UNIVERSITY OF AGDER

The influence of culture on decision-making in a strategic alliance.

The case of Kristiansand-based offshore and energy firms in emerging markets. How are these firms influenced by cultural differences in their decision-making with foreign companies?

Sten Ove Lisø

Supervisor
Joyce Falkenberg

Acknowledgements

This thesis marks the final chapter of my Masters degree in Business Administration from the University of Agder. The process of writing this Masters thesis has been highly educational and an invaluable experience for my future endeavors. I would like to extend my appreciation to my supervisor Professor Joyce Falkenberg for her guidance, and to my family and friends for their support. Especially I would like to thank Mette Sevaldsen for her love and support.

Furthermore I would like to thank all of the respondents in my research for their time and input. And the respondent-firms for sharing their information.

Kristiansand 1st of June.

Sten Ove Lisø.

ABSTRACT

The purpose of this thesis is to study the influence of culture on decision-making in strategic alliances, where the case has been Kristiansand based offshore-firms in emerging markets. This research will try to describe how culture has influenced the process of decision-making in these alliances, and give further knowledge about cultural influence in the field of business strategy.

A strategic alliance is present when two (or more) firms cooperate. Thus it must be noted that this study looks at the strategic alliance from the Norwegian point of view, and the Kristiansand-based firms` perception of cultural influence.

A qualitative research method has been used, and four Kristiansand-based offshore firms have participated in this research. They are to some extent competitors, but the four firms compiled deliver a wide range of products and services in the offshore and energy industry.

This research has studied how culture influences decision-making in strategic alliances, in the above-mentioned industry and geographical area. It illustrates the importance of cultural awareness in strategic alliances, as one of the main influences on the decision-making process is cultural differences among the partners in the alliance.

Keywords; culture, cultural influence, cultural differences, strategic alliance, decision-making, decision-making process.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1. INTRODUCTION

This chapter will introduce what this thesis aims to do and why it is of importance, it states what theories will be drawn on, and explain the problem formulation and the outcome variable. It introduces how this research has been done and its contribution to the field.

In recent years there has been a boom of Norwegian companies in the offshore and energy industry going into emerging markets. The industry itself has been expanding, and the Norwegian-based companies, and foreign companies with divisions in Norway have been quite successful in obtaining contracts with companies from emerging markets. Also, we have seen that the Norwegian expertise in these industries has become sought after. Much due to our own experience with oil and gas, and the knowledge this has accumulated within the firms in this industry.

This is also true for the numerous companies based in Kristiansand, where there is a cluster of firms in these industries. Although many of them are competitors, some also operate as preferred partners for those services they do not compete in. Many of these companies have experienced tremendous growth over the years, and operate in many countries and mainly offer services for the international market. Perhaps the most interesting and fastest growing markets in this industry are the emerging markets. With Brazil and South Africa using a lot of resources to expand oil and gas production as the more generally known markets.

When entering foreign markets, the question of entry-mode is of importance in business strategy. This is important because the different entry-modes represent different attributes and level of risk. Now in this particular industry, we see a lot of Norwegian firms indulging in alliances with foreign companies. So the entry-mode of concern here is strategic alliances. This can be defined as when two or more firms combine resources and/or competencies to reach a goal which they cannot achieve alone. Which often is the case in the above-mentioned industries, not only in Norway, but globally as well as the different companies often have specific competencies. However, in this thesis it will be narrowed down to Norwegian companies based in Kristiansand.

In these strategic alliances in the offshore and energy industry, there is the process of decision-making. But since our frame of reference is the southern coast of Norway relative to emerging markets, it begs the question: how do differences in culture influence the decision-making, in the strategic alliance? How will the differences in the national culture of Norway and the national culture of the emerging market influence this process? Furthermore, is it the

national culture, the company culture or the industry culture that will have the most influence on this? The offshore and energy industry is due to its nature considered to be a highly international industry, with many examples of intercultural collaborations.

In this thesis I want to investigate the Norwegian offshore and energy firms operating in emerging markets through strategic alliances with companies from different cultures, and look at how culture influences decision-making. A great deal of research has been done on cultural influence on strategic alliances, and the decision-making process of the strategic alliance, which I will build on. However, little research exists on how culture influences decision-making in these alliances. So to further understand the role of culture in that aspect, which is important to the field of business strategy, will be the outcome variable of this thesis. The research that has been done, has been very industry specific, and states the importance. But not so much "how" or "why", hopefully this thesis will contribute to gain further knowledge about this and present ideas for further research.

To begin with I will describe entry-mode theory, focusing on the entry mode of strategic alliance to illustrate the meaning of this concept, so that there is a common understanding of this. Then present theory on decision-making and the process of decision-making. I will draw on Hofstede`s theories on culture and his cultural dimensions, which will be quite useful in categorizing different cultures and influences on decision-making. I will also use relevant academic articles to finalize a theoretical framework relevant for this topic, and to discuss my findings with regards to the existing theory available.

So the problem formulation will be as follows;
"The influence of culture on decision-making in strategic alliances".
The case of Kristiansand-based offshore and energy firms in emerging markets. How are these firms influenced by cultural differences in their decision-making with foreign companies.
The outcome variable of this research is what it is about decision-making that is influenced by culture.

This research is a qualitative study based on in-depth personal interviews with middle- and top management employees in these offshore and energy firms. The data is then analyzed, and the findings will be presented after an explanation of choice of method, and justification of this choice. The reason for both interviewing middle and top management, is to get a better insight as to how they feel culture influences the decision-making within the strategic

alliance. Also to get a better understanding of what part of culture influences this aspect, through learning to understand the respondents understanding of these concepts, and to learn to understand the process of decision-making within these firms and their alliances, with regards to cultural influence. I will compare my findings with the theory mentioned above, to create a more specific insight into the research topic. This will hopefully give us greater knowledge of the cultural impact on decision-making, within strategic alliances.

So to summarize, what is it about decision-making that is influenced by culture, in these strategic alliances from a Norwegian point of view? What can be learned from this? In such a growing industry the role of culture must be acknowledged and understood to increase the possibility of success. It is also important to gain further knowledge on an academic level, to expand the theory already available, with new hypothesis and theories. Even if the theories and hypothesis turn to be of no use, then one has an assumption that this is so. Which can be used as a basis for further research. I find this interesting because previous research state that the culture is important when in it comes to strategic alliances and decision-making, but what it is about decision-making that is influence by culture, we do not know a lot about. This study aims to gain further knowledge about how and what it is about culture that influences decision-making in strategic alliances. It is limited to Kristiansand based offshore- and energy companies. I will present a framework to systematize my findings and to illustrate the factors that seems to be of importance with regards to this field of business strategy.

2. THEORY

This chapter will introduce the theory, perspectives, models and why they are of interest to the thesis. Definitions will be stated, and the frameworks to be used will be explained.

2.1 Strategic Alliance

Any firm indulging in foreign markets has to decide on which markets and how to enter. Now in this thesis I look at firms already in a strategic alliance, so I will present theory on the entry-mode of strategic alliance. Other entry modes consist of exporting, turnkey-projects, licensing, franchising and wholly owned subsidiaries. Due to the nature of the offshore and energy industry, companies often use strategic alliances because of different resources and competencies.

There are different definitions of a strategic alliance, one being:
When two or more firms combine resources and/or competences to achieve a goal which they cannot reach alone. An alliance is the sharing of capabilities between two or more firms with the view of enhancing their competitive advantages and/or creating new business without losing their respective strategic autonomy.

Another being: Strategic alliances are voluntary agreements between firms involving exchange, sharing or co-development of products, technologies or services. (Peng, 2009). Non-equity based contractual agreements and equity based joint ventures can all be broadly considered strategic alliances.

So why do these firms cooperate from a strategic point of view? Some of the reasons can be illustrated between following strategies;

Cooperate strategies: firms work together to reach a common goal or objective.

Collusive strategy: firms cooperate to reduce industry competitiveness, raise prices.

Strategic alliance: firms cooperate but industry competitiveness is not reduced.

A good advantage of strategic alliances is the benefit from the local partner`s knowledge, and the shared costs and risks with partner. A potential disadvantage is risk of giving control of technology to partner, but also shared ownership/interest can lead to conflict. And even more so in the context of two different cultures, which will be examined later.

Types of strategic alliances

Strategic Alliance

Non-equity alliance
Cooperation managed through contracts, without cross-equity holdings or independent firm being

Joint Venture
cooperating firms form independent firm in which they invest. Profits give compensation to partners

Equity alliance
Contracts supplemented by equity investments by one partner in the other partners; may be reciprocal

Figure 1. Types of strategic alliances. (Slide provided by Joyce Falkenberg).

Strategic Alliances
(Peng)

Non-equity

Co-marketing R&D Turnkey Contractual Licensing

MARKET ⟵―――――――――――――――――⟶ HIERARCHY

Short-term   Long-term

Equity

Investment Shareholding JV

Figure 2. Strategic alliances, short-term vs. long-term. (Slide provided by Joyce Falkenberg).

Figure 1 illustrates different types of strategic alliances. These can have different purposes than the normal understanding of a firm, for instance maximizing shareholder value. Some research also proposes that strategic alliances often are successful because of this. As an example some alliances are not meant to last, but to get a specific job done. See figure 2, short-term vs. long-term.

Now let us define a strategic alliance broadly by saying it exists whenever two or more independent organizations cooperate. The different types of alliances can be defined as;

Non-equity alliance: cooperating firms agree to work together but do not take equity positions; managed through use of contracts.

- Licensing agreements

- Supply agreements

- Distribution agreements

Equity alliance: co-operating firms supplement contracts with equity holdings in alliance partners.

Joint venture: cooperating firms create a legally independent firm in which they invest and from which they share any profits that are created.

A buyer-seller relationship of important resources or competencies can also be defined as a strategic alliance. Especially in the offshore and energy industry, where one needs partners with very specific technology and knowledge for different sections of the industry.

2.2 Decision-making

For starters, decision-making can be regarded as the mental processes (cognitive process) resulting in the selection of a course of action among several scenarios. Every decision-making process produces a final choice. The output can be an action or an opinion of choice. (Reason, 1990).

