South, East, and West, depicted in Figure 1. Input to the model is performed by categorising companies according to secondary sources or by questionnaire or interview. A company is therefore categorised as either a North, South, East, or West type, as is its alliance partner. Hall emphasises

that it is perceived differences that are important, and in an alliance situation would ask each of the two partners to assess the other. The output from the model is management advice for dealing with, for example, a North-East alliance, based on a data set of characteristics for each category in the model.

Figure 1 Hall's Model of Cultural Analysis



In the case of international alliances Hall claims the model is just as good at identifying national differences, but points out that an organisation may not conform to a national stereotype, and the national cultures may or may not be important in the alliance.

The purpose of each of this and similar models is to identify cultures and link them to behaviours, in the case of Schein (1985) social and in the case of Hall (1995) organisational.

2.2.1 National Cultural Differences

The thrust of the literature in section 2.1.5.4 is that national cultural differences have a negative impact on the success of international strategic alliances. The national cultures are described in two main ways. Firstly, and in the majority of cases, using situational descriptions. Secondly, and in the majority of the quantitative studies, by using a published typology. Barkema et al. (1996) measured cultural differences by a variety of typologies based on Hofstede (1980), Kogut and Singh (1988) and Ronen and Schenkar (1985). The typology of Kogut and Singh (1988) itself includes Hofstede (1980). Gomes-Mejia and Palich (1997) used instruments derived from Hofstede (1980) and Kogut and Singh (1988). Morosini and Singh (1994) used part of Hofstede's (1980) typology. Hofstede (1980) is used by Schoenberg et al. (1995), Cartwright and Cooper (1996), and Zeira (1996). Hofstede's 1980 typology is therefore well established, and merits a short description:

Hofstede (1980) established four indices, Power - Distance (PDI), Uncertainty - Avoidance (UAI), Individualism (IDV), and Masculinity (MAS), which he used to describe and categorise national cultures. These indices were derived from factor analysis of data collected by questionnaire from employees of national subsidiaries of IBM. Hofstede found that national culture explained more of the differences in work related values than did position within the organisation, profession, or gender (Adler 1991). Hofstede defines his indices as follows:

Power Distance (PDI):

> *'the extent to which the less powerful members of institutions and organisations consider each other as existentially unequal'.*

Individualism (IDV):

'*Individualism* pertains to *societies in which the ties between individuals are loose: everybody is meant to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty'*

Masculinity (MAS):

'Masculinity pertains to societies in which social gender roles are clearly distinct (i.e., men are supposed to be assertive, tough, and focused on material success whereas women are supposed to be more modest, tender, and concerned with the quality of life); *femininity* pertains to societies in which social gender roles overlap (i.e., both men and women are supposed to be modest, tender, and concerned with the quality of life)'.

Uncertainty Avoidance (UAI):

'*The extent to which the members of a culture feel threatened by uncertain or unknown situations*. This feeling is, among other things, expressed in nervous stress and in a need for predictability: a need for written and unwritten rules'.

In assuming that the corporate culture of IBM was strong and constant Hofstede deduced that significant differences in response to the questionnaire would be caused by differences in national culture which he then scaled and mapped before describing the differences and their implications for organisational management. Better still he reviewed the composition of his original questionnaires and developed an instrument, the Value Survey Module (VSM), recommended for future cross-cultural survey

studies. This was based on the questions which proved to be most meaningful for cross-cultural differentiation, with the addition of some other questions covering issues missed or considered important by other studies. The VSM was not expected to be a static tool, but to be modified in the light of experience. The VSM consists of a questionnaire and therefore is of obvious benefit to questionnaire based research. This explains its widespread adoption in quantitative studies.

Conclusion

The use of a recognised typology aids comparability of results, but the research appears to fall between two extremes in so far that research based on case studies tends to suffer from lack of generalisability, whilst quantitative studies based on a typology make no connection between the cultural differences found and management actions within the alliance. Neither approach predicts the difficulties likely to be experienced as a result of cultural differences and then relates them to management actions to successfully or unsuccessfully resolve them.

2.2.2 Organisational Cultural Differences

There seems to be a lack of quantitative studies that examine the effects of organisational cultural differences on the performance of alliances. The literature is even more represented by case studies than for the effects of national cultural differences. This may be due to a lack of recognised typologies and models, and indeed only Cartwright and Cooper (1993) use a recognised typology. This is Harrison's (1972) typology in which he categorises the cultural variables as Power, Role, Task, or People types. These cultural types were later well publicised by Handy (1986). Because Harrison did not publish an instrument or questionnaire Cartwright (1990) devised her own. Harrison's typology is described by Handy (1986) as follows:

The Power Culture:

> 'This culture depends on a central power source...The organisation depends on trust and empathy for its effectiveness and on telepathy and personal conversation for communication. Control is exercised from the centre largely through the selection of key individuals, by occasional forays from the centre or by summonses to the centre...decisions are taken very largely on the outcome of balance of influence rather than on procedural or purely logical grounds...These cultures and the organisations based on them have the ability to move quickly.. .'

The Role Culture

> '....The Role culture is often stereotyped as a bureaucracy ...this culture works by logic and rationality...coordinated at the top by a narrow band of senior

management...In this culture the role or job description is more important than the individual who fills it...Rules and procedures are the major methods of influence...The role culture will succeed as long as it can operate in a stable environment...'

The Task Culture

'The Task culture is job or project orientated...the culture seeks to bring together the appropriate resources, the right people at the right level in the organisation, and to let them get on with it ...Influence is based more on expert power than position or personal power...it is a team culture...The task culture uses the unifying power of the group to improve efficiency and to identify the individual with the objective of the organisation...This culture is extremely adaptable...'

The Person Culture

'..is an unusual one. It will not be found pervading many organisations...in this culture the individual is the central point. If there is a structure or an organisation it exists only to serve and assist the individuals within it...'

Within the context of Eastern Europe, whilst national cultures will differ throughout the region, the question remains as to what extent the Soviet domination and communist business system caused a uniformity of work practices and organisational cultures. Bearing in mind this possibility, but having reviewed the preceding literature, this researcher had thought that this was by no means probable. However Obloj and Thomas (1996) examined the strategies of successful Polish firms and

found that whilst there was a gap in culture between management and employees there was a homogeneity of culture in the firms they examined. Whether these results are generalisable throughout Poland or the region is questionable, yet there is support from Kostera and Wicha (1996). These researchers, again in Poland, contrast the business culture with that of the West. They state that the business culture did not allow for specific organisational cultures because of the dominance of the central political system. There is an absence of further related studies..

Conclusion and Onward Linkages

There are very few publications that define or describe organisational culture in international alliances in terms of a typology, let alone those that identify organisational cultural differences and assess cultural integration strategies within that context. There is the question of whether national culture can be distinguished from organisational culture within an organisation and whether the discrete effects of each can be assessed. If, within Eastern Europe organisational cultures tend to be uniform (Obloj and Thomas 1996, Kostera and Wicha 1996), the impact of cultural differences on alliance success would be caused by national cultural differences rather than organisational cultural differences, and their impact would be easier to identify. There is therefore the question of whether one type of culture affects the success of the alliance more than another, and if so which it is. This issue is examined in the next section.

2.2.3 National v Organisational Culture

The relative strengths of the impact of national and organisations cultures on organisational behaviour have not received too much attention in the literature. Al-Shammari (1994) studied the impact of the external environment on the culture of both home and host country organisations and derived his own set of cultural values without coming to any conclusions about the greater influence. Olie (1990) describes the effects of national culture as strong. Meschi and Roger (1994) note the distinction between national and organisational culture. Though both impact on the 'social effectiveness' of joint ventures they assert that national cultural distance has a greater impact.

However, other authors take the opposite view. Gordon (1991) suggests that organisation culture is most important and notes that it can be affected by influences in the industry in which firms operate. These include influences from the competitive environment, and customers and society. Morosini and Singh (1994) suggest that organisational culture may be the most appropriate level for cross-cultural analysis. Very, Lubatkin et al. (1997) support this view, though finding both cultures important, and, in resonance with O'Grady and Lane (1996) recommends managers not to assume a comfortable merger just because the organisations concerned have the same national culture. Hall (1995) implies an overlap between national and organisational cultures, but assumes the organisational level is more important.

Conclusion

The literature shows disagreement about the relative impact of national and organisational cultures on the performance of alliances among the relatively few authors who have written on this subject. Both cultures would seem to be important, and in

relation to this study therefore it would be necessary to examine the effects of both, though it may be that they are to some extent interrelated.

2.2.4 Trust

The importance of trust has been mentioned hitherto by Perlmutter and Heenan (1986), Walters et al. (1994), Meyer (1993), and Bowersox (1990) and has been identified as a component of culture.

Links with Culture

Usunier (1993) views the development of mutual trust as the basis for successful inter-cultural negotiations, and states that this trust can be developed only by a thorough understanding of the two cultures involved. Wolff (1994) focuses on the aspects of trust and commitment in alliances and agrees that whilst other factors are also necessary to ensure long-term survival, mutual trust is essential. The author notes that trust does not arise from a legal agreement but from the conduct of the personal relationships between individuals in the alliance. These can take a long time to develop, and will only happen if individuals are perceived as putting the alliance interest above individual partner interests. The basis of co-operation at a personal level must be determined before the alliance is launched. This view is also shared by Ellis and Williams (1995), who, in a broad review of strategic considerations of alliances, state that trust is the most critical element if the alliance is to endure.

Madhok (1995) argues that over-emphasis on the outcome of joint ventures has neglected the social processes underlying the outcome. The building of trust is essential and trust has two components, the social and the structural. The former refers to the culture of the society, the latter refers to the complementary of the resources contributed. In the former the social interaction is the 'glue' within which the economic

exchanges occur. The author proposes that both components are necessary, but not sufficient for the venture to be sustained, and that the relationship will be more durable when the social component is strong.

Butler and Gill (1997) surveyed the dynamics of trust in partnerships and joint ventures. They found that trust is a key factor in co-operative, as opposed to competitive, strategies and postulate that trust acts as a central mediating variable between the context of alliance arrangement and its performance. Their project results in a number of conclusions. Firstly, symbols of trust and interpretations of trustworthy behaviour are affected by organisational and national cultures in the partnership. Secondly, partner choice and success are crucially affected by contextual factors and mutual trust. Thirdly, quoting sources such as Granovetter (1985), Shapiro (1987), Rotter (1967), and Sako (1992), they identify components of trust, these being personal trust, impersonal trust, promissory based trust, goodwill based trust, and competence based trust. (Sako refers to contractual trust, confidence trust, and goodwill trust.) Fourthly, personal and impersonal trust develop in different ways, personal trust through networks of individuals and impersonal trust through organisational development and controls. Fifthly, personal relationships are at the core of trust between organisations. Hence changes in key personnel will cause instability. There are a further five conclusions, the final conclusion noting that industrialisation strategies by governments and strategic management by companies concentrate on transfer mechanisms between partners rather than the organisational dynamics critical to success.

Conclusion

Whilst there is little difficulty understanding what trust is, the word is difficult to define; it is more a concept incorporating values and beliefs which makes workable definitions difficult. The role of trust is evidently important, and a developing research area. Whilst the body of literature is growing and typologies are being developed, there is little empirical work or confirmatory studies of the theories that have been proposed.

Three conclusions can be derived from the literature. Firstly, trust is one of the important factors necessary for the success of alliances. Secondly, a high trust context will aid the stability and success of strategic alliances. Thirdly, trust is a component of both national and organisational cultures.

2.2.4.1 Trust in Eastern Europe

Choi (1994) predicts that it is likely that issues of trust will play a greater part in the success of alliances involving Eastern Europe than those involving only Western partners. Whitley et al. (1996) examined trust and contractual relationships within ten large enterprises in Hungary, based on interviews using the methodology of Sako (1992). They note the influences of the legal system, state policies, the financial system, and the organisation of employment relations, using the US and Japan as benchmarks. State socialism had left a distrust of legally based institutions and regulatory procedures, an absence of intermediary organisations between the individual and the state, and a pattern of vertical dependence on the state. As the economies move towards market economies state dependency will be reduced and institutions may be more trusted. Fey (1996) identifies trust as one of four key variables in the success of Russian - foreign joint ventures, the others being the

development of a common understanding of each parent's contribution, empowerment of the workers, and long term commitment. Peng and Heath (1996) suggest that the most appropriate way for firms in the region to develop is to use a network based strategy of growth, building on personal trust and informal agreements with managers, a view that seems to fit the other studies above. Thomson (1998) found that in alliances between the West and East Germany lack of trust led to polarisation and lack of integration.

Conclusion and Onward Linkages

It follows that a study concerning the cultural aspects of the performance of strategic alliances would be incomplete without an examination of the role of trust within the alliance. The thrust of the literature is that trust is more important within the context of Eastern Europe. The reasons for this are developed in the following section.

2.2.5 Regional Cultures

Swierczek and Hirsch (1994) studied Asian joint ventures, particularly the effects of culture clashes. In doing this they noted the changes in management styles in each region studied over time. Differences in culture between the region and the West are contrasted, and the authors conclude that cultural awareness is not enough to ensure that alliances are successful - multicultural management must be implemented. The authors caution against the assumption that there is one general Asian culture, but indicate there are similarities within the region which distinguish business practices from those in the West.

Fukuyama (1995) links trust both to cultures and to regions. He explores the development of East Asian and Western economies, looking at the social values that underpin such development. He links trust to the development of different business systems and different types of capitalism. Eastern high trust economies are compared with low trust Western economies, and the tremendous influence of religion and social structure are noted. Within this context, the historical development of the USA, the Far East, and Europe are examined, the former two, he predicts, being the economic powerhouses of the future. Leeds (1996) also links forms of capitalism to regional and national cultures.

Conclusion and Onward Linkages

The above three authors suggest that there maybe regional cultures which affect the way that business is conducted within that region. Each author refers to differences in business systems or different types of capitalism. The following section therefore examines different business systems.

2.2.5.1 Alternative Business Systems

Choi (1995) reviews the differences in international business systems, and classifies them. The major capitalist systems are the Anglo Saxon (U.K. and U.S.A.) system, and the 'Communitarian' or 'stakeholder' system (Germany and Japan, and the rest of Europe). Emerging markets have their own developing characteristics in which differences in trust, loyalty, and legal systems are prominent. Each system and its strengths and weaknesses are discussed, with corresponding implications for doing business. He summarises the types of business systems in Table 1:

Table 1 Choi's Typology of Business Systems

Type of business system	Key characteristics
Anglo-Saxon Business System	Strong legal system, reliance on contracts, importance of the individual; belief in free market and trade, support for major innovations and entrepreneurship; separation of financial markets from banking and industries.
Communitarian Business System	Importance of social groups and laws for communities; importance of banking relative to financial markets, government intervention in industry, managed trade rather than free trade; overlap between banking, industry, and financial markets.
Emerging Market System	High levels of uncertainty in business environment; volatility and rapid developments in consumer demand, political systems unstable; legal systems underdeveloped; important role of social networks in exchange.

Choi et al. (1999) show that whereas in Anglo Saxon economies (the USA and UK) stock market listed companies account for 60% to 80% of GNP, in stakeholder economies (for example France and Germany) the corresponding values are between 20% and 30%. This shows that in these countries the stock markets do not play a prominent a role in commerce or society compared with Anglo Saxon countries, and it can be expected that in emerging markets the stock markets are relatively unimportant in the economy or society. The idea that there are different forms of business system or capitalism is not particularly new. Schonfield (1965) reviewed different capitalist business practices country by country and highlighted the national variations, distinguishing the Anglo Saxon model from the 'stakeholder model'. Albert (1993) describes three variants in Europe: the Anglo Saxon model, the Alpine model (Switzerland and Austria) and the Rhine model (the Deutschmark zone of influence). The Rhine and Alpine models are characteristically 'stakeholder'. Paradoxically he found that US multinationals in Europe (Colgate Palmolive, Ford, IBM, Citicorp) followed the Rhine model in their business practices, and, as could be expected, European multinationals (Bayer, ABB, Nestle, L'Oreal, Schlumberger, Shell) even more so. The author notes the tensions between the Anglo Saxon and the Rhine models, the latter including Japan. He found French capitalism hard to classify but suggested that France would move towards the Rhine model. Hampden-Turner and Trompenaars (1993) examine the variations in capitalism from a cultural perspective. National culture develops from the need of each society to deal with its environment and differences therefore are rooted in each society's history. Britain, the USA, France, Sweden, Germany, the Netherlands, and Japan are examined and the different capitalist cultures of the USA and Japan are highlighted.

Eastern Europe

Within the context of the emerging markets of Eastern Europe these different variants become more important. Child and Czegledy (1996) review the transformation process and the options open to the emerging economies. As the communist business system collapses which form of business system will the countries of Eastern Europe adopt? Drew's (1994) paper reviews the choices and the difficulties in implementing them. His major thrust is that the adoption of Western-style managerial practice is a major challenge for the post-communist Central and Eastern European countries. A key concern is the transferability of the Western model of management against a background of political, social, historical, and cultural differences. Choi concludes that a future pattern for business relationships in this region is hard to predict, but a hybrid capitalist system may be most likely to evolve. Hofstede (1996) is rather pessimistic.

> 'Regardless of whether one considers free market capitalism desirable for Eastern Europe one should face the fact that in most countries concerned the population's mental programming does not allow it. For the same reasons the poorer East European countries will have to do without democracy for the foreseeable future - let us say the next 50 years or so. Democracy presumes at least a minimum level of individualism: 'one man one vote' is an individualistic principle'.

The message that evolution, but not revolution, is necessary is given by Stark (1992) and Whitley (1996). Imposing the Anglo-Saxon model ('capitalism by design') is likely to be as unsuccessful as the imposition of Marxism. Stark reviews the backgrounds of East Germany, Poland, Hungary, and the Czech Republic and the different routes each has taken along the route of privatisation, and provides

explanations for the diversity of policies, which are rooted in the histories, cultures, and structures of each country. These differences are likely to result in different business system scenarios for each country, and by implication for the region as a whole. Whitley et al (1996) consider 'Designer Capitalism' a real danger to progress. In terms of customer relations the researchers found that the Hungarian enterprises had developed practices more similar to the Japanese than the US, and there were low levels of supplier opportunism. The organisations had little collective representation (i.e. few industry based umbrella bodies) but most engaged in collaborative ventures. In terms of competition the enterprises were more collaborative than adversarial, and inter firm relationships had not been severely disrupted by the transformations since 1989. The context was generally 'high trust' and stakeholder rather than Anglo-Saxon.

The direction of the restructuring of the economies of Eastern Europe is reviewed by Amsden et al. (1996). The embeddedness of communism across the region is questioned because controls and implementation of Soviet policy differed country by country, and each country had its own culture and social norms. They also takes the view that free market forces should be left to evolve, and market led capitalism grow naturally; 'from pseudo-socialism to pseudo-capitalism'. Western capitalism did not evolve spontaneously. They argue that without government planning backed by the injection of capital into state controlled financial institutions to support and control development, desired outcomes will be hard to achieve. Investing directly in enterprises without regard to the economic infrastructure is likely to be unsuccessful. They suggest that a model of development based on East Asia may be most appropriate for the region. Leeds (1996) links forms of capitalism to national culture

noting that unidimensional cultural continuums are unlikely to express the complex patterns of cultural relationships in the region, but thinks no irrevocable barriers to transition exist.

Legal systems

Choi (1994) has noted that legal enforcement of contracts in Eastern Europe is difficult because of the lack of a legal framework as understood in the West. This is in agreement with Ivanov (1995). Western organisations have reacted to this by types of countertrade and 'hostages', a strategy of building mutual dependency into the alliance which encourages a 'win win' attitude, as the alternative would be 'lose lose'. In a different context Lorenzoni and Baden-Fuller (1995) note that in alliances, Anglo-Saxon (US and UK) contract partners tend not to perform beyond the legal limits set by the contract, whereas in the future, as networks of alliances evolve there will be a requirement to act in the light of what is in the best interest of the alliance as a whole.

Conclusions and Onward Links

Different regions follow different business practices, or business systems. These systems are linked to culture because of their patterns of social and historical development. There is broad agreement that the countries of Eastern Europe have a certain amount of choice as to which form of Western system they want to follow. This choice is constrained by historical, political, and economic, forces but nevertheless, whilst capitalism appears to have been almost universally embraced, attitudes to it vary. For example, whereas Poland has moved towards a Western capitalist approach, Belarus has re-merged its economy with that of the Russia (Thornhill, 1997).

Generally, concerning Eastern Europe, there appear to be two schools of thought. Choi suggests that Eastern European countries will exhibit many of the characteristics of emerging markets, whilst other authors (Stark 1992, Leeds 1996, Whitley et al. 1996, Amsden et al. 1996) suggest that each country will evolve in its own way according to the histories, cultures, and structures of each country – patterns of 're-emergence' building on their pre–Soviet history and business practices - leading to a 'stakeholder' orientation. Hence Choi suggests similarities whilst the thrust of the other authors suggest differences. There are differences between authors who suggest some homogeneity of cultures and business practices within the region (Quelch 1991, Choi 1994, 1995, Fukuyama 1995, Obloj and Thomas 1996, Kostera and Wicha 1996), and those that suggest differences (Por and White 1991, Stark 1992, Leeds 1996, Whitley et al. 1996, Amsden et al. 1996). If Eastern Europe does exhibit emerging market characteristics the literature suggests that business transactions can take place outside of a legal framework and the scope of such transactions will not be bound by the limits of a legal contract. Trust will be extremely important, as will personal relationships in the conduct of business.

A further issue that can be derived from the literature is whether the different patterns of economic development cause preferences for types of alliance partner; whether for example Polish organisations might prefer partners from stakeholder rather than Anglo Saxon economies.

Finally it is necessary to consider whether Choi's (1994) classification of Eastern Europe as an 'emerging market' is consistent with definitions of other authors, in order to examine the appropriateness of the classification. If it is not consistent with the

definitions of other authors emerging market characteristics would not be expected to be observed within the region.

2.2.5.2 Definitions of Emerging Markets

There is no generally accepted definition of an 'emerging market'. Dawes (1995) quotes the International Finance Corporation definition, emerging markets having low to middling per capita incomes, but points out that this definition covers 80% of the world's population! Economic Research (1995) lists emerging markets continent by continent, and for Europe includes Bulgaria, the Czech Republic, Greece, Hungary, Poland, Portugal, Russia, Slovenia and Turkey. Hence six countries of the nine listed belong to the former Soviet Bloc. The listing includes 'newly industrialised' countries of south east Asia, suggesting comparabilities, but Dawes notes that in general the term is most used by financial analysts writing for investors, and that their usage is independent of the official country classification used by the World Bank. The financial analysts' interest is because emerging markets can offer potential high financial returns to investors, at a higher level of risk. Dawes warns against accepting generalisations about emerging markets, but summarises published literature as being largely written from three viewpoints:

- from the point of view of economic development
- from the point of view of political changes
- from the point of view of investment theory.

Arnold and Quelch (1998) also come to the conclusion that there is no commonly accepted definition of 'emerging market' but suggest that there are three aspects of a country's economy that usually underpin various definitions:

- The absolute level of economic development, usually indicated by the average GDP per capita.
- The relative pace of economic development, usually indicated by GDP growth rate.
- The system of market governance, in particular the extent and stability of a free market system.

The authors found that the first criterion is the most frequently used, but the second they describe as intuitively closer to the sense of change implied by 'emerging', which makes these economies attractive to the investor. Russia, having a sinking economy, would fail this criterion. The third criterion is less easily defined, but important to prospective investors.

Millar (1993), in a paper concerning the future of marketing in Central and Eastern Europe, groups the countries into three. The 'front-line states' are Poland, the Czech Republic, and Hungary. The 'second wave' is Slovenia, Slovakia, and Bulgaria, and the 'slower developers' are Romania, the former U.S.S.R., the former republics of Yugoslavia, and Albania. More recently Slovenia has entered the ranks of the front-line states.

Conclusion and Onward Linkages

Most countries in Eastern Europe have adopted a form of free market system and would be included in the classifications of both Dawes (1997) and Arnold and Quelch (1998). Hence Choi's (1994) description of the markets of Eastern Europe can be supported, and it can be expected that Eastern Europe, excluding Russia, will exhibit emerging market characteristics. Miller (1993) gives a useful sub classification. This

raises the question of whether the least emerging of the countries (the slower developers) would show more emerging market characteristics, or emerging market characteristics more strongly, than the frontline states. This would be a logical conclusion from the literature.

This section concludes the examination of the organisational, regional, and national cultures and their impact on organisational behaviours which may affect the performance of international alliances. The following section 2.2.6 examines how cultural differences can be managed within an alliance.

