

# **The impact of cultural similarities and differences on performance in strategic partnerships: an integrative perspective**

## **Abstract**

This theoretical research endeavors to find common ground in the ostensibly inconsistent results of studies on the impact of cultural similarities and differences on strategic partnerships. Some findings suggested that partners have to possess similar cultural characteristics in order to achieve success while others showed that cultural distance had a positive effect on efficiency and the competitiveness of partnerships. This paper systematically analyzes the equivocal evidence of influence of both commonalities and differences on partnerships' outcomes, highlighting conditions under which they can be either beneficial or dysfunctional. Several propositions are formulated in regard to the role of qualitative and quantitative differences in both organizational and national cultures. Further, the theoretical and practical implications are also discussed.

**Keywords:** Strategic Partnerships, Cultural Similarities, Cultural Differences.

## **Introduction**

The steady rise of international partnerships such as strategic alliances, international joint ventures (IJVs) and selling partnerships is one of the prominent features of the process of globalization. Academics and practitioners have acknowledged that national and organizational culture plays a critical role in the success of partnerships across borders. Moreover, culture is regarded as one of the major causes of the high failure rate of strategic alliances. There is a general consensus in the literature that a cultural fit between partners should exist in order for their collaboration to succeed. However, neither the nature of this fit or the direction of cultural influence has been fully understood, due to the inconclusive results of empirical research. Some authors argue that partners have to possess similar cultural characteristics in order to achieve success, and the wider the cultural gap is between them the worse the performance (Lane & Beamish 1990; Schneider & De Meyer 1991; Sirmon & Lane 2004). Similar results were reached in the study of another type of inter-organizational relationship – mergers and acquisitions (Chatterjee et al. 1992; Lubatkin et al. 1999; Thomsen 1996). Ostensibly the sound practical prescription that stems from these results is to find a partner as culturally close as possible in order to avoid inter-group conflicts, withholding information, distrust etc. At the same time, other findings have led to the opposite conclusion. Park and Ungson (1997), contrary to their initial hypothesis, found that the duration of international joint ventures had a positive correlation with national-cultural distance and that U.S.–Japanese partnerships were less likely to dissolve than U.S.–U.S. ones. Results reported by Pothukuchi et al. (2002) showed that national cultural distance had a positive

effect on efficiency and the competitiveness of joint ventures of Indian firms with foreign partners. Research of mergers and acquisitions also brought some authors to conclude that larger cultural distance is associated with better performance (Krishnan et al. 1997; Morosini et al. 1998). These findings imply that cultural fit may not necessarily mean being alike – it may mean being complementary, i.e. different from each other. The explanations for these contradictory results have involved the multilevel nature of culture (Teerikangas & Very 2006), the conceptual and methodological properties of the cultural distance construct (Shenkar 2001), or the incongruence between economic and psychological performance (Pothukuchi 2002). Though these arguments are certainly not without merits, there are also other reasons for these inconsistent findings. This paper endeavors to find common ground and present additional explanations to the ostensibly contradictory results in studying the impact of similarities and differences in both organizational and national cultures on strategic partnerships. The paper is focused on strategic partnerships; however, its conclusions can be applied *mutatis mutandis* to other forms of inter-organizational relationships, such as mergers and acquisitions.

### **Equivocal role of cultural differences and similarities in partnerships**

As a possible middle ground between opposite positions, some researchers maintain that partners have to be similar in certain characteristics but different in others. Sarkar et al. (2001) argue that the performance of an alliance will be high when two partners are culturally similar and at the same time possess different, i.e. complementary resources and capabilities. Indeed, being similar in cultural values and norms on the one hand and obtaining complementary resources would probably be the best situation for the partners. However, this line of thinking separates resources from culture, which makes it

simplistic. Though culture and resources are distinct concepts, there is a connection between them. Organizational resources, capabilities, and skills present the outcomes of a firm's unique historical path and experience. The same is true regarding organizational values and norms. Much like skills, they result from organizational learning which has selected certain norms, routines, and practices that work for a particular organization, and rejected those that do not. Repetition and the gradual improvement of daily routines and practices allow a company to move through a learning curve while simultaneously accumulating capabilities that enhance its performance and reinforcing and institutionalizing functional norms.