Management decision-making is much like making any other decision, you must define your goals and draw a map to get there. However, decision-making with two or more parts

involved will make the process more complex. Especially when the parts involved are of different cultures.

Alliance management has different requirements compared to the management of intraorganizational functions such as a functional unit or business (Speakman et al., 1998). Due to simultaneous cooperation and competition between interdependent alliance partners, decision-making with respect to strategic alliances is characterized by high uncertainty and complexity. In addition to entertaining uncertainty concerns regarding future environmental developments, partners experience "relational risk" about whether the desired cooperation is actually taking place (Das & Teng, 1998: Ring & Van de Ven, 1994). In cross-cultural alliances, cultural awareness can reduce some of the uncertainty, proposed by many researchers.

In decision-making theory, one can find different characteristics of decision-making. The most commonly used in business management are rationality, speed, flexibility, politicality and conflict.

- Decision-making rationality; in strategic decision making is defined as the "extent to which the decision process involves the collection of information relevant to the decision and the reliance upon analysis of this information in making the choice" (Dean & Sharfman, 1996).
- Decision-making speed; in the offshore and energy industry, and any other industry, it is important to make good quality decisions. But often there is a need for a rapid decision as well. So one characteristic is the speed of the decision-making process.
- Decision-making flexibility; refers to the "extent to which decision makers explore new ideas and assumptions about the firm and the strategic context" (Dean & Sharfman, 1997).
- Decision-making politicality; looking at the political model of organizations, strategic decisions are subject of organizational actors that discuss to satisfy their own interest in the alliance.
- Decision-making conflict; researchers seem to agree that conflict influences the decision-making process highly. Conflict can be defined as the level of disagreement between the partners in the alliance.

2.3 Culture

Culture will in this study for the most part be looked upon broadly with regards to definition, however short descriptions of culture divided into sub-groups will be given. This to understand the different levels of culture and to divide the findings in categories. Culture will be mentioned at individual, organizational, industry and national level.

There are many definitions of culture. I will use the definition from Professor Geert Hoftstede. He defines culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another". In the later years the strategic role of culture has become more important, and so has the use of theory on this subject. The most relevant theory for this particular thesis will be Hofstede and his five dimensions of culture, to build a framework for understanding the influence of culture on decision-making in strategic alliances.

1) Power distance: refers to how power is distributed.
   "The extent to which less powerful members within a country expect and accept that power is distributed unequally" (Peng, 2009)

2) Indvidualism vs. collectivism: refers to the perspective that a person is first and foremost an individual, whereas collectivism refers to that a person is first and foremost part of a group.
   "Refers to the perspective that the identity of an individual is fundamentally his or her own, whereas collectivism refers to the idea that the identity of an individual is primarily based on the identity of his or her collective group" (Peng, 2009).

3) Masculinity vs.feminity: refers to sex role differentiation.
   "In every traditional society, men tend to have occupations that reward assertiveness, such as politicians, soldiers and executives. Women, on the other hand, usually work in caring professions such as teachers and nurses in addition to being homemakers. High masculinity societies (led by japan) continue to maintain such a sharp role of differentiation along gender lines. In low masculinity societies (led by Sweden), women and men frequently assume the role of nurses, teachers and househusbands" (Peng, 2009).

4) Uncertainty avoidance: refers to what extent cultures tolerate uncertainty.
   "Members of high uncertainty avoidance cultures place premium on job security, career patterns and retirement benefits. They also tend to resist change, which, by

definition, is uncertain. Low uncertainty avoidance cultures are characterized by a greater willingness to take risks and less resistance to change" (Peng, 2009).

5) Long-term orientation: refers to the importance of planning ahead within a culture. "Emphasises perseverance and savings for the future betterment. On the other hand, members of short-term orientation societies prefer quick results and gratification.

Dimensions Hofstede	Masculinity / Femininity	Long term orientation	Individualism /Collectivism	Power Distance	Uncertainty Avoidance
Australia	61	31	90	36	51
Netherlands	14	44	80	38	53
World avg	50	45	43	55	64
Arab countries	53		38	80	68
Argentina	56		46	49	86
Austria	79		55	11	70
Belgium	54		75	65	94
Brazil	49	65	38	69	76
Canada	52	23	80	39	48
Chile	28		23	63	86
China, Mainland		118			
Colombia	64		13	67	80
Costa Rica	21		15	35	86
Denmark	16		74	18	23
East Africa	41		27	64	52
Equador	63		8	78	67
Finland	26		63	33	59
France	43		71	68	86
Germany FR	66	31	67	35	65
Great Britain	66	25	89	35	35
Greece	57		35	60	112
Guatemala	37		6	95	101
Hong Kong	57	96	25	68	29
India	56	61	48	77	40
Indonesia	46		14	78	48
Iran	43		41	58	59
Ireland	68		70	28	35
Israel	47		54	13	81
Italy	70		76	50	75
Jamaica	68		39	45	13
Japan	95	80	46	54	92
Malaysia	50		26	104	36
Mexico	69		30	81	82
New Zealand	58	30	79	22	49
Norway	8		69	31	50
Pakistan	50		14	55	70
Panama	44		11	95	86
Peru	42		16	64	87
Philippines	64	19	32	94	44
Poland		32			
Portugal	31		27	63	104
Salvador	40		19	66	94
Singapore	48	48	20	74	8
South Africa	63		65	49	49
South Korea	39	75	18	60	85
Spain	42		51	57	86
Sweden	5	33	71	31	29
Switzerland	70		68	34	58
Taiwan	45	87	17	58	69
Thailand	34	56	20	64	64
Turkey	45		37	66	85
Uruguay	38		36	61	100
USA	62	29	91	40	46
Venezuela	73		12	81	76
West Africa	46	16	20	77	54
Yugoslavia	21		27	76	88

Table 1. Hofstede`s cultural dimensions. (Hofstede, 2001)

Now, let`s categorize culture as mentioned above, provided by definitions of their meaning;

National culture: the common culture shared by an entire nation.

Industry culture: the common culture shared by a specific industry.

Organizational culture; the common culture shared by employees in the same organization.

Individual culture: the cultural programming of an individual with basis in all of the above mentioned cultural sub-groups, combined with personal traits.

2.4 Cultural Differences in communication

In order to analyse the communication between different cultures, it can be useful to look at the classifications of low-context vs. high-context cultures. These classifications were originally classified by anthropologist E.T. Hall. Low-context communication describes that the communication must be highly detailed for the recipient to understand the meaning. High-context communication on the other hand, where the recipient is "in context", does not need as much detail or explanations. Of course this is not a black and white categorization, and there are many grey areas, or scales of one or the other. But a culture often has more elements of one end compared to the other.

Figure 3 Context ranking of cultures. (Katan, 1999).

In general European and English-speaking cultures are low context. This means that the communication relies on explicit statements. What is said is more important than how it is said. (Pistillo, 2003).

Communication then follows a cause and effect logic and in business communication it provides plenty of data and statistics supporting what is being communicated. The language

itself can be of importance in intercultural communication, as different concepts translate differently into the language of collaboration. Of course, most commonly is the English language, which is a very effective language for low-context communication. Because of the huge vocabulary, meanings can be stated with a high level of common understanding.

High.context cultures, especially Arabic and Asian cultures, have more implied meaning and non-verbal communication. The style of communication is indirect and relies on the listeners intuition and co-operation. (Pistillo, 2003).

Platt (2002) states that the interactions in high-context cultures are mostly implicit, coded, circular or indirect. The meaning in the communication is carried by other factors than the direct statements typical for low-context cultures. Also the relationship between the parties involved set precedence for the communication.

For its mixture of low and high context characteristics, Italy is generally placed midway between the high and low ends of the context spectrum, with Southerners closer to the high context end than Northerners. By tradition, Italians consider their language as an instrument of eloquence and use long, complex sentences to achieve greater expressiveness when conveying their ideas. To an Italian, therefore, the direct approach of a low-context speaker may easily sound overfrank, blunt and even rude when this is not intended.

So in business, communication between two parties at different ends of the scale could be difficult when it comes to interpreting meaning and coming to an agreement. What is considered clear and understandable in one culture, could be recognized as rude an "over-frank" in another because of the differences in context.

2.5 Interpartner sensemaking

Research has been conducted to understand the role of interpartner sensemaking in understanding the influence of culture on the dynamics of strategic alliances. Das & Kumar, 2009, propose two interpretive schemes in alliance functioning; "sensemaking of chaos" and "sensemaking in chaos"

Sensemaking of chaos: "The interpretive scheme labeled as sensemaking of chaos assumes implicitly that predictability is and should be the system`s operating norm. Chaos is an

aberration that needs to be eliminated. Applied in the context of alliance functioning, this implies that the interaction among the alliance partners should be predictable. Interruptions should be infrequent, if any at all. Furthermore, even if interruptions occur their causes should be easily definable and the emerging difficulties ought to be managed in a relatively smooth way. It also assumes that the alliance partners are seeking to attain an adaptive equilibrium among themselves" (Das & Kumar, 2009).

Sensemaking in chaos: "Does not assume that predictability is inevitable or, for that matter, even desirable. Chaos is viewed as normal, and it is within this context that order has got to be discovered and maintained. Applied in the context of alliance functioning, this implies that the alliance partner must seek to thrive in ambiguity. Alliance partners need to enact their own environment" (Das & Kumar, 2009).

2.6 Cultural-Congruence

Cultural-congruence regards the level of "fit" between two cultures. In this case it deals with the level of cultural similarity within the strategic alliance amongst the partners involved. Mittal (2010), suggests that the similarity of professional culture between managers has a positive effect on the decision-making. "While the cultural fit between partnering firms is important for a synergistic relationship, it is not a static concept but a dynamic concept, depending on the stage and degree of relationship. In the initial stage when a firm is looking for partners across borders, whether from a buyer perspective or to set up a joint-venture, there is no dyadic relationship in existence. At this stage, decision about a partner is likely to be made primarily on the basis of financial and strategic considerations. While determining the cultural fit at this stage, more importance is likely to be given to difference in country cultures rather than to organizational cultures" (Mittal, 2010). Here it is acknowledged that culture is found on different levels, not only on a national level, but also on an organizational level. It is also plausible that if the same individuals do business over a long period of time, their individual cultures would also be of importance. A positive display of this could be cultural-congruence on an individual level, in spite of cultural differences on other levels.