2.2.6 Cultural Integration

Preceding sections have identified and examined the different types and components of culture that may affect the performances of strategic alliances in Eastern Europe. This section explores whether and how the effects of culture can be minimised by management of the alliance. The process of managing the different cultures involved in an alliance is called 'cultural integration' or 'acculturation'. Various authors think that regardless of the nature of the cultural differences these differences should not affect the integration phase of the acquisition process provided they are managed appropriately. For example, Hall (1995) asserts that cultural fit is not as important as the ability to manage incompatibilities, 'No cultural fit, no deal' is a 'cowards excuse'. 'Cultural reasons for failure are totally unnecessary'. This view is shared by Shaughnessy (1995) who contends that the problems of cultural differences are well established, and so are often used as excuses for failure. The challenge is to manage such differences, which can mean being prepared to change previously held assumptions and to be flexible.

Early work by Meyerson and Martin (1984) found that cultural integration can be achieved by consensus but also that a policy of allowing differentiation, allowing for ambiguities and inconsistencies, or fragmentation, when dealing with multiple cultures, is not necessarily a barrier to success. Al-Shammari (1994) states that it is important the management of cross-cultural organisations should not be based on 'either / or' choices between host and home country cultures, rather that the alliance should maximise the benefits of both. Schoenberg et al. (1995) investigated the effect of national culture on U.K.- French alliance success by monitoring the process of negotiation in alliances

between U.K. and French partners. The potential for increased performance is realised when the best features of both cultures are combined despite the differences that exist. Both cultures ought to be held in the same esteem and the importance of individual tolerance, communication, and the development of cultural awareness, is stressed.

Olie (1990) states that cultural fit is a major contributory cause of failure in the integration phase, and identifies three important factors:

- the degree of integration between the two organisations.
- the kind of cultural exchange, unilateral or mutual exchange.
- the extent to which the own identity of the firm is valued and the other firm's culture is regarded as attractive.

Olie (1994) further explored the merger integration process in three Dutch-German mergers. Four significant factors identified were:

- the degree of compatibility of administrative practices, management styles, organisational structures and cultures.
- the type and degree of post merger consolidation.
- the extent to which parties value and want to retain their organisational integrity.
- the nature of the relationship between the two organisations.

He suggests that the mix of these factors will determine the management approach.

A number of researchers have modelled the integration process:

In the area of marketing alliances, Clark (1990) linked organisational culture to marketing success and developed a framework to assess six nationalities based on two dimensions:

- assertiveness.....unassertiveness
- tightness.....looseness

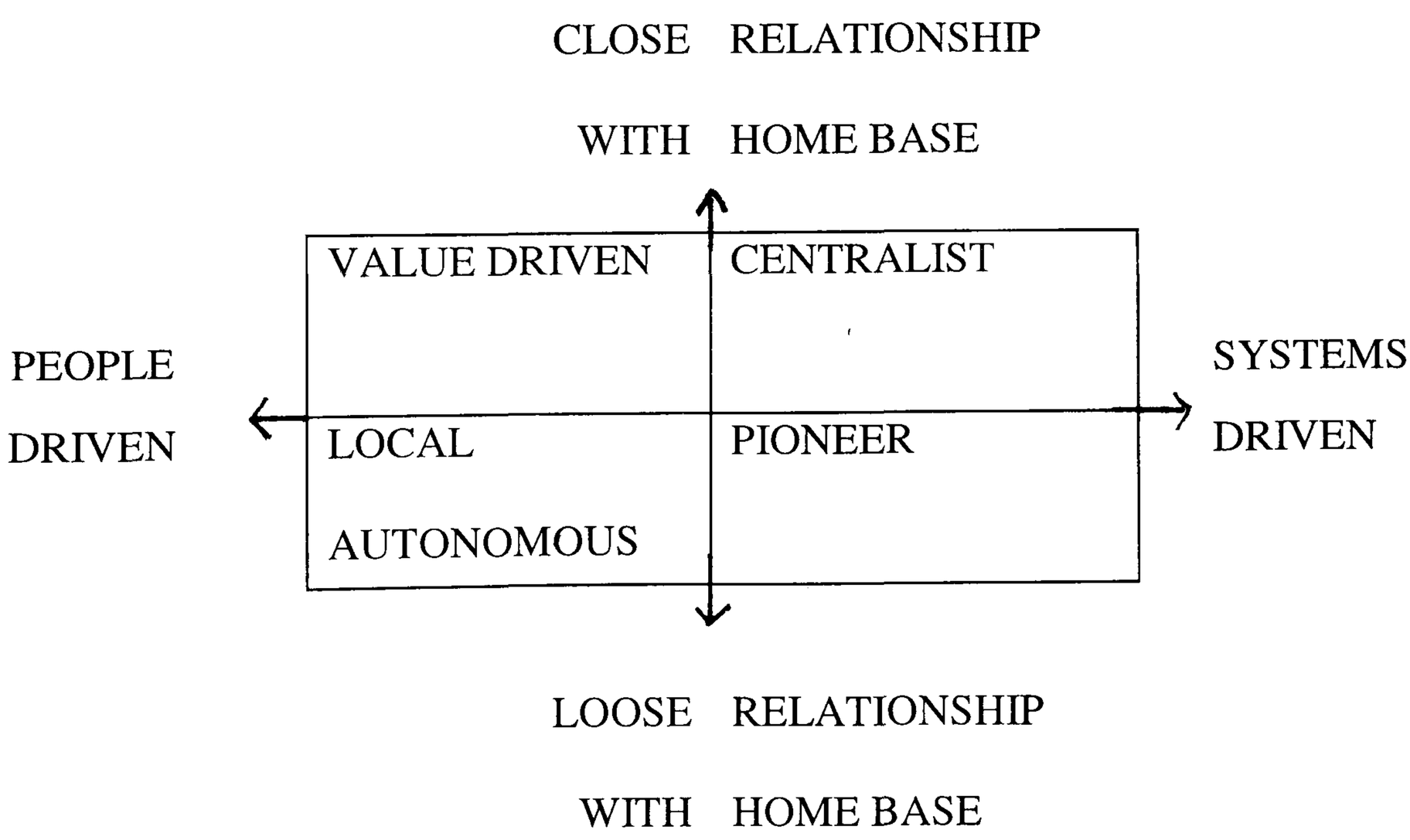
Assertiveness / unassertiveness is a measure of the national cultures whilst tightness / looseness is a measure of autonomy of the subsidiary's relationship with headquarters.

Concerning the management of the integration process Baron (1994) identified four distinct approaches to cross border management based on dimensions of:

- people driven..... systems driven
- close relationship with home base.....loose relationship with home base

This is illustrated in Figure 2:

Figure 2 Baron's Integration Model



Value Driven is the result of a close relationship with headquarters, and the adoption of people centred policies. Centralist is a very headquarters centred approach which ignores people factors and imposes headquarter's systems. Local Autonomous is self explanatory, whilst Pioneer is hard to find in practice, being an autonomous systems led subsidiary. This model is similar to that of Clark in that it relates organisational factors to people factors. Clark's 'tightness... looseness' is similar to Baron's degree of relationship with the home base. Clark's assertiveness can also be linked with an element of Hofstede's (1980) Masculinity index.

Early work by Mirvis and Sales (1984) suggested four types of acculturation or cultural integration:

- Integration

  Peaceful co-existence of both cultures via policies of either

  a) pluralism, or

  b) multiculturalism

- Assimilation

  The culture of the dominant group becomes the norm, via either

  a) a melting pot – freely, or

  b) a pressure cooker - coercion

- Rejection

  The two cultures remain separate via either

  a) withdrawal, or self-segregation, or

  b) enforced segregation

- Abandoning both cultures- outcasts, via either

  a) marginality - choice of both cultural groups, or

b) ethnocide - imposed from outside

Malekzadeh and Nahavandi (1990) assert that conflict is almost inevitable when two cultures merge. They suggest four general methods of acculturation:

- Integration - a balanced product of cultural and managerial differences
- Assimilation - a welcome dominance by one partner
- Separation - both cultures are maintained
- Deculturisation - the destruction of one culture

The last method according to the researchers is unfortunately the most common.

Haspeslagh and Jemison (1991) clearly state that value creation can only be realised during the implementation phase, after the deal is completed, and it is to the implementation phase that they therefore pay most attention. The management of the two organisational cultures is most important and they classify cultural interactions as:

- substantive
- administrative
- symbolic

'Substantive' interactions involve the transfer of capabilities and are necessary for value creation. They include technology transfer, market development, product rationalisation, and facility consolidation. 'Administrative' interactions involve the implementation of control and information systems. 'Symbolic' interactions are attempts to promote or influence beliefs.

The classification depends on the management needs of the merger.

In the management of culture the need for interdependence has to be balanced against the need for autonomy, leading to the polices for the management of the two cultures listed in Figure 3:

Figure 3 Haspeslagh and Jemisons' Integration Model

AUTONOMY		NEED FOR INTERDEPENDENCE: low	NEED FOR INTERDEPENDENCE: high
	high	PRESERVATION	SYMBIOSIS
	low	HOLDING	ABSORPTION

The cultural policies of Preservation, Symbiosis, and Absorption are as follows:

Preservation arises from need to keep the subsidiary intact because of the special skills or resources that it has, and of which the parent organisation has little management knowledge.

Symbiosis is a gradual and mutual merging of the two cultures.

Absorption is the imposition of the parent organisation's culture.

Holding is a temporary policy by which the subsidiary or part of it is held ready to be demerged.

No one policy is necessarily better than another; the choice of one depends on the needs of the merger or acquisition as reflected by the strategic positions of both partners.

Key integration challenges are to balance expectations, provide leadership and to ensure interface management, which lead to the policies in Table 2.

Table 2 Haspeslagh and Jemisons' Management Policies

	ABSORPTION	SYMBIOSIS	PRESERVATION
EXPECTATION	PREDETERMINED	ADAPTION	LEARNING
LEADERSHIP	TRANSFER	REDEFINITION	REDEFINITION
INTERFACE	TRANSITIONAL	MEMBRANE REGULATION	BOUNDARY PROTECTION

In the case of Absorption, Expectations of the outcome of the alliance are *predetermined* by the acquirer. The acquirer's objectives will be imposed. Leadership policies are therefore *transferred* from the acquirer. The Interface between the organisations will cease to exist as the dominance of the acquirer is imposed, and it is therefore *transitional*.

In the case of Symbiosis, Expectations of *adaptation* mean that both organisations adjust to the needs of the alliance. Leadership policies are *redefined*, taking into account the new situation the partners find themselves in. The Interface between headquarters and subsidiary is controlled by a policy of *membrane regulation*, or the two way filter and flow of policy and resources.

In the case of Preservation, the Expectation is that the parent will *learn* from the subsidiary, and Leadership policies have to be *redefined* to take account of this. To prevent dysfunctional interference in the management of the subsidiary a policy of *boundary protection* at the organisational interface is implemented.

Bronder and Pritzl (1992) emphasise the importance of cultural fit in partner selection and propose a similar set of policies for when the two cultures meet:

- Pluralism: both cultures exist next to each other
- Assimilation: positive elements from both cultures are slowly combined
- Transfer: one partner's culture is imposed
- Resistance: strong cultural resistance can lead to complete failure

2.2.6.1 Empirical Studies of Models and Typologies

Haspeslagh and Jemisons' (1991) typologies have been examined by Schoenberg (1994) who investigated the impact of cultural factors on the implementation phase of European mergers and acquisitions using the three common forms of integration, Preservation, Symbiosis, and Absorption. This study was quantitative and questionnaire based. Results showed that differences in the management style of acquiring British firms and their European targets did have a negative impact on the subsequent performance of the acquisition, regardless of the type of integration process. This impact is greater when human, rather than capital, assets are acquired.

In a further study Morosini and Singh (1994) used a questionnaire based survey to demonstrate that a,

> 'national culture compatible post-acquisition strategy ... can significantly improve cross border post-acquisition performance'.

To measure this they used two of Hofstede's (1980) national culture dimensions, uncertainty avoidance and individualism. Generally they found that where the degree of uncertainty avoidance in the acquired company was high an independence post-acquisition strategy led to higher profitability growth, and that the greater the degree of individualism the more an independence post-acquisition strategy led to higher profitability growth. The researchers conclude that an acquirer can manage the cultural differences by choosing an appropriate national culture post-acquisition

strategy, and that this is most relevant to successful cross boarder acquisitions. They found Hofstede's national culture indices to have 'a rather limited prescriptive value at the level of the firm'.

Conclusion

There appears to be a division in the literature between those authors who suggest that the cultural integration process should nullify any effects of cultural differences (Hall 1995, Shaughnessy 1995), and those authors who suggest that the alliance will only achieve its objectives by adjusting to the cultural differences. Indeed Schoenberg (1994) found that cultural differences impact on performance to some extent despite the integration process. The thrust of Meyerson and Martin (1994), Al-Shammari (1994) and Schoenberg et al. (1995) is that the management of complementarity is important.

There are strong similarities in the work of Mirvis and Sales (1984), Malekzadeh and Nahavandi (1990), Haspeslagh and Jemison (1991), and Bronder and Pritzl (1992) as Table 3 shows:

Table 3 **A Comparison of Integration Policies**

Mirvis and Sales (1984)	**Malekzadeh and Nahavandi (1990)**	**Haspeslagh and Jemison (1991)**	**Bronder and Pritzl (1992)**
Integration	Integration	Symbiosis	Assimilation
Assimilation	Assimilation	Absorption	Transfer
Rejection	Separation	Preservation	Pluralism
Outcast			
	Deculturisation		
		Holding	
			Resistance

Malekzadeh and Nahavandi's 'Deculturalisation' is a more extreme version of their 'Assimilation', which is not comparable to other classifications. Bronder and Pritzl's 'Resistance' is more a reaction to a management policy than a policy itself. Mirvis and Sales's 'Outcast' is unique. However there is strong agreement on the three common policies which broadly encompass the possible management options in managing the alliances' cultural integration, and there is comparability between the factors identified in the cultural integration process and the publications by Olie (1990, 1994). These models link people factors to the organisations involved in the alliance in a complementary way to that of Clark (1990) and Baron (1994), but are more detailed in their exposition of resulting management policies. The literature therefore shows a very high degree of convergence of research thinking.

The two empirical studies indicate that the type of cultural integration process chosen does indeed affect the performance of the alliance, but disagree concerning whether negative effects can be nullified.

Onward Linkages

This section concludes the examination of the relevant literature which forms the foundation for the research. Research objectives and the theoretical construct for the research are derived in the following section together with the specific research questions which this study seeks to answer.

3. Research Objectives

The conclusions of the subsections in section 2.2 point towards the need for further research in several areas.

Firstly, the conclusions of sections 2.2.1 and 2.2.2 show that there is a dearth of studies of the impact of either national or organisational cultural differences on strategic alliances that relate typologies to predicted behaviours and then examine whether these are observed, and if so how they are managed by the cultural integration process.

Secondly, the postulated homogeneity of organisational cultures throughout Eastern Europe (section 2.2.2) has never been confirmed. Mention has already been made of the consequences of this. If true, the effects of other cultural differences would be easier to detect.

Thirdly, the effects of regional cultural differences on the performance of alliances (section 2.2.5) have yet to be studied. In Eastern Europe these regional cultural differences are linked to emerging market characteristics which predict a set of behaviours common to the region. It is assumed that the most economically backward countries within the region will exhibit more emerging market characteristics, or emerging market characteristics more strongly, than the countries with the more developed economies.

Fourthly, the propensity of countries within the region to adopt a 'stakeholder' business system, or to typify emerging markets (section 2.2.5.1), is yet to be examined. The issues of 'emergence' or 're-emergence' are relevant.

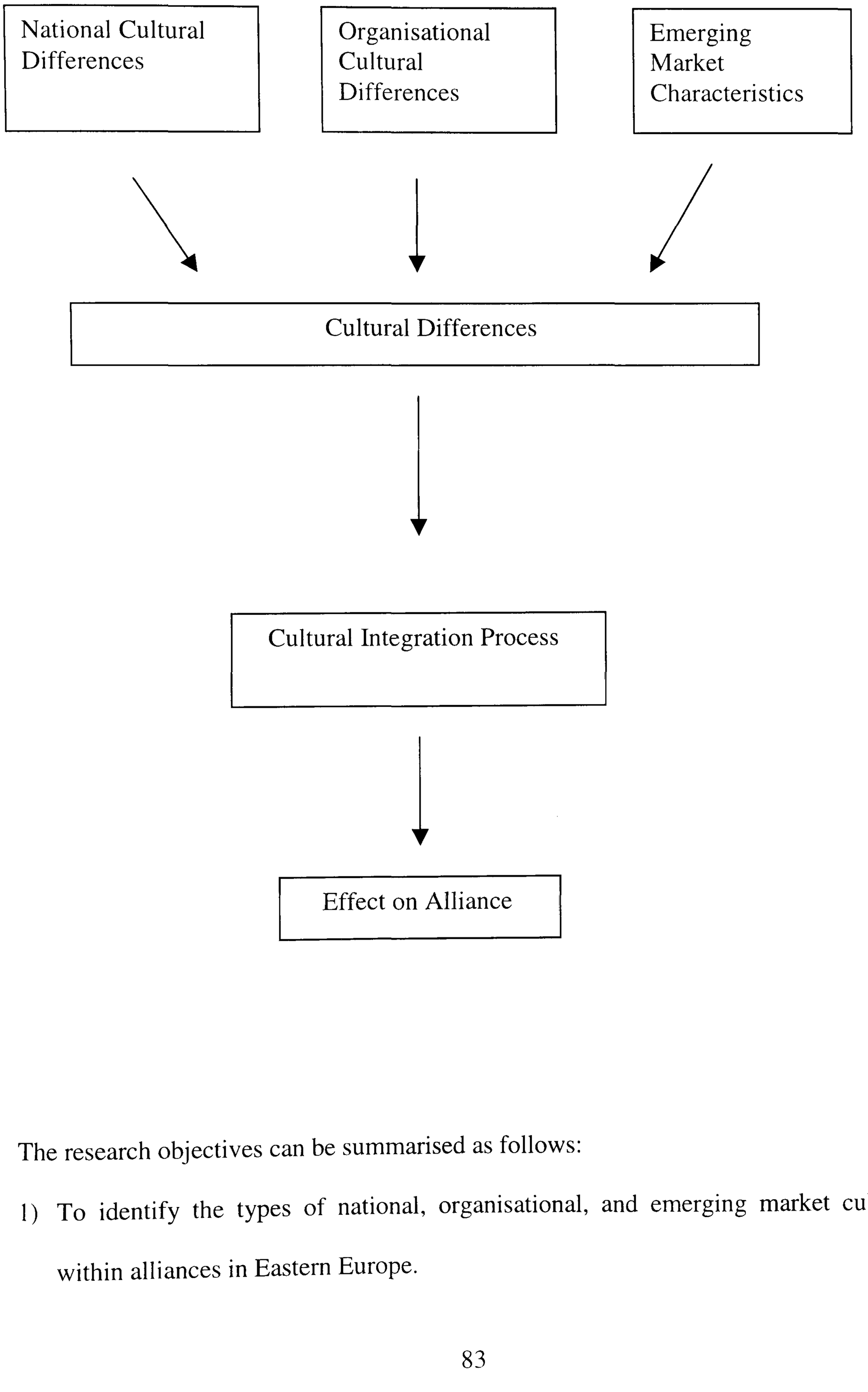
Fifthly, the question of whether the propensity to adopt a type of business system influences partner choice and cultural fit has not been studied.

Sixthly, there are contradictory views on the importance and management of the cultural integration process (section 2.2.6) which warrants further study. It can be anticipated that there may be complications caused by the countries' former enforced economic homogeneity during the Soviet era.

Finally, it would be interesting, though not a major part of this study, to examine whether alliances in Eastern Europe fit the demographic patterns established in section 2.1.

Figure 4 models the theoretical construct for this study:

Figure 4 Theoretical Construct



The research objectives can be summarised as follows:

1) To identify the types of national, organisational, and emerging market cultures within alliances in Eastern Europe.

2) To investigate the cultural integration process within alliances to determine how cultural differences are managed.

3) To investigate whether cultural differences affect the performance of alliances in Eastern Europe, and if so how.

.

The specific questions which this study seeks to answer are:

1) How can the national cultures be described?

2) How can the organisational cultures be described?

3) To what extent do the county/markets exhibit emerging market characteristics?

3a) Are organisational cultures in Eastern Europe relatively homogenous?

3b) Which form of business system are the countries of Eastern Europe likely to adopt?

3c) Is the stage of a country's economic development related to its propensity to exhibit emerging market characteristics?

3d) Does the propensity to adopt a type of business system influence partner choice or cultural fit?

3b) Are there better descriptors of the Eastern European characteristics? e.g. re-emergence?

4) What is the likely effect of such cultural differences on the performance of strategic alliances?

5) Are the alliances' goals and targets achieved?

6) How is cultural integration managed?

7) Are the cultural differences a barrier to successful integration? If so, how?

8) What part does cultural integration process play in this?

9) What other factors are important in hindering or aiding the success of the alliances?

10) Do the demographics of alliances in the region follow the patterns established in section 2.1?

The sequence of stages in the research process follows the theoretical construct depicted in figure 4, and illustrates the framework for this study. This is illustrated in figure 5.

Figure 5 Sequence of Research Objectives

NATIONAL CULTURAL DIFFERENCES / ORGANISATIONAL CULTURAL DIFFERENCES / EMERGING MARKET CHARACTERISTICS

↓

CULTURAL DIFFERENCES

↓

INTEGRATION POLICIES

↓

DETERMINANTS OF FACTORS FOR SUCCESS

↓

COMPARISON WITH THE LITERATURE

Onward Links

Having formulated the theoretical construct and framework for this study, and derived the issues to be explored and the questions to be answered, it is necessary to use the most appropriate methodology to fulfil the research objectives. This is undertaken in the following section.

4. Methodology

4.1 Philosophical Framework

The methodology chosen for this research results from a consideration of various research philosophies. There are two main and opposing schools of thought relevant to this research, *logical positivism* and *interpretative theories*. In addition, the *case method* is prominent in the literature.

Logical Positivism

Logical positivism uses the models and methods of natural science to study human affairs (Burrell and Morgan, 1979). It is linked closely to scientific method in that theories arising from natural observations are tested by deduction of hypotheses which are then investigated by research. The techniques of natural science are useful as the emphasis is on the type of laws found in nature within the context of the social world, and the development of causal relationships between social phenomena. Hypotheses are supported or rejected by the collection and analysis of data and hence the overarching theories proved true or false. Logical positivist researchers do not take the view that the world itself is rational, rather that explanations of it have to be rational and empirically based. For them the world contains external verifiable facts. Organisations are viewed as a social tool and an extension of human rationality. Therefore organisations can be regarded as objects in a test bed on which to conduct experiments. Positivist researchers use the classic hypothesis deduction method of research to test out hypotheses. Karl Popper (1959) argued that scientific hypotheses can never be more than informal estimates about the universe, and since they cannot be proved to be true scientists should concentrate on developing testable hypotheses

formulated in a way that allows predictions to be made, and then to construct investigations which attempt to disprove these hypotheses. Thus knowledge accumulates by falsification. Thus irrational behaviour can be studied by logical positivist methods. A theory is only useful until it is disproved. This approach is known as the *hypothetico deductive* method.

Quantitative research methodology tends to be the result of adopting a positivist viewpoint. Large numbers of measurements of data are normally made to reduce statistical error.

Critics argue that quantitative methodological approaches encourage the collection of data amenable to sophisticated statistical analysis. In other words, the method is dictating the research objectives.

> 'The statistical tools instead of acting as our servants have in fact become our masters, placing constraints not only on our research methodology and specific hypotheses, but on our very thinking process itself' (Das, 1983).

Interpretative Theories

On the other hand the interpretive school of thought requires that in order to gain knowledge about the world the researcher must experience what is being studied without theories or prepared frameworks. The interpretive view is that the world is not rational and though interpretations can be drawn out of experience these interpretations have no absolute status. The research task is not to gather facts and measurements to prove or disprove theories but to capture the different constructions and meanings people place on their experience. A holistic view of organisations and situations which are encountered can be taken, and a sensitivity, not associated with quantitative methods, is possible in which concern for the processes involved or the

'why' in terms of circumstances and the people involved can be experienced (Cassell and Symon, 1994). The interpretive view of the world encompasses *phenomenology*, defined as,

> 'the study of human awareness in which considerations of reality and purely objective response are left out of account' (Websters Dictionary).

According to Giddens (1976) the researcher adopting phenomenological research philosophy must go back to basics which precede understanding by having an open and alert but not pre-programmed mind and research attitude.