Practices and routines are often referred to as artifacts of organizational culture, in which values and norms are reflected (Rousseau 1990; Beugelsdijk et al. 2006). Barney (1986) regards organizational culture as a source of competitive advantage which, like any other resource, is characterized by the degree of its value, rareness and inimitability. Beugelsdijk et al. (2006) propose a link between organizational culture and organizational, particularly relational skills. We can expect that an organization with more organic culture would develop such capabilities as innovativeness, flexibility, responsiveness etc, while a more mechanistic organization might excel at timely delivery, accuracy, reliability etc. Hence in order to have different and complementary resources two partners are destined to have different cultural traits as well. In that regard, partners' different cultural attributes are inevitable and represent the 'necessary evil' of a partnership.

The roles of both similarities and differences regarding an alliance's performance are not unequivocal. Parkhe (1991) pointed out that when one partner learns from another

and acquires certain attributes that were lacking at the outset, he has fewer incentives to stay in the relationship and the alliance can be easily dissolved. Hence, a growing similarity may disrupt the partnership rather than improve it. This point underscores the difference between a merger and an alliance. While in a merger one culture may be absorbed by another culture and does not sustain, in alliance both cultures continue to coexist. Growing similarity as a result of cultural integration or assimilation (Nahavandi & Malekzadeh 1988) solves the problem of cultural gap for a unified company; conversely, too much commonality in a partnership may create problems. Further, when two companies are too much alike in the first place, partnership between them simply will not emerge because they tend to possess similar resources and capabilities and do not need each other. Therefore, difference or diversity is not only inevitable but essential and may be called 'mother of alliance'.

On the other hand, all complementary attributes stem from differences but not all differences create complementarities. Parkhe (1991), addressing global strategic alliances, divided possible asymmetries between two partners into Type I and Type II diversity. The first one is productive and reflects the reciprocal strengths and complementary resources that facilitate effectiveness. The second one threatens the functioning of an alliance and its longevity. This typology may be accepted as a useful framework and starting point for further deliberation. First of all, there exists Type III diversity – irrelevant differences. Some cultural asymmetries just do not matter since they do not have impact on an alliance's performance. Sirmon and Lane (2004) argue that differences between partners that are not close to value-added activities and to alliance purposes do not affect outcomes of the alliance. Smith and Barklay (1997) found that

perceived organizational differences between selling partners played only a modest role in partner perceptions of trustworthiness and none had a meaningful impact on the perceived task performance. Johnson et al. (1991), in their analysis of international joint ventures of Japanese companies, pointed out that deviation from Japanese culture had no effect on the Japanese partner's perceptions of partnership's success. Bianchi (2006) showed that cultural differences do not affect the level of trust and commitment of exchange relationships between foreign suppliers and Chilean distributors. In practical terms, investing heavily in analyses of variation that do not impact actual results would be a waste of resources on the part of partners. Therefore, a preoccupation with differences, especially labeling them as cultural gaps that have to be necessarily bridged, can be counterproductive. The ability of managers of both firms to identify asymmetries that do not matter is an important skill that allows partners to concentrate on issues that make a real difference.

As for the distinction between Type I and II diversity, it raises certain questions: are these categories of 'good' and 'bad' asymmetries stable and consistent among different alliances that involve certain organization? If company A possesses cultural feature X and this feature is productive in alliance with partner B, does that mean that it will be productive with other partners? Are these types also consistent among alliances that involve different organizations? If cultural feature X constitutes Type I diversity in the interaction between companies A and B, will it remain as such in an interaction between companies C and D? For instance, Pothukuchi et al. (2002) in their analysis of joint ventures of Indian firms with foreign partners found that masculinity gaps had a consistently positive effect on all performance measures. In contrast, Shenkar and Zeira