Mittal, 2010, proposes a theoretical framework regarding cultural factors that influence the cultural fit between firms. These factors consist of;

- Effect of embeddedness: similar organizational cultures are good, however the interacting managers must be able to progress beyond a working relationship to encourage flourishing in the business relationship.
- Professional and personal culture: discusses the "minor" cultural constructs professional and personal culture, and how it affects the cultural fit. Professional culture refers to the set of norms, values and beliefs that is shared by people of the same profession. Personal culture refers to the personal traits and values of a specific individual.

This theory states that cultural fit between firms is a dynamic concept, and made up of different layers of culture. As stated earlier in this chapter, culture works on different levels, it being at the national or organizational level i.e.

2.7 Conceptual framework

Conceptual Framework
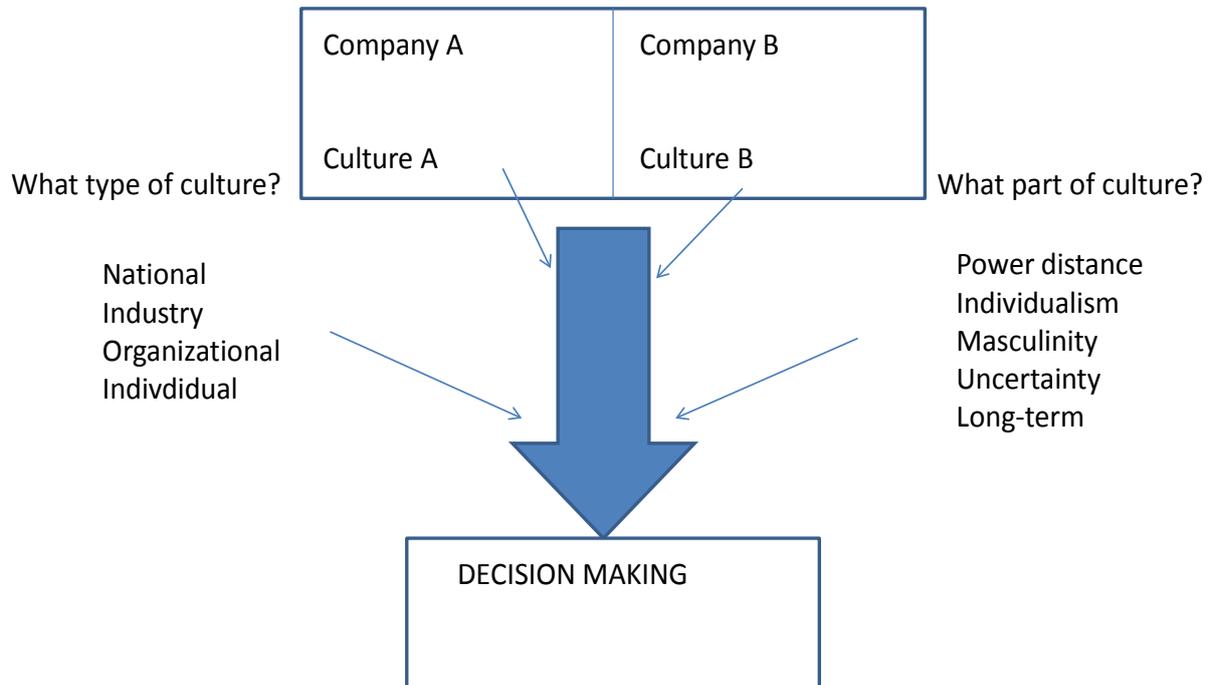
Figure 4. Conceptual framework.

This framework shows the relationship between the concepts of this thesis. It consists of the two (or more) companies within the relationship. With their respective cultural background, and illustrates what type of culture and what part of culture influences the decision-making. This to have the necessary information to analyze the big question, HOW?

To further understand the concept, the bullet-points below will be areas of interest theoretically within the model above.

- Communication style
- Cultural congruence
- Sensemaking of or in chaos?

3. RESEARCH METHOD

This chapter contains the theory of research methods used. Choice of method, operationalization, sample, data collection, analysis and justification of this.

3.1 The design

For this particular research I have chosen a qualitative exploratory research design, focusing on in-depth interviews with respondents from the offshore and energy industry in Kristiansand (multiple case study). Now before I elaborate on why this method was chosen, I will present general theory on the field of research methods to build up my justification.

When we talk about research design we normally classify these into three categories. Exploratory, descriptive and causal. "A research design provides the basic directions or recipe for carrying out the project" (Hair et al, 2003). As there are many designs to choose from, this grouping of designs is quite useful. An exploratory research design is used to develop a better understanding of the problem. A descriptive research design is used for describing characteristics of certain groups. For example, to estimate the proportion of subjects in a specified population. Causal research design is used to describe cause and effect. To test whether one event causes another.

One also has the choice between qualitative and quantitative research methods. The qualitative method focuses on understanding, the unique and the particular. It is typically recognized by extensive data on few units, while quantitative methods focuses on superficial data for many units, and emphasises facts and causal relationships. While the exploratory design both can be qualitative or quantitative, the descriptive and causal design is quantitative. Recognized by structure and larger sample sizes. "Qualitative data are descriptions of things that are made without assigning numbers directly. Quantitative data are measurements which numbers are used directly to represent the properties of something" (Hair et al, 2003).

Exploratory research interview techniques;

Focus groups, a small number of people discusses the issue at hand with a moderator present. In-depth interview: is a one-to-one interview with a chosen respondent known to have insight on the issue.

There are different types of interviews; 1) *Informal, conversational interview*; no predetermined questions are asked, in order to remain as open and adaptable as possible to the interviewee's nature and priorities; during the interview the interviewer "goes with the flow". 2) *General interview guide approach*; the guide approach is intended to ensure that the same general areas of information are collected from each interviewee; this provides more focus than the conversational approach, but still allows a degree of freedom and adaptability in getting the information from the interviewee. 3) *Standardized, open-ended interview*; the same open-ended questions are asked to all interviewees; this approach facilitates faster interviews that can be more easily analyzed and compared. 4) *Closed, fixed-response interview*; where all interviewees are asked the same questions and asked to choose answers from among the same set of alternatives. This format is useful for those not practiced in interviewing.

In exploratory research design we also have the literature review. Consists of searching through material and journals to gain better understanding of the research.

When it comes to descriptive research techniques, we encounter the cross-sectional studies. Data collected at a single point in time and summarized statistically. In example, political surveys. Surveys are typical of the cross-sectional studies, and aim to describe a population`s characteristics. Another descriptive research technique is the longitudinal studies, it is similar to the cross-sectional studies but it gathers the data over time. To see how the variables change over time.

Causal studies looks causality which means, a change in X (the cause) provides a change in Y (the effect). This is often subject to experimentation. Basic experimental design is divided in to lab experiments and field experiments. In lab experiments one try to manipulate causal variable in an artificial setting. The field experiment is conducted in a natural, realistic setting. Often observation experiments.

Design	Exploratory
Data	Qualitative
Method	In-depth interviews
Sample	Top and middle managers
Analysis	Systematization and categorization

Table 2. The research design.

3.2 Data collection

The nature of the study will help decide the type and amount of data to be collected. In an exploratory research, the researcher is likely to collect data through focus groups, interviews or observation. Namely qualitative data. This approach of data collection is used at the exploratory stage of the process. This to identify, refine or investigate research problems that may help to test conceptual frameworks. Normally involve smaller case studies. (Hair et al, 2003). I believe this is the right method to use as I want to explore the problem formulation, learn the respondents` understanding and use of concepts and to understand the underlying cultural aspects in the decision-making process.

A standardized, open-ended interview form has been used, all respondents were asked the same 7 questions, but gave room for flexibility with regards to follow-up questions and probing areas of interest. 6 respondents in top and middle management from 4 different companies participated. This classifies the research as a multiple-case study. And ensures better validity and reliability, this will be described later. The process was taped, which was of importance to analyze wording and to make high quality short-stories and summaries of the interviews. All interviews were conducted face-to-face, to get more extensive data from the respondents compared to a telephone interview. The interviews were conducted by myself, this to ensure that the probing was of interest to my study. And to get first-hand information of what the respondents said and how they said it. All interviews were conducted at the respondent`s office and lasted between 1 and 2 hours not considering preparation beforehand. Advantages of an in person interview are; being able to probe complex issues, clarify respondents answers and opinions, high response rate and longer interviews. Disadvantages; time-usage, cost, potential interviewer bias, relatively small sample size.

Validity refers to accuracy. If the issues of reliability, validity, trustworthiness, quality and rigor are meant differentiating a 'good' from 'bad' research then testing and increasing the reliability, validity, trustworthiness, quality and rigor will be important to the research in any paradigm. (Golafshani, 2003).

Reliability refers to consistency. This is a concept most known for testing and evaluating quantitative data. But as an idea, it is used for all kinds of research. It is a concept of good quality research, in qualitative studies reliability then has the purpose of generating understanding. (Golafshani, 2003). This concept closely relates to "dependability". So it is concerned with if we can depend on the results or not.

"To widen the spectrum of conceptualization of reliability and revealing the congruence of reliability and validity in qualitative research, Lincoln and Guba (1985) state that: "Since there can be no validity without reliability, a demonstration of the former [validity] is sufficient to establish the latter [reliability;]" (p. 316). Patton (2001) with regards to the researcher's ability and skill in any qualitative research also states that reliability is a consequence of the validity in a study". (Golafshani, 2003).

On basis of this I believe the validity and reliability is good.