Interpretative methods usually involve inductively going from the empirical to the theoretical level. The generation of theory from data means the theory is 'grounded in data' - hence the *Grounded Theory* of Glaser and Straus (1967). The task of the researcher is to develop theory through the 'comparative method', in other words to view the same event or process in different settings or situations. In grounded theory replication logic is not applicable, and predictions are not possible. The emphasis is in developing a body of knowledge by the cumulative experience developed from several studies.

Interpretative methods are usually associated with qualitative methods which enable thoughts, feelings, and beliefs to be expressed, and regard the subjects as other than objects of analysis. Qualitative methodology permits closer observation which is more impressionistic and more holistic than quantitative tools, and is an effective methodology with which to gain insights into a particular situation or subject (Easterby-Smith, 1991).

Qualitative methodology usually involves small sample sizes as it is time consuming and expensive to obtain in-depth data on the underlying beliefs of individuals or to

explore processes or situations. The tools of interviews, the use of questionnaires, participant observation, and keeping diaries are most commonly used.

A summary of the positivist and interpretive or phenomenological paradigms is given in Table 4.

Table 4 Positivist and Phenomenological Paradigms

	POSITIVIST PARADIGM	**PHENOMENOLOGICAL PARADIGM**
BASIC BELIEFS	The world is external and objective Observer is independent Science is value free	The world is socially constructed and subjective Observer is part of what is observed Science is driven by human interest
RESEARCHER SHOULD	Focus on facts Look for causality and fundamental laws Formulate hypotheses and then test them	Focus on meanings Look at the totality of each situation Develop ideas through induction from data
PREFERRED METHODS INCLUDE	Operationalising concepts so that they can be measured Taking large samples	Using multiple methods to establish different views of phenomena Small samples investigated in depth or over time

Source: Easterby-Smith, 1991.

The Case Method

A third approach to consider is the 'Case Method'. Hartley (1994) defines '*case study*' as

> 'a fairly intensive examination of a single unit such as a person, a small group of people, or indeed a single company'.

The '*method*' is defined by as

> 'a detailed investigation, often with data collected over a period of time, of one or more organisations, or groups within organisations, with a view to providing an analysis of the context and processes involved in the phenomenon under study'.

Case studies involve studying what is there and how it got there. They can enable the observer to explore, unravel, and understand problems, issues, and relationships. The case study approach is intensive in nature. It is very helpful when investigating a situation in which the interrelationships of a number of factors are involved and in which it is difficult to understand the individual factors without considering their relationships with each other. According to Yin (1993) the case study approach is the method of choice when the phenomenon under study is not readily distinguishable from its context. Yin (1994) suggests that the case study design is appropriate and preferred if, within an organisational context, the focus of the research is to answer questions of 'how'? or 'why'? He also suggests that the focus should be contemporary rather than historical and that the method is most useful when the researcher has no control over the events. Case study research relies on the ability to generalise a particular set of results to a broader theory. Yin recommends case studies arranged within a multiple case design which is analogous to the ability to replicate an experiment. Yin goes on to say that the case approach is based on a replication logic

rather than viewing the cases as samples, which would be indicative of a sampling logic. The replication is therefore analogous to multiple experiments. If the same result is predicted from multiple cases, replication can be said to have taken place. Each case should be carefully selected so that it either predicts similar results or produces contrasting results but for predictable reasons. An important step in all replication procedures is the development of a rich theoretical framework. The framework needs to state the conditions under which a particular phenomenon is likely to be found (a literal replication) as well as the conditions when it is unlikely to be found (a theoretical replication). The theoretical framework later becomes the framework for generalising to new cases.

It is this researcher's strong impression that the case method is associated with qualitative methodologies and grounded theory. However Yin (1994) clearly states that the case method follows scientific principles and the positivist paradigms, 'the case study strategy should not be confused with 'qualitative' research'. The case study is analogous to a scientific experiment, and therefore the case method can suffer from its limitations. It is possible that there is confusion concerning the field work used in the case method which often uses exploratory interviews. Additionally both the case method and qualitative methods are useful for answering questions of 'why'? which may add to the confusion. Yin (1994) does note 'the strong and essential common ground' between the two methods. The use of the case method necessitates the construction of a detailed research framework prior to data collection from samples, and the field work is meant to be controlled by protocol and a pilot study conducted.

Conclusion

It can be seen that if this study were to use a large sample of organisations, positivist methods could be useful. However their use depends on the application of validated instruments and techniques to an experimental situation. As research into strategic alliances in emerging markets contains a large exploratory element, and the literature provides no formulaic processes to apply, the use of positivist techniques is likely to be limited. However, instruments which measure organisational and national cultures have been published, and there exists the possibility of creating instruments to apply, which could be most helpful in the conduct of the research.

Given the exploratory nature of the research, qualitative methodology seems most appropriate to this study. Understanding the effects of culture and integration process and an exploration of emerging market issues would seem to be done best by interviewing people who could contribute to the understanding of the issues and by observation. The constraint of time and the inability to generalise are noted.

The case method seems largely inappropriate, as it would involve the prior construction of a suitable framework and protocol, before a pilot study. This could only be done with a far greater identification of possible outcomes and a more thorough prior knowledge of the alliance partners than is possible within the constraints of this study. The open-ended outcomes of the exploration of the management of the alliance do not easily fit the case method.

4.2 Research Design

The first research objective, the identification of the types of national, organisational, and emerging market cultures within alliances in Eastern Europe, can be undertaken by positive tools, should suitable tools exist. However, it should be noted that both Hofstede (1991) and Cartwright (1990) stress the importance of using their instruments in conjunction with interview and observation, indicating that a hybrid positive-inductive approach is likely to be most successful. The second research objective, the investigation of the cultural integration process within alliances to determine how cultural differences are managed, lends itself very well to a purely inductive approach. The third research objective, the investigation of whether cultural differences affect the performance of alliances in Eastern Europe, and if so how, again lends itself to an inductive approach. Within this general framework it is necessary to examine each question derived from the synthesis of the literature individually to determine the most appropriate methodology for it.

1) How can the national cultures be described?

Mention has already been made (section 2.2.1) of Hofstede's (1980) VSM instrument. In reviewing its use Hofstede (1991) mentions a few caveats. Importantly, the research must be done on matched samples only; that is where other factors except nationality are more or less constant. This has implications for its use in strategic alliances if the two partners have few organisational commonalties. Secondly it does mean that the tool must be applied to both parts of the alliance; comparing, for example, the original UK mappings with 1997 data on a Polish partner would be bound to affect validity. The IBM studies can however provide an anchor or reference point. Comparability between organisations means that they should be surveyed at the

same time. A further factor is the effect of small sample size - almost inevitable in the study of an alliance - compared to the IBM study. A minimum of twenty respondents in each organisation is recommended. Finally Hofstede cautions that

> ' ... the logistic problems of doing research on more than two groups are insurmountable for most master's or doctoral researchers, the ones responsible for most replications'.

This had obvious implications for this study. Hofstede further encourages researchers to develop their own survey instruments.

Hofstede's methodology and instrument have been used by later researchers (for example Hoppe 1990) who support the validity of his approach. A note of caution has come from a case study of the Transmanche-Link by Winch, Millar et al. (1997). Their study, based on matched sets of English and French consortium staff building the Channel tunnel, was able to replicate Hofstede's four dimensions, thereby validating his instrument, but found differences between their study and Hofstede's extrapolations from his indices to organisational factors. In the values of PDI for French and English workers Hofstede's hypothesised relationship between PDI, UAI and organisational design was not supported, nor was the relationship between UAI and MAS and individual motivation. For example, it was hypothesised that the French would be more bureaucratic in their work and the English more individualistic, but it was found that the French enjoyed job autonomy and the British relied more on rules and procedures. The British were relatively bureaucratic and the French more organic in their approach to organisational design. A conclusion from this is that whilst the instrument works the implications for organisational design and organisational

strategy are unproven - the link between the indices and their relevance to the way in which the organisation works has yet to be confirmed.

Hall (1995), as already mentioned (section 2.2.1), asserts that the Compass Model (TCM) can be used to identify national cultures, but replication studies have not yet been done. The use of one instrument to measure both national and organisational cultures has obvious attractions in that inconsistencies due to the use of multiple instruments would be avoided. If valid her instrument would be powerful and most convenient to use. However her research methodology is strongly suspect. It seems that a questionnaire was given to 211 'executives with experience of living and working abroad in the targeted countries cultures'. Although the occupation of the sample is semi-controlled, little else is and no breakdown is provided of the sample nationalities or their foreign country experience. Nor is the questionnaire provided. It is questionable whether executives' perceptions are as reliable an indicator of national culture as in-country surveys.

Hall is rather dismissive of Hofstede, and she describes his results as 'inaccurate'.

> 'His research is probably describing intra-company cultures of IBM multinational (sic), these then are used to extrapolate to national cultures'.

However,

> 'Hofstede's results in proving the existence of cultural differences between nations is fully supported'.

It is difficult to know what to make of this except that it encouraged this researcher not to use Hall's instrument in the absence of academic validation.

There have been other criticisms of Hofstede's instrument, most of which, in the opinions of Mead (1998) and Lowe (1998), are ill-founded. The former's conclusion

is that despite its limitations Hofstede's instrument is the best that there is. The latter's major concern is that:

> 'Hofstede's multi-dimensional conceptualisation of culture is dissonant with his rather narrowly restrictive and mono-level research operationalisation'.

In other words, Hofstede is measuring one aspect of what is a very broad and complex subject.

Lowe suggests using a Hofstede type instrument in conjunction with other methods, a process of *triangulation*. Easterby-Smith et al. (1991) also recommend this approach. Whilst the use of quantitative and qualitative data in an investigation may suggest an inconsistency or contradiction in terms of methodology, Hofstede himself recommends such an approach. Although his constructs were derived by statistical methods, interpretations of their meaning were subsequently inductive. According to Easterby-Smith et al.,

> 'Much of his work simply does not fit the positivist paradigm. For example, he accepts that he is dealing with mental constructs rather than hard objective facts. The four main dimensions of national culture (individualism, masculinity, power distance, and uncertainty avoidance) were not formulated as initial hypotheses but only after considerable post hoc analysis of the data... he is fully aware of the importance of avoiding assumptions about culture which imply any one culture is superior to another and therefore he accepts his results are not necessarily value free...he recognises that different methods will provide different perspectives in what is being studied and therefore it is worth 'triangulating' if possible using a combination of both quantitative and qualitative techniques. Thus in practice, Hofstede's work contains elements of both paradigms.'

A third author in this field is Frans Trompenaars (1993). His findings are based on 15 years of academic and field research involving 30 companies spanning 50 countries. Managers comprise 75% of his sample; the rest are administrators. His methodology and analysis are similar to Hofstede's and his analysis identified 5 dimensions of national culture:

- Universalism v Particularism (Rules v Relationship)
- Collectivism v Individualism (Group v Individual)
- Neutral v Emotional (Range of feelings expressed)
- Diffuse v Specific (Range of Involvement)
- Achievement v Ascription (How status is accorded)

His book was published in 1993 and there have not as yet been confirmatory studies.

Conclusion

In choosing suitable research instruments, it seems reasonable to assess differences in the national cultures of the selected East European countries using Hofstede's VSM instrument, which is tried and tested. Furthermore Hofstede has refined his instrument and published an updated version in 1994, called VSM 1994, which is convenient and simple to use.

2) How can the organisational cultures be described?

Much of the philosophical arguments and reasoning used to devise a methodology for the measurement of national cultural differences applies to the identification of organisational cultures. Various instruments exist to do this, and it is worth re-emphasising that corporate cultures in the selected countries may be similar due to the

legacy of the Soviet era. It is recognised that organisational culture can differ from corporate culture and in the context of this research it is taken to mean the culture of the part of the organisation concerned with the management of the alliance. Normally this would be the corporate culture as senior management is most likely to be involved.

Of the number of instruments can be used to determine organisation culture Harrison's (1972) typology (Power, Role, Task, People) has already been mentioned (section 2.2.1) but has been subject to a number of criticisms. Prominent among these are that large organisations nearly always tend to be Role types and small organisations tend to Power types. Additionally there is the question of homogeneity – to what extent will there be an organisational cultural difference between large monoliths such as multinationals and entrepreneurial units within them? However, whilst recognising these limitations, Cartwright successfully used this typology in her doctoral thesis (1990) and later research, using both questionnaire and interviews to determine the organisational cultures. In a private communication (1997) she mentioned the limitations of her instrument and the need for it to be used in conjunction with interviews and observation.

Using questionnaires Trompenaars (1993) studied three factors that describe organisational culture:

- The relationship between employees and their organisation
- The vertical or hierarchical system of authority
- The views of employees about the organisation's destiny, purpose, and goals, and their places in it.

His resultant typology is in some ways very similar to that of Harrison, and is based on 4 organisational types:

- Family - personal, hierarchical, power orientation, high context, diffuse relationships, political.
- Eiffel Tower- formal bureaucracy. A depersonalised rational-legal system.
- Guided Missile - project orientation, teams of equals. When superimposed on an Eiffel Tower a matrix organisation results.
- Incubator - organisation for the purpose of people's self fulfillment.

It is easy to make the link between Power and Family, Role and Eiffel Tower, Task and Guided Missile, and People and Incubator. Thus Trompenaars can be said to be in agreement with Harrison's typology. Limitations also appear to be similar. Trompenaars notes the tendency for small companies towards Family, and large towards Eiffel Tower. He is also attempting to link organisational cultures to nationalities, finding provisionally, for example, that Guided Missiles are more common in the US and UK, and Families more common in France and Spain. A further development is a new questionnaire of 16 questions exploring egalitarianism and hierarchy, formality, and conflict resolution.

Hofstede (1991) talks about 'the organisational culture craze'. His contribution is a quantitative and qualitative survey based on data collection from employees in 20 units of ten organisations, 5 in Denmark and 5 in the Netherlands. This survey was conducted by IRIC (Institute for Research on Intercultural Cooperation). Both questionnaire and in-depth interviews were used and the questionnaire data was

processed in a similar way to the IBM studies. Six dimensions or descriptors of organisation culture were found:

- Process orientated v Results orientated
- Employee orientated v Job orientated
- Parochial v Professional
- Open system v Closed system
- Loose control v Tight control
- Normative v Pragmatic

Although Hofstede does not provide a tool similar to the VSM for replication studies it is likely that his dimensions will provide the basis for many similar studies, as they have the great advantage of being empirically derived, and will benefit from his reputation. So far, unfortunately, there have been no confirmatory studies.

Hall's (1995) TCM model, she claims, has been extensively tested and validated. Her two dimensions of Assertiveness and Responsiveness reduce the task of measurement, but her methodology is not as clear as it could be. Use of questionnaires is mentioned several times in her book, but her advice on how to construct the indices seems solely to rely on company reports and other documentation, and observation. The placing of organisations on the index seems a question of judgment by the researcher based on subjective assessments of data.

Hall also argues that in alliances difficulties are caused by the perceived cultural perceptions of the partners, which may differ from reality. Therefore she advocates asking each partner to assess each other's culture, and for the management of the alliance to act on the perceived differences. The trouble with this is that any results

are bound to be subjective and therefore may differ from reality. If there are cultural differences for reasons unknown to the observer, the observer is likely to interpret the differences in terms of his / her own experience thus leading to inappropriate management actions. For this reason it seemed more sensible to assess each partner's culture independently and explore this further by interview. The TCM model seems fundamentally flawed.

It is worth re-emphasising the importance of interviews and observation to supplement the quantitative data. Hofstede mentions the 'insightful descriptions' into organisational culture gained from interviewing hand picked employees. Cartwright used intensive interviews and an in-depth case approach to enrich and add to her quantitative data.

Conclusion

It was decided to use Harrison's typology using Cartwright's instrument to assess the organisational culture of the alliance partners. Trompenaars appears to add little, whilst Hofstede's instrument has not yet been supported. There are also processing time and cost considerations. The validity of Harrison's typology is well established.

In summary, the philosophical approach to the assessment of organisational cultures is partly inductive, using observation and interviews to triangulate results obtained by the use of a positivist tool, in this case Cartwright's instrument.

3) To what extent do the county/markets exhibit emerging market characteristics?

3a) Are organisational cultures in Eastern Europe relatively homogenous?

3b) Which form of business system are the countries of Eastern Europe likely to adopt?

3c) Is the stage of a country's economic development related to its propensity to exhibit emerging market characteristics?

3d) Does the propensity to adopt a type of business system influence partner choice or cultural fit?

3e) Are there better descriptors of the Eastern European characteristics? e.g. re-emergence?

The homogeneity of organisational cultures in Eastern Europe can be assessed the results of the investigation to answer research question 2. No instruments exist for the identification of emerging market characteristics at the level of the firm. However, and consistent with the chosen methodologies for the identification of national and organisational cultures, it was decided to triangulate methodologies, using interview (inductive) and questionnaire (deductive). To test for stakeholder orientation two groups of four questions or statements were posed and the responses to them measured by a Likert scale. These statements are derived from the common characteristics of each system, as described by the authors of publications in section 2.2.5.1. They are as follows:

Quick payback from an investment is important.

A company's shares should be freely traded on a stock market.

A stock market valuation of a company is the best.

Acting for the benefit of shareholders is a company's main duty.

It is worth waiting a long time for a profit on an investment.

Ownership of companies should not change involuntarily.

A company's main duty is towards its customers and employees.

A company should act for the good of the nation.

Confirmation of a stakeholder orientation and the absence of homogeneity of organisational cultures would indicate 're-emergence' (research question 3e) and help answer research question 3b.

To test for emerging market characteristics it was decided to pose statements to alliance partners in the emerging markets and measure preferences using a Likert scale, as above. The four statements are derived directly from section 2.2.5.1 (conclusions and onward links). They are:

A legal agreement is important for the success of this alliance.

Trust in our partner is important for the success of this alliance.

We will do more than is legally necessary to help success.

Personal characteristics of our partners are not important.

Agreement with the statements indicate the adherence to emerging market values, and the results would help answer research questions 3b and 3c. It is worth repeating that the less developed countries in Eastern Europe can be expected to adhere to emerging market values more strongly than the more developed countries.

Research question 3d is tested by a question derived from Cartwright and Cooper (1995) by which they asked European international managers which nationality they preferred most for business partnerships. Unsurprisingly most managers opted for their own nationality, but when asked for a foreign nationality tended to choose Americans on the basis that they 'make it happen'. The Japanese were the least attractive merger or joint venture partners, because of incompatible language and understanding. Generally Cartwright and Cooper found that different ways of doing things by a foreign partner were thought of as 'wrong' rather than 'different'. For this study the list of nationalities of alliance partners is composed of typical nations from the Anglo Saxon or stakeholder systems:

Which nationality of alliance partner would you most prefer?

France Germany Holland Japan U.S. U.K.

Why? .....

It was anticipated that respondents would rank nations in groups of Anglo Saxon or stakeholder business systems because they would feel more comfortable with an alliance partner from one system or the other. It was also anticipated that respondents would rank stakeholder countries more highly than Anglo Saxon countries, there being less of a gap between stakeholder and emerging market characteristics than between Anglo Saxon and emerging market characteristics.

The conclusions derived from the answers to research questions 3a to 3e will help answer the issues raised by research question 3.

4) What is the likely effect of such cultural differences on the performance of strategic alliances?

5) Are the alliances' goals and targets achieved?

The likely effect of cultural differences can be derived from the publications in section 2.2, particularly the publications of Hofstede (1991), Harrison (1972), and Choi (1995). An examination of the performance of the alliance lends itself largely to the inductive approach. Though there are quantitative measures of success, a practical consideration is that quantitative data concerning performance would be difficult to find for organisations in Eastern Europe. For example, given the lack of an Anglo-Saxon stockmarket driven culture, calculations of earnings per share are unlikely to be possible, and return on capital employed would also be almost impossible to attribute to the alliance partner given the lack of historical valuation of assets and Western accounting conventions. There are also the literature limitations in using them (Cartwright 1990, Datta 1991). It was therefore proposed to examine the performance of the alliances by conducting guided in-depth interviews with both partners. As part of the interviews target and goals could be identified, with a discussion concerning the extent of their achievement. Hence performance could be examined inductively from two perspectives, which would help to reduce the inherent subjectivity caused by the lack of 'hard' data. Typical issues to be discussed therefore would be the meeting of objectives, such as quality enhancement, product development, and market development, or the progress of the alliance towards them. Success factors would depend on the objectives and targets set for each alliance and therefore were likely to be different for each alliance.

6) Are the cultural differences a barrier to successful integration? If so, how?

7) How is cultural integration managed?

8) What part does cultural integration process play in this?

9) What other factors are important in hindering or aiding the success of the alliances?

The effects of culture are best examined by an inductive methodology based on interview from both sides of the alliances. This is necessary because one partner may perceive effects which the other does not.

Assessment of the cultural integration process again lends itself to a classical use of the inductive method, best done by interview and observation. A longitudinal study from the start of each alliance would seem the best approach, but this would have entailed the researcher spending a number of years in a number of organisations concurrently. In reality it would have been physically impossible to monitor the process in a number of Western and Eastern European organisations at the same time, as well as being beyond the scope, resources, and time frame of this study. However the nature of this research lends itself very well to the inductive method, as the cultural integration process would involve interrelated phenomena and related issues as experienced from the perspective of the participants. However, Haspeslagh and Jemisons' (1991) typology can help identify the integration processes used. It was anticipated there would be no undue difficulty using interviews and observation in identifying, for example, preservation, symbiosis, absorption, or destruction.

The role of cultural integration on the performance of the alliance would also be discussed from the perspective of both alliance partners during interview, as would the identification of other important factors which affect the success of the alliances.

10) Do the demographics of alliances in the region follow the patterns established in section 2.1?

There is no particular research philosophy or research methodology appropriate for this. The demographics of the alliances can be established by secondary research, that is the collection of facts concerning the alliances.

Summary

Table 5 summarises the research questions and the applied methodologies.

Table 5 Research Questions and Applied Methodologies

Question	Methodology
1) How can the national cultures be described?	Inductive, exploratory using positivist tool
2) How can the organisational cultures be described?	Inductive, exploratory using positivist tool
3) To what extent do the county/markets exhibit emerging market characteristics?	Inductive, exploratory using positivist tool
3a) Are organisational cultures in Eastern Europe relatively homogenous?	
3b) Which form of business system are the countries of Eastern Europe likely to adopt?	
3c) Is the stage of a country's economic development related to its propensity to exhibit emerging market characteristics?	
3d) Does the propensity to adopt a type of business system influence partner choice or cultural fit?	
3e) Are there better descriptors of the Eastern European characteristics? e.g. re-emergence?	
4) What is the likely effect of such cultural differences on the performance of strategic alliances?	Inductive, exploratory
5) Are the alliances' goals and targets achieved?	Inductive, exploratory
6) How is cultural integration managed?	Inductive, exploratory
7) Are the cultural differences a barrier to successful integration? If so, how?	Inductive, exploratory
8) What part does cultural integration process play in this?	Inductive, exploratory
9) What other factors are important in hindering or aiding the success of the alliances?	Inductive, exploratory
10) Do the demographics of alliances in the region follow the patterns established in section 2.1?	Secondary research

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There is triangulation of methods for research questions 1 to 3 based on the use of instruments, interviews, and observation. For research questions 4 to 9 there is a triangulation of data afforded by the interviews of both alliance partners. This provides a strong framework for the research.

4.3 Sample Design

There were a number of considerations to take into account when selecting or designing a suitable sample, and the sample design had to take into account the scope involved in a number of different country surveys.

1) Number of organisations in the sample.

It made sense to reduce the number of organisations involved as far as possible. A comparison of front-line states requires organisations from at least two countries. A further comparison with a less emerging market would require one more. Obviously this number could be extended should there be a need for further data. It should be noted that studying more than one alliance increases the strength of the triangulatory framework by providing a comparative analysis of the alliances.

2) Organisational variables.

To help ensure validity it was necessary to reduce extraneous variables as far as possible. Organisational variables could be reduced by using a minimum number of four organisations. In three alliances the maximum number of organisations would be six (two partners in three countries) but a minimum of four could be achieved by studying one organisation with three partners.

3) Size

To reduce the effect of size related variables, and particularly to avoid the effects of size differences on Harrison's (1972) organisation cultural typology, it was preferable that the alliance partners were of similar size.

4) Industry variables.

Using one organisation which was not a conglomerate and operated in discrete industries would also reduce the industry variables.

5) Stage of economic development - partners.

It was preferable that alliance partners in emerging markets were at the same stage of economic development and that this stage was economic expansion rather than survival. This was to ensure that the Eastern European partners were not seeking alliance partners out of desperation.

6) Stage of economic development - countries.

To investigate the relationship between stage of national economic development and emerging market issues it was necessary that at least one alliance partner was from a non front-line Eastern European country.

7) Time span of alliance.

It was also important that the alliances were strategic, or long-term. Short-term alliances where the objective was a quick profit were unlikely to provide fruitful organisations for study, though this excludes a small section of Anglo Saxon orientated companies.

