

Analysis on the Effects of National Cultural Dimension to Alliance Orientation and Firm's Performance¹

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Abstract

The purpose of this study is to analyze the effect of national cultural dimension and type of alliance orientation (scanning alliance, utilization alliance) on alliance performance. To analyze this objective, we conducted a survey in target companies which signed partnership and international business. This study reviews various literatures and developed a research model. To examine the research model, we collected data from international companies with partnerships. The study results showed that national culture and type of alliance orientation have a significant effect on the alliance performance. Moreover, it can provide a very meaningful implication where international firms achieve better performance identifying the core competencies between cultural characteristics and alliance orientation suitable for the partnership.

Keywords: *alliance orientation (scanning, utilization), national culture, performance*

1. Introduction

Business-to-business cooperation activities to improve the level of customer satisfaction increase the range of market dominance. They also have been recognized as means of reducing cost of the product or service development. So that companies can form and activate a collaborative partnership, the study will be related to whether and how to manage these partnerships evolving in a changing business environment. These topics of research are very valuable for the company performance. As the stage of business activity expands into overseas markets in domestic capital and technology markets, the business-to-business cooperation activities that share the company's unique assets, such as property marketing assets between partners are also extended to foreign companies. If you have the appropriate resources to assist in customer satisfaction and market expansion now affiliate companies, whether domestic companies or international marks will not be a problem at all. As such enterprises of various nationalities were involved in partnership activities between companies in the alliance process, as presented in cultural studies, heterogeneity between countries is considered as a very important factor.

Today, the overseas expansion enterprises have new problems because they have never experienced the nature of organization consisting of people with different cultural backgrounds. Changes in the business environment of the overseas, such as the borders and beyond the limit where the streets in search of more favorable conditions and have expanded their activity stage, not able to survive even if it means that the situation threatened.

However, efforts to adapt to these changes in the way of business and reap the results within its country to another were often considered inappropriate and produce many side effects. To this end, for a successful business environment in other countries, research on

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the cultural characteristics and customs of the country must be done. It is also true that most scholars agree to establish the management methods for it. In addition, several researches on the role of cultural factors presented in the study on the conditions for successful partnerships have been made; but these studies are limited to a particular decision, such as a method of relative cooperation. In particular, the overall consideration of the role of cultural factors in the partnership orientation of core competencies beyond the influence is insufficient or may occur on the border and in the formation of the partnership activities. Moreover, research on the integrative dimension, considering both national cultural factors, is inadequate.

This study demonstrates the impact on the national cultural character; examines the impact on the alliance orientation and performance; and proposes a strategic implication.

2. Literature Review and Hypothesis

2.1. Literature Reviews

2.1.1. Alliance Orientation

We need to create an optimal portfolio of capabilities required for the company to manage it effectively, since it's entangled in a complex relationship for interest between affiliated parties. The company's technology is called directional cooperation. This technique is called affiliate orientation held by the company. To compose the optimal portfolio of capabilities within the enterprise alliance, closely monitoring alliance opportunities outside, collecting and sharing partnership opportunities within the organization shall be integrated to match the company's overall strategy. It also needs a systematic learning process that can call on the know-how of partnerships with dynamic capacity management activities of the company.

In this context, Kandemir *et al.*, (2006) were separated into three-dimensional orientation of the alliance partnership with information search, information coordination, and information utilization. This study was divided into search-oriented partnership and leveraging-oriented partnership, separated by exploration and utilization of knowledge and information.

Scanning alliance orientation is actively defining enterprise-oriented alliance partnering opportunities and monitoring their efforts to find enough businesses. Due to the uncertainty surrounding the company when the current environmental resources and capabilities of the company are nearing obsolescence, companies lose their competitive advantage. Skilled companies for new knowledge and information can get a new competitive advantage and new market opportunities (Guiati, 1999). Enterprises familiar with the knowledge and information search will be able to benefit from choosing the most appropriate partnership status because they get prior occupation in a better position through partnership opportunities (Lambe *et al.*, 2002). Also it's effective to increase the possibility to select a knowledge search partner that has a complementary property.