On the next page the interview guide is displayed. And the 7 questions asked to all respondents, along with follow-up questions and directions for probing interesting areas. This was used in all interviews to be consistent with questioning, but the probing differed from respondent to respondent. The guide for follow-up questions helped me control the interview process, and obtain the information and data I wanted. I also used a lot of time on presenting myself and the thesis, and got the necessary background information on the respondent as well as trying to create a natural and calm atmosphere before the main questioning started.

INTERVIEW GUIDE.

- Presentation of thesis and its purpose
- Presentation of respondent and his/her role
- The questions;
    1) What is your experience with culture in doing business with foreign cultures?
    2) How does culture influence the decision-making in the strategic alliance?
    3) What is about culture that influences the decision-making in the strategic alliance?
    4) Which of the two cultures involved has the most influence on the strategic alliance?
    5) In which way do these influence on the decision making; national culture, industry culture, company culture and individual culture?
    6) Which aspects of decision-making does culture influence the most?
    7) Which type of decisions get influenced by culture?

Types of interview questions; (For follow-up on respondents).
- a. Introducing questions; "Can you tell me about…"
- b. Follow-up questions; Repeating significant words. Direct questioning of what just have been said.
- c. Probing questions; "Could you say something more about that?"
- d. Specifying questions; "What do specifically mean by…"
- e. Direct questions; "When you mention that culture influence the decision making, do you mean in a good or bad way?"
- f. Indirect questions; "How do you believe other employees conceive this?"
- g. Structuring questions; "indicating when a theme is exhausted by breaking off long irrelevant answers: "I would now like to introduce another topic:…"
- h. Silence; By allowing pauses the interviewees have ample time to associate and reflect and break the silence themselves. With significant information.
- i. Interpreting questions; "Do I understand you correctly when I say…"

(From Kvale, 2001).

Table 3. Interview guide.

The first case, is a company called Oceaneering Rotator. "Oceaneering Rotator is a leading engineering and manufacturing company specializing in remote control systems and hydraulic equipment for the international oil and gas industry. To ensure premium quality products, we have in-house control of all aspects of our technology, from product development and design through engineering, manufacturing, testing and delivery to customers". (www.oceaneering.com). Their main operation is to develop and produce high-quality valves for the offshore industry. The first respondent, an American based in Norway, manager of sales at Oceaneering Rotator, has a lot of experience with business partners in Scotland, West Africa and Brazil. The second respondent, a middle-manager in tech support, is a Frenchman that has lived in Norway for over 15 years. He has extensive experience with partners in Italy, France, Germany, Brazil and India. This will be referred to as Company 1 and Respondent 1 and 2.

The second case is the Norwegian offshore division of National Oilwell Varco in Kristiansand. "Leveraging over 700 worldwide manufacturing, sales and service centers, National Oilwell Varco supplies customer-focused solutions that best meet the quality, productivity, and environmental requirements of the energy industry. National Oilwell Varco is a worldwide leader in providing major mechanical components for land and offshore drilling rigs, complete land drilling and well servicing rigs, tubular inspection and internal tubular coatings, drill string equipment, extensive lifting and handling equipment, and a broad offering of downhole drilling motors, bits and tools. National Oilwell Varco also provides supply chain services through its network of distribution service centers located near major drilling and production activity worldwide". (www.nov.com). The respondent was an analyst/middle-manager experienced in participating in decision-making with strategic alliances in Scandinavia, India, China and Brazil. It will be referred to as company 2 and respondent 3.

The third case, Siem Offshore Inc., is an owner and operator of modern support vessels for the global oil and gas service industry. The Company has an integrated operation with offices in Norway, Brazil and Cayman Islands, and provides a wide range of services from its vessels, equipment and experienced onshore and offshore personnel with high focus on Health, Safety, Environment and Quality. (www.siemoffshore.com). The first respondent, a Norwegian top-manager, had extensive experience with doing business in Brazil through the company`s

customers. However this was also the only emerging market he had much knowledge of in terms of business. Will be referred to as company 3 and respondent 4.

The fourth case, Aker Solutions. Aker Solutions ASA, which is compromised of subsidiaries and affiliates, is a leading global oil services company that provides engineering and construction services, technologies, product solutions and field-life solutions for the oil and gas industry. The Aker Solutions group is organised in a number of separate legal entities. Aker Solutions is used as the common brand/trademark for most of these entities. (www.akersolutions.com). The respondents were both in middle-management, the first one was in sales and the other one was a engineer developing solutions specific for the strategic alliances. Both were Norwegian. Unfortunately I was not able to interview a person from top-management at this firm, due to their extensive travelling. It will be referred to as company 4 and respondent 5 and 6.

Definitions;

Respondent 1 to 6, R1 to R6.

Company 1 to 6, C1 to C6.

Question 1 to 6, Q1 to Q7.

The ideal was to interview a person from top-management and a person from middle-management for each firm. I have done this to the extent possible, with regards to getting respondents to answer. Many of the employees asked, could not set aside that much time or have the possibility to meet within the time available for me to interview.

3.3 Data analysis

The method used here is data display; systematization and categorization. By establishing categories of the phenomenon studied, using theory, concepts and my empirical findings. I then coupled the respondents' statements to one or more of the categories. (See matrix in findings chapter). The matrix contains categories and the different respondents' statements. I then identified linkages and possible explanations. Categorization refers to comparing the empirical findings to the theoretical concepts, and coupling the consistent respondent answers to one of the categories. Then to illustrate and put into system in a matrix.

The interviews were recorded digitally on my smartphone, a Samsung Galaxy S. This allowed me to transfer the soundfiles to my computer, and re-play them there. This was highly useful as I could easily go back and forth through the interview and listen to interesting sections multiple times. After summarizing each interview, I put the findings in a matrix as described above.

3.4 Justification of choice of method

Due to the time-constraint, it was a natural choice to obtain extensive data of few units, which allowed more control over the process. In order avoid having too few responses in a quantitative study, and ultimately not having enough data at the end of the semester. Although analyzing the data was highly time-consuming, it depended on me and not on the respondents. But also the nature of the research, which is to gain greater knowledge of the cultural influence on decision-making in strategic alliances. An exploratory design was set to understand the underlying factors. Use of in-depth personal interviews was a good way to collect data due to the local geographical area of the study. The study is of an exploratory nature, not a hypothetic-deductive nature. So that justified the choice of a qualitative study.

This study draws on secondary sources as other articles and books etc. However this must be used with caution. Using unreliable observations could lead to unreliable conclusions. So to get a broader picture, primary data sources through interviewing has been used. Collecting and using primary data sources is very time-consuming, but highly useful to gain a greater understanding of such a research.

Since I wanted to add to our knowledge, and not find support for a hypothesis or measure a phenomenon, this method was used.

4. FINDINGS

This chapter presents the findings from my qualitative research. It has been systematized, categorized and summarized. It will try to give the basis for the further development of our understanding, discussed in the next chapter.

4.1 Presentation of findings

What is it about decision-making that is influenced by culture? This is the starting point. However, many other aspects came from the interviews as well. But I will start with the most easily categorized data. Below is a summary of findings/topics from the interview guide, listed by the 7 main questions asked to all respondents, with possible preliminary explanations and notable quotes from the interviews if applicable. The explanations will be further addressed in the discussion chapter. To fully understand this summary, the short-stories/summary of each interview in the appendix is highly useful. After the summary, the findings in form themes will be presented.

Question	Finding/Topic	Possible explanation	Notable qoutes
Q1. What is your experience with doing business with foreign cultures?	- The respondents fit the study with their experience of doing business in emerging markets. - The concept of culture is perceived similar amongst the respondents.	- Companies and respondents have to some extent been handpicked to fit the study. - Top- and middle-management employees seem to be educated on the matter of cultural differences due to the nature of their work.	N/A
Q2. How does culture influence the decision-making in the strategic alliance?	- Through the individual culture mostly, the individuals in the decision-making process make up the cultural backdrop for decision-making	- A per son from a specific culture might not always fit the cultural stereotype, they can be of a different cultural make-up. Personality traits might be of more importance here.	"You don`t do business with another country, most often you do business with another person".

	- However, as this is true for emerging markets ranking higher on the individuality dimension, the collectivistic cultures seem to be more influenced by the other cultural categories	- Decision-making in collectivistic countries is often described by more people involved in the decision-making process. This could result in a more evident company and national culture in the decision making process.	"One thing is selling a device to one person; it is quite a different story entering a conference room with 14 people, all having to agree before you get the contract".
Q3. What is it about culture that influences the decision-making in the strategic alliance?	- The communication style differs from culture to culture, making it challenging to reach a decision or a agreement	- High-context communication vs. Low-context communication, the amount of detail wanted by one party and given by another normally differs on basis of the communication style	"Doing business for instance in Italy, offers challenges for Norwegian people. They act like it is the end of the world when something goes wrong. While we want to get started finding a soloution, we see some of the same in Brazil".
	- Communication style affects the level of information needed when it comes to technical aspects as assembly and operating equipment	- High-context communication might not be suitable for electronic communication	"I can`t send e-mails answering technical questions to China without getting 5 more e-mails back where they want more details and more details on the issue".
	- The individual culture or the personality traits of the people involved is of importance, especially true in countries high on the individuality dimension	- Cultures high on individuality seem to be more adapt at giving power of decision to one person, rather than to an entire group, also doing business in Brazil doesn`t necessarily mean that	"You never know in the beginning, I am from New York but here I am in my office in Nodeland, Norway. When I go to Scotland to one of our customers, I deal with a guy from Spain. But he has

		you will be doing business with a Brazilian	become a little bit Scottish".
Q4. Which of the two cultures involved had the most influence on the strategic alliance?	- Depends on the power balance within the alliance, not so much culture	- The nature of the alliance, type and purpose of the alliance is of importance more than cultural aspects	"I think that is decided by who has the upper-hand in the partnership, both parties will try not to rely too much on each other, more than culture".
	- The power balance can however be shifted by the traits of the personality of the people involved	- The cultural setting of the individual is of importance, as mentioned a person might not fit his or hers cultural stereotype	"In sales this is all about negotiation skills, and I have an American approach, but I work from Norway".
Q5. In which way do these influence on the decision-making, national culture, industry culture, company culture and individual culture?	- National culture can be apparent in the company and individual culture, thus influencing the communication style and time of the decision making process	- Cultures with high time-orientation meeting cultures with low time-orientation might create different expectations concerning amount of time to be used on reaching a decision	"The process differs from country to country, if you`re in sales you try to adapt, in an alliance you don`t necessarily want to adapt".
	- Industry culture can be responsible for the number of "internationalists" in companies,	- Due to the nature of the industry, the companies might favor hiring people with international background to address challenges with cultural differences	- "My first assignment at Oceaneering was dealing with a French drilling company, due to my French background".
	- Company culture seems to be of lesser importance than in industries that doesn`t operate internationally	- As mentioned the culture within functions and divisions have more influence on the decision making	-"Maybe the company culture is a product of all the employees accumulated, you know, even between divisions we have different cultures here".

