



OTC 8376

International Alliances: Closing the Cultural Gap

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Abstract

As alliances become increasingly common around the world, differences in cultural expectations and the use of language have taken on a new and critical importance. This study examines the importance of cultural issues in the successful implementation of projects where participating companies are linked in a risk/reward agreement.

The review of alliances, including British, American, Canadian, Australian, Arab and Asian companies, revealed that strongly ingrained *national* cultural characteristics such as acceptance of authority and position in a hierarchy, style of communication, and perceptions of risk strongly influenced the ways in which a team functioned. In addition, however, there were very clear *industry* and *company* cultures which were overlaid on the national traits. The interplay of the three determined the willingness or not of different members to adhere to such basic alliance principles as openness, egalitarianism and empowerment.

In no case did we find that the alliance members were given any cultural training nor were they particularly familiar with their partners' national, industry or company cultures. Often it was only after the project was underway, and the joint targets had already been set, that the members clearly understood that different interpretations existed of the so-called agreement.

Although the energy industry has long dealt with multiple nationalities, the introduction of alliance structures has greatly enhanced the need to understand and to incorporate different cultures into the functioning of the team. Clear

communication becomes a key element in the setting of alliance norms and goals and the recognition that English will be interpreted in different ways is important in maximizing alliance results.

Introduction

Alliances are becoming increasingly common in the international energy industry as operators search for ways in which to improve the economics of projects. Even originally skeptical managers have come to believe that the dynamic created in an open environment, with different companies sharing ideas, creates more savings than would have occurred using traditional, segregated ways of working.

Alliances have now spread outside of the US and UK to embrace projects in the Middle East and Asia. As the use of this contracting structure grows, it will inevitably encounter successes and failures, attracting admirers and protagonists. But alliancing is here to stay. An understanding of the critical elements affecting the interactions among members will prove invaluable in constructing a set of partners with the greatest chance of success.

A previous study was conducted by the authors to identify key elements necessary for alliance success and published as OTC 8091, "*Lessons Learned on International Partnering and Alliance Contracts*"(1). Although not addressed in this paper, the research revealed the importance of cultural issues as an influence on alliance outcomes. The alliances surveyed here differ from those in OTC 8091 and were specifically chosen for their multi-national content.

Although the energy industry has always been international, traditional contracts minimized cultural issues by clearly specifying the implications of all possible outcomes in accepted legal language. Alliance agreements, however, are structured with the foreknowledge that outcomes are uncertain. The purpose of the integrated alliance team is to work openly towards commonly agreed goals and targets. The linking together of different nationality companies through risk/reward mechanisms intensifies the need for alliance members to clearly understand one another in the

attempt to comply with common norms. As more nationalities enter into this new arena with high hopes, what can we say has been learned about the importance of cultural issues?

This paper is based on a survey of alliances in the Middle East, Australia, Asia, Europe and North America. It explores the cultural issues important in the formation of the alliance, differences which arose during implementation, and how those issues were treated by the members.

Terms. As in OTC 8091, the terms used in this paper will define *partnerships* and *alliances* as arrangements which include a structure to share reward and/or risk between a client and contractor(s). All of the projects discussed here include multiple contractors, risk/reward and more than one nationality.

The term *contract* will refer to the standard legal document which details terms, conditions and liabilities, while *agreement* refers to the alliance arrangement.

Intersecting Cultures

Discussions with the alliance team members found that three distinct cultural influences were evident on the projects: *national* cultures, *industry* cultures and *company* cultures. Each team participant was influenced by all three, but the relative strength of each culture varied by team member, and perhaps by issue.

Figure 1 shows schematically the interactive affect of cultural influences and how they come together when a project comprising different companies and nationalities is brought together in an integrated team.

National Cultures. National or ethnic cultures provided the general background against which each of the companies were operating. A national culture, according to the Snow *et al.* 1996 article (2), determines an individual's orientation towards such phenomena as inner versus outer directedness, equality versus hierarchy, the nature of status, and time.

Significant work comparing national cultures was conducted by Geert Hofstede in the early 1980's (3) and has subsequently been used as a reference point for work in the cultural field. Particularly important in the context of alliances and team behaviour were national views toward such concepts as individualism versus collectivism, distance from power, and uncertainty avoidance. Nancy Adler elaborates on these concepts in her work, *International Dimensions of Organizational Behavior* (4).

Individualism versus Collectivism: Adler states that

individualism exists when people primarily define themselves as individuals within a loose social framework. Collectivism conversely, is characterized by a tight social framework. She notes that two-thirds of surveyed Arab executives thought that employee loyalty was more important than efficiency.

Distance from Power. Although power and hierarchy exist in all national cultures, the *distance from power* attempts to quantify the extent to which members of a society accept and are comfortable with the unequal distribution of power. The high power distance countries including many Asian nations, accept that hierarchy is normal and must be adhered to. The low power distance countries, including many western areas, do not accept the inevitability of hierarchy and often tend to ignore it.