(1992) found masculinity to have an adverse impact in international joint ventures, via the increase of the role ambiguity of CEOs. In addition to that, in the very same interaction between firms A and B it can be the case that cultural feature X has both positive and negative sides, i.e. it is necessary and useful but creates problem at the same time. For instance, consider the alliance between an organic firm with high R&D capabilities that has to develop new products and a more mechanistic company which is good at lean manufacturing and is supposed to produce these products efficiently. Apparently these companies possess complementary resources (Type I diversity). On the other hand, differences in levels of centralization, formalization, and participation in decision making will almost inevitably impede communication and create conflicts (Type II diversity). Therefore certain overlap between these types occurs even in the same partnership. Moreover the same cultural trait may have a positive effect on some aspects of performance and a negative effect on others. Pothukuchi et al. (2002) showed that the impact of individualism and uncertainty avoidance was favorable on economic outcomes of IJV (efficiency and competitiveness) but unfavorable on socio-psychological outcomes (satisfaction). Therefore the typology of asymmetries being a useful framework does not constitute strict categorization. Consequently, we need to apply a contingency approach, establishing belongingness of certain cultural traits to one of diversity types.

At the same time cultural relativity should not be exaggerated. Any asymmetry in some cultural characteristics invariably pertains to counterproductive Type II diversity. That means that certain cultural values and norms of two partners ought to be or even must be similar. For example, it is difficult to see how gaps between partners in attitudes

towards quality improvement can become functional in an alliance. If one party does not take quality seriously, the situation unequivocally represents Type II diversity.

Researchers have pinpointed various cultural gaps that should be bridged in a partnership. A list of the features of required similarities that does not pretend to be exhaustive includes cultural sensitivity as ability to accept differences (Voss et al. 2004), reputation and goals' horizon (Smith and Barclay 1997), open communication (Mohr & Specman 1996; Pothukuchi et al. 2002), the importance of an alliance for both sides and the involvement of senior management which reflects an overall cooperative stance (Toulan et al. 2007), ability to learn (Crossan & Inkpen 1995), common strategic direction, and continuous improvement in quality (Lo & Yeong 2004). Some of these similarities are desired characteristics; others are absolute musts without which an alliance cannot be sustained. In other words, some differences impair an alliance's performance; others constitute a constraint to its existence or longevity.

It is noteworthy that among the cultural characteristics mentioned above both partners have not only to be similar to each other, but what is more important is that they have to manifest conformance to expectations, i.e. to be close to a desired level of such characteristics. For instance, if two partners are alike in that they do not pay much attention to customer satisfaction or the continuous improvement of quality, it is hard to expect success from their alliance. By the same token, a high level of trust and a performance ensuing from it will not emerge when both partners are short-term oriented opportunists and engage in negative behaviors such as withholding critical information, misrepresenting facts, committing inappropriate resources etc. In these instances of commonality, though there is no difference between the actual norms of either side, there

is a significant gap between their actual norms and desired norms, or normative expectations (Killman et al 1985; Veiga et al. 2000). When such a gap exists the cultural similarity between alliance members will be dysfunctional. These considerations lead to the following proposition concerning cultural similarity:

*P1. Among similar cultural norms of partners, the gap between actual norms and desired norms will be negatively associated with a partnership's performance.*

As far as productive Type I diversity is concerned it is warranted to point out that positive differences constitute more multifaceted phenomena than just one category, i.e. they comprise a few subtypes. The first one that was mentioned earlier is the most frequently referred to in the literature and reflects complementary resources and skills that allow both sides to overcome limitations and close the gaps of organizational capabilities. The second subtype of positive differences is more subtle and as a result less explored in research. It goes beyond the mere pooling of complementary resources and addresses the complementarities of cultural attributes in that they mutually reinforce each other's strengths. A winning combination of cultural dimensions makes them work at their full potential. Morosini et al. (1998) examining the impact of national cultural distance on acquisition performance described the combination of certain traits of Italian culture and other European cultures. In one instance, a Swedish company transferring team-based and non-hierarchical ways of working to Italy created conditions for boosting Italian creativity and innovation. In the old hierarchical and individualistic context these positive traits of Italian culture were underutilized. Though this research addresses

acquisitions and national cultures, the same principle applies to other modes of inter-organizational relationships, as well as organizational cultures. Hence this category of productive cultural distance generates positive synergy not just between resources per se but also between certain aspects of culture of both sides.