8) Life cycle of alliances.

Investigating alliances at the same stage of development would also reduce other variables.

It was recognised that the process of an alliance would itself have an effect on partners' perceptions. During the alliances organisation cultures may change, as well as issues concerning the perceived importance of trust and business system orientation. A longitudinal study would identify this or perhaps a pre / post alliance comparative study, but to ensure validity the same stage of development was necessary. The alliances also would have to be investigated before total integration had been achieved, otherwise there would only be one seamless organisation. Concerning pre / post alliance investigations, any retrospective research concerning the process would be inherently weak as perceptions change, memories fade, and rationalisation of events occurs.

9) The form of alliance.

Although a very broad view of what a strategic alliance is has been taken in this study, it was felt that, for example, comparing joint ventures with acquisitions would have introduced many other variables concerned with process and control, and would have affected the comparability of the organisations involved. Therefore it was decided that the sample would include only one form of alliance, but at this stage the type of alliance would be decided in the light of available sponsoring organisations.

4.4 Research Sponsor

A search through Acquisitions Monthly and inquiries of organisations concerned with investment in Eastern Europe (DTI, embassies, EBRD) revealed that there was remarkably little UK investment in the region let alone organisations involved in alliances in several countries. In fact only two organisations, one a multinational involved in the manufacture and distribution of fast moving consumer goods, and the other a well known retailer, seemed to resemble the sample requirements. Though surprising, the level of activity is in accordance with Ivanov (1995) who found that by the mid-1990's the Czech Republic, Hungary, and Poland accounted for two thirds of the total of inward investment to the region, but the region as a whole had attracted less inward investment than China and captured only 3% of global F.D.I. in 1993.

After four months of correspondence the multinational granted access to the researcher to its recent acquisitions. This provided the opportunity to investigate its alliances in Poland, Hungary, and Romania.

The Multinational[1]

The multinational was created in 1929 by the merger of an English soap and foodstuffs manufacturer and a Dutch margarine and soap manufacturer. The structure of joint ownership survives to this day, with dual corporate headquarters in the UK and Holland. Rapid post-war economic growth led to expansion overseas through organic growth and merger and acquisition. The guiding policy at this time was that of vertical integration but in the 1970's the company diversified into chemicals, packaging, market research, and advertising.

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[1] Information from Company sources

In the 1980's ancillary businesses were sold, and in the 1990's the packaging companies and the major part of the agri-businesses were also sold leaving four core product groups – home and personal care, foods, and speciality chemicals – which by 1991 accounted for 96 per cent of sales. During the 1980's the multinational had embarked on a much more aggressive acquisition programme, buying 80 companies between 1984 and 1988. Over 100 further acquisitions were made between 1992 and 1996.

The need to expand into emerging markets was recognised in the mid 1980's. The advent of the Single Market and the collapse of communism led to swift movement into the former Eastern Germany and in the early 1990's into Eastern Europe.

At the time of this study the multinational employs 270,000 people, has sales in 158 countries world-wide, and manufactures in 88 countries. The four core four industry sectors are detergents, margarine, personal products, and frozen food. In Eastern Europe these industries are managed by one subsidiary organisation in each country which reports to the headquarters in Western Europe.

The business groups are semi- autonomous. A typical mission statement for the Home and Personal Care Group - Europe is as follows:

> 'Our mission is to make life more enjoyable and rewarding for the people who use our brands by promoting cleanliness, care and personal well-being for the people of Europe, the clothes they wear and the homes they live in. We seek to be recognised by consumers and customers as the expert and as the most professional in our business.
>
> We will do so by creating and maintaining outstanding brands which will constantly be preferred by our consumers through a superior understanding of their functional and emotional needs.

We are committed to developing a strategically focussed, high performance organisation, to setting stretching goals and to people performing to the best of their capabilities.

This will drive sustained, profitable growth for our employees, investors and customers'.

Corporate values are communicated to every employee:

'In everything we do, we will place particular emphasis on the following five values:

- We will passionately focus on consumer and customer needs
- We will treat people with uncompromising integrity, openness and respect, honouring commitments.
- We will foster entrepreneurship and innovativeness driven by clear ownership, effective teamwork and learning.
- We will simplify things to the greatest possible extent.
- We are determined to win and to work in an enjoyable, rewarding environment'.

4.4.1 Sample fit

To further focus the research the study concentrated on the detergents industry in each subsidiary. The front-line countries chosen, at comparable stages of economic development were Poland and Hungary. Romania was chosen to provide the economic contrast as it is in the third, or bottom, tier in order of economic development (Millar 1993) and therefore the least 'emerging' of the countries.

The acquisitions had all taken place in the space of four years. It was felt therefore that they were reasonably close in terms of life cycle or the stage of implementation

of alliance management. Table 6 summarises the extent to which the actual sample fitted the theoretical sample criteria.

Table 6 Sample Fit

	THEORETICAL	ACTUAL
Number of countries	Three	Three
Number of organisations	Four	Four
Size	Similar	Similar
Industry Variable	One industry	One industry
Stage of economic development – partner	The same – growth	The same – growth
Stage of economic development – country	Front-line states and at least one other	Two front-line states and one other
Stage in Life Cycle of alliances	The same	Alliances made between 1991 and 1995
Form of Alliance	Constant	Constant – acquisition

Overall, the fit between the theoretical or desired sample and the actual was very good.

4.4.2 A Case Methodology?

It could be argued that the framework in table 4 is indicative of a case methodology. However, the table is a summary of a sample selection rather than a detailed case design (see section 4.1). Essentially an inductive exploratory approach, including positivist tools, has been used and applied to a case.

4.5 Research Process

It was intended to standardise the methodology as far as possible, that is to apply the same approach to each organisation in the sample, and to adopt good practice for the conduct of cross-cultural research.

The questionnaires

Essentially the questionnaire (Appendix 1) is divided into three sections. The first, questions 1 to 20, is composed of Hofstede's VSM 94 instrument, the second, questions 21 to 33, the statements concerning emerging market issues, and the third, questions 34 to 50 Cartwright's instrument. Within the second section, questions 21 to 24 are the 4 statements concerning emerging market characteristics, questions 25 to 32 are the 8 statements concerning stakeholder orientation, and question 33 lists the choices of alliance partner. To test the homogeneity of Eastern European organisational cultures within the organisations, it was decided that Cartwright's instrument would, if possible, be given to a sample of managers and a sample of workers, and the responses compared. The key to Cartwright's instrument is given at the end of the questionnaire (Appendix 1).

The questionnaires were translated into the respondent's language. This was done by using the services of foreign academics with business experience, persons of a similar nature, it was hoped, to those who would complete the questionnaires. This also served the purpose of piloting the survey and identifying any difficulties from an objective neutral perspective. Hofstede (1991) however notes the impossibility of any research instrument being culturally neutral and therefore recommends 'plain formulations

without culturally loaded idioms'. This was done as far as possible though of course both his and Cartwright's instrument were not altered.

Though each questionnaire had been piloted via a foreign national, the Chairman (Dutch) of the Polish subsidiary suggested changes be made to questions 21 to 32, the section examining whether the subsidiary countries showed characteristics of emerging markets. The Chairman thought that his Polish managers lacked the necessary experience of different types of business system to be able to give an informed answer to these questions. For example, whether the price of a company's shares is the best indicator of the company's value was likely to be outside many of his managers' bounds of knowledge. He suggested the questions would be better put in context, and accordingly the questionnaires were altered to the context of a Polish manager starting his or her own business. It was thought that these arguments would apply equally to the country of each subsidiary and therefore the set of questionnaires was altered.

Matching of samples

It is essential to use Hofstede's instrument on matched samples; that is the same sample profile of respondents in terms of position and other characteristics from both sides of the alliance. Hence a batch of twenty five or more questionnaires were sent to the same type of people within the Western parent organisation and the three Eastern subsidiaries. To ensure that the match was as close as possible it was planned to send each batch of questionnaire to managers involved in the management of the alliance working from the top down. It was anticipated that the top would be the chief executives, chairman or chairwoman, or persons of comparable status, and the rest of the sample would be composed of senior or middle managers.

The interviews

For each interview a common framework of issues to be explored was drawn up. This was intended to be used for guidance rather than to impose a list of topics to be discussed, and the interviewees were encouraged to talk freely.

Whilst the nationality of ownership was not British, the company language was English and all inter-management communication, written or oral was conducted in English. Obviously learnt English speakers would have a lesser understanding of the subtleties and nuances of the language than a native speaker, but communication proved unproblematic.

It was proposed to interview at least one senior manager from the parent organisation and the chief executive of each subsidiary. Within each subsidiary it was also proposed to interview a senior local director who had been employed by the organisation prior to the alliance. It was felt that this would give the best possible insight into the alliance process. Therefore there would be two matches in the interviews. The first between Headquarters and the chief executives of each subsidiary, and the second between the chief executive of each subsidiary and his / her local counterpart.

All interviews where possible were tape recorded, and contemporaneous notes were also taken. In the case of the Romanian manageress, because of her lack of fluency in English the interview was conducted with the help of an interpreter. Also, because there seemed some sensitivity to the use of a tape recorder, the interview was not recorded.

Observation

It was proposed to request a tour of the facility and to spend as much time within each organisation as possible. Notes of observations were kept. Each of the factory visits were to Detergents and Personal Product plants, ensuring comparability of visits and the environment in which respondents worked.

Operation

The parent organisation was contacted in late 1996. Thereafter, a series of communications by telephone and fax, in which the purpose of the study was explained, led to access being granted to its subsidiaries in Eastern Europe. During this initial phase much information was gathered concerning the parent organisation's operations in Eastern Europe which enabled considerable preparation to be made. Knowledge was gained about the parent organisation's policies in Eastern Europe and attitude to the issues raised by the research questions prior to the visits. This had the benefit of focussing the interviews and enabled a deeper exploration of the issues, as there existed a basis upon which to build, without biasing the discussions.

The initial visit was made to the organisation's headquarters in the spring of 1997, as it was necessary to investigate headquarters' policies and attitudes before investigating those of the subsidiaries to establish a basis for comparison. Thereafter visits were made at intervals to the subsidiaries in Poland, Hungary and Romania. These intervals were dictated by the availability of the respective Chairmen as much as anything else, but this did have the benefit of enabling follow up correspondence to clarify issues or close gaps in the data before the next visit. It was felt this benefited the inductive process of building upon existing knowledge.

The questionnaires were distributed by the Chairmen's secretaries. The return address was that of the researcher, upon advice from Headquarters that a company address might have biased the answers to the questions. The returned questionnaires were collected by the secretaries, who also chased the respondents and posted the questionnaires to the researcher's address. Visits were completed by the end of 1997 and all questionnaires returned early in 1998.

The data was then analysed, and after further communication, the results and conclusions were then sent to Headquarters in March 1999 in a report for comment, thus closing the research loop.

4.5.1 The role of the observer

Easterby-Smith et al. (1991) describe four types of participant observation:

1) Researcher as employee

In this case the researcher works within the organisation. A major difficulty arises if his / her role is not explicit which can raise ethical dilemmas. Also the dual role of researcher and employee can cause problems of objectivity.

2) Research as the explicit role

As the heading implies this is the researchers only activity and the researcher is present every day over a period of time.

3) Interrupted involvement

The researcher is present at intervals, and hence the research is not longitudinal. This role is a model for what is seen as the participant observation method: spending a period of time in a particular setting and combining observation with interviews.

4) Observation alone.

This is the role of the complete observer. The researcher avoids sustained interaction with those under study, which requires strong detachment and prevents trust and friendship developing between researcher and respondent.

In the context of this study the role of the researcher lay some where between 3) and 4) above though research was the explicit role. The role was not chosen, but adopted because of the physical and logistical limitations previously described. Obviously the researcher was not an employee, and although research was the explicit role it was not possible to be present over a prolonged period of time within one organisation or all four. Many of the characteristics of the interrupted involvement role were present, save that the researcher was not present at intervals, but rather during one short period of intense activity. There had to be elements of observation alone, but within a short space of time fostering of some trust and friendship were necessary in order to ensure that events would happen and open interviews would be conducted in an relaxed

4.5.2 Limitations of research design

To be useful for research purposes the data gathered should exhibit characteristics of validity, reliability, and generalisability. Marshall and Rossman (1989) suggest that data should be subject to four questions:

1) How truthful are the particular findings of the study? By what criteria can we judge them?

The answers to these questions help to establish the internal validity of the data set.

2) How applicable are these findings to another setting or group of people?

This question is concerned with the external validity of, or the generalisability, of the findings. Will the findings be generalisable to the population represented by the sample? Will it be generalisable across other populations?

3) How can we be reasonably sure that the findings would be replicated if the study were to be conducted with he same participants in the same context?

This is indicative of the reliability of the findings.

4) How can we be reasonably sure that the findings are reflective of the subjects and the inquiry itself, rather than the product of the researcher's biases and prejudices?

The concern here is with the objectivity of the results.

These questions are now examined within the context of the research methods used.

Interviews

Apart from individual interviews being time consuming there is the question as to whether group interviews would give a more representative view of the managers involved in the alliance process. The data gained may well be at a shallower level than that gained by individual interview, due to the process of consensus, but its validity

would be of a higher order. However, group interviews can present the problem of self censorship in the company of one's colleagues, and the result may be that the data reflects what the group thinks is politically acceptable to communicate within the organisation. This was thought to be important in the context of Eastern Europe. On the other hand there is the question of to what extent the managers individually interviewed are representatives of their cultural and managerial environments, or merely representative of their own unrepresentative opinions. There is no easy answer to this question, but the practicalities of trying to arrange group interviews from the UK in a Eastern European organisation led the researcher to conduct interviews with key informants. Another consideration was that those most closely involved in the process of the alliance were likely to be at very senior levels in the organisations. A 'group' of such people was unlikely to exist. A group containing a chief executive officer and other managers would not have been homogenous in terms of status. As English would not have been the first language of many in a group, spontaneity would have been affected. In short, trying to conduct a focus group would have been impossible.

Truthfulness was essentially monitored by triangulation. If the respondents corroborated each other's views this pointed to the data being valid.

The reliability of the instruments

The instruments and their limitations have been extensively discussed in section 4.2. Validity was not a major issue for Cartwright's (1990) and Hofstede's VSM 94 instruments. The instruments used for the investigation of emerging market

characteristics have not been validated and therefore care had to be taken in the use of the instruments and the interpretation of the results.

Researcher Bias

Some bias would be inevitable. Whether any researcher, or research instrument, can be completely unbiased is part of the phenomenologist debate with the logical positivists. Also, the process of examining data for commonalties may lead the researcher to ask for it. However, recording the methodology and maintaining records of interviews and completed questionnaires leave the research to be confirmed by others. The difficulty within the context of this study is that if a subsequent researcher were to use the same methods the environment would have changed over the passage of time - perhaps quite rapidly given the rate of change in Eastern Europe - and therefore a further layer of difficulty would be added to the replication.

Language differences.

It was intended to conduct interviews in English or to use an interpreter. Inevitably by not using the national tongue the exploration of issues and the quality of the data, particularly 'soft data', would be affected.

Validity

Validity is improved by the reduction of the variables but this may be at the expense of generalisability. The triangulation of data and methodologies is a powerful factor in the assurance of validity.

The inductive method

The results derived from inductive studies do not lend themselves to statistical verification and may not be empirically reliable. This is because of the subjective and flexible elements of the method. Observer bias is once again an issue. As inductive methods involve detailed descriptions of complex situations it can be difficult to develop formal methods of observation and recording. Also, because of the time and resources available for the study, one visit to each country was undertaken - hence a broad research scope had to be focused within a narrow time frame.

Generalisability

Inductive methods do not lend themselves to generalisability. The tightness of the sample and the exclusion of organisational and industry variables also limit claims of generalisability of the findings outside the specific organisational context of the study. This is an issue to be further discussed.

Conclusion and Onward Links

Comparing these limitations with the four questions posed by Marshall and Rossman (1989) leads to the conclusion that the research design was not perfect, but was sufficiently robust to make the results meaningful.

The next section, 5, contains the data obtained by the applied methodology, analysis of the data, and the results of the data analysis.

5. Findings

This section is divided into two parts. The first, section 5.1, contains the results of the quantitative analyses obtained by the analysis of the questionnaires.

The second part of this section, section 5.2, contains the interviews and analyses and conclusions drawn from them.

5.1 Quantitative Analysis

The quantitative analysis is divided into three sections corresponding to the three sections of the questionnaire. The first section, section 5.1.1, contains the analysis of the national cultures of Poland, Hungary, and Romania, using Hofstede's VSM 94 instrument. The second section, section 5.1.2, contains an analysis of the organisational cultures of the national subsidiaries using Cartwright's instrument. The third section, section 5.1.3, contains an analysis of the emerging market cultural characteristics in each country.

5.1.1 National Cultures

5.1.1.1 Headquarters

Analysis of the questionnaires showed that the management team for Central and Eastern Europe comprised no less than seven nationalities: French, English, Belgian, Dutch, German, Austrian, and Finnish. The number of returned questionnaires (18) was in total too small for statistically reliable analysis, for which the minimum number is normally 20 (Diamantopoulos and Schlegelmilch 1997), and the sub-sets of nationalities compound the problem - the accepted minimum of 5 was not reached.

As multinational organisations adopt the characteristics of a transnational, management teams will be increasingly multinational rather than being composed of nationals from the headquarters' country (Mead 1998). This begs the question whether, as subsidiary acquisitions will be managed by multinational teams, a composite measure of national culture will reflect the national culture within the parent organisation. For example, in this study the aggregate stereotype of Headquarters society might be the following:

- Power Distance index value close to zero, reflecting the perception that at Headquarters people value equality.

- An extremely high Individuality index value indicating supreme individualism.

- A low Masculinity index value reflecting a society in which gender roles overlap, and a caring, nurturing attitude is valued.

- An extremely low Uncertainty Avoidance index value indicating a strong entrepreneurial culture not riven by uncertainty or ambiguity in the environment.

- A high Long Term Orientation index value indicating a society fostering virtues orientated towards future rewards, in particular perseverance and thrift.

Because of the small and fragmented sample, this caricature plays no further part in this analysis, but helps to highlight an issue concerning the future of international cultural research, in the increasingly multicultural environment of international management teams. Can there be a national culture of headquarters in a multinational in the future?

5.1.1.2 Poland, Hungary, and Romania

Values for Power Distance Index (PDI), Individualism Index (IDV), Masculinity Index (MAS), Uncertainty Avoidance Index (UAI) and Long Term Orientation (LTO) are given in Table 7.

Table 7 VSM 94 Index Values for Poland, Hungary, and Romania

	Poland n = 26	**Hungary** n = 34	**Romania** n = 21
PDI	21	29	28
IDV	75	103	70
MAS	24	64	70
UAI	47	47	35
LTO	43	45	70

Power Distance Index (PDI)

According to Hofstede (1991), PDI scores inform us about dependence relationships in a country:

Low PDI:

'In countries in which employees are not seen as very afraid and bosses not often autocratic and paternalistic employees express a preference for a consultative style of decision making'.

High PDI:

'In countries on the opposite side of the power distance scale, where employees are seen as frequently afraid of disagreeing with their bosses and bosses as autocratic or paternalistic, employees in similar jobs are less likely to prefer a consultative boss'.

All three countries have values separated by only 7 scale points and are positioned towards the low end of the scale, reflecting societies which do not have large differences in the distribution of power within the countries. Unfortunately the only benchmark country available for Eastern European countries from Hofstede's (1980) earlier research is Yugoslavia, which, in the light of current political events, cannot be considered representative.

Hofstede's (1991) implications for the workplace are as follows:

> 'In the small power distance situation subordinates and superiors consider themselves as existentially equal; the hierarchical system is just an inequality of roles, established for convenience; and roles may be changed, so that someone who today is my subordinate may tomorrow be my boss. Organizations are fairly decentralised, with flat hierarchical pyramids, and limited numbers of supervisory personnel. Salary ranges between top and bottom jobs are relatively small; workers are highly qualified, and high-skill manual work has a higher status than low-skill office work. Privileges for higher-ups are basically undesirable, and all should use the same parking lot, toilets, and cafeteria. Superiors should be accessible for subordinates, and the ideal boss is a resourceful (and therefore respected) democrat. Subordinates expect to be consulted before a decision is made that affects their work, but they accept that the boss is the one who finally decides'.

In most work situations, Hofstede (1991) notes, some elements of both high PDI and low PDI will be present. This applies equally to values measured by his other indices.

Individualism Index (IDV)

According to Hofstede (1991) the influence of IDV on organisational behaviour is as follows:

> '...it is not difficult to identify the importance of individual time, freedom, and (personal) challenge with individualism: they all stress the employee's independence from the organization. The work goals at the opposite pole: training, physical conditions, and skills being used on the job refer to things the organization does for the employee, and in this way stress the employee's dependence on the organization which fits with collectivism'

All three countries are highly individualistic, particularly Hungary. According to Hofstede (1991) Hungary should exhibit behaviours of extreme individualism:

> 'Employed persons in an individualistic culture are expected to act according to their own interest, and work should be organised in such a way as this self-interest and the employer's interest coincide...In the individualistic society family relationships at work are often considered undesirable as they may lead to nepotism and to a conflict of interest. Some companies have a rule that if one employee marries another, one of them has to leave'.

'In individualistic societies the relationship between an employer and employee is primarily conceived as a business transaction, a calculative relationship between

buyers and sellers on a 'labor market'. Poor performance on the part of the employee or a better pay offer from another employer are legitimate and socially accepted reasons for terminating a work relationship'.

'... Management techniques and training packages have been almost exclusively developed in an individualistic society, and they are based on cultural assumptions that may not hold in collectivist cultures'.

These countries, therefore, should prove readily amenable to the introduction of Western management tools and techniques, particularly Hungary.

Masculinity Index (MAS)

According to Hofstede (1991) the implications of MAS for the workplace are as follows:

'In feminine cultures like the Netherlands, Sweden, and Denmark there is a preference for resolving conflicts by compromise and negotiation. The institutional context in which this negotiation takes place differs by country ...'

'In a masculine society the ethos tends more toward 'live in order to work', whereas in a feminine society the work ethos would rather be 'work in order to live'...Men in masculine societies are expected to aspire to career advancement...in feminine societies both men and women may or may not be ambitious...'

'Job enrichment represents a 'masculinization' of unskilled and semi-skilled work which...has a relatively 'feminine' occupation culture'.

'In feminine cultures a humanized job should give more opportunities for mutual help and social contacts...Of course this was precisely the rationale of the Swedes (Volvo) in having the group assembly system'

'Masculine and feminine cultures create different management hero types. The masculine manager is, of course, assertive, decisive and 'aggressive'... he is a lonely decision maker looking for facts rather than a group discussion leader... The manager in a feminine culture is less visible, intuitive rather than decisive, and accustomed to seeking consensus. Both, however, should be resourceful - believed to be endowed with above average intelligence and drive'.

'Industrially developed masculine cultures have a competitive advantage in manufacturing, especially in large volume: doing things efficiently, well, and fast. They are good at the production of big and heavy equipment and in bulk chemistry. Feminine cultures have a relative advantage in service industries like consulting and transport, in manufacturing according to customer specification, and in handling live matter such as high-yield agriculture and biochemistry'.

'Technology imposes change on work itself. The information revolution is going on...On balance, technological developments are more likely to support a need for feminine values rather than or masculine values in society'.

It can be seen from Table 7 that there should be clear differences in organisational behaviours between the low MAS value of Poland and the high MAS values of Hungary and Romania. Romania and Hungary appear to be far more 'macho' societies than Poland. However, Hofstede (1980) found a strong correlation between religion and MAS

values. High MAS values are associated with Roman Catholicism. In the case of Poland the predicted correlation with the extent of Roman Catholicism is not observed. The Church plays a prominent, and formerly dominant, role in Polish society, yet Poland has the lowest MAS score, in the lowest quartile of the range. This indicates that a degree of caution may be necessary in the interpretation of the results.

Uncertainty Avoidance Index (UAI)

According to Hofstede (1991) characteristics of a strong uncertainty avoidance society are as follows:

> 'The need for laws and rules is not based on formal logic but on psycho-logic. The need for rules in a society with a strong uncertainty avoidance culture is emotional. People...have been programmed since their early childhood to feel comfortable in structured environments. As little as possible should be left to chance'
>
> 'The emotional need for laws and rules in a strong uncertainty avoidance society often leads to the establishing of rules or rule-orientated behaviours which are clearly nonsensical, inconsistent, or dysfunctional...'