	- Individual culture influences the decision-making through the personality traits of the individuals participating in the decision making process	- As mentioned the individual culture seems to be of high importance. It also seems that persons doing business with each other over time create a cultural congruence between them	-"In face-to-face decisions, I think more of two people meeting than two cultures, some of these guys I know better than my colleagues".
Q6. What aspects of decision making does culture influence the most?	- Culture influences the time it takes to reach a decision	- Long-term oriented and uncertainty avoidant countries might use more time to settle on a decision, to some extent also countries with high power distance	"Some of these companies won`t settle on go or stop, until they are absolutely positive they can predict the outcome"
	- But the opposite is true in an established alliance, referring to China	- Longer working hours in China might create higher response time	"When we need technical specifications, we usually get them within an hour from China, they have long working hours, if I need something from Finland after 4 o`clock. I have to wait until the next day".
Q7. Which type of decisions get influenced by culture?	- The answers differ by basis of the respondents function	- The culture within a certain function or division might differ from other functions and divisions	"Decisions concerning safety issues" – Engineer. "The amount of time expected to use on deciding whether to buy from us or not". – Sales manager
	- Decisions concerning profit and/or money	- Decisions based on deciding whether to enter an alliance or	"Usually things run smoothly in our partnership with

		not and decisions concerning money are of higher importance, high importance decisions seems to be more culturally sensitive	****, however the cultural differences come in play when we talk about money, for instance with our clients in Brazil, they <u>expect</u> a discount on the original prize we present in preliminary talks".

Table 4. Summary of findings from the interview guide.

4.2 The themes of findings

Based on the summary above and the short-stories/summaries of each interview in the appendix, I will here present the findings as themes for the discussion chapter. These themes were the most important aspects of my interviews after analyzing the data. I again stress the geographical area and industry of my study, as a backdrop to my findings. Some of the findings seem to support expectations, other expectations did not seem to matter and some new aspects presented itself as well.

4.2.1 Cultural Dimensions in decision-making

Who makes the decision. In individualistic countries, one often sees that one person has the power to make a decision, whilst in collectivistic countries many people agree on the decision to be made it seems. "One thing is selling a device to one person; it is quite a different story entering a conference room with 14 people, all having to agree before you get the contract" – R1, talking about his experience with China. The respondents were highly aware of what they were facing when making decisions with different cultures. The example of China came up as the emerging market where this was most apparent, where the decision often was made by a group and the communication rarely was between two individuals when entering the alliance. However, this becomes more common when the alliance was established, power had been delegated to middle-management and the nature of the decision was of low importance. (I.e. not concerning money/profit).

When it came to time-orientation, long-term oriented cultures used a longer period of time to make a decision than short-term oriented ones. With one exception, in an established alliance, it was the other way around if the decision to be made did not include the element of profit or money. Once the alliance was established the flow of information from the foreign companies proceeded quickly. However, here the case of Norway is set. It might differ with two other cultures proceeding in this process. Again, the example of China came up, once the strategic alliance was established, the decision-making process went quite rapidly.

- Power distance. The time of the decision-making process could be described by power distance to some extent. However distinguishing the two wasn`t possible with my data. Still, High power distance = Long time. Low power distance = Short time is the expectation. It seems that this springs out of the process of clearing with higher-level management before proceeding the decision-making process. Again, Norwegian companies tend to have a flat structure, and if one compared another culture with foreign cultures this might be different. "Some of the decisions are actually cleared by a supervisor I never meet, my business contact can`t make the same decisions on behalf of his division as I can". – R4.
- Uncertainty avoidance also seems to affect the length of the decision-making process. The member of the alliance with high uncertainty-avoidance seems to use longer time before agreeing or deciding on matters regarding the alliance. "We present our idea and how to do it, then it is up to them, they can use weeks before deciding on it, however, we sometimes start developing the equipment before they have decided. Just to avoid potential time-issues, because we state that we can deliver 5 weeks from now, but then it`s like, that was two weeks ago" – R2.

Hofstede`s cultural dimensions seem to suggest that long-decision making processes due to cultural differences, comes from the principles of individualism vs. collectivism, power-distance, uncertainty-avoidance and time-orientation. However, not necessarily on a national level, but at the personal/individual level of the persons involved in the decision-making in the alliance. The culture of the individuals in the decision-making process within the strategic alliance. As will be further discussed later.

4.2.2 Level of management, functions and the involvement of profit

From the data it was clear that the cultural differences were perceived somewhat differently on the two different levels of management. It seems that this could be explained by the level of importance regarding the decision, and top-management often participates in the processes containing the issue of money/profit. Whilst in middle-management representation of your own company and reaching a decision was important. So then the cultural differences come into play in different manners. However, this was not as apparent as other factors regarding levels and types of culture, management-level and decisions.

However, the biggest difference was the differences between functions and divisions. Here the cultural differences were perceived quite differently. The respondents with engineering backgrounds, stressed the importance of safety and response-time and communication styles when explaining technical standards. The respondents with business backgrounds, on the other hand, stressed the amount of time used on the process and the buyer-seller (and vice-versa) relationship.

The involvement of profit/money seemed to be the decisions where differences in culture was most apparent. This was apparent particularly in those few cases where this was handled by middle-management, whom does not enjoy they autonomy as top managers. The consequences of the cultural difference seems to be the same, just more severe when it is regarding decisions of higher importance.

4.2.3 The individual culture and personality traits

The individual culture (here defined as; the cultural programming of an individual with basis in all of the cultural sub-groups, combined with personal traits, see theory section) of the persons involved in the decision making process of the alliance, their personality traits, seems to be of the high importance and influences the decision-making. Most respondents referred to the person "across the table" as the other part of the strategic alliance, he/she was the personification of the deal or the project to be addressed. "The person you are dealing with becomes more real than the company name on his business card in trying to reach a decision, especially if you know that he has the power to decide" – R4. "Some of my business partners, the persons that is, could work at any company, it won`t change our relationship" – R1. Now,

it was stated that this person might not be the product of the national or company culture, it was said that actually the strongest factor was their personality traits, their own beliefs and values that was the most influencing. And these were not always the same as the stereotype, and there were scales of this as well. It is not black or white, you can be partly influenced by your national culture to different lengths. This is a plausible assumption before going into such a study, but for the respondents to state that this was the level of culture that had the most influence, was quite interesting.

Now, how did it influence. The cultural "make-up" of the person you i.e. are trying to sell to, will influence the decision-making process, and of course the other way around. One of the respondents stated that selling high-tech equipment to a Brazilian company required a high amount of time due to their uncertainty avoidance, but the buyer, the individual, did not always fit the Brazilian "make-up". This could then speed-up the process. As this was true for the case of buyer-seller relationship, between two people of different cultures, the nature of the same relationship with China was quite a different story. Again, the example of China, and the quote from the summary; "One thing is selling a device to one person; it is quite a different story entering a conference room with 14 people, all having to agree before you get the contract". In this situation it seems you are dealing with a group culture, a company culture perhaps depending on the situation.

Also, as mentioned above, the responses differed from one division/function to another. So, the individual`s function plays a part, we can therefore cite a divisional/profession culture. But it is apparent when two individual cultures meet in a decision-making process, i.e. the one is concerned with profit and strategy the other is concerned with safety and the layout. The engineers` responses to culture were described by examples from established alliances, how things are done, how is the outcome of the decision-making effectuated. Whilst the business people gave examples from sales, and tying strategic alliances together. In short it was the "how to do it" vs. "how fast, how much" in the projects within the strategic alliances.

4.2.4 Communication style

When it comes to communication styles, Norway and Scandinavia are classified as low-context. Whilst the Latin and Asian countries are classified as high-context. This means that in this case we have low-context vs. high-context. Also the "internationalists" in my

respondent pool, were from Germanic and English speaking countries and therefore low-context. As this simplifies the aspect to some extent, it also has some limitations as this is from the low-context viewpoint. But from my analysis it seems that this is one of the major aspects of cultural influence on decision-making within strategic alliances.

One of the respondents stated; ""I can`t send e-mails answering technical questions to China without getting 5 more e-mails back where they want more details and more details on the issue". He explained that in his visits to China the employees were taught by having to listen to the same outline of a procedure multiple times. While, in a low-context culture one would be more specific and only repeat maybe once. It was also stated that this was not as "bad" in Brazil, but similar situations had occurred. This then fits the scale presented in the theory section, where we have latin-america a little below the asian countries in the "High-context vs. low-context" model. This is just one example of how misunderstandings can occur because of the expectations of what the other part knows, and how he/she communicates.

It also seems that this affects decisions in form of contract negotiations, sales pitches and if to enter an alliance. The information is explicitly conveyed from the low-context culture and implicitly received from the high-context culture. This means that the person from a low-context culture likes to communicate directly, explicitly. While the person from a high-context culture likes to communicate indirectly, the meaning is embedded in the context of the information transferred, so it must be inferred to be understood. (Brett, 2007).

It is important to remember that in business, the context is set to some extent. But still the style of communication differs. I will later present the suggestion of cultural congruence over time in alliances, which also affects the style of communication in the alliance based on my data.