The third subtype of positive differences represents a situation in which one of the partners perceives certain attributes of another partner's culture as more attractive than his own. Another culture becomes the source of admiration. Pothukuchi et al. (2002) in their analysis of IJVs of Indian companies with foreign partners found that a difference in masculinity showed a consistently positive effect on all organizational outcomes. The authors concluded that 'there might be an admiration effect on the part of Indian managers who attributed higher IJV performance to their foreign partners' aggressive pursuit of economic success' (Pothukuchi et al. 2002: 244) — the very attribute that was lacking in their own culture. When one side has a high regard of a different culture it helps it to adopt constructive behaviors, routines and repertoires (Morosini et al. 1998) which enhance performance. Unlike the previous subtype of Type I diversity, cultural influence here is not reciprocal but rather one-sided and the side that adopts new norms is the main benefactor. However, there is also a common element in these two scenarios which is appreciation or even admiration of another culture's attributes. In the second subtype in order to create synergy of different cultural norms both sides have to perceive them favorably. Mutual high evaluation of one another's norms is a prerequisite to cultural cross-fertilization. This aspect distinguishes cultural influence within separate firms and in inter-organizational relationships such as partnerships. Within a company, culture is often unclear to its members and is taken for granted. (Schein 1985).

Organization members follow certain norms in almost automatic fashion without much deliberation –'this is the way things are done around here'. In contrast, in a strategic alliance in order to accept the cultural traits of another party, a company's personnel has to understand the substance of these traits and *intentionally* apply them. If the cultural attribute of one partner is superior in relation to another, in order to become productive it should be perceived as such by another side. In case it is not appreciated and valued by members of another firm, a cultural difference will create conflict no matter how good objectively it is. Consequently, the evaluation of the other party's cultural traits plays a moderating role between cultural differences and an alliance's performance. When cultures are mutually appreciated, differences will lead to success; otherwise, cultural differences will create cultural conflict and hamper performance. These arguments lead to the following proposition:

*P2: The evaluation of a partner's cultural traits moderates the relationship between cultural differences and an alliance's performance: a positive evaluation is associated with high performance; a negative evaluation is associated with low performance.*

As follows from the previous analysis, the impact of both cultural similarities and differences has a certain common denominator. In both cases in order to be productive cultural attributes have to be perceived favorably, i.e. as close as possible to normative expectations or 'ought to be' levels (Veiga et al. 2000). Closeness to the desired level of cultural values, norms and other cultural traits is probably more crucial than the closeness

of these traits of two partners to one another. On the one hand, if both sides possess the same positive norms, it results in boosting the performance of an alliance. On the other hand, when both sides are different in culture and possess disparate positive cultural features that are appreciated by their partners, it boosts an alliance's performance as well. This integrative perspective between similarities and differences may at least partially explain the inconsistent results of the previous research that were mentioned earlier in the paper. Some studies have concluded that cultural distance has an adverse impact on an alliance's success, while others have argued that cultural distance contributes to its success. It might be that these ostensibly opposite conclusions are simultaneously correct: both similarities and differences may have favorable outcomes. However, the critical point has been missing so far: what matters most is that both similar and dissimilar traits should be as close as possible to 'ought to be' level, and seen as such by the another party.

In synthesis, there are four possible combinations in interaction between partners' cultural attributes, two of which refer to similarities with the other and two refer to differences; two of them describe a positive situation and two depict a negative situation:

1. Both sides possess the same cultural features that are close to the 'ought to be' level. This is the situation of positive similarity that leads to an alliance's success. There is no basis for cultural conflict. Both sides have no difficulties in communication and the level of trust is high. This scenario can be labeled 'cultural harmony'.

2. Both sides possess similar attributes but they are far from the 'ought to be' level. There is a short cultural distance between the actual values and norms of each side but there is a wide gap between them and desired values and norms. The scenario at hand

is far from being harmonious. Since both sides are engaged in opportunistic behaviors, the level of communication and trust is low. They are in conflict, even maybe at each other's throats, but this conflict is not cultural in nature. Two parties behave in a like manner but behave inadequately. This situation can be labeled 'opportunistic rivalry'.