Conversely:

> 'In countries with very weak uncertainty avoidance there ... seems to be an emotional horror of formal rules...People in such societies pride themselves that many problems can be solved without formal rules'

The UAI value for Romania (Table 7) is low. According to Hofstede (1991) the implications of a low UAI value for the workplace are:

> 'In weak uncertainty avoidance societies people are quite able to work hard if there is a need for it, but they are not driven by an inner urge towards constant activity. They like to relax. Time is a framework to orient oneself in, but not something one is constantly watching'.
>
> 'Weak uncertainty avoidance countries are more likely to stimulate basic innovations as they maintain a greater tolerance towards deviant ideas. On the other hand they seem to be at a disadvantage in developing these basic innovations to full-scale implementation, such implementation usually demands a considerable sense of detail and punctuality. The latter are more likely to be found in strong uncertainty avoidance countries.'

The low UAI score for Romania may indicate an environment in which fewer rules are required (or there is not an emotional need for rules). Romanians will work hard when necessary, but they are not driven by an inner urge towards constant activity. The work atmosphere will be more relaxed than in Poland or Hungary. The Romanian subsidiary may prove to be a good source of innovative ideas, but there may be less ability to develop these ideas and the seeing of them through to fruition.

Long Term Orientation (LTO)

This fifth dimension, which Hofstede (1991) does not define, was discovered by comparing Hofstede's (1980) data with a survey written and conducted in the far Eastern

Chinese culture (Hofstede and Bond 1988). Three dimensions in this survey could be related to PDI, IDV, and MAS, though the meanings associated with each index were expressed differently. There was no comparable index to UAI, but a fifth dimension was identified. It was initially called 'Confucian Dynamism' and had the following associated cultural characteristics:

High LTO values:

- persistence (perseverance)
- ordering relationships by status and observing this order
- thrift
- having a sense of shame

Low LTO values:

- personal steadiness and stability
- protecting you 'face'
- respect for tradition
- reciprocation of greetings, favours, and gifts

Hofstede (1991) suggests that to Western minds this dimension is puzzling and consequently Westerners may regard it as unimportant. The implications for organisational behaviour and the workplace are unclear, save that high LTO values are associated with entrepreneurial cultures.

Poland and Hungary have middle order LTO values but Romania has a high value. It should be noted that Poland's LTO score of 43 is in the same ball-park as Hofstede's (1991) benchmark value of 32.

5.1.1.3 Conclusions

Hofstede (1991) draws detailed predictions for organisational behaviour from his indices. In many ways these can be considered extrapolations of extrapolations, or interpretations of his interpretations of the meanings of the values of each index. The following Table 8 therefore summarises general, as opposed to the specific, management and organisational implications of the differences in national cultures as measured by the PDI, IDV, MAS, and UAI indices.

Table 8 Organisational Implications of VSM 94 Values

POLAND	HUNGARY	ROMANIA
Work to be organised so that the organisation's interest and the employees' interests coincide.		Work to be organised so that the organisation's interest and the employees' interests coincide.
Amenable to the introduction of Western management tools	Amenable to the introduction of Western management tools	Amenable to the introduction of Western management tools
	Career progression job design, job enrichment. Tough, assertive, decisive management. A competitive environment.	Career progression, job design, job enrichment Tough, assertive, decisive management. A competitive environment.
Group assembly, teamwork Negotiation, compromise, participative management		
		Non-rule dependent A relaxed atmosphere
		Motivated by achievement and esteem
		Flexible and pragmatic
	Respond to financial targets	Respond to financial targets
Short term financial orientation		Short term financial orientation

A flat, decentralised hierarchy, with small salary differentials and few privileges should be suitable for all three countries. The ideal boss for each would be a resourceful democrat.

It is worth reiterating that the derivations from the index tend towards extremes. Every value contains some elements of the opposite position (Hofstede 1991). Also, the analysis contains some elements of contradiction, particularly between the common need for resourceful democrats as managers and the more macho managerial environments required by Hungary and Romania. The only surprise is the low PDI value for Poland, which does not correlate with the dominance of Catholicism in that country.

As one would expect, there are some similarities, and clear differences between the national cultures which should result in observable differences in the behaviour of employees in each subsidiary.

5.1.2 Organisational Cultures

5.1.2.1 Headquarters

In discussions prior to the interviews it was stressed by Headquarters that it was not comparable with the subsidiaries. This was not only because of the differences in line responsibilities (managers in Headquarters could be considered in 'staff' rather than 'line' positions) but also because working methods were different. For example, to implement a management information system, Headquarters would orchestrate the formation of a team drawing on expertise from throughout the global organisation. A major product launch would involve a similar process. Hence Headquarters operated as an extremely flexible team with no rigid boundaries. At any time the people at Headquarters would be different. It was also the intention to inculcate a team culture on a global basis. Ultimately however, all staff reported to the President for Central and Eastern Europe.

Hence it was accepted prior to the interviews that Headquarters had a Task culture.

5.1.2.2 Poland

The results of the use of Cartwright's instrument to identify the organisational cultures of managers and factory workers are shown in Table 9. The figures in the table are the sums of the means of each of the four questions that relate to one organisational culture. As the neutral answer in the Likert scale has a value of 3, total answers of less than 12 identify an organisational tendency towards the relevant organisational culture.

Table 9 Organisational Cultures – Poland

	Power	Role	Task	People
Managers n = 26	12.15	10.77	12.00	11.38
Workers n = 27	11.12	10.96	11.73	12.19

Statistical significance tests were performed in order to verify the following:

a) Whether the values shown are different from the neutral value of 12. If not, there would be no identifiable organisational culture. A paired samples t test was used.

b) Whether the values for each organisational culture differ from one another. This was done in order to verify, for example, whether a Role value is significantly different from a Power value. If not, there would be no discrimination between different organisational cultures. A paired samples t test (table of pairs) was used.

c) Whether the values for managers and workers are different. If not, homogeneity of organisational culture within each subsidiary would be indicated. An independent samples t test was used.

There are various points to note in Table 9:

1) Firstly, compared to the neutral value of 12, the only statistically significant difference for Polish managers is to be found in the value of 10.77 for the Role culture (paired samples t test, t = 2.62 p = 0.022).

2) There is a statistically significant difference at the 10% level from the neutral value for Polish workers for the Role culture (paired samples t test, t = 2.37 p = 0.027).

3) The answers for Polish managers show significant differences at the 10% level between the values of organisational types for the Role and Task cultures, and the Power and Task cultures.

   For the Polish workers there are highly significant differences at the 5% level between the values for the People and Role cultures.

   (Table of pairs:

   Managers: Role - Task t = 2.13 p = 0.055.

   Power - Task t = 1.95 p = 0.076

   Workers: People - Role t = -2.92 p = 0.008).

4) There are no statistically significant differences between the values for managers and workers. (Independent samples t test, p > 0.10).

These results indicate a slight tendency among managers and workers towards a Role culture, and homogeneity of organisational culture. This slight tendency towards the Role culture is strongly corroborated by the summary question, Q50 in the questionnaire, which asks each respondent which of five organisational descriptors best fits the organisation in which he or she works. The results of this analysis are given in Figure 6.

Figure 6 Organisational Cultures – Poland

There is greater spread in the workers' responses, with 28% unable to identify with any descriptor, but the tendency of both groups towards the Role culture is clear

The homogeneity of organisational culture within the subsidiary should be of benefit to the management.

5.1.2.3 Hungary

Cartwright's instrument produced the results for managers and workers given in Table 10.

Table 10 Organisational Cultures – Hungary

	Power	**Role**	**Task**	**People**
Managers n = 34	12.04	11.96	9.70	12.19
Workers n = 6	12.00	8.50	9.67	12.00

Points to note are:

1) The number of returned questionnaires from the workers makes any statistical analysis invalid, but the values if representative may indicate tendencies towards the Role and Task cultures.

For the managers:

2) The only statistical difference from the neutral value of 12 is given by the Task culture (paired samples t test, t = 6.2 p = 0.000), the difference being highly significant.

3) Table of Pairs tests showed significant differences between the organisational type values:

Power -Task t = 3.59 p = 0.001

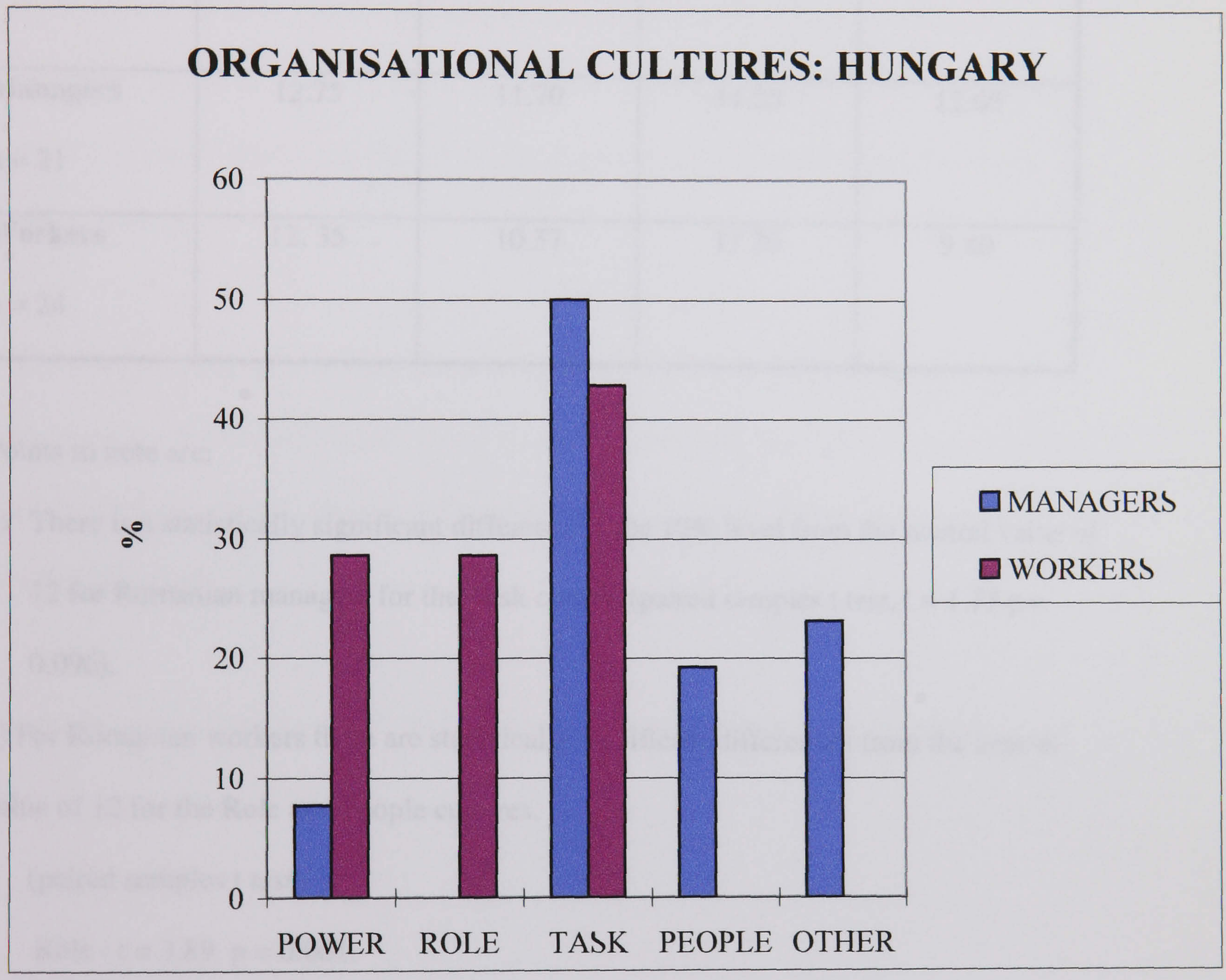
Task - Role t = -6.64 p = 0.000

People - Task t = 5.06 p = 0.000

These analyses indicate that the organisational culture is of the Task type.

The degree of corroboration afforded by Q5O is given by Figure 7.

Figure 7 Organisational Cultures - Hungary



The identification with the Task culture for both managers and workers is striking, and surprisingly there is no identification with the Role culture for managers. No descriptor was chosen by 23% of managers.

5.1.2.4 Romania

Cartwright's instrument produced the results given in Table 11.

Table 11 Organisational Cultures - Romania

	Power	**Role**	**Task**	**People**
Managers n = 21	12.75	11.70	11.25	12.65
Workers n = 24	12. 35	10.37	11.30	9.80

Points to note are:

1) There is a statistically significant difference at the 10% level from the neutral value of 12 for Romanian managers for the Task culture (paired samples t test, t = 1.75 p = 0.096).

2) For Romanian workers there are statistically significant differences from the neutral value of 12 for the Role and People cultures.

(paired samples t test,

Role t = 3.89 p = 0.001.

People t = 3.96 p = 0.001).

3) Paired samples tests (table of pairs) analysis showed statistically significant differences in organisational cultures for workers :

People – Power t = -3.63 p = 0.001

People – Task t = - 1.72 p = 0.099

Power - Role t = 2.59 p = 0.160

4) For Managers, there are statistical differences between the People and Task organisational types:

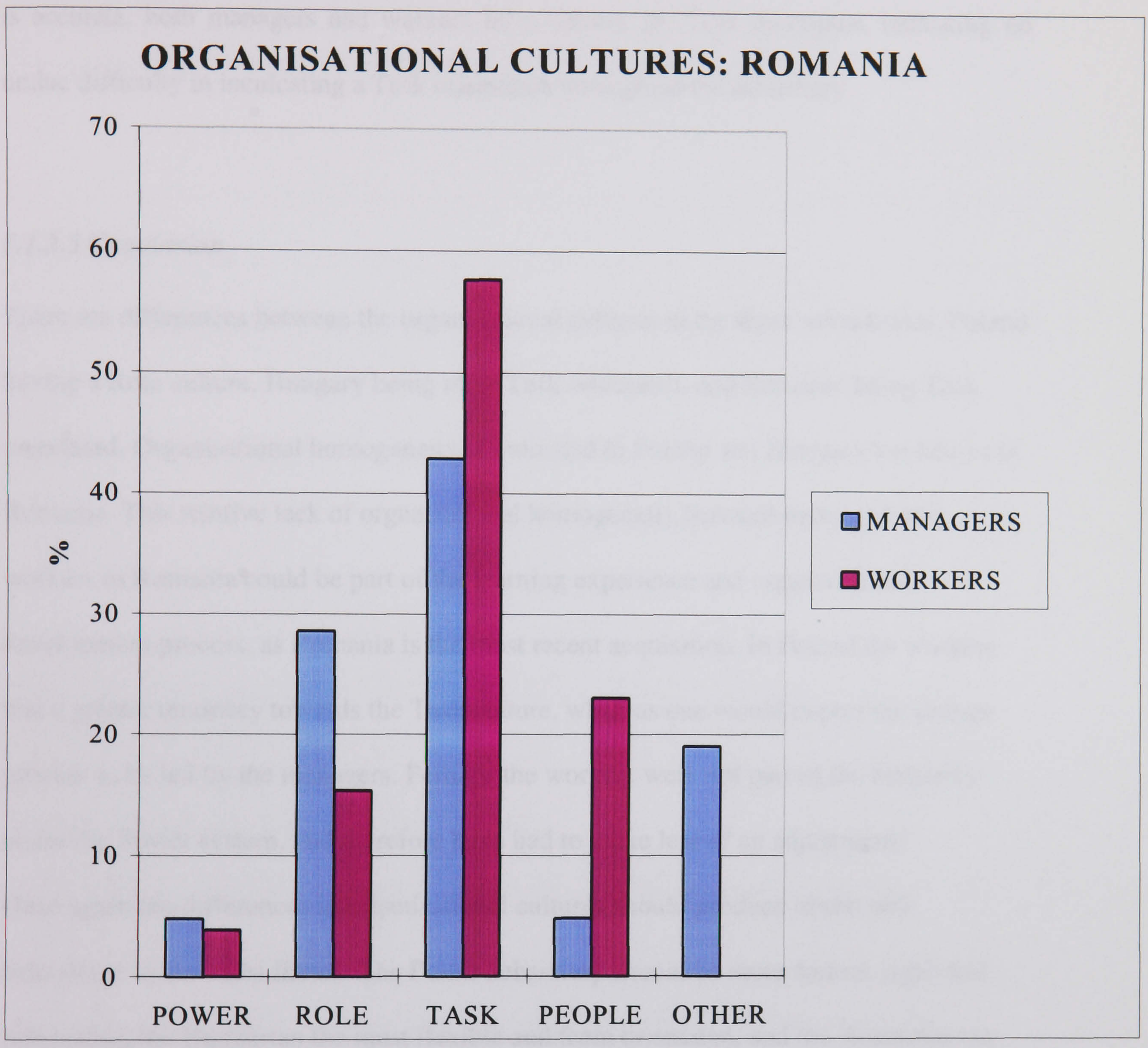
People - Task t = 2.62 p = 0.017

5) Independent samples t tests showed a statistically highly significant difference between the values for workers and managers for the People culture (t = 4.07 p = 0.000) and a significant difference at the 5% level between the values for the Role culture (t = 2.068 p = 0.045).

These analyses indicate that the Romanian subsidiary's organisational culture is less homogeneous that that of Poland. There is moderately significant tendency for managers towards the Task culture, and the workers show a stronger tendency towards the Role and People descriptors.

The degree of corroboration afforded by the analysis of Q50, shown in Figure 8.

Figure 8 Organisational Cultures – Romania



The organisational culture for the Romanian subsidiary is identified as a Task culture, both for the workers and the managers. There is some element of contradiction in the results for the workers between Table 11 and Figure 8. Given that this was the most recent acquisition, the managers' Task culture indicates ready acceptance of the introduction of

new working practices, and is in agreement with the VSM 94 value for UAI. The workers' culture cannot be definitively described because of the contradiction. However, if Figure 8 is accurate, both managers and workers have chosen the Task descriptor, indicating no undue difficulty in inculcating a Task orientation throughout the subsidiary.

5.1.2.5 Conclusion

There are differences between the organisational cultures in the three subsidiaries, Poland having a Role culture, Hungary being most Task orientated, and Romania being Task orientated. Organisational homogeneity is indicated in Poland and Hungary but less so in Romania. This relative lack of organisational homogeneity between managers and workers in Romania could be part of the learning experience and organisational development process, as Romania is the most recent acquisition. In Poland the workers had a greater tendency towards the Task culture, whereas one would expect the change process to be led by the managers. Perhaps the workers were not part of the hierarchy under the Soviet system, and therefore have had to make less of an adjustment? Once again the differences in organisational cultures should produce observable behaviours in the subsidiaries. The Polish subsidiary should be more formal, rigid and rule bound, the Hungarian the most flexible and team orientated, and the Romanian the least homogenous but also team orientated.

5.1.3 Emerging Market Characteristics

5.1.3.1 Stakeholder or Anglo Saxon?

The aggregates of answers to questions 25 to 32 were compared with the neutral value of 24 to determine the extent to which managers in each subsidiary held values associated with a stakeholder as opposed to an Anglo Saxon type of business system. The values for Headquarters are based on a sample of 15 and cannot be used for statistical purposes. Values over 24 in Table 12 are indicative of a stakeholder orientation.

Table 12 Stakeholder - Anglo Saxon

	Poland n = 26	**Hungary** n = 34	**Romania** n = 21	**HQ** n = 15
Q25– Q32 Stakeholder Characteristics	25.76*	25.28*	24.80	22.80

***p < 0.05**

The following statistical tests were performed:

a) To establish whether the values were statistically different from the neutral value of 24, paired t tests were used.

b) To establish whether the values were significantly different between subsidiary countries, independent sample t tests were used.

Points to note are:

1) The values for Poland and Hungary are statistically significantly different from the neutral value of 12.

(paired sample t tests:

Poland $t = -4.6$ $p = 0.000$.

Hungary $t = -2.18$ $p = 0.03$).

2) However the value for Romania shows no statistically significant difference ($t = -1.41$, $p = 0.17$), therefore showing no orientation towards either type of business system.

3) Independent 2 sample t tests show that the values are not significantly different across the three subsidiaries ($p > 0.100$ in each case).

4) Questions 25 and 29 are related. Obviously respondents who consider that, 'a quick payback from an investment is important' should not also consider that, 'it is worth waiting a long time for a profit on an investment', though the statements are not mutually exclusive. One would expect that if the mean of the answers for question 25 was less that 3, the mean of the answers for question 25 would be greater than 3. However, the means of the answers for each question for each subsidiary are less than 3 in each case, which means the results should be treated with caution.

In conclusion, the values for Poland and Hungary indicate strong identification with stakeholder values.

5.1.3.2 Emerging Market Characteristics

Questions 21 to 24 explore the influences of legal systems, trust, and personal relationships towards doing business in each country. Values below 3 in the answers to Q21 – Q24, Table 13, indicate agreement with the corresponding statement.

Table 13 Emerging Market Characteristics

	Poland n = 26	**Hungary** n = 34	**Romania** n = 21	**HQ** n = 15
Q21 A legal framework is important for the success of this venture	1.91*	2.61**	3.05	1.73
Q22 Trust in our partner is important for the success of this venture	2.91	2.70**	2.48*	1.87
Q23 We will do more than legally necessary to help success	3.15	2.74	3.14	1.64
Q24 The personalities of our partners are very important	3.09	2.48*	2.71	3.93

*** p < 0.05 ** p< 0.10**

The following statistical tests were performed:

a) To establish whether the values were statistically different from the neutral value of 3 paired t tests were used.

b) To establish whether the values were significantly different between subsidiary countries independent sample t tests were used.

Points to note are:

1) For Q21 the values for Poland (paired sample t test: t = 6.02, p = 0.000) and Hungary (paired sample t test: t = 2.50, p = 0.019) are highly significantly different from the neutral value of 3.

2) For Q22 the value for Romania (t = 4.69, p = 0.000) is significant. The result for Hungary is just about significant at the 10% confidence level (t = 1.69, p = 0.103).

3) For Q23 there are no significant differences from the neutral value (p > 0.100).

4) For Q24 the value for Hungary is highly significantly different (t = 2.88, p = 0.000), but the values for Poland and Romania are not.

The responses to Q21 for Poland and Hungary indicate values associated with a non emerging market characteristic, as business transactions in emerging markets are not meant to be dependent on law.

The responses to Q22 indicate values associated with an emerging market characteristic, the necessity for trust, for Romania, but not for Poland or Hungary.

The responses to Q24 indicate values associated with a non emerging market characteristic for Hungary, as in emerging markets personal relationships are meant to be very important. The values for Poland and Romania are neutral.

Independent samples t tests shows significant differences in the values of the responses for:

Q21 Poland - Romania	t = - 4.24	p = 0.000
Poland - Hungary	t = - 2.918	p = 0.005
Hungary – Romania	t = - 1.727	p = 0.092

Q22 Poland – Romania	t = 1.880	p = 0.076
Q23 Poland - Hungary	t = 1.925	p = 0.059
Q24 Poland - Hungary	t = 2.175	p = 0.034

Where the values of the responses differ from the neutral value, the results of the independent samples t test point to a lack of homogeneity in the values of the responses of the subsidiaries. Once again this indicates that the groups of respondents in each subsidiary have different degrees of agreement with each statement.

5.1.3.3 Preference for Nationality of Alliance Partner

Question 33 asks respondents to rank countries in order of desirability as an alliance partner. The results are shown in Table 14.

Table 14 Preference for Nationality of Alliance Partner

Ranking	**Poland**	**Hungary**	**Romania**
1	Germany	Holland	UK
2	USA	Germany	Holland
3	UK	UK	USA
4	Holland	USA	Germany
5	France	France	France
6	Japan	Japan	Japan

There seems no greater propensity to choose stakeholder as opposed to non-stakeholder, or Anglo Saxon, partners. The most striking details of the table are the unpopularity of Japan (in agreement with Cartwright and Cooper 1996), and more surprisingly France. Most respondents did not elaborate on the reasons for their choice, making statistical analysis impossible, but the most common reason given for the unpopularity of Japan was cultural differences. Other reasons for rankings were proximity, size of market, stability, knowledge of the country, solidarity, and strength of the economy. None of these were specific to any one country, and there was no mention of compatibility of business systems. Analysis of Table 14 therefore does not add to the debate, but does indicate that types of business system were not foremost in the minds of the respondents when they answered the question. A comment by the Chairman of the Polish subsidiary, that the Poles regarded their stockmarket as 'a mere bagatelle' is indicative of the lack of importance of the stockmarket and associated values to society in these countries.

It is possible that the table expresses the degree of exposure to each nationality. The parent organisation is Anglo Dutch, Germany is the nearest Western European country and German is the most common second language in the region, and the USA has the greatest media exposure.

5.1.3.4 Conclusions

Table 12 shows that the values for Poland and Hungary indicate strong identification with stakeholder values. The value for Romania is not significantly different. The values for Headquarters cannot be used for statistical purposes, but if representative, it would appear

that Headquarters, as might be expected, lean more towards Anglo Saxon values than the subsidiaries. This lends a degree of confidence to the findings.