Utilization alliance orientation is defined as the degree of efforts to systematically integrate corporate strategy into business activities in a consistent direction to match by spreading knowledge about the alliance. The combination of knowledge and information to improve the company's ability to share information and partnership opportunities takes a competitive advantage and maintains better relationships with the network partners' partnership with the alliance parties. A better strategic relationship of cooperation is better understood through sharing of information related to partnership activities and allows businesses to establish and run a company action plan to facilitate more consistently by matching each others' business activities. Utilization alliance orientation is defined as the degree of company effort through organizational networks through acquiring, analyzing, and leveraging the know-how of the partnership activities. The ability to effectively

manage the activities of management partnership is very important because cooperation activities are not fully controlled by such elements of formal contract. Therefore, it is necessary to learn and utilize the ability to obtain cooperation from past cooperation activity experiences or those currently in progress (Anand and Khanna, 2000). Leveraging Knowledge and knowledge learning involve spreading the learning process and systematic cooperation between network partners in the alliance-related information (Sinkula, 1994). Therefore, utilization-oriented alliance involves learning by direct experience such as conviction-derived success and failure while performing activities in partnership with the internal enterprise and getting more value by sharing and advancing a number of companies that make up the alliance network.

2.1.2. Performance

Enterprises cannot create all the knowledge needed for ongoing technical development but only internal organization. Therefore, enterprises should be open to the securing of knowledge from a variety of external sources of knowledge. The way of knowledge absorption for companies is through outside sources of knowledge such as strategic alliances, mergers and acquisitions, foreign direct investment and technology acquisition. Among these learning sources, the importance of strategic alliance has significantly increased both quantitatively and qualitatively for the last 20 years. Strategic alliance with other companies is a very useful way to maximize the performance of companies by leveraging their knowledge with each other and holding each other in a variety of competitive advantages. In particular, the acquisition of knowledge, skills and information through a partnership is a very critical factor for strengthening the competitiveness.

The organizational capability refers to the intangible assets acquired as a daily pattern of dynamic organization. The management specifically means the ability to continue to improve the efficiency and effectiveness of the enterprise; and promoting the resources to interact with complementary shows combined results. Organizational capabilities can be presumed to be the combined organizations which are closely related to everyday tacit knowledge and organizational memories. Organizational competencies are dynamic and informal mechanisms for acquired resources, development and deployment by companies (Dierickx and Cool, 1989). To show an organizational ability to achieve some of the resources, they have to bond and act as complementary. The researchers argue that this strategy is what companies achieve through competitive advantage by effectively and efficiently accumulating the company's ability to leverage resources and new resources that already exist; which is more than their competitors' operating capacity which is up to the organizational competencies. (Mahoney and Pandian, 1992; Penrose, 1959; Prahalad and Hamel, 1990; Wernerfelt, 1984).

Learning organization is a fundamental resource that accomplishes these competitive advantages of value, rarity, non-imitation, and non-substitute. Organizational resources and capabilities have characters of scarcity, value, non-substitutability, and non-imitation; and these are fundamental sources of competitive advantages to companies (Barney, 1991). These capabilities will primarily be applicable to intangible assets that can be achieved with differentiated competitive advantage because it is difficult and sometimes hard to imitate other mobile companies.

According to Grant (1996a), a key element of enterprise competitive advantage is knowledge; and knowledge on these companies or organizations was argued that the specialized knowledge held by individual members of the organization are integrated. So knowledge is integrated into organizational skills, and organizational skills are especially explicit knowledge and tacit knowledge rather than the ability to integrate into individuals that hold. Specialized knowledge of the individual is integrated into the organizational skills through the organizational structures, and knowledge will be routines within the organization through the integration process.