3. Two partners are different in their culture but differences are appreciated or admired. There is an understanding that another culture possesses features that are desirable and productive, i.e. close to 'ought to be' level. 'We' are lacking a certain attribute that 'they' possess and it is a good idea to learn and adopt it. This learning can be mutual when either partner possesses asymmetric virtues, or one-sided when one partner highly values a particular attribute. Cultural distance here is positive and does not constitute a 'gap'. This scenario can be labeled 'cultural learning'.

4. Two partners are different in a way that one is close to 'ought to be' level, and the other is far from it. Since most cultures involve a certain degree of ethnocentricity, focal culture is often regarded closer to 'ought to be' level than others' culture. Norms and values are incompatible; the level of communication and trust is inappropriate. This is negative situation of cultural gap and conflict and can be labeled as such. All four scenarios are presented in Table 1.

**<INSERT TABLE 1 HERE>**

### **Quantitative differences between partners.**

So far this paper has focused on the qualitative aspect of cultural differences among partners. However there is another facet of distance – a quantitative one. It refers to the size of the distance between the alliance members. The quantitative component

itself may be divided into specific and compound, or aggregate. Specific distance concerns quantitative difference in certain particular characteristic of national culture, e.g. masculinity, uncertainty, or of organizational culture such as attention to details, teamwork orientation, result versus process orientation etc.

It may be argued that depending on the magnitude of difference, certain features of counterproductive Type II asymmetry can be an impediment or a constraint for an alliance. For instance, when one of the partners is somewhat higher on the dimension of reliability than the other one, but the size of the gap is not considerable, this Type II diversity represents an obstacle but does not threaten the existence of a partnership. However, after a certain threshold point, such a difference becomes intolerable and partnership can no longer sustain. In a case when a specific difference becomes a constraint, the size of overall distance does not matter –one specific gap will disrupt an alliance. We also can speculate that whether a certain particular attribute belongs to certain type of diversity depends on the magnitude of a difference. A particular attribute might take an inverted U-shaped configuration, that is boosting performance up to a certain point while being within the 'tolerance zone' of both partners (Type I diversity), and then impede it more and more, i.e. turning eventually to Type II diversity.

Compound distance is the total difference in all traits of the national and organizational culture between partners. It is an aggregate sum of attributes that belong to different diversity types and have different shapes. As a result, the behavior of compound distance depends on the weight of the diversity Types I, II or III and is difficult to predict. At the same time, some generalizations can be made. The most obvious assumption is that the bigger the weight of productive Type I diversity, the bigger the compound

distance that has a positive impact on the performance of an alliance. However, since Type I diversity traits take the inverted U-shaped form, that is they cease to affect an alliance favorably after a certain point, compound distance should also resemble an inverted U-shape. Too big of an overall gap in organizational and national culture will invariably have a disruptive impact on a partnership. Further sections address compound distance in both cultural layers.

### **Organizational culture distance**

Turning away from national culture for the time being I will now focus on organizational culture's effect on partnership performance. There are different approaches in the literature to measure overall organizational culture (see e.g. Chatterjee et al. 1992; Veiga et al. 2000). The most suitable model for the purpose of this paper is the competing values model developed by Quinn and Rohrbaugh (1983). This seminal framework is designed along two dimensions: flexibility vs. control preference for structure and internal vs. external focus. Applying this model, Deshpandé et al. (1993) identified four organizational culture types: clan, adhocracy, market and hierarchy. These four types create the following grid:

**<INSERT TABLE 2 HERE>**

Clan culture is characterized by cohesiveness, loyalty, participation, and teamwork. Organizational cohesiveness and morale are more important than financial and marketing objectives. Adhocracy culture stresses entrepreneurship, innovation and creativity. Finding new markets and new directions for growth through flexibility and

risk taking is the main criterion for effectiveness. Hierarchy culture stresses order, rules, and regulations. It strives towards consistency and achievement of clear goals. Market culture is goal-oriented rather than people-oriented. It emphasizes competition and market superiority. Types that are located in adjacent cells along horizontal or vertical lines differ from each other in one dimension – internal-external or organic-mechanistic. Conversely opposite types that are located along diagonal lines (clan vs. market and hierarchy vs. adhocracy) differ from each other in both dimensions. Consequently distance between types along diagonals is larger than between types along vertical and horizontal lines. The smallest cultural distance is between companies that find themselves within the same cell.