Table 13 shows that only in issues concerning trust (Q22, Hungary and Romania), and personal relationships (Q24, Hungary), did respondents indicate values associated with an emerging market characteristic. If the values for Headquarters are representative, Headquarters has a greater belief in the importance of trust, no doubt reflecting corporate values (section 4.4), and paradoxically less dependence on the exactitudes of legal contracts (Q23). The latter may reflect a pragmatic 'can do' attitude.

Overall therefore, the results are indicative of a stakeholder orientation in the subsidiaries, and there is a lack of support for values associated with emerging market characteristics. The values for Romania do not in general lean more towards emergence than those of Poland or Hungary. The results indicate that the countries have more in common with the countries of Western Europe than emerging markets. If the parent organisation has similar values to Albert's (1993) European multinationals (section 2.2.5.1) there should be no great dissimilarity of outlook in this respect.

5.2 The Interviews

Interview Guides for Headquarters and the acquired subsidiaries are contained in Appendix 2. The Headquarters interviews concentrated on overall policy, having a separate section for motivation, whilst those for the subsidiaries concentrated more on the management of each subsidiary, and issues concerning culture, targets, performance, stage of economic development, trust, and the legal environment.

Two senior managers from Headquarters were interviewed, and in each subsidiary the Chairman and a senior local manager or director. The latter had been employed by the subsidiary prior to the acquisition and so could observe the changes and transformation and integration process.

5.2.1 The Headquarters View

Interviews were conducted in the European Headquarters with the President for Central and Eastern Europe and the Senior Vice President Finance for Central and Eastern Europe. The President was Belgian, and was a long serving employee who had been promoted to his position from outside of the Central and Eastern Europe Group. He had held his current position for 3 years. The Senior Vice President Finance for Central and Eastern Europe was Dutch and had been part of the group since its inception. He had also worked in Eastern Europe, in Poland and elsewhere, prior to taking up his present position.

Motivation for acquisitions

The main, if not only, motivation was market access. The parent organisation had identified five regions for priority growth and Central and Eastern Europe was one of them. The reason for this was that markets in Western Europe were saturated and there were greater opportunities for growth in Central and Eastern Europe. The region had as big a population as Western Europe. It was also felt that there would be similarities in consumer needs, though it was recognised that adjustments would have to be made.

The parent organisation was focused on four core industries (detergents, personal products, margarine, and frozen food products) as a result of an earlier redesign of the whole organisation conducted by Headquarters, and acquisitions were made to build on that. It was not felt that the development of networks or organisational redesign would be important, however an (unlikely) scenario where the parent organisation might combine

with another to fight a mutual enemy could be foreseen. Hence the concept was being explored and would probably be dependent on synergies with network partners in sales and distribution.

Mode of alliance

The choice of the mode of acquisition was born out of experience. An acquisition gave the parent organisation the freedom to run its subsidiaries in the way in which it wanted, and enabled the subsidiaries to become and feel part of the 'family'. A second advantage was speed, an acquisition being the quickest way to market. Cost was less than a greenfield site after taking into account time and the cost of assets in Central and Eastern Europe.

The parent organisation would not normally consider a hostile acquisition because of the importance of the goodwill of the subsidiary workforce. If the parent organisation were not wanted it would think twice about the acquisition.

Process of making acquisitions

There would be an initial intention to move into the market. After this the search process was simple: 'Go, look, acquire!' This process was facilitated by the parent organisation's industry knowledge. For example, the parent organisation knew every margarine factory in the world, and every organisation that competed in its markets. The parent organisation also had had existing links with companies in Central and Eastern Europe. For example,

the parent organisation had had an association with the Hungarian subsidiary for decades, and there was an existing licensing agreement before the acquisition.

The parent organisation was flexible enough to incorporate 'gut feeling' in its acquisition process. Price was almost irrelevant, growth potential was supremely important. This growth potential would be realised by the application of the parent organisation's expertise and experience to the acquisition.

Acquisitions were made in different way in different circumstances. There was however an assessment of opportunities against risk. In some ways the less developed the target organisation the better, being easier to acquire and having greater growth potential. The parent organisation looked for potential market leadership. Hence an acquisition would normally be the market leader in the country, or an organisation with the potential to become the market leader.

In terms of strategic fit, whilst there were no hard rules, in general subsidiaries would be acquired in one of the four sectors in which the parent organisation operated, thus 'sticking to the knitting'. The intention was to use the acquisitions as building blocks within these core industries to achieve market leadership. Unrelated diversification was not a policy, though sometimes an unrelated subsidiary would be acquired as part of a larger group. Financial synergy was not an issue in any region. However in Central and Eastern Europe many organisations were not going concerns and could be acquired cheaply.

In terms of compatibility of procedures and administration systems, best practice would prevail. If this best practice came from Headquarters it would be quickly implemented and conformity would be expected within the subsidiary. The parent organisation was hopefully open minded and flexible enough to adopt systems different to its own. However in Central and Eastern Europe this was unlikely.

The parent organisation tended to follow five principles in the management of its acquisitions:

1) Integration.

The speed and force of this would depend on the situation in the subsidiary. Administration was often implemented from day one, as was the implementation of the parent organisation's code of conduct. In general however, the parent organisation would adapt to circumstances within the subsidiary.

2) Management Development.

The intention was to have a subsidiary board of directors, for example, with a split of 80% local and 20% expatriate members. The parent organisation believed in developing local management, and it was helpful to recruit young graduates for local market expertise.

3) Retain existing management.

Not only did this help the integration process, but also the parent organisation believed everyone was trainable and had potential for the future.

4) Upgrade assets.

The principle was that world standards should apply everywhere. In manufacturing, for example, this also led to replication of plant and processes, facilitating maintenance and quality control.

5) Maintain flexibility.

This was the most important principle. The parent organisation did not believe in the ruthless imposition of conformity, and recognised that each subsidiary was different. It was best not to believe in similarities between subsidiaries until there was evidence for them.

Cultural Differences

There was deep scepticism of any split between national, organisational, or regional cultures. National cultural similarities were not expected - it was recognised that people were different - but in general the management practice was designed to make all employees part of the 'family' despite cultural differences. It was not believed that Eastern European organisations were the same in terms of culture. There were no procedures or guidelines on how to deal with cultural differences, culture was never an obstacle to an acquisition, nor had any negative impacts of cultural differences received the attention of Headquarters.

Differences between Poland, Hungary, and Romania.

There was little first hand knowledge of this at Headquarters. Differences in human resource management and culture had been observed by the Senior Vice President Finance whilst in Hungary, but it was thought that differences in management practices and organisational behaviours in the subsidiaries were more related to the degree of exposure to Western business practices than to national cultural differences.

Integration process

A key factor was the use of the 'best people', experienced chairmen or managers with excellent track-records. The management of an acquisition was not left to young inexperienced managers as part of their development. The goal was eventual *absorption*, through a process of *symbiosis*. There were exceptions to this. For example, the acquisition of a well known designer label of perfumes and a producer of starch were recognised to be special circumstances, and therefore there was no attempt at *absorption.* *Preservation* was the strategy in these instances. Normally there had to be elements of *absorption* because synergies were looked for, but a feeling of *symbiosis* was very important. Imposing *absorption* from the outset would be wrong and damaging in cultural terms, and this was one of the reasons that existing management was retained. The parent organisation's approach was 'very un-American' in its attitude to its acquisitions. There was no formulaic way in which integration was to be achieved. Each subsidiary could be managed differently.

Performance

Performance was measured in a variety of ways involving both hard and soft targets. The overall objective was to deliver value to shareholders within a strategic framework. For example, staff development was monitored; there could be a target of eight nationals on the board in a subsidiary by the year 2001. There could also be targets for innovation - at least one accepted innovation based on consumer research, from each subsidiary per year. For safety there could be a target of 10% improvement.

Marketing in Central and Eastern Europe was surprisingly competitive; for instance there were 21 brands of margarine in Poland. The parent organisation looked for improvement in market share and growth rate. However there were no hard fixed five year targets; measures of success varied according to circumstances. Progress in Poland was very good, and also in Romania, despite having had to halve the workforce there. Hungary was more established at the time of acquisition and therefore had a different set of targets. The Romanian acquisition had given the organisation a motley mixture of non developed businesses, whilst the assets quality in Poland was very good. In general, each acquisition had been successful in that progress had been made, targets had been met, and the benefits of the investments were being realised. No one subsidiary was causing greater difficulties than any other, and it was not felt that cultural differences had impacted upon performance, positively or negatively.

Legal framework.

The parent organisation did have a common policy on legal matters, and would not acquire if the legal position were uncertain. It was necessary to have title to the assets purchased and to have trade mark and patent protection. Romania always had a minimum acceptable standard despite being less developed than elsewhere in the region.

Trust and People.

These issues were very important. Business was about people, hence the avoidance of hostile acquisitions. It was also necessary to gain the trust of, and have a good relationship with, the local authorities. However the management control systems were impersonal; trust did not play a part in assessing performance.

Summary

The parent organisation was guided by experience and practice rather than theory. In the words of the President, 'Flexible pragmatism' was its guiding principle.

Conclusions

It can be seen that the parent organisation's alliance strategy was governed by simple motivations - market access and growth potential – and incorporated considerations of strategic fit and relatedness of activities in its assessment process.

There was no specific cultural integration process, but the integration of the subsidiaries with the parent organisation was recognised as a process of *symbiosis*. Hence cultural integration was subsumed within the general integration process. This lack of explicit consideration of partner fit or cultural differences or their integration is most surprising given the thrust of the literature on the subject (sections 2.15.4 and 2.2). Headquarters expected there to be cultural differences, recognised cultural differences, but had no specific policies to deal with them. Policies which were culturally damaging, for example *absorption*, were avoided but the negative effects of cultural differences on performance were specifically denied.

Trust and the personal characteristics of subsidiary partners were important, though this seemed a general consideration and not specific to the countries of Eastern Europe.

In terms of the importance of a legal framework the policy of having title to the assets purchased and to have trade mark and patent protection avoided two of the risk factors - lack of a clearly defined legislative framework and confusion over property rights - identified by Ivanov (1995). In the execution of legal agreements the parent organisation seemed to have a practical 'can do' approach.

5.2.2 The Subsidiaries' View

The following section summarises the results of nine interviews conducted with the subsidiary Chairmen, expatriate managers and senior local managers or directors. The Chairmen were responsible for all four industries in each subsidiary (i.e. the whole subsidiary) whilst the senior local managers or directors were for the most part, part of the overall management infrastructure. The first part of the section summarises commonalties of management policy between the subsidiaries, which were found by analysis of the interviews. Thereafter specific differences between subsidiaries are identified. Conclusions are drawn from the comparisons made by the analysis of the interviews and also by relating this analysis to the quantitative analysis of section 5.1.

5.2.2.1 Subsidiary Management Policy

1) Relationship with Headquarters

Initially the parent organisation had regarded Eastern Europe as one market, and there had existed a strategy of harmonisation, by which the subsidiaries rolled out Headquarter's policies. There was now a realisation that the markets were different, and each subsidiary had been managed in a locally responsive way for some time. The whole parent organisation's management structure worked according to the same principles and so there was little Headquarters - subsidiary conflict. Obviously it was the subsidiary chairmen's responsibility to impart the parent organisation's way of doing things and its values, but there was no totalitarianism. The parent organisation was guided by

experience and practice rather than theory. Headquarters had *intentions* or *approaches* to how the businesses should be run; there was no imposed *strategy.*

2) Organisational Development

Organisational development can be divided into three main areas: asset development, organisational restructuring, and human resource development.

2a) Asset Development.

In each country the manufacturing plant and processes were upgraded to world class standards. In Romania this entailed building from scratch because of the state of the plant and equipment.

Basic administration systems had been based on the status quo, recording data rather than providing management information. The former communist governments had had peculiar reporting requirements for which the administration system provided figures, none of which were of any use in running a modern organisation. Large accounts departments had produced these figures, but, for example, there had been no systems for measuring cost control at factory level. Hence computerised management information and control systems were installed from Western Europe.

2b) Organisational Restructuring

Organisational restructuring was focused on two objectives. The primary objective was to turn each subsidiary from a factory producing products to a modern marketing led organisation. This involved investment to initiate the marketing function, the development

being led by expatriates because of the lack of local expertise. The consequences of this were that the factories were now at a lower level in the subsidiary organisations' hierarchies compared to the marketing functions, and the management of added value was now the most important task.

A major difficulty had been rationalising logistics and in developing the distribution function. Previously, the product had been merely produced and collected by wholesalers if and when available. For example, regardless of stock shortages production would be closed for three weeks for maintenance. No product - no problem, provided output targets had been met. Now each subsidiary had to produce, market, sell, and distribute to fragmented outlets. This involved making employees appreciate that non-manufacturing was part of the supply chain; previously the supplier or wholesaler as a partner was not part of the mind set.

The second objective was internal restructuring. Within each part of each organisation rigid barriers and hierarchies were broken down to build a flatter, leaner organisation, populated by flexible teams of workers. A marketing and management infrastructure (itself lean and flat) was now superimposed on the factory network. Previously there had been political officers and trade union led councils of workers, which had resulted in parallel political hierarchies. Senior appointments would have had to be approved by the government. This structure had now gone, though the unions remained but were not involved in day to day decisions.

Change agents in these processes were often the former local directors, whom the parent organisation encouraged to remain if they wished. They also provided links with the past and possessed invaluable country specific knowledge. In terms of the new organisational

management teams, the parent organisation intended that, for example, eventually the subsidiary boards of directors would be composed largely of locals.

It was the Chairmen's responsibility to mould the organisational cultures and their personal management styles were very important. They saw it as their role to change the organisational culture from quantity to quality orientated, and from individualism to team orientation. Employees used to sacrifice quality to achieve their output targets, and this attitude had become entrenched. Now quality ruled.

It was necessary to inculcate a 'walk through' attitude rather than 'its not my problem because it's not my job'. This involved the promotion of the concept of personal task-led responsibilities, involving crossing organisational boundaries to get things done. The Chairmen also nurtured the latent entrepreneurship within the workforces, and built trust where non had previously existed. The Chairmen maintained the interface with Headquarters, being anxious to avoid Headquarters being perceived as 'Moscow' from the employees' perspective, and to avoid 'the arrogance of the multinational'.

2c) Human Resource Development

The work forces were first rationalised using generous voluntary redundancy schemes (up to two years pay) where possible. Most workers had a good technical background, but there was a skills shortage in wider business skills, depending on the function. The skills shortage was especially pronounced in finance and accounting and marketing, and few employees had the necessary experience to operate at senior levels and board level. Workers were retained if they had the right skills or potential. To develop the workforce

younger employees, generally educated to degree standard and under the age of 35, were recruited, because the experience of the parent organisation suggested that they were more flexible and responsive to change.

Instead of one job for life, multiskilling and teamworking were developed, with the devolvement of responsibility to team level. For example, the quality control department in the Polish detergents factory and had been abolished and the teams given their own equipment to check the quality of their output. There were constant programmes of secondment of employees not only to Headquarters but also to other worldwide subsidiaries. Workers were encouraged to make improvements, and appraisal systems with links to pay flexibility were being introduced. Specific employee benefits were the encouragement to learn English at the subsidiaries' expense, health checks, and above average pay.

3) Legal Environment

At subsidiary level there were legal difficulties, mainly because the legal framework had not kept pace with the retail revolution. Consumer and commercial law were under-developed but business was always conducted within the legal framework. Generally, there had been rapid improvement, moving in the direction of compliance with EU law. Complete reform still lay far ahead, but on the whole the legal environment was improving. The subsidiary Chairmen recognised the importance of good relationships with the government, for areas such as product approval and product development, and to

guide the development of consumer law. Hitherto local directors had been important in helping to achieve this, but now less so.

To summarise, the legal environment differed from country to country but had not raised any insurmountable difficulties in managing the subsidiaries.

4) Trust

Previously trust and personal relationships had been most important - people had to know each other very well to get business done. Formerly suspicion prevailed - it was important to know whom to trust at a personal level.

The parent organisation believed in building a high trust environment, and had a positive attitude towards the local employees. It avoided hostile acquisitions for that reason, had retained local directors and managers, and had invested heavily in human resource development. Each subsidiary chairman regarded it as his duty to build trust which was a lubricant for the smooth running of the business.

5.2.2.2 Individual Subsidiaries

Poland

The Chairman was Dutch and had been managing the Polish subsidiary since shortly after the acquisitions. The Polish Director had been the Managing Director of the detergents business prior to the acquisition. Now he was responsible for the management of the detergent factory.

Acquisitions had been made between 1991 and 1993, and the management task was to integrate five businesses and five factories. Ice cream and frozen fish were developed from scratch, also the sale of tea. Three strategic business units were created for homecare and personal products, foods, and frozen products. Soap powder was imported and produced locally, foods accounting for over 50% of sales, compared to powder's 9%. Sales had increased by over 500%, and the number of employees, initially reduced from 2500 to 1840, had risen in the past three years to 2700 and the number of managers had increased from 68 to 200. Growth was expected to continue and more shifts were being worked in the factories.

According to the Polish Director first two years had been difficult, mainly because of communication because of the language difference. All documentation was in English and board meetings were held in English. Translators had had to be used.

Targets

Brand awareness had reached 95% for some products, bolstered by TV advertising, and the challenge was to strengthen brands and convert the awareness of the brand into value (i.e. increased profit). The subsidiary was now able to rationalise its distribution and 70% to 80% of retailers now bought from more concentrated wholesalers which the subsidiary had chosen and developed. The Chairman noted that, because of Poland's history, the employees had a deep mistrust of imposed targets from abroad. Too many targets sent out the wrong signals in this environment. Headquarters naturally wanted convenient measures for information and control, and so a balance had been struck.

The Polish Director felt that older workers had a distrust of targets because they associated them with the prizes and badges awarded under the previous regime. The subsidiary was running competitions but was instilling the culture that it did not matter if you lost. Specific targets were to increase profits and market share. Goals had been achieved in rationalisation of distribution and the successful launch of new products, for example tea. Teams of workers had specific quality targets. Targets relating to morale had been met (though a Polish supervisor whilst agreeing that the workforce were happy, noted that with 13% unemployment they had no choice)!

The Polish Director thought that the old Polish company's choice of the parent organisation as alliance partner had worked well, and that the policy of *symbiosis* had facilitated the integration process and helped the achievement of targets, most of which had been met. He thought that the business was much easier to manage now.

Culture

Concerning organisational culture, the Chairman noted that there was still a tendency among the Polish employees to revert to the hierarchy - old habits died hard. Most employees were more comfortable with job descriptions, and getting things done entailed a 'pull' through task responsibility and a 'push' through job description. This change of attitude involved people management, which had been relatively easy despite the fact that no one initially had spoken any English.

The Polish national culture was complex. The Roman Catholic Church had been a powerful force in the struggle for freedom but was extremely conservative. The farming community was powerful; agriculture had never been privatised and almost feudal systems prevailed until the 20th century. Smallholdings and subsistence farming persisted. Individuals had adopted a policy of survival and Polish history had resulted, the Chairman felt, in an underlying xenophobia. Business people could have almost suicidal self confidence, but individuals found it difficult to co-operate.

The Polish Director thought that the Polish culture had been a help toward the success of the acquisition rather than a hindrance. Poland had been independent for over twenty years from 1914 and knowledge of commerce had not been lost. One aspect that had changed was the idea that to steal or not give 100% to the subsidiary was taking from the enemy i.e. the Soviet system. Poles tended to be swept along on a roller coaster of enthusiasm and their outlook tended to be short term. The family was very important and typically the father would be the decision maker.

Hungary

The Chairman was British, and had managed the Hungarian subsidiary since 1993. The Hungarian Director had spent most of his career in the detergents business, and was now on the Board of Directors of the subsidiary, with responsibility for corporate affairs and PR. The Factory Manager of the detergents factory was Dutch and had been in Hungary since the acquisition. He had worked as a scientist with the parent organisation for fourteen years before switching to managing production in Holland, the USA, and now Hungary.

The Hungarian organisation had had a long relationship with the parent organisation prior to the acquisition. The acquisition had been completed in two stages, detergents and margarine in 1992 and ice cream and frozen foods in 1993/4. This had been facilitated by the 'full blown' government privatisation programme.

Targets

In the first three to four years the emphasis for targets had been on achieving growth in market share to be no. 1 in the market. In financial terms these were austerity years, but the present targets were for sustainable growth. Hard targets were mainly cost related and team targets tended to be hard. Comparisons were made with the organisation world-wide rather than, for example, with Headquarters. Similarly communications were lateral with other detergent producing factories world-wide as well as with Headquarters. There was now a continuous improvement matrix, in which the employees had been very creative, and there was a bonus element for managers' salaries for meeting targets, weekly or

monthly, of 10% to 12% of salary. Targets reflected the relative maturity of the subsidiary.

Difficulties were mainly concerned with inculcating a task orientation rather than a job orientation and the upgrading of assets, but achievement of targets had been made relatively easy by the level of technical skills and also the earlier experience of producing products under license. There had been no major problems in meeting most targets.

Culture

The Hungarian Director noted that national cultural differences lay in the mind. The Hungarian culture was entrepreneurial but perhaps short term - not every idea could be implemented and harmonisation was now more important. People could be afraid to communicate because previously this had been very risky. The parent organisation's integration policy had been very sensible and conducive to the success of the acquisition.

The Hungarian Director also noted that business elements had still survived in the 1960's because knowledge had been inherited. Colonialism had been too short to kill it off, and hence adaptation was easier than it might have been. People had accepted communism because they had no choice, but Hungary had never been completely isolated. Travel had been possible and financial controls on Hungary had been comparatively lax.

The Chairman thought that the Hungarian culture was a help rather than hindrance to the success of integration process and the meeting of targets, the only negative factors being perhaps individualism and a tendency towards envy. Concerning entrepreneurship, it had to be remembered that Hungary had had a long history of capitalism.

The Factory Manager had found that Hungarians tended to be friendly, and felt that the culture had facilitated integration and that this had contributed towards the subsidiary's success. The Factory Manager had also learnt Hungarian which had helped his job, and he now felt that the manager / worker divide was not as strong as in the UK or USA. In fact, change had been easier to implement than in well established subsidiaries in Holland and the U.K. The main negative had been a tendency to promise everything, but this had changed.

Legal Environment

The Factory Manager recognised the importance of 'fixers', for example Hungarian directors to act as go-betweens between the subsidiary and the government. A good relationship with the government was necessary for product approval and product development. However, the legal system worked.

Trust

The Hungarian Director stated that under the Soviet system personal relationships had been absolutely decisive to get things done and it was very important to know whom you could trust. Now a lower level of trust was evident and personal relationships were not so important. The Factory Manager also noted the importance of getting to know the local managers, because they had to be relied upon to get things done.

Romania

The acquisition had been made in 1995, and the German Chairman had been in position since mid - 1996. The Romanian Personnel Manageress had spent her career with the company and so was well placed to observe the acquisition process.

The acquisition consisted of one laundry / detergent / powder business, comprising of the factory and leading brand, which, although the biggest in Romania, had been in decline. Other acquisitions were expected to follow, as the subsidiary was the first building block of a new organisation and the acquisition therefore served a wider purpose. Other parent organisation products such as ice cream and margarine were now being distributed on an import basis.

Of the original 1000 employees only 400 remained and this core had been added to by the recruitment of 150 new employees. If Romanians had had the right skills they were welcome to stay, and mainly the younger workers had remained. The restructuring had been done by a mixture of voluntary and compulsory redundancies in two stages. Firstly no employees been made redundant in the first two years, but 350 had left attracted by the redundancy package including up to two years pay. The second stage had been the identification of 200 employees who were made redundant, but the process had again been softened by an attractive package including retraining. On the whole the process had worked very well.

Targets

Performance was measured by a mixture of hard and soft targets. For example, there was a target of improving the gross profit to 30%, and the implementation of a new

remuneration system. Initial targets had related to turnaround and integration and these had been met. The priority now was for fast growth. Supporting this were product category figure targets. Softer target areas included human resource planning, retention, staff development, and career planning. At the moment all employees were paid a salary; next year there would be an element of individual pay based on performance. The Romanian Manageress felt that the management of the acquisition had been very good, and that the parent organisation had made no mistakes. The workforce had accepted the changes because they knew they made sense, and appreciated the amount of investment made by the parent organisation. The employees felt the organisation had a good future, and were proud to work for it. The implementation of change to which the integration policy had contributed had been easy. The parent organisation was very precise, and this suited the Romanian culture. The integration policy had undoubtedly contributed to the successful turnaround.