Uncertainty Avoidance. The third dimension used by Hofstede to classify national cultures is the level of comfort with uncertainty or ambiguity. A country with high uncertainty avoidance, such as Japan, will seek to add structure to ambiguous situations, while those with low uncertainty avoidance, such as some of the Scandinavian countries, will be comfortable in allowing an ambiguous situation to continue.

Figure 2 displays one of Hofstede's standard national cultural comparisons and plots countries according to distance from power and individualism/collectivism. We note that Korea, Indonesia and Singapore are found in the quadrant denoting a large distance from power and low individualism. Arab countries are located in the same quadrant, although with slightly higher individualism characteristics. The national cultures of the US, UK and Australia are found in the opposite quadrant, denoted by small distance from power and high individualism.

Figure 3 plots the same set of countries according to power distance and uncertainty avoidance. In this case, the US, UK, Canada and Australia are characterized by weak uncertainty avoidance as well as small power distance. Indonesia exhibits about the same level of uncertainty avoidance as the western cultures, but with a much larger perceived distance from power. Spain, France and Korea however, show a strong propensity to avoid uncertainty combined with a large distance from power.

Clearly, in an alliance structure these underlying national tendencies take on a heightened importance as the team members strive to solve issues in a collegial way. While some members may want to reduce uncertainty early in the project others may feel much more comfortable to let information unfold and make decisions later. While some cultures are familiar with and respect individualism, others value collectivism. This, then, will influence how members expect

others to behave towards their colleagues and partners in team meetings. As Figure 1 indicates, the national influence will vary from member to member, and likely vary according to the issue.

Industry Cultures. Little has been written on industry culture, but we have found it to play a strong part in the success of alliances. Although some would refer to the "business practices" inherent in a particular national culture, our research revealed that it would be misleading to generalize across industries. While operating within the context of a national culture in many cases, different industries will have unique and often strong industry cultures. The oil industry, in particular, is known for a colourful cast of characters whose *modus operandi* would not be particularly successful in, say, banking.

The alliance survey found that participants from the same national culture expected their discussion of project requirements and schedules to be readily understood and interpreted in a similar manner by their compatriots on the team who were from different industries. They falsely expected that common national traits would lead to common business practices. Only later did they realize that in the other industry those terms and frames of reference carried different meanings.

In an alliance, different industry cultures are linked in an agreement which ties the reward of the parts to the performance of the whole. Clearly, false expectations of meaning and the resulting misunderstandings take on particular significance.

Company Cultures. Contrasted with industry culture, much has been written in management literature about company culture. Snow *et al.*, for instance, states that each company has values, rituals and symbols which serve to bind the employees together into a cohesive organisation

The strength of company culture was evident in our survey of international alliances. The energy industry has long included true multinationals, such as the major oil companies and large service contractors. These firms must develop a strong internal culture which draws many different nationalities into a common set of company values. As the industry has relied more and more on local management, it is not surprising that the company cultures have strengthened in an effort to imbue all individuals with a bind which stretches across nationalities. Therefore, an alliance team member's being an Australian, for example, would be subordinated to his being a representative of multinational Company X.

It is not only multinationals, of course, which have strong company cultures. Many smaller firms have carefully

developed a common set of values and behaviours which define the actions of company members. As shown in Figure 1, the relative influence of national, industry and company cultures will vary by team member.

An Overview of the Survey Alliances

Table 1 summarizes the key elements of the alliances surveyed for this study. They include companies from the US, UK, Australia, Asia and Middle East. We will briefly describe each of the alliances before proceeding to discuss how cultural differences will influence success.

Alliance 1. Alliance 1 is located in Australia and encompasses the engineering, project management, fabrication and installation of a large offshore development. Alliance members included companies from the UK, US, Australia and Singapore.

The US and the UK companies were operating with a mix of nationalities, but mainly Australians, Britons and Americans. The alliance included members with strong company cultures as well as strong national cultures.

Alliance 2. A project situated in the UK, Alliance 2 includes a major element of a large offshore development. Member companies include ones from the UK, US and France. Alliance 2 provided the strongest examples of differing industry cultures' impact on an alliance, including an offshore engineering contractor, a shipbuilding company and a component manufacturer.

Alliance 3. Alliance 3, located in the Middle East, includes the full work scope for design, project management and construction of an onshore plant. Alliance members include Arab, US, UK, Korean and German companies. Strong national and industry differences among the alliance members have been evident from the start of the project. Although there is good personal interaction among the team members, there are strong national cultural biases in the companies' interactions.

Alliance 4. A major Canadian offshore development, Alliance 4 is in the early stages of formation and presently includes only UK, US and Canadian companies. In spite of the apparent homogeneity, company cultural differences have already surfaced and caused a disruptive incident among team members.

Alliance 5. Alliance 5 is a large Asian offshore project, for which potential contractors are currently positioning themselves. Discussions of alliance principles and implementation have revealed significant national and industry cultural hurdles to be overcome among the Asian, US and UK members. Practices common among Asian

companies are sometimes unacceptable to the UK and US members and at other times are simply inconsistent with an open book approach in an alliance.

Cultural Influences on Alliance Success Factors

In OTC 8091, the authors identified a number of elements which influenced the success of an alliance:

Success Elements
 Choosing the Project
 Partner Selection
 Setting Targets
 Team Building
 Facilitators
 Rewards

Research into the cultural aspects of alliances found that a number of these elements were heavily influenced by national cultures, industry cultures and company cultures.

The Project and the Partners. All of the projects reviewed for this paper met the criteria previously identified for alliance candidates: they were large, complex and extended over 18 months. In addition, several included new or unusual technology and all expected new information and surprises to occur after work was already in progress.

Partner selection in the alliances reviewed was a mix of customer choice and contractor choice. In a perfect world, all of the member companies in an alliance would be chosen because of their expertise and commitment to the project. In a number of national cultures, however, issues such as local content, national politics and agents play a strong role in contractor selection.

Alliance 3, in the Middle East, included a key partner who was not the choice of the other alliance members, but selected by the government against the wishes of the other players. Immediately, therefore, one of the significant team members was viewed as a low priced, political choice as opposed to a company committed to alliance principles.

In Alliance 5, in the Far East, contractors are currently positioning themselves for a major project. It is accepted that the national decision to raise local content will mean that whomever is successful will be aligned with a number of local companies. Although this is known in advance, as opposed to the Alliance 3 case, the integration of partners not attuned to working in an open team is very likely to cause difficulties.

However, it is not only *national* cultures which may cause the selection of partners who later prove difficult to integrate

into a team. The very nature of large development projects and the increasing diversity of technological solutions, has meant that different *industries* are being thrown together into alliances. As we shall discuss in Target Setting, industry frameworks can be at least as difficult to align as national differences.

Setting Targets. Agreeing clear, achievable targets within an alliance is the starting point for a long and, hopefully, successful relationship. It is also the trigger point for serious misunderstandings as a result of national and industry differences, as well as communication failures in the common (often English) language.

Alliance 2 provides an excellent example of the affect of different industry cultures on target setting. Based in the UK, with all Western-culture partners, it included an offshore engineering company, a shipyard and a manufacturer. Although agreed targets were set, after the project was well underway the participants discovered that the offshore and shipbuilding industry attached different meanings to the concepts of "scheduling", "complete", and "ready to sail-away". What was entirely acceptable as "complete" on a ship was unacceptable for an offshore structure. Whereas the differences could have been discussed at the front end, each of these two parties assumed that *its industry* norms were what was being heard by the other side. To the manufacturer, on the other hand, a "complete" product meant one that was sent to the buyer and hopefully never seen again.

The Middle East project, Alliance 3, provided many examples of a strong national culture affecting alliance behaviour. In many alliances the targets are adjusted as more information becomes available, particularly in the early stages of the project. Whilst the other alliance members were comfortable with the concept of adjustments, the Arab member was quite insistent that the goal remain the same even when the inputs changed. This led to a mismatch among the accepted targets of the team members.

In two of the alliances, the difference in the use of language between Asian and Western cultures at times impeded communication. A partner in Alliance 3, when asked to meet a certain schedule, replied that it "would be difficult". The Western partners repeated the question, "could he make the schedule?". The Asian partner remained steadfast, "it would be difficult". After several iterations of this conversation, the Western partners concluded that indeed it would be difficult, but that the schedule as discussed was potentially achievable. As time progressed, and the schedule looked less and less likely, it became clear that the Asian contractor had not meant that the date was achievable, but was simply using a culturally acceptable way of saying no.

Agreeing targets among multi-cultural members can begin at the most basic level of the alliance principles. In the case of Alliance 5, for example, it has been difficult to engage the local partners into even the concept of reducing costs. In their country, national competitors have normally been allocated a certain share of work, with accepted margins, agents fees and facilitation payments included. The idea of sharing profits, and certainly of sharing risk, is alien to the industry culture. It is proving difficult to convince the local partners that if they move away from their traditional ways of doing business they will still achieve their traditional success. Whereas the national government has recognized that alliances may well provide a way forward for marginally economic projects, their protected companies are not yet of the same mind.

Team Building. "The Team" forms the central core of any alliance and the interaction of team members is critical to the project's success. The responsibility of the team is for the whole, and the members are jointly accountable. The team should have a clear, shared vision which is communicated among the project participants. A "Best for the Project" culture is desired and intended to cut across all other specific influences on team members.

Many alliances publish principles, or rules of the game, which serve as the background against which individuals should behave. Some examples from an active alliance include:

- Discuss the undiscussable
- Encourage creativity
- Reduce conformity
- Empower team members
- Build trust
- Continuously challenge; business as usual is unacceptable

Team Building Sessions. Team building events and exercises are a favoured way to accelerate the ability of individuals to work together, and every alliance studied had undergone some level of joint training. It is unsurprising that national cultures differed widely in their approach to and acceptance of some of the open communication items listed above. Figures 2 and 3, the Hofstede plots of different cultures' comfort level with power, hierarchy, and ambiguity, give some indication of the relatively strong backgrounds operating behind multinational teams.

In both Alliances 1 and 3, the Asian members tended to be uncomfortable speaking out in a public forum. Whilst the most senior Asian representatives were open in a small group, it was very difficult to drive that openness down into the Asian organisation. It was simply counter to the national

culture for more junior individuals to voice their opinions or concerns in public. The same phenomenon would be mirrored in the Asian company culture.

The Arab members participated well in the team building sessions, but throughout the project continued to show a lack of comfort with any level of ambiguity or expectation of the future. This is strongly supported by the *national* cultural view that anyone expecting to know the future is either insane or irreligious and that God's will will prevail. The *industry* culture has heretofore reduced uncertainty through the use of lump sum contracts, which were entirely fixed scope and fixed price oriented. Whereas in an alliance the unknown is often discussed in order to look for a better way forward, the national and industry culture of the Arab partner moved all discussions to a written record which was then viewed as an agreed document. Team building sessions aimed at encouraging openness were nevertheless unable to overcome the need for a written statement outlining requirements and expectations.

Most of the alliances surveyed viewed their team building sessions as successful. Interpersonal relationships were improved and the training appeared to aid the group to solve problems jointly as opposed to looking to place blame on one partner or the other.

There were indications, however, that the non-Western members simply participated during the sessions as best they could, and then filtered the openness concepts to an acceptable level within their national and industry cultures. For example, a senior Asian member might expect to be challenged when at an Alliance Board level, but not expect that same right to be exercised by junior members of his own organisation.

Communication Difficulties. An example of the difficulties inherent in multi-cultural discussion is given by the noted author on communication, Deborah Tannen (5). She states that while Japanese associate indirectness in speech with maturity and power, Americans associate such lack of directness with insecurity and lack of power. Whereas in American culture, a senior official would be expected to clearly and unequivocally state his demands, the Japanese approach would have the same official speaking in an oblique way which his subordinates would be expected to interpret. With such backgrounds operating, clear communication among parties is a true challenge.

The use of specific phrases in conversation among team members caused a significant incident in Alliance 4. Although all from Western cultures, the US, UK and Canadian team members were not all attuned to the American sensitivity to gender and race issues. During the discussion of

potential difficulties with a supplier, one of the British members used a phrase which one of the American members found offensive. Not only did it cause a rift in the group, but was followed up by a letter to the President of the offending company complaining about their lack of sensitivity. As result of the incident, the team agreed to undergo a diversity training program suggested by one of the partners.

Communicating without offending is always an issue when different national cultures are involved. However, in an industry which has long reveled in its "colourful" nature, the careful use of language may seem something of an anathema. However, when put into a close team relationship, where the interaction of the members becomes a critical element of success, participants are forced to recognize that the words with which they choose to express themselves are quite important.

In addition to the use of "colourful" phrases, one must mention the obvious point that some of the team members in all of the alliances were operating in a language which was not their native tongue. The native English speakers would assume their use of words, and the subtleties therein, were broadly understood by their listeners. This was very frequently not the case.

In Alliance 3, the team members were aware that the participants from one of the Asian companies in general had a very sketchy understanding of English. In the more extreme cases causing serious difficulties in communication at the most basic level. As mentioned earlier, the energy industry has been dealing in the international arena and encountering cultural issues since its inception. With the risk/reward relationship inherent in an alliance, however, the importance of ongoing, clear communication takes on new importance.

While there were large differences among cultural groups in their use of open communication and constructive challenges, there were equal disparities in the level of empowerment given to the project teams. As Hofstede pointed out in Figure 2, nations exhibit significant variation in the degree of hierarchy found in the culture and the perceived distance from power. Those from Western cultures, such as the US, the UK and Australia, tend to view themselves as closer to power, or decision making, than some of the Eastern cultures.

In the alliance teams as well, we found differences in the level of empowerment. *National* culture clearly played a strong role in the degree of authority allowed the project groups outside of the mother organisation. In Alliances 1 and 3, we found that the Asian and Arab team members were far less empowered to make decisions on their own than their Western counterparts. In both cases, team members felt it

necessary to return to their senior management for many issues which others were able to resolve themselves.

Also in Alliance 1, however, was a *company* whose strong hierarchical nature prevented the members from taking decisions which other members felt able to make. Therefore, we conclude that relative level of empowerment can differ over all three types of culture: the national, industry and the company.

Facilitators. Many of the alliances surveyed used outside facilitators to train the team members. These consultants specialised in the art of open communication, clear speaking and use of a "challenge process" which encouraged members to question others while still being constructive.

All nationalities in the survey attended the sessions and participated to a greater or lesser degree. As discussed earlier, some of the techniques used, such as speaking out in an open forum, were foreign to certain national cultures. The facilitators used a paradigm which worked well in Western cultures. This paradigm was not modified according to the cultural mix of the alliance, nor were cultural issues specifically addressed.

It was generally agreed among the alliance participants that the facilitators succeeded in increasing team focus on coordinated problem solving. The manager on Alliance 1 commented that the facilitators were able to help reduce the fear that disclosing a problem was a sign of weakness. However, any expansion of the techniques outside of the direct team was completely subject to the overriding cultural characteristics operating within each team member's organisation.

Rewards. One of the underlying principles of alliances is the importance of recognition and rewards. Different national cultures, however, have very different and conflicting views towards public recognition of individuals. Whilst the American culture may view a public accolade as positive, and even career enhancing, an Asian would find such public acknowledgment an embarrassment. Such a view is embodied in the Japanese saying, "the nail that stands out gets hammered back in."

Alliance 1, which included Western and Eastern national cultures, experimented with different sorts of rewards. A project improvement scheme generated hundreds of cost savings ideas. Good ideas with some impact were then "recognized" with cash payments. More significant cost saving ideas were given prizes such as free meals, in addition to the cash recognition. The alliance team concluded that all of the nationalities represented were satisfied with recognition that resulted in the award of free goods and that this type of

reward crossed national boundaries.

Closing the Cultural Gap

International alliances are fraught with opportunities for cultural gaps and misunderstanding. Whereas the energy industry has a long history of dealing with various nationalities through a legal contract structure, the experience with multi-national alliances is relatively new. Whilst contracts rely on the written word found in a legal document, alliance agreements form a loose framework through which new information and changes to projects are filtered. Therefore, the relationships and accepted norms among the alliance team members define how the alliance will function and become a critical element of success. In addition, the existence of a risk/reward structure which ties the profits of one company to the performance of another intensifies the need for the smooth functioning of a multi-cultural team.

Because of the success of alliances in achieving significant cost reductions, many companies are now entering into these agreements without a true understanding of alliance principles or how one actually functions. Further, the concept is spreading into countries whose basic national culture runs counter to the ideas of equality and openness which are so valued on an alliance team.

In order to participate successfully in an alliance, companies must have their eyes open to the influence of national, industry and company cultures.

Alliance Formation. *Who* is on the team, both from a company and a personal perspective, is the single most important success factor cited by project managers. What we have seen in our research is that the "who" has a much broader definition than the simple name of the company or of the person. The "who" is a combination of national, industry and company cultures which will uniquely determine behaviour of an individual. The interaction of multiple individual cultures will determine the success of the team.

Relationships. Underlying each team member will be a deeply held set of national values on the importance of relationships. Hofstede plotted countries along an individualism/collectivism scale as shown in Figure 2. We would infer from his data, and from our observations in the alliances studied, that US, Australian and UK team members view relationships as a set of highly individualistic interactions. They are comfortable with a team member being outspoken, aggressive and questioning, and do not view this as threatening to the relationships or harmony of the team.

The Asian countries, however, such as Korea and Singapore, sit at the collectivist end of the scale, with the Arab nations being only slightly more individualist. They

will tend to be very *uncomfortable* with a highly outspoken approach to teamwork. A successful team must, firstly, recognize the various views that exist towards relationships among the members, and then choose a way to interact which balances conflicting national cultures.

In addition to affecting the individuals on the team, views towards the importance of relationships will in many cases determine the choice of what companies participate in a project. A governmental relationship with another country, for example, may cause the choice of a certain nationality partner. On a domestic front, it is common, as in Alliance 5, for national companies to be included in a project in order to ensure local content and the preservation of in-country relationships. These partners may put relationships ahead of the "Best for the Project" cost-saving mentality which might otherwise cause the elimination of certain agents, suppliers, and so forth.

Time Orientation. A company's or individual's orientation toward risk/reward is often related to his view of the past and present vis-a-vis the future. We have already mentioned the Arab insistence on committing all to paper, in spite of the alliance's determination to reduce paperwork and to resolve issues in an open, non-bureaucratic way. It is not coincidental that the Arab culture views the future as the will of God, and therefore, essentially unknowable. It would be foolish, therefore, to assume that the future would transpire the way in which one hoped.

Some Western cultures, certainly American, tend to view time in the future as essentially controllable; it can be defined by the individual. Meetings are scheduled to start at specific times and last for specific durations. This treatment of time is considered to be efficient and productive. Other cultures, however, view time not as a commodity to be chopped and sliced, but as a flow of events which are basically uncontrollable. In these cultures, starting times and meeting durations are not critical issues and are treated with less importance.

The different orientation towards time will impact a company's view toward risk and reward. Whereas some Western companies may be comfortable with the concept of risk/reward because they feel they can control events in the future and make time work for them, an Eastern company may look with great skepticism at depending on the future.

Alliance Norms. Once an alliance is formed, whether or not the members had any influence over the selection of their partners, the team must develop a framework which is acceptable to all.

Egalitarianism. The place of hierarchy and authority run

deep within national cultures, industry cultures and company cultures. The very basic alliance tenet which calls for treating each other as partners implies an egalitarianism which is not easily accepted by many cultures. We have already noted the experiences of different alliance reviewed for members to act one way when in team meetings, and quite another when they return to their respective organisations.

Yet, the recognition of different cultural biases and the explicit treatment of them within alliances is, we believe, unusual. The industry appears to be following a heretofore successful model of openness, trust and egalitarianism *whether or not* it is completely appropriate for the cultures assembled within the alliance. In the long run, it will be difficult for team members to practice egalitarianism if it runs against the cultural notions of membership, status and hierarchy operating within their national culture and their organisation.

Empowerment. Empowerment of alliance teams to make the decision which is "Best for the Project" is another important piece of the alliance culture. However, as we have mentioned in our review of the alliances surveyed, there was a great disparity in the actual authority which was devolved to team members from the mother organisation. Some national cultures, for example the Arab, required the participants to revert back to their superiors for issues other members would have been able to resolve themselves.

Company culture, however, can also play a strong role in the level of empowerment granted to an individual. An Australian company in one of the alliances surveyed worked under a very strong company culture, with a strict hierarchy. That team member, like the Arab, was required to revert back to headquarters.

Alliance Language. Clear communication among alliance members is critical to moving the project forward. However, the use of English as a common language has inherent weaknesses which should be recognized by participants. English is a *low-context* language, with most of a word's meaning being captured in its literal definition. For native English speakers, therefore, clarity of intent is relatively easy: what you say is (in general) what you mean.

Others on the team, however, may normally function in high-context languages, where the meaning is only clear when the definition of the word is accompanied by changes in intonation and volume, as well as the use of non-verbal cues such as gestures, body-language, and the use of personal space. The non-native English speakers, therefore, are forced to use words with explicit meanings that may not adequately convey what they really want to say. They are in a difficult position: not only may they misinterpret what the native

English speakers say, but their own intentions may be misheard.

Belief in the shared meanings of words may cause alliance members to miss fundamental differences in the assumptions about risk, reward, commitment and empowerment which emanate from national and company cultural underpinnings.

Conclusion

Energy is an international business, and the energy industry has significant experience dealing with different cultures. The advent and spread of alliances, however, has greatly enhanced the need to understand the driving cultural forces behind our new partners, and to modify behaviour in order to get the most out of the alliance team.

In spite of its long history of multi-national relationships, we found the energy companies in our survey did not explicitly deal with cultural influences. Although the team members recognized that there *were* differences of views on openness, hierarchy, egalitarianism, and so forth, it was not apparent that any of the managers had received any cultural training. They rarely thought about how their words and actions would be interpreted, nor about how the alliance concepts could be implemented in different ways.

The use of English as a common language, long a practice in the industry, has taken on new importance in the alliance framework. Project managers realised that some of the team members were not fluent in English, but that did not seem to translate into an understanding that *both* sides needed to take serious account of the language barrier in order to achieve maximum effectiveness.

We would conclude that an overt recognition of the influence and importance of national, industry and company cultures on an alliance is a necessary ingredient for true success. A company which can assess and anticipate the way in which partners will behave can structure its own behaviour to improve performance of the whole. The first step, however, is for the industry to accept that when tied together in a risk/reward arrangement such as an alliance, an understanding of different cultures is a necessary element for their own success.

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Figure 1

Cultural Influences on Alliances

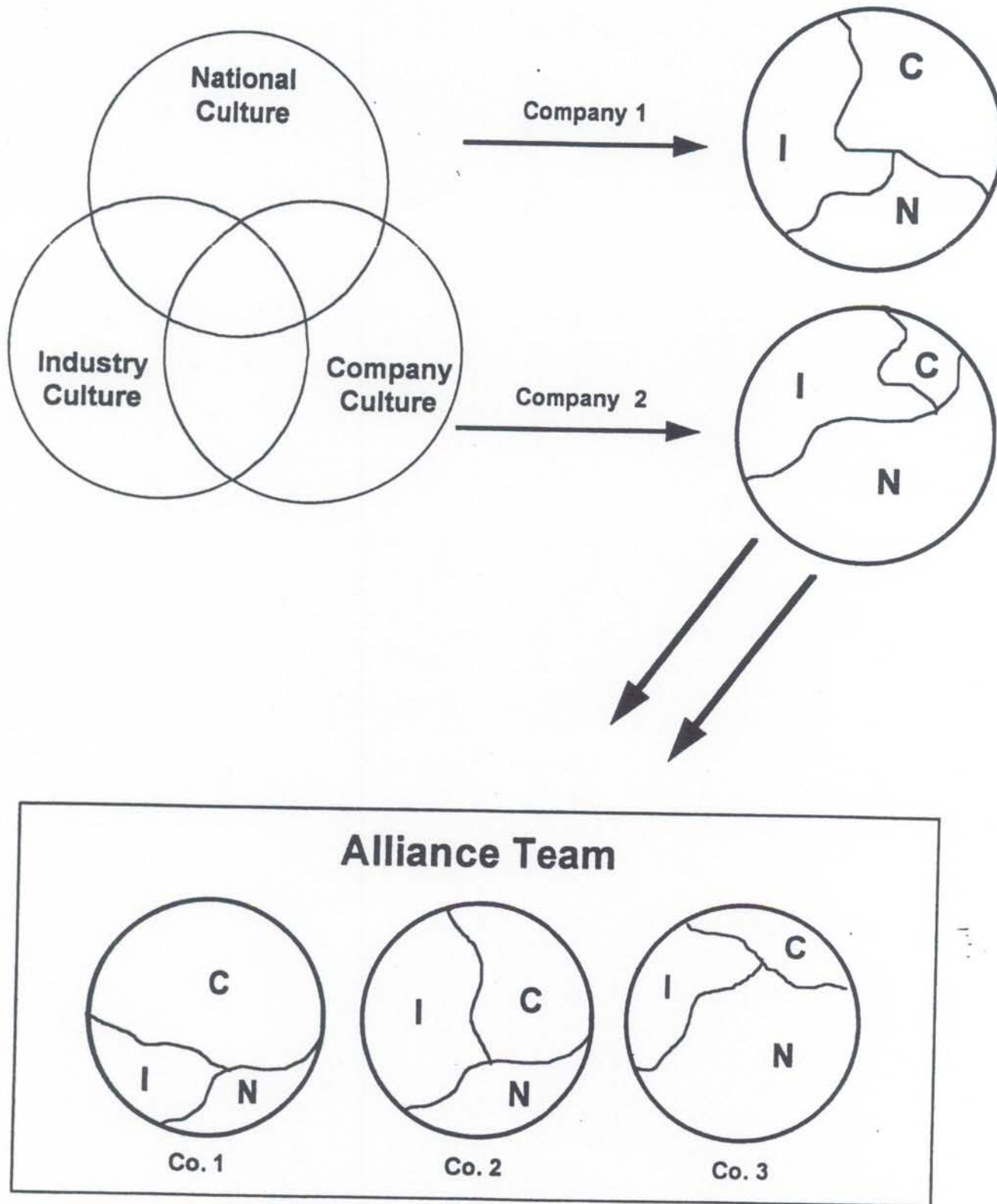


Figure 2

POWER DISTANCE vs. INDIVIDUALISM - COLLECTIVISM

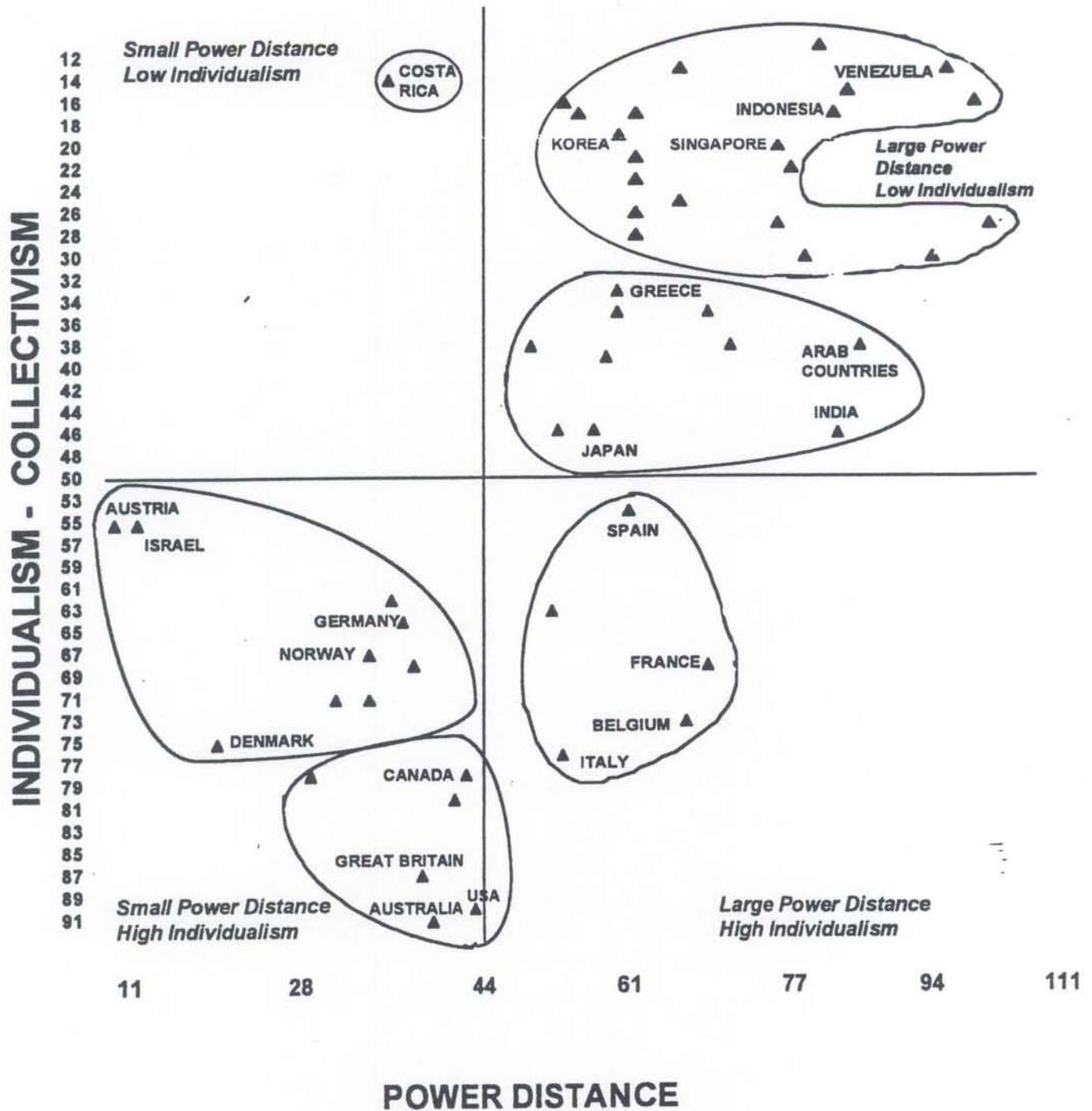
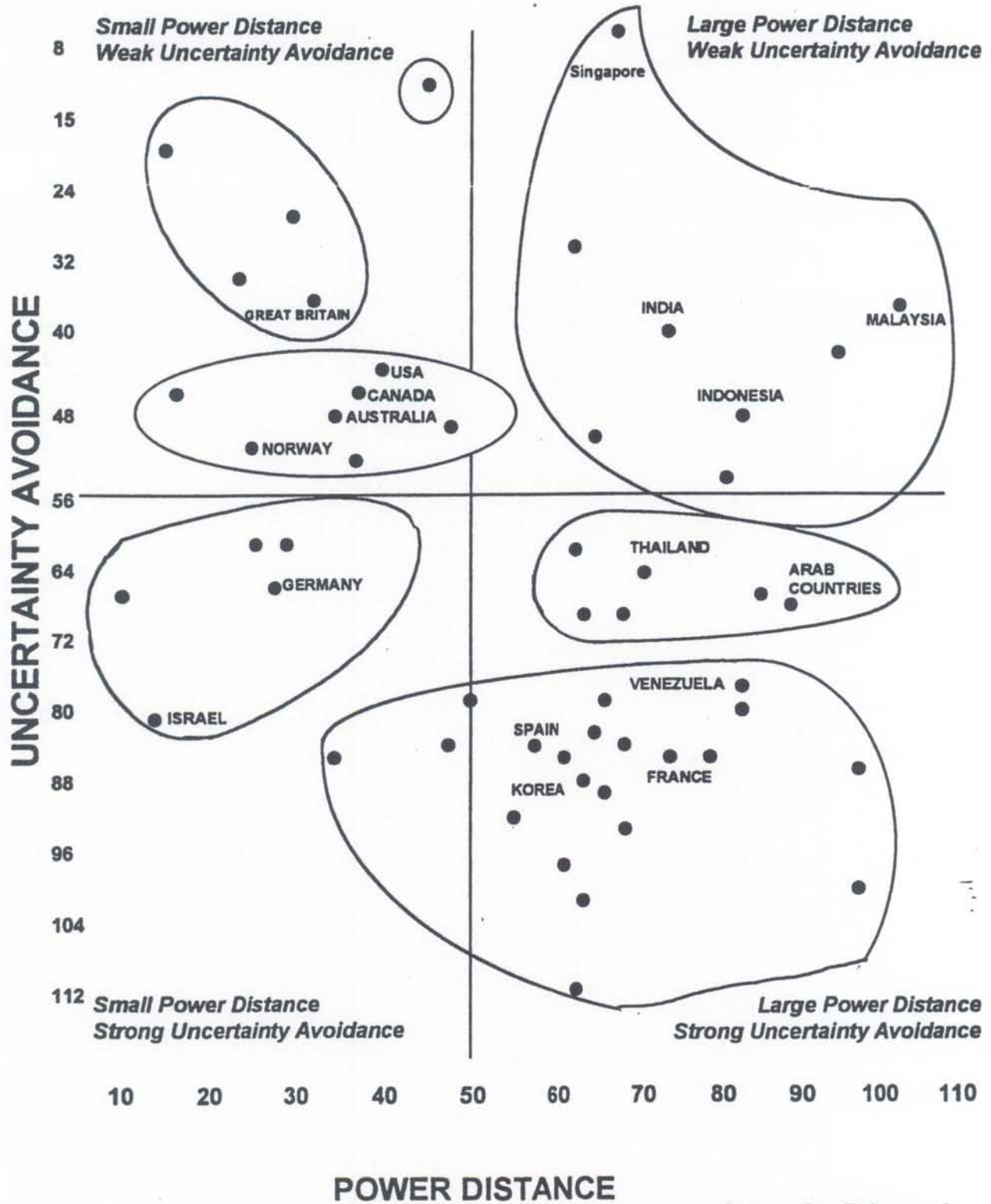


Figure 3

POWER DISTANCE vs. UNCERTAINTY AVOIDANCE



Source: See Reference 3

Table 1**Alliance Agreements**

	Site	Value	Service	Partners
1.	Australia	\$300+ mil.	Offshore Dev't	Australian, US, UK, Singapore
2.	UK	\$300+ mil.	Offshore Dev't	US, UK, French
3.	M. East	\$300+ mil.	Onshore Plant	Arab, US, UK, Korean, German
4.	Canada	\$500+ mil.	Offshore Dev't	Canadian, US, UK (to date)
5.	Asia	\$300+ mil.	Offshore Dev't	US, Asian (to date)