4.2.5 The established alliance vs. the new alliance.

Another level in the concept of cultural influence on strategic alliances is if it is a new/emerging strategic alliance or an established strategic alliance with some history. I suggest such a distinction based on analysis of the data and how cultural influence is perceived and comes into play differently amongst the two. The respondents gave a lot of similar feedback to areas covered in the interview, but where it differed was often because of this distinction. Also, the respondents having experience with both stated that there often was

increased trust and knowledge-transfer with the longevity of the alliance. The purpose of the alliance often sets the tone of the expected length of the alliance with regards to time. That aside, it seems that the established alliance with history of business is less culturally sensitive. "We have been doing business with them for years, we know what to expect, and so do they. Also, since we know each others` businesses so well now, we can communicate more effectively" –R6. This is also plausible to expect to begin with. But that the parties adapt some of each others` culture, in business terms, was more of a surprise. This was true, however, only for those doing business for a long time with the same culture, based on my data.

Another dimension to this is, cultural differences do not only exist between the companies/individuals in the strategic alliance, but also within the company itself. Two of the respondents were "internationals" living and working in/from Norway in different strategic alliances. Both of them stated their differences from Norwegian culture early and elaborated on their perception of culture. Their cultural awareness seemed higher than the other respondents because they looked at the alliance from a birds-view perspective, while the other respondents looked at it from their own view. These "internationals" also stated that there were cultural differences within the company as well. I.e. a Norwegian division, formerly self-owned, now owned by an American company, with the majority of Norwegian employees, but with a high amount of "internationals". The cultural tensions within the company could be just as high, as within the alliance, depending on the individual culture of the persons involved in the different projects. However, the "internationals" avoided much of the tension because of their in-depth knowledge of the Norwegian culture and the cultural programming of their co-workers.

4.2.6 Complexity of internationalization within the company

As mentioned above, the element of "internationals" in a company, and maybe especially in this industry, creates yet another level in the concept of cultural influence on decision-making. This is a level that provides a great deal of complexity as it does not necessarily "fit" with the other categories or dimensions of culture theory. However, it is a concept that needs to be addressed, at least in this particular industry, to fully understand the dynamics in the strategic alliance. For instance, one of the respondents was an American, and then when doing business

with the US, any potential cultural differences in decision-making in the alliance was reduced to a minimum. One could then suggest that maybe if the same individual was to do business with Sweden, it might increase it.

5. DISCUSSION OF FINDINGS

This chapter aims to compare the findings with the relevant theory to establish a framework for further understanding of the problem formulation. And also to present some possible paths for further research on the matter.

5.1 Levels of influence on decision-making in strategic alliances

LEVELS OF INFLUENCE ON DECISION-MAKING IN STRATEGIC ALLIANCES.

*OUTCOME OF
THE DECISION*

What type of decision?
•Profit
•Non-profit

Decision-making process

What type of process?
•Person to person
•Person/group to group

What type of alliance?
•Established
•New

Company A

Company B

What type of culture?
•Individual
•Professional (function)
•Company
•Industry
•National
•Global (internationalist)

What type of communication style?
•High-context
•Low-context

Culture A

Culture B

•*The purpose of the alliance*

Figure 5. Levels of influence on decision-making in strategic alliances.

This figure is a result of the findings, and something I developed to illustrate the factors and levels of the factors that influence decision-making in strategic alliances, with regards to culture. This is somewhat simplified, but very useful to understand the complexity of cultural influence on decision making in strategic alliances. My findings suggest that one needs to look at the type of decision, type of alliance, type of communication style, type of process and what type of culture, to gain further knowledge about what it is about culture that influences decision-making in strategic alliances. Also, it seems like the purpose of the alliance must be understood to have the correct insight on the above-mentioned. Furthermore dividing the two parties involved as company A, culture A and company B, culture B is not explicit enough to garner a deep understanding, due to the fact that the individuals involved are a product of so many cultural factors, and might not fit the stereotypes. Also, each profession has its own culture that differs from each other. From my findings I see that the type of process, if it is person to person or person/group to group, changes the dynamics in the decision-making process. For the group the group/company culture influences more than the individual culture of those in the group. Another aspect, is that for all these levels, the level of management, namely top or middle management, has differences as well. However, as the important decisions often are handled by top-management, "profit"-decisions. I have incorporated the aspect in the section of – What type of decision? -.

I also assume that factors influencing the decision-making will in the end influence the outcome of the decision, although this is not researched in this paper. Still, in this figure it is listed on top. The conceptual framework in the theory section was the starting point, and after collecting and analyzing the data, I expanded on that framework to the figure presented above. I will discuss each factor to further explain my findings.

5.1.1 What type of decision?

If the decision is of a profit or non-profit nature, seems to alter the decision-making process and how culture influences it. In the theory section decision-making was set in these groups; rationality, speed, flexibility, politicality and conflict. But when it comes to cultural influence, the type of decision did not really fit with the theory. From the findings, it can be suggested that involvement of money alters how and what about culture that influences decision-making. Even though culture might influence the different groups, it was not apparent from my data, with the exception of time. Whereas, culture affected the time it took to reach a decision it was stated. High cultural differences prolonging the decision-making processes,

especially in new alliances, could be explained by the type of decision being made. A typical profit decision could be the choice of whether to enter the alliance or not, hence a new alliance. Described more closely below. The nature of the decision, seems to be decisive for what level of management that is part of the decision-making process. At least to some extent, one could say that the "profit"/important decisions, i.e. to enter an alliance or not, is taken at the top-management level, and the "non-profit"/less important decisions or decisions in an established alliance, were more often delegated to the middle-management level. Why is this important? Because the influence of culture seems to be different at the two levels, and might be explained by the nature of the decision, if money is involved or not for instance, and the individual culture at the two levels – profession or function culture might be different and influence the decision-making otherwise.

5.1.2. What type of alliance?

The difference between established and new alliances seemed to be of more importance than of the types of strategic alliances. If it was a non-equity alliance, joint-venture or an equity alliance, seemed to all have similar aspects regarding cultural influence. My findings suggest that the longevity of the alliance impacts how and what about culture that influences the decision-making in the alliance. The established alliance with history of decision-making, with less cultural influence, might be described by the level of trust in an established alliance vs. a new alliance. And also as mentioned above, entering an alliance, could be described as a decision of high importance, thus prolonging and making the decision more culturally sensitive it seems. "It normally takes some time to establish an effective alliance relationship, some don`t even become effective, but there is normally some knowledge about each other that eases the decision-making anyway. You adapt and make assumptions based on history instead of assumptions based on nothing" – R6, when asked to describe the difference between new and established alliances. Assumptions based on nothing in this case was that the preliminary cultural make-up assumption did not fit the national culture, as the other party was not from that country, but a foreigner in that company, which as mentioned seems to become more and more normal in this industry.

5.1.3 What type of communication style?

Low context vs. High context communication is the case here, since we have the low-context home-culture in alliance with the high-context foreign-culture. Albeit somewhat simplified,

and of course there are scales involved, it is useful to explain the communication within the alliance as communication is influenced by culture. R2 stated; "I was in China and the message from the group was; yes, we will buy from you. However, it took another week to actually get the contract signed and the green light for production". This could be explained by the explicit low context communication, with outcome variables yes or no, while in the high context communication, this is merely a signal of intent. These types of misunderstandings could be problematic if one is not aware of the differences in communication. These two communication styles are in themselves of cultural heritage, and influences the decision-making in strategic alliances highly. When talking about communication, it would easy if the link between decision-making and other features of a culture was strong, straightforward and simple. This does not seem to be case. "The link between cultural values and cultural ideology and negotiation strategies is complex", (Brett, 2007). From the study of Brett, I believe there are some parallels to be drawn with respect to decision-making. Especially in the person to person process, where the communication often can be defined as a negotiation.

5.1.4 What type of process?

In the process of person to person decision making, we have a rather organized setting to analyze, the cultural make-up of the two individuals and their communication style and how it affects the decision-making. However, we also have the process of person to group, which then is the case of an individual culture vs. a group or company culture. And of course also the group to group process, however not so common for the industry and geographical area of my study. Also, concerning what type of process, the level of management involved plays a role. This distinction is important because it explains the level and type of culture involved on one hand, and the level of management on the other depending on the type of decision. This is one of the findings that wasn`t part of the preliminary assumptions of this study, and also an interesting subject for further research, which I will come back to in the conclusion.

5.1.5 What type of culture?

Now, culture has different levels as well. Ranging from a "global" culture, through national culture, company culture, down to the individual culture. To look at culture as one entity is not adequate to explain the cultural influence on decision-making. This could be dependent on the type of decision, alliance, communication style and process. As all of these are entwined