2.1.3. National Cultural Dimension

Sort by scholars from a variety of cultures as a framework of analysis that recognizes the cultural differences, the most widely used model is the cultural classification of Hofstede. Geert Hofstede is the most well-known name in the field of cross-cultural psychology and business. He started in 1979 with 40 countries and in 1980 published his landmark study of work-related values of employees in 50 countries and three world regions (Hofstede 1979, 1980). The database for this unprecedented research study comprised of questionnaires completed by 100,000 employees of IBM, a large multinational corporation. Based on factor analysis of the data, Hofstede extracted four dimensions on which the different countries/cultures varied. The validity of these four dimensions was tested using a variety of constructs and theories in social sciences. Hofstede (1980) labeled these four dimensions as “Power Distance,” “Uncertainty Avoidance,” “Individualism versus Collectivism” and “Masculinity versus Femininity” respectively. He defined these four dimensions as follows:

- *Power Distance:*

It's the extent to which the less powerful members of institutions and organizations accept that power is distributed unequally.

- *Uncertainty Avoidance:*

It's the extent to which people feel threatened by ambiguous situations, and have created beliefs and institutions that try to avoid such situations.

- *Individualism versus Collectivism:*

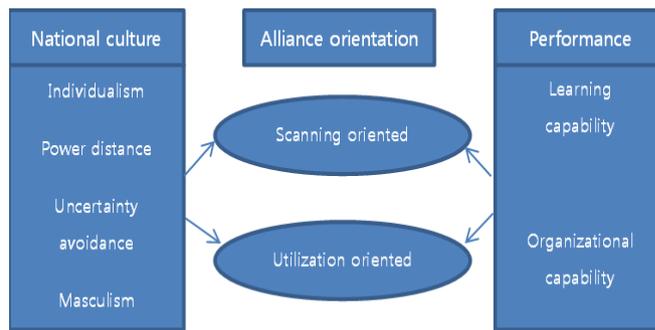
Individualism is a situation in which people are supposed to look after themselves and their immediate family only. Collectivism is a situation in which people belong to in-group or collectivities, which are supposed to look after them, in exchange for loyalty.

- *Masculinity versus Femininity:*

Masculinity is a situation in which the dominant values of society are success, money, and things. Femininity is a situation in which the dominant values of a society are caring for others and quality of life.

Hofstede and Bond (1984) discuss the basic anthropological and societal issues to which the above four dimensions relate. These authors suggest that the power distance dimension is related to social inequality and the amount of authority of one person over others. The uncertainty avoidance dimension is considered related to the way a society deals with conflicts and aggressions and as the last resort with life and death. The third dimension, individualism versus collectivism, is portrayed as being related to the individual's dependence on the group; his or her self-concept as 'I' or 'We'. Lastly, the fourth dimension, masculinity versus femininity, is portrayed as being related to the choice of social sex roles and its effects on people's self-concepts.

2.2. Hypothesis



<H 1> Individualistic cultural tendency will take a positive impact on scanning-alliance type than utilization alliance type.

<H 2> Higher power distance will receive a positive impact on utilization-alliance type than scanning alliance type.

<H 3> Higher uncertainty avoidance tendency will obtain a positive impact on utilization-alliance than scanning alliance.

<H 4> Masculism tendency will take a positive impact on utilization-alliance type than scanning alliance type.

<H 5> Type of Scanning alliance will have a positive impact on learning capabilities.

<H 6> Type of utilization alliance will have a positive impact on organizational capabilities.

3. Data Collection and Measurements

To test this research model, a survey was conducted for the company that has the experience of alliances. The mail survey was conducted through a process in two steps. For this purpose, first we selected 1,000 companies over the prior research by revenue level and sent request of research to the CEOs. From a total of 324 questionnaires, 132 questionnaires were collected. Based on the structured questionnaires sent back to the responsible person listed on the request for research, a total of 101 responses were collected. Among these except for the uncertain responses, a total of 92 responses were obtained in the end.