Culture

The Chairman felt that the impact of communism had discouraged initiative and challenge. Romanians had a tendency to envy and were not mutually supportive which had made teamworking difficult. Romanians were a Latin people and had a Western orientation, especially towards France, many speaking French as a second language. The people had a respect for education, discipline, and good quantitative skills applied in a systematic way. The young people were very promising and had a desire to learn. The Romanian Manageress felt that the family was very important in Romanian life, and people were individualistic, particularly were money was concerned. The job and status

were extremely important, and one job for life prevailed. Perhaps the parent organisation had not fully understood some workers' reluctance to move job or location because of this. In terms of status, 'A doctor would never sell newspapers', even if there was nothing better to do to earn a living. Women enjoyed equal status with men in society.

5.3 Findings - Conclusions

1) Effects of National Culture

The low levels of PDI and the associated organisational implications (section 5.1.1) undoubtedly match the values of the parent organisation and its policies of producing flatter organisations with few hierarchical levels. It is possible that fifty years of Soviet indoctrination, 'We are all equal', may account for the low values for PDI. This explanation is also put forward by Bradley (1996) who found surprisingly low values for PDI in his research in the Ukraine. However there is evidence in the interviews that status in society is important, in Romania and to a lesser extent in Poland.

The high values for IDV match the individualism commented upon by each Chairman, and the difficulties associated with the introduction of teamworking, which was the major obstacle to change in each subsidiary. However, there is little evidence that this proved any more difficult in Hungary than in either Poland or Romania.

Organisational behaviours associated with low MAS (Poland) or high MAS (Hungary and Romania) were not observed. Indeed, the Romanian Manageresses observation of the equal status of women in society does not reflect a high MAS value. Can this reflect a belief based on former Soviet policy? Chairmen in both Hungary and Romania noted a tendency towards envy, which also may be a reaction to the former enforced single status.

The relatively low values for UAI are reflected in the entrepreneurship of each subsidiary, encouraged by the parent organisation's values (section 4.4). In the case of Romania the UAI value may explain why the process of change has been able to be implemented so quickly. High UAI values are not however associated with the degree of precision valued by Romanians and noted by the Romanian Manageress. Once again this

may reflect the technical education which the population received during the Soviet era. There is little evidence from the interviews that one subsidiary is any more entrepreneurial than another.

Most of the more detailed implications for organisational behaviour (section 5.1.1.2) were not observed. Indeed, the only common derivation is the amenability of each subsidiary to the introduction of Western management tools (table 8). It may well be that the relationship between national culture and organisational behaviour is a long track with many intervening obstacles. This may account for Morosini and Singhs' (1994) observation (section 2.2.6.1) regarding the limitations of the use of Hofstede's instrument at the level of the firm, and the findings of Winch, Millar, et al. (1997), detailed in section 4.2.

It should be noted that, in contradiction to empirical studies (section 2.1.5.4), there was a view propounded by the Polish Director, Hungarian Director, and Dutch Factory Manager that the national cultures had been a positive help in managing the acquisitions and the integration process. This may well reflect national pride, but there is no evidence that national cultural differences had made the achievements of targets more difficult.

It is worth mentioning recent research by Newman and Nollen (1996) who found that when management practice was congruent with national culture, financial performance was improved. This has obvious implications for the variation of policy between the subsidiaries. Complementary research conducted by Morosini and Singh (1994) found that when Individualism was high, a policy of allowing more independence resulted in higher profits.

2) Effects of Organisational Culture

The Role culture of the Polish subsidiary suggests that the employees' mental outlook is still orientated towards a hierarchy. However, there is no evidence in either the interviews or during the observational factory visit that the Polish employees could not perform functions involving teamwork. In fact, the introduction of a flatter organisational structure, devolvement of responsibility, multiskilling, and teamwork, had been very successful. This apparent contradiction can be resolved by reiterating the Polish Chairman's observation (section 5.2.2.2), that if allowed to, the Poles had a tendency to 'revert to the hierarchy'. This finding suggests that there is still some mental resistance to the concept of teamworking, which does not significantly affect working practices.

The Task cultures identified for Hungary and Romania suggest that the parent organisation's policy of inculcating a Task culture has been mentally accepted, even though there are difficulties concerning the introduction of teamworking. This may reflect the time taken between the exposition of a policy and its implementation.

3) Effects of Emerging Market Culture

The values in Table 12 for Polish and Hungarian respondents indicated preferences for a 'stakeholder' form of business system. The results for Romania were inconclusive, but not statistically different from those of Poland and Hungary, indicating some homogeneity of preference and association with stakeholder values. Headquarters, as

expected, may be more Anglo Saxon orientated. The interviews show little evidence of behaviours associated with emerging market characteristics.

The values of answers to Q21 (Table 14) indicate managers in the Polish and Hungarian subsidiaries considered a legal framework to be important. The value for Romania is neutral. Headquarter's orientation is more Anglo Saxon in this respect. The importance of a legal framework (Table 14) is supported by the interviews. There is no evidence of transactions taking place outside of the law. The problems were caused by the legal frameworks' relative lack of sophistication compared to Western Europe. The results are more indicative of an Anglo Saxon orientation rather than an emerging market orientation.

Analysis of the responses to Table 14 Q22 shows strong agreement that trust is important in business relationships in Eastern Europe. All interviewees also considered mutual trust to be very important, supporting the quantitative analysis. This conclusion would support the studies related to Eastern Europe, Choi (1994), Fey (1996), Whitley et al. (1996), were it not for the fact that Headquarters seem to value trust even more!

The conclusion is also in accord with the findings of Permutter and Heenan (1986), Bowersox (1990), Meyer (1993), Walters et al. (1994), and in other studies related to Eastern Europe, Wolf (1994), Ellis and Williams (1995), Madhok (1995), Peng and Heath (1996), and Butler and Gill (1997). There is little evidence however to support Usunier's (1993) view that this trust can only be developed from a thorough understanding of each partner's culture. It is possible that the high value placed on trust in this environment

maybe a reaction to the era of Soviet domination, when trusting people was extremely risky. The interviews show that the parent organisation's policies undoubtedly helped in the building of trust, reflecting corporate values (section 4.4).

The quantitative analysis of Table 14 Q23 indicates neither agreement nor disagreement concerning the extent of binding of contractual obligations. The interviews indicate the importance of a working legal system. Headquarters may be less bound by the letter of the law than the subsidiaries.

The Hungarian Director put the most emphasis of any interviewee of the importance of personal relationships in conducting business. This is corroborated by the values for Table 14 Q24, showing that the Hungarian respondents indicate agreement. Is this a national characteristic? The work of Denis (1999) shows support. However, the values for Poland and Romania do not emphasise the importance of personal relationships, and the interviews suggest personal relationships are less important than hitherto. Headquarters may place even less emphasis on personal relationships.

Only in one case (Table 14 Q22) do the values for Romania show a more significant tendency towards an emerging market characteristic than either Poland or Hungary. There is no evidence from the interviews or from the quantitative analysis that the least developed nation (Romania) exhibits more emerging market characteristics, or emerging market characteristics more strongly, than the more economically developed countries (Poland and Hungary).

In general, analyses of the interviews and questionnaire do not show any pan-country tendencies towards values associated with emerging market characteristics. In only one of the six propositions is there strong agreement with statements supporting emerging market theories. There is no evidence of barter or 'hostage taking' (Choi 1994), and the legal systems, though underdeveloped, work. The business environment is not characterised by high levels of uncertainty, though there is volatility and rapid developments in consumer demand. Social networks are now less important in exchange. The results cast some doubt on the application of Choi's theories of emerging markets to this region; the analyses show rather that stakeholder values are accepted.

4) Achievement of Targets

Inter–subsidiary comparisons of achievement of targets are difficult because targets for each subsidiary were different and related to the stage of development of each subsidiary. Table 15 summarises the differences in targets.

Table 15 Differences in Targets

Poland	**Hungary**	**Romania**
Increase profit	No 1 in market	Turnaround
Rationalise distribution	Increase market share	Gross profit of 30%
Product launches	Sustainable growth	Rapid growth
Quality	Cost	Implementation of remuneration system
Morale	Continuous improvement matrix	HRM planning

It is clear from the interviews that there was no undue difficulty in achieving most targets. This may be related to the fact that they were negotiated rather than imposed. The performance of the subsidiaries was considered successful from three points of view – Headquarters, the subsidiary Chairmen, and the local senior directors or managers. There is obviously an element of subjectivity in this assessment which triangulation reduces, and this conclusion is reached in the absence of any history of hard measures of performance. There is no evidence in the interviews that the parent organisation had been unable to implement any part of its strategy, or that the subsidiaries had been unable to achieve any of their goals. Difficulties caused by differences in culture, technology, language, redundancies, and restructuring, had been overcome

5) Integration - Organisational Changes

Table 16 summarises the organisational changes made in the subsidiaries.

Table 16 Organisational Changes

	Before Acquisition	**After Acquisition**
Management structure	vertical rigid	flat flexible
Management style	top down closed systems political	participative open systems professional
Jobs	job for life single skilled individual tasks	job rotation multi skilled team work
Market orientation	monopoly product led quantity orientated	competition market led quality orientated
Pay	fixed wage	performance related

It should be noted that these organisational changes were considered easy to implement.

6) Integration - Method

Despite the parent organisation's denial of any formulaic integration process or specific policies of cultural integration, the cultural integration policy of *symbiosis* was identified by Headquarters interviewees, the subsidiary Chairmen, and the local managers and directors. This integration policy was clearly appreciated by the local managers and directors, who were unanimously of the opinion that it had greatly facilitated the

management of the acquisition and the cultural integration process, and that it had positively benefited the performance of the subsidiaries. The degree of satisfaction with the performance of the subsidiaries was more than the researcher could have anticipated.

Onward links

The research objectives,

1) to identify the types of national, organisational, and emerging market cultures within alliances in Eastern Europe,

2) to investigate the cultural integration process within alliances to determine how cultural differences are managed,

3) to investigate whether cultural differences affect the performance of alliances in Eastern Europe, and if so how,

have been fulfilled by the data collection, analysis, and synthesis in this section. The results obtained and conclusions drawn are used in the next section, 6, to provide answers to the research questions identified in section 3 and to draw general conclusions from this study.

6. Conclusions

6.1 Answers to the Research Questions

1) How can the national cultures be described?

The national cultures of Poland, Hungary, and Romania have been described in terms of Hofstede's (1991) indices, using his derivations to predict effects on organisational behaviour (Table 7). The countries had similarly low index values for Power Distance (PDI) and high values for Individualism (IDV) - extremely high for Hungary. Poland had an unexpectedly low value for Masculinity (MAS), whilst Romania had a comparatively low value for Uncertainty Avoidance (UAI) and a comparatively high value for Long Term Orientation (LTO). It is worth reiterating that Hofstede's VSM 94 instrument is only describing a small part of what is a complex intangible phenomenon (Lowe 1998), and that though in broad terms the interviews support the derivations from the index values some specific organisational behaviours and differences in behaviour between the three subsidiaries were not observed.

2) How can the organisational cultures be described?

The organisational cultures have been described using Cartwright's (1990) instrument, the limitations of which have already been discussed (section 4.2). The cultures were different, particularly in that the Polish subsidiary had a Role culture whilst the cultures of Hungary and Romania tended towards the Task culture. Behaviours associated with a formal, rigid, hierarchical, bureaucracy should have been observable in the Polish

subsidiary, whist the introduction of team working should have been relatively easy in Hungary and Romania.

3a) Are organisational cultures in Eastern Europe relatively homogenous?

The organisational cultures in each subsidiary were not homogenous. The findings are therefore not in agreement with the extension of the work of Obloj and Thomas (1996) and Kostera and Wicha (1996) to the region in general. Despite the similarities of the age of the old plant and equipment and the former overmanning, which the researcher has also observed in other Eastern European countries and organisations, the organisational cultures were different. The implications of this for Western management are to beware of regarding organisations in the region as culturally similar despite superficial similarities.

3b) Which form of business system are the countries of Eastern Europe likely to adopt?

The results of the quantitative analysis (Table 13) clearly indicate a stakeholder orientation. This finding is as predicted by Whitley, Henderson et al. (1996), who noted the similarities with stakeholder business practices in the region. However, this finding needs to be put into context. It has already been mentioned (Albert 1993) that multinationals from Anglo Saxon business systems tend to adopt stakeholder policies when operating in non-Anglo Saxon environments, so the implications of this finding for organisations investing in Eastern Europe are not as dramatic as might be expected. The parent organisation is Anglo Dutch and stakeholder orientated. The President for Central

and Eastern Europe has described its implementation policy (section 5.2.1) as, 'very un American', which shows a good fit with the values of the subsidiaries. Clearly, the implementation of policies associated with Anglo-Saxon values may cause problems, and the finding suggests that US or UK organisations that believe in free market capitalism and have no prior experience of operating in stakeholder countries may experience difficulties.

3c) Is the stage of a country's economic development related to its propensity to exhibit emerging market characteristics?

Analysis of the quantitative data (Table 14) and interviews clearly indicates that this is not the case. The least developed country, Romania showed little difference in the exhibition of emerging market characteristics from the more developed countries, Poland and Hungary.

3d) Does the propensity to adopt a type of business system influence partner choice or cultural fit?

This research question asks whether, for example, organisations in stakeholder orientated countries would seek foreign alliance partners with similar stakeholder values. Analysis of Table 15 suggests that this is not the case. However there is strong evidence (section 5.2) that other factors relating to partner fit are taken into account implicitly rather than explicitly within the parent organisation's process of making acquisitions, and from the subsidiaries' point of view complementary values were an important factor in agreeing to the acquisitions. Consideration of business systems however is not indicated.

3e) Are there better descriptors of the Eastern European characteristics? e.g. re-emergence?

According to section 4.2, confirmation of a stakeholder orientation and the absence of homogeneity of organisational cultures would indicate 're-emergence'. Also, analysis of the interviews shows that pre-Soviet experience has not been forgotten. Therefore 're-emergence' is strongly indicated. Hence the evolution of business systems within the region seems likely to follow the pattern expressed by Stark (1992), Amsden (1996), and Whitley et al. (1996), who note the inter-country variations, and suggest that each country will evolve in its own time according to its traditions and social values.

3) To what extent do the country/markets exhibit emerging market characteristics?

An overall conclusion is that behaviours associated with emerging market characteristics are not observable at the level of the firm. A consideration which arises from the findings (section 5) is whether previous ways of doing business were due to Soviet control, rather than as a consequence of the stage of development of the economies. It is possible that the countries' previous experiences of capitalism may have resulted in a leap in the evolutionary process, bypassing the stage of economic development in which emerging market characteristics would be observable. The history of the subsidiaries cannot be described as natural evolution, the progress from Soviet regulation to acquisition left little time for the implementation or embedding of local management policies or values. Therefore such emerging market characteristics as shown in the region could have developed as much by necessity for survival under the Soviet system rather than by a

process of incremental economic development. The low values for Power Distance (PDI0, high values for Individualism (IDV), importance of trust and personal relationships, and tendency towards envy, may well be a response to totalitarianism, and the different emerging market characteristics across the region a reflection of the extent of Soviet domination. In contrast to the markets of Poland, Hungary and Romania, at the time of writing general media impressions of Russia suggest to this researcher that Russia is an environment in which the legal system is under severe strain, the business environment is highly uncertain, and 'hostage taking', both literal and metaphorical, is practised. Therefore, despite falling outside the definitions of 'emerging markets' (section 2.2.5), Russia may in fact better display the behaviours associated with emerging markets.

4) What is the likely effect of such cultural differences on the performance of strategic alliances?

Analyses of the interviews and observational factory visits indicate that, despite national and organisational cultural differences, the parent organisation has had no undue difficulty in achieving any of its objectives. The evidence supports Headquarters' view that cultural differences are unimportant in the management of the subsidiaries. It could be that the economic imperative (Harrigan 1988) is the dominant driver, over-riding cultural differences, and there is some support for this in the interviews and in the generally high unemployment rates in the region.

5) Are the alliances' goals and targets achieved?

There was no difficulty achieving performance targets. It is worth reiterating that the mix of targets was negotiated and depended on the stage of development of each subsidiary and local market conditions.

6) How is cultural integration managed?

Though there was no explicit policy the parent organisation followed a classic policy of integration, variously described as Symbiosis (Haspeslagh and Jemison, 1991) or Integration (Mirvis and Sales 1984, Malekzadeh and Nahavandi, 1990) or Assimilation (Bronder and Pritzl, 1992). This policy reflected the parent organisation's strategy of balancing the retention of autonomy with the need for establishing interdependence. Preservation was only used for those companies engaged in non core activities (starch, perfume) and Absorption, or the imposition of headquarters policies and systems was only used when the subsidiaries' systems were non existent or totally inadequate, for example in financial reporting systems and management information systems.

The policy of Symbiosis was readily identified by all interviewees, and clearly appreciated by the local managers.

Haspeslagh and Jemisons' (1991) management policies associated with Symbiosis (Table 2, section 2.2.6) were also clearly evidenced. *Expectations* of *Adaptation* were met, and *Leadership* was *Redefined*, by the subsidiary Chairmen. The *Interface* between Headquarters and the subsidiaries was controlled by a policy of *Membrane Regulation*, also implemented by the Chairmen. This consisted of managing the two way flow of policies and resources in and out of the subsidiary, particularly the speed and timing at

which Headquarters' policies would be implemented. Out of each subsidiary came personnel for development, innovations, and management information. In Haspeslagh and Jemisons' typology the cultural interaction was clearly *substantive* rather than *symbolic* or merely *administrative*.

7) Are the cultural differences a barrier to successful integration? If so, how?

The cultural differences were not a barrier to successful integration, and do not appear to have had a negative affect on the performance of the subsidiaries. The results of this study support the small minority of researchers such as Forrest (1992), and Gomes-Mejia and Palich (1997), who failed to observe the impact of cultural differences on performance. However, a more complete study in the empiricist tradition would involve monitoring the subsidiaries' performances over a five or ten year period, and this would be necessary to ensure comparability of results with quantitative studies (section 2.1.5.4). The findings do not support the many researchers who used the case method to investigate the factors for success in alliances, and found that cultural differences were linked to failure (section 2.1.5.4).

8) What part does cultural integration process play in this?

This research question asks whether the cultural integration process is an important factor in the success or otherwise of the subsidiaries' performances. The policy of symbiosis was explicitly linked to the successful performance of the subsidiaries by each of the local managers or directors.

9) What other factors are important in hindering or aiding the success of the alliances?

a) Factors in agreement with the literature.

There are various other factors in the parent organisation's policy that have been published in the literature. The establishment of trust and commonality of purpose is reflected by the parent organisation's discussions with the owners of local companies prior to the alliance – sometimes continuing for several years. Haanes et al. (1995) recommend this and also investment in plant, technology transfer, and the production of goods for export, which the parent organisation undertook. The parent organisation's investment in local plant to bring it up to world class standards reflected the parent organisation's beliefs and value systems. This was a very tangible sign of investment in the subsidiaries which helped to foster goodwill.

The avoidance of hostile takeovers, to help the establishment of a good relationship with the subsidiary, is a typically stakeholder policy, much practised by the Japanese (Berger 1989).

Hamill and Hunt (1993), in the case of Hungary, emphasised the importance of good relationships with the authorities, investment in local manpower development, and having a large component of local directors on the subsidiaries Boards of Directors. The interviews show that the parent organisation took this very seriously. The process also has similarities which that of the Heinz Corporation outside of Eastern Europe but in developing countries (O'Reilly 1988). Heinz also took a majority interest, had local directors on the Board, and allowed adaptation to the local environment.

To summarise, the literature contains many publications which contain advice or suggest policies which the organisation has followed. However there is no one body of knowledge which wholly encapsulates the parent organisation's policies

b) Manpower development

The manpower development within each subsidiary was facilitated firstly by the emphasis on the recruitment of young potential managers under 35 years of age, because the parent organisation's experience was that these employees were more adaptable than older workers. This view is supported by the analysis of the interviews which suggest that the older workers had found the organisational changes more difficult to adjust to. Secondly whilst there was a shortage of business skills within the labour pool, these younger managers, and the workforce as a whole, were highly technically educated. Would the parent organisation's integration strategy been as successful if the pool of labour was largely uneducated, for example in parts of Africa? In view of the overall policy of 'flexible pragmatism' this researcher thinks it more likely that other selection policies and integration criteria would be adopted.

c) Experience

The interviews show that alliances were made according to the experience of the parent organisation rather than management theory, and best practice had evolved from experience. The effect of experience on alliance longevity was tested empirically by Barkema et al. (1996) who found that firms benefited significantly from previous experience, particularly in the same locality. One could therefore expect the experience

effect to be important in Eastern Europe. The parent organisation's restructuring, and realisation that the countries of Eastern Europe were different are evidence of the effects of this experience, which benefited the Romanian subsidiary.

The importance of experience is supported by Gomes-Mejia and Palich (1997), but in general is not evidenced by the body of literature, which leads to the conclusion that the experience effect is perhaps under-researched.

d) Reputation

The Hungarian subsidiary had known the parent organisation for many years, and in Poland the parent organisation had won a 'beauty' contest. In Romania the parent organisation was known and respected. A conclusion is that the parent organisation's reputation was important in enabling it to make the acquisitions. The effect of reputation is almost completely missing from the literature. It is hinted at by Corrigan et al. (1993), but save for a recent paper by Dollinger et al. (1997), in which the authors find that reputation plays a significant role in partner choice, studies are absent. Dollinger et al. found that product and management reputation were the most important components of reputation. The importance of communicating this reputation is also stressed. It is possible that reputation is even more important within a closely defined industry in which the players all have knowledge of each other.

10) Do the demographics of alliances in the region follow the patterns established in section 2.1?

The acquisitions follow the pattern of *sectoral distribution* described by Lane (1995), the sector being consumer goods.

The interviews show that the *motivation and use* for the acquisitions in Eastern Europe were straightforwardly market development, because of the saturation of Western European markets and the opportunities presented by a new market of larger size. These motivations are in agreement with authors (Keegan, (1984), Norgan, (1994), who regard overseas acquisitions primarily as a mode of entry, and with the researchers (Morgan (1988), El-Hajjar (1991), Hibbert (1992), the Economist (1993), Kozin and Young (1994), and Glaister and Buckley (1996), who found in practice growth and market development to be the most common motivations. The establishment of a low cost base was not a factor, in agreement with the findings of Corrigan et al. (1993) and Lane (1995). The parent organisation's alliance policy does not seem to be related to the difficulty of entering markets as Douglas and Craig (1995), and Jeannet and Hennessey (1997) suggest (section 2.1.2.1), rather it is applied consistently where circumstances permit. The purpose of the acquisitions, to develop a mutual key strength, is also in agreement with Roberts (1992), and the longer term strategic development of the organisation is in agreement with the *strategic development* school of thought, (Preece 1995, section 2.1.3).

The alliances fall into the *successful* category, and the *form of alliance* was acquisition. It is not possible to add to the debate concerning *national v international success* rates as the parent organisation was already a multinational.

Within in this success the *dominant partner* school of thought is supported. In terms of dominance or equality the parent organisation was undoubtedly, and intended to be, the dominant partner. The findings thus support of Harrigan (1988), Killing (1982), and Millington and Baylis (1997), rather than the 'equality' school of thought exemplified by Bleeke and Ernst (1991). The management of the acquisitions supports Schaan's (1988) view that success requires a subtle balance between the exercise of control and the need to maintain a good relationship with the partner, but there is disagreement with his view that a majority shareholding is unimportant. However, total ownership of the shares, though desired by the parent organisation, was not a necessity. A few minority shareholders in Poland, for example, still existed, but played no part in the running of the subsidiary.

The success can be linked to *strategic fit*. Unless target companies fell into the industry categories of margarine, detergents, personal products, or frozen foods, the parent organisation was not interested. The research supports Haspeslagh and Jemison (1991) stress on the importance of strategic fit, particularly their view that 'value creation', which is the parent organisation's strategy, is preferable to 'value capture'.

The findings are also in agreement with Cartwright and Cooper (1995) and Healy et al. (1997), and with the body of researchers (section 2.1.5.2) which has identified strategic fit as important.

Partner fit seems to be an implicit rather than an explicit part of the acquisition process. The Headquarters interviews revealed that the industries in which the parent organisation operated were closely defined and that the parent organisation had a good knowledge of every other company in the world which operated in them. The pre-acquisition relationship with the Hungarian subsidiary would also have enhanced partner fit, as would the policy of not engaging in hostile takeovers. However, within these factors there was no evidence that the parent organisation would not have pursued an acquisition if the partner fit were less than ideal. This researcher has found one major exception to the rule of non hostile takeovers – the parent organisation's takeover of Brooke Bond Liebig plc in 1984.

Onward Linkages

The following section 6.2 discusses the collective contribution of the answers to the research questions and the preceding findings (section 5) to the management of cultural differences. It is suggested that cross cultural management may be viewed in the context of multinational capability, and a process for managing the integration of acquisitions is proposed.

6.2 Discussion

6.2.1 Culture

The major conclusions of this study are firstly, that issues of cultural fit or the management of cultural differences played little part in the parent organisation's management of the acquisitions. Secondly, that the cultural differences observed had no negative impact on performance. These conclusions are surprising and potentially controversial being in opposition to much of the existing body of knowledge. However, seven points are worth noting:

- Firstly, the internal policy in each subsidiary was guided by the respective Chairman, chosen for reasons of experience and ability, including international experience and interpersonal skills.
- Secondly, the Chairmen did vary the management of the acquisitions according to the circumstances of each subsidiary, of which culture was a part. This was reflected not only in the timing of implementation of various policies but also in adaptation of policies. For example, in the case of Poland the number of performance targets was reduced in response to the employees attitude to imposed targets, and targets in each subsidiary were negotiated.
- Thirdly, the effects of trust aspects of culture, found to be important in Eastern Europe would have been compatible with the high trust environment in which the parent organisation believed and created in its subsidiaries. This was facilitated by the avoidance of hostile takeovers.

- Fourthly, the management of cultural differences was undoubtedly facilitated by the acquisition integration process of *symbiosis* or mutual learning.
- Fifthly, the parent organisation paid as much attention to the 'soft' side of the acquisition (human factors), as suggested by Moss-Kanter and Stonham (1994), Cartwright and Cooper (1995), and the Economist Intelligence Unit (1996), as the hard side.
- Sixthly, the parent organisation's policies of retention of local management and investment in local management development would suggest the effect of cultural maintenance rather than the destruction of the subsidiaries' cultures.
- Seventhly, the incorporation of 'gut feel' and the discussions with the subsidiary managers prior to the acquisition may have played the role of an informal cultural audit. 'Gut feel' could result in the parent organisation's seeking partners with similar attitudes and values to itself, or, for example, to choose low PDI partners. It should be noted that 'gut feel' was a factor in partner selection on both sides of the alliance. The Polish Director described how the parent organisation had won the 'beauty contest'. Positive selection by 'gut feel' may lead to better acculturation.

It is strongly argued that the acquisition selection and management process obviated the need for cultural audits or prior examination of cultural fit, and that the cultural integration process was an implicit part of the management of the acquisitions.

It is not possible to ascertain from the results of this study which type of culture has the greatest impact on the integration process, but given the lack of observed emerging

market behaviours it seems likely that national and organisational cultures are the more important.

Onward Linkages

The implicit rather than explicit nature of the parent organisation's policies for the management of cultural integration raises the issue of whether other organisations can replicate the success of the parent organisation by following these policies or whether its success is due to organisationally specific factors which would be difficult to replicate. The parent organisation's non formulaic approach based on experience suggests that this may be the case. If so, this would suggest that the successful management of acquisitions is a function of the capabilities of the acquiring organisation which have been formed as a result of its own development. The following section examines whether the parent organisation's capabilities are likely to be easily replicated and whether cross cultural management can be viewed from the perspective of multinational capability.

6.2.2 Cross Cultural Management – A Multinational Capability?

It has been shown section 6.1, in answer to research question 9, that although the parent organisation followed some policies common to other organisations, no organisation referred to in sections 2.1 or 2.2 wholly matched the parent organisation's policies. It can be argued that the parent organisation had several unique characteristics that would be difficult to replicate:

- It is doubtful whether any other organisation has a structure built upon a sixty five year old merger and still maintains a joint headquarters. It has therefore had a long history of multicultural management, which the present composition of nationalities in the Division for Central and Eastern Europe (section 4.4) reflects.
- It also has had a long history of growth via acquisition. It is doubtful whether many organisations can point to a minimum of 300 acquisitions in the last twenty years, or whether many can point to a history of success in making them.
- The policy of 'flexible pragmatism' may well be specific to the organisation.

  According to Maljers (1992)

  > '...our organization of diverse operations around the world is not the outcome of a conscious effort to become what is now known among academics as a transnational ...the company has evolved mainly though a Darwinian process of retaining what is useful and rejecting what no longer worked – in other words, through actual practice as a business responding to the market place...our actual progress was not made through the application of theory but through a much messier evolution of trial and error. Yet the company has focussed on consistent

and related practices to underpin all structural changes: recruitment and training of high quality managers and the importance of linking decentralized units though a common corporate culture...while the organization structure has developed, at least to some extent, by trial and error, we still have a consistent and long standing policy when it comes to one thing: the importance of managing people, rather than simply analyzing problems...The greatest challenge of recruitment, of course, is to find the best and brightest who will fit into the company. We certainly do not want a *homo unileverensis*... we look for people who can work in teams and understand the value of cooperation and consensus... our present structure: a matrix of individuals around the world who nonetheless share a common vision and understanding of corporate strategy...the head office also recognized the need for a common culture among its many scattered units... to get the support of company boards, we don't rush to implement necessary changes... we see organizational change as a long march forward rather than one big jump. And we are to cautious to risk breaking a leg...'

Analysis of the interviews of Headquarters and the subsidiary Chairmen shows how deeply embedded these corporate values and policies are. These values and policies were implemented despite the different situations within each country. Though the mode of alliance was acquisition it is clear from the interviews that there were three very different types of acquisition task. In Poland the task involved consolidating six separate companies into one. In Hungary the acquisition cemented and built on an existing relationship. In Romania the subsidiary was acquired to be used as the main building block around which

the organisation would develop. It is possible from the interviews and visits to distinguish between the economic tasks of upgrading, purchase, and disposal of assets, and the organisational development tasks which were implemented regardless of the state of the subsidiary in line with corporate values and policies.

Implications for other Organisations

The implications for other organisations are either to assess their own resources and capabilities in relation to the integration task presented by an acquisition, or to use a policy formula developed from an organisation with a successful track record of successful acquisitions. There are, of course, intermediate positions. The process derived from this study is described in Figure 9:

Figure 9 **Process for Assessing Capabilities for the Management of Cross Cultural Acquisitions**

Task	Factors to assess
Assess own resources and capabilities in relation to the integration task presented by an alliance	• Experience of multicultural management • Industry knowledge • Reputation within industry • Track record of success in making acquisitions • Policies concerning organisational development

↓

Identify gaps or mismatches

↓

Close the gaps or mismatches

↓

Factor	Action to close gaps
Experience of multicultural management	Consultancy Cultural Audit Employ local nationals
Industry knowledge	Research Consultancy
Reputation within industry	Improve internal management Public Relations
Track record of success in making acquisitions	Recruit specialist Research and apply best practice (e.g. Haspeslagh and Jemison (1991))
Policies concerning organisational development	Develop appropriate human resource management policies

In general the parent organisation's future direction in integration policy is described well by Bartholemew and Adler (1996). It is worth repeating that they suggest,

> 'in the transnationals of the future, rather than a dominant culture the emphasis will be on collaborative learning, reflecting the movement from hierarchies of dominance to networks of equals. In this type of organisation cultural differences whilst existing would not cause conflict'.

6.3 Contribution to Knowledge

Various parts of this study contribute to the body of knowledge of strategic alliances in emerging markets.

Firstly, the study is unique in that it specifically identifies different descriptors of national and organisational cultures and observes their impact on the success of the alliance. Whilst there are quantitative studies (sections 2.1.5.4, 2.2.6.1) that relate cultural differences to degree of success, there is no comparable study that observes their effects on the cultural integration process.

Secondly, the major finding, that cultural differences do not affect the success of the alliance, is not in agreement with the majority of researchers in this field (section 2.1.5.4). Of the minority of researchers who suggest that cultural differences need not be an impediment to alliance success, non has performed a comparable study.

Thirdly, the publication of the parent organisation's acquisition policies and management process will add to the (acknowledgedly considerable) studies of how to improve the success rate of alliances.

Fourthly, the importance of the factors of *experience* and *reputation* has not been identified by the majority of researchers in this field.

Fifthly, this is the first study of the identification and effects of emerging market characteristics at the level of the firm.

Sixthly, issues of emergence or re-emergence have neither been previously identified nor tested at the level of the firm. There is now more evidence for re-emergence in the economies of Eastern Europe.

Seventhly, this is the first study to link the management of the integration process to organisational capabilities.

Eighthly, a process linking organisational capability to the integration task has been derived.

Ninthly, the sum of the study is greater that the sum of its parts in that it adds to the body of knowledge concerned with Eastern Europe, and management issues within the region.

7. REVIEW OF METHODOLOGY

7.1 Inductive Methods

The visits to Headquarters and subsidiaries gave a very full picture of the parent organisations' policies concerning the management of its acquisitions and the implementation of these in the subsidiaries. The series of interviews developed the picture incrementally, and after the third series of interviews (in Romania) the researcher felt no new knowledge had been acquired and that visits to further subsidiaries would be unlikely to add to the picture.

The points of view expressed during the interviews tended to be complementary; there were few contradictory views expressed. This indicates that there was considerable triangulation within the interviews thereby validating the conclusions drawn from them.

Discussions concerning trust confirmed the difficulty of disentangling or categorising the different meanings and associations related to it. It is very 'loaded' word and the interviews showed that it meant different things to different people. The Romanian Chairman related it to credit risk; after many minutes of discussion with the Polish Director the researcher's contemporaneous notes record the comment, 'I'm not sure he understands what I am getting at'.

There were no signs of a common agenda on the part of the interviewees. However a possible source of bias is that the interviews were conducted with those local managers who had remained after the acquisition. There is a possibility that interviews with those who

departed might have painted a different picture. The triangulation across countries and between Chairmen and locals lessen this possibility to some extent.

7.2 The Questionnaire.

7.2.1 National Cultures

The execution of the survey resulted in three matched samples, and the sample sizes, though small, are large enough for the results to be statistically reliable. It is not possible to calculate the rate of return of the questionnaire, but it is considered that the samples represent a large percentage of the total population. The Chairmen in Poland and Romania doubted whether there were many more than thirty senior local managers.

7.2.2. Organisational Cultures

Whilst the results obtained by the use of Cartwright's instrument to describe the subsidiaries' organisational cultures identified the organisational cultures and differentiated between them, with hindsight the researcher has some reservations concerning its use.

Firstly, it is felt that an instrument, which relies on statistical analyses to identify differences in values that are not apparent from reading the tables of results, is capable of improvement. The pattern of responses also differed in three cases out of four from those produced from the analysis of responses to Q50. However Q50 produced far clearer identifications of organisational cultures, which is an indication of what could be achieved. Part of the problem could be that the instrument was designed for use in the UK, and, to use Hofstede's

(1991) caution was not free of 'culturally loaded idioms'. The type of questions asked and their context would be as important as a literal translation. The translators no doubt found relevant translations. In the case of Poland there was a degree of difficulty in translating Q43, 'There is a lot of 'empire building' going on in the organisation'. However, the results obtained by use of the instrument were internally consistent, and in the absence of any other validated and reliable instrument, its use achieved its purpose.

7.2.3 Emerging Market Characteristics

It has already been mentioned (section 4.2) that examining complex and inter-related phenomena by use of a questionnaire is not ideal. The results of the analysis of emerging market characteristics reinforce this view. A factor, already mentioned, is that the business knowledge of the respondents may have limited their ability to answer the questions by making an informed choice. An inductive approached carried out by an international, cross cultural, team of researchers would result in a deeper and better understanding of the issues involved. A longitudinal study would be better suited to studying changes in these characteristics over time. The interview with the Hungarian Director was most illuminating in this respect. Difficulties concerning the concept of 'trust' have already been mentioned (section 7.2.1).

In these circumstances the results concerning emerging market characteristics must be regarded as tentative. However it is clear that such emerging market characteristics as there were had minimal impact on the success of the integration process. The effects observed were essentially economic - perhaps a greater use of expatriates in the initial years of

integration and the financial investment in upgrading plant and processes and investing in manpower development. The conclusions derived from this section of the questionnaire undoubtedly benefit from the triangulation afforded by the interviews.

Concerning the findings (section 5), it could be that the parent organisation's recruitment policy is the major influence on the results of this study. Such criticisms have been made of Hofstede's methodology, but have not received widespread support (section 4.2), and the differences in findings between the countries suggest that this is not the case. More interesting is the question of whether, for example, the Romanian respondents are representative of Romania, or whether the parent organisation's recruitment process has resulted in atypical workforces from the national norms. Any research in any one group of organisations is bound to be affected by this concern.

7.3 Sample Design.

There are two points to be made. Firstly, it has already been mentioned (section 6.2.2) that though the mode of alliance was acquisition there were three very different types of acquisition task. These differences do not affect the conclusions of this study, but they signal a warning to researchers who conduct quantitative studies on small samples of companies. Only by conducting interviews were the differences in the acquisition tasks highlighted.

Secondly, though at the time the research was conducted the subsidiaries appeared to be at the same stage of the integration process the visits to the subsidiaries revealed that even a

year is a long time in terms of organisational development. In this respect the sample was less than perfect. However, it is doubtful whether any organisation has ever conducted a series of alliances in a group of emerging markets, or related locations, within the same year. The perfect sample does not exist.

7.4 Generalisability

The nature of the inductive process and the situational nature of the data make it impossible to claim generalisability or to make predictions from this study. The researcher chose to control variables (one MNC, one industry) and this also affects generalisability. However, it can be argued that, if differences are found between parts of organisations in a homogenous industry, differences can be expected throughout organisations within the region. It is anticipated that the process derived from this study (Figure 9) may be generally applicable.

8. FURTHER RESEARCH

Further research directions indicated by this study are derived both from its limitations and the exploratory nature of the research. The inductive process requires parallel studies to be conducted, perhaps with companies in other industries within Eastern Europe, to add to the body of knowledge. An inductive longitudinal study would better investigate the change process in emerging economies, and explore further the concepts of 'emergence' or 're emergence'.

Two propositions can be derived from the conclusions of this study:

Proposition 1

The effect of cultural differences on the performance of an acquisition is determined by the chosen integration process.

Proposition 2

The ability to make successful acquisitions is a function of the organisational capability of the acquirer.

The cultural integration process derived from this study (Figure 9) should be useful in testing this proposition, the greater the gap between capabilities of the acquirer and the needs of the integration task, the less likely the acquirer is to be successful.

More specific questions which arise from this study are:

- Are the conclusions relevant to types of strategic alliance other than acquisitions?
- Is the channeling of investment into 'soft areas' such as organisational restructuring and human resource development typical throughout Eastern Europe?
- Would the parent organisation's policies for the management of acquisitions in Eastern Europe be appropriate in different industries or in different markets? Are there situations in which cultural differences are not manageable?
- This study has identified two factors that were important to the success of acquisitions that are not prominent in the literature. Further research needs to be done on the effects of *experience* and *reputation* on the successful management of alliances.
- Research into emerging markets is at an early, exploratory stage. It would be interesting to conduct research in other groups of markets described as 'emerging', such as Latin America or South East Asia to confirm whether a general theory of emerging markets is in fact sustainable at the level of the firm.
- It would be interesting to study alliances made by an organisation with a track record of failure. Factors for failure could be identified. Such organisations exist, but access could be a problem!

9. Appendices

Appendix 1 Questionnaire

Key to Organisational Culture questions

Appendix 2 Interview Guide - Headquarters

Interview Guide – Subsidiaries

Appendix 1

Questionnaire

CULTURAL SURVEY QUESTIONNAIRE

Please think of an ideal job, disregarding your present job. In choosing an ideal job, how important would it be to you to ..... (please circle one answer number in each line across):

	of utmost importance	very importance	of moderate importance	of little importance	of very or n impc
1. Have sufficient time left for your personal or family life?	1	2	3	4	
2. Have good physical working conditions (good ventilation and lighting, adequate work space, etc.)?	1	2	3	4	
3. Have a good working relationship with your direct superior?	1	2	3	4	
4. Have security of employment?	1	2	3	4	
5. Work with people who cooperate well with one another?	1	2	3	4	
6. Be consulted by your direct superior in his/her decisions?	1	2	3	4	
7. Have an opportunity for advancement to higher level jobs?	1	2	3	4	
8. Have an element of variety and adventure in the job?	1	2	3	4	
I-11. Have an opportunity for high earnings?	1	2	3	4	
I-13. Live in an area desirable to you and your family?	1	2	3	4	

In your private life, how important is each of the following to you? (Please circle one answer in each line across):

9. Personal steadiness and stability	1	2	3	4
10. Thrift	1	2	3	4
11. Persistence (perseverance)	1	2	3	4
12. Respect for tradition	1	2	3	4

13. How often do you feel nervous or tense at work?

1. Never
2. Seldom
3. Sometimes
4. Usually
5. Always

14. How frequently, in your experience, are subordinates afraid to express disagreement with their superiors?

1. Very Seldom
2. Seldom
3. Sometimes
4. Frequently
5. Very Frequently

To what extent do you agree or disagree with each of the following statements? (Please circle one answer in each line across):

	Strongly Agree	Agree	Undecided	Disagree	Strong Disagr
15. Most people can be trusted.	1	2	3	4	5
16. One can be a good manager without having precise answers to most questions that subordinates may raise about their work.	1	2	3	4	5
17. An organisation structure in which certain subordinates have two bosses should be avoided at all costs.	1	2	3	4	5
18. Competition between employees usually does more harm than good.	1	2	3	4	5
19. A company's or organisation's rules should not be broken – not even when the employee thinks it is in the company's best interests.	1	2	3	4	5
20. When people have failed in life it is often their own fault.	1	2	3	4	5

The descriptions below apply to four different types of managers. First, please read through these descriptions:

Manager 1 Usually makes his/her decisions promptly and communicates them to his/her subordinates clearly and firmly. He/she expects them to carry out the decisions loyally and without raising difficulties.

Manager 2 Usually makes his/her decisions promptly, but, before going ahead, tries to explain them fully to his/her subordinates. He/she gives them the reasons for the decisions and answers whatever questions they may have.

Manager 3 Usually consults with his/her subordinates before he/she reaches his/her decisions. He/she listens to their advice, considers it, and then announces his/her decision. He/she then expects all to work loyally to implement it whether or not it is in accordance with the advice they gave.

Manager 4 Usually calls a meeting of his/her subordinates when there is an important decision to be made. He/she puts the problem before the group and invites discussion. He/she accepts the majority viewpoint as the decision.

I-19. Now, for the above types of manager, please mark the *one* which you would prefer to work under (circle one answer number only):

1. Manager 1
2. Manager 2
3. Manager 3
4. Manager 4

I-20. And, to which *one* of the above four types of managers would you say your own superior *most closely corresponds?*

1. Manager 1
2. Manager 2
3. Manager 3
4. Manager 4
5. He/she does not correspond closely to any of them.

I-23. How long do you think you will continue working for the organisation or company you work for now?

1. Two years at the most
2. From two to 5 years
3. More than 5 years (but I will probably leave before I retire)
4. Until I retire

Imagine you are able to start your own company in (Poland, Hungary, Romania) funding it by issuing shares.

To what extent do you agree or disagree with each of the following questions? (Please circle one answer in each line across):

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
21. Would you want a certain profit in the short term (1 to 2 years)?	1	2	3	4	5
22. Would you prefer a greater but more risky profit in the longer term?	1	2	3	4	5
23. Do you think it best that the company's shares can be bought or sold by anyone?	1	2	3	4	5
24. Would you agree that the price of the shares would be the best guide to the company's value?	1	2	3	4	5
25. Would your company's main duty be to act for the benefit of its shareholders?	1	2	3	4	5
26. Do you agree that the ownership of your company should not change without the consent of the managers?	1	2	3	4	5
27. Would your company's main duty be to act for the benefit of its employees and customers?	1	2	3	4	5
28. Do you think a company should act for the good of the nation?	1	2	3	4	5

	of utmost importance	very importance	moderate importance	of little importance	of very or r impor
29. How important would a 'water- tight' legal agreement be for the success of your take-over?	1	2	3	4	5
30. How important would it be to have trust in the overseas managers?	1	2	3	4	5
31. Would you do more than is legally necessary to help make the take-over a success?	1	2	3	4	5
32. How important would be your compatibility with the personalities of the overseas managers?	1	2	3	4	5

33. If you had a choice of overseas take-overs, which country/nationality would you prefer? Please rank the countries from 1 to 6, 1 being the country most preferred and 6 the country least preferred.

France Germany Holland Japan U.S. U.K.

Briefly explain the reasons for your ranking.....

ORGANISATIONAL CULTURE QUESTIONNAIRE

This questionnaire is concerned with the culture of the organisation for which you are presently working.

Please consider the following statements. Respond by circling your answer on the scale below each item indicating the extent of your agreement/disagreement.

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
34. Senior Management maintain their distance and act impersonally	1	2	3	4	5
35. If you question your superior you are likely to be considered a trouble maker.	1	2	3	4	5
36. Employee's personal problems are not considered to be the concern of the organisation.	1	2	3	4	5
37. The responsibilities and duties attached to one's role in the organisation are clearly defined.	1	2	3	4	5
38. There is a strong sense of being part of a team of committed individuals.	1	2	3	4	5
39. Management go out of their way to keep employees fully informed on what in happening within the organisation.	1	2	3	4	5
40. The organisation really values me as an individual and is concerned for my personal development.	1	2	3	4	5
41. There are rules, regulations and procedures to govern the way in which one performs one's job.	1	2	3	4	5
42. In a problem solving situation, the person who has the most formal authority has the most influence.	1	2	3	4	5
43. There is a lot of "empire building" going on in the organisation.	1	2	3	4	5
44. Information and help in freely exchanged without fear	1	2	3	4	5

or favour.

45.	Employees are rewarded in proportion to their contribution to the task.	1	2	3	4	5
46.	If information in required from another department there are established formal channnels of communication to be adhered to.	1	2	3	4	5
47.	People who do well in this organisation are shrewd, competitive with a strong drive for power.	1	2	3	4	5
48.	Individuals are allowed the freedom to take risks be innovative.	1	2	3	4	5
49.	People seem to be too preocupied to take the time to really listen to each other.	1	2	3	4	5

50. Overall, which of the following statements best describes the culture of this organisation?
(Please circle the number)

In this organisation it's:-

1. "'the survival of the fittest"

2. "Always stick to the rules"

3. "we all pull together"

4. "People always come first"

5. None of these.

And now some information about yourself (for statistical purposes):

51. Are you: 1. Male2. Female

52. How old are you?

1.	Under 20	2.	20-24	3.	25-29	4.	30-34
5.	35-39	6.	40-49	7.	50-59	8.	60 or over

53. How many years of formal school education did you complete? (Starting with primary school):

1.	10 years or less	2.	11 years	3.	12 years	4.	13 years
5.	14 years	6.	15 years	7.	16 years	8.	17 years
9.	18 years or more						

54. What is your nationality?

55. And what was your nationality at birth (if different from your present nationality)?

Please return this questionnaire to:

Key to Organisational Culture Questionnaire

Question	Agreement / Disagreement	Type of Culture
34	Agreement	Role
35	Agreement	Power
36	Disagreement	People
37	Agreement	Role
38	Agreement	Task
39	Agreement	Task
40	Agreement	People
41	Agreement	Role
42	Agreement	Power
43	Agreement	Power
44	Agreement	People
45	Agreement	Task
46	Agreement	Role
47	Agreement	Power
48	Agreement	Task
49	Disagreement	People
50.1		Power
50.2		Role
50.3		Task
50.4		People

Appendix 2

Headquarters - Interview Guide

Name: Position:
Time: Date:

Motivation for acquisitions:

Market access
Exploitation of technology
Reduction in lead times

Mode of entry
Globalisation
Economies of scale
Competing networks
Organisational redesign

Process

Search

Strategic fit: similarity or complementarity
synergy

Compatibility of procedures, admin. systems, management styles

Organisational culture

Management of acquisitions: absorption, preservation, symbiosis.

Rationale

Success

financial, market share,... long term... short term, hard.....soft

Differences between Poland, Hungary, Romania
Culture, stage of economic development

Subsidiaries - Interview Guide

Name: Position:
Time: Date:

Process

Year of acquisition

Compatibility of procedures, admin. systems, management styles, technical systems?

How changed?

Organisational culture

Management structure now/ then – vertical, flat, matrix, rigid hierarchy

Entrepreneurship

Do/did the employeees do as they are told?
the same job for life?
job description?
tradition? (father/son, methods of working?)

Differences between workers and managers? Status, entrepreneurship?

Management of acquisitions: absorption, preservation, symbiosis.

Rationale

Success

What have been the major difficulties?

What has been relatively easy?

How measured?

financial, market share,... long term... short term, hard.....soft

Culture, stage of economic development

Impact on management: help or hindrance

Describe the subsidiary culture; what are the differences

Trust Issues

Personalities

Legal Environment?

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