and will surface with different consequences, and work at the same time on different levels. Again, also the purpose of the alliance will color the backdrop of the decision-making. The levels of culture also work at the same time of course, but is manifested into the two parties in the specific strategic alliance. The best example in a person to person process, where the individual culture of the two make up the cultural congruence in the alliance. If we go back to Hofstede; "Culture is the collective programming of the mind which distinguishes the members of one group or category of people from another. It is a collective phenomenon, because it is at least partly shared with people who live or lived within the same social environment, which is where it was learned. Culture is learned, not inherited. It derives from one's social environment, not from one's genes. Culture should be distinguished from human nature on one side and from an individual's personality on the other". The individual`s personality, the specific part of one individual is difficult to describe merely using cultural theory, and adds dimension of complexity as well.
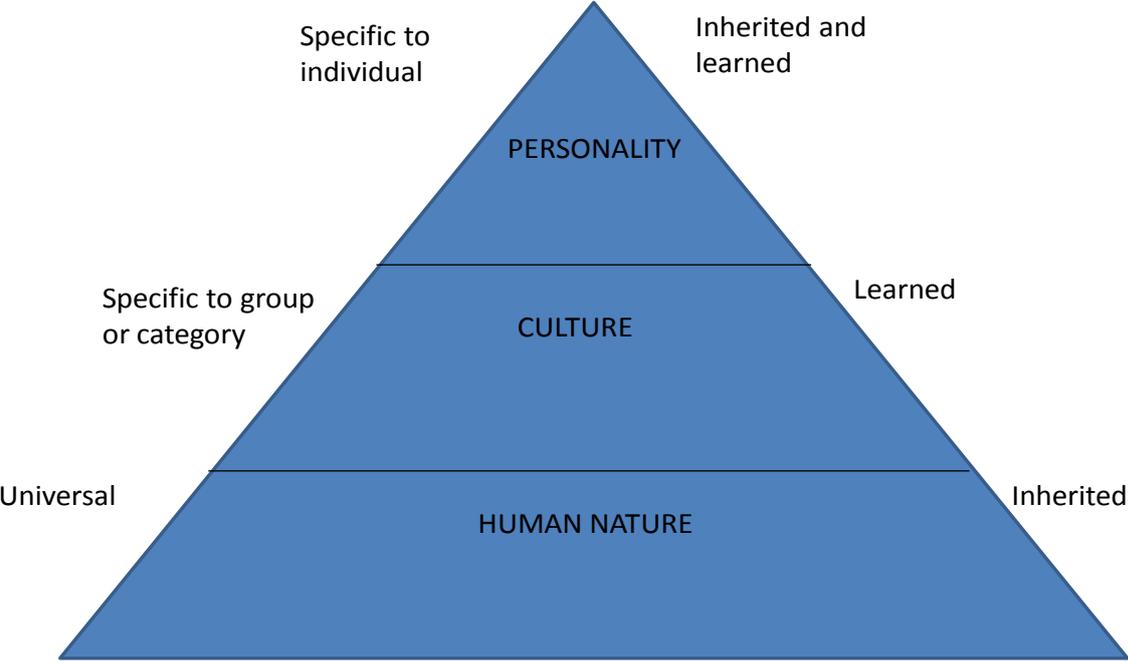

Figure 6. Three levels of uniqueness in human mental programming. (Hofstede, 2001).

Through the figure above it is illustrated in a simplified manner, on three levels how the individual culture and personality traits may be built up. This could help explain why the

findings state that, especially in a person to person process, the individual culture affects the decision-making highly, and that the cultural make-up of a person does not need to fit the assumption suitable with his or hers cultural backdrop.

5.1.6 The "internationalist" complexity

The "internationalist complexity is one factor that makes the preliminary assumptions hard to analyze, because in my study I was made aware of the complexity of culture within the organization. The example of the American doing business with a Scottish company, with his business contact being from Spain is a good example of this. This is why I define this as; the "internationalist" complexity, as an important "appendix" to the figure presented above. With respect to company and culture A and company and culture B. From the methods section, the presentation of the respondents (and also the short-stories/summary of interviews in the appendix), you can see that out of my 6 respondents, two were foreigners working in Norway. However, even though it adds complexity when researching, this factor could in some cases reduce the level of cultural sensitivity as the differences between culture A and B might be smaller than expected. Also, it seems the "internationalists" are more culturally aware and more adept at looking at the relationship from a birds-eye-view perspective when it comes to culture. This is based on the respondents in this study, so it has limitations due to the fact there were only 2 international respondents here. Although it was clear from all respondents that this industry had a high number of internationals in the different companies.

5.2 Cultural dimensions in the decision-making

The theory on cultural dimensions can explain some of the findings, however these are pretty close to what one first would assume. Even so, it seems that cultural dimensions are not nearly enough and the complexity of the nature of decision-making described here, suggest that it is a useful starting point, but other aspects are also highly important.

Power distance: seems to affect the time it takes to reach a decision. This could be explained by the power distance within the company. In an alliance where one party has less autonomy with regards to decision-making than the other, the decision-making process could be prolonged above the expectations.

Individualism vs. collectivism: seems to affect what type of process that takes place. The examples from China describe this well. Where one person from a Norwegian company is to do business and embark on decision-making with many people from the Chinese company.

Since China is a more collectivistic country than Norway and many other low context cultures, this is also natural to assume.

Uncertainty avoidance: my findings suggest that also this dimension affects the time of the decision-making process. However, that countries/companies/individuals with high uncertainty avoidance or at least higher than Norway, will want to be assertive of their decision before making it is close to the assumption as well. See quotes in the findings chapter.

Long-term orientation vs. short-term orientation: could also be part of explaining the expectations in the alliance regarding the time used to reach a decision. The long-term oriented emerging markets, especially China, seem to prolong the process due to their need for planning. It might also explain why it was the other way around in an established alliance as their planning might be of use in a strategic alliance already established.

5.2.1 Cultural dimensions and interpartner sensemaking

So these dimensions seem to be useful to categorise different aspects of a national culture but does not explain the impact of cultural differences in a strategic alliance to a satisfying extent. The strategic alliances in this industry are of high complexity as described earlier, so many aspects must be taken into consideration. To supplement the cultural dimensions it is useful to look at Das & Kumar`s proposition of two interpretive schemes of alliance functioning, "sensemaking of chaos" and "sensemaking" in chaos. From my findings the respondents often referred to China with regards to their need for predictability in forming an alliance and an adaptive equilibrium in the established alliance. In the other examples given of Brazil and Scotland the respondents referred to level of internationalization in the alliance, which in part fits the – sensemaking in chaos – scheme. To some extent this could be explained by the cultural dimensions in Asian countries compared to cultural dimension of Latin-American countries, where the Latin-American countries are somewhat closer to Norway on the dimensions mentioned above. (See table 1). "Sensemaking in chaos does not assume that predictability is inevitable or, for that matter, even desirable. Chaos is viewed as normal, and it is within this context that order has got to be discovered and maintained. Applied in the context of alliance functioning, this implies that the alliance partner must seek to thrive in ambiguity. Alliance partners need to enact their own environment" (Das & Kumar, 2009). This seems to be the case in many of the alliances in my study but the dynamics of the alliance changes over time in terms of cultural congruence, knowledge about each other and

level of trust. I we look at the examples given by the respondents it seems that the process of person to person will start of as scheme of sensemaking in chaos, but this relationship evolves. In the process of person/group to group it seems that scheme of sensemaking of chaos is a more suitable interpretive measure. However, this could be explained by the nature of my study of emerging markets and the case of China with higher collectivism, uncertainty avoidance and long-term orientation. So my data is not extensive enough on explaining this.

5.3 Individual culture and the strategic alliance

This seems to be of higher importance than first assumed, my preliminary assumptions of what type of culture would influence the decision-making, did not fit as well as I thought to the results from the interviews. If one assumes that there are just as many different types of individual cultures as there are individuals, it is highly difficult to establish facts about individual culture in a strategic alliance. However, we can use theory on culture to establish some common ground for people from the same culture and propose guidelines of how to understand the phenomenon. Furthermore, Mittal, 2010, proposed a framework containing the factor "professional and personal culture" to explain the cultural fit between firms. In the person to person process in such an international industry this is a useful aspect to consider. Cultural differences in decision-making in strategic alliances is a dynamic concept and culture works on different levels, and as stated in the model above (figure 5) there are multiple aspects with different levels of influence. I have presented the ones that seem most important based on my findings and they seem to fit the theoretical framework of Mittal to some extent, looking at the "Effect of embeddedness; similar organizational cultures are good, however the interacting managers must be able to progress beyond a working relationship to encourage flourishing in the business relationship" (Mittal, 2010), it is acknowledged that the interacting managers in the end make up the strategic alliance, two *individuals*. However this study proposes a more extensive framework when considering cultural influence on decision-making in strategic alliances, due to the complex nature of culture.

5.4 Communication in decision-making in strategic alliances

The communication style has a cultural core to it, in that it seems affects the strategic alliance. As described above, I have used the low-context vs. high-context approach to describe this. Also, I have tried to describe the difference in communication for different processes. Being person to person or person to group i.e. I will also suggest in the next section that time will

affect the congruence in communication. This might not only be from a cultural point of view but from getting to know each others` strengths and weaknesses. It could also stem from gaining knowledge about each other on other levels.

When negotiating with a party from another culture, there is a risk in knowing too much about the other party`s culture and assume that the party will be of the prototypical culture. "Excellent cross-cross cultural negotiators proceed slowly, testing their assumptions about what strategy will be effective with the other party. They are willing to adjust their use of negotiation strategy to achieve their goals but not compromise on their goals. Being an excellent cross-cultural negotiator means understanding the nuances of negotiation strategy as it applies in different contexts". (Brett, 2007). Here, we see an example of what I have defined as the "internationalist complexity", the cultural stereotype might be misleading in making decision. When talking about high vs. low context communication, there is a chance of meeting people from a high context culture, that have adopted low context communication due to their international experience. However, because of the role of the English language, it seems plausible to believe that there will be fewer cases of this the other way around. Looking at the purpose of the alliance, whether it is profit, knowledge, research and development and so on, the communication in terms of information and knowledge transfer will be of a different nature. In an alliance based on profit, the parties might not want to share company secrets, in an alliance based on research and development this is the whole point to some extent. And then maybe adding another level to what it is about culture that influences decision-making in strategic alliances. As I have not delved into this in my study, it could be a question for further research.

5.5. Cultural congruence in the strategic alliance

My findings suggest that the longevity of an alliance has an impact on the cultural congruence. Respondents referred to their long-time partners as more loyal and easy-going with regards to the decision making process. "As the relationship develops, the factors relating to corporate culture assume more importance, to ensure a smooth and communicative relationship. When the relationship evolves further to a stage of building trust and commitment and friendship, national cultural values and personal characteristics might play a more determinative role. Thus the type of cultural fit (congruence) required at various stages of a relationship could be different". (Mittal, 2010). This might explain this some extent, however the decision-making between two individuals over time, or even between two groups

over time, creates some familiarity that raises the level of trust, it seems. Which in turn has an impact on the decision-making in the strategic alliance. Especially on the time it took to reach a decision it seems, however this might be plausible regardless of this in a buyer-seller relationship for instance. It is natural to assume that a relationship evolves over time, but it does not always have to be for the better. Here, I am not looking at that, I am looking at the cultural evolvement, and the findings suggest that there will be cultural congruence in such a relationship, regardless of how the relationship evolves in terms of better or worse. Because there are many other factors to consider when looking at the success of an alliance, which is very hard to measure. That will depend on the purpose of the alliance, and then one needs to find some scale of measurement. Now, different alliances have different purposes and they might not even be motivated by profit. As companies represented by a group or a person in a strategic alliance, get more acquainted with each other's cultural make-up, communication style and build trust, it seems that we will find cultural congruence in the decision-making as both parties are familiar with and aware of each others` decision-making process. Then the two parties will try to adapt to each other, to some extent. As the cultural make-up differs from person to person, group to group and nation to nation, the cultural knowledge from one alliance might not be useful in another alliance. So, while making conclusions across different alliances can be difficult, also as mentioned, it might even depend on the purpose of the alliance.