Applying previous logic to this framework we may infer that the compound distance between firms along diagonal lines is too big for their alliance to be successful. They are far from each other on too many characteristics and can hardly find a common denominator. Even if they possess complementary resources with potential for synergy, barriers for communication can become insurmountable. In contrast, companies that are located in adjacent cells have more in common; they possess both differences and similarities. As a result they will experience fewer difficulties in their interactions. For instance the alliance between an organic firm specialized on R&D and a mechanistic manufacturing firm has more chances to succeed and sustain when they both have same external orientation rather than different orientations. On the other hand, companies that belong to the same type and are located in the same quadrante are too similar and do not possess sufficient amount of complementary resources. Organizations that are not

different enough do not need each other and consequently are less prone to form an alliance. These arguments lead us to the following propositions:

*P3. Alliances that are formed between partners from adjacent cells of the grid will have a higher level of performance than alliances formed between partners that are located along diagonals of the grid.*

*P4. Firms that belong to different cells of the grid are more likely to create an alliance than firms that belong to the same cell.*

These theoretical speculations have clear practical implications. Managers looking for potential partners have to choose a company that finds itself in an adjacent quadrate of the matrix rather than in an opposite one.

### **National and organizational cultural distance**

Considering national culture in our analysis clearly makes the issue of cultural distance more complicated. Partners that belong to different nations deal with double-layered acculturation – multifaceted interplay between national and organizational cultures. The 'total' cultural distance between them combines two elements- national and organizational cultural gaps. Since national and organizational cultures belong to different levels of analysis, there is a danger of confusion between these levels, which represents a methodological error of ecological fallacy. This, beyond obvious complexity of simultaneous study of cultural distance at both layers might be a possible reason why most of past research on partnerships focused on one level of culture – either

organizational or national. There are difficult issues that are still understudied within the research. We have to approach measuring the total cultural difference without stepping into a trap of ecological fallacy. Consider an alliance between firm A with an adhocracy culture in low uncertainty avoidance and a low power gap national culture and firm B with a hierarchy culture in high uncertainty avoidance and a high power gap national culture. Are they culturally more distant than two companies with adhocracy and hierarchy organizational cultures within one national culture? Another question is which of the cultural distances –national or organizational – is most critical for the success of an alliance? In order to answer these questions we need to address the relationship between two levels of culture – a subject that attracts increasing attention of researchers.

National culture affects earlier stages of socialization (Hofstede 1990) and is more deeply anchored in individuals' minds than organizational culture which corresponds to the secondary socialization process (Teerikangas & Very 2006). Hofstede (1980) found that core national values explain 50 per cent of the differences among work related value patterns. He also pointed out that founders' national values are reflected in the values of their organizations (Hofstede 1985).

The dimensions of national culture influence various characteristics of organizations. Power distance impacts the amount of hierarchy, the degree of centralization, and the amount of participation in decision-making (Punnet & Ricks 1992; Newman & Nollen 1996). Organizations in high uncertainty avoidance cultures such as France tend to be more hierarchical and formalized than low uncertainty avoidance cultures such as UK (Crozier 1964; Lubatkin et al. 1998). Different combinations of dichotomized dimensions of uncertainty avoidance and power gap produce a grid

involving four organizational culture types: adhocracy, hierarchical bureaucracy, family, and well-oiled machine (Hofstede 1985). This matrix strongly resembles previously discussed competing-values model. (Quinn & Rohrbaugh 1983; Deshpandé 1993). Along these lines, collectivist national culture makes it easier for a company to adopt teamwork. Masculine national culture leads to result-oriented culture that develops managerial practices such as management by objectives (Newman & Nollen 1996). Without multiplying the instances of the effects of national culture on organizational culture we may fairly suggest that organizational culture stems from national culture. Moreover, though there is variation of organizational cultures within each national culture the mean organizational culture in certain nation would reflect national culture. That is, the distance between two mean organizational cultures in two countries will mirror differences in national cultures. Hence, in assessing the total cultural distance between them there is no point in combining two scores of differences because it will imply double counting. Consequently, an adhocracy culture in low uncertainty avoidance and low power gap environment is not necessarily more distant from a hierarchy culture within an environment with opposite characteristics than two companies with these two organizational cultures within the same country. National cultural features can be reinforced or partially outweighed by organizational features. In sum, there are three theoretical possibilities in interaction between two levels of culture:

1. As noted, organizational cultures close to the average characteristics of certain nations will reflect national cultures and so will organizational cultural distance among them. Organizational level does not add significantly to cultural gap. Since French firms are more formalized than British due to higher uncertainty avoidance, distance among

French and British companies with average national degree of formalization will replicate the difference in uncertainty avoidance (and probably other national dimensions that influence formalization but not yet discovered by researchers).

2. Organizational culture may reinforce or accentuate the cultural distance between countries. If firm C scores more than average on teamwork within collectivistic national culture and firm D represents an extremely individualistic, competitive, 'lone-wolf' culture within an individualistic national culture, the total cultural gap between them will be greater than the national cultural distance. By the same token, an extremely mechanistic organization in a high power gap and high uncertainty avoidance national culture will be farther from an exceptionally organic company in low power gap and low uncertainty avoidance environment.

3. Organizational culture may at least partially neutralize national cultural distance when national and organizational forces work in opposite directions. An American company with strong propensity towards teamwork is closer to Japanese companies than the average American organization. A French company with a below average level of formalization will be less distant from British firms than the majority of French companies.

Since among three scenarios the total cultural distance is the smallest in the third one, it is the most favorable situation for international partnership; the most unfavorable state is the second one because the cultural gap may become too wide, disrupting the cooperative effort among partners. If the parties involved assess the situation in the manner that falls into the second scenario, they may be advised not to create an alliance in the first place. In the first scenario managers have to concentrate most of their attention

on national culture level because it will have the most significant impact on performance; as for organizational features, their role will be less critical. Conversely, the farther a certain firm is mapped from average national characteristics, the more paramount organizational culture will be. Thus, the relative influence of the two levels of culture depends on whether an organizational culture is remote from the mean of the country's characteristics. This line of arguments leads us to the following proposition:

*P5. The larger the distance of organizational cultures from mean national characteristics, the stronger the impact of organizational cultures on alliance performance relatively to national cultures.*

### **Practical steps in managing cultural differences and similarities**

The last issue that is addressed in the paper is how companies manage existing differences and similarities. Differences in the beginning of relationships should be considered as input which may be altered by the deliberate or unintentional activities of the parties involved. Schweiger and Goulet (2005) pointed out that little research has examined interventions to manage cultural differences in mergers and acquisitions. The same theoretical void takes place regarding strategic partnerships. Among practical measures that allow partnership avoiding failure and achieving synergistic effect are the following: personal interaction, socialization, and training of alliance managers (Das and Teng 1998); quality information exchange (Voss et al. 2004); cultural leadership involving keeping the momentum of the change process and attention to everyday mundane details (Bligh 2006); deep-level as opposed to surface-level cultural learning (Schweiger & Goulet 2005). The stated objective of these steps is 'bridging', 'spanning' or

'reconciling' differences between partners. However, what remains unclear is the meaning of this reconciliation. Are these interventions aimed at the reduction of cultural distance within an alliance? National cultural distance certainly cannot change in interaction between two partners, so the focus is on organizational culture distance. In the event that cultural interventions are successful, partners can attain the following results:

1. A clear understanding of the similarities and differences in vis-à-vis cultures without the distraction of biases, misunderstandings and stereotypes. Schweiger and Goulet (2005) found that deep-level cultural learning results in perceiving fewer cultural differences than in conditions of surface-level cultural learning or lack of cultural learning. More objective picture cleaned from distortions means that there is minimal gap between perceived and actual cultural distance. Consequently the outcome of cultural learning is the reduction of perceived cultural distance, not necessarily the real one.

2. Finding overarching values such as the quality of customer service that enable overcoming more superficial differences (Bligh 2006). Such deep values have to be formulated clearly and actively communicated to employees of both sides. Defining overarching values reveals commonalities between partners that existed in the beginning of the process and achieves the same result – deeper understanding and more objective view of similarities and differences, i.e. minimum distortions in perceived cultural distance.

3. The higher appreciation of other's cultural traits, treating them as valuable assets that promote alliance's success. This implies that vis-à-vis traits are perceived favorably as close to 'ought to be' level. Positive appreciation of different cultural features is a basis for cultural synergies discussed earlier in the paper. Partners are aware of and accept

differences between them; they do not behave ethnocentrically and do not try to impose their culture on a partner. Again, this does not mean reduction of cultural distance in alliance. The outcome is the broadening of cultural 'tolerance zone', i.e. viewing a partner's culture as lying within acceptance limits of one's culture.

4. Active steps aimed at the change of old and creation of new common routines, norms and eventually values that in fact lower cultural distance in alliance. Bligh (2006) pointed out the importance of combining the best practices of two members. Integrating the best practices which should be regarded as artifacts of an emerging culture can lead eventually to creation of new norms and values. That is the most difficult and least studied aspect of managing of cultural differences. One of the perils is that pushing similarity beyond a certain optimal level can be counterproductive. Striving for similarity may lead to compromises in which both members abandon their preferred problem-solving approaches and effectively eliminate a significant amount of their tacit knowledge (Sirmon & Lane 2004). Emulating the cultural behaviors of another partner can backfire (Francis 1991). Madhok (2006) argues that a conflict among partners, if handled properly, plays a positive role in that it tests the resolve and strengthens the resilience of the relationship.

Members of a partnership that are pushed too far towards similarity can fear the loss of identity. This phenomenon can explain the paradoxical results of the study by Scweiger and Goulet (2005), who found that though deep-level cultural learning increased understanding and reduced perceived cultural differences between partners, it failed to enhance acceptance of a partner's culture. The possible reason for such paradoxical finding is that despite reducing misperceptions and biases, cultural learning

may also trigger better understanding and appreciation of one's own cultural norms that were taken for granted so far. Members of partnership become more aware not only of similarities but of real differences as well and they deem them meaningful and worthy to stick to.

In conclusion, this study attempts to fill certain gaps in research of the impact of cultural similarities and differences in strategic partnerships. Finding common ground in seemingly inconsistent results of previous studies provides deeper insight into the complex dynamics between the cultural characteristics and an alliance's performance. These findings have important theoretical and practical implications. I formulated several propositions regarding both commonalities and differences in national and organizational culture that should be verified empirically. That can be a fruitful direction for future research. Managerial implications that stem from this research include the understanding of the equivocal roles of cultural similarities and differences, each of which can have both a positive and negative impact on alliance; recommendation to avoid pushing too far for similarities which can diminish partners' capabilities and be counterproductive; caution against creation of alliances with companies representing opposite types of organizational culture and advice for looking for potential partner with commonality in either external – internal focus or mechanistic – organic processes; in the international arena seeking for partners whose organizational cultural characteristics at least partially outweigh national cultural differences and reduce overall culture distance.

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**Table 1: Combinations in interaction between partners' cultural attributes**

Partner A ('Them')	Partner B ('Us')	Outcome
Close to 'ought to be' level	Close to 'ought to be' level	Cultural Harmony
	Far from 'ought to be' level	Cultural Learning
Far from 'ought to be' level	Close to 'ought to be' level	Cultural Conflict
	Far from 'ought to be' level	Opportunistic Rivalry

**Table 2: Typology of organizational cultures**

	Organic processes		
Internal maintenance	Clan	Adhocracy	External positioning
	Hierarchy	Market	
	Mechanistic processes		