# Reputation by Association:

# Exploring Alliance Formation and Organizational Identity Adaptation


**Lin Lerpold**


## AKADEMISK AVHANDLING

som för avläggande av ekonomie doktorsexamen
vid Handelshögskolan i Stockholm
framlägges till offentlig granskning
fredagen den 9 maj 2003, kl. 10.15
i sal Ragnar på högskolan,
Sveavägen 65


**STOCKHOLM 2003**

# REPUTATION BY ASSOCIATION

## EXPLORING ALLIANCE FORMATION AND ORGANIZATIONAL IDENTITY ADAPTATION

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Dissertation for the degree of
Doctor of Philosophy, Ph.D.
Stockholm School of Economics
Stockholm, 2003


ISBN 91-973849-0-9

*Keywords:*
Inter-firm cooperation
Alliance formation
Organizational identity
Organizational change

*Printed by:*
Gotab, Stockholm 2003

*Distributed by:*
IIB, Institute of International Business
P.O. Box 6501, SE-113 83 Stockholm, Sweden.
Tel: +46 (0)8 736 9500; Fax: +46 (0)8 31 99 27; E-mail: iibve@hhs.se

To Mats, Noah and Emil

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# PREFACE

This doctoral dissertation is part of the research program in International Management (IM) at the Institute of International Business, IIB. It was written while Lin Lerpold was a Ph.D. Candidate at IIB.

The preparation of the thesis was made possible due to the kind support and cooperation of managers and employees of Statoil and British Petroleum. IIB would like to thank all contributors for their generosity and their openness.

Peter Hagström
Director, Institute of International Business
Stockholm School of Economics

# ACKNOWLEDGEMENTS

This thesis is about identity adaptation. The time spent writing this thesis has also been about identity adaptation. Past, present, and possible future. I went from defining myself as a single, overworked, oil industry economist, to being the mother of two boys, a spouse, and a lucky and grateful scholar. Lucky, because I have found what I enjoy doing, and grateful, because I have the chance to do it. I am sure my future will hold many more wonderful experiences. This thesis is a partial result of my identity adaptation. There are many people who deserve great thanks!

My committee has been comprised of extraordinary individuals who have provided excellent intellectual stimuli, support, and encouragement. Gunnar Hedlund first initiated me to the world of academia. His generous, good-humored nature, and intellectual capacity were wonderful stimulants while conducting interviews, discussing work, or otherwise slacking at the unique place called IIB. Playing Canasta, or cross-country skiing with him and his family, made him more than my first supervisor and mentor. He was also my friend. Bengt Stymne admirably took over the job of being my main advisor and has performed this task with great conscientiousness. Thank-you, for having read my numerous rewrites and suggested changes that have significantly improved my work. Thanks also for having the best course in the Ph.D. program! I am very grateful to Yves Doz, a significant expert on alliance theory and management, who generously provided me with constructive, and critically important comments on my work. Udo Zander was also a wonderful inspiration. His undying knack for seeing the interesting aspects, and challenges of half-baked ideas made for a positive and creative atmosphere, which I very much appreciated. Finally, besides making sure that methodology was taken seriously, Peter Hagström had a large part in making this thesis happen. Without him, I would still be bogged down in a thousand unwritten ideas and a never-ending thesis project. Peter, thanks for believing in the contribution of my thesis, as well as giving me the self-confidence to see the project to its end!

Besides my formal committee, there are many more in and around IIB who deserve my special gratitude. Örjan Sölvell for providing the support and atmosphere for combining doctoral studies with a rich personal life. Lena Zander for generously collaborating on so many papers with me. Henrik Glimstedt for inundating me with the importance of history and context. Jerker Denrell for his much needed critical challenge to any idea. Guje Sevón as a wonderfully positive "pie-slinger" who may have recognized my need for a self-confidence boost. Jonas Ridderstråle for helping me put results into perspective. Lotte Brandt for her friendship and unfailing support when thesis chapters mysteriously disappeared, or help was needed in any other way. Laurence Romani and Ciara Sutton for great moral support and encouragement as my closest doctoral candidate cohorts. But all of the members of the IIB crowd have been instrumental in finishing this thesis and making my life a happy one. Thank you Alissa, Anisya, Anna D., Anna K., Carl, Christian, David, Ivo, Julian, Kerstin, Kjell, Lena W., Leonardo, Malin, Niklas A., Niklas L., Omar, Patrick, Robert, Robin, Stefan, and Vanja, for great seminar discussions, all sorts of necessary, and sometimes unnecessary "fire-fighting" help, wonderful "HB" parties, exotic travels, and otherwise for making IIB a terrific place to be!

A thesis cannot be written without the support and encouragement from those who are nearest and dearest. At an early age, my parents convinced me of the idea that higher education was all-important. They also firmly believed I could reach further than I ever believed myself. Without their love, constant support and encouragement I would never have embarked on becoming a lifetime "professional student". I am also indebted to Eva and Thure, for being the best grandparents my children could ever have. Your unfailing, loving help has been influential in allowing me to keep my sanity and to finish this project. My beloved sons, Noah and Emil, helped me to realize the beauty of life. Though work is important, my sons will always anchor me to even more important things. Last, but really first, Mats, thank you for believing in me! Your loving support, unfailing humor, and knack at putting the most inane into perspective, will always mean the world to me.

Stockholm, March 20th, 2003

# CHAPTER ONE
## Breaking out of the iron cage again

"It's not really about sharing costs or risks, or even about learning. I know people talk about internationalization, but let's face it, if you're technically and commercially good in the North Sea you can probably do pretty well anywhere. Statoil wants to change the way they see themselves and the way the rest of the industry sees them. They want to be a real international player, just like we are." (BP manager, 1996)

INDIVIDUALS CAN BUILD reputation by association. In a similar manner, organizations can build reputation by association. This thesis presents evidence that some organizations cooperate in alliances in part motivated by organizational identity adaptation. Organizational identity adaptation as a motive for alliance formation has previously not been identified in the extant literature. Rather, prevailing theories of inter-firm cooperation suggest that alliances are primarily formed for economic reasons, and more easily espoused motives, of cost and risk minimization, strategic behavior, organizational learning, and knowledge transfer. Understanding organizational identity adaptation as a motive for alliance formation follows another logic, less clearly economically efficient, and certainly less readily espoused by managers. It follows "a logic of appropriateness" (March, 1994)[1],

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[1] March (1994) differentiates between two rationalities: limited rationality and rule following, conversely "the logic of consequence" and "the logic of appropriateness". The difference in perspective is defined thus; "Pure rationality and limited rationality share a common perspective, seeing decisions

requiring breaking out of Weber's (1952) "iron cage" of rationality. In this way, organizational strategic action is seen as a sensemaking product of organizational identity connected to organizational action (March, 1994; Weick, 1995; Huff, 1998).

Inter-firm cooperation, both in terms of frequency and strategic importance, has increased dramatically in recent years (Doz & Hamel, 1998; Child & Faulkner, 1998; Anand & Khanna, 2000), but the resulting reported performance has been disappointing. This seems intuitively puzzling. Practitioners and academics alike, predominantly using instability measures (Yan & Zeng, 1999), report performance failures of 30-80% (see e.g., Franko, 1971; Harrigan, 1988a; 1988b; Kogut, 1988b; Bleeke & Ernst, 1991)[2]. Given this dismal performance

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as based on an evaluation of alternatives in terms of their consequences for preferences. This logic of consequences can be contrasted with a logic of appropriateness by which actions are matched to situations by means of rules organized into identities." (ibid., 1994: 57).

[2] The dominant approach to studying alliance performance is the empirical study of joint venture instability characterized by termination or changes in the sponsors' ownership structure (Yan & Zeng, 1999). For instance, Franko (1971) reported an instability rate of 28.5% by considering 3 categories of instability: conversion to wholly owned subsidiary; conversion from a 50/50 to a majority ownership; and sale or liquidation by mutual consent. Kogut (1988b) examined joint venture instability through reporting on mortality rates of joint ventures according to age, function, industry, and country taken from the publication "Mergers and Acquisition". The study reported mortality rates of 72.5%, measured in dissolution or acquisition after 6 years. Similarly, McKinsey consultants, Bleeke and Ernst (1991) examined 49 strategic alliances and reported that 51% were successful for both partners and only 33% resulted in failure for both. A few studies include criteria other than survival and mortality. Similar to Killing's (1983) study where longevity and parent assessments of performance were consistent in assessing the failure cases, Harrigan (1988b) reported that only 45.3%, of 895 strategic alliances, were assessed mutually successful by their sponsors. Venture performance was determined by considering three indicators: venture survival, duration, and sponsor-indicated assessments of success. In her sample, there was a high correlation between instability and partners' assessments of performance.

picture, why do firms continue to form new cooperative ventures? The existing literature suggests a number of economic reasons why firms might seek to cooperate with other firms, but provides few clues as to why they would persist in this behavior if there were no obvious economic benefits to be gained. It is of course possible that alliances are formed by managers who are aware of the fact that many, if not most, inter-firm cooperation have dismal performance rates. Perhaps alliance instigators believe they will beat the odds. Self-efficacy theory (Bandura, 1986) centers on people's beliefs in their capabilities to mobilize the motivation, cognitive resources, and courses of action needed to exercise control over events in their lives. To be successful, in addition to the required skills, a resilient self-belief in one's capabilities is necessary. In the same manner as highly self-efficacious individuals visualize success scenarios (Wood & Bandura, 1989), highly successful managers may discount alliance performance reports and believe that they can exercise control over potential threats. In this way, it may be possible that alliance instigators do not conjure up apprehensive cognitions and, therefore, are not perturbed by them. Given the long history of alliance formation[3], and the predominance of new alliances formed as a contemporary organizational and strategic tool, it seems as if there must be more than managerial hubris that meets the eye.

Another approach, in solving this initial puzzle, may be to question traditional performance measures. Rather than query why firms continue forming alliances in the face of negative performance rates, one can question whether existing performance measures actually evaluate performance properly. Though instability measures as

Killing (1983) also found that longevity and parent assessments of performance were correlated.

[3] Alliances are not a new phenomenon. Rather, we can trace their origins to commercial and maritime enterprises used by trading partners centuries ago in Egypt, Babylon, Phoenicia and Syria (Harrigan, 1985).

performance proxies have been the subject of considerable debate (Yan & Zeng, 1999)[4], there seems to be no consensus on the appropriate measures for evaluating inter-firm cooperation performance (Geringer & Hebert, 1989; 1991; Gray, 2000). Further, performance has traditionally been measured as a singular, holistic assessment of the cooperation, through financial, or what has been called objective criteria, as well as through more subjective measures of "managerial satisfaction"[5]. Partners in cooperative arrangements, however, have numerous motives with their alliance, which may or may not be similar to the motives of their partners (Kogut, 1988a; Doz & Hamel, 1998). Further, the choice of evaluation measures has normally been unrelated to the motives inducing alliance formation. Rather, performance evaluation measures have been those generically used in business research, such as profitability, growth, and cost position (Lecraw, 1983), or traditional measures of survival, duration, and ownership instability (Killing, 1983; Harrigan, 1986; Kogut, 1988b; Geringer & Woodcock, 1995). It may be that cooperation performance should be more closely connected to the motives by which each firm entered into the cooperation. Since the motives of each partner may vary, be multiple, and change over time, performance rates should also vary, be multiple, and change over time. Evaluating performance in this way advocates the necessity of explicitly understanding the

[4] Though joint venture instability is the most empirically used proxy for performance, most previous studies have not examined instability and performance simultaneously, and are therefore unable to establish an unequivocal relationship between the two. Some researchers question the linkage between instability and performance. For instance, Berg and Friedman (1978) documented cases where joint venture termination was an outcome of success, rather than failure. Further, Gomes-Casseres (1988) showed that joint ventures could be terminated because they have successfully accomplished their initial objectives. The change in ownership structures was a matter of adaptive actions to changed external environments or partner internal strategies, rather than a failed partnership.

[5] For good overviews of different performance studies, see e.g., Geringer and Hebert (1991), Yan and Zeng (1999), and Gray (2000).

motives and motivations of alliance formation. It requires going beyond the most visible economically efficient rationales, and perhaps touching on possibly more profound reasons (Kogut, 1988a) than those more easily espoused by "iron-caged" managers[6].

Thus, the intuitive paradox between the rapidly increasing numbers and strategic importance of inter-firm cooperation on the one hand, and the reported dismal performance rates on the other hand, may be resolved through explanations of self-efficacious managers forming alliances for motives not understood by researchers evaluating performance. This thesis is a longitudinal, in-depth case study of the motives and motivations for the formation of the British Petroleum (BP) and Statoil Alliance. The data were collected and analyzed both in real time of the alliance, and ex-post alliance termination in early 1999. A comparative theory approach using extant theories of inter-firm cooperation forms the starting-point of this investigation. On the basis of 120 interviews, massive archival materials, quasi-ethnological observations, and secondary data sources, organizational identity adaptation was serendipitously found to be an important motive for forming this alliance. The processes and dynamics of organizational identity adaptation are further explored in an attempt to generate a mid-level theory of organizational identity adaptation.

[6] An alternative "logic of appropriateness" (March, 1994) explanation for the conundrum between increasing frequency of alliances and performance failures could perhaps also be understood in agency theory terms of self-serving behavior (Jensen & Meckling, 1976), whereby alliance instigators may have some self-interest in forming alliances.

## 1.2 Points of departure

The insights that traditional organizational economics, strategic management, and a myriad of organizational theories have contributed to our understanding on the choice of governance form suggest that alliances are primarily formed for short- or long-term economic efficiency. In transaction cost economics, inter-firm cooperation is seen as a device to reduce production and transactions costs that is more efficient than "internalization" (Williamson, 1975; Buckley & Casson, 1988; Hennart, 1988; 1991). "Porterian" market-power theories emphasize motives for cooperative strategies that relate to market power and profit maximization through competitive industry positioning (Porter, 1980; Porter & Fuller, 1986; Kogut, 1988a). Resource-based views in the strategic management literature propose that alliances are vehicles for access to important complementary resources and capabilities that are too expensive, or time-consuming to grow organically, and too messy to acquire through mergers or acquisitions (Faulkner, 1995; Doz & Hamel, 1998). Resource-dependency theorists view cooperative behavior as a way for firms to successfully negotiate their environment by cooperating with it (Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1978). Other organizational theories of for instance, organizational learning and knowledge transfer, motivate cooperative behavior by considering alliances as means by which firms can learn or transfer organizationally embedded knowledge (Westney, 1988; Badaracco, 1991; Grant & Baden-Fuller, 1995). Though traditional perspectives on the choice of governance form theorize why firms may choose various cooperative arrangements over traditional hierarchical internalization, the theories do not answer why firms should form cooperative arrangements in the face of dismal performance.

Some clues to the initial, intuitive puzzle may be found in more recent work relying on network and institutional theories, which have suggested that organizations may augment their status, legitimacy, or reputation through inter-organizational linkages, resulting in possible benefits such as improved stock market performance, easier access to resources, or even new, profitable alliance connections (Baum & Oliver, 1991; 1992; Podolny, 1994; Stuart, 1998; Stuart et al., 1999). In addition, cooperation may be a result of isomorphic bandwagon behavior (Dimaggio & Powell, 1983) or trends and fashions (Gomes-Casseres, 1987; Hirst & Thompson, 1999; Røvik, 2000). It may be that the motive for cooperative behavior is a result of the kind of individual and organizational social and cognitive processes that lead organizations to increase their status, legitimacy, or reputation. But rather than solely being motivated by economic rationales of, for instance, improved stock market performance or isomorphic pressures, inter-firm cooperation can be viewed as a means of changing an organization's identity, which may or may not be economically rational. As the quote at the beginning of this thesis illustrates, the wish to change how one sees oneself, and how one believes others see oneself, is a motive for alliance formation not yet recognized in the literature on alliance formation. The quest for a new organizational identity may be an important motive for alliance formation that could contribute to our understanding of why firms continue to form new alliances, given the miserable performance rates of such ventures.

Though the literature on motives for inter-firm cooperation has been extensive, and has considerably advanced our understanding of why firms choose cooperative ventures as a governance form, motives have usually been depicted as solely economic, based on rational calculation and analytical processes (Child & Faulkner, 1998). Furthermore, most studies are theoretical and conceptual in nature (Buckley & Casson, 1988; Contractor & Lorange, 1988; Root, 1988; Lorange & Roos, 1992), often based on anecdotal-like evidence or executive consulting experiences. Some empirical studies are based on public announcements of collaborative agreements reported in the economic or financial press (Mariti & Smiley, 1983; Root, 1988) or on mass studies of alliances found in other publicly available materials (Burgers et al., 1993; Hagedoorn, 1993). Other empirical data on alliances usually include interviews with top managers or executives (see e.g., Harrigan, 1985; Geringer, 1988; Faulkner, 1995). The theoretical focus seems to be on understanding the motives for alliance formation from a pure "logic of consequences" (March, 1994), or economically rational perspective, and empirical evidence is either based on espoused rationales portrayed by the business press, and executive interviews, or ex-post, single perspective theory testing of joint ventures in specific industries, using outcome as a proxy for motive intent (see e.g., Berg & Friedman, 1981; Duncan, 1982; Stuckey, 1983). The theoretical and conceptual literature on the economic reasoning of alliances, and espoused arguments of top managers, are naturally important in understanding the motives behind alliances, but they may not be able to explain the whole picture. Even though cooperative arrangements may have more psychological, emotional, or political agendas, economic arguments will almost certainly be the ones advanced to justify the decision to ally (Child &Faulkner, 1998).

The literature on inter-firm cooperation has moved from a series of singular, theoretic perspectives towards attempts at an integrated theory, with the consequence of what has been described as a chaos of theoretical perspectives and methodological approaches (Osborn & Hagedoorn, 1997). As Oliver (1990: 241) puts it: "we no longer know what we know about the formation of inter-organizational relationships." This suggests the necessity of grounding our research in the organizational phenomena. In this thesis, the focus is on the *motives and motivations* for alliance formation, as defined by the underlying causes or contingencies that induced the formation (Oliver, 1990). Different theoretical perspectives, positing an alliance governance form, are used to understand respondent perceived motives for this one, particular alliance. The study presented, here is of a multinational strategic alliance that was considered, strictly economically speaking, unsuccessful by both partners and terminated earlier than expected. At the same time, the alliance was hailed as a success for the one firm in terms of organizational identity adaptation.

Attention to social and cognitive aspects of inter-firm cooperation, which are not strictly economically efficient, can complement and extend existing work and further our understanding of cooperative behavior. The decision to form an alliance is not strictly economic but is also a social, psychological, and emotional phenomenon (Tallman & Shenkar, 1994). Max Weber (1952) warned that the rationalist order had become an iron cage in which humanity was imprisoned. Understanding why firms continue to form new alliances, given bleak performance rates, requires breaking out of Weber's iron cage and applying "non-pecuniary motivations for behavior into economic reasoning" (Akerlof & Kranton, 2000: 749). Social and cognitive perspectives, such as are in organizational identity adaptation, are certainly not the sole motives behind cooperative behavior. Economic efficiency motives play an important part in the motivation to cooperate and are those most easily espoused. Rather, identity adaptation as a motive for alliance formation may explain parts of the initial puzzle that complements explanations offered by more established theories. Organizational identity adaptation as a motive for alliance formation is deep-rooted in profound social and cognitive conceptions of self in relation to others that defy traditional alliance performance measurement. If alliances are motivated by organizational identity adaptation, while performance measures are based on economic efficiency criteria, rather than on whether an organization has adapted its identity, then the evaluation of the alliances' performance is inconsistent and misleading.

## 1.3 Research definition

This thesis is focused on understanding the seeming paradox between an unprecedented number of new alliances and the dismal reported performance rates. Though the literature on inter-firm cooperation is abundant, it has been clothed in "iron-caged" economic rationality with little focus on social and cognitive aspects. Further, the cooperative behavior literature has been described as chaos of theoretical perspectives and methodological approaches (Oliver, 1990; Parkhe, 1993; Osborn & Hagedoorn, 1997). This apparent chaos required grounding research in the organizational phenomena. Hence, the research logic in this thesis was driven by the wish to link empirical data to theory in an inductive process moving towards the generation of an empirically valid theory that could be subject to testing and refinement through later replication logic. In this study, the motives and motivations for the BP and Statoil alliance formation are investigated, as defined by the underlying causes or contingencies that induced the formation (Oliver, 1990), as well as the processes thereof. The method of an in-depth case study, using multiple data sources, was specifically chosen to "unfreeze" thinking, giving the potential to generate theory with less researcher bias than theory built from more deductive approaches (Eisenhardt, 1989).

This thesis focuses on alliance formation motives. The interest was in going beyond "espoused theory" to a "theory in use" (Argyris & Schön, 1996). This required detailed study at several levels in the collaborating firms. The notable absence in most of the literature seems to be of studies penetrating the operational level of the alliance (Parkhe, 1993). It could be argued that it is only top-level managers who have a clear idea of the motives for alliance formation. Indeed, most research on alliances is focused on managerial insight as discussed in chapter four. As Child and Faulkner (1998: 68) put it: "economic arguments will almost certainly be advanced to justify", but in this thesis the interest was to go beyond espoused justification and even explore possible "hidden agendas" (Hagedoorn, 1993), as made salient by different respondents working in the alliance. Further, the focus on understanding organizational identity adaptation as an alliance motive, in the second part of this thesis, necessitated a broader base of respondents. The collective "imaginations" (Anderson, 1983) of organizational members' definitions of their organizational features could not be left only to managers at higher echelons. Rather, to get a representative range of reactions, and because the focus was on how organizational members throughout the alliance understood the motives for alliance formation, respondents were a cross-section of personnel working in, or for, the alliance.

The research design involves two interlinked approaches. First, a "comparative theory" approach (Boddewyn, 1965; Greenwood, 1974) was used to juxtapose extant theories of alliance formation with each other, and to compare the theories with the motives for the BP and Statoil alliance. As will become evident, the comparative theory approach led to the serendipitous discovery of organizational identity adaptation as an important motive for alliance formation. Based on this finding, a "grounded theory" approach involving becoming "theoretically sensitive" (Glaser & Strauss, 1967) was used to generate a theoretical process model of organizational identity adaptation through the use of an alliance. The parallel processing of the extant literature and collected data, recommended for "mid-level theory" generation (Eisenhardt & Bourgeois, 1988; Weick, 1989; Parkhe, 1993), facilitated the development, refinement, and delimitation of research questions. The final, refined research questions can be phrased in the following way:

1. How does the extant literature on governance forms explain alliance formation motives and motivations?
2. What were the motives and motivations for forming the BP and Statoil alliance, as perceived by employees?
3. How do the extant theories compare to the motives and motivations reported by BP and Statoil respondents?
4. How does a firm's organizational identity adapt through an alliance as an organizational transformation tool?
5. What are the processes involved in organizational identity adaptation?

The first research question is fairly straightforward. A theoretical point of departure is taken in the extant literature on inter-firm cooperative ventures as a choice of governance form. The second research question deals with understanding the motives and motivations as understood by BP and Statoil employees. In this area, the focus is on respondents' understanding of "theory-in-use" (Argyris & Schön, 1996: 13)[7] motives and motivations, rather than "espoused theory" (ibid.) motives officially quoted in company materials, press clippings, and official managerial responses. This division was driven by the respondents themselves since they clearly differentiated between what they believed were the actual motives and motivations behind the alliance formation, and what they were told through company materials, company "town-hall meetings", and managerial "forced explanations". The third research question juxtaposes extant alliance formation

[7] Argyris and Schön (1996: 13) discuss two theories of action where "espoused theory" is a theory of action that is advanced to explain or justify a given pattern of activity. The other, "theory-in-use", is a theory of action that is implicit in the performance of that pattern of activity. According to Argyris and Schön (ibid.: 13-14), "In the case of organizations, a theory-in-use must be constructed from observation of the patterns of interactive behavior produced by individual members of the organization, insofar as their behavior is governed by formal or informal rules for collective decision, delegation, and membership."

theories with the motives and motivations for forming the BP and Statoil alliance. The result of this comparison was a serendipitous discovery of organizational identity adaptation as a salient motive for forming the BP and Statoil alliance. Organizational identity adaptation as a motive for forming alliances had not been identified in the extant literature on alliance formation and is thus investigated further in research question four. Research question five inductively explores the processes of organizational identity adaptation through the use of an alliance organizational tool.[8]

## 1.4 Some concepts and delimitations

The focus of this study is on understanding the motives and motivations for the particular alliance between BP and Statoil. In this context, alliances and mergers and acquisitions (M&As) are not considered the same organisational phenomena since alliance partners are separated by legal boundaries, whilst mergers and acquisitions result in a single legal entity. Even though cooperation sometimes culminates in a merger or acquisition situation, the difference between cooperative partnerships and M&As matters because at instigation the goals regarding organizational structure are clearly different. Indeed, the extant literature rarely problematizes the distinction and the literature on cooperative behavior and M&As are usually treated as separate bodies of work. Though some integration and cultural challenges are undoubtedly driven by similar logic and involve many common issues, in this thesis the focus is in particular on understanding the motives and motivation for forming a particular alliance, rather than on integrating cultures or identities.

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[8] The underlying logics behind each refined research question can be divided into March's (1994) two logics. The first three research questions are characterized by a "logic of consequences", while the last two questions based on the serendipitous discovery were more informed by a "logic of appropriateness".

Collaborative behavior may take many forms (see e.g., Lorange, 1986; Faulkner, 1995 for typologies of cooperation). The terms strategic alliances, partnerships, coalitions, joint ventures, franchises, research consortia, and network organizations are different names for the same phenomena. Namely, loose or tight cooperation, between separate legal entities, involving collaborative behavior between independent firms to combine resources and efforts in the short or long term. Since it is recognized that different legal, governance and equity arrangements have a bearing on various aspects of alliance life and performance (e.g., Doz & Hamel, 1998; Child & Faulkner, 1998), specific terms for differentiation are used when deemed particularly necessary. In this thesis, the interest is in cooperative behavior motives and the context in which they happen. Ex-post formation management, unless specifically pertaining to the motives for forming the alliance, are left outside the scope of this thesis. Rather, the focus is on the motives and the context for those motives (motivations) as understood both ex-post and in real time of the alliance. Thus, when not specifically warranted, the terms are used interchangeably but also grouped together under the generic label of "alliances".

Though the literature on alliance formation deals mostly with the theoretical explanation of the choice of cooperative arrangements as a governance structure, for instance Hennart's (1988) "A transaction costs theory of equity joint ventures", this thesis uses received wisdom for understanding the context of motives and motivations for BP and Statoil in forming their particular alliance. In this was, the study is on the motives per se, rather than the choice of an alliance governance form over another governance structure. A motive is defined as "something (as a need or desire) that causes a person to act" (Encyclopædia Britannica, Feb. 5, 2003, from Encyclopædia Britannica Online). The term *motive* is used to denote the rationalization of acts rather than the motivated acts in themselves (Foote, 1951: 14). The difference lying in understanding why the firms went into the alliance, rather than that they did so. Similarly, "motivation" is defined as "forces acting either on or within a person to initiate behaviour" (Encyclopædia Britannica, Feb. 5, 2003, from Encyclopædia Britannica Online). The term *motivation* is defined as the problematic situation that calls for performance of a particular act. Thus, motive refers to sensemaking (Weick, 1995) of why the firms entered into the alliance, while motivation refers to the contextual situation serving as an impetus to alliance formation. This thesis is focused on both motives and the motivations for the BP and Statoil alliance, as perceived by respondents.

Based on the serendipitous discovery, the second part of this study has a point of departure in Albert and Whetton's (1985) seminal triadic perspective of organizational identity as those features that organizational members consider *central, enduring, and distinctive.* Organizational identity is defined as what is taken by organization members to be *central* to the organization, what makes the organization *distinctive* from other organizations, and what is perceived by members to be *enduring* or continuing features linking the present organization with the past. In this way, organizational identity represents how members of an organization answer self-reflective questions such as "Who are we?", "What kind of business are we in?", and "What do we want to be?" (Albert & Whetton, 1985: 265). This definition of organizational identity draws on the personal or individual identity theories found in the psychology and social psychology literature (e.g., James, 1918; Erickson, 1964), along with concepts of self-categorization and in-group out-group dynamics in social identity theories (e.g., Tajfel & Turner, 1979; Turner, 1985). In this perspective, two important interdependent concepts are "identity" and "image", where *identity* is the way organizational members see themselves as an organization, and *image* is the way insiders believe outsiders see their organization (Dutton & Dukerich, 1991; Dutton et al., 1994).

Further, the focus is on respondents at several levels of analysis, but only one construct: organizational identity. In other words, this research deals with respondents' perception of the firm's organization's identity. The study is not particularly concerned with an individual's identity, nor with a particular group's identity. An individual's identity, a group's identity, and an organization's identity are most likely different from each other, involving unrelated constructs and variables. Neither is the study focused on an individuals' identification with the organization, meaning how and if individuals buy into a firm's organizational identity. Rather, the study is focused on individuals' "theory in use" (Argyris & Schön, 1996) perspective, located at different levels of analysis, of the firm's organizational identity.

The above perspective of organizational identity theory has parallels to discussions of identity in neo-institutional theories[9]. In this thesis, concepts primarily from emerging organizational identity theories were used to understand and describe the unexpected motive for alliance formation. This choice of theoretical framework was driven by the empirical data as will be discussed in chapter five. Furthermore, though many organizational theories incorporate identity as a concept in their models, identity is specifically focused on in organizational identity theory. In this way, organizational identity theory can be seen as a complementary theory, specifically focused on identity, building on more established organizational theories. For instance, though neo-institutional theory concepts of identity, reputation, and legitimacy have similarities to organizational identity theory concepts of identity,

[9] In their review of the state of institutional theory, DiMaggio and Powell (1991: 13) distinguished between the old and new institutionalism. The convergence around multiple themes coming together of the old and the new institutionalism is that which is labeled "neo-institutionalism" (Greenwood & Hinings, 1996). For instance, Scott's (1995) book on institutions and organizations is a converging text involving all of the elements of the old and new institutional theory.

image, and status, there seems to be an important difference in defining logic. The major difference being that in organizational identity theories, identity is discovered and created, rather than adopted or imposed as in neo-institutional theories.

A short review of the differences and similarities between neo-institutional theory and organizational identity theory seems in order. As organizations are infused with values by self-reflecting on the organization's own distinctive history, the people and groups involved, and the way the organization has adapted to the environment, the organization acquires a character structure, or an "identity" (Selznick, 1957; Scott, 1995). In the perspective of what *organizational identity* can be defined as, organizational identity theory and institutional theory are closely related. But whereas institutional theorists (e.g., Meyer & Rowan, 1977; DiMaggio & Powell, 1983) emphasize the extent to which wider belief systems and cultural frames are imposed on, or adopted by individual actors and organizations, organizational identity theorists emphasize the interactive and negotiated nature of choice (Scott, 1995). In this way, in organizational identity theory individuals play a more active part, rather than consistently conform to the inevitability of institutional processes, such as e.g., mimetic processes (DiMaggio & Powell, 1983)[10]. Neo-institutional theory has other parallels to concepts in organizational identity theory as well. For instance, DiMaggio and Powell's (1983) seminal article on isomorphic processes whereby individuals and organizations deal with

[10] An analogy can be drawn to a salient critique of competitive strategy thinking (e.g., Porter, 1980) where the importance of managerial choice is neglected (Child, 1972). In a similar manner, it could be argued that institutional theory assumes pre-determination in the definition of identity, rather than the more active role assumed in organizational identity theories. Legitimacy e.g., in institutional theory is not a commodity to be possessed, but rather a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws (Scott, 1995). In organizational identity theories, legitimacy is treated more as a resource that can possibly be managerially attained.

uncertainty by imitating the ways of others whom we use as models, is similar to the literature on role models and prototypical members of groups in the social identity theory (e.g., Ashford, 2001; Hogg & Abrams, 2001). Thus, the concept of imitation of others whom we regard as superior or more successful than ourselves, closely resembles the concept that individuals and organizations seek and value social identities that enhance their individual or organizational self-esteem and status.

Finally, in this study organizational identity *adaptation* was seen as an important motive for Statoil to ally with BP. Though the thesis does not focus on whether or not the firms actually adapted their organizational identity, rather on adaptation as a motive for alliance formation, it is necessary to clarify the usage of the term "adaptation". In this thesis, adaptation refers to a form of change and has had a variable meaning in a number of organization theoretical fields[11]. "Organizational identity adaptation" is seen as a change in the members' collectively understood features of organizational identity. Two aspects of change frequently differentiated are convergent and radical change, and revolutionary and evolutionary change (Greenwood & Hinings, 1996)[12]. Drawing from organizational theories,

[11] For instance, organizational change in neo-institutional theories is concerned with institutionally derived and created templates of organizing to which organizations converge (Greenwood & Hinings, 1996). To survive, organizations must accommodate institutional expectations and thus converge through contextual isomorphism (DiMaggio & Powell, 1991). In contingency theory, different environments place different requirements on subunits within organizations (Lawrence & Lorsch, 1967). In this view, "adaptation" is seen as the match or co-alignment of an organization and its environment. Similarly, though with a focus on the selection processes of populations of organizations, population ecology is concerned with "change in the composition of a set of organizations from differential replacement of one form by another" (Hannon & Carroll, 1995: 23).

[12] Radical organizational change refers to busting loose from an existing orientation and a transformation of an organization. Convergent change is fine-

the adaptation discussed in this thesis is seen as more convergent and evolutionary, involving a slow and gradual, fine-tuning of a present organizational identity towards a chosen future organizational identity. Further, as discussed more in-depth in chapter seven, "adaptation" is seen as aligning with chosen environmental contextual factors, such as for instance, history, society, culture, competition, and politics[13].

## 1.5 Preview of the study and major contributions

This thesis reports on a longitudinal, real time and ex-post, study of the BP and Statoil Alliance. The data collected includes 120 interviews, secondary data, archival materials, and participant observation, spanning over a 10-year period, from alliance start to alliance end. Thus, this study represents a major empirical and longitudinal contribution rarely seen in management studies. Furthermore, this thesis documents a "plausibly interesting" (Weick, 1989) case, of social and cognitive processes, that is important in it's own right (Hägg & Hedlund, 1979), and should lead to further investigation. In addition, the thesis avails a multi-theoretic approach to understanding alliance formation motives, rather than a more dogmatic one-perspective juxtaposition. The benefits, derived from this theoretically eclectic approach, are believed to be a fuller understanding of the many

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tuning the existing orientation. Evolutionary change occurs slowly and gradually, while revolutionary change happens swiftly and affects virtually all parts of the organization simultaneously (Greenwood & Hinings, 1996).

[13] Though organizations adapt their organizational identity to align with environmental contextual variables as described in Chapter 7, the usage of "adaptation" in this thesis also entails an active choice in aligning with chosen contextual factors. To illustrate, "internationalization" per se was considered a good thing in the Norwegian context. To be an *international* company meant by definition to be a *successful* company. Other contextually derived identity features such as safety and security conscious, environmentally protective, and technologically advanced were superseded by the choice of wanting to have an organizational identity as an "international" organization.

different issues of alliance formation motives and a more holistic picture including social and cognitive aspects.

In particular, this study has implications and contributions in two main theoretical areas. First of all, this study contributes to inter-firm cooperation theory, and in particular to theories on alliance formation. As discussed earlier, the theoretical field of inter-firm cooperation is a chaos of theoretical perspectives and methodological approaches (Osborn & Hagedoorn, 1997). This suggested the necessity of grounding the research in the organizational phenomena under investigation. This thesis grounds the motives and motivation for alliance formation in the BP and Statoil alliance. Rather than juxtaposing singular theoretical perspectives, the comparative approach used in this study examines alliance formation motives and motivations in a longitudinal, in-depth case study. This approach allowed for evaluating the posited chaos of theoretical perspectives applied to the extant literature on inter-firm cooperation, and brings our understanding back to the organizational phenomena. In answer to Oliver's (1990) argument, this thesis attempts to find out what we actually know about the formation of inter-firm cooperation. In this study, organizational identity adaptation is found to be an important motive for alliance formation. Allying in an alliance for organizational identity adaptation has not previously been identified in extant literature.

Secondly, this thesis has implications for the theories and literature on organizational identity. The result of this study shows that organizational identity adaptation is an important complementary motive for alliance formation. In this way, organizations adapt their organizational identity through processes of organizational role model emulation, identification and imitation, and self-categorization in industry-strategic reference groups. The study extends identity theories to a macro perspective of organizational identity construction within the industry. This study also joins the current debate in taking issue with organizational identity features as central, enduring, and distinctive (Albert & Whetton, 1985). In this study, organizational identity is seen as more post-modern in that organizational identity is considered to be composed of multiple identities and thus less holistic, more fluid because of the changing external contextual environment, and less distinct because of the perceived need to be included in the industry in-group.

Finally, the study links organizational identity theory to strategic action, in as much that a firm's organizational identity is important in the strategic directions a firm undertakes. In this study, Statoil allied with BP in part to change their organizational identity. Entering into the alliance was an important strategic move that involved large economic investments, human resources, and managerial time. The choice of partner was by and large based on industry self-categorization and in-group/out-group considerations, as well as an "identity gap" (Reger et al., 1994) between Statoil's initial identity, as a primarily domestic national oil company, and Statoil's ideal, future identity, as an important international player. This gap mobilized it to seek an alliance with BP as a prototypical member of the industry in-group.

## 1.6 Structure of the study

The structure of this thesis follows in part the research process, at the same time allowing for some changes in sequence for readability. Grounded theory approaches of "theoretical sensitizing" (Glaser, 1978) and a parallel processing of data and literature, advocated by an "inductive process" (Blalock, 1969), would have made a clear structure based on the true research process impossible. At the same time, a traditional deductive research approach of presenting theory first, followed sequentially by methods, results, and conclusions, though possible, would have altered the spirit and research process of this thesis. Hence, chapter two reviews the two interlinked methodological approaches availed in this study. Chapter three is a historical narration of the firms and the environmental context which the study takes place in. Chapter four is a literature review on extant alliance formation theories and empirical studies. Chapter five is a data presentation and reports on the results of the comparative theory approach to alliance motives, includes a discussion of implications, and offers conclusions to the first part of this thesis. Chapter six discusses the motives of international knowledge and organizational identity, also this, a result of parallel data and literature processing. Chapter seven explores organizational identity adaptation and introduces the inductively grounded model of organizational identity dynamics. Finally, chapter eight discusses the implications of, and conclusions to, the thesis.

# CHAPTER TWO
## Research methodology

THE OVERVIEW IN THE FIRST CHAPTER established the subject of inquiry for this study. It concerned what seemed to be an insufficiency of theoretical perspectives on alliance formation to address the intuitive puzzle of why firms continue to form new alliances, in the face of poor performance expectation. As described, the chaotic state of theories and methods used in the inter-firm cooperation literature (Oliver, 1990; Parkhe, 1993) required grounding the research in the organizational phenomenon. This concern was a driving force in this study. In this chapter, a review of how this study came about, the research design, and the methods are discussed.

### 2.1 The research process: Towards a serendipitous discovery

This study reports on the results of both an inductive and deductive journey. Though the study reported in this thesis specifically regards alliance formation motives, as related to the BP and Statoil alliance, it is necessary to describe the journey towards what can be called the "serendipitous discovery"[14]. Understanding the BP and Statoil alliance formation motives was a salient part of each data collection phase, and it was thus possible to use both pilot study and the second phase data collection, to analyze alliance formation motives. The fact that the pilot

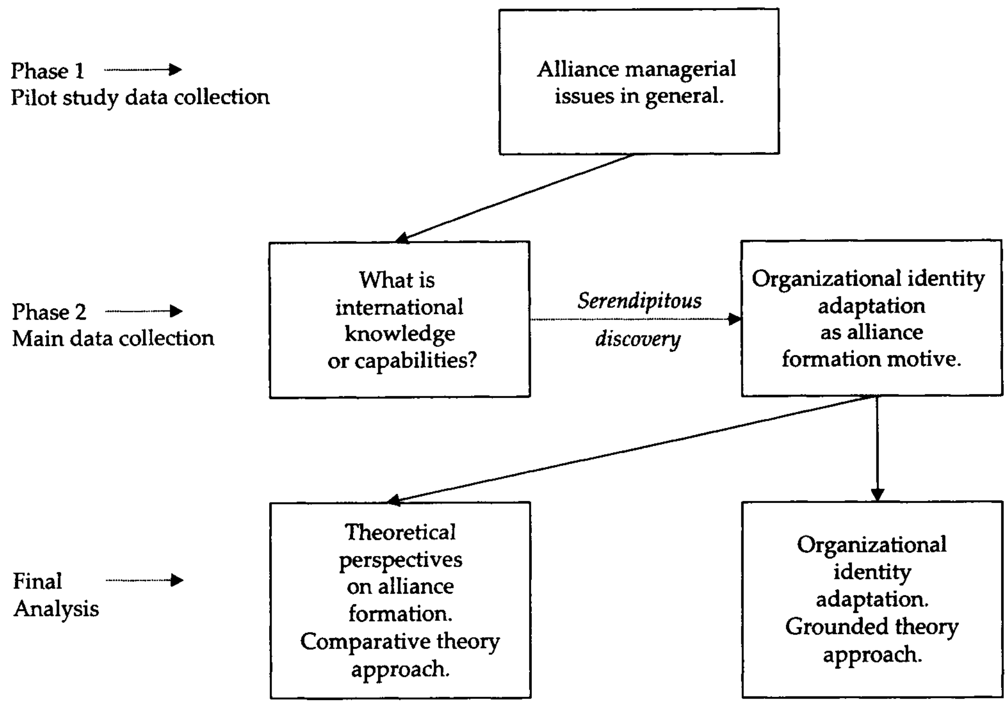
[14] Serendipity in theory development is defined as an unanticipated, anomalous, and strategic finding that gives rise to a new hypothesis (Merton, 1949; 1967). It closely resembles the term that Glaser and Strauss (1967) call "intuitive insights".

study data collection was focused on more general managerial issues, and the second phase data collection was initially focused on the nature and content of international knowledge remains unproblematic since all interviews were begun by discussing the alliance motives and motivations[15]. The issue of motives for forming the BP and Statoil alliance was discussed with each of the respondents.

All interview data were used even though the research questions were changed and refined throughout the journey. The research process involved two phases of data collection along with corresponding parallel processing of data and literature, an exploratory pilot phase and a main phase, as well as three separate data analysis parts. The first data analysis focused on alliance management issues in general, the second concentrated on formation motives for the BP and Statoil alliance, and the third looked specifically at organizational identity adaptation. Figure 2.1 is a schematic of how the research was pursued.

[15] See interview guides in the appendices.

**Figure 2.1 The research flow**



First, an exploratory pilot study was undertaken in order to achieve a more comprehensive understanding of the general issues important to managing a multinational strategic alliance. The objective was to find out what kinds of issues were considered important to the individuals both working in the alliance and those individuals managing the alliance from corporate staff positions. The study consisted of a broad investigation of alliance issues in the BP and Statoil exploration and production alliance. The study was purposely explorative and descriptive. More specifically, the study tried to identify the most important problems as perceived by those involved in the alliance, assess the seriousness of these problems for the effective management of the alliance, and consider whether the problems emanated from and were experienced primarily at the operational, working team level, or primarily originated and were manifested at higher organizational levels. Somewhat simplistically put, the study wanted to see whether problems were a matter of cultures in the working teams or of the surrounding organizational context, including strategic direction or lack thereof, and top management. See appendix one for the pilot study interview guide. The study was conducted through participant-observation, in-depth interviews, and a survey of internal documents at both BP and Statoil[16]. The 54 semi-structured interviews, conducted from July until October 1995, covered a balance of employees from both companies, at all levels and functions, both within the joint asset teams, the alliance management team, and in the shadow teams located at the non-operator. The interviews were conducted at both BP and Statoil headquarters, and at the two site offices in Ho Chi Minh City and Lagos, and were conducted in English or Norwegian, depending on the respondent's preference. Interviews were not tape recorded, but minutes were taken during the interviews. Most

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[16] See appendix four for a list of participant observations, archival materials, and secondary data.

interviews were conducted with another researcher[17], and minutes were written out after discussions with the co-interviewer.

The descriptive results of the pilot study with regard to alliance workings and challenges are in part reported on in chapter three, as a context for the thesis. A major finding in the pilot study was that Statoil wanted to learn about knowledge of international business and internationalization, or for short "internationalization capabilities", defined as the accumulated skills and expertise, cognitive as well as practical, that allows a firm to increasingly create and exploit its international operations. The alliance between BP and Statoil was to be the tool in this endeavor. It was believed that BP had a long history and experience in these internationalization capabilities and would thus be a prime organization to learn or transfer this knowledge. It was in this area that the second data collection commenced.

The second phase of this study was not meant to focus on traditional structures of the internationalization process of the firm, rather it was a study of the capabilities necessary for transforming the mindset of employees and diffusing and internalizing these capabilities corporate wide. Thus, the data collection in the second phase of this research had three objectives. First, the nature and elements of internationalization capabilities were investigated to give answers to the following questions: What were internationalization capabilities? Who and at which level; e.g., the individual, the group, etc., had internationalization capabilities? Or put another way, where did internationalization capabilities reside? And, how were internationalization capabilities manifested? Second, the

[17] Several colleagues at the Stockholm School of Economics generously lent me their time and conducted interviews with me. The researchers who helped me in maintaining objectivity during interviews were Dr. Niklas Arvidsson, Professor Udo Zander, the late Professor Gunnar Hedlund, and Dr. Helge Ryggvik of the TIC center at Oslo University.

transformation process and transfer patterns were to be studied to understand and describe how internationalization capabilities were transformed and transferred including timing, destination and mode of transfer. See appendix two for the second phase interview guide.

The 66 interviews performed in the second round of data collection were also performed at both BP and Statoil headquarters in London and Stavanger, and at the two site offices in Ho Chi Minh City and Lagos. In the same way as in the pilot study interviews, they were conducted in either Norwegian or English, depending on the interviewees' preferences. Though the pilot study interviews were not tape-recorded, the second round of interviews were tape-recorded and transcribed verbatim. This second data collection round resulted in the serendipitous discovery of organizational identity adaptation as a motive for alliance formation. During the interviews, in this second round, it became clear that though it was generally accepted that transferring or learning internationalization capabilities was an important motive for the alliance between BP and Statoil, there was no clear consensus as to what internationalization capabilities consisted of. Interestingly, the content and nature of internationalization capabilities seemed curiously connected to conceptions of organizational self and others.[18] During these interviews, the issue of identity surfaced again and again in various ways. Explicit verbalizations of "us" or "we", or behavioral patterns and physical artifacts that symbolized attachment to a group: the Vietnamese spoken among members, the Norwegian informal professional attire, national holiday celebrations as an organizational event and so forth. While various identities surfaced as central categories in this process, e.g., national identities, hierarchical identities, functional identities, project identities, and location identities, organizational identities seemed to be especially essential to

[18] A detailed discussion of learning or transferring internationalization capabilities as a motive for alliance formation, and the connection to organizational identity, is found in chapter six.

the discussion of alliance formation motives examined in the first part of this thesis. Focusing further upon the meanings of organizational identity as a motive for alliance formation, the dynamic process model of organizational identity adaptation was generated in the second part of this thesis. The pilot study and second phase of data collection proved to be a fruitful way to explore numerous issues in alliance management and alliance formation issues. The pilot study directed the study towards the nature and content of international knowledge as an interesting area of inquiry, and the second round of interviews brought the realization that contemporary theories of motives for alliance formation did not explain a major motive of this particular alliance. Research questions were thus defined, and further refined, before a new analysis of the data was undertaken.

The fact that I had been employed by Statoil's International Exploration and Production department from 1990, and specifically worked on the planning and reporting routines between the alliance partner firms was significantly positive in several matters. First of all, it facilitated access to potentially sensitive materials, meetings, and individuals, which would have been difficult as an outsider. Secondly, it allowed for a unique understanding of the data, grounding responses and material in historical events[19]. The issue of having been

[19] An important positive factor in being able to assume an insider role was the fact that I had worked as a Statoil staff member for the Statoil/BP alliance years before, and in addition was at the time of interviewing on leave of absence from Statoil (I formally resigned in 2000). I was personally acquainted with several of the interview respondents and we also had had many common colleagues in the past. The fact that we now came together in an interviewer/interviewee dyadic relationship seemed to make little impact on respondents with regard to still being considered an insider. Depending on which company respondents hailed from, I was either an inside colleague or a semi-spy from Statoil. Because of this, I purposely emphasized my role as an independent, academic researcher with strict confidentiality codes, during formal interviews with the local Nigerians and BP personnel. This pendulum back and forth between

employed by Statoil and having worked with the specific alliance in question could potentially also have been problematic. On the one hand, the ability to respond to the subtle nuances of, and cues to, meanings in data, or what Strauss and Corbin (1998) refer to as *sensitivity* was greatly enhanced by my prior experience. On the other hand, this enhanced sensitivity had to be balanced with the dangers of bias and losing objectivity[20] or "the ability to achieve a certain degree of distance from the research materials and to represent them fairly; the ability to listen to the words of respondents and to give them a voice independent of that of the researcher" (Strauss & Corbin, 1998: 35). Five years went by between the time I worked specifically with the BP and Statoil alliance and when the first research interviews were conducted. Further, this research was primarily done in Stockholm, far away from either companies' headquarters or site locations. This time and spatial distance arguably facilitated a more unbiased and objective view. In addition, several techniques were used to maintain as much objectivity as possible[21]. First of all, multiple viewpoints of events were obtained to attempt to determine how various actors in a situation viewed it. Secondly, triangulation through the use of multiple data sources on a specific issue was obtained. Thirdly, most interviews were conducted together with another researcher who had no prior knowledge of the alliance. Finally, another researcher coded 10% of the interviews and the resulting codes were compared to my own coding (see a more detailed description in data analysis section).

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outsider/researcher and insider/employee afforded me valuable, unique and numerous perspectives.

[20] Leonard-Barton (1990) describes the dangers of becoming too involved with the organization, the people, and the process in a real-time longitudinal study.

[21] Total objectivity (i.e., validity and reliability) in any type of research may be difficult to reach. As Strauss and Corbin (1998: 43) maintain "researchers have learned that a state of complete objectivity is impossible and that in every piece of research – quantitative or qualitative – there is an element of subjectivity. What is important is to recognize that subjectivity is an issue and that researchers should take appropriate measures to minimize its intrusion into their analyses." The quality of this study is discussed at the end of this chapter.

## 2.2 Theory construction as disciplined imagination

Because of the abundant, but chaotic status of alliance formation theories (Oliver, 1990; Parkhe, 1993), this study takes a mid-range theory building approach[22] (Merton, 1967; Bourgeois, 1979; Eisenhardt & Bourgeois, 1988; Weick, 1989; Parkhe, 1993) that can be defined as theories about specific phenomena which utilize parallel processing of data and literature leading to problem definition refinement[23]. This approach to middle range theory building has also been described as "disciplined imagination" where imagination is disciplined by evolutionary processes guided by representations of the environment (Weick, 1989). The approach is in part a grounded theory approach, where the discovery of theory is grounded in the data that has been systematically obtained and analyzed (Glaser & Strauss, 1967; Strauss & Corbin, 1998). Though a strict interpretation of grounded theory would posit that one begins without any preconceived hypothesis[24],

[22] Merton (1967: 39) defines theories of the middle range as those "that lie between the minor but necessary working hypothesis that evolve...in...day-to-day research and the all-inclusive systematic efforts to develop a unified theory." Weick (1989: 521) defines middle range theories as "solutions to problems that contain a limited number of solutions to problems that contain a limited number of assumptions and considerable accuracy and detail in the problem specification. The scope of the problem is also of manageable size. To look for theories of the middle range is to prefigure problems in such a way that the number of opportunities to discover solutions is increased without becoming infinite."

[23] Eisenhardt (1989: 547) argues that mid-range theories "are likely to be testable, novel, and empirically valid, but they do lack the sweep of theories like resource dependence, population ecology, and transaction cost." Theories like resource dependence or population ecology are so-called "grand theories" (Eisenhardt, 1989) while mid-range theories are theories that are "nearly theories" (Mohr, 1982). Examples of mid-range theories are e.g., Gersick's (1988) model of group development for teams with project deadlines, Eisenhardt and Bourgeois' (1988) theory of politics in high velocity environments, and Burgelman's (1983) model of new product ventures in large corporations.

[24] Grounded theory requires the researcher "...at first, literally to ignore the literature of theory and fact on the area under study, in order to assure that the

this study has taken a more pragmatic approach of being grounded in the phenomena, but with a broad range of simple models from the extant literature in what Blalock (1969: 3) has called an "inductive process"[25]. Given the nature and scope of writing and developing a thesis, it was not possible to be completely ignorant of the subject matter as suggested by a strict interpretation of grounded theory. Bourgeois (1979: 446) describes an inductive-deductive dilemma that arises out of the question of "how one begins a search?" versus the question of "how one arrives at knowing?" Inductive inferences start with observations of a set of phenomena, after which one arrives at general conclusions, while deduction starts with general knowledge and predicts a specific observation. According to Bourgeois (1979), the arrival at knowledge involves no real dilemma because both inductive and deductive inferences must be interwoven throughout. The process described in this thesis, of being grounded in the data at the same time as collecting some knowledge of theoretical insights, approaches the inductive-deductive dilemma by trying to avoid the criticisms of "normal science" (Kuhn, 1970)[26], at the same time attempting to reduce the risk of discovering already known theories[27]. Hence, this thesis

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emergence of categories will not be contaminated by concepts more suited to different areas" (Glaser & Strauss, 1967: 37). At the same time, Glaser & Strauss (1967: 46) also discuss the concept of "theoretical sensitivity" giving the possibility of conceptualizing and formulating a theory as it emerges from the data.

[25] Blalock (1969) suggests that in building deductive (testable) theories that will combine with the inductive theories sufficiently complex to give new insights, one must begin with simple models and add new variables and complications a few at a time, resulting in the construction of more realistic theories by what amounts to an inductive process.

[26] In normal science, theory is developed through incremental empirical testing and extension (Kuhn, 1970). Critics argue that normal science approaches may result in stifling creativity (e.g., Bourgeois, 1979).

[27] Bourgeois (1979: 446) describes the problem in this way: "Erudition has been known to stifle creativity if for no other reason than that it consumes inordinate amounts of valuable time, but not checking with predecessors runs the risk of rediscovery – again, a consumption of resources."

takes a method of middle range theorizing combining inductive and deductive approaches concurrently. That is, "start with preconceived notions, develop them a bit, then check the literature for support and make modifications where necessary." (Bourgeois, 1979: 446). Though this description of theory construction, as most others, seems like a linear or sequential description of problem solving, The idea is that theory building involves simultaneous parallel processing rather than strict sequential thinking.

## 2.3 The case study method

A case study is a research strategy that focuses on understanding the dynamics present within single settings (Eisenhardt, 1989; Leonard-Barton, 1990; Yin, 1994). Case studies may be qualitative, quantitative, or both. They may also be the empirical setting for inductive or deductive approaches. The choice of an in-depth case study approach in this thesis was made for several reasons[28]. Firstly, an interpretive philosophy of science, even with "soft positivism", favors *thick* rather than *thin* descriptions (Ryle, 1968). A thick description reveals or permits the uncovering of underlying knowledge and relational structures that persons observed may or may not understand, yet are acting in terms of, at the moment. It is argued that a thick description goes beyond fact to detail, context, and emotion[29]. Secondly, since this research focused on *how, what,* and *why* questions about a contemporary set of events (Yin, 1994), and addressed a process not

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[28] Although a case study approach was appropriate for this study, I recognize that case studies have been criticized on a number of accounts. The major contention deals with reliability and generalizability (Miles, 1979; Leonard-Barton, 1990). Other weaknesses include the intensive use of empirical evidence that can yield theory that is overly complex, and that building theory from cases may result in narrow and idiosyncratic theories (Eisenhardt, 1989).

[29] A *thin* description simply reports a bare fact, independent of any attempt to probe the intentions, motives, meanings, or the circumstances that might surround the fact in question (Ryles, 1968).

thoroughly researched, a case study was the logical approach (Leonard-Barton, 1990). Finally, as discussed in the problem definition (as well as reviewed in chapter four on theoretical and empirical perspectives), the area of alliance formation motivation is multi-paradigmatic, theories are relatively underdeveloped, and there is little relevant empirical research. This necessitated going back and grounding the research in the organizational phenomena (Oliver, 1990). Middle range theory construction using case studies is eminently appropriate in this endeavor and especially useful for studying longitudinal change processes (Eisenhardt, 1989; Huber & Van de Ven, 1995; Van de Ven & Poole, 1990). The methods used were guided by writings on middle range theorizing (Merton, 1967; Eisenhardt, 1989; Weick, 1989; Parkhe, 1993), case study designs (Yin, 1994), and Eisenhardt's (1989) procedures for case study-based theory building. Further, Miles and Huberman's (1994) suggested procedures of data reduction and data display were influential in data presentation.

Case studies can involve either single or multiple cases, and numerous levels of analysis (Yin, 1994). Hägg and Hedlund (1979) discuss the merits of one-case studies for the insights leading to knowledge without obvious statistical inference in minds. First of all, case studies may be interesting in their own right and "since the uniqueness of social processes is so great that one should not try to obliterate it by forcing individual cases that can be, and need to be, understood on their own terms into frameworks that are alien to them." (1979: 140). Yin (1994: 41) discusses the merits of a single-case "revelatory" case, where an investigator has access to a situation previously inaccessible to scientific observation. In this situation, a single case study is worth conducting for the descriptive information alone will be revelatory. On the other hand, Eisenhardt (1989) and Yin (1994) argue that multiple case studies are considered more compelling and robust than single case studies. In this study we have combined these logics and studied three projects within one alliance case (the Nigeria project, the Vietnam project, and the Azerbaijan-Kazakhstan project). In this manner, the projects can be described as three mini-cases within a single, larger case (Eisenhardt, 1989).[30]

The choice of case was based on theoretical sampling (Glaser & Strauss, 1967). Random sampling of cases from a chosen population is unusual when building theory from case studies (Eisenhardt, 1989). Rather, cases are usually chosen for theoretical, rather than statistical, reasons (Glaser & Strauss, 1967)[31]. The idea is that in theoretical sampling, one cannot know in advance precisely what to sample for and where the procedure will lead (Glaser, 1978). The choice of the BP and Statoil alliance, including the three projects (South East Asia, West Africa, Azerbaijan/Kazakhstan), was made because of the unique access afforded me as a former Statoil employee having been involved with setting up the BP and Statoil alliance. The benefits of random statistical sampling of cases were thus traded for an in-depth understanding and the unique access, believed necessary for the purpose of this study. In retrospect, given the serendipitous finding of organizational identity adaptation as a motive for alliance formation, and the idea that organizational identity is formed through a process of ordered inter-organizational comparisons, and reflections upon them over time (Albert, 1977), alliances pose interesting challenges and opportunities for organizational identity research (Reger, 1998; Salk & Shenkar, 2001). Inter-firm cooperation is considered a fertile research site exactly because the unique challenge that it exerts tends to make identity both salient and problematic for organizations.

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[30] There is support for this approach. Burgelman (1983) e.g., used this approach in his field study of internal corporate venturing process in a diversified major firm. He studied six internal corporate ventures in one corporation.

[31] Critics of theoretical sampling argue e.g., "that we will never know the limits where valid comparisons end and where invalid comparisons begin unless we empirically examine the broadest possible range of cases to which our definition of innovation applies." (Van de Ven & Poole, 1990).

## 2.4 Levels of analysis

The case in this study, involving one alliance including three mini-cases, can be described as both a holistic case study design and an embedded case study design (Yin, 1994). A holistic case study design examines e.g., a whole organization as the unit of analysis, while an embedded case study design examines more than one unit of analysis. "Subgroups" denote different cultural identities of different groups of individuals at several units of analysis. Cultural identities have been viewed as interpretive lenses for sensemaking and signification (D'Iribarne, 1989; 1997). One common theme in many of the definitions and models of culture, in particular within cognitive anthropology, is that culture refers to shared meaning and knowledge systems (Goodenough, 1971; D'Andrade, 1984; and Erez and Earley, 1993). According to this approach, shared meanings and rules are seen as a knowledge system that prescribes how an individual makes sense of a situation. "To talk about sensemaking is to talk about reality as an ongoing accomplishment that takes form when people make retrospective sense of the situations in which they find themselves and their creations" (Weick 1995:15). Feldman (1989:19) emphasizes the importance "for organizational members to understand and share understandings about such features of the organization as what it is about, what it does well and poorly, what the problems it faces are, and how it should resolve them". The sensemaking process can be characterized by properties "when" sensemaking occurs, "how" sensemaking occurs, "where" sensemaking occurs and as "driven by plausibility rather than accuracy" (Weick, 1995). In order to understand sensemaking among different groups of individuals, this study focused on understanding "where" a common sensemaking occurred.

Members of different groups display variance in the extent to which they subscribe to their group's pivotal norms and values. Cultural identity and subsequential manifested sensemaking is thus context-, and role-dependent. Context is important for sensemaking in organizations since it influences how actions are justified and what explanations are acceptable (Salancik & Pfeffer, 1978). Since context varies for different groups, perception and interpretation of the same event will also vary (Starbuck & Milliken, 1988). Lave and Wenger (1991) e.g., argue that changing locations and perspectives is about developing different context-specific identities. The concept of context-specific identity is interlinked with the concept of role-specific identities. An individual's role identity is a socially constructed definition of "self-in-role" and it is well accepted that individuals have multiple role identities (Ashford, 2001). To switch roles is to switch identities. Gabarro (1987) for instance, emphasizes that individual views on issues will be a function of their organizational roles. Furthermore, Guitot (1977) suggests that the ways in which individuals make attributions about others' intentions and behaviors will vary if the other is viewed as acting within a role. Thus, group-rooted social identities used as interpretative lenses vary over context-specific variables and role understandings (Smircich, 1983).

The attitudes and behavior of individuals can be interpreted by understanding the knowledge system shared among members of a group. This raises the question of which groups of employees share meanings and sensemaking. Van Maanen and Laurent (1993) assert that there is no obvious or natural level of analysis from which culture can be observed. Possible groups of people include region, country, company, as well as various groups within countries and within companies, such as industry, professional or functional groups. Albert (1998) also argues that identity can be studied at several different units of analysis such as the individual, the group and the organization. Driven by the way interviewees' discussed and polarized their responses, country, company, organizational level, project, and location as unique group identities and as multi-level boundaries were used as levels of analysis for alliance motives.

### 2.4.1 Country

People of the same national culture are often presented as a single group. However, culture can be seen as both bridging across countries and dividing countries into a diversity of cultural groups. The advocators of national culture emphasize that institutional factors such as law, educational, economic and political systems as well as state policies influence values and beliefs, and result in shared understandings in countries (Hofstede 1991; Hannerz, 1992; Schneider & Barsoux 1997; Smith & Bond 1998). Gerholm (1994) emphasizes that culture is about sharedness, but argues that a consistency at the national level cannot be assumed; instead it should be empirically investigated.

### 2.4.2 Company

Organizations are also seen as single groups. Jelenik et al. (1983), defines organizational culture as "management of meaning", and argued that it had an influence on employees' views on work and work roles. Schein (1990) points out that shared values and beliefs in the organization become taken for granted to the extent that employees are no longer aware of them. Sackmann (1991) questions the assumption that organizational culture reflects one homogenous culture. She argues that this assumption derives from applying anthropological terminology and methods when studying cultures, and vividly points out that there is a difference between studying small isolated tribes and large complex organizations.

### 2.4.3 Organizational level, project, and location

Large organizations do not only interact in a number of different environments but also consist of multiple subsystems. As Sackmann

(1991) emphasizes, there may be several cultural identities within an organization, such as groups of professionals or colleagues. This suggests that colleagues working together, e.g., within the same project or perhaps stationed at the same location, could constitute a cultural identity with a shared understanding of the work issues that they face. Furthermore, Gephart (1992) describes how the top management's understanding of a project is of a more strategic nature, while the operational members of the project have a more situational understanding. Thus, the interpretation of events and understanding of meaning can also vary by organizational or hierarchical level or more specifically by the task orientation of a project's management versus its operational members.

## 2.5 One study: Two methodological approaches

The research objective in this thesis is both in "knowledge growth by extension" and "knowledge growth by intention"[32] (Kaplan, 1964). The first research area dealt with alliance formation motives and follows more of a "normal science" mode of incremental theory construction (Kuhn, 1970), rather than the construction of what has been called a "grand theory" (Eisenhardt, 1989). The posited theoretical and methodological messiness of the alliance literature (Oliver, 1990; Parkhe, 1993), and the resulting chaos necessitating empirically valid

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[32] According to Kaplan (1964), there are two different processes of theory building. Knowledge growth by *intention* is used when a partial explanation of a whole region is made more and more adequate. Theorizing in this mode lays out the lines that will be followed in subsequent theory and observation. Knowledge growth by *extension* is used when a relatively full explanation of a small region is then carried over to an explanation of adjoining regions. Extension in science is hence an edifice that is constructed piece by piece, as in the gradual completion of a puzzle. Freese (1980) made a similar distinction in which he distinguishes between a strategy of developing generalizations in open systems through the use of inductive abstraction, and a strategy of developing predictions in hypothetical or artificial closed systems.

theories, can arguably be labeled as in the realm of "ill-structured problems[33]" (Mintzberg et al., 1976; Mitroff & Emshoff, 1979), requiring comparative theory approaches[34] (Boddewyn, 1965; Greenwood, 1974). Thus, rather than test one theory on alliance formation, such as transaction cost or resource dependency theories, it has been argued that "It is generally better to develop and juxtapose alternative theories, and then determine which theory better explains the data." (Van de Ven & Poole, 1990: 318). This comparative theory approach is consistent with the principle that knowledge advances by successive approximations and comparisons of competing alternative theories.

As described earlier, data analysis followed an inductive process (Blalock, 1969) utilizing a grounded theory approach (Glaser & Strauss, 1967; Strauss & Corbin, 1994) of description and conceptual ordering where "mid-range" theory evolves during actual research, and does this through continuous interplay between analysis and data collection. An iterative process of moving back and forth between data, relevant literature and emerging concepts was used to develop *"sensitizing"* (motive) categories (Glaser & Strauss, 1967). In the comparative theory approach, the specific interest was in classifying BP and Statoil alliance motives in accordance with extant literature on alliance governance theories. Since theoretical perspectives on cooperative behavior motives often overlap and are non-exclusive (Kogut, 1988a), for

[33] An ideal "ill-structured problem" is defined as "one which possesses one or more of the following characteristics: (a) The problem is well-defined in the sense that it can be clearly stated but those charged with dealing with it cannot agree upon an appropriate solution or strategy; (b) they cannot agree on a methodology for developing such a strategy; or (c) they cannot even agree on a clear formulation (definition) of the problem (objectives, controllable variables, and uncontrollable variables)." (Mitroff & Emshoff, 1979: 1). Simply defined, "ill-structured problems" are theoretically and methodologically messy and messes.

[34] A comparative theory approach (Boddewyn, 1965; Greenwood, 1974; Van de Ven & Poole, 1990) is comparable to what is called a dialectic approach (Mintzberg et al., 1976; Mitroff & Emshoff, 1979).

purposes of data classification, each theoretical perspective was given a strict interpretation as to the motives that could be classified under each theory. Hence, motives that could be understood under transactions cost economics (CM) are those motives that deal particularly with transaction cost, and more overall cost minimization. Motives explained by market power theories (SB) are those that deal with strategic behavior and competitive positioning within the industry. Motives best understood under resource-based view theories (CR) are those that deal with bringing specific complementary resources or capabilities to an alliance for mutual competitive advantage. Motives best explained by resource dependency theory (RM) deal with alliance formation as a means to reduce environmental uncertainty and risk. This perspective entails sharing risk, but also bringing resources and capabilities to an alliance. Though both resource-based view and resource dependency perspectives are consistent in bringing resources to an alliance, resource-based view motives concentrate on building core competencies through partner complementarities, while resource dependency motives are those focused on managing uncertainty. Other organizational theory motives (OL) were specifically related to knowledge transfer and organizational learning. Finally, a last category representing motives falling outside of traditional extant theories was created to represent possible new motives not yet recognized in the literature on cooperative behavior.

To be able to organize and understand the massive amounts of interview data, the minutes and verbatim transcripts of all 120 interviews were coded in the qualitative computer software program Q.S.R. NUD*IST Vivo, Version 1. The data includes 135 pages of transcript minutes from 54 interviews, and 1241 verbatim transcript pages from the 66 tape-recorded interviews. A total of 215 interview hours were transcribed with interviews ranging from 1-5 hours. Each respondent identifying alliance motives was coded according to the theoretical perspectives their motive reflected. Usually, respondents listed several motives falling into different perspectives, and sometimes discussed numerous aspects within each perspective. Respondents also discussed motives as opposites between, "what they told us vs. what it was really about" and "in the beginning vs. right now". For example, *"I know they said that the alliance was about bringing each company's strengths together but it was really about sharing risks and getting rid of shadow teams."* Or, *"in the beginning they told us a lot about the benefits but the fact was that BP needed the money and Statoil had it."* To acknowledge this in data analysis, only respondents' perceptions of "theory-in-use" (Argyris & Schön, 1996: 13) motives were coded[35]. Frequencies are reported according to the number of respondents mentioning motives coded in the different theoretical perspectives. Thus, each respondent could have a maximum of 6 motive categories (CM, SB, CR, RM, OL, OTHER), even though they may have listed variations of, for instance, 10 alliance motives. Coding reliability was checked through parallel coding. A research assistant coded 12 (10% of total interviews), which were chosen on the basis of being transcribed in English, and also being the longest interviews. Because of the relatively strict interpretation of each theoretical perspective, motives were coded differently on only eleven code occasions. The differences were in general related to whether or not a motive was categorized as "OL" or "OTHER" and whether a motive was considered "theory-in-use" or "espoused theory" (ibid.). Figure 2.2 is an overview of coding categories.

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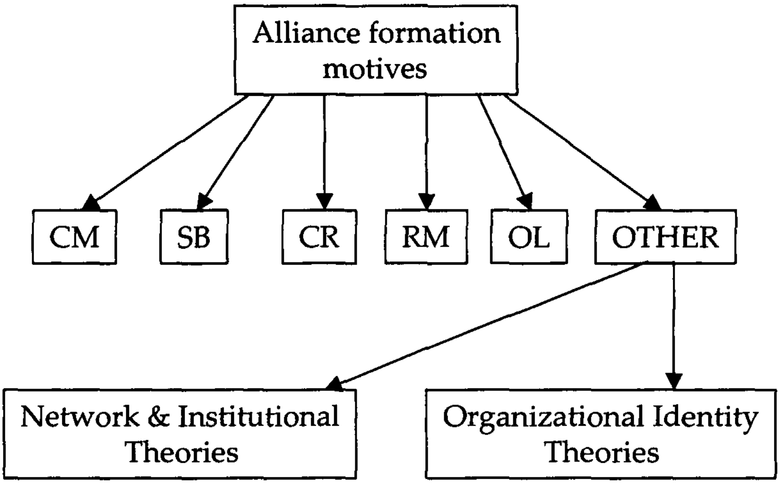
[35] Argyris & Schön discuss the risks that organizational "theory-in-use" may be tacit. "It may be undiscussable because any attempt to reveal its incongruity with the organization's espoused theory would be perceived as threatening or embarrassing." (1996: 14). In this study, interviewees were surprisingly eager to discuss the differences between the organizations' "espoused theory" and "theory-in-use". The differences were usually brought up by the respondents themselves, or eagerly responded to if prompted by interviewers.

**Figure 2.2 Initial and resulting coding scheme**




In addition to reporting frequencies for motive categories, a hierarchical cluster analysis was performed to examine if there was any pattern to the identification of motives, whether or not the motives identified were clustered together in groups[36]. The results of the

[36] Cluster analysis is a multivariate procedure for detecting groupings in the data. In cluster analysis, neither the number nor the members of the groups (cases or variables) are known. Clustering is thus a good technique to use in exploratory data analysis when you suspect the sample is not homogeneous. A cluster analysis of cases resembles discriminant analysis since the researcher seeks to classify a set of objects into groups or categories, but in cluster analysis it is not necessary to know the numbers or members of the groups. A cluster analysis of variables also resembles factor analysis because both procedures identify related groups of variables. However, factor analysis has an underlying theoretical model, while cluster analysis is more ad hoc. There are two major forms of clustering: hierarchical cluster analysis and K-means cluster analysis, where the former clusters either cases or variables; the latter, cases only. Hierarchical cluster analysis begins by finding the closest pair of objects (cases or variables) according to a distance measure and combines them to form a cluster. The method is hierarchical because only one pass through the data is

comparative theory analysis are reported on in chapter five. Respondents identified numerous motives falling into several theoretical perspectives. The category of motives falling outside of traditional theories on alliance formation (OTHER) dealt primarily with what can be understood as organizational identity adaptation. This serendipitous finding has not earlier been discussed in extant literature as an important motive for alliance formation, and thus became the focus of the remaining part of this thesis[37].

The second part of this study was more purely grounded in the organizational phenomena, where the choice of "knowledge growth by intention" (Kaplan, 1960) was most appropriate because of the serendipitous discovery in the comparative theory part of the study. An inductive, more grounded approach is advocated when the theoretical perspectives on a phenomenon seem inadequate or conflict with each other (Eisenhardt, 1989). Grounding research in the data, rather than in theory, is also especially useful for studying longitudinal change processes (Van de Ven & Poole, 1990; Huber & Van de Ven,

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performed and once two objects or clusters are joined, they remain together until the final step. That is, a cluster formed at the later stage of the analysis contains clusters from an earlier stage. A "K-Means" cluster analysis is different since it allows for reassigning cases to different clusters in an iterative process. The procedure begins by using the values of the first cases in the data file as temporary estimates of the cluster means. Cluster centers are formed by assigning each case to the cluster with the closest center, and then updating the center. An iterative process is used to find the final cluster centers. At each step, cases are grouped into the cluster with the closest center, and the cluster centers are recomputed. This process continues until no further changes occur in the centers or until a maximum number of iterations is reached.

[37] As will be reported on in chapter five, 91% of the category OTHER dealt with Statoil's wish to change their organizational identity as a motive to enter into the alliance with BP. The remaining 9% of the category OTHER dealt with motives that could be better understood under network and institutional theories.

1995).[38] Knowledge growth by intention requires a view of theory construction as "sensemaking" or as Dubin (1976: 26) discusses: "a theory tries to make sense out of the observable world by ordering the relationships among elements that constitute the theorist's focus of attention in the real world"[39]. The combination of a parallel processing of the grounded data and extant literature along with viewing theory building as an evolutionary process of sensemaking, facilitated problem definition. In this way, problem definition moved from being wide in scope, limited in detail, inaccurate in representation, and vague regarding the assumptions involved, to becoming narrower in scope, more detailed, representatively more accurate, and more specific regarding assumptions. Finally, this part of the study was in part guided by the theory of methods used in longitudinal research in an organizational setting as set out by Pettigrew (1990). The analytic cornerstones of this method are that research should explore the *contexts, contents,* and *process* of change together with their interconnections through time[40].

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[38] I acknowledge that this approach to theory building, as well as the very dissertation objective of theory building, is a high-risk strategy for a mere doctoral candidate. Thanks to the support of my committee, and the serendipitous discovery, the approach has been particularly fruitful.

[39] In the social science field, there is an evolutionary process in theory building where, because the theorist rather than nature, or the environment, intentionally guides the evolutionary process, theorizing is more like artificial selection than natural selection (Weick, 1989).

[40] Pettigrew (1990: 94) calls this the "contextualist mode", criticizing extant change research on failing to incorporate history, processes, and context. Rather, he argues, they treat change as the unit of analysis; focus on a single event or a set of discrete episodes somehow separate from the immediate and more distant antecedents that give those events form, meaning, and substance. Context in the "contextualist mode" refers to the outer and inner context of the organization, where outer context includes economic, social, political, and sectoral environment in which the firm is located, and inner context refers to features of the structural, cultural, and political environment. The key points in this method Pettigrew emphasizes are: first, the importance of embeddedness, studying change in the context of interconnected levels of analysis; second, the

## 2.6 Methods

Because of the inductive research process and the state of the theoretical field, this study was based on "theoretical sampling" concepts (Strauss & Corbin, 1998). Theoretical sampling is defined as "sampling on the basis of emerging concepts, with the aim being to explore the dimensional range or varied conditions along which the properties of concepts vary." (ibid.: 73). In this effort, the data collection followed the guidelines suggested by Strauss and Corbin (1998). First, *sensitizing* questions to tune the researcher into what the data might be indicating. These questions were of the type "What is going on in the alliance (e.g., issues, problems, concerns)?" "Who was involved?" "How did they define the situation?" "What did it mean to them?" Secondly, *theoretical* questions that help the researcher to see the process and variation to make connections among concepts. These were e.g., "What is the relationship of one issue (concept) to another?" "What would happen if....?" "How did events and actions change over time?" Thirdly, questions of a more *practical* and *structural* nature helped to provide direction for sampling as well as to develop the structure of the evolving theory. These questions included e.g., "Which concepts are well developed and which are not?" "Where, when and how do I go next to gather the data for my evolving theory?" Is my developing theory logical?". Finally, there were *guiding* questions that guided the interviews, observations, analyses of these and other documents. These questions changed over time, and were based on the evolving theory. They were open-ended and became more specific and refined as the research progressed.

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importance of temporal interconnectedness, locating change in past, present, and future time; third, the need to explore context and action, how context is a product of action and vice versa; and finally, the central assumption about causation in this kind of holistic analysis, that causation of change is neither linear nor singular.

The methods used were in part ethnological, as "ethnography" is described by Atkinson and Hammersley (1994), in that they have a strong emphasis on exploring the nature of particular social phenomena, rather than setting out to test them and that only one detailed case is the study object. Quasi-ethnological in the sense that years were not spent immersed in one research object setting, rather considerable time, divided into one-, and two-week intervals, was spent living with individuals in the research object setting. In all, almost four months were spent actively interviewing and living at alliance partners' headquarters or alliance site locations. In Vietnam and Nigeria, time was spent living among expatriated alliance personnel, sharing their apartments, transportation, domestic staff, company parties, and family outings. In all practicality, research time was spent living as the expatriated personnel, afforded the same accommodations and service, with the only difference being in work focus.

Interviewing followed a "neopositivist" (Alveson, 2003) position by following a research protocol and getting responses relevant to it, in this way minimizing researcher influence and other sources of bias. As subscribed to by e.g., Eisenhardt (1989), and Glaser and Strauss (1967), the researcher imitates quantitative ideals for data production, analysis and writing, where rules, procedures, avoidance of bias, detailed coding, large quantities of material, and so forth are emphasized for a transparent research process, characterized by objectivity and neutrality. A general interview guide approach (Patton, 1980) was used for interviewing. This involved an interview guide outlining a set of issues that were to be explored with each respondent. The interview guide served as a checklist during the interviews to make sure that all relevant subject areas were covered but still allowed for freedom to explore, probe, and ask questions spontaneously. The interview guide helped make interviewing across a number of different people more systematic and comprehensive by delimiting the issues discussed. See appendices for interview guides.

Geared towards the establishment of close familiarity with everyday life, ethnological research enables a search for the meanings imputed to the objects of the social worlds that people inhabit (Ailon-Souday, forthcoming 2003). This method was designed to unravel "the specific, always contextual understandings and explanations given by social actors that provide purpose and meaning to their behavior" (Van Maanen, 1988: 12). Since the study of identity is largely about socially constructed meanings, a quasi-ethnological approach was deemed most appropriate. The study involved participant observation of the type described by Junker[41] (1960) where the researcher role could be seen as "Observer as participant"[42]. It was possible that the role as "observer as participant" may have hindered the ability to become a true insider, since respondents may have been inhibited by the researcher role. This could be sensed by the seemingly programmed, initial responses during the beginning of many interviews. During the numerous interview periods, however, the conspicuousness of being an outsider or an external researcher diminished when living, dining, sightseeing, or otherwise conversing after office hours. Thus, participant observation was in line with a type of quasi-ethnological, on-line, participant observation methods of the type outlined by Van Maanen (1988), in which considerable time was spent on-site, building

[41] Junker (1960) defines a typology of participant observation that describes four points along a continuum; complete participant, participant as observer, observer as participant, and complete observer.

[42] "the observer's activities as such are made publicly known at the outset, are more or less publicly sponsored by people in the situation studied, and are intentionally not 'kept under wraps'. The role may provide access to a wide range of information and even secrets may be given to the fieldworker when he becomes known for keeping them, as well as for guarding confidential information. In this role, the social scientist might conceivably achieve maximum freedom to gather information but only at the price of accepting maximum constraints upon his reporting." (Junker, 1960: 35-38).

relationships with the people involved, and on issues not always directly related to the research question.

## 2.7 Data and data collection

As mentioned earlier, the fact that I had been employed by Statoil from 1990 until 2000, and had specifically worked on setting up initial BP and Statoil alliance structures and systems, facilitated unique insight, research access, and data. The results in this thesis, however, are primarily based on coding of the 120 semi-structured interviews conducted during July 1995 – February 2000. Numerous participant observations of Statoil management meetings and joint quarterly alliance management meetings, as well as numerous quasi-ethnological observations through living short periods with alliance employees in Nigeria and Vietnam, served to give a context and increase my understanding of the results. For the pilot study, initial respondents were identified with the help of two representatives, one from each company. Additional respondents were identified by the pilot study interviews, and the use of company organization charts. Both BP and Statoil corporate offices sent out internal information to project and staff managers so that these managers knew what to expect and were informed about my work when I eventually contacted them to set up interviews. This support greatly facilitated access and cooperation.

It was intended that the interviews cover a balance of employees from both companies, at all levels and functions, both within the joint area alliance teams, the business unit management team, and in the shadow teams located at the non-lead company, but there is an overrepresentation of interviews with Statoil respondents due to easier access to Statoil personnel. The interviews were performed at both companies' headquarters in London, United Kingdom and Stavanger, Norway, and at the two site offices in Ho Chi Minh City (HCMC), Vietnam and Lagos, Nigeria. The Azerbaijan/Kazakhstan project personnel were interviewed in London, where the project team was predominantly located. The interviews typically lasted 120 minutes, ranging from 45 minutes to over five hours. Since my experience with Statoil and the alliance could result in subjectivity, most of the interviews were conducted with another bi-lingual research colleague. With the exception of interviews with Norwegians, all interviews were done in English.

The interviews were semi-structured with open-ended questions. The questions and responses focused on in this thesis were: What is your understanding of the motives, rationales, purposes for the alliance from each partner's view? Were the motives compatible? Has the purpose been fulfilled? How has the alliance performed? Did the rationale change over time and how? Has the alliance organization been structured (joint teams) in a way that is efficient in relation to the purpose? The study design was purposely open-ended, to allow unplanned themes to emerge from the data. Another major benefit from this approach was that it was possible to interview more people than originally intended. Respondents mentioned names of relevant actors and were willing to help set up further interviews with them. On several occasions, issues were clarified by phone after the interview. Since two major rounds of interviews were performed over five years (1995-2000), and respondents changed jobs in the course of their careers, 19 individuals were interviewed two or three times. This provided invaluable in assessing the changes in perceptions. Table 2.1 provides a descriptive summary of selected respondents' attributes.

**Table 2.1**
**Interviews according to subgroup cultural identities**

| NATIONALITY | GROUP | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| COMPANY | BP | 0 | 35 | 0 | 0 | 3 | **38** |
| | ST | 48 | 2 | 0 | 0 | 2 | **52** |
| | LOC | 3 | 8 | 12 | 7 | 0 | **30** |
| | **TOT** | **51** | **45** | **12** | **7** | **5** | **120** |
| LEVEL & PROJECT | STAFF | 19 | 11 | 0 | 0 | 2 | **32** |
| | WA | 17 | 9 | 12 | 0 | 3 | **41** |
| | SEA | 9 | 18 | 0 | 7 | 0 | **34** |
| | FSU | 3 | 0 | 0 | 0 | 0 | **3** |
| | ST-UK | 3 | 7 | 0 | 0 | 0 | **10** |
| | **TOT** | **51** | **45** | **12** | **7** | **5** | **120** |
| LOCATION | STAV | 22 | 2 | 1 | 0 | 5 | **30** |
| | LON | 6 | 17 | 0 | 0 | 0 | **23** |
| | LAG | 13 | 8 | 11 | 0 | 0 | **32** |
| | HCMC | 10 | 18 | 0 | 7 | 0 | **35** |
| | **TOT** | **51** | **45** | **12** | **7** | **5** | **120** |

**Abbreviations**: *Nationalities*: **NOR**wegian, **BRIT**ish, **NI**Gerian, **VIET**namese, **OTH**er nationals including citizens of USA and Australia. *Company*: **BP**, **ST**atoil, **LOC**ally employed. *Level & Project*: Corporate **STAFF**, **W**est **A**frica, **S**outh **E**ast **A**sia, **F**ormer **S**oviet **U**nion countries, **ST**atoil-**UK**. *Location*: **STAV**anger, **LON**don, **LAG**os, **H**o **C**hi **M**inh **C**ity.

## 2.8 Levels of analysis and their aggregated interpretation

In organizations containing multiple groups and in groups containing multiple individuals, the nature and attributes of their constituent units differentiate one from the other (Rousseau, 1985). In this study, the focus was on the units of analysis that have been termed both "levels" and "echelons" by Miller (1978). "Levels" describe qualitatively different entities (individuals, work groups, and organizations) while "echelons" refer to hierarchical subgroups within a level (positions within an organization's hierarchy). A methodological issue in multi-level research of this nature involves the general problem of aggregation with regards to construct validity. To avoid "cross-level fallacies"[43] (Alker, 1969; Miller, 1978), every level or echelon of analysis was carefully specified in the first study of alliance motives[44]. In the second study of organizational identity adaptation, a composition theory [45] specifies the functional relations producing variables at different levels that are presumed similar along some lines. Likewise, participant observations aimed at both triangulation and avoiding "contextual fallacies"[46] (Miller, 1978) deal in part with multi-level research concerns.

To deal with the construct validity issues associated with cross-level research, the rudiments of a construction of an identity composition theory may be useful (Rousseau, 1985). A discussion of three levels of analysis is representative of an emerging identity composition theory[47]:

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[43] A cross-level fallacy is defined as a "false generalization from individual relations...to a universe of intercollectivity relationships (Alker, 1969: 79). The question is one of whether isomorphism exists among similar constructs measured at different levels.

[44] Miller (1978: 25) suggests, "Every discussion should begin with an identification of the level of reference, and the discourse should not change to another level without a specific statement that is occurring.

[45] Theories of composition specify the functional relations, producing variables at different levels that are presumed similar along some dimensions (Rousseau, 1985).

[46] Contextual fallacies are defined by their failure to specify the effects that social or physical settings have on the relationships between variables (Miller, 1978).

[47]Composition models specify the functional relationships between variables at different levels presumed to be functionally similar (Rousseau, 1985). In other words, there are two major issues: the appropriate level for operationalizing a construct and the interrelations among similar constructs linked to different levels.

the individual, the group, and the organization. First of all, individuals classify themselves through interpersonal interactions with other individuals, groups classify themselves through inter-group interaction with other groups, and organizations classify themselves through inter-organizational interaction with other organizations (Albert, 1977; Albert and Whetton, 1985). Secondly, individuals, groups, and organizations use considerable efforts in appearing similar to chosen individuals, groups, and organizations, at the same time as individuals, groups, and organizations attempt to distinguish themselves from others (Gioia, 1998). Thirdly, similar individuals, groups and organizations also subsume a multiplicity of identities that at the group or organizational level are easier to deal with than individual multiple personalities. The major difference between the concepts of individual identity, and group or organizational identity concerns the idea that organizational identity is more fluid than individual identity (Gioia et al., 2000). In this way individual identity is focused on a centering stability while group or organizational identity is focused on adaptive instability.

## 2.9 Quality assessment

Qualitative research in case studies is based on a sociological and anthropological tradition of inquiry. Mid-range theory construction, or grounded theory approaches using quasi-ethnological methods, including participant observation and interview data, is diametrically different from the "positivistic" approach of traditional management research. In this study, I was not particularly interested in adopting the natural science methods, exemplified by rigorous hypotheses testing by means of data taking only the form of quantitative measurements. As discussed earlier, I was more interested in conducting an inductive process (Blalock, 1969) of theory generation, albeit mid-range theory rather than what has been called "grand theory" (Eisenhardt, 1989).

In this study, quasi-ethnological methods were employed. Ethnologists traditionally reject natural science-type positivism on the grounds that it relies on the study of artificial settings (in the case of experiments or simulations) and/or on what people say rather than what they do (in the case of surveys or structured interviews). Further, positivist research in the social sciences is criticized because it seeks to reduce meanings to what is observable, and because it treats social phenomena as more clearly defined and static than they are. Quantitative methods are not, however, rejected by ethnologists in total. Structured forms of data collection and quantitative data analysis are frequently employed to some degree in ethnographic work. What is rejected is the idea that these methods are the only ones legitimate, or even the most important (Atkinson & Hammersley, 1994). Denzin and Lincoln (1994) claim that post-modern ethnographers would argue that

> "...to study the particular is to study the general. For this reason, any case will necessarily bear the traces of the universal; consequently, there is less interest in the traditional positivist and post-positivist concerns with negative cases, generalizations, and case selections. The researcher assumes that readers will be able to generalize subjectively from the case in question to their own personal experiences." (ibid, 1994: 202).

Assessing the quality of qualitative research, case studies, and inductively generated theory is contentious. What is considered most difficult is the concept of "objectivity" and the fundamental questioning of the very possibility of social-scientific knowledge.[48] As

[48] Some argue that validation is not the key task of social science. "It might be if we could do it, but we can't - and neither can economists (Lindblom, 1987: 516-517). Rather, "the contribution of social science does not lie in validated knowledge, but rather in the suggestion of relationships and connections that

Geertz (1973) has asserted, anthropological writings *could* be considered "fiction" in the sense that they are made, since they are crafted by their authors and shaped by literary conventions and devices. Objectivity has two components: reliability and validity. Reliability is the extent to which a measurement procedure yields the same answer however and whenever it is carried out, and validity is the extent to which it gives the correct answer (Kirk & Miller, 1986). Though a strict hermeneutical interpretative paradigm would argue that objectivity is uninteresting, this study has taken a more "positivist view of research" (Eisenhardt, 1989) where the process was directed toward the development of testable hypothesis and theory that is generalizable across settings. Hence, the belief is that the concepts of reliability and validity apply equally well to qualitative case studies. There are four major criteria for judging the quality of research designs: construct validity, internal validity, external validity, and reliability (Yin, 1994)[49].

### 2.9.1 Increasing construct validity

Firstly, as discussed, multiple sources of evidence were collected in the form of triangulating data collection methods: interviews, participant

had previously not been suspected, relationships that change actions and perspectives (Weick, 1989: 524).

[49] The four design tests used in case studies are based on Yin (1994: 33). *Construct validity* refers to establishing correct operational measures for the concepts being studied. *Internal validity* (for explanatory or causal case studies) refers to establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. *External validity* refers to establishing the domain to which a study's findings can be generalized. *Reliability* refers to demonstrating that the operations of a study, such as the data collection procedures can be repeated, with the same results.

observation, and archival materials[50]. Secondly, a chain of evidence was maintained through the conscientious collection and storage of data. All interview and participant observation protocols, transcribed tape-recorded interviews, and archival materials are on hand and appropriately cited in the study. Thirdly, on numerous occasions, case-study reports were reviewed and commented on by key informants[51]. Finally, as discussed previously, cross-level fallacies and contextual fallacies (Miller, 1978) were avoided through careful use of analysis identification, the creation of an organizational identity composition theory, and the collection of participant observation data. An important issue addressed in the composition theory is whether the form of data analysis should parallel some attribute of the identity construct. Unit level measures of identity were derived in a number of ways. For example, individuals were asked how clearly they saw their organization's identity. Alternatively, key informants were asked about whether or not there was a collective perception of the organization's identity. Further, individuals were asked to describe the company's organizational identity. Since the same factors gave rise to all responses, there is evidence of convergent construct validity (Rousseau, 1985).

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[50] Triangulation is defined as "the combination of methodologies in the study of the same phenomenon." (Denzin, 1978: 291). It refers to the use of multiple sources of evidence in the pursuit of a more convincing and accurate result or what is generally referred to as validity (Jick, 1979; Eisenhardt, 1989; Yin, 1994; Strauss & Corbin, 1998). All four of Denzin's (1978) types of triangulation were availed. First of all, the use of a variety of data sources (data triangulation), such as the inclusion of historical accounts reported on in chapter three. Secondly, the use of several different researchers (investigator triangulation) in both conducting interviews, coding, and analysis was helpful. Thirdly, the use of multiple theories (theory triangulation) in the comparative approach to alliance formation motives was imperative to the results. And, finally, the use of multiple methods (methodological triangulation) such as interviews, archival materials, and participant observation was important.

[51] Key informants comprised BP and Statoil employees, as well as an external economic historian expert in the Norwegian petroleum industry.

### 2.9.2 Increasing internal validity

Internal validity was a concern in the first part of the thesis regarding the explanatory area of alliance motives. This concern is not as applicable in the second part of this study where the interest was in the more exploratory and descriptive area of organizational identity adaptation. A longitudinal, real time study can increase internal validity by enabling one to track cause and effect (Leonard-Barton, 1990). Further, Van de Ven and Poole (1990) discuss the advantages of initiating historical studies before the outcome and to observe the process throughout its unfolding to minimize bias. The pilot study was also extended and different forms of pattern-matching activities were conducted. For instance, rival theoretical propositions, articulated in alliance motive terms, were used across the three alliance projects.

### 2.9.3 Increasing external validity

Since this is a one case study, albeit involving three projects, external "statistical generalization" (Yin, 1994: 36) is admittedly limited. Rather, this case study relies on "analytical generalization" (ibid.), where the effort has been to generalize the results to broad theories of alliance formation and organizational identity adaptation. According to Yin (1994), single case studies are best generalizable to theory[52]. At the same time, generalization is not automatic (ibid.), since a theory must be tested through replications of the findings in a second or third case where the theory has specified that the same results should occur

[52] Yin (1994: 37) puts it in this way; "A common complaint about case studies is that it is difficult to generalize from one case to another. Thus, analysts fall into the trap of trying to select a "representative" case or set of cases. Yet no set of cases, no matter how large, is likely to deal satisfactorily with the complaint. The problem lies in the very notion of generalizing to other case studies. Instead, an analyst should try to generalize findings to "theory", analogous to the way a scientist generalizes from experimental results to theory. (Note that the scientist does not attempt to select "representative" experiments.)"

(Leonard-Barton, 1990). In this study, concerns of external "statistical" validity were traded for the merits of "analytical" validity (Yin, 1994) and an in-depth understanding of an interesting case (c.f. Hägg & Hedlund, 1979). In this manner, in a case deemed interesting, "plausibility is a substitute for validity" (Weick, 1989: 525)[53].

## 2.9.4 Increasing reliability

As discussed in construct validity, *a chain of evidence and a case study database* (Yin, 1994) were maintained so that if another researcher used the collected documented data and conducted the same case study over again, another researcher should come to the same conclusions as in this study. As discussed earlier in this chapter, the research flow was carefully reported and documented, interview guides were used in both data collection phases, minutes of pilot study interviews were made and verified with co-interviewers, the rest of the interviews were tape-recorded and transcribed verbatim. Minutes and transcripts were structured and coded in the qualitative software program Q.S.R. NUD*IST Vivo.

## 2.10 Summary

This thesis is the result of an inductive research journey of an in-depth, longitudinal, case study: The BP and Statoil Alliance. Two major approaches were used. First, because of the methodological and theoretical "chaos" (Oliver, 1990) or "messiness" (Parkhe, 1993) of the

[53] Weick (1989: 525) discusses the merits of an interesting conjecture: "When a conjecture is tested against an assumption, the outcome of that test is signified by one of four reactions: that's interesting (assumption of moderate strength is disconfirmed), that's absurd (strong assumption is disconfirmed), that's irrelevant (no assumption is activated), and that's obvious (a strong assumption is confirmed). Those four reactions are the equivalent of significance tests, and they serve as substitutes for validity."

alliance formation literature, a comparative theory approach was used to juxtapose and compare theoretical explanations for alliance formation. Following this, because of the serendipitous discovery of organizational identity adaptation as a motive for alliance formation, an inductive, grounded approach was used to explore processes of organizational identity adaptation in this alliance case. Methods included semi-structured interviews, participant observation, secondary data, and archival materials.

# CHAPTER THREE

## An industry, two partners and an alliance

"The concept of synergy is at the core of the Alliance. The distinguishing feature of the BP and Statoil Alliance is that the harnessing of skills, experience and technology is an input not an outcome left to chance as in conventional joint ventures. Looking for and generating value from these synergies is an underlying theme in all Alliance activity. The Alliance should achieve business success over and above that which either company could achieve alone. The whole should be greater than the sum of the parts." (p. 13, *International Exploration and Production - The Alliance*)

THE ALLIANCE, BETWEEN British Petroleum (BP) and Statoil, was announced in August 1990. The two companies would cooperate in exploration and production (E&P) in three geographical areas which were at the time considered the world's most promising frontier areas: South East Asia (SEA), the former Soviet Union (FSU), and West Africa (WA). The companies intended also to cooperate in marketing natural gas to continental Europe, and jointly fund technological research and development (R&D). ***This study concentrates on the strategically most important and largest leg of the alliance, the international E&P part.*** Cooperation in natural gas marketing was short-lived. Statoil purchased BP's equity in the joint venture after only a few years. Cooperation on R&D was more successful for a time. By 1995, the companies had expended NOK 200 million and had employed at the most 21 persons at one time on a project at Statoil's R&D facility in Trondheim. This was very little in comparison to the total research budgets of both companies, and by 1995; cooperative

R&D was almost nonexistent (Ryggvik, 2001). Thus, international exploration and production was the fundamental leg of the BP and Statoil alliance and considerable effort was spent on making the relationship work. The alliance between BP and Statoil lasted from August 1990 until February 1999. The end of the 8½-year alliance corresponded with the BP and AMOCO merger, which was also given as the official reason for terminating the alliance.

In this chapter, a portrait of the Norwegian petroleum industry, the partners (Statoil and BP), and the workings of the alliance is given to understand the context of the study and its results. Since the findings of this thesis, Statoil's wish to change its organizational identity, through the use of an alliance, must be seen in light of the historic and political context of the Norwegian petroleum industry, a brief description of the emergence of the Norwegian oil saga is described. Though a similar description of the British petroleum industry might be of interest, it would arguably add little to our understanding of the particular results of this thesis.

## 3.1 Building a new industry: From internationalism, to nationalism, and back to internationalism

The Norwegian petroleum saga started during the early 1960's and is the most important industry in Norway today. Along with the two remaining Norwegian petroleum companies, Statoil and Norsk Hydro[54], a number of sub-contractors are also included in the oil

[54] Saga Petroleum was merged with Norsk Hydro in 1999. Saga Petroleum was heavily focused on oil exploration and by and large experienced significant difficulties due to a relatively long period of declining crude oil prices.

industry as a whole[55]. This portrait of the Norwegian context is based on historical and political accounts by Norwegian academics specializing in Norwegian petroleum history (Olsen, 1989; Hanisch & Nerheim, 1992; Nerheim, 1996; Olsen & Sejersted; 1997; Ryggvik & Smith-Solbakken, 1998; Ryggvik, 2000). As we shall see, Norwegian petroleum policy changed the focus from an interest in attracting foreign capital in the early years, to a period of strong protectionism, and then towards international expansion.

From the beginning of the 1960's, there was an interest in attracting foreign capital to Norway to help stimulate the economy. During the economic recession in 1958, unemployment rates grew for the first time since World War Two. There was a fear that there would not be enough capital within the country to sufficiently create enough jobs for the post-war baby boomers, who would soon come into the labor market. It was also recognized that if foreign capital was to come into Norway, then multi-national firms must be induced to establish a permanent presence within the country. Many small countries competed for foreign capital, and it was widely believed that large multi-nationals divided up their markets geographically. Norway was included in the "Scandinavian market". Competition for foreign capital was naturally of national political concern and the different countries competed in giving beneficial conditions to foreign multinationals. The benefit of succeeding was expected to be substantial new capital stimulating the Norwegian economy, thus resulting in new jobs for the post-war baby boom. It was in this environmental context that Phillips, in 1962, submitted the first request for a license to explore for oil on the Norwegian Continental Shelf. Following Phillips, numerous other multi-national petroleum companies also offered exploration programs where large amounts of

[55] Companies such as Kværner, Aker Maritim, Transocean, Smedvig, and PGS have also achieved significant international presence in the international petroleum industry.

money could be expected to fall into the Norwegian government's coffers. At this time, the Norwegian government was more interested in bringing in foreign capital than in building competence in a potential, future Norwegian industry. The international interest for exploration in the Norwegian controlled part of the North Sea was seen as a wonderful one-off gift that should be competed for against neighboring North Sea countries such as Denmark and Britain. Indeed, Norwegian firms were actively discouraged from investing in such a risky business, as oil exploration was considered, and instead encouraged to concentrate on investments that would secure employment and other profitable dividends in already existing Norwegian industries. Though there was at this early stage significant doubt as to the possibilities of Norwegian North Sea petroleum, if they actually materialized, the cynical political line was that these policies could easily be changed.

The first concession round for exploration licenses was ready in August 1965, where Norwegian companies held minor interests in 22 of 81 blocks[56] (Ryggvik, 1992). In comparison, 283 British companies held large interests in the first 346 blocks given out in Britain's first concession round in 1964 (Petroleum Press Service, 1964). There is some evidence that Norwegian industrialists were disappointed with their small involvement in the first round, in which Norsk Hydro played a major role (Areklett & Ryggvik, 1991). The second concession round started in 1968 with pressure from Esso who threatened to leave the Norwegian Continental Shelf if they were not guaranteed new exploration blocks. Phillip's 1964 discovery of large amounts of oil condensate, in what was called the Cod field, naturally added pressure for new exploration concessions.

[56] A "block" is a geographical bounded area, where exploration can be conducted by the company holding a governmentally granted concession.

It was during this second concession round that a certain "Norwegianization"[57] can be seen in the rules attached to exploration concessions (Ryggvik, 2000). Norwegianization can be defined as strong protectionism of all industries considered important for Norway as a nation. Though there was still an interest in competing for foreign capital, and a belief that North Sea oil exploration was highly risky, a gradual shift in the power balance can be observed. For instance, "carried interest" agreements, involving governmental ownership of potential future production became common, and were clauses attached to successful exploration licenses. In addition, exploration license awards were dependent on accepting Norwegian sub-contractors, which was an issue not mentioned in the first round. Though all companies did not accept "carried interest" clauses, they usually offered something else that was of interest to the Norwegian government. For instance, Shell accepted the responsibility and cost of educating the Norwegian Industry Department bureaucrats in oil industry negotiations that the Norwegian government understood was necessary. The gradual shift in the power balance reflected the increased interest from foreign multinationals, the Norwegian government's emerging vision of actual future production profits, as well as tougher negotiation skills. The idea that Norway might have a profitable future in the oil industry is supported by the fact that Norwegian companies were involved in relatively more exploration blocks, and were successful in gaining the blocks that they considered most interesting in this second round.

In 1970, the first major oil discovery, Ekofisk, resulted in an increased political focus on Norwegian oil strategies. It was now collectively and politically accepted that petroleum exploration and production would be an important part of Norwegian industry in the foreseeable future. In the following years, Norwegianization became ever more evident. An important theme during these years was to ensure national

[57] "Norwegianization" is a translation of the Norwegian word "Fornorskning".

management and control, in part because of a dominant belief that the international petroleum industry was imperialistic, and oligopolistic, with strong sub-contractor cartels. These ideas were embedded in a stronger Norwegian economy, a growing nationalism supported by anti European Union membership sentiments, and "USA-imperialism" emotions stemming from the United States' involvement in Vietnam. It was in this context that Statoil, with Arve Johnsen at the helm, was established as a 100% state-controlled National Oil Company (NOC) in 1972. By and large, it was accepted that Statoil's mandate was to be the Norwegian government's most important tool in protectionist Norwegianization policies. Statoil's future, central role, as a dominant player on the Norwegian Continental Shelf, came more from a strong favoritism in concession rounds, by the same Norwegian Industry Department bureaucrats educated by Shell, than by any formal government mandate. Initially, Statoil was meant to be a tool for Norwegian protectionism and the aim was to gain the management and control over the Norwegian oil industry, rather then become a dominant powerful player per se. Besides the establishment of a national oil company, Norwegianization was further supported the same year by a law declaring that competitive Norwegian products or services must be chosen over foreign competitors[58]. In this way, Norwegian sub-contractors were also given preferential treatment by law.

As Statoil grew and became more powerful, by and large as a result of the prosperous Statfjord field, the situation for foreign multinational petroleum firms became even more precarious. From being awarded the great majority of exploration blocks in the beginning of the 1960's, their share of new exploration licenses decreased substantially as the 1970's progressed. Statoil's success, mostly due to favoritism in concession round bidding, paradoxically led to its demise as the sole

[58] Statoil went even one further by using their majority interest to enforce internationally uncompetitive Norwegian subcontractors on Mobil.

Norwegian competitor on the Norwegian Continental Shelf. A fear of Statoil's, and in particular the CEO Arve Johnson's power, led to the strengthening of Norsk Hydro's and Saga Petroleum's position in the Norwegian oil industry. Norsk Hydro was 51% owned by the Norwegian state with the remaining shares traded on the Norwegian Stock Exchange, while Saga Petroleum consisted of Norwegian private investors, who had initially been dissuaded from participating in the high-risk exploration projects in the early 1960's. Thus, three Norwegian actors were important; one fully state-controlled, one partially state-owned, and one wholly private. Interestingly, the strengthening of Norsk Hydro and Saga Petroleum, that was intended to weaken reliance on what was considered a too strong and independent Statoil, resulted in even stronger Norwegianization. If the two companies were to offset Statoil's dominance, they had to be awarded numerous prime license concessions to catch up. Given the finite number of licenses available at each concession round, relatively fewer prime licenses were available for foreign petroleum companies.

Even though Norwegianization was the norm of Norwegian petroleum policy from the beginning of the 1970's until the mid 1980's, it was clearly acknowledged that foreign petroleum companies had to play an important role in the technological challenges that lay ahead. Norwegians were aware that they were not sufficiently competent, neither in geology nor oil technology, and that it would take a significant training period before Norwegians could be expected to take over. The dominating vision was that the Norwegian oil industry would eventually become wholly Norwegian. In addition to substantial governmental investments in geology and engineering programs, emphasis was placed on research and development exchanges between foreign and Norwegian firms. In this vein, "technology agreements"[59] and "goodwill agreements" played a central role. These agreements mandated that, for instance, foreign

[59] Translated from Norwegian "teknologiavtalene".

firm concession round awardees had to locate at least 50% of their research and development activities to Norway, as well as contribute substantial amounts to specific projects. Most foreign petroleum firms accepted the terms and considered these investments as "entrance tickets" that would considerably improve their position in future concession rounds.

A defining period in the change from the policy of Norwegianization to a more internationally friendly policy can be traced back to the oil price fall in 1986. The balance of power between the Norwegian government and foreign petroleum firms gradually changed. Several foreign firms began to demand better terms or would otherwise leave the Norwegian Continental Shelf. Because of the oil price fall, oil fields that had initially been considered marginal were now uneconomical. Current and future profits were squeezed, and while foreign oil companies had earlier been willing to accept the higher costs of carried interests, technology agreements, and preferential sub-contractor treatments in exchange for seemingly endless profits, they now reconsidered participation in the Norwegian oil saga. The resulting changes made to the foreign oil firm contracts indicated that the Norwegian government considered the foreign firms important for further development of the Norwegian petroleum industry. Changes included the 1987 removal of the "carried- interest" clause in exploration projects, substantially more successful awards to foreign firms in the 1987 and 1988 concession rounds, less costly technology agreements, and lower taxation rates.

In addition to the changes spurred by the oil price decline, it is argued that the general internationalization and even globalization that swept over the world in the 1980's and 1990's contributed to a less dominant fear of multinational "imperialism". There is also evidence that Norway's partial membership of the European Common Market, through the EFTA trade agreement, spurred changes towards an early alignment with the European Union's policies. These changes in the political environment, towards a more positive view of the international arena, along with the belief that oil reserves in the Norwegian Continental Shelf would eventually diminish[60], were important in halting further Norwegianization processes. The fact that Statoil had by 1989 collected enormous profits, which could either be invested in a less attractive North Sea or new international frontier areas, additionally set the scene for Statoil's major internationalization thrust through the BP and Statoil Alliance.

## 3.2 Statoil

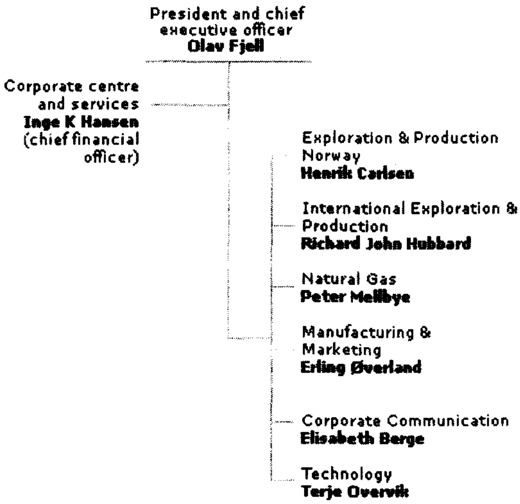
Den Norske Stats Oljeselskap a.s. - Statoil - was established by the Norwegian government on June 14, 1972. The Norwegian government owned all shares until June 18, 2001, when the company was partially privatized on both the Oslo Stock Exchange and the New York Stock Exchange[61]. According to Statoil's homepage (Sept., 2002), by the end of 2001, the firm had a turnover of 236 billion Norwegian Kronor, and employed 16,686 employees in 25 countries. Statoil is the leading upstream company on the Norwegian Continental Shelf and in Scandinavia, as well as the largest downstream marketing company. The company is also one of the world's largest net sellers of crude oil and a significant natural gas supplier on the European continent. Of the alliance projects held in 1990, only projects in Angola, Nigeria and the Caspian Sea apparently remain important for Statoil today. The

[60] It is well accepted that major oil fields are usually found first. There are in other words important first mover advantages in new "frontier" areas. Less attractive finds may still be commercial due to advances in technology but are usually not as profitable.

[61] The Norwegian state is the majority shareholder with 81.8%. The remaining 18.2% represents the largest group of owners behind any company quoted on the Oslo Stock Exchange and accounts for 15% of the exchange's turnover. When floated in 2001, Statoil was valued at NOK 151 billion.

alliance projects in China and Congo were relinquished in the early alliance days; Nigeria was taken out of the alliance portfolio after Statoil bought BP's equity shares in 1998. Statoil's shares in the Vietnam gas projects were sold off in May 2001. In the fall of 2000, Richard Hubbard was appointed an Executive Vice President of Statoil with responsibility for its international exploration and production business. He replaced Rolf Magne Larsen, who had headed and managed the international exploration and production expansion, as well as managed the BP and Statoil alliance while it was in effect. Interestingly, Mr. Hubbard was immediately before in charge of BP Amoco's operations in Brazil. According to the homepage's official line, selling off these assets is in line with Statoil's upstream strategy, which entails strengthening the group's position in core areas where Statoil is, or may become operator. Statoil currently (Statoil.com, Sept., 2002) defines western Europe, Venezuela, the Caspian region and western Africa as such areas. In recent years, the company has expanded internationally and has operations in many different countries. The following description is also in large taken from Statoil's own website. Figure 3.1 shows Statoil's formal organization.

**Figure 3.1. Statoil's organization structure**




Source: www.statoil.com (Sept. 2002)

Statoil's operations are concentrated in four major areas: exploration for, and the production of, oil and natural gas on the Norwegian Continental Shelf and in core geographical locations internationally- western Africa, the Caspian, Venezuela and Western Europe; supplying gas to the European market; delivering energy, and other petroleum products to retail markets in Scandinavia, the Baltic countries, Poland and Ireland; and processing petroleum through refining, petrochemical operations and methanol production. These operations are pursued through four major business areas: Exploration & Production Norway, International Exploration & Production, Natural Gas and Manufacturing & Marketing, and through the Technology and Corporate Services units.

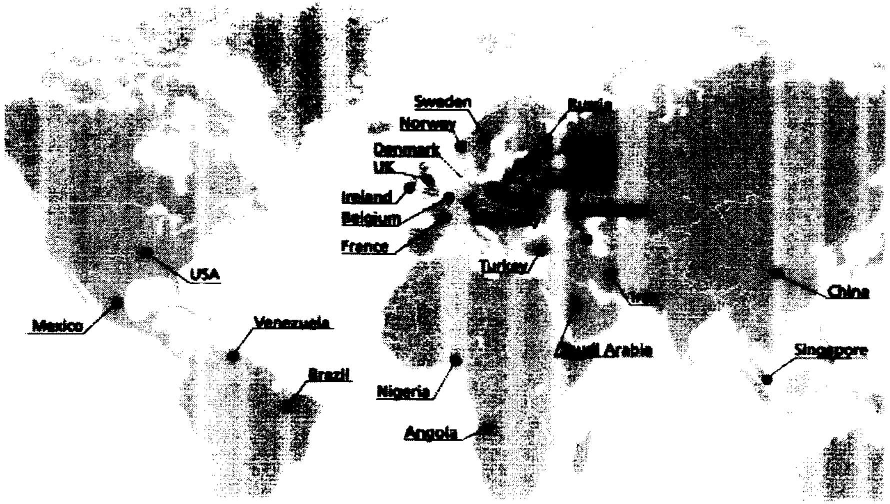
The International Exploration & Production (INT) business area handles Statoil's petroleum exploration and production operations, outside Norway. These activities are concentrated on four core areas: Western Africa, Western Europe, Caspian, and Venezuela. In *Angola,* the group had interests in three offshore licenses, where the first development project, Girassol in block 17, came on stream in late 2001. In *Nigeria,* Statoil, partly with their former alliance partner BP, has already drilled six exploration wells since 1995, without making a commercial find. The current group had previously sold its interest in block 210 and relinquished block 213. Statoil alone drilled two new wells in different blocks on the Nigerian Continental Shelf during 2000. The current group operates both licenses, with a 53.85% interest and ChevronTexaco as its partner.

In Britain, Statoil pursues a broad range of energy production and sales operations. Its Statoil UK subsidiary explores for and produces oil and gas on the UK Continental Shelf and has a crude oil trading office. Since October 2001, the group markets gas in the UK under the name Statoil UK Gas. This business was transferred from the Alliance Gas marketing company, which thereby became non-operational. In addition, the group participates in more than 100 blocks in the UK North Sea and on the Atlantic Margin. Statoil pursues several business operations in the Republic of Ireland, including more than 300 service stations and offshore exploration. It also has rights in the Corrib field off the west coast, which is expected to start producing gas in 2003. In addition the company has a 30% holding in the gas-fired Dublin Bay Power Plant, which began testing operations in January 2002. The group holds exploration acreage covering more than 9,000 square kilometres. Few other companies are hunting for oil and gas over such a large area of the Irish Continental Shelf.

Danish operations are pursued through Statoil Danmark and Statoil Detaljhandel companies. Statoil Danmark comprises a refinery in Kalundborg near Copenhagen and the nationwide marketing of oil products to companies and households. The company also has exploration and production operations in the Danish North Sea, with interests in the producing Siri and Lulita fields. In May 2002, agreement was reached with the Danish state oil company Dong on the sale of all Statoil interests on Denmark's continental shelf. The deal came into effect on the first of July 2002. This sale covered 40% of the Siri and Stine fields as well as 18.8% of Lulita. The Borealis petrochemicals group, owned 50% by Statoil, also comes under Statoil Denmark. Statoil Detailhandel, owned 50-50 by Statoil and Sweden's ICA supermarket chain, operates 350 service stations in Denmark. In March 2001, Statoil opened its first Danish unstaffed forecourt. A total of 30 stations under the 1-2-3 brand name are planned throughout the country. Exploration operations are also being carried out by Statoil off the Faroe Islands. This country is considered as one of Statoil's important international assets.

In the Caspian, the group is participating with their old Alliance partner BP in the Azeri-Chirag-Gunashli oil development and in exploration on the Shah Deniz, Alov, Araz, and Sharg prospects. This country has the largest oil reserves in the Western hemisphere and is one of Statoil's most important international core areas. Finally, Statoil Venezuela is expanding, and looking for further profitable projects. From 2002, the group was expected to have an equity production of roughly 30,000 barrels of oil per day from the Sincor and LL652 fields, in the Orinoco Belt and Lake Maracaibo respectively. Figure 3.2 is a map over Statoil's diverse operations.

**Figure 3.2. Statoil operations in the world**




Source: www.statoil.com, Sept. 2002

## 3.3 British Petroleum (BP)

British Petroleum's history started out in 1901 from small beginnings as a private endeavor in what was then called Persia. According to BP's homepage (BP.com, Sept., 2002), the company, privately held since 1987, merged with ARCO and AMOCO[62], is a leading international oil company whose activities span six continents and directly employs almost 110.000 people across 100 countries. Profits were in excess of 13 billion USD in 2001. The company is an integrated petroleum company mainly involved in exploration and production of crude oil and natural gas; refining, marketing, supply and transportation of oil and gas; and manufacturing and marketing of petrochemicals. BP has well established operations in Europe, the USA, Australasia and parts of Africa, and is expanding its presence elsewhere, particularly South East Asia, South America and eastern Europe. In the UK, BP accounted for about one in every five barrels of oil production and more than 10% of the country's natural gas, and in the USA, about one-twelfth of the oil produced in the USA came from BP fields, making BP the largest US producer (BP, 1996).

According to the BP-Amoco webiste, "there is no central company organization chart. The BP Amoco group has simplified its organization in recent years and will continue this process to avoid duplication and improve decisionmaking. Currently our operations are conducted through 154 Business Units, each focused on a particular asset or market." Figure 3.3 shows BP's formal organization before the Amoco merger.

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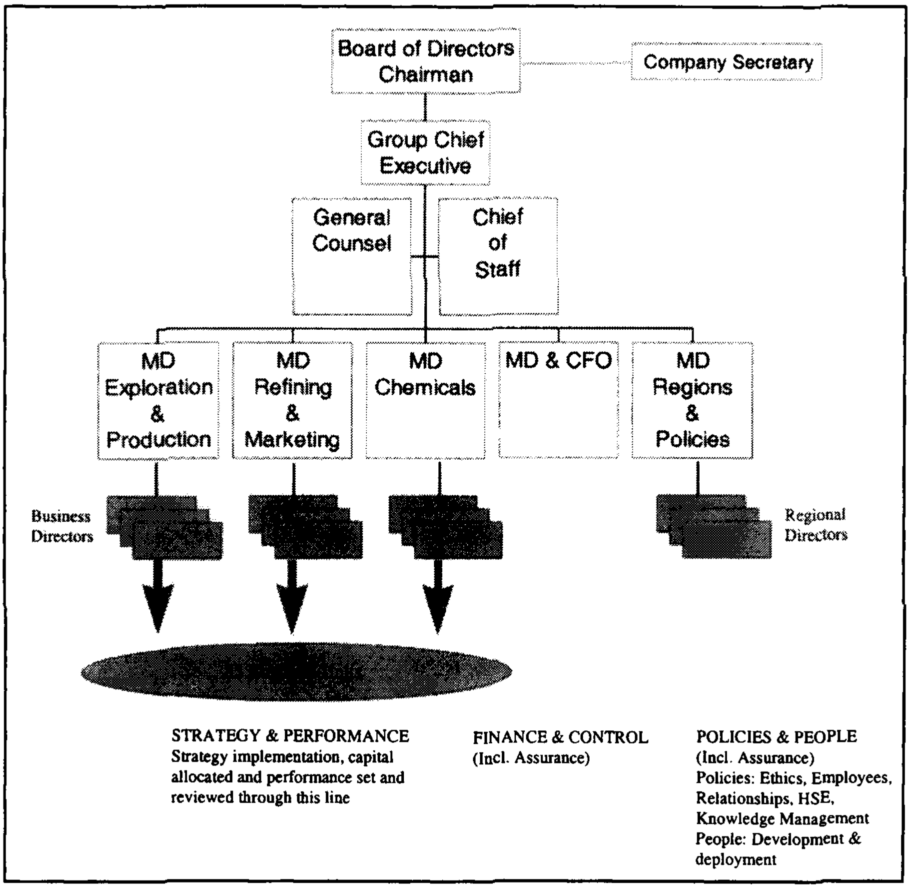
[62] The joining of the two companies represented, at the time, the world's largest industrial merger (www.BPAmoco.com).

**Figure 3.3**
**BP's formal organization before the merger with AMOCO**
*Source: www.BP.com, 21.08.97*




BP had been successful in the discovery of oil and gas in the UK sector of the North Sea. Most of the oil BP produced came from offshore fields, the company also operated at Wytch Farm in southern England, Europe's largest onshore oil field. The North Sea provided BP's main source of gas production. Within a consortium of partners, BP was involved in an Interconnector pipeline project that linked gas in the

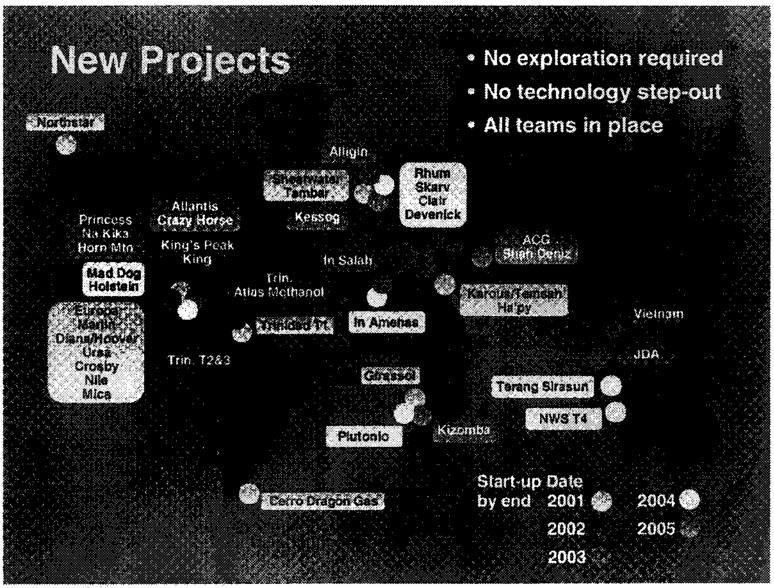
UK with mainland Europe. This project gave BP access to the gas markets of northern Europe. BP also held a 25.52% shareholding in Ruhrgas, which was the biggest independent gas supplier in Europe. Ruhrgas had extensive distribution interests and operated the largest gas transmission system in Germany. In the quickly growing and newly developing southern European markets of Portugal, Spain and Italy, BP was evaluating joining Sonatrach in the development of gas fields in the south of Algeria and marketing the gas in southern Europe.

In the Asia Pacific area, BP was a partner in the giant North West Shelf LNG and domestic gas project in Australia. Domestic gas production started in 1984 and the project was the main gas supplier to customers in Western Australia. BP also had significant gas discoveries in Vietnam and Indonesia. In Indonesia, BP with Arco, was supplying local electricity and gas utility companies in East Java. In Vietnam, BP was working with the government and Petro-Vietnam to establish gas as a central part of their economic development plan. BP also had gas discoveries in the highlands of Papua New Guinea. In the Arabian Gulf, BP had a long held oil production interest in the Abu Dhabi Gas Liquidation Company, which shipped LNG to electricity generating plants in Japan.

Since 1989, exploration activities had been focused on areas previously unexplored, primarily for technological or political reasons. In the USA, BP, working with Exxon and Arco, was conducting feasibility studies for the commercialization of Alaskan gas. BP also supplied a small share of US gas demand, mainly from the Gulf of Mexico where BP was also developing the Mars field, which lay beneath 3000 feet of water. In Columbia, BP was developing the Cusiana and Cupiagua fields and was also working with the Columbian government to help develop its gas infrastructure spurred on by a BP discovery, which more than doubled the country's reserves. The largest contributor to

BP's production was the huge Prudhoe Bay oil field on Alaska's North Slope. BP had a 51% stake in the field, which was discovered in 1969, as well as large interests in other North Slope fields such as Kuparuk and Endicott. The company also had a 50% interest in the Trans-Alaskan Pipeline System which it helped design and construct in the early 1970's. This 800-mile long pipeline delivered oil to the ice-free port of Valdez on Alaska's southern coast. Farther south in the USA, BP was investing in exploration and field development projects in the Gulf of Mexico. About 10% of the oil produced in the USA came from BP fields, making the company the largest US producer. Figure 3.4 shows a map over BP projects.

**Figure 3.4 BP projects**




**Source : www.BPAmoco.com, Sep 2002**

## 3.4 Antecedents to the alliance

Whereas BP started out in Iran in 1901 as a privately held international company, state-owned Statoil had a more recent and initially domestic beginning in 1972 (Yergin, 1991; Ritchie, 1995). Statoil's first international project involved legal, economic and technical advice on exploration and production matters for the Chinese government in 1979. Six years later, in 1985, Statoil was awarded a small project in the Netherlands and two small projects in China. In 1986, Statoil was further awarded small projects in Denmark and the UK. Though the list of international projects began to expand, none of the projects were considered very promising and expected investments, as well as associated profits, were minimal. As discussed earlier, one of the major official reasons cited for Statoil's move towards the international arena was that production of oil on the Norwegian Continental Shelf had reached peak levels and the company's survival was dependent on accessing international oil reserves to maintain production (Stortingsmelding, 1993). This "going concern" concept was widely accepted and unchallenged among both Statoil managers and Norwegian politicians. The only voiced concerns dealt with the risks of investing in politically unstable areas (Ryggvik, 1997b; 2001). Another interpretation discussed, was the global trend and political acceptance of internationalization that swept over Norway in the mid 1980's and which was a significant change to Norwegian political policies (Ryggvik, 1997a; 1997b; 2000; 2001). Given the fact that Statoil was at the time a state-owned company, very much considered owned by the Norwegian people, there was surprisingly little social debate as to Statoil's internationalization. In fact, the Norwegian government approved Statoil's "internationalization" plans without debate or committee analysis (Ryggvik, 1997b; 2000). It seemed as if internationalization was, per se, a good thing and had become an "institutionalized standard" (Røvik, 2000) or fashionable trend (Hirst & Thompson, 1996).

In 1989, Statoil consulted with McKinsey & Company to evaluate Statoil's international efforts. The resulting report (McKinsey & Company, 1989), was often mentioned by pilot study respondents. Since the report gives the impression that it was developed in close cooperation with Statoil management, it represents the strategic thinking on internationalization in Statoil in the late 1980's. Their conclusion was that Statoil's efforts had failed miserably though they maintained that Statoil should pursue an international strategy in the exploration and production arena. Their main argument for international operations was that oil reserves in frontier areas were associated with lower unit costs compared to oil reserves on the Norwegian continental shelf. The McKinsey report did not discuss the requirements for successful international exploration and production operations, nor did it analyze Statoil's organizational competency. It did, however, discuss four areas where the consultants believed Statoil had a competitive advantage. All four areas were connected to the political arena, or the nation Norway, represented by Statoil. Statoil could gain advantages in countries, where Norway had contributed substantial development funds; where it was important to be a state-owned company rather then a so-called "capitalist company"; and where interest and influence on the Norwegian government could be traded for interest and influence in frontier countries. Significant is the lack of importance attributed to intra-firm organizational resources in the McKinsey analysis. Three strategies for becoming an international exploration and production company were also discussed in the report: "Go it alone","acquisition", and "partnering". Though none of the three strategies were actually recommended in the report, it was clear that Statoil eventually chose partnering, and the alliance between BP and Statoil was announced on August 31st, 1990. It is interesting to note that there is no clear evidence that a rational search for the optimal partner was undertaken. Though many respondents were sure that an analysis of the best partner had been undertaken, no specific reports in the matter, or persons involved in the analysis could be named. Instead, anecdotes about the close relationships between John Brown, CEO BP Exploration, and Harald Norvik, President and CEO Statoil Group, and their respective wives, flourished.

BP's motives for the alliance with Statoil seemed much simpler. Going from producing in excess of 3000 barrels per day in the 1970's to only 1500 barrels per day in the 1980's meant a significant decline in profits (Ryggvik, 2001). Compounding this was the fact that BP's production was strongly concentrated to high-unit cost production, in particular in the British part of the North Sea, and in the United States. In addition to the declining production portfolio, BP's profits from downstream activities were also severely hit by the oil price fall, starting in 1986. There is evidence that BP was actively trying to increase their production by exploring for low-unit cost production possibilities in frontier areas in the latter half of the 1980's. BP acquired Standard Oil of Ohio (Sohio), in 1987, for exploration projects in Alaska, and was seriously working on possibilities in Columbia and Indonesia (Yergin, 1991). Exploration and production in frontier areas is normally associated with high technical and commercial risks, and large investments in countries that are often politically instable. In addition, BP had experience of being nationalized in both Iran and Nigeria in 1979. Thus, by the late 1980's, BP was in urgent need of financial assistance for current operations and for future exploration, while Statoil was still earning, and would continue for a quite some time to earn, enormous profits on giant oil fields on the Norwegian Continental Shelf. According to pilot study respondents with both companies' managers, it was initially assumed that BP and Statoil were relatively similar when it came to technical, security, and ethical standards, based on their common experience and cooperation in the North Sea, and that they also were close in cultures.

## 3.5 Alliance intentions

The alliance was officially acknowledged on August 28, 1990, at a North Sea petroleum conference in Stavanger, when a letter of intent was signed by the then Chief Executive Officer (CEO) of BP Exploration, John Browne, and the then CEO of Statoil, Harald Norvik[63]. The letter of intent basically outlined what was called "the three legs of the alliance", including research and development, natural gas marketing, and international exploration and production. The alliance would officially start from January 1, 1991. The joint activities were intended to be long term. However, each of the individual agreements could be terminated by either party with specified due notice. It was also recognized that there had been, and would continue to be, substantial other joint BP and Statoil activities outside of the three specified legs. In the international exploration and production leg of the alliance, the parties intended to conduct joint exploration and production in a number of specified geographic areas of mutual interest. Three areas were targeted: West Africa (Nigeria and Angola), China Margin or what later was called South East Asia (northern China to southern Vietnam) and emerging nations in the former Soviet Union (FSU).

Initial participation in the joint exploration and production areas was to be one-third Statoil and two-thirds BP. Statoil subsequentially purchased one third of BP's existing licenses in the joint participation areas, which involved a payment by Statoil of approximately 40 million USD in disproportionate spending. Over time, it was contemplated that Statoil's equity participation in new licenses would increase towards a 50-50 basis. It was also intended that one of the

[63] Harald Nordvik was Statoil's CEO until 1999 when he was forced to resign because of public and political controversy over budget excesses in the Åsgård project. Interestingly, the CEO preceding him, Arve Johnsen, also left the company in 1988 when the Mongstad Refinery project cost NOK 7 billion (Aftenpost, 1989) more then budgeted.

three targeted area programs, West Africa, would be run out of Norway following what was called "an orderly transition period". The other two areas, China Margin, and the countries in the former Soviet Union, would be London-based. All activities would be jointly staffed. Operatorship[64] decisions in new licenses acquired through the joint program would be made on a case-by-case basis. Finally, it was intended that Statoil would eventually participate as an operator, and gradually take on a larger operatorship role over time.

> "Sharing the benefits - A crucial principle of the alliance is that all its benefits, both tangible and intangible, will be shared equitably. A balance will be maintained between BP and Statoil, in terms of participating interests and operatorship." (International Exploration and Production - The Alliance, 1991:8)

In line with the above spirit, it was intended that the Alliance was to exploit the competitive advantages that the synergy of its joint operations was expected to provide. At the same time, it was to recognize and maintain the strengths of the two major parent companies. These strengths were anticipated to arise from the different histories, cultures and corporate styles of the two companies. The belief was that achieving success, over and above the sum of the parts, depended on using synergies and individual firm strengths.

A "Main Agreement", drawn up on December 28, 1990, detailed the legal framework and the main principles required, establishing the alliance in the field of international exploration and production. Large investments had already been undertaken and further large investments were expected in the future. The fact that it was the CEO of BP who signed the letter of intent and the subsequent Main

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[64] Being an "operator" or "lead company" or having an "operatorship" traditionally denotes the main actor in an exploration and production license group.

Agreement strengthens the earlier argument that the international exploration and production part of the alliance was the most important of the three alliance legs.

> "The purpose of this Agreement is to bring together the technical skills and financial resources of the Parties in collaborating to constitute a more effective and competitive force for the access and realization of new hydrocarbon exploration, development and production in major frontier areas of the world, than either Party can achieve individually, having regard to the principles that there should be no duplication of effort, or cost, decisions shall be taken solely on commercial grounds and that organizational and decision making models shall be simple" (Main Agreement, Article 3.3: 10).

In other words, the espoused logic of the alliance was that 1+1 is equal to at least 3, and that the alliance was to be guided by economic and commercial priorities. It is interesting to note that there is no mention of either company being in a learning position or in any way inferior to the other, though this was often mentioned in the pilot study interviews by both Statoil and BP managers.

> One of the Parties shall be nominated as the Business Development Operator for each, or part of, the major frontier areas. The activity within an area shall be carried out by a jointly staffed team reporting through the Business Development Operator's line organization and in accordance with the Business Development Operator's normal business practice including safety principles and procedures. Similarly, for each License within the Alliance Area the Parties shall nominate a lead company or spokesman for the alliance as described in Article 7." (Main Agreement, Article 3.4: 10).

Though there is no explicit reference in the Main Agreement as to Statoil being in a "learning" position, pilot study respondents argued that the agreement reflected this intent by the very structuring of the alliance organization and management through operatorship and joint teams.

> "As soon as practical, Statoil shall become a License Operator and gradually take on a larger operatorship role over time." (Main Agreement, Article 7.4 : 22).

According to BP respondents, it was understood that BP would continue having the lead role in the existing projects that had been started by BP, leaving Statoil in a delegated passenger seat. They further believed that as new projects were added to the alliance portfolio, Statoil would be able to take a more active role, under the implicit assumption that Statoil was "up to it". This "understanding" was not shared by Statoil respondents, and the different interpretations of "As soon as practical..." became contentious as the alliance developed. For BP respondents, it meant when they felt Statoil was more competent, while for Statoil respondents, it meant when administrative practicalities were dealt with.

This study focuses in particular on the exploration and production part of the alliance, including the three project teams: Vietnam, Nigeria, and a joint Azerbaijan and Kazakstan (AzKaz) project. When the interviews for the pilot study were performed, a considerable number of persons were employed by the alliance, and large investments had already been undertaken. Even larger expenditures were expected in the future. Table 3.1 shows the estimated expected investments, and joint team manning when the pilot study was performed in 1995.

**Table 3.1**
**Expected investment expenditures & joint team manning**

| Project | Expected investments Mill.USD '95 | Joint team personnel at leader HQ | Joint team personnel at sites |
|---|---|---|---|
| Vietnam | 145 | 29 | 140 |
| Nigeria | 815 | 28 | 47 |
| AzKaz | 778 | 20 | 18 |
| Total | 1.738 | 77 | 205 |

*Source*: The BP and Statoil Alliance portfolio analysis and organizational charts 1995. Joint Team manning includes only full-time positions. In addition, numerous BP and Statoil corporate staff personnel worked part time on alliance activities.

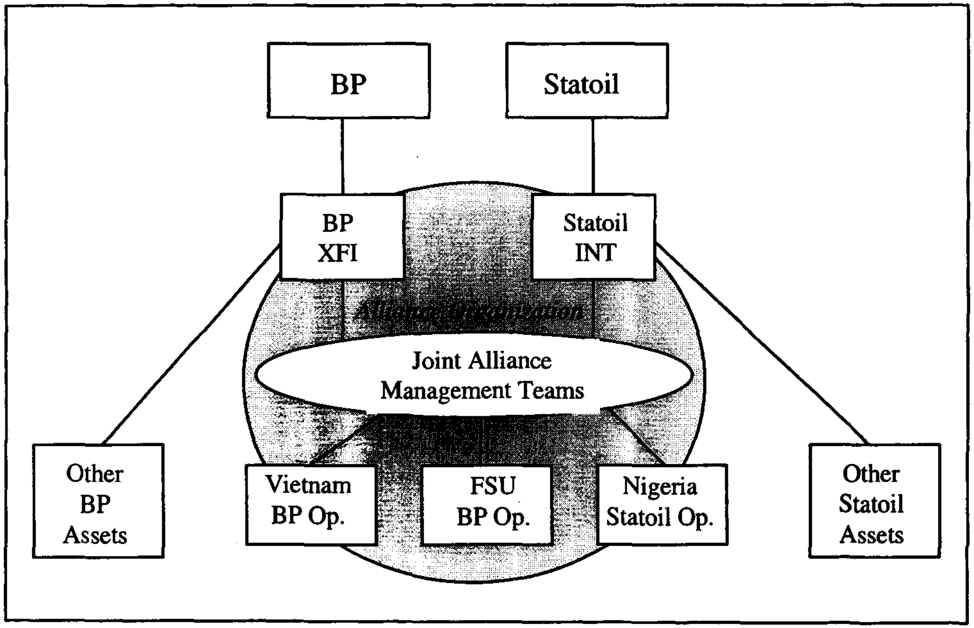
According to respondents, this structuring into joint teams was a unique feature in the oil industry. Equity sharing in exploration and production projects was obviously not unique, but organizing project teams with the inclusion of partner company employees, was a new way of operating a project. In traditional exploration and production projects the operator, often the company with the largest equity shares in the project, would staff the project with only its own personnel. Expenses and investments would be invoiced to the other equity partners at planned intervals. Technical and commercial approvals were normally undertaken in monthly committee meetings involving all partners. Each non-operator partner would normally incur large monitoring costs through substantial technical and commercial staffs. Pilot study respondents reported two motives for organizing into these joint teams, rather than in the traditional operator team staffed solely by operator employees. Firstly, it was assumed that monitoring costs could be done away with. If Statoil had its own trusted employees in the project team operated by BP, there would be no need for monitoring. Secondly, a perceived assumption, given more often by BP respondents then Statoil respondents, was that Statoil wanted to learn about internationalization and gain international capabilities. It was believed that if Statoil wanted to learn about internationalization, they had to do so by working side by side with their more experienced BP team members. It is interesting to speculate as to the organizational design of the alliance. Though, as discussed earlier, there is no brochures or official statements of Statoil's wish to gain internationalization knowledge from BP, there seemed to be an assumption that internationalization knowledge was skill-like in nature, and that working closely side by side in joint teams was the way to transfer or teach this type of knowledge.

> "Mutual trust is essential to the Alliance's success. Without it, many of the potential synergies cannot be exploited. It greatly reduces the need for duplication of technical and managerial effort and it facilitates the sharing of best practices and strategic learning. To achieve it, the concept of transparency is fundamental. This, in turn, requires open communications, together with a joint approach to problem solving." (p. 18, International Exploration and Production - The Alliance)

Oversight of joint activities was to be the responsibility of a joint management committee with equal BP and Statoil representation. Joint asset management teams were responsible for their respective projects on behalf of the alliance and they were to operate within a common framework set by the (executive) "Alliance Management Team". Their performance was to be measured against agreed goals and objectives. Joint asset management teams were to be composed of a manager from the operating company, a deputy manager from the other, non-operating company, as well as other managers drawn from both companies with the aim of achieving a balanced representation. To facilitate the information flow and provide support to the management of the non-operating company, the function of the "focal point" was designated as an essential part of the management team. The overall purpose of these "focal points" was to provide a window on the skills, experience and technology of their own company, to ensure that the best resources were used from both organizations. Learning was supposed to be encouraged and achievement was to be measured against identified goals in asset performance contracts. Joint teams were to be the mechanism for mobilizing the skills, experience and technology of both companies. The integrated teams were to be staffed, at the discretion of the joint asset management team, with a balance of BP and Statoil personnel in line with the particular skills and experience needed and the availability of expertise. This approach to staffing was supposed to maximize the ability to secure the best people at any time.

In each asset, one of the companies was to be assigned the role of "lead company". This company was responsible for conducting the activities on behalf of the Alliance and was to be accountable to the "Alliance Management Team". The lead company applied its own systems and procedures, which were also supposed to cater to the requirements of the other company to avoid duplication. These systems and procedures were to include business planning and operational management. The two companies were to entrust asset management to each other. It was, however, recognized that each company would retain its own decision-making processes for investment and other major decisions. The lead company's management practices and related procedures were to apply to all members of jointly staffed teams. However, personnel seconded to the lead company or alliance team would remain employees of their own company, and would be administered in accordance with that company's terms and conditions. Figure 3.5 shows how the alliance was organizationally structured.

**Figure 3.5 Alliance organization**




"BP XFI" stands for what BP called Exploration Frontiers International. "Statoil INT" stands for the strategic business unit responsible for Statoil's international exploration and production operations.

The technology platform chosen by the BP and Statoil Alliance was to be guided by the "Alliance Technology Board" that was chaired by the management of both partners. The key purpose of the board was meant to be "to provide the right technology for use in the right place and at the right time" (International Exploration and Production - The Alliance, 1991: 18). Thus, the idea was that the best technology was to be drawn from the best source within BP or Statoil, or be acquired externally. Each alliance project was to have a technology plan that was purposely aligned to its business objectives. The technology provision and support was supposed to be directly driven by the commercial challenges faced by the Alliance in each area, and was to include services, technology transfer, research, and development.

The goals of the Alliance were vaguely defined as "to be the best by being the lowest-cost finder and producer, and to do so in volumes that made a difference to both companies". The basis for such a cost leadership was thought to be efficient exploitation of the economies of scale, the use of each company's strengths and experience, plus the tight controls of direct costs, and the minimization of overheads. Performance criteria were to be used to monitor progress. Criteria mentioned included; financial yardsticks, business development success, asset maturation, finding and development costs, effective use of skills, experience and technology, risk management, procurement, health, safety and environment, and organizational development. It was also planned that the Alliance's competitive position and achievements in all its activities would be measured and "benchmarked" by reference against the oil industry's leading players. Safety and environmental protection were also to be particularly significant indicators of the Alliance business performance and conduct.

The reports to be produced by the Alliance were intended to record progress made towards its overall goals in terms of the milestones passed and the performance targets achieved. These reports were to communicate the key issues and business performance so that direction and cohesion could be maintained in the overall Alliance portfolio. For all reporting requirements, the lead company would prepare technical, commercial, and managerial documentation appropriate for both companies' needs.

New opportunities would be considered by the Alliance in all its chosen areas and elsewhere. The idea was that these would be assessed within the context of building on, and strengthening, the Alliance's existing commercial position. Each opportunity would be evaluated on a case-by-case basis, paying due regard to its strategic fit with the portfolios of BP and Statoil. The geographical areas designated to the Alliance were only part of the international activities of BP and Statoil, hence any additional opportunities would have to have the potential to perform competitively.

## 3.6 Alliance challenges

From the pilot study, it appeared that the perception of each company's strengths depended on which company the respondent was from, and at which stage the alliance project was in. Little initial analysis of each company's strengths seemed to have been conducted at alliance formation. Instead, many employees admitted to initially perpetuating many negative stereotypes of the other company. All agreed that BP had contributed with superior commercial skills, and that Statoil had contributed with a non-threatening, politically neutral image that had been beneficial in certain government negotiations. In general, BP respondents initially felt that Statoil was an inefficient state-operated company, that was internationally inexperienced and geologically, technically and commercially inferior to BP. After the alliance years, BP employees felt they had, to some degree, changed their initial views and afforded Statoil more credit. Statoil was still seen as less internationally and commercially experienced than BP, but working hard to catch up. Statoil continued to be seen as bureaucratic and economically inefficient, as BP had admittedly been before it was privatized[65]. On the other hand, there was a growing respect for Statoil's technological expertise in certain areas and, as it was perceived, somewhat greater cultural sensitivity. Statoil employees believed that they were internationally, geologically and commercially inferior to BP at the time of alliance formation. Indeed, that was the reason Statoil wanted an alliance with the internationally reputable BP. However, Statoil also believed that the company had excellent technology, and that BP actually wanted to gain technological expertise, specifically deep-sea drilling technology, through the alliance. As time went by, Statoil employees seemed to feel that they had either undergone a steep learning curve or realized that they already possessed the necessary skills, and that they were sufficiently competent. As alliance time went by, a majority of Statoil employees seemed to feel less inferior to BP and instead described BP and BP personnel as arrogant, fiercely competitive, power-hungry and overzealous in political and commercial negotiations.

Respondents speculated as to the performance of the alliance. Assuming that BP was mostly interested in accessing Norwegian North Sea gas, gaining a certain financial leverage and partnering with a non-threatening National Oil Company (NOC), the alliance seemed to have scored substantially in two areas. Financial risk in frontier areas had been spread with a relatively "silent" partner, and BP had been able to use the NOC card where necessary. The major contention and remaining issue was access to Norwegian gas. BP employees felt that BP had either had an unstated, "hidden agenda" in the wish to access Norwegian sector gas, or that there had been an unofficial gentlemen's agreement between the two top CEOs. Since little success

[65] The Thatcher government wholly privatized BP, when the remaining 31.5% shareholding in BP were sold in October 1987.

in this area seemed apparent, there was a general feeling in BP that Statoil had either "tricked BP", or "played it very smart". This disappointment seemingly overshadowed any Statoil contributions of financial funds or National Oil Company cards by BP respondents. The general feeling among BP respondents seemed to be that BP had gained little from the alliance, and instead had carried Statoil into the international arena with little return. Indeed, the alliance had also cost too much. Though Statoil respondents agreed to the alliance being expensive, on the other hand, believed that the alliance had been very successful as a tool in quickly gaining international projects, creating and training internationally experienced personnel, exposing the whole organization to international operations, and, most importantly, building self-confidence for international expansion in employees, corporate management, and the Statoil's board.

In the exploration and production area, most respondents emphasized two aspects of performance: access to profitable acreage through use of each company's strengths, and reduction of duplication through the use of joint teams. Access to profitable acreage was hailed as a significant success by all involved. The alliance's main goal was to become a major player in West Africa, South East Asia, and the countries in the former Soviet Union. Strong footholds in Angola, Nigeria, Vietnam, Azerbaijan, and Kazakhstan, were reported as proof that this goal had succeeded. Respondents from both companies, at all levels, expressed views that each company could probably have done it on its own, but that it might have taken a little longer time. Others believed that the alliance had been necessary for access to projects, and that each company alone would have taken a significantly longer time.

Concerning duplication, the majority assessment in both companies, at all levels and functions, seemed to be that the requisite trust to avoid duplication had not been present. "Shadowing", as in double positions watching over each other in the corporate headquarters of the non-operator and the creation of presumably unnecessary positions in joint teams, was argued to occur in all three assets. The reduction of duplication concept was to be built on the development of trust, where joint teams constituted the cornerstones. Rather than seconded personnel monitoring the operator's activities, each company was supposed to only second personnel taking an active operative role in the alliance team. This was in contrast to traditional licensing partnerships or joint ventures, where the operator controls all work and staffs only from its own company. Costs had also escalated, because non-operating personnel were moved on expensive expatriate packages to operator headquarters, which in traditional joint ventures would have been staffed by less expensive operator-employed local staff. Respondents also reported that management processes had been much more difficult and time-consuming, and that a great deal of time had been wasted in staffing disputes and budgetary arguments.

Although alliance management reported that they had had a good idea of the corporate visions set out for the alliance, initially at alliance formation there seemed to be little understanding as to operationalizing the vision, and creating a structural context for the collaboration. Lack of clarity in implementation of an operational structure and lack of commitment to the alliance resulted in confusion. It seemed as if visions, in terms of input, rather than output, had been handed down from the CEO level with few guidelines or directions. Business unit- and alliance management were left to define the organizational form, roles, modes of operation, projects, teams etc., which would define the operation of the alliance. Few alliance "champions" were evident, and a great deal of fire fighting was constantly going on. Important missing elements were the intended extent of alliance integration into each company, and the form and structural context of future cooperation. Operationalizing unclear corporate visions with few guidelines and no experience seemed problematic for business unit-, and alliance management on both sides. Both BP and Statoil management expressed annoyance over the excessive amounts of time used for coordinating routines and structures, defusing power and identity struggles, and, especially, arguing over staffing and budgetary control. Alliance and asset managers were frustrated, and comments such as "What are they [the other company] being stupid about this time?" were rampant. An often-cited rumor was that alliance management in both companies had little respect for each other, and the fact that the alliance was initially unbalanced, in terms of equity and international experience, made things worse. It was clear that BP assumed the driver seat, while Statoil was not content to be the passenger. These disruptive disputes at the management level were noticeable at the more operative team level, but teamwork was, despite the problems and meager efforts made to give the teams central direction, performed adequately and projects were secured.

## 3.7 Alliance national and corporate cultures

The alliance teams' multi-nationality surpassed simple bicultural groups of only British and Norwegians, and were instead truly multicultural groups including many ethnic backgrounds. The Nigeria team included US Americans, British (containing English, Scots and Welsh), Irish, Norwegians, Nigerians, and a New Guinean. The Vietnam team employed primarily Norwegian and British expatriates, and Vietnamese locals. At the team-, alliance-, and business unit management levels, nationalities were predominantly Norwegian and British[66].

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[66] The Norwegians were employed by Statoil, the Nigerians by Statoil Nigeria, the Vietnamese by BP Vietnam, and the remaining nationalities by BP. The Statoil/BP alliance was not a separate legal entity. Statoil fronted all legal activities in Nigeria and employed Nigerian nationals. BP, likewise, fronted activities in Vietnam, including employing Vietnamese nationals through Petrovietnam, a Vietnamese government controlled agency.

Several differences in national or organizational culture contributed to controversy. The difference in working hours between the British and the Norwegians had an initial negative impact on team spirit. Norwegians, in predominantly dual-career families, were less apt to work late, and conflicts arose when work was behind schedule and Norwegians felt excluded when work was done late in the evenings. Dual-career families also caused difficulties or delays in quickly sending Norwegians as expatriates to foreign postings. Different communication patterns were also cited as frustrating. According to respondents, the British felt that Norwegians were passive, had little sense of humor, and took themselves too seriously. The Norwegians, in turn, felt that the British were aggressive, competitive, arrogant and patronizing. Both Nigerians and Vietnamese felt they got along with Norwegians better than with the British, who were termed "very polite, but extremely formal and distant". The US Americans were the ones to get along best with the British, and both groups felt that their individualism and competitive spirit went well together[67]. English language skills were quoted as a barrier to fully contributing to discussions, and although the British felt that Norwegians spoke excellent English, the Norwegians themselves, felt they had difficulties in expressing themselves accurately and would easily take the back seat.

BP respondents characterized themselves in terms of: a flatter organizational structure, quicker decision-making, stronger change orientation, less bureaucracy, lower power distance, individual competitive spirit, less job security, lower risk aversion, and having a much more commercial attitude then Statoil and its personnel. Statoil respondents saw themselves as having: a flatter, informal organizational structure, quicker decision-making, but slower change process, less bureaucracy, lower power distance, more of a collective

[67] Since the US Americans were all from BP, it may be difficult to separate the influences of national and corporate culture here.

team spirit, higher job security, **average risk** propensity, and a competitive commercial attitude, compared to BP.

## 3.8 Alliance identity, structures, and systems

Difficulties due to differences between organizational structures and systems were most apparent in financial budgeting and reporting, and in the different salary packages offered employees. Each company had different corporate planning schedules, requirements as to the detail and form of information needed, and corporate investment targets. At alliance formation, attempts were made to standardize alliance reporting so that each company's requirements were satisfied and a lowest common denominator was found. This exercise was considered time-consuming and seemingly meaningless, neither company ended up happy, and the attempts at standardization were eventually abandoned. Instead, the project operator ended up preparing data for its own corporate organization, and the non-operator was given raw data that could be massaged into the right form by team members representing the non-operator. Apart from priority disagreements and timing differences, few anxieties seemed apparent among team members. Top management issues, such as different investment criteria set by corporate objectives, created more trouble and were often argued over.

The companies had very different salary packages. When people worked together in teams, especially at site locations, the differences became very apparent. Statoil and BP personnel, including families, were housed together in large company complexes. Proximity and socialization between expatriate families led to transparency in corporate benefits. Seemingly trivial issues, such as one company's employees getting sherry glasses or the other one's getting flowers in the garden, became very important. Other visible compensation problems were achievement rewards and performance appraisals. In one company, individuals were awarded "spot bonuses" for extraordinary performance, while in the other company this was neither practiced, nor accepted. Similarly, performance appraisal in one company was directly linked to salary, while in the other it was more for purposes of self-development. These differences in remuneration reportedly caused problems for both team members and management.

Respondents reported a lack of alliance identity, and several felt that it would have been better to detach the alliance into a separate legal entity, such as a joint venture. Little allegiance was felt towards the alliance, and only a few efforts - in the form of brochures to the external environment, business cards, and presentations with both companies' logos-, were made to create a separate external representation of the alliance. Instead, respondents reported that the alliance took on an artificial identity. Respondents felt that their career prospects were tied to their own company, while their emotional loyalty was to a certain extent also to their immediate team members. An explicit alliance principle was to avoid creating separate organizational structures and systems. The operator company was to apply its own systems and procedures, which were, in addition, supposed to satisfy the non-operator company. Thus, each operator company's management practices and related organizational structures, with the exception of personnel related aspects, would apply to all members of each specific joint team. This lack of dedicated organizational structures and systems reportedly led to fragmented loyalties and reinforced the vague Alliance identity.

Finally, despite the fact that the Alliance involved substantial investment, not one individual worked full time on the alliance at a strategic level in either company. Alliance- and business unit management were only partially working on alliance matters. Their responsibilities also included areas outside the alliance and, in certain cases, their responsibilities covered areas where the two companies were in direct competition to each other. Only specific alliance asset management and alliance team members were fully occupied with alliance matters.

## 3.9 Alliance human resource management

The supply and evaluation of competent personnel for team and management positions had presented considerable problems to both companies. At the time the alliance was initiated, BP was heavily downsizing around the world, and the result was that BP was left with older and more experienced personnel, who simultaneously felt little job security. Statoil was, on the other hand, in a growth period. It became important for Statoil to gain a balanced representation in alliance asset teams, which meant replacing existing BP employees with less internationally experienced Statoil people. Because of the downsizing forces in BP, BP personnel were either reassigned, or, more often than not, made redundant. As could be expected, this did little for the alliance spirit. Both team members and management felt the problems, but they were mostly expressed and argued by management. Management at each company expressed sentiments that an inordinate amount of time was used for staffing issues in the initial alliance phase, and that there were a lot of bad feelings. Team members naturally felt resentment, either because they saw colleagues being dismissed, or because they felt uninvited to the team when replacing someone else. However, they were less involved in real disputes and basically just tried to get on with their work. In 1997, teams were staffed according to the principle of "best man for the job" instead of the earlier principle of alliance equity. It should be noted that both companies strictly adhered to a rule of having assistant managers from the non-operator company and that the "best man for the job" concept could be contentious. Respondents reported that BP had a tendency to consider qualifications from a purely technical standpoint while Statoil more often valued interpersonal skills.

Reliance on personal understandings seemed to characterize the alliance. Respondents, at all management levels and in all team positions, claimed that trust and commitment had been built between individuals rather than through any structures. Several felt that this trust between people had been crucial to maintaining the alliance. No formal systems for conflict resolution were developed, and individuals either got along well, or not at all, with their counterparts. The few alliance "champions" identified by respondents in both companies were also felt to have been greatly responsible for what can only be called a relative success.

With the regards to learning, few systematic or intentional efforts were made to assimilate lessons from the alliance experiences in either company. No organized system for rotation of personnel between alliance asset areas was established, and only a few employees had actually worked in more than one alliance asset team. For team members, this lack of formal organizational learning represented few problems in their daily, operational work. BP employees claimed that networking within and outside alliance asset areas was common, and had been important for their daily work. Statoil personnel relied less on networking outside of their own business unit, and instead were frustrated over the lack of understanding within the rest of Statoil of the unique requirements in exploring and producing internationally. Respondents reported that alliance project management had little knowledge of what was happening outside their own project. Few experiences were exchanged, and many employees expressed the need for better coordination and possible knowledge exchange between alliance projects.

## 3.10 Strategic change during the alliance

In 1990, BP hoped for access to Norwegian North Sea gas and wanted additional financial funds. Statoil was interesting from the gas perspective and was also willing to provide financial funds. BP, on the other hand, was willing to meet Statoil's supposed international learning objectives and, although little was understood or stated about how these exchanges were to operationally take place, visions were relatively well aligned at the corporate level. The alliance was at this stage operating as a necessary evil, with little support among business unit-, alliance- or asset management. Nor were team members very committed to the alliance, but they were spared the great disputes.

In early 1993, the alliance was at a splitting point. Grievances and process problems were taking a great toll on alliance and asset management. Private deliberations in each company were frequently held on alliance divorce, and few saw any advantages in continuing. The alliance was ultimately saved in what was coined a "management love-in" in Edinburgh, spoken of in religious overtones by many respondents. This meeting, after two years of bickering, led to a clearer demarcation of alliance boundaries, which in effect limited the exploration and production alliance leg to accessing acreage in specific confined geographical locations. Clearer operational goals were established, and the acceptance of responsibility by management for the success of the alliance, which had been clearly missing since the formation of the alliance, was strengthened. According to respondents during the pilot study interviews, asset and alliance management had since Edinburgh kept their reservations to themselves and lived in uneasy tolerance of the other company. Team building exercises were also escalated.

The alliance strategy seemed in 1997 to be changing from gaining acreage access to operating acquired exploration or production projects. There seemed to be little interest in either company for broadening the alliance to new areas. The focus was instead on creating and realizing value from the acreage already acquired, which necessitated realigning alliance objectives and, to a certain degree, involved changing personnel requirements. Many management employees felt that the alliance was going towards a new crisis, and that there was a lack of any clear strategy or vision for the alliance in the immediate future. The feeling was that the initial needs of each company had changed. BP had not gotten access to any of the North Sea gas and was much stronger financially than it had been at alliance formation. Statoil respondents believed that they had attained the international experience and/or self-confidence the organization thought they had lacked. The companies had expanded to become competitors at other geographical locations. There seemed to be little trust and understanding of what the alliance was good for, and disputes over financial management issues were common. Alliance team members seemed less concerned, although they also expressed the need for a future vision.

In August 1998, BP and Amoco announced merger plans to be completed by the end of 1998. BP Amoco stocks were traded for the first time on London Stock Exchange on January 4, 1999. BP Amoco and Statoil terminated the alliance effective as from February 15, 1999. In interviews after the alliance was ended, BP executive managers maintained that the official reason for alliance termination was that the merger with Amoco resulted in exploration and production projects within the alliance designated geographical areas. If the alliance was to continue, the question was whether or not the new Amoco projects should result in a substantial expansion of alliance projects, or a major revision of the alliance agreement where non-competition in alliance designated geographic areas was maintained. According to Statoil executives, no discussions on the matter between the alliance firms had taken place, and the decision to terminate the alliance between BP and Statoil was surprisingly delivered in a formal letter from BP to Statoil. The fate of each alliance project differed after the alliance ended. In retrospect, it seems as if BP contemplated alliance termination already in October 1998, when they sold their alliance equity shares in Nigeria to Statoil and pulled out all BP personnel from the project. In Vietnam, though the project was BP operated, the firms continued with a jointly operated team comprised of both BP and Statoil employees until 2001. Finally, in Azerbaijan and Kazakhstan, Statoil team members were directly requested to move out of alliance offices and the former partners became fierce competitors for new lucrative exploration and production projects.

# CHAPTER FOUR
## Theoretical and empirical perspectives

THIS CHAPTER PROVIDES a theoretical synthesis and critical review of research on inter-firm cooperation. The literature reviewed in this section can be seen as a point of departure for the comparative theory part of this study involving alliance motives. Reviewing the literature on alliance phenomena is a multi-paradigmatic and fragmented read that has mainly encompassed combinations of theories from economics, strategic management and organizational theory. Much has been written on what has been called "quasi-integration" in Williamsonian terms (1975), defined as an optimal compromise governance form, located somewhere between a market and hierarchy. A natural division in the literature seems to be between antecedents to alliance formation and management of alliance arrangements[68]. In this chapter, we are specifically concerned with the rationale that motivates firms to partner in alliances with the purpose of building a frame of reference within which the empirical data can be understood. The extant literature has rapidly increased in the last two decades and the antecedents and motives to ally have been of significant interest to researchers. Economic explanations are the first explanations to gain momentum in the literature following on economists' early interest for explaining Williamson's hybrid arrangement between market-based

[68] Alliance propensity (Hergert & Morris, 1988; Beamish & Delios, 1997), their various forms (Buckley & Casson, 1988; Killing, 1988; Lorange & Roos, 1992), criteria for selecting partners (Harrigan, 1985; Geringer, 1988; Faulkner, 1995), the formation processes (Roos, 1989; Lorange & Roos, 1992), developmental processes (Ring & Van de Ven, 1994; Doz, 1996), inter-firm diversity (Parkhe, 1991), contract form (Gulati, 1995), and performance evaluation (Harrigan, 1986; 1988; Geringer & Hebert, 1989, 1991; Geringer & Woodcock, 1995) are all detailed in the organizational behavior and management strategy literature.

transactions and full ownership. Following this early explanation, strategic behavior or market power explanations of augmenting a firm's industry position hail from competitive strategy thinkers led by Michael Porter (Porter, 1980; Porter & Fuller, 1986; Harrigan, 1988). Learning and knowledge-based perspectives, as well as network theories, are later lenses used to understand alliances (see e.g., Badaracco, 1991; Hamel, 1991; Grant & Baden-Fuller, 1996; Doz & Hamel, 1998; Gulati, 1998; 1999; Ahuja, 2000; Baum et al., 2000; Doz et al., 2000) Their roots can be found in the strategic management literature and different organizational theories which have grown considerably in the aftermath of competitive advantage thinking (Porter, 1980), as well as from resource-based theories (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993). Most recently, institutional theories have gained momentum in explaining institutional linkages as important for organizational survival (Baum & Oliver, 1991; Podolny, 1991).

This chapter is divided into four parts. First, a review of multiple lens studies is offered to show the breadth in alliance formation antecedent literature. It becomes clear that five major theoretical perspectives are most commonly used to understand the governance form comprised of different types of inter-firm cooperation. The five major perspectives are: transaction cost economics; market power theories; resource-based views; resource-dependency theories; and a diverse group of other organizational theories, including theories of organizational learning and knowledge transfer. Each perspective is reviewed in the subsequent part of this chapter as they pertain to understanding cooperative behavior motives as a prerequisite to the choice of an alliance governance form. A review of the major empirical studies of alliance motives is offered in the chapter's third part. Finally, observations and conclusions of the field to date are offered at the end of the chapter.

## 4.1 Conceptual taxonomies

An influential study of cooperative venture theory, and a good starting-point, is the work done by Kogut (1988a; 1988b), who discusses three major perspectives on joint ventures; *transaction cost economics, strategic behavior,* and *organizational theory*. It is argued that the theories overlap in their explanation of joint ventures, but are also at times distinct. In Kogut's world, transaction cost explanations for joint ventures are based on Williamson's (Williamson, 1975; 1981) model of how a firm should organize its boundary activities with other firms. The criterion being to minimize the sum of production and transactions costs. In this context, joint ventures are formed because they are believed to be more efficient than either a hierarchical arrangement or a market contract. The second perspective, which Kogut calls strategic behavior theories of joint venture formation, stems from theories on how strategic behavior influences the competitive positioning of the firm. In this perspective, firms transact by the mode that maximizes profits through improving a firm's competitive position vis-à-vis rivals. Kogut argues further that transaction cost and strategic behavior motives are complements, rather then substitutes, in explaining joint venture motives. The third explanation, organizational learning, deals with how firms learn or seek to retain their capabilities through joint ventures, which he posits, are especially suited to the transfer or imitation of tacit and embedded organizational knowledge.

In a more recent work on cooperative arrangements, Child & Faulkner (1998) build on Faulkner's (1995) earlier work and discuss alliances from four broad theoretical perspectives: economics, game theory, strategic management theory, and organization theory. Within these perspectives, Child and Faulkner center on *transaction costs, market-power, increasing-return,* and *resource-dependency* theories that contribute to our understanding of alliance formation. Market-power theory regards the ways with which firms improve their competitive success by securing stronger positions in their markets. This line of reasoning closely resembles Kogut's (1988a; 1988b) "strategic behavior" rationale and is also based on Porter's (1980) competitive strategy thinking, whereby collaborating firms can improve their position in an industry. The transaction cost economics perspective is straightforward, involving cost minimization, while the agency theory perspective deals more with governance mechanisms that limit self-serving behavior along the same vein as in Kogut's discussion. Increasing-returns theory allows alliance formation under markets where it is important to achieve critical mass and first-mover advantages such as in knowledge intensive industries. This perspective has parallels to strategic behavior or market-power motives also similar to Kogut's study. The last major theory Child and Faulkner discuss, deals with alliances formed between partners contributing necessary resources for expected valued returns. This view includes both valued resource and capability exchanges and organizational learning and knowledge transfer very much rooted in resource-based views.

Contractor and Lorange (1988) identify seven "more or less overlapping" objectives for formation of various types of cooperative arrangements that fall into similar categories used by Kogut (1988a; 1988b) and Child and Faulkner (1998). The seven are *risk reduction, economies of scale, technology exchanges, co-opting or blocking competitors, trade regulations, initial international expansion, and vertical value chain quasi-integration*. Risk reduction and economies of scale fall into obvious traditional transaction cost arguments while technology exchange, facilitation of initial international expansion of inexperienced firms deals with organizational learning or knowledge transfer associated with resource-based views. The remaining objectives have strategic behavior or market-power rationales. Similarly, Harrigan (1986) categorizes joint-venture formation into three large categories: *internal uses, competitive uses,* and *strategic uses*. Joint-venture formation, motivated by the category internal uses, includes both cost minimization motives and organizational learning in the form of information and Management Information structures and systems. The second, competitive uses, follows the strategic behavior logic of Porter's (1980) competitive strategy thinking and involves strengthening a firm's current strategic competitive position. The third category, strategic uses, deals with capability augmentation and knowledge transfer.

Combs and Ketchen (1999) simply divide the motives to cooperate in terms of resource-based or resource-dependency explanations, and organizational economics or transaction cost explanations. Resource-based explanations deal with the firm's efforts to capitalize on and increase their capabilities and endowments while organizational economics explanations focus on the minimization of organizing costs. Doz and Hamel (1998) take a strategic management point of view and claim that there are three main purposes to cooperation: *co-option* involving bringing together competitors and what they call "complementers"; *co specialization* where partners contribute unique and differentiated resources; and *learning and internalization* purposes for the acquisition and learning of new, often embedded, skills. These purposes for cooperative behavior are mainly influenced by resource-based views and it is interesting to note that cost minimization motives are not directly discussed as a singular motive for contemporary alliances. Rather, the focus is on value creation and global dominance.

Badaracco's (1991) list of categories includes four traditional reasons for "blurring the boundaries" between firms. First, there is the wish to *cartelize* an industry, thus reducing competition in order to raise profits; second to *share risks*; third, to *bring together complementary resources;* and finally, to surmount *barriers* to markets. Badaracco goes on to argue that there is a newly important purpose of alliances in the current environment, namely the wish to *gain knowledge and learn* through cooperation of typically embedded knowledge.

The conceptual work on alliance formation motives has provided useful insights and is the starting-point for the comparative theory part of alliance formation motives. Though many researchers have shorter or longer lists of motive taxonomies, they often overlap or are driven by similar rationales. The different scholars' numerous explanations seem to be understood in five major perspectives: transaction cost economics, market-power theories, resource-based views in the strategic management literature, resource-dependency theories, and other organizational theories on learning or knowledge management. These perspectives will be discussed in more depth in the next section.

Table 4.1 is a summary of studies conceptualizing the motives to cooperate into taxonomies. The labels used for parts of the taxonomies are listed under each major theoretical lens they fall into. As Kogut (1988a) has pointed out, motives overlap and the labels used may also fall into several theoretical lenses simultaneously. In other words, each part of a specific taxonomy is not necessarily seen as mutually exclusive.

**Table 4.1. Summary of reviewed conceptual taxonomy studies**

| **Theoretical lense/ Study** | **Transaction cost economics TCE** | **Market-power theories MPT** | **Resource-based views RBV** | **Resource-dependency RD** | **Other org. theory OT** |
|---|---|---|---|---|---|
| Kogut, 1988 | TCE | Strategic Behavior | Org. Learning | | Org. Learning |
| Child & Faulkner, 1998 | TCE; Games theory | MPT; Increasing returns | Strategic management theories | RD | Strategic mgmt theories |
| Contractor & Lorange, 1988 | EOS; Risk reduction; Vertical value chain quasi-integration | Co-opting or blocking competitors; Trade reg.; Intl. expansion | Technology ex-changes | Risk reduction; Vertical value chain quasi integration | Technology exchanges |
| Harrigan, 1986 | Internal uses | Competitive uses | Strategic uses | | Internal uses; Strategic uses |
| Combs & Ketchen, 1999 | Organizational economics | | RBV | RD | |
| Doz & Hamel, 1998 | | | Co-option; Co-specialization | | Learning & internalization |
| Badaracco, 1991 | Share risk | Cartelize the industry; Surmount barriers to market | Complementary resources; Gain knowledge & learn | Share risk | Gain knowledge and learn |

## 4.2 Major theoretical perspectives

In this section, each of the major theories applied to explaining cooperative behavior motives are reviewed. A summary of the theoretical literature (Table 4.3) is found at the end of this section.

### 4.2.1 Transaction cost theories

Many scholars apply transaction cost economics theories to understand cooperation motives (Harrigan, 1986; Buckley & Casson, 1988; Kogut, 1988a; Contractor & Lorange, 1988; Hennart, 1988; Faulkner, 1995; Ramanathan et al., 1997; Child & Faulkner, 1998; Combs & Ketchen, 1999; Faulkner & De Rond, 2000), and it is by far the most common theory used to explain the choice of alliances as a governance form (Hennart, 1988; Kogut, 1988a)[69]. Cost reduction explanations are based in traditional transaction cost economics theories (Coase, 1937; Williamson, 1975), and deal with how firms

[69] Other less common economic theories have also been applied to alliance formation including game theory, agency theory, and real options theory. Though their explanatory value for our purposes seems limited, they are worth mentioning. *Game theory* has been used to understand alliances, drawing attention to tit-for-tat games played out in alliance situations (Axelrod, 1984). The focus is on the relationship of the cooperating partners and in which conditions and situations alliance may be a fruitful alternative. Under this perspective, iterative prisoner's dilemma games have been used to analyze how cooperation evolves rather then why they actually happen. *Agency theory* has also been associated with alliance understanding. Agency theory is concerned with governance mechanisms, such as different control and incentive structures that limit an agent's self-serving behavior. In an alliance context, any cooperation is a relationship where each partner becomes an agent for, and principle of, the other (Child & Faulkner, 1998). Thus, agency theory has practical implications for governing, monitoring and managing incentives for effective cooperation. *Real options theory* holds that resource commitment should not be made before absolutely necessary, since the future is impossible to predict. In terms of cooperative strategies, firms may partner in a portfolio manner to spread their options in an uncertain environment.

organize their boundary activities to minimize production and transaction costs. In terms of inter-firm cooperation, the argument is that "all joint ventures can be explained as a device to bypass inefficient markets for intermediate inputs" (Hennart, 1988: 364). Transaction cost economic explanations for cooperative ventures deal mostly with the transaction part.[70] When transactions are recurrent and the assets involved are highly idiosyncratic to the transaction, the hazard of negative externalities can be overcome through alliances where alliance partners become mutual hostages (Kogut, 1988b). Thus, scholars attempting to develop a "theory of cooperation" (see e.g., Buckley & Casson, 1988; Hennart, 1988) posit that joint ventures are mostly a device for dealing with mistrust and market failure. Alliances are viewed as a potentially cost-reducing method of organizing business transactions where a necessary assumption is that the alliance governance mode may have superior cost-reducing properties relative to markets, and may be more efficient than complete internalization. Using internalization theories to explain, joint ventures represent a compromise contractual arrangement that minimizes transaction costs (Buckley & Casson, 1988; 1996; 1997). This line of thinking differs from traditional transaction cost thinking, where complete internalization is predicted to be more efficient than shared ownership due to the hazards of opportunism. If optimal efficiency depends on complete internalization, it begs the question why an acquisition or merger is not better then joint ownership. Buckley and Casson (1988) argue that there must be some net disadvantage to a merger such as managerial diseconomies arising from the scale and diversity of the resultant enterprise, legal obstacles stemming from antitrust policy or restrictions on foreign acquisitions, difficulties of financing because of

[70] Production costs vary from firm to firm according to proprietary knowledge, ability to learn and economies of scale and scope. Going into an alliance to reduce production cost is in line with resource-based view explanations focusing on complementarities and skill-substitution between partners as an alternative to internalization through organic growth.

stock market skepticism, etc. (1988: 41). The assumption is that cooperative arrangements must not only have superior cost-reducing properties relative to markets, they must also be more efficient than complete internalization (Ramanathan et al., 1997). Simply put, the transaction cost model of inter-firm cooperation predicts that alliances are formed when transactional hazards suggest that internalization is efficient, but constraints of various kinds prohibit full internalization.

Transaction cost economics is well suited to explain certain aspects of why firms cooperate. There are however explanatory limitations that are not addressed. First of all, transaction cost views focus on uncertainty of the transaction partner's transactions but not at all on the uncertainty in the environment (McWilliams & Gray, 1995; Ramanathan et al., 1997). Though environmental uncertainty has not been ignored in transaction cost arguments for alliances, it has generally been characterized by reference to the limits that bounded rationality places on writing complete contracts (Ramanathan et al., 1997). Secondly, transaction cost theories do not take into account how the relational aspects of cooperation evolve over time which affects the nature of the transactions themselves (Parkhe, 1993) and the rather static Williamsonian "opportunism" problem (Ghoshal & Moran, 1996). In transaction cost models, the economic rational aspects of transacting in a static situation are emphasized while the effects of trust, bonding and information-sharing between partners, resulting in reducing the effects of opportunism and bounded rationality, are neglected. Indeed tacit, trust-based societies, where modes of economic organization are not highly codified and implicit, such as those of Asia, are not easily explained by transaction cost theories. Finally, it is argued that transaction cost analysis ignores the role of power, potential synergies, and "effectiveness" in explaining alliances (Faulkner & De Rond, 2000).

## 4.2.2 Market-power theories

Whereas transaction cost theories stress efficiency and cost-minimization rationales for cooperation, market-power theories emphasize motives for cooperative strategies that relate to market power and profit maximization (Porter & Fuller, 1986; Kogut, 1988a; Faulkner, 1995; Child & Faulkner, 1998; Faulkner & De Rond, 2000). It is argued that the two perspectives are complements rather than substitutes in explaining joint-venture motive (Kogut, 1988a)[71]. In this theoretical perspective, firms transact by the mode that maximizes profits through improving a firm's competitive positioning vis-à-vis rivals. Simply stated, cooperation can lead to greater market-power, which subsequentially can lead to enhanced returns. Market power theories applied to cooperative ventures deal with influencing the competitive positioning of a firm in an industry, and is very much influenced by Michael Porter's five forces in competitive strategy (1980). Profitability is a function of positioning and a cooperative strategy may enable alliance partners to achieve a stronger position than they would on their own. In this line of thinking, cooperation may be a faster and cheaper way of gaining market power than mergers, acquisitions or organic growth.

Rugman and Cruz (1997; 2000) offer what they have called the "five partners model" which emphasizes cooperative behavior in network relationships and is contrasted to Porter's (1980) five forces model, where firms individually fight alone. Instead, they argue that firms in a 'keiretsu'-like manner develop market power through networks and close relationships led by a strong flagship leader. Another major criticism of this explanation deals with its deterministic nature (Faulkner & De Rond, 2000). Porter's (1980) framework assumes that

[71] Scholars use different names for explaining cooperation with the motive to improve market or industry position. For instance, Kogut (1988a) calls this group of motives "strategic behavior motives".

the structure of the industry or national environment in which a firm is located dictates its most appropriate strategy. Strategic visions and choice are thus straight-jacketed into the three generic strategies. Formation of alliances following this logic is subsumed within an analysis of industrial and environmental structural determinants and leaves little room for genuine strategic choice and managerial decisions (Child, 1972; Shenkar & Tallman, 1993).

### 4.2.3 Resource-based views

Resource-based views in the strategic management literature also deal with the wish to influence the competitive positioning of a firm (see e.g., Contractor and Lorange, 1988; Lorange & Roos, 1992; Burgers et al., 1993; Doz & Hamel, 1998), but are somewhat wider than market-power theories. Much of the strategic management literature has concentrated on antecedents to alliance formation, rather than the management of them, and consequentially rationales and objectives are common themes in the literature (Harrigan, 1988). Resource-based views of the firm, which involve the bundles of unique resources defining a firm's competitive position or advantage (Rumelt, 1984; Wernerfelt, 1984; Barney, 1991; Grant, 1991; Peteraf, 1993), or dynamic capabilities (best practices) as a set of specific and identifiable processes (Eisenhardt & Martin, 2000), have commonly been used to explain alliances. These resources can be thought of as strengths, advantages, or assets of the firm and can be either tangible or intangible (Wernerfelt, 1984). Alliance partners can, in this perspective, gain access to important resources and capabilities without outright acquisitions or mergers[72]. Thus, cooperative ventures may enable

[72] Resources in the resource-based view are considered valuable, rare, inimitable, and non-substitutable leading to sustainable competitive advantage (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993). A sustainable competitive advantage is imperfectly imitable and impossible to appropriate, replicate or transfer perfectly. Alliances can hence be vehicles for access to certain codifiable

competitive advantage to be developed in the partnership that had otherwise escaped each of the partners operating alone. It is argued that this depends on the resource complementarities shared by the partners and the synergies arising from them (Badaracco, 1991). In this view, alliances may be a means for trading access to each other's skills in what has been termed "quasi-internalization" or alliances motivated by a "substitution intent" (Hamel, 1991)[73]. All in all, the perspective deals with the need for specific assets or capabilities, not currently possessed in a firm (Faulkner, 1995), which are too expensive or time-consuming to grow organically, and too messy to acquire through mergers or acquisitions.

The resource-based perspective on alliances, involving exchange or augmentation of resources and capabilities, introduces a contingency view not addressed in transaction cost perspectives. Whereas the transaction cost perspective assumes universality, the resource-based view develops issues of dependency on the merits of a partnership and also attributes importance to partner selection criteria. This view on explaining inter-firm cooperation is arguably more realistic and turns the focus on matching partner complementarities (Faulkner & De Rond, 2000). It also addresses some of the concerns of Child (1972)

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capabilities, specific assets, or systems. A truly sustainable competitive advantage can by definition not be transferred between partners and it is acknowledged that access to the more causally ambiguous, tacit type of competencies, which may be the most important firm assets, is difficult to gain through alliances. Contrasting to this, Eisenhardt and Martin (2000: 1106) posit that dynamic capabilities in terms of "best practice" have greater "equifinality, homogeneity, and substitutability across firms than traditional RBV thinking implies". In other words, they argue that the functionality of dynamic capabilities can be duplicated across firms. Alliances are especially suited for accessing outside knowledge in the form of dynamic capabilities.

[73] Hamel (1991) also discusses alliances as a mechanism for actually acquiring a partner's skills or "de facto internalization". This has been called the "dynamic capabilities" approach where inter-firm collaboration can be viewed as a vehicle for organizational learning.

allowing for managerial strategic choice. While transaction cost theory proposes explanations through minimizing transaction costs, strategic behavior perspectives propose that firms transact by the mode that maximizes profits by improving a firm's competitive position vis-à-vis rivals. It is acknowledged that alliances of strategic rationales may indeed be more costly than internalization or market transactions but it is argued that they could still be more profitable and influential to the asset value of the firm (Kogut, 1988a; 1988b). Each perspective has limitations. Understanding cooperative behavior from both transaction cost, market power theories, and resource-based theories can from a value perspective be more fruitful than from individual standpoints (Gray & Wood, 1991; Combs & Ketchen, 1999; Madhok, 2000; Tallman, 2000; Tsang, 2000). Together, the three theoretical perspectives provide a more balanced and complementary understanding to the potential benefits and risks of alliances.

### 4.2.4 Resource-dependency theories

Similarly to, and fairly consistent with resource-based views, alliances have been explained from resource dependence and a somewhat similar theory called strategic contingency (Dunning; 1974; Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1978; Faulkner, 1995; McWilliams & Gray, 1995; Nelson, 1995; Ramanathan et al., 1997; Child & Faulkner, 1998; Faulkner & De Rond, 2000)[74]. Resource-dependency theory

[74] According to Scott (1981), strategic contingency theory starts from the same set of assumptions that guide contingency theorists like Lawrence and Lorsch (1967) but introduces an intermediate strategic process that explains the structural features of organizations a little differently. Differing from traditional contingency theory, strategic contingency theory emphasizes the differences in organizational sub-units in relation to interests and power. Organizational structures are thus outcomes of political contests within organizations. Power is not only an outcome but also a determinant providing "participants further advantages in the political struggle because of their structural position" (Pfeffer, 1981: 266). Further, the resource-dependency approach shares many features

focuses on the context in which organizations operate and on which they rely for resources (Pfeffer & Salancik, 1978). In this view, organizational behavior is accounted for and justified by the context in which an organization finds itself. Firms negotiate their environment by interlocking directorships or joint ventures with other organizations or by other associations. In this way, organizations respond to uncertainty by removing transactions from the market and placing them in a more hierarchical context (Podolny, 1994). Cooperation is thus formed to provide firms with access to financial resources, expertise, skills, or markets, transforming exchange relations into power relations of managerial hierarchy. In this way, firms seek to reduce uncertainty in the environment by cooperating with it.

Strategic contingency theory also focuses on understanding the structures and behavior of an organization by examining the context within which it operates (Scott, 1981). In this view, organizational structure is the outcome of political forces (Pfeffer, 1981) and alliances are formed to manage inter-organizational interdependence by better managing some of the environmental constraints and controlling some of the contingencies firms are confronted with (Pfeffer & Nowak, 1976). Thus, similarly to resource-dependency theories, strategic contingency theories explain inter-firm cooperation by the wish to minimize environmental uncertainty. While the former concentrates on resources fitted to the environment, contingency theories can help explain variance of inter-organizational structures and the condition under which organizations choose one type rather than another type of inter-organizational form.

In this line of reasoning, McWilliams and Gray (1995) argue that *environmental uncertainty* must be added to *transaction cost* and *resource-*

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with the strategic contingency perspective but has its primary focus on the organization itself, its behavior and its relation with other organizations, rather than on component units (Scott, 1981).

*based views* to explain vertical arrangements. Understanding alliances from an environmental uncertainty rationale that includes uncertainty regarding changes in technology, demand, legal liability, and government regulation adds a somewhat new dimension. Their argument is that uncertainties will motivate firms to form what they call "quasi-integration" arrangements rather then lock-in on technologies or investments that may become obsolete or negatively regulated. This reasoning is in line with strategic behavior rationales, market-power theories, and increasing-returns theories where the driving forces have to do with external challenges. Similar arguments are put forth by Dunning (1974) and Nelson (1995), where the main reason for alliance formation involves an external stimulus or change in environmental condition to which companies respond with a feeling of internal corporate need, that is best met by an alliance relationship. Similarly, Ramanathan et al. (1997) argue that environmental risk and uncertainty have an impact on the motive to form alliances which is not addressed in transaction cost joint venture motives models. The scholars point to property rights and agency theory which suggest that a joint venture is formed to capitalize on "the latent value-creating potential of the strategic assets owned by different parties, in the presence of environmental risk and uncertainty." (1997: 58). In their world under conditions of uncertainty, the sharing of residual claims and residual risk has important incentive alignment features and thus may underlie joint venture formation.

### 4.2.5 Other organizational theories

The combination of resource-based views incorporating unique capabilities and sustainable competitive advantage, and the forces of environmental uncertainty on alliance formation and structure explained in resource-dependency and strategic contingency theories, suggests opportunities for inter-firm organizational learning and knowledge transfer, and has recently become a popular explanation for alliance formation. This perspective views cooperative ventures as a means by which firms learn from each other or seek to augment their own capabilities through simultaneous cooperation and competition (Hamel et al., 1989), and are popularly called "learning alliances" (Khanna et al., 1998; Kale et al., 2000). Cooperative relationships provide the possibility for combining the advantages of market diversity and organizationally embedded knowledge in the quest for competitive advantage (Choi & Lee, 1997). The discussion, within this literature, is divided into explaining learning and knowledge transfer as a motive for alliance formation (e.g., Westney, 1988; Badaracco, 1991; Grant & Baden-Fuller, 1995; Inkpen, 1998a; 1998b; 2000), and on the cognitive and behavioral dimensions of learning, along with discussions of the acquisition, dissemination, codification and transfer of knowledge and the barriers to learning or transfer in the form of differing cultures, structures, and agendas (Hamel, 1991; Inkpen, 1996; 1998a; 1998b; 2000; Doz, 1996; Doz & Hamel, 1998).

The motives to join forces for knowledge or learning are well accepted and based on arguments of knowledge learning, creation and transfer superiority within the firm (Kogut & Zander, 1996). Rather, the discussion centers on the type of knowledge that can be transferred or learnt and the best organizational structures required. In a much-cited article, Grant and Baden-Fuller (1995) develop a "knowledge-based theory of inter-firm collaboration" and posit that inter-firm collaborations are efficient mechanisms to transfer and integrate primarily explicit knowledge. This has typically been investigated through what has been called strategic technology alliances (Hagedoorn, 1993), or research partnerships (Hagedoorn et al., 2000). Tacit knowledge (Polanyi, 1966) or experiential knowledge (Penrose, 1959) can by definition not be transferred in the vein of imperfect "imitability" reasoning in the resource-based view. Others argue that alliances are especially suited as vehicles for transferring organizationally embedded knowledge that cannot be transferred through market transactions (Choi & Lee, 1997; Kogut, 1988a). For Kogut (1988a), joint ventures are particularly suited for the transfer of "tacit knowledge" (Polanyi, 1966) that is experientially learned, and knowledge that is organizationally embedded, such as Nelson and Winter's (1982) "skills and routines". Yet others argue that alliances are good for transferring both migratory and embedded knowledge (Badaracco, 1991). For Badaracco, the wish to gain knowledge and learn through cooperation of typically embedded knowledge is a new and important purpose of alliances in the current environment. These alliances are dubbed "knowledge links".

Recently alliances have also been looked at through the lenses of *social network theories* (Yeung, 1997; Dyer & Singh, 1998; Gulati, 1998; 1999; Ahuja, 2000; Baum et al., 2000; Doz et al., 2000; Dyer & Nobeoka, 2000). Social network theory, as applied to cooperation, exhibits properties of resource-dependency theories. In social network analysis, the actions of firms can be explained in the context of their position in a network that is constantly being reproduced by the actions of these organizations (Nohria, 1992). The argument is that inter-firm cooperation has mostly been concerned with dyadic relationships and has thus neglected important aspects such as the proclivity for alliance formation, structures, dynamics, and performance as a function of the larger social networks in which the relationship is embedded. Thus, economic actions are influenced by the social context in which they are embedded and actions are influenced by the position of actors in the social networks. With regard to inter-firm cooperation, the embeddedness of firms in social networks can both restrict and enable the alliances a firm enters into (Gulati, 1998). Firm managers embed their new relationships by relying extensively on their partners from past alliances for information (Gulati, 1995). Though understanding alliances through a social network perspective increases our understanding of the proclivity of alliance formation, choice of alliance partner, development and performance of alliances within the context of inter-firm networks, it does not directly advance our knowledge of the motive to ally. Rather, it is argued that this perspective rises to an "under-socialized" account of cooperation and is more suited to process-oriented research (Faulkner & De Rond, 2000).

Social network theories are related to the even more recent lens applied to explaining alliance formation. Namely, institutional theories. Status, reputation, and legitimacy are shared concerns in the two perspectives. While social network theory focuses on status and reputation for possible association, institutional theories are more concerned with legitimacy and its effects on organizational survival. The idea is that the effectiveness of institutional linkages in contributing to survival depends on the characteristics of organizations that establish ties and the external legitimacy of the ties themselves (Oliver, 1990; Baum & Oliver, 1991; 1992). Finally, a few researchers have argued that a deeper understanding of cooperative behavior would benefit from understanding the phenomena through both economic, political, and organizational-sociological lenses (Shenkar & Tallman, 1993; Tallman & Shenkar, 1994; Child & Faulkner, 1998). Shenkar and Tallman (1993) are foremost in this endeavor and suggest that a framework of international joint venture decisions is a product of managerial choice, internal bargaining game, institutionalized response, organizational structure and culture, partial interdependencies, host environment stakeholders, economic costs and benefits, and finally, organizational interaction and expected outcomes.

### 4.2.6 Summary

Each of the theoretical perspectives presented in the previous sections contributes to our understanding of alliance formation motive. But none of the individual perspectives are able to wholly explain this intermediate "quasi integration/internalization" of inter-firm alliances. Rather, each perspective contributes to understanding parts of the phenomenon. This is reflected in the various scholars' lists of reasons for alliance formation that are certainly eclectic. The transaction cost perspective emphasizes cost minimization and efficiency, along with the hazards of opportunism, but is arguably static in nature and does not address the developmental processes and their effect on opportunism. Market power theories emphasize industry position and its implications for generic strategies for positioning and market power but neglects issues of managerial strategic choice and decision-making. The resource-based view, in the strategic management literature, highlights the importance of unique resources for sustainable competitive advantage where assumptions of imperfect imitability provide scope for allying for resource complementarity, or trading in the more codified and explicit types of knowledge. Table 4.2 is a summary of conceptual studies within each theoretical lens.

**Table 4.2 Theoretical studies on inter-firm cooperation as a choice of governance form**

| Transaction Cost Economics (TCE) | Market-Power Theories (MPT) | Resource-Based Views (RBV) | Resource-Dependency (RD) | Org. Theory (OT) |
|---|---|---|---|---|
| Buckley & Casson, 1988; 1996; 1997 | Child & Faulkner, 1998 | Badaracco, 1991 | Child & Faulkner, 1998 | Badaracco, 1991 |
| Child & Faulkner, 1998 | Faulkner, 1995 | Burgers et al., 1993 | Dunning, 1974 | Choi & Lee, 1997 |
| Combs & Ketchen, 1999 | Faulkner & De Rond, 2000 | Choi & Lee, 1997 | Faulkner, 1995 | Doz, 1996 |
| Contractor & Lorange, 1988 | Kogut, 1988 | Contractor & Lorange, 1988 | Faulkner & De Rond, 2000 | Doz & Hamel, 1998 |
| Faulkner, 1995 | Porter & Fuller, 1986 | Doz & Hamel, 1998 | Pfeffer & Nowak, 1976 | Hagedoorn, 1993 |
| Faulkner & De Rond, 2000 | | Doz, 1996 | Pfeffer & Salancik, 1978 | Hagedoorn et al., 2000 |
| Harrigan, 1986 | | Grant & Baden-Fuller, 1995 | McWilliams & Gray, 1995 | Hamel, 1991 |
| Hennart, 1988 | | Harrigan, 1988 | Nelson, 1995 | Inkpen, 1996; 1998a; 1998b; 2000 |
| Kogut, 1988 | | Hamel, 1991 | Ramanathan et al., 1997 | Kogut, 1988 |
| Ramanathan et al., 1997 | | Hamel, et al., 1989 | | Westney, 1988 |
| | | Lorange & Roos, 1992 | | Baum & Oliver, 1991; 1992; Oliver, 1990 |

## 4.3 Empirical studies

Empirical studies of alliance formation are relatively rare in relation to conceptual studies (Kogut, 1988a; Hagedoorn, 1993; Hagedoorn et al., 2000). Many studies are either ex-post rationalizations of alliance motives, or test possible motives with a specific theoretical lens. Ex-post efficiency measures are often used as a proxy for intent or the motive to cooperate. While conceptual studies of alliance motives are eclectic and multi-paradigmatic, empirical studies seek in large to rationalize the alliance phenomenon from one or two specific theoretical standpoints. Moreover, most extant empirical studies have been deductive in approach.

Most empirical studies on alliances have focused on understanding cooperative behavior from transaction cost theories and, or market-power explanations. Hennart (1991) e.g., used econometric methods to test ownership policies of Japanese direct investors in the United States. The results are interpreted to posit that Japanese parents joint venture when they need to combine with other firm's intermediate inputs, which are subject to high market transaction costs. Similarly, Hennart and Reddy (1997) and Reuer and Koza (2000), test the choice of joint ventures over acquisitions using transaction cost theories of "indigestibility" and "asymmetric information". Indigestibility refers to when a joint venture is favorable over acquisition because of ex-post transaction costs associated with integrating targeted assets in an acquisition. The asymmetric information view suggests that firms will prefer joint ventures over acquisitions when resource valuation problems occur due to the buyer's and seller's difficulty in credibly signaling the asset's true value. Hennart and Reddy (1997) found that joint ventures were primarily a device to obtain access to resources that were embedded in other organizations. In other words, when the desired assets were packaged in such a way that would raise the costs of managing the merged unit in the "indigestibility" view. Reuer and Koza (2000), on the other hand, found that the two views resting on transaction cost rationales were complementary and overlapping, as opposed to competing as Hennart and Reddy (1997) posit.

Yet, other empirical studies of joint ventures have focused on specifically testing whether joint ventures increase efficiency or enhance market power in selected industries (Fusfield, 1958; Berg & Friedman, 1977; Stuckey, 1983). Since market-power explanations suggesting strategic rivalry and hence cost reductions also enter the realm of transaction cost efficiency arguments, the two explanations for alliance formation are overlapping. Though as Kogut argues (1988a: 325), strategic behavior or market-power theories are easier to test because findings of efficiency are consistent with, but not confirmatory of, a transaction cost explanation. Fusfield (1958) e.g., looked at what he calls "joint subsidiaries"[75] in the iron and steel industry. On the basis of officially published documents such as steel company annual reports, reports by steel companies filed with the SEC and Moody's manual of investments, Fusfield found 70 jointly owned subsidiaries where 57 were assumed to be rationalized by backward vertical integration. Of importance to note is that, for Fusfield, the fact that 57 firms were observably backwards integrated lead to the conclusion that backwards integration was the primary joint subsidiary raison d'être. Furthermore, the study showed that 53 joint subsidiaries were intra-industry while 17 were between industries. Interestingly, fifty of the 53 intra-industry joint subsidiaries, when grouped according to ownership, fall into two groups of large producer community networks. Fusfield's findings are limited to the visible industry structures but nevertheless posit both market power and efficiency rationales through the observation of vertical integration. In light of the later development of social network theories and methods, Fusfield findings of the two producers community networks

[75] Fusfield's (1958) "joint subsidiary" is defined as a company in which a majority of the capital stock is owned by two or more companies. In other words, the same as a traditional joint venture.

could also have contributed to our understanding of firms' alliance proclivity and partner selection though not necessarily the actual rationale to enter into any alliance partnership. In an empirical test of 278 entrepreneurial high-technology firms, drawn from PaineWebber's Biotechnology Industry, 1986 Fact Book, Shan (1990) also tested variables of transactional and organizational efficiency together with those of strategic behavior to understand the motive for forming alliances in entrepreneurial high-tech firms. Logistic regression analysis of competitive position, firm size, product diversity and nation as related to the incidence of cooperative behavior is argued to provide support that the cooperative behavior by entrepreneurial firms can best be understood from the perspective of strategy, the formulation of which is in response to competition in the commercialization of the technology.

Berg and Friedman (1981) and Duncan (1982) also looked at efficiency and market-power theories using industry average rate of return as a proxy for cooperative behavior motives but arrived at different results. Berg and Friedman analyzed the impact of joint ventures on industry average rate of return. They dichotomized joint ventures into two broad groupings: those that used technological knowledge from one or more of the participating firms versus those that did not. Using a cross-pooled regression model, they found that the incidence of knowledge acquisition joint ventures lowered industry average rates of return, while the incidence of joint ventures not involved in knowledge acquisition raised industry average rate of returns. Thus, Berg and Friedman emphasized the information purchase motives of joint ventures through a focus on the technology base. Using the same data source and statistical methods, Duncan (1982) divided the joint ventures into a horizontal versus non-horizontal classification (same industry versus different industry according to 3-digit SIC code) and came to different conclusions of market-entry interpretations.

Combs and Ketchen (1999) also tested two theories of cooperative behavior, but whereas most studies look at alliances as efficiency-seeking versus market-power enhancement as reasons for alliances, Combs and Ketchen investigated whether, and when, inter-firm cooperation is motivated by resource-based perspectives, organizational economic perspectives, or together as complements. Hypotheses generated by the two different perspectives were tested using "moderated regression analysis" on archival sources of 94 publicly held restaurant chains. In this study, restaurant chains with unknown brand names and little slack capital used more cooperative arrangements than their resource-abundant counterparts and experience among top managers did not effect cooperation. Managers in this sample also brought governance issues into focus when considering alternative ways to manage new outlets. More interestingly, findings indicate that resource-abundant chains used inter-firm cooperation only when cooperation helped minimize their governance costs, while low-resource firms often cooperated regardless of their exchange conditions, indicating that resources take primacy over exchange conditions when considering cooperation. Thus, cooperation could be understood from both perspectives but each perspective would only tell part of the story while incorporating both gave a fuller understanding.

Rather than pitting two theoretical lenses against each other, some researchers have investigated cooperative behavior through single theoretical perspectives. Eisenhardt and Schoonhoven (1996) e.g., also use resource-based view theories when they argue the resource-based view in the motives to form alliances. Extending resource-based view perspectives, hypotheses were developed that strategic alliances arise when firms in vulnerable strategic positions need the resources that alliances bring, or when firms in strong social positions capitalize on their assets to create alliance opportunities. The hypotheses were tested on a population of semi-conductor firms that were launched in the United States, between 1978 and 1985, using event history techniques. The primary data source was structured interviews conducted with Chief Executive Officers, founders, and other key executives of 82 product development alliances. Results showed that difficult market conditions and risky firm strategies increased the rate of alliance formation and that firms with top management teams that were large, experienced, and well-connected through former employers and high-level previous jobs, formed product development alliances at higher rates. The results taken together arguably confirm that strategic action takes place within a social context.

Other studies have investigated learning and knowledge transfer as a motive for cooperative behavior by looking at the conditions for successful learning or knowledge transfer in alliances. In an inductive study, specifically designed to understand learning in international alliances, based on interviews with 74 individuals across 11 companies, concerning 9 alliances, Hamel (1991) found that intent was a determinant of learning. Intent was divided into "skill substitution", meaning substituting their partner's competitiveness in a particular skill area for their own lack of competitiveness, and "skill internalization", meaning one partner actually learning and internalizing the other partner's skills. Hamel's study showed that having an explicit learning (internalization) intent was imperative to actual learning taking place. In the absence of clearly communicated internalization intent, none of the study cases could document that systematic learning had taken place. Rather, in cases where one partner had systematically learned from the other, great efforts had been made to embed a learning intent within operating level employees. Based on a sample of 558 Japanese joint ventures in the published Toyo Keizai database, Makino and Delios (1997) similarly looked at knowledge as an alliance motive and tested hypotheses of local knowledge transfer and performance and found that partnering with local firms could be a primary strategy for accessing local knowledge and improving international joint venture performance. Their study used subsidiary level data where the sample was restricted to manufacturing joint ventures and interestingly showed that increased parent experience in the host country led to decreased performance, suggesting that the need for a local partner declines as parent experience in a host country increases.

Though resource-dependency theories are commonly used to theoretically explain inter-firm cooperation, very few empirical studies of motives, specifically investigating uncertainty constructs, could be found. An important exception is Pfeffer and Nowak's (1976) study of joint ventures undertaken by domestic corporations with American companies engaged in manufacturing, or oil and gas extraction. In this study, it was hypothesized that joint ventures were a form of linkage used to manage inter-organizational interdependence. It was further hypothesized that if joint ventures were formed to manage the organization's interdependence with the environment, patterns of joint venture activity should systematically be related to patterns of competitive and vertically related interdependence confronted by the organizations. The data (FTC data collected on joint venture activity 1960-1971 examined through multiple regression) suggested that this was indeed the case. Another notable exception can be found in Podolny's (1994) study which investigated whether market uncertainty led organizations to an increased reliance on previous exchange partners, and status-based homophily, in exchange relations in investment banking relationships. Logistic regression modeling analysis was performed on sample data drawn from the Securities Data Corporation, as well as from newspapers and investment journals. Results implied that the greater the uncertainty, the more likely it was that organizations would engage in exchange relations with those that they had transacted with in the past. Second, the greater the uncertainty, the more likely it was that organizations would enter into exchange relations with other organizations of similar status.

Understanding cooperative behavior through the perspectives of resource dependency entails strategic interdependence whereby firms ally with those with whom they share the greatest interdependence. It has been posited that studies looking at competitive positioning versus efficiency are in actuality resource-dependency studies since they test the role of strategic interdependence by predicting the number of joint ventures across industries through linking alliance formation to various kinds of capabilities within the industry (Gulati, 1998).

Only one study was found that empirically looked at the range of motives for cooperative behavior. Hagedoorn (1993) investigated the motives of firms to engage in strategic technology partnering, defined as inter-firm cooperation for which a combined innovative activity or an exchange of technology was at least a part of the agreement. 4192 alliances, during the 1980s, from the MERIT Cooperative Agreements and Technology Indicators data bank, were investigated through what Hagedoorn has called "literature-based alliance counting". This involved interpretation of alliance motives through analysis of a list of catchwords based on the extant alliance literature. The technique used seems in reality to be a fairly traditional content analysis on reported rationales where key words or phrases related to costs and risks, technology-sharing and market positioning concerns, were used to capture rationale. Not very surprisingly, technology complementarities, reduction of the innovation time-span, and market access and influencing the market structure were the most mentioned motives.

## 4.4 Observations and conclusions

The conceptual work on alliance formation is characterized by being multi-paradigmatic and attempting to encompass many general ideas simultaneously. Indeed, the many multiple-lens studies read like taxonomies over diverse rationales and motives driven by both external and internal needs. The motives overlap, as Kogut (1988a) has succinctly pointed out, and firms may have many different motives at the same time. Motives may also be complementary. There seems to be a general acknowledgement that alliance motives cannot be fully explained by one single theoretical perspective (Combs & Ketchen, 1999; Gray & Wood, 1991; Tsang, 2000). Rather, the motives to form alliances must be looked at from different perspectives to get a more robust and comprehensive understanding of the phenomenon.

The literature on alliance formation motives is mostly theoretical, but not empirical. Empirical studies are rare and usually dedicated to the deductive process of pitting opposing theories against each other, or selecting a single theory and using alliance formation as a test of that theory. Empirical studies based on transaction cost theories and market power theories are the most common when looking at opposing theoretical explanations. Empirical support for both theories can be found based on ex-post analysis of specific industries such as the iron and steel industry or specific high-tech industries, comparisons of the choice between acquisition versus alliance, or e.g., of the entry of foreign firms into foreign countries such as in Japanese joint venturing in the USA. In the empirical research, though all studies primarily seek to explain alliance formation from one or two perspectives, they do so by using ex-post structures or measures as proxies for motives rather then inductively investigating intent. Using ex-post factors as proxies for intent assumes that we actually have a theory of cooperation and the result or non-result of alliance formation was intended and not a mere accident. But as Parkhe (1993) argues, international joint venture research should be still be in the "test of realism" phase, not having matured to the level of positivist theory testing. He further suggests that single theory oriented conceptual and empirical models will not illuminate critical concerns about international joint ventures.

Though theory on inter-firm behavior can be argued to be in the "test of realism" phase (Parkhe, 1993), methods and data samples used in the extant literature follow a deductive and positivistic logic. Further, the many studies on the motives, rationales or reasons for forming alliances are dedicated to deduction based on often anecdotal-like evidence or executive consulting experiences. Some empirical studies are based on e.g., public announcements of collaborative agreements reported in the economical or financial press (Mariti & Smiley, 1983; Root, 1988) or mass studies of alliances found in other publicly available materials (Burgers et al., 1993; Hagedoorn, 1993). Other traditional empirical data on alliances usually exclusively include interviews with top managers or executives (see e.g., Harrigan, 1985; Geringer, 1988; Faulkner, 1995; Doz, 1996) rather than incorporating views of those further down in the hierarchical organization. It is fair to argue that the theoretical focus is on understanding the reasons for alliance phenomena from an economic standpoint while empirical evidence is based on espoused rationales portrayed by business press or executive interviews. Partners in cooperative arrangements obviously have different motives with their alliance, which may or may not be similar to the motives of their partner. Each partner also, often, has numerous motives where one sole overarching purpose is difficult to identify (Kogut, 1988a; Doz & Hamel, 1998). The theoretical and conceptual literature on the economic reasoning of alliances and espoused arguments of top managers is naturally important to understanding the rationale behind alliances, but in this thesis it is argued that they may not be able to explain the whole picture[76].

[76] Institutional theory concepts could arguably be used to understand alliance formation but little support in the literature can be found. Institutional theories can be divided into sociological and economical institutional theories (Scott, 1981; Lu & Lake, 1997). Economical institutional theory focuses on the importance of legal and rule-based systems that are enforced by third parties such as the nation-state. Elements of transaction cost explanations for cooperative behavior are included in this view (Lu & Lake, 1997) and will thus not be discussed further. Sociological institutional theory emphasizes the

Tallman and Shenkar (1994) argue that the motives for alliances are not strictly economic, but also "a social, psychological and emotional phenomenon." (1994: 92) that explains the commonly used words and metaphors: "trust", "understanding" and "marriage" when discussing alliances. Further, Akerlof & Kranton (2000) have shown that social and cognitive aspects like identity affect economic outcomes. Even though cooperative arrangements may have more psychological, emotional or political agendas, economic arguments will almost certainly be the ones advanced to justify the decision to ally (Child & Faulkner, 1998).

As we have seen, traditional cooperative formation models are typically depicted as economic, rationale and analytical processes (Tallman & Shenkar, 1993; Child & Faulkner, 1998). Indeed, Buckley and Casson (1996; 1997) argue that economists invoke a holy principle of rational action to predict the circumstances under which a firm will choose a given strategy. But, the decision to enter into alliances is also guided by a variety of non-economic issues, and by a "quasi-rational assessment of economic costs and benefits that have filtered through behavioral processes of perception and interpretation (Tallman &

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importance of normative controls such as values and norms that are both internalized by actors and enforced by others in social situations (Scott, 1981). "Neo-institutional" approaches emphasize the importance of cognitive or cultural controls where a set of beliefs, developed in social interaction, provides models and guidelines for governing and guiding behavior in varied social situations (Berger & Luckmann, 1967; Geertz, 1973). In this view, organizations are socially arranged and institutions are seen as a set of systems consisting of cognitive, normative, and regulative structures and activities (Powell & DiMaggio, 1991). Most importantly, organizational structures and processes are the product of institutionalization processes, rather then shaped by technical and economic rationality. Lu and Lake (1997) and Sharfman et al. (1991) posit that collaboration is an institutionalized outcome. Child and Faulkner (1998) posit that political forces are important in understanding alliance formation and Gomes-Casseres (1996) found that alliance formation cannot always be explained by economic efficiency rationales.

Shenkar, 1993). Further, the actual costs and benefits cannot reasonably be fully understood before the venture has actually started. Recently, scholars have started to question the iron cage (Weber, 1952) of economic rationality applied to studies of cooperative behavior. Kogut (1988a) e.g., briefly mentions the dangers of focusing only on theoretical explanations, positing that there may be more "profound" reasons for joint venture formation. He acknowledges that the three theories he discusses are based on rational economic reasoning and that "there are, of course, other explanations outside of economic rationality" (Kogut, 1988a: 322). Bandwagon behavior from isomorphism and mimetic processes (Meyer & Rowan, 1978; Dimaggio & Powell, 1983) and trend-setting or fashions (Gomes-Casseres, 1987; 1988; Hirst & Thompson, 1999; Røvik, 2000) can be offered as institutional explanations. Still other researchers criticize the straightjacket of efficiency and call for more interdisciplinary research and argue that the focus must change towards the role of social organization and embeddedness, intra-organizational politics, and psychological processes (Tallman & Shenkar, 1993; Yeung, 1997; Child & Faulkner, 1998).

# CHAPTER FIVE

## The comparative theory part

IN THIS CHAPTER, the results of the comparative theory part of this study regarding respondents' perceptions of "theory in use" (Argyris & Schön, 1996)[77] motives for the BP and Statoil exploration and production alliance are presented. The focus was on which motives were perceived as important for the formation of the BP and Statoil alliance, and how the motives could be explained from traditional theoretical perspectives of inter-firm cooperation. Furthermore, which motives were most frequently discussed by different groups of individuals, and how the perception of motives evolved. Hence, the data are presented with respect to the sensemaking of different sub-groups discussed in chapter two, and alliance developmental cycles reviewed in appendix five. The data is presented according to received wisdom of major theoretical perspectives and discussed with regards to sub-groups and alliance evolution. A discussion follows the data presentation.

### 5.1 Data presentation

In the first section of the data presentation, the concentration is on motives according to major theoretical perspectives with frequencies reported for different sub-groups. In the second section, alliance motives are described as related to developmental cycles. Table 5.1 summarizes the major motives identified and shows the theoretical category they were coded into. Table 5.2 is an overview of the major coding results according to theoretical perspective. The motives most

[77] See definitions in the introductory chapter.

mentioned by respondents dealt with sharing risk and were coded in the risk minimization category (84% of respondents identified this motive). The motive identified as important, though least frequently mentioned, dealt primarily with changing organizational identity, image, and reputation (57.5% of interviewees identified this motive). Tables 5.3 and 5.4 are summaries of the highest and lowest percent frequencies, with regard to theoretical perspective, according to company affiliation, organizational level, project, work location, and nationality. For instance, in the category "company affiliation", "locally employed respondents" identified cost minimization motives more than Statoil or BP affiliated respondents. Table 5.5 shows a ranking of each sub-group's identified motives. For example, risk minimization (RM) motives were identified by the highest number of BP respondents, followed by motives outside of traditional perspectives (OTHER), strategic behavior motives (SB), organizational learning or knowledge transfer motives (OL), complementary resource motives (CR), and cost minimization motives (CM), in the same order. Motives falling under the risk minimization category were the most frequent motives identified in all possible sub-groups. In the following sections, coded motives in each major theoretical perspective are presented.

**Table 5.1. Major theoretical perspectives corresponding to major motives**

| Theoretical perspective | Transaction cost economics | Market-power theories | Resource-based views | Resource-dependency theories | Other organizational theories | Other identified motives |
|---|---|---|---|---|---|---|
| Major motive | Cost minimization through joint teams | Stronger political force, and natural gas | Complementary resources and skills | Share uncertainty | Organizational learning & knowledge transfer | Reputation, image, self-conception, role model, emulation |
| Category abbreviation | CM | SB | CR | RM | OL | OTHER |

**Table 5.2. Summary of motive frequencies**

| CATEGORY | | Total N | CM | SB | CR | RM | OL | OTHER |
|---|---|---|---|---|---|---|---|---|
| **Motive frequency** | | **471** | **73(15,5%)** | **77(16,4%)** | **79(16,8%)** | **101(21,4%)** | **72(15,3%)** | **69(14,7%)** |
| **% of Interviewees** | | **120** | **60,8%** | **64,2%** | **65,8%** | **84%** | **60%** | **57,5%** |
| COMPANY | BP | 38 | 18(47%) | 25(66%) | 19(50%) | 31(82%) | 22(58%) | 27(71%) |
| | ST | 52 | 34(65%) | 40(77%) | 40(77%) | 46(88%) | 41(79%) | 30(58%) |
| | LOC | 30 | 21(70%) | 12(40%) | 20(67%) | 24(80%) | 9(30%) | 12(40%) |
| LEVEL/PROJECT | STAFF | 32 | 21(66%) | 22(69%) | 24(75%) | 29(91%) | 22(69%) | 24(75%) |
| | WA | 41 | 22(54%) | 26(63%) | 28(68%) | 33(80%) | 23(56%) | 21(51%) |
| | SEA | 34 | 20(59%) | 23(68%) | 21(62%) | 27(79%) | 20(59%) | 17(50%) |
| | FSU | 3 | 2(67%) | 2(67%) | 1(33%) | 3(100%) | 1(33%) | 2(67%) |
| | ST-UK | 10 | 8(80%) | 4(40%) | 5(50%) | 9(90%) | 6(60%) | 5(50%) |
| LOCATION | STAV | 30 | 20(67%) | 16(63%) | 20(67%) | 27(90%) | 21(70%) | 20(67%) |
| | LON | 23 | 15(65%) | 14(61%) | 13(57%) | 21(91%) | 13(57%) | 15(65%) |
| | LAG | 32 | 17(53%) | 20(63%) | 24(75%) | 25(78%) | 17(53%) | 16(50%) |
| | HCMC | 35 | 21(60%) | 24(69%) | 22(63%) | 28(80%) | 21(60%) | 18(51%) |
| NATIONALITY | NOR | 51 | 33(65%) | 39(76%) | 40(78%) | 45(88%) | 35(69%) | 29(57%) |
| | BRIT | 45 | 23(51%) | 27(60%) | 22(49%) | 37(82%) | 26(58%) | 30(67%) |
| | NIG | 12 | 8(67%) | 4(33%) | 9(75%) | 9(75%) | 4(33%) | 4(33%) |
| | VIET | 7 | 5(71%) | 3(43%) | 5(71%) | 6(86%) | 4(57%) | 2(29%) |
| | OTHER | 5 | 4(80%) | 4(80%) | 3(60%) | 4(80%) | 3(60%) | 4(80%) |

**Table 5.3. Highest frequencies in percentage**

| | CM | SB | CR | RM | OL | OTHER |
|---|---|---|---|---|---|---|
| **CO** | 21(70%) LOC | 40(77%) ST | 40(77%) ST | 46(88%) ST | 41(79%) ST | 27(71%) BP |
| **LEV/PROJ** | 8(80%) ST-UK | 22(69%) STAFF | 24(75%) STAFF | 29(91%) STAFF | 22(69%) STAFF | 24(75%) STAFF |
| **LOCATION** | 20(67%) STAV | 24(69%) HCMC | 24(75%) LAG | 27(90%) STAV | 21(70%) STAV | 20(67%) STAV |
| **NATL** | 5(71%) VIET | 27(60%) NOR | 40(78%) NOR | 45(88%) NOR | 35(69%) NOR | 30(67%) BRIT |

OTHER nationalities and FSU project not included.

**Table 5.4. Lowest frequencies in percentage**

| | CM | SB | CR | RM | OL | OTHER |
|---|---|---|---|---|---|---|
| **CO** | 18(47%) BP | 12(40%) LOC | 19(50%) BP | 24(80%) LOC | 9(30%) LOC | 12(40%) LOC |
| **LEV/PROJ** | 22(54%) WA | 4(40%) ST-UK | 5(50%) ST-UK | 33(80%) WA | 23(56%) WA | 17(50%) SEA |
| **LOCATION** | 17(53%) LAG | 14(61%) LON | 13(57%) LON | 25(78%) LAG | 17(53%) LAG | 16(50%) LAG |
| **NATL** | 23(51%) BRIT | 4(33%) NIG | 22(49%) BRIT | 9(75%) NIG | 4(33%) NIG | 2(29%) VIET |

OTHER nationalities and FSU project not included.

**Table 5.5. Ranking according to frequency percentage**

| **RANKING** | | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|
| **OVERALL** | | RM | CR | SB | SB | OL | OTHER |
| **CO** | **BP** | RM | OTHER | SB | OL | CR | CM |
| | **ST** | RM | OL | CR; SB | CM | OTHER | |
| | **LOC** | RM | CM | CR | SB: OTHER | OL | |
| **LEVEL/ PROJ** | **STAFF** | RM | CR; OTHER | SB; OL | CM | | |
| | **WA** | RM | CR | SB | OL | CM | OTHER |
| | **SEA** | RM | SB | CR | CM; OL | OTHER | |
| | **FSU** | RM | SM; SB; OTHER | CR; OL | | | |
| | **ST-UK** | RM | CM | OL | CR; OTHER | SB | |
| **LOC** | **STAV** | RM | OL | CM; CR; OTHER | SB | | |
| | **LON** | RM | CM; OTHER | SB | CR; OL | | |
| | **LAG** | RM | CR | SB | CM; OL | OTHER | |
| | **HCMC** | RM | SB | CR | CM; OL | OTHER | |
| **NATL** | **NOR** | RM | CR | SB | OL | CM | OTHER |
| | **BRIT** | RM | OTHER | SB | OL | CM | CR |
| | **NIG** | CR; RM | CM | SB;OL; OTHER | | | |
| | **VIET** | RM | CR; CM | OL | SB | OTHER | |
| | **USA** | CM; SB; RM; OTHER | CR; OL | | | | |

For abbreviations see Table 2.1 in chapter two.

As can be seen in table 5.1, identified motives were grouped into six categories corresponding with the major theoretical perspective that seemed most likely to explain them. In this way, various cost minimization motives (CM) are posited best explained by transaction cost theories, strategic behavior motives (SB) are explained by market-power theories, complementary resource motives (CR) are explained by resource-based views in the strategic management literature, risk minimization motives (RM) are explained by resource-dependency theories, and organizational learning and knowledge transfer motives (OL) are explained by various organizational behavior theories. Remaining identified motives (OTHER) were left in a sixth category and could not easily be explained by traditional perspectives on inter-firm cooperation. Rather, it is posited in this thesis that they are best understood in light of organizational identity theories. In the following section, each category of motives is presented and discussed.

### 5.1.1 Cost minimization motives (CM)

Various forms of cost minimization motives were identified by 60.8% of respondents. Cost minimization motives were the fourth most frequently identified category of motives for alliance formation. More locally employed, Statoil-UK project respondents, Stavanger-based respondents, and Vietnamese nationals identified cost minimization motives relative to the other types of motives. Table 5.6 is a summary of coding results with regards to cost minimization motives.

**Table 5.6. Frequency of cost minimization motives**

| | NATL. | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| **COMPANY** | BP | | 16 | | | 2 | **18** |
| | ST | 31 | 1 | | | 2 | **34** |
| | LOC | 2 | 6 | 8 | 5 | | **21** |
| | **TOT** | **33** | **23** | **8** | **5** | **4** | **73** |
| **LEVEL & PROJECT** | STAFF | 13 | 6 | | | 2 | **21** |
| | WA | 10 | 2 | 8 | | 2 | **22** |
| | SEA | 6 | 9 | | 5 | | **20** |
| | FSU | 2 | | | | | **2** |
| | ST-UK | 2 | 6 | | | | **8** |
| | **TOT** | **33** | **23** | **8** | **5** | **4** | **73** |
| **LOCATION** | STAV | 14 | 1 | 1 | | 4 | **20** |
| | LON | 4 | 11 | | | | **15** |
| | LAG | 8 | 2 | 7 | | | **17** |
| | HCMC | 7 | 9 | | 5 | | **21** |
| | **TOT** | **33** | **23** | **8** | **5** | **4** | **73** |

For abbreviations see Table 2.1 in chapter two.

A transaction cost theory of inter-firm cooperation as a governance form posits alliances as a device for dealing with mistrust and market failure (Buckley & Casson, 1988; Hennart, 1988). In this way, alliances are viewed as a potentially cost-reducing method of organizing business transactions where a necessary assumption is that the alliance governance mode may have superior cost-reducing properties relative to markets, and may be more efficient than complete internalization. Using internalization theories to explain, joint ventures represent a compromise contractual arrangement that minimizes transaction (and production) costs (Buckley & Casson, 1988; 1996; 1997). The cost minimization motives identified by respondents can be informed by transaction cost economic theory. Though respondents discussed various aspects of intended cost minimization, the concept of "transaction cost" minimization specifically, was neither explained nor prompted[78]. In the following section, this group of motives is more thoroughly explained.

Motives falling into the cost minimization group dealt primarily with the wish to minimize transaction costs through internalization. Two aspects of lowering transaction costs were especially salient. First of all, rather than having a large portfolio of projects with an equal number of different partner constellations, it was assumed to be less expensive to ally with a steady, main partner in one alliance portfolio of projects. In this way, one agreement with one partner would replace many agreements with many partners. Secondly the motives were especially related to joint team organization. According to respondents, this structuring into joint teams was a unique feature in the oil industry. Partnering in exploration and production projects was not unique per se, but organizing project teams that included partner company employees was a new way of operating a project. In traditional exploration and production projects, the operator, often the company with largest equity shares in the project, would staff the project with only their own personnel. Expenses and investments would be invoiced to the other equity partners at planned intervals. In addition, technical and commercial approvals were normally undertaken in monthly committee meetings involving all partners. Each non-operator partner would normally incur large monitoring costs through substantial technical and commercial staffs, whose prime task was to scrutinize the work being done by the operator. Respondents reported

[78] Respondents discussed different motives which, when taken out of context, could be understood in different ways. It is precisely the contextual background that provides the necessary understanding of motives. For instance, respondents would naturally not speak in terms of "transaction cost minimization", rather they talked about saving money or expenditures through different routes.

that the alliance organization of joint teams, rather than traditional industry operator teams staffed solely by operator employees, was intended to do away with this costly monitoring. The idea was that if one company had its own trusted employees in the project team operated by the other company, there would be no need for monitoring.

Table 5.7 cites some typical quotes coded in the cost minimization group of motives. The first two quotes discussed the benefits of having one partner and one agreement, thus lowering transaction costs (also opportunism), while the last three quotes are related to the benefits of internalization through joint team organization.

**Table 5.7. Typical quotes coded as cost minimization motives**

| |
|---|
| "You know, there is a lot to be said for having a single steady partner in many different projects. It takes time and resources to negotiate each new partner constellation. Expenditures have to be shared in a fair way and it takes some time to come to agreement. Even with smaller equity partners. The alliance was supposed to simplify this. Rather, than having a lot of different partners and agreements for the three exploration projects here in Nigeria, for instance, we now have one major partner with whom we can do all the projects together." (Statoil engineer, 1996) |
| "It's much cheaper, and less time consuming, to deal only with one well known partner. A lot of the time it's about trust, which takes time to build. BP and Statoil knew each other from the North Sea and were confident that they could get along outside as well." (BP manager, 1995) |
| "Joint team organization was supposed to lower costs. The idea was good but I don't think it really worked. Look at all the visits we still get from headquarters" (BP geologist, 1997) |

"We were supposed to get rid of shadow teams at the partners' headquarters. A partner focal point working in the operator team was thought to be sufficient and would replace expensive shadow teams." (Statoil staff, 1997)

"Lowering exploration costs was a main reason for the alliance. You know this is a very expensive business and I guess the companies thought we could save money together" (BP engineer, 1996)

### 5.1.2 Strategic behavior motives (SB)

Various forms of strategic behavior motives were identified by 64.2% of respondents. Strategic behavior motives were the third most frequently identified category of motives for forming this alliance. More Statoil employed, corporate business unit staff, Ho Chi Minh City-based, and Norwegian nationals, identified strategic behavior motives relative to the other types of motives. Table 5.8 is a summary of coding results with regards to strategic behavior motives.

**Table 5.8. Frequency of strategic behavior motives**

| | NATL. | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| **COMPANY** | BP | | 23 | | | 2 | **25** |
| | ST | 37 | 1 | | | 2 | **40** |
| | LOC | 2 | 3 | 4 | 3 | | **12** |
| | **TOT** | **39** | **27** | **4** | **3** | **4** | **77** |
| **LEVEL & PROJECT** | STAFF | 12 | 8 | | | 2 | **22** |
| | WA | 14 | 6 | 4 | | 2 | **26** |
| | SEA | 9 | 11 | | 3 | | **23** |
| | FSU | 2 | | | | | **2** |
| | ST-UK | 2 | 2 | | | | **4** |
| | **TOT** | **39** | **27** | **4** | **3** | **4** | **77** |
| **LOCATION** | STAV | 13 | 1 | 1 | | 4 | **19** |
| | LON | 4 | 10 | | | | **14** |
| | LAG | 12 | 5 | 3 | | | **20** |
| | HCMC | 10 | 11 | | 3 | | **24** |
| | **TOT** | **39** | **27** | **4** | **3** | **4** | **77** |

For abbreviations see Table 2.1 in chapter two.

Market-power theories emphasize motives for cooperative strategies that relate to market power and profit maximization (Porter & Fuller, 1986; Kogut, 1988a; Faulkner, 1995; Child & Faulkner, 1998; Faulkner & De Rond, 2000). The idea is that firms transact by the mode that maximizes profits through improving a firm's competitive positioning vis-à-vis rivals. Simply stated, cooperation can lead to greater market power, which subsequentially can lead to enhanced returns. In this way, profitability is a function of positioning and a cooperative strategy may enable alliance partners to achieve a stronger position than they would have on their own. In terms of the alliance between BP and Statoil, it was argued that the alliance was formed to improve the partners' competitive positioning within the global petroleum industry.

The major motive, falling under a market power theory perspective, had to do with the possibilities of first-mover advantages, easier political and strategic access to interesting projects, and for BP especially, the possibility of accessing North Sea natural gas. Respondents answered that the alliance was believed to be strategically important because an alliance representing two companies would be financially able to invest in more projects in one country compared to a single company. These motives represented two aspects that can be explained by market-power theories. First of all, since the oil exploration business is a high risk-high returns game, it was considered necessary to have many ongoing projects simultaneously, thus optimizing the possibilities of oil or gas discoveries in at least some projects[79]. At the same time, should a discovery be made, it was considered important to have a large enough equity share to be able to influence the choice of operator firm[80], as well as receive a larger proportion of future production revenues. Hence, having as many projects with as large as possible share was considered strategically important. The alliance made this easier. Secondly, first-mover advantages are important in the oil business. Not only for locking up distribution, contractors, and the best human resources from a commercial perspective, but also from a more geological perspective. According to respondents, the largest reservoirs of oil depositories are historically discovered first. It was considered imperative to get in early and bid for the most interesting exploration acreage, which was usually tendered first. More marginal acreage was assumed at a later stage.

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[79] Portfolio management with the intention of risk-sharing is also a part of the reasoning for this motive. This is discussed under risk minimization motives.

[80] Being the operator firm was a coveted position and economically advantageous for large exploration and production firms in the oil industry. It not only implied being in the driving seat with regard to the technical and commercial management of the project, but also was an outlet for utilizing and earning from the organization's resources and capabilities.

Further, the attractiveness in negotiating and dealing with a single alliance management over a group of projects, rather than two or more companies in single projects, was expected to be high. Other companies were also expected to invest in the alliance projects but would have few relations with local governments. External investors in alliance-operated projects would follow the same procedures as in traditional oil equity groups where approvals for technical solutions and expenditures were undertaken in monthly meetings. Respondents thus believed that there would be strength in having a common face outwards towards both local governments and toward other company investors on gaining approval for technical solutions or expenditures. Another important motive, discussed primarily by BP respondents, was the hope that access to the Norwegian Continental Shelf natural gas would be facilitated through an alliance between BP and Statoil. BP's supposed aspirations of natural gas in the Norwegian Continental Shelf did not materialized, and several BP respondents alluded to feeling tricked. Statoil respondents did not discuss this "hidden agenda" of facilitated access to Norwegian natural gas. When queried, few Statoil respondents had any knowledge of the motive and were instead, quick to point out that Statoil was controlled by the Norwegian government, and would not have been able to give access to Norwegian natural gas reserves on their own.

Table 5.9 cites typical quotes categorized as strategic behavior motives. The first quote deals with first-mover advantages, the second and third with being a stronger political force and thus out-compete the competitors, and the last quotes discuss what was assumed as BP's "hidden agenda" for the alliance.

**Table 5.9. Typical quotes coded as strategic behavior motives**

| |
|---|
| "Elephant reservoirs are found first. They're the ones that really make money. If we are going to succeed, we have to be in the new frontier areas early on. But money is short, and as you know BP has been having problems. Together with Statoil we can get into the game and have a decent chance." (BP manager, 1995) |
| "Having a common face made us more interesting to governments and also made us stronger." (Statoil manager, 1996) |
| "We could together be more attractive to the Nigerian, Russian, and Vietnamese governments. We'd represent a larger equity share, have a large influence, and all together be much more competitive than we would have been operating alone." (Statoil economist. 1995) |
| "BP wanted access to the Norwegian sector gas." (BP staff, 1995) |
| "It was also felt that Statoil as a state-owned company could give us access to certain countries and make access easier. We could be in a stronger position to access opportunities and there was an agenda with gas and the North Sea that I am less familiar with." (BP geologist, 1997) |
| "The Alliance seems to be strategically sound. BP was mostly interested in getting access to Norwegian gas while Statoil wanted the international experience." (BP business economist, 1995) |

## 5.1.3 Complementary resource motives (CR)

Combining various partners' unique complementary resources and capabilities as a motive for the alliance was identified by 65.8% of respondents. Complementary resource and capability motives were the second most frequently identified category of motives for alliance formation. More Statoil-employed, corporate business unit staff, Lagos-based, and Norwegian nationals identified complementary resource and capability motives relative to the other types of motives. Table 5.10 is a summary of coding results with regards to resource and capability motives.

**Table 5.10. Frequency of complementary resource motives**

| | NATL. | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| COMPANY | BP | | 18 | | | 1 | **19** |
| | ST | 37 | 1 | | | 2 | **40** |
| | LOC | 3 | 3 | 9 | 5 | | **20** |
| | **TOT** | **40** | **22** | **9** | **5** | **3** | **79** |
| LEVEL & PROJECT | STAFF | 15 | 7 | | | 2 | **24** |
| | WA | 14 | 4 | 9 | | 1 | **28** |
| | SEA | 7 | 9 | | 5 | | **21** |
| | FSU | 1 | | | | | **1** |
| | ST-UK | 3 | 2 | | | | **5** |
| | **TOT** | **40** | **22** | **9** | **5** | **3** | **79** |
| LOCATION | STAV | 17 | | | | 3 | **20** |
| | LON | 4 | 9 | | | | **13** |
| | LAG | 11 | 4 | 9 | | | **24** |
| | HCMC | 8 | 9 | | 5 | | **22** |
| | **TOT** | **40** | **22** | **9** | **5** | **2** | **79** |

For abbreviations see Table 2.1 in chapter two.

Resource-based views, in the strategic management literature, involve bundles of unique resources defining a firm's competitive position or advantage (Rumelt, 1984; Wernerfelt, 1984; Barney, 1991; Grant, 1991; Peteraf, 1993). Alliances can in this perspective be vehicles for firms to gain access to important resources and capabilities without outright acquisitions or mergers. In this view, alliances may be a means for trading access to each other's skills in what has been termed "quasi-internalization" or alliances motivated by a "substitution intent" (Hamel, 1991)[81]. All in all, the perspective deals with the need for specific assets or capabilities not currently possessed in a firm (Faulkner, 1995), which are too expensive or time-consuming to grow organically, and too messy to acquire through mergers or acquisitions. This group of motives, which is best explained by resource-based views, contains motives primarily concerned with bringing firm-specific, complementary resources together.

Many different variations of these types of motives were brought out in interviews. The consistent notion was the belief that the alliance was motivated by the idea of sharing the strengths of two companies, so that the sum of the two companies efforts together, would be larger than the sum of the two companies efforts operating alone. Most mentioned possible complementarities had to do with one or the other company having superior financial resources, engineering skills, drilling skills, geological skills, commercial skills, human resource management, cultural awareness, and international capabilities and experience. In this way, internalizing or bringing together each company's strengths, in joint teams, supposedly motivated the BP and Statoil alliance. Interestingly, with exception for Statoil's strong initial financial resources, there was little consensus to which strength either company possessed. For instance, both BP and Statoil employees felt they had the strongest engineering and drilling skills and both companies' respondents believed that they were commercially superior. Table 5.11 cites typical quotes representing resource based view motives.

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[81] Hamel (1991) also discusses alliances as a mechanism for actually acquiring a partner's skills or "de facto internalization". This has been called the "dynamic capabilities" approach where inter-firm collaboration can be viewed as a vehicle for organizational learning.

**Table 5.11. Typical quotes coded as complementary resource motives**

| |
|---|
| "The idea was that 1+1=3" (BP staff, 1995) |
| "The purpose was to share the technologies of the two companies. BP's geology and exploration technology along with their long international experience and Statoil's North Sea drilling technology." (Statoil manager, 1996) |
| "I think they were saying that we had to use the skills experienced in technology. It was about extracting the benefits or attributes from both companies in chosen areas. It was not going to be everywhere but areas where it might benefit...for mutual advantage." (Statoil staff, 1997) |
| "The E&P side in BP was in financial difficulties and had a problem in going for the elephant reservoir they wanted. We had the money they needed and were willing to pay for their international experience." (Statoil geologist, 1995) |

### 5.1.4 Risk minimization motives

Risk minimization motives were identified by 84% of respondents. Risk minimization was by far the most frequently identified category of motives. More Statoil-employed, corporate business unit staff, Stavanger-based, and Norwegian nationals identified risk minimization motives relative to the other types of motives. Table 5.12 is a summary of coding results with regards to risk minimization motives.

**Table 5.12. Frequency of risk minimization motives**

| | NATL. | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| COMPANY | BP | | 29 | | | 2 | **31** |
| | ST | 43 | 1 | | | 3 | **46** |
| | LOC | 2 | 7 | 9 | 6 | | **24** |
| | **TOT** | **45** | **37** | **9** | **6** | **4** | **101** |
| LEVEL & PROJECT | STAFF | 17 | 10 | | | 2 | **29** |
| | WA | 15 | 7 | 9 | | 2 | **33** |
| | SEA | 8 | 13 | | 6 | | **27** |
| | FSU | 3 | | | | | **3** |
| | ST-UK | 2 | 7 | | | | **9** |
| | **TOT** | **45** | **37** | **9** | **6** | **4** | **101** |
| LOCATION | STAV | 20 | 2 | 1 | | 4 | **27** |
| | LON | 5 | 16 | | | | **21** |
| | LAG | 11 | 6 | 8 | | | **25** |
| | HCMC | 9 | 13 | | 6 | | **28** |
| | **TOT** | **45** | **37** | **9** | **6** | **4** | **101** |

For abbreviations see Table 2.1 in chapter two.

Resource-dependence theories (Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1978) focus on the context in which organizations operate, and on which they rely for resources. Firms negotiate their environment by interlocking directorships or joint ventures with other organizations or by other associations. In this way, organizations respond to uncertainty by removing transactions from the market and placing them in a more hierarchical context (Podolny, 1994). Cooperation is, thus, formed to provide firms with access to financial resources, expertise, skills, or markets transforming exchange relations into power relations of managerial hierarchy. In this way, firms seek to reduce uncertainty in the environment by cooperating with it.

Motives categorized into this group dealt primarily with cooperation due to different forms of uncertainty. Hence, motives included in this category are different forms of risk-sharing, resources and capabilities etc., and aligning with external environmental forces. Two major areas, primarily regarding political risk-, and cost risk minimization, were discussed. First of all, the international exploration and production of oil and gas is a competitive game of discovering new reservoirs in unexplored areas. These locations, often called "new frontier areas" often came with a large amount of political instability. At alliance formation, the countries considered commercially interesting were for instance, Nigeria, Angola, Congo, Vietnam, China, and the countries included in the former Soviet Union. These countries were perceived to be fairly politically unstable by respondents. By allying, respondents believed that the companies could reduce the perceived political risk through the force of being two companies with a common face, hence also representing two countries, rather than one company easily neglected or thrown out.

Secondly, it is also well accepted that oil industry exploration and production is an extremely capital-intensive and high-risk investment. As respondents explained, enormous amounts of capital expenditure are invested into projects with only estimated, and often, low probabilities of commercial materiality. In addition, investments are extremely long-term, since a decade can go by from exploration (investment) start, until production (profits). The need to share investment and risk has, thus, historically been a normal part of the oil business. A majority of respondents felt that BP's main motive for entering into this alliance was to share financial investments and risks. This sharing of risk was also important for Statoil but according to respondents, not of the same importance. The reasoning for this was that from the late 1980's, BP was in severe need of financial assistance while Statoil was still earning, and would continue for a quite some time, to earn enormous profits on giant oil fields located on the

Norwegian continental shelf. In this research, respondents interviewed were solely the employees working in what was described as one of three alliance legs: specifically, the exploration and production (E&P) leg. However, as described in chapter two, the alliance between BP and Statoil included three business areas; E&P, natural gas marketing, and research and development, and respondents were apt to discuss the whole alliance rather than limiting themselves solely to the E&P part. Pooling research and development, by collaborating in a BP and Statoil alliance joint team in Trondheim, Norway, was also identified as an important motive and coded under this perspective. Table 5.13 cites typical quotes representing motives coded in the resource-dependency perspective.

**Table 5.13. Typical quotes coded as risk minimization motives**

| |
|---|
| "You don't know what's going to happen in the unstable countries where new oil is found. Governments are constantly being upturned. Political turmoil is more common than not. Just look at BP in Nigeria. At the same time you have got to be in theses places. The advantage of the alliance is that risk is shared." (Statoil staff, 1996) |
| "Given the unstable area we have to go, I think it [*the alliance*] was a vehicle to allow more opportunity to spread your risk, political and financial exposure." (BP staff, 1995) |
| "It's just about spreading your portfolio risk. This is a risky business!" (BP engineer, 1996) |
| "There is strength in money. Each of us has a rational amount of money to spend which is not limitless. So we do have budgets and by allocating between the two you can spread out your opportunities more but still have materiality." (BP geologist, 1997) |
| "Sharing costs in all sorts of ways. Look at how they were able to close down parts of Sunbury *[BP R&D]* and move some of the people to Trondheim." (BP geologist, 1997) |

## 5.1.5 Organizational learning and knowledge transfer motives (OL)

Organizational learning and knowledge transfer motives were identified by 60% of respondents. This category of motives was the fifth most frequent in relation to the other types of motives. More Statoil employed, corporate business unit staff, Stavanger-based, and Norwegian nationals identified organization learning and knowledge transfer motives relative to the other types of motives. Table 5.14 is a summary of coding results with regards to other organizational learning and knowledge transfer motives.

**Table 5.14. Organizational learning and knowledge transfer motives**

| | NATL. | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| COMPANY | BP | | 21 | | | 1 | **22** |
| | ST | 35 | 4 | | | 2 | **41** |
| | LOC | | 1 | 4 | 4 | | **9** |
| | **TOT** | **35** | **26** | **4** | **4** | **3** | **72** |
| LEVEL & PROJECT | STAFF | 14 | 6 | | | 2 | **22** |
| | WA | 10 | 8 | 4 | | 1 | **23** |
| | SEA | 7 | 9 | | 4 | | **20** |
| | FSU | 1 | | | | | **1** |
| | ST-UK | 3 | 3 | | | | **6** |
| | **TOT** | **35** | **26** | **4** | **4** | **3** | **72** |
| LOCATION | STAV | 16 | 1 | 1 | | 3 | **21** |
| | LON | 4 | 9 | | | | **13** |
| | LAG | 7 | 7 | 3 | | | **17** |
| | HCMC | 8 | 9 | | 4 | | **21** |
| | **TOT** | **35** | **26** | **4** | **4** | **3** | **72** |

For abbreviations see Table 2.1 in chapter two.

Organizational learning and knowledge transfer as a motive for alliance formation (e.g., Westney, 1988; Badaracco, 1991; Grant & Baden-Fuller, 1995; Inkpen, 1998b; 2000) is well accepted in the literature. In this view, cooperative ventures are a means by which firms learn from each other, or seek to augment their own capabilities, through simultaneous cooperation and competition (Hamel et al., 1989). "Learning alliances" (Khanna et al., 1998; Kale et al., 2000) are posited to give the possibility of combining the advantages of market diversity and organizationally embedded knowledge in the quest for competitive advantage (Choi & Lee, 1997).

Motives for the alliance categorized into this group dealt primarily with organizational learning and knowledge transfer. A major theme discussed was the importance to Statoil of learning about internationalization and running international operations. According to respondents, Statoil believed that to be a thriving, ongoing concern, it was important to find oil reserves outside the Norwegian Continental Shelf and become successful internationally. As described in chapter two, Statoil had tried to internationalize by dipping their toes into minor, spread projects, mainly in their own backyard, but the perception was that Statoil had so far failed in becoming what was often referred to as a "major international player". An alliance with BP, a major international oil company, sailed up as the panacea to Statoil's problem since the alliance would serve as a vehicle for both bringing Statoil out into the world in one giant leap, but also to teach internationally inexperienced Statoil employees about operating in foreign countries. Other important learning or knowledge transfer aspects focused on the complementarities of the two companies' technology. Some believed that Statoil had a unique, advanced technology in drilling attained from experience in the unusually deep Norwegian sector of the North Sea. BP, on the other hand, was perceived by some respondents to be extremely competent in geological exploration technology, and had long international experience of establishing foreign operations. The idea was that the two companies could use the best technology, whichever company possessed it, and at the same time learn or transfer knowledge between each other. Table 5.15 cites representative motives coded as other organizational theories.

**Table 5.15. Typical quotes coded as organizational learning and knowledge transfer motives**

"This alliance was very much about learning. We could learn about doing business and setting up operations in strange places like Nigeria and we could teach BP about deep-sea drilling. We hold the world record, you know?" (Statoil staff, 1997)

"BP had long international experience in frontier hot spots and had made a lot of good experiences. Well, yeah, some bad ones too... anyway, Statoil could cherry pick our best stuff. Take for example the local site set-up procedures or even the HSEQ manual. They basically copied it right off when they were setting up the Lagos operations." (BP staff, 1997)

"I think there was a basic understanding that BP would teach Statoil's internationally inexperienced people about doing business internationally. Few of the Statoil people I have worked with had much international experience. I don't even think Rolf Magne [*Statoil VP of International E&P*] has ever been posted outside of Stavanger. " (BP geologist, 1997)

"The whole set-up around joint teams was primarily to teach Statoil how to conduct international E&P business. Let's face it, joint teams were not for cost-saving, quite the opposite." (BP staff, 2000)

"BP was used as a catalyst for changing the whole of Statoil. It wasn't just about INT [*the business unit responsible for international exploration & production*]. INT was already pretty internationally and commercially oriented, the problem was with the rest of Statoil. Going into the alliance with BP was a way to change the whole organization." (Statoil manager, 1997)

### 5.1.6 Other motives (OTHER)

These motives were those that did not easily fit with the other groups of motives and could not naturally be categorized into any of the traditional theoretical perspectives on inter-firm cooperation. Though the identified motives were considered important, these motives were the least frequently identified, in relation to the other categories. 69 respondents, or 57.5% of respondents, identified these motives as important for the BP and Statoil alliance. More BP employed, corporate business unit staff, Stavanger-based, and British nationals identified OTHER motives relative to the other motive categories. Table 5.16 is a summary of coding results with regards to motives not easily categorized within traditional theoretical perspectives.

**Table 5.16 Motives outside of traditional perspectives**

| | NATL. | NOR | BRIT | NIG | VIET | OTH | TOT |
|---|---|---|---|---|---|---|---|
| COMPANY | BP | | 25 | | | 2 | **27** |
| | ST | 27 | 1 | | | 2 | **30** |
| | LOC | 2 | 4 | 4 | 2 | | **12** |
| | **TOT** | **29** | **30** | **4** | **2** | **4** | **69** |
| LEVEL & PROJECT | STAFF | 13 | 9 | | | 2 | **24** |
| | WA | 8 | 7 | 4 | | 2 | **21** |
| | SEA | 4 | 11 | | 2 | | **17** |
| | FSU | 2 | | | | | **2** |
| | ST-UK | 2 | 3 | | | | **5** |
| | **TOT** | **29** | **30** | **4** | **2** | **4** | **69** |
| LOCATION | STAV | 14 | 1 | 1 | | 4 | **20** |
| | LON | 4 | 11 | | | | **15** |
| | LAG | 6 | 7 | 3 | | | **16** |
| | HCMC | 5 | 11 | | 2 | | **18** |
| | **TOT** | **29** | **30** | **4** | **2** | **4** | **69** |

For abbreviations see Table 2.1 in chapter two.

Two important themes, both including aspects of organizational identity, and image or reputation, were identified. The least important theme (9% of the category) had to do with two issues. First of all, BP's interest in overcoming what they perceived as its negatively laden, external image of an "old, colonial, oil company". This was to be done by allying with, and fronting Statoil as a state-owned, traditional National Oil Company (NOC). Newly emerging oil-, or gas-producing nations, such as Nigeria and Vietnam, were concerned with the establishment and operations of their own NOCs. Fronting a "successful" NOC, like Statoil, was expected to enhance potential for good relations, successful negotiations, and a more palatable BP involvement. Added to this were the specific anticipated "anti-imperialistic/capitalistic" sentiments assumed against BP in Nigeria. BP had earlier had an experience in Nigeria when all the company's assets were seized in 1979. The negative sentiments against BP were assumed to prevail and any repeat involvement in Nigeria was believed to be feasible only under less visibility. It is interesting to speculate that if BP went into the alliance to ally with Statoil because of their perceived National Oil Company (NOC) image, and Statoil wanted to change the NOC image to that of an international one, at least these separate partner motives may not have been very compatible. Though these types of motives were coded into the broad category of OTHER motives, primarily involving organizational identity, these specific motives could also be understood in terms of network and institutional perspectives of having the right associations and the legitimacy of external ties (Baum & Oliver, 1991; Stuart, 1998). From institutional theory, it could be argued that the very survival of BP in, for instance Nigeria, was dependent on becoming more legitimate in the eyes of the Nigerian government. Conversely, from organizational identity theory, it would be posited that BP recognized that their "construed external image" (Dutton et al., 1994) was a problem and could be bettered through an alliance with Statoil.

The second and largest theme (91%) among these motives had to do with Statoil's wish to be perceived as a successful international oil company, both by the international oil industry at large and internally, by itself. It was speculated that Statoil wanted to be recognized as a major "player" and could do so by allying with another already acknowledged "major player", such as BP. Further; Statoil could use BP as a role model in trying out their feet as an international company. The motives in this category held four major components. First, it had to do with how Statoil viewed itself as an organization. Respondents from both companies felt that Statoil had initially been a domestic company successful on the Norwegian Continental Shelf but lacking the self-confidence to successfully operate outside the Norwegian Continental Shelf. It was acknowledged that Statoil had many international operations outside of Norway but their efforts by both Statoil or BP respondents were not deemed especially impressive. The main reason for the lack of success internationally was perceived as organizational-, and political lack of self-confidence rather then the actual lack of resources or skills. Since Statoil was, at the time of alliance formation, owned almost completely by the Norwegian government, all major investments had to be approved by the Norwegian parliament. It was also argued that to be successful in the oil industry a company must make considerable investments over a long period of time. Respondents felt that the Norwegian government was very wary in investing large sums outside of Norway for long periods of time. This, what seemed like lack of self-confidence, was in part a result of what some called the "mindset" of Statoil employees. For respondents, "being international" was not just about being geographically dispersed but rather changing the mindset of employees both expatriated to foreign countries and those servicing at home.

Secondly, the motives dealt with how Statoil believed the international oil industry viewed Statoil. According to respondents, a major theme was the importance of having a reputation and image of being an international "player". Reputation and image were discussed as being an important part of successfully gaining access to interesting exploration projects in the frontier areas where major oil discoveries were expected. According to both company respondents, BP had the international reputation whereas Statoil lacked it. It was also discussed what reputation actually consisted of, and though having a good international reputation presumably consisted of actually possessing some unique competencies, it was argued that reputation was more about an image built up over a considerable period of time, than actual possession of competencies. In other words, a company such as Statoil may have developed as strong capabilities as any other company, but without a salient international reputation, they would not be as successful internationally as a more reputed company.

Thirdly, the motives dealt with the benefits of allying with an acknowledged international player. This component is related to the first two since it was used more as a tool to facilitate the internal and external adaptation processes. As with the National Oil Company (NOC) card aspect, allying with another company legitimized what was believed to be a more positive external image. BP could be seen as less colonial, and Statoil could be seen as more internationally competent, by association. Since BP respondents did not feel that they were especially imperialistic or colonial, as either individuals or as an organization, despite what they recognized as their colonial external image, they were not especially concerned with adapting how they perceived themselves. Statoil, on the other hand, was interested in changing its perceived image of itself, and by the very possibility of allying with an international "player" like BP, it could believe that it, too, was an international "player".

Finally, motives were also related to emulation and using BP as a role model. There was a belief that Statoil would learn about how to be, and act as an international company from the already recognized international company, BP[82]. BP was thus, held out as a role model for the historically domestic Statoil. Table 5.17 cites typical quotes categorized as OTHER. The selected quotes are examples of motives that have a different logic from traditional perspectives of inter-firm cooperation (more quotes are cited in appendix nine). A more dogmatic cynic could argue that they could all fit into traditional perspectives, but in this thesis it is argued that viewing alliance formation motives from a more social and cognitive standpoint adds and complements extant literature on alliance formation. The quotes specifically deal with a sense of organizational self (identity), image and reputation, and desired future self. In addition, inter-organizational identification and emulation seem apparent in the quotes. These aspects are further discussed in the next chapter.

[82] This aspect can arguably be related to organizational learning and knowledge transfer in OL. A further discussion of this is found in the "Discussion" part of this chapter.

**Table 5.17 Typical quotes falling outside of traditional perspectives on alliance formation motives**

| |
|---|
| "This is where I saw it coming from. It was through bringing the companies together to share ideas, share cost, share technology and use the big brain. The other aspect was Statoil's side. Statoil was looking for ways of getting into the international oil and gas business. They wanted to become a really international company and they knew they had to change their ***mindset and reputation***. Everyone knows that Statoil is using BP in the alliance to do just that." (BP manager, 1997) |
| "To be successful in negotiating with governments in the funny places where oil is found, you have to have a good international ***reputation or at least an image*** of being a successful oil company." (Statoil manager, 1999) |
| "Statoil is pretty unknown while BP is a world player. Statoil would get ***known*** internationally by partnering with us." (BP manager, 1997) |
| "I just held a speech where I showed that Statoil already is an international company. We are located in many countries, we have always bought and sold things in many countries and partnered with many international companies. It's not a matter of that. Rather, it's a matter of making our employees understand that we already are an international company and ***accept and act like one***." (Statoil manager, 1997) |
| "I think it was clear from our point of view that it was about internationalization and learning. BP would teach Statoil about what it really means ***to be an international player***. They are obviously not best at everything even though they seem to think they are. But the rest of the international industry still looks up to BP even though they keep making mistakes. In that way, they could be a pretty ***good role model***. We could learn from their experiences and kind of copy what works well and fits with our organization." (Statoil manager, |

1999)

"If you are going to be seen as ***a real player*** in the E&P business you have to be ***considered*** an international company, rather then a domestic one like Statoil. Who better to learn from then BP?" (BP engineer, 1997)

"The trouble with the thing at the moment is that everybody seems to ***want to become*** an international, global company. It's the flavor of the year or something. I think those people think it must somehow be good to be considered an international company. And I suppose, you know, for Statoil, and the same with all of the other E&P companies, E&P upstream skills are transferable around the world, and there isn't a special knowledge of any particular thing that means that you have to stay rooted in Norway. You can take those skills elsewhere which is probably why all of the E&P companies are ***looking to be international.***" (BP engineer, 1997)

"Let's face it, Statoil's riding on our coat tails." (BP manager, 1995)

"Well you know we were thrown out of Nigeria before and the Brits are still not so popular there. With Statoil ***fronting*** we could play the NOC card (National Oil Company)." (BP geologist, 1997)

## 5.2 Cluster analysis of formation motives

A cluster analysis was performed to group alliance formation motives, and further support the findings of the simple frequency analysis[83]. The purpose was to maximize the homogeneity of motives within the clusters while also maximizing the heterogeneity between the clusters. The hierarchical agglomerative clustering method was chosen because of its appropriateness for the explorative nature of this research (Hair et al., 1998), as well as the possibility of clustering on variables (SPSS, 1997). Alternatively, a non-hierarchical or a "K-means" iterative cluster procedure would necessitate specified "seed points" or the specification of cluster starting-points. All 120 interviews were treated as cases, and formation motives as variables.

**Case Processing Summary[a]**

| Cases | | | | | |
|---|---|---|---|---|---|
| Valid | | Missing | | Total | |
| N | Percent | N | Percent | N | Percent |
| 120 | 100,0% | 0 | ,0% | 120 | 100,0% |

a. Absolute Correlation between Vectors of Values used

In this procedure, alliance formation variables were discussed to examine whether or not certain motive categories could be grouped together. The formation motives (variables) were standardized with a value of either 1 or 0, signifying the motive category as identified by the respondent (1) vs. not identified by the respondent (0). Pearson correlation with absolute measures, rather than a distance measure normally used for clustering cases, was used as suggested for clustering variables with standardized values (SPSS, 1997). A trial and error procedure of testing different linkage methods was used to see

[83] A more general discussion of cluster methods is found in chapter two on methodology.

whether the clustering results of different linkage methods varied greatly. A small difference in the results of different linkage methods supposedly indicates highly separated and distinct clusters (SPSS, 1997). The linkage methods tested were; "between groups linkage", "within group linkage", "single linkage", "complete linkage", "centroid linkage", "median linkage", and "Ward's linkage". All linkage methods tested resulted in cost minimization motives (CM) and risk minimization motives (RM) clustered as separate, distinct clusters. In addition, five of the seven methods; between groups linkage, single linkage, complete linkage, centroid linkage, and Ward's linkage, clustered complementary resource motives (CR) and organizational learning motives (OL) into one cluster, and strategic behavior motives (SB) and other motives (OTHER) into another cluster. The average linkage and median linkage methods clustered strategic behavior motives (SB), complementary resource motives (CR), and organizational learning (OL) as a separate cluster, leaving other motives (OTHER) outside as a separate cluster. The results of the different methods were similar, this indicating that there were fairly separated and distinct clusters of alliance formation motives.

A trial and error of specifying a range of three or four clusters showed that four clusters seemed the most appropriate range. In both the three and four cluster range runs, alliance formation motive categories of cost minimization (CM) and risk minimization (RM) were in separate clusters. However, the dendrogram on both three and four range clusters showed that complementary resource motives (CR) and organizational learning (OL) joined early into a cluster, as did strategic behavior (SB) together with other motives (OTHER) shortly after. In the three-range cluster procedure, CR, OL, SB, and OTHER were all clustered together towards the end of the procedure, while in the four-range cluster procedure, CR and OL were in one separate cluster, and SB and OTHER in another cluster. This late clustering of the four motives along with a fairly large jump in the coefficient range, from

0,191 to 0,80, shown in the agglomeration schedule indicated that a four-cluster range was most appropriate. The agglomeration schedule, proximity matrix, vertical icicle illustration, dendrogram, and cluster membership table for the four-cluster range, using Pearson correlation, and the "between groups" linkage method are shown below.

**Agglomeration Schedule**

| Stage | Cluster Combined | | Coefficients | Stage Cluster First Appears | | Next Stage |
|---|---|---|---|---|---|---|
| | Cluster 1 | Cluster 2 | | Cluster 1 | Cluster 2 | |
| 1 | 3 | 5 | ,344 | 0 | 0 | 3 |
| 2 | 2 | 6 | ,255 | 0 | 0 | 3 |
| 3 | 2 | 3 | ,191 | 2 | 1 | 4 |
| 4 | 2 | 4 | ,080 | 3 | 0 | 5 |
| 5 | 1 | 2 | ,058 | 0 | 4 | 0 |

**Proximity Matrix**

| Case | Matrix File Input | | | | | |
|---|---|---|---|---|---|---|
| | CM | SB | CR | RM | OL | OTHER |
| CM | ,000 | ,008 | ,110 | ,073 | ,063 | ,034 |
| SB | ,008 | ,000 | ,254 | ,046 | ,226 | ,255 |
| CR | ,110 | ,254 | ,000 | ,121 | ,344 | ,056 |
| RM | ,073 | ,046 | ,121 | ,000 | ,112 | ,043 |
| OL | ,063 | ,226 | ,344 | ,112 | ,000 | ,227 |
| OTHER | ,034 | ,255 | ,056 | ,043 | ,227 | ,000 |

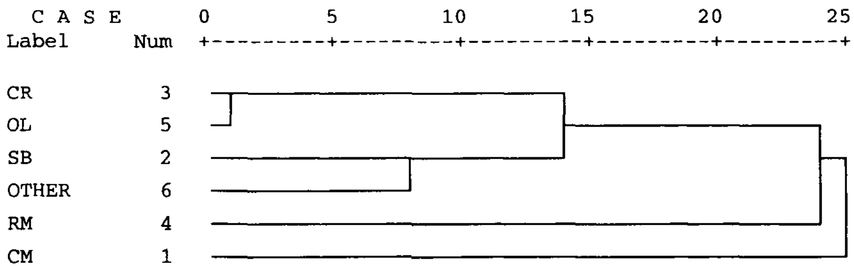
**Cluster Membership**

| Case | 4 Clusters | 3 Clusters | 2 Clusters |
|---|---|---|---|
| CM | 1 | 1 | 1 |
| SB | 2 | 2 | 2 |
| CR | 3 | 2 | 2 |
| RM | 4 | 3 | 2 |
| OL | 3 | 2 | 2 |
| OTHER | 2 | 2 | 2 |

* * * * * * H I E R A R C H I C A L   C L U S T E R   A N A L Y S I S * * * * * *

Dendrogram using Average Linkage (Between Groups)

Rescaled Distance Cluster Combine



The purpose of the cluster analysis was to examine if there was any pattern to the identification of motives, and whether or not the motives identified were clustered together in clusters of motive groups. This was indeed the case. In the hierarchical cluster analysis of variables, using Pearson correlation with absolute measures, and testing different cluster ranges, three major clusters were generated. Complementary resource motives (CR) and organizational learning motives (OL) were clustered together early in the procedure. The next cluster to be formed included strategic behavior motives (SB) and organizational identity motives (OTHER). Cost minimization motives (CM) and risk minimization motives (RM) were in their own, sole, separate clusters.

The interesting motive groups to be joined early in the clustering procedure are the two first clusters. The first joined cluster, the group of organizational learning and knowledge transfer motives clustered together with complementary resource motives, and the second cluster group, comprising strategic behavior motives and organizational identity motives, seems intuitively natural. The closeness of these groups of motives is discussed later in this chapter in the section on empirical observations and discussion.

## 5.3 Formation motives and alliance evolution

Primarily following Ring and Van de Ven's (1994) model of the development and evolution of inter-organizational cooperation, in which inter-firm cooperation goes through cycles of negotiation, commitment, execution, and assessment, in this case three major cycles of alliance development were identified[84]. The three cycles were identified through respondents' perception of critical events that changed alliance operations, and by how motives and other alliance organizational issues were discussed by respondents. Respondents tended to date their perceptions by using phrases such as, for instance, "in the beginning of the alliance", "when we started out", "right after they signed the Main Agreement", etc. Motives and issues related to a time frame were interpreted as referring to the first, second, or third cycle of developmental processes. In general, the first and second cycle were divided by discussions pertaining to before and after the "Edinburgh Conference"[85], and the last cycle was identified by respondents' discussions of the necessity of either a total revamp of alliance goals and structures, or else termination of the alliance. Motives were discussed according to a "theory in use" (Argyris & Schön, 1996) perspective of what motives respondents felt were "real" and important, or salient during the different developmental cycles. The following section is a description of each cycle.

The first cycle ran from alliance formation in late 1990 until approximately around a major management conference in June 1993, the second cycle from mid-1993 until sometime during the autumn of

[84] See appendix 5 for a short review of some theories on alliance development.

[85] During late 1993 a major joint management conference was held to specifically look at integration issues in the alliance. This conference, widely referred to as "the Edinburgh conference", or even "the management love-in", was a four-day meeting in Edinburgh where all corporate staff involved in the alliance from both headquarters and all alliance asset managers met to discuss alliance workings.

1998, and the last cycle lasted from the end of 1998 until the alliance was ended in February 1999[86]. The progression of the alliance along with integration experiences, the dynamism of the companies' corporate strategies, and the partners' changing resources and competencies led to new "renegotiation" phases (Ring & Van de Ven, 1994) of re-evaluation and re-alignment of alliance operations. Explicit and informal re-evaluation and re-negotiation of alliance goals, roles, and visions led to the formal amendment of the alliance main agreement at different intervals and more informal changes in individual attitudes, perceived partner roles and alliance purpose. Table 5.18 is a summary of developmental cycles and an interpretation of the relative ranking of motives according to importance during each cycle. The reported figures represent an interpretation of the relative salience of motives within each theoretical perspective in the three cycles. "1" is most relatively salient, and "6" is least relatively salient.

**Table 5.18 Summary of developmental cycles**

| Cycle | 1 | 2 | 3 |
|---|---|---|---|
| Timing | From start (1990) until Edinburgh conf. (1993) | From after Edinburgh conf. (1993) until autumn 1998 | From 1998 until termination in 1999 |
| CM | 6 | 1 | 1 |
| SB | 3 | 3 | 4 |
| CR | 2 | 2 | 4 |
| RM | 1 | 1 | 2 |
| OL | 5 | 3 | 3 |
| OTHER | 4 | 3 | 3 |

[86] In August 1998 BP and Amoco announced merger plans to be completed by the end of 1998. BP Amoco stocks were traded for the first time at London Stock exchange on January 4, 1999. BP Amoco and Statoil terminated the E&P alliance effective February 15, 1999.

During the first cycle, perceptions of the partners' strategic alliance visions and expected alliance benefits were relatively well aligned. This first cycle was dominated by access strategies in what was called "frontier", high-risk areas and respondents believed that significant success in competing for access to attractive projects was realized in Vietnam, Nigeria, Angola, Kazakhstan, and Azerbaijan. According to respondents, the major alliance goal was to explore new attractive exploration acreage in frontier areas at a low cost. They were to do so by "combining the partners' financial strengths, technical skills, commercial expertise and worldwide operating experience" (The BP/Statoil Alliance Brochure, 1991: 2). Thus, most identified motives during this cycle dealt with sharing risk in risk minimization motives group (RM), or motives related to official and managerially espoused rationales for the alliance that were coded in complementary resources motives group (CR), and finally, strategic behavior motives of competition (SB). Though "low cost" as a cost minimization motive was mentioned in much of the official company materials and identified by some respondents, it was not identified as much as complementary resources (CR), and strategic behavior (SB) motives. Organizational learning and knowledge transfer motives were also identified but became more salient in respondents' perceptions in later cycles. Finally, motives falling outside the traditional perspectives (OTHER) were identified, though to a lesser degree than the first three discussed.

What can be described as the operating cycle (cycle 2), with an approximate start after the Edinburgh conference in June 1993, caused re-evaluations and re-negotiations because of changes in corporate strategies and the result of alliance project acquisition success. The BP and Statoil alliance originally included international exploration and production, natural gas marketing, and research and development, but had never included downstream petroleum activities. The main strategic concern at alliance formation was to gain positions in frontier areas where neither company was yet represented. The omission of other business interests happened naturally since it was impossible to consider all changing circumstances. With changes in corporate strategy and the prohibition of non-alliance activities in the designated areas, a need to amend the Main Agreement in, for instance, Vietnam was created. This amendment resulted in BP and Statoil being, at the same time, both partner and potential competitor in the same country. BP quickly became a major player in the growing Vietnamese downstream business and Statoil seriously considered entering the Vietnamese market alone[87]. These changes to the alliance Main Agreement had important implications for joint team integration in Vietnam. The BP manager became both responsible for joint alliance activities and BP corporate interests. In parallel, the Statoil deputy alliance manager was in part responsible for alliance interests along with Statoil's corporate interests. This duality of, on the one hand cooperation, and on the other hand competition, reportedly caused significant problems.

Whereas the first cycle could be characterized as an access cycle, the second cycle could be characterized as an operations cycle. The focus became creating and realizing value from the already acquired acreage in the first developmental cycle. This necessitated a certain change in initial goals and supporting structures and, to a certain degree, involved changed personnel requirements. Goals and structures developed for successfully gaining acreage and production projects made little sense when an operations mode was to take over. The alliance was partly created to facilitate acquisition of frontier

[87] Statoil had a separate office within the BP corporate representation office compound in Hanoi. Only one Statoil representative with his secretary worked in the office. His responsibilities were divided into Statoil corporate and BP and Statoil Alliance duties. According to respondents and the particular Statoil individual, this duality of responsibilities and interests caused difficulties given the cooperative and competitive nature of BP's and Statoil's presence in Vietnam.

exploration acreage and production projects. According to respondents, joint team organization was initially (in the first cycle) considered the best way to utilize each company's strengths and to gain access at the lowest cost. The mode of operating acquired projects in the future was discussed very little. A natural consequence was that after the first cycle and successful project acquisition, joint teams continued as before, only changing their work focus from acquisitions to operations. Respondents reported that acquiring new acreage in frontier areas often required creativity and new solutions. It was believed that joint teams with their company and nationality diversity were imminently suitable for meeting these challenges. Bringing complementary strengths together from each company was thus, considered an important motive in the first cycle. Running acquired projects in the second cycle involved more established procedures and required shared understanding, language, etc. for efficient and timely operations. According to respondents, BP and Statoil learned through experience that joint teams were most effective and least costly when accessing new acreage, rather than operating already acquired projects. The importance of alliance motives in the second cycle naturally evolved reflecting this cost concern. Hence, cost minimization motives were more important in this "operating" cycle than they had been in the first cycle.

The third cycle, that started sometime during the autumn of 1998, resulted in another re-evaluation of the partnership and the ultimate alliance termination in February 1999. This cycle was characterized by disenchantment with each other's company and the alliance structure as well as purpose. Alliance experiences from running joint teams in both accessing and operating modes during the first and second cycles, and changes in corporate strategies, resources, and competencies, necessitated a complete re-evaluation of alliance purpose and vision. Respondents felt the alliance had achieved success in accessing interesting exploration and development projects and otherwise fulfilled alliance obligations. The motives that made sense at initial alliance formation during the first cycle were not so self-evident during the third cycle. A majority of respondents interviewed felt that the alliance should either be dissolved as a result of successful achievement of initial goals or re-established with a new, clear strategy and vision. They felt that the initial needs, strengths and competencies of each company had changed. In the third cycle, respondents felt that BP had become financially stronger and Statoil had "successfully" attained the international experience it had lacked at alliance formation. The fact that the companies were both competitors and collaborators in certain locations within the alliance geographical areas[88] and that the assumed roles during the formation phase in the first cycle did not make the same sense in the third cycle. As in the second cycle, cost minimization motives were perceived as a considerable issue that did not seem possible to overcome with the given alliance structure. It was perceived that the alliance structure of joint teams involved unnecessary time-consuming managerial attention for a number of reasons[89]. In this respect, it was deemed that the alliance organization had become more costly than a traditional industry set-up of a single operator team.

## 5.4 Major empirical observations

In this study, we coded respondents perception of "theory in use" (Argyris & Schön, 1996) motives for the BP and Statoil alliance. Identified motives were coded according to sub-group. In total, the 120 interviews identified 471 counts of motives falling into the six categories of motives. Three areas of observations are especially worth pointing out. The first area of observation deals with the relative

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[88] In Azerbaijan and Kazakhstan, BP and Statoil competed separately for development projects. In Vietnam, BP sold lubricants, etc. and Statoil was considering competing with Bp with the same downstream products.

[89] See chapter three for a description of alliance challenges.

frequency ranking of motive categories. The second area of observation deals with sub-groups and sensemaking of motives within the motive categories, and the third area deals with the motives themselves and alliance development.

The first area of observation deals with the relative ranking of motives falling into the different groups, and was initially a little surprising. More respondents identified risk minimization motives (RM), that could be understood in the resource dependency perspective, than the other perspectives, with complementary resource motives (CR) in the resource-based view, strategic behavior motives (SB) in the market-power perspective, cost minimization motives (CM) in transaction cost economics, organizational learning and knowledge transfer motives (OL) in various organizational theories, with other motives (OTHER) least identified. The fact that respondents identified risk minimization motives more than motives under other perspectives is surprising for several reasons. Firstly, from received wisdom, we might expect cost minimization motives and strategic behavior motives to be those identified most frequently by respondents. Transaction cost economics theories and market-power theory perspectives are by far the most common explanation, of the choice of an alliance as a governance form, discussed by scholars (see e.g., Kogut, 1988a; 1988b; Combs & Ketchen, 1999). Further, most empirical studies testing competing theories have concentrated on variations of Williamsonian (1975) transaction cost and internalization theories vs. Porterian (1980) industry-positioning theories as motives for cooperative behavior. In this study, market-power motives and cost minimization motives came out as third and fourth on the ranking of those motives most mentioned. On the other hand, the results should perhaps not be so surprising given the very nature of the oil industry, involving high risks and long term, large investments. As described in chapter three, uncertainty and probability calculations are very much a part of the oil exploration and production business. Perceived uncertainty is even more important in the frontier international oil arena where "psychic distance" (Johansson & Vahlne, 1977) must invariably be high. Hence, cooperating with partner firms has historically been an important part of the oil business and is easily understood within resource-dependency perspectives.

The fact that complementary resource motives understood in the resource-based view came out as second in the ranking was more expected given the official statements in various company materials. In the "Main Agreement" in the handbook given to all personnel seconded to work with the alliance, the following extract characteristically depicted official sentiment.

> "The purpose of this Agreement is to bring together the technical skills and financial resources of the Parties in collaborating to constitute a more effective and competitive force for the access and realization of new hydrocarbon exploration, development and production in major frontier areas of the world, than either Party can achieve individually, having regard to the principles that there should be no duplication of effort, or cost, decisions shall be taken solely on commercial grounds and that organizational and decision making models shall be simple" (Main Agreement, Article 3.3: 10).

This extract from the Main Agreement arguably speaks to several theoretical perspectives but the complementary resource motive, of 1+1 is equal to at least three, stands out. "Bringing together technical skills and financial resources" can be evaluated as either bringing together complementary assets or competing strengths. From respondents, it was evident that complementarities of individual firms' resources and skills were how most respondents perceived the alliance motive in this respect. The problem arising from this unspecified motive was that neither company agreed on which partner had the superior skills or resources. This complementary resource motive is also related to strategic behavior motives of industry position. Deriving effectiveness and competitiveness from collaboration as a result of bringing together skills and resources combines the two perspectives. Cost minimization and efficiency were also touched upon in the latter part of the statement, though seemingly secondary to bringing together skills and resources.

Organizational learning and knowledge transfer motives had a fifth ranking according to the motive group frequency count. Though there is no direct mention of either company being in a learning position, or in any way inferior to the other in the official company material, this was often mentioned in the interviews by respondents representing both companies. One could also speculate that it was alluded to in the very structuring of the alliance organization and management through operator and joint teams.

> "One of the Parties shall be nominated as the Business Development Operator for each, or part of, the major frontier areas. The activity within an area shall be carried out by a jointly staffed team reporting through the Business Development Operator's line organization and in accordance with the Business Development Operator's normal business practice including safety principles and procedures. Similarly, for each Licence within the Alliance Area the Parties shall nominate a lead company or spokesman for the alliance as described in Article 7." (Main Agreement, Article 3.4: 10). "As soon as practical, Statoil shall become a License Operator and gradually take on a larger operatorship role over time." (Main Agreement, Article 7.4: 22).

As described in chapter three, initial participation in the joint exploration and production projects was one-third Statoil and two third BP Exploration. Over time, it was contemplated that Statoil's participation in new licenses would increase towards a 50-50 basis along with an increased operator responsibility, but increased participation and equity ownership for Statoil happened to only a very limited degree[90]. It was also intended that one of the three targeted area programs, (West Africa[91]) would be run out of Norway following what was called an "orderly transition period". The other two (South East Asia and countries in the Former Soviet Union) were United Kingdom-based. The content of the Main Agreement article alludes to one partner taking the role as operator or leader and the other taking a less strategic or even learning role. This was also confirmed in interviews of those identifying learning or knowledge transfer motives.

The second area of observation deals with respondent sub-groups and sensemaking of motives with regard to motive categories (refer to tables 5.2-5.5 in this chapter). Since risk minimization motives (RM) were most frequently identified by all groups of respondents, the following discussion is centered on the second most frequently identified group of motives, and in particular on the group of motives categorized as outside of traditional perspectives (OTHER). To recap, this group of motives dealt with two issues that can be understood within organizational identity theories. Firstly, BP's wish to alter their colonial, imperialistic image by allying with a National Oil Company such as Statoil, and secondly, Statoil's wish to change their organizational identity from a domestic firm to that of an international company. Though this category of motives was least frequently mentioned, it was identified by 69% of all respondents. Organizational identity adaptation as an alliance formation motive is an important serendipitously discovered new motive that has not earlier been

[90] Only in the Nigeria project did Statoil become operator with a 50% equity share.

[91] The target area West Africa initially included Congo, Nigeria and Angola. Congo was phased out early on in the alliance and Angola continued to be BP operated and run from London. Only one Statoil employee was seconded to this project. Only the Nigeria project eventually became Statoil operated and run out of Stavanger.

researched in the extant literature. These motives, per se, will be discussed more in the next chapter.

In the company affiliation (CO) category of respondents, the group of other motives (OTHER) was ranked as the second most frequently identified perspective with 71% of BP respondents. Naturally, the respondents in this group were mostly British nationals. Furthermore, more corporate staff employed, and London-based respondents discussed these motives (after risk minimization motives). Statoil respondents identified these motives less frequently (57% of Statoil respondents) than their British, BP counterparts. It is interesting to speculate why BP respondents were more prone to directly identify organizational identity adaptation motives for alliance formation than their counterparts in Statoil. Besides the possibility of chance, it may be that BP respondents were more clear-sighted, or even cynical, in their ideas of an alliance with Statoil. The disastrous experience of BP assets being nationalized in Nigeria had brought negative public sentiments of BP to the forefront. BP wanted to get back into the potentially oil rich Nigeria, but knew from experience that Nigerian public sentiment for the BP organization was anything but good. In this way, the problem was evident and the apparent solution was fronting a National oil company from a politically neutral country such as Norway[92].

Regarding the frequency of discussing Statoil's formation motives as wanting to change their organizational identity from domestic to international, it could be argued that a certain amount of arrogance (possibly, fairly so) went into the assessment. Discussions of the

[92] A National oil company such as Statoil was also assumed o be important as a role model for the fledgling new National Nigerian oil companies. Respondents reported that Statoil was considered a successful National oil company by newly discovered oil countries. Evidence given was for instance the fact that Vietnamese nationals were sent to Norway to learn about both sides of the negotiating table: the governmental side and the oil company side.

superiority of BP over Statoil as a commercially successful, geologically and technically competent, world leader were rampant. The notion that Statoil saw an advantage in "riding on BP's coat tails" seemed almost institutionally accepted by BP respondents.

Statoil employees were more prone to discuss organizational learning and knowledge transfer as formation motives for the alliance, with complementary resource motives as the third group of frequently identified motives. This is interesting for two reasons. Firstly, the cluster analysis of motive groups showed that organizational learning and knowledge transfer motives were clustered together with complementary resource motives (see cluster dendrogram in section 5.2 of this chapter). Wanting to learn and transfer "internationalization knowledge" (Eriksson et al., 1997; 2001) can be seen as a good fit with wanting to avail BP's internationalization knowledge as a complementary resource. In this way, Statoil could be assumed to both want to draw an advantage from BP's knowledge through partnering in the resource-based view perspective, but at the same time hope to internalize the same knowledge through organizational learning and knowledge transfer.

Secondly, as will be discussed in more detail in chapter six, wanting to learn and transfer knowledge of internationalization from BP to Statoil was intricately linked with a sense of organizational self. The argument follows the logic of "what you know is who you are". As the alliance progressed and Statoil realized (or at least came to believe) that they already were in possession of the very capabilities they thought they needed from BP, internationalization knowledge, the motives of organizational learning and knