Alliances in a Globalizing World: The Relevance of Culture

Alliances are now an integral component of a firm’s global strategy. Intensified competitive pressures have led firms to consider entering into partnerships in the hope that this may either speed up market entry, accelerate R&D development, and/or pre-empt their competitors. Many of the alliances cross national boundaries and this raises the prospect of an inevitable cultural clash between the alliance partners. Yet, how might this cultural clash affect alliance evolution? This is an issue that is now attracting increasing interest among researchers.

Although it is fair to say, that while much has been accomplished, there is clearly more that needs to be done. First, with a few exceptions (Kumar, 2004; Sirmon & Lane, 2004) there are few theoretical contributions that spell out how culture might affect alliance evolution. Secondly, the empirical work examining the impact of culture on alliance evolution has often produced mixed results (Meschi & Roger, 1994; Sirmon & Lane, 2004). This is in itself, not terribly surprising, as the impact of culture is clearly context dependent. It is also the case that with globalisation and the rapid growth of crosses border activity there is some degree of mutual learning that may be taking place which may have lessened or enabled the partners to cope with culture better. Yet, there are few studies that have critically assessed how alliance partners cope with cultural differences, as opposed to addressing the issue of whether culture has a positive or a negative impact on alliance performance. Scholars are also beginning to debate the relative importance of national, corporate, and professional cultures in shaping alliance evolution and while contributions have begun to emerge that document their relative importance (Sirmon, 2004), the issue is still open to greater theoretical and empirical refinement. My talk will provide an overview of the existing work that explores the linkages between culture and alliances and will suggest directions for future research.
10.45-11.30: Herding Global Cats, by Dr. ir. Bob Hoekstra (former director Philips R&D Bangalore, India), 30’ presentation, followed by 15’ discussion.

Herding Global Cats

Setting up an R&D campus in India in the late nineties was like riding a huge wave, the off-shoring tide was coming in. However, the challenges were still there. Philips was already in India for over 70 years, and knew the country inside out. Knew it as it was before 1991, when India was reborn with the opening up of the economy. The way of working in an industry which is in the R&D and IT domain, and that employs young kids of 23 years old in large numbers, is totally different from that in a manufacturing world. Herding kittens is the game. The competitive scene is different, as the competitors fighting for the same human resource are multinationals, which have no history, and are IT companies, not radio and lightbulb companies. And the business requirements are different as the customers are Western companies which expect 100% on time delivery to specification of high technology, from a country still taking some pride in its Ambassador car, designed in the 70s in the UK. And where time is flexible.

The employees in the industry also have individual challenges. The culture of their parents, and of old industries, was one of lifelong employment. The culture of the young professionals is one of "we give you a chance". They hop on to greener pastures easily. The industry has to adjust. Surprisingly in a culture that appreciates women in kitchens, the new industry attracted large percentages of working skilled women. In software around 20 plus percent and in business services over 50%. This may effect that the president of the prime industry forum NASSCOM will end up in jail as he violated outdated labor laws applying to women when he headed a Business Services company. The government/legal/union culture, is clashing with modern industry, its requirements and its people.

For an in-house R&D operation the wave rides fine if jobs abroad are not threatened, which was in the first few years. But as soon as the Bangalore Center grew, and people started realizing the impact, and the economy was not as rosy anymore, riding the wave became a challenge. Domain competencies have to be picked up, technology transfer has to take place. Visa and work permits are needed for engineers from India coming to Europe to be trained. While the whole immigrant issue is a hot one, and borders close indiscriminately. The globalization of knowledge work is a challenge by itself, for governments that struggle to keep up with the change in corporates.

We will talk about how the R&D center as well as the industry as a whole, dealt with all those issues, many of which are based in different cultures. We will review the factors which helped ride the wave, how a specific culture was built, as required for this new industry. Not only within Philips but in the industry as whole.

11.30-12.15: Culture and leadership in alliances, by Dr. Gert-Jan Hofstede (Wageningen University), 25’, followed by 10’ review by Rajesh Kumar and 10’ discussion.

Culture and Leadership in Alliances
My chapter posits that relationships are crucial for the governance of alliances. It then takes the perspective of the entrepreneur and identifies three hard-to-swallow decisions to make when entering a netchain: loss of authority, long-term obligations, and accepting vulnerability. Next, Hofstede’s theory of cultural dimensions is used to argue that cross-border ventures are particularly tricky inasmuch as they link culture systems that are markedly different. This is because the parties can have different hidden assumptions about authority, obligations and trustworthiness. The relevance of culture for alliances is then discussed from the point of view of four questions that pertain to working culture: who’s boss, are we one community, principle or pragmatism, and do I get my fair share? Two international case studies from the agricultural sector illustrate the theoretical argument. It is concluded that international alliances require culture-aware leaders.

12:15-13.30: Lunch break

If you would like to be present at our lunch please send an e-mail to before 30th of March 2008:

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Afternoon session (chaired by Geert Duysters, UNU-MERIT and Eindhoven University of Technology)

13.30-17.00: Workshop for co-authors of the planned book 'Strategic Alliances and Culture'.

17.00-18.00: Drinks