Table 1. Survey Items

Construct	Items	References
Type of alliance	Scanning alliance Utilization alliance	Grant and Baden-Fuller(2004) Lavie and Rosenkopf(2006), Kandemir(2006)
National culture	Individualism Uncertainty avoidance Power distance Masculism	Hofstede(1980, 1991)
Performance	Learning capabilities Organizational capabilities	Mansfield (1988) Wild, Wild, and Han.(2003), Teece et al.,(1997), Eisenhardt and Martin, 2000, Prahalad and Hamel(1990)

Table 2. Reliability and Factor Analysis for Alliance types

Construct	Organizational capabilities	Learning capabilities	Cronbach's Alpha
Spreading knowledge through job rotation system	0.814	0.207	
Degree for Interdepartmental cooperation system activation	0.811	0.112	0.812
Level of the new knowledge sharing between departments	0.804	0.006	
Degree for external adaptation	0.021	0.801	
Level of new knowledge understanding	0.018	0.811	0.809
Problem solving by new information and knowledge	0.151	0.791	
Eigen value	3.617	1.501	
Variance	34.01	60.01	

Table 3. Reliability and Factor Analysis for National Culture

Construct	Id	Ua	Pd	Ma	Cronbach's Alpha
Nuclear family system	0.739	0.002	0.056	0.021	
Profit-sharing for individual	0.812	0.118	-0.190	0.070	0.712
Bonus system by individual work	0.863	0.142	0.011	0.126	
Centralized organizational structure	0.023	0.822	0.033	0.230	0.806
Wealth and honor of coexistence	0.218	0.799	0.038	-0.012	
Rules and regulations enacted	0.012	0.012	0.865	0.147	
Acceptance degree for innovative ideas	0.212	-3.010	0.863	0.110	0.873
Social Security Level	-0.034	0.163	0.901	-0.128	
Career-oriented values	0.032	0.026	0.009	0.893	
Political participation for women	0.007	-0.014	0.095	0.810	0.888
Eigen value	1.630	1.513	1.672	1.805	
Variance	19.108	15.726	18.301	19.012	

Id: Individualism, U/A: Uncertainty avoidance, P/D: Power distance, Ma: Masculism

Table 4. Reliability and Factor Analysis for Performance

Construct	Organizational capabilities	Learning capabilities	Cronbach's Alpha
Spreading knowledge through job rotation system	0.814	0.207	
Degree for Interdepartmental cooperation system activation	0.811	0.112	0.812
Level of the new knowledge sharing	0.804	0.006	

between departments

Degree for external adaptation	0.021	0.801	
Level of new knowledge understanding	0.018	0.811	0.809
Problem solving by new information and knowledge	0.151	0.791	
Eigen value	3.617	1.501	
Variance	34.01	60.01	

4. Results

In order to verify the hypothesis presented in this paper, the first factor analysis was used to verify the reliability and validity of each variable. Cronbach's Alpha for the reliability test to measure the internal consistency between the variables is generally accepted as meaningful if it's more than 0.6 since it shows that there is no problem with the reliability and validity analysis. In this study, the hypothesis was separated into two stages. The first step was the National Cultural Characteristics of the impact on the selection of the partnership orientation; and for the second step, we examined the effect of alliance orientation on performance.

As shown on Tables 5,6,7,8, it can be seen that national cultural characteristics appear to have significant effects on the type of alliance, orientation and performance. Hypothesis 1, 2, 3, 5 and 6 were supported except hypothesis 4. Therefore, the national cultural characteristics influence the partnership orientation of the company if you choose suitable orientation for the alliances that cultural characteristics could conclude on a positive influence on performance.

5. Conclusion

From these results, it can be said that national cultural characteristics and alliance orientation can achieve better performance when selecting the alliance strategy results in consideration of national cultural characteristics indicating a significant impact on alliance performance.

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