5.6 Summary of discussion

I have here proposed different variables to understand the impact of culture in decision-making in strategic alliances. The purpose of the alliance and all the variables listed in the model introducing this chapter looks to be of importance.

Although an area I did not cover in this study, it can be assumed that what influences the decision-making will also influence the *outcome* of the decision, therefore I have chosen to implement this in my model as a suggestion for further research. It is important to distinguish between the outcome the decision and the outcome of the alliance, as the outcome of the alliance is a measurement of success. This in turn is not investigated in this thesis. Success of an alliance depends on many variables, maybe the most important being to fully understand the purpose of the alliance and even if not successful in that aspect the "bi-products" could be of high value in terms of profit or knowledge i.e. For each combination of levels in my model, it seems the cultural impact will be different on the decision-making in the strategic alliance,

also with regards to the purpose of the alliance. My framework here is intended to propose a system for studying this complex area, and is based on the findings, preliminary assumptions and the framework presented in the theory section

This study has looked the complexity of cultural influence on decision-making in strategic alliances. Hopefully, the model presented at the beginning at this chapter can give some insight into what factors and levels that must be recognized, and be further developed to present more knowledge of the decision-making process in a strategic alliance with cultural differences.

6. **CONCLUSION**

Going into this study, I expected to broaden my knowledge of cultural influence on decision-making in strategic alliances from a birds-eye-view perspective. However, from the data I obtained I was made aware of the vast complexity. From the cultural viewpoint, the influencing factors ranged from national culture to the individuals culture and personality. Then the different types of decisions, for instance if the issue of profit was involved or not. All of these seem to react differently to different categories of culture. Even then, the type of strategic alliance made a difference, suggesting that this study should be done for each type of strategic alliance, for each type of decision and for each type of profession involved. There also seems to be differences between established alliances and parties forming a new alliance. So for each combination of variables and their levels, the cultural influence on decision-making in the strategic alliance might be different. Within the same combination of variables and levels presented, there seem to be some similarities though, suggesting that these distinctions of different variables could be useful to understand the cultural impact on decision-making.

An important aspect is to understand that the parties involved in the decision-making might not act like their cultural setting. The personality and culture of the individual *may* differ exceptionally. However, cultural stereotypes are useful for understanding the decision-making process and to have a framework for gaining more knowledge on the field.

This study has been conducted with some limitations considering the specific industry and the geographical area. I still believe the framework of "levels of influence on decision-making in

strategic alliance" can be generalized to some extent. This will hopefully be a contribution to the field for further research.

These aspects discussed in chapter 5 seem to be the aspects of importance when making decisions in a strategic alliance with firms in emerging markets:

- The purpose of the alliance?
- What type of decision?
- What type of alliance?
- What type of communication style?
- What type of process?
- What type of culture?

What needs to be taken into account in addition to these parameters is what I have defined as the "internationalist" complexity; and cultural congruence over time must be recognized to fully understand the impact of culture for the different combinations.

I expected to find cultural similarities regarding the cultural dimensions of the emerging markets, and they could be used to explain some broad lines, especially when it came to the concept of time in decision-making. Other than that, the complexity of cultural differences was made abundantly clear *in lieu* of more general theoretical aspects of culture. This was also an assumption made at the outset of the study and the conceptual framework was a useful starting point, but not extensive enough in explaining the findings.

What the theory did not give *too* much information about was the cultural differences in the type of strategic alliance, type of decision and the role of individual culture. The types of strategic alliances – which come in the form of non-equity alliances, equity alliances and joint ventures - did not seem to matter as much as the alliance's stage of development which comes in the form of either an established alliance or a new/forming alliance. The type of decision, here identified as "profit" or "non-profit" decisions, although not to be taken literally as it merely illustrates the importance of the decision, seemed to be different in cultural sensitivity. Also, the role of the individual culture and the fact that it often differed from the stereotype assumed in the beginning, seemed to be of importance when studying the influence of/what part of culture that had an impact on decision-making in strategic alliances in these emerging markets with Norwegian firms.

In conclusion, this qualitative study has – to the best of my knowledge – attempted to highlight the important aspects of cultural differences that influence the decision-making in strategic alliances by means of investigating Norwegian companies and divisions with strategic alliances in emerging markets. I have described my findings in the framework presented in chapter 5 - discussion of findings - which hopefully will be a contribution to our knowledge and further research.

7. REFERENCES

Books;

- Hair J.F, Babin B, Money A.H, Samouel P. Essentials of business research methods. Ley Pubishing. 2003.

- Usunier, J-C. Intercnational & Cross-Cultural Management Research. Sage Publications. 1998.

- Zikmund W.G, Babin B.J, Carr, J.C, Griffin M. Business Research Methods. South-Western, Cengage Learning. 2010.

- Peng, M.W. Global Strategic Management. Cengage Learning. 2009.

- Kotabe M, Helsen K. Global Marketing Management. John Wiley & Sons inc. 2008.

- Brett, J.M. Negotiating Globally. Jossey-Bass. 2007

- Reason, J. Human Error. Ashgate. 1990.

- Hofstede, G. Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nation. SAGE. 2001

- Katan, D. Translating Cultures: An Introduction for Translators, Interpreters, and Mediators. Manchester, St. Jerome Publishing. 1999.

- Patton, M. Q. Qualitative evaluation and research methods. Sage Publications. 2002.

- Lincoln, Y. S., Guba, E. G. Naturalistic inquiry. Sage Publications. 1985.

Articles;

- Mittal, R. Cultural Congruence in Cross-Border Alliances: a multi-level perspective. International Journal of Business Research. 2010.

- Das T.K, Kumar R. Interpartner sensemaking in strategic alliances: Managing cultural differences and internal tensions. Emerald Group Publishing Limited. 2010.

- Steensma H.K, Marino L, Weaver K.M, Dickson P.H. The influence of national culture on the formation of technology alliances by entrepreneurial firms. Academy of Management Journal. 2000.

- Dean J.W. Sharfman M.P. Flexibilty in Strategic Decision Making: Informational and Ideological perspectives. Journal of Management Studies. 1997.

- Pistillo G. The interpreter as a cultural mediator. Journal of intercultural communication. 2003.

- Das T, Teng B. Resource and Risk Management in the Strategic Alliance Making Process. Journal of Management. 1998.

- Spekman R.E. Kamauff jr. J.W. Myhr N. An empirical investigation into supply chain management: A perspective on partnerships. International Journal of Physical Distribution & Logistics Management. 1998

- Ring P.S. Van de Ven A.H. Developmental processes of cooperative interorganizational relationships. Academy of management review. 1994.

- Platt, P. Out of Context. New England Financial Journal. 2002.

- Golafshani, N. Understanding reliability and validity in qualitative research. The qualitative report. 2003.

Web-pages;

www.oceaneering.com

www.nov.com

www.siem-offshore.no

www.akersolutions.com

Other;

- Figure 1 & 2. Slides provided by Joyce Falkenberg. ORG 409 – International Management. 2009.

8. **APPENDIX**

These short-stories/summaries of interviews are intended to give insight to the interview process, however some of the respondents wanted to be anonymous due to their representation of a company in the region, the others wanted this to be short as they said yes to being quoted within the thesis.

Short-story/summary of interview with R1.

Position: Sales Manager.

Level of management: Top management.

Company: Oceaneering Rotator.

Nationality: American.

Experience: With business partners in Brazil, Scotland, West Africa to some extent and China.

Description: Spoke of his experience abroad as well as his experience as an American in Norway. Spoke of interesting aspects in face-to-face negotiations with business partners. Mainly communication and cultural differences.

<u>Short-story/summary of interview with R2.</u>

Position: Middle manager, tech support.

Level of management: Middle management.

Company: Oceaneering Rotator.

Nationality: French.

Experience: With business partners in Italy, France, Germany, Finland, Brazil, China and India.

Description: had extensive experience with a strategic alliance in China. Spoke of his cultural background as a Frenchman, and spoke of the cultural differences within the company as well. Was familiar with cultural dimensions and we together had a discussion about these dimensions and if it influences the length of the decision-making process.

<u>Short-story/summary of interview with R3.</u>

Position: Chief Analyst.

Level of management: Middle management.

Company: National Oilwell Varco.

Nationality: Norwegian.

Experience: With companies in Scandinavia, India, China and Brazil.

Description: asked to have his/hers responses anonymous. N/A.

Short-story/summary of interview with R4.

Position: Chief Executive.

Level of management: Top management.

Company: Siem Offshore.

Nationality: Norwegian.

Experience: Extensive experience in Brazil through the company`s customers.

Description: spoke about differences in doing business with Brazilians and "Internationalists" and the many cultures within the offshore industry. Spoke extensively about the different cultures represented at Siem Offshore and how it affected the company internally and externally.

<u>Short-story/summary of interview with R5.</u>

Position: Member of sales team.

Level of management: Middle management.

Company: Aker Solutions.

Nationality: Norwegian.

Experience: With business partners and potential partners in Brazil and Scandinavia.

Description: asked to be anonymous. N/A.

Short-story/summary of interview with R6.

Position: Engineer.

Level of management: Middle management.

Company: Aker Solutions.

Nationality: Norwegian.

Experience: With customers in China, America and Europe in general.

Description: The only emerging market R6 had experience in was Brazil. Spoke extensively about the cultural differences between Europe and China, and then America and China. A very useful distinction and comparison when looking at cultural concepts from a Norwegian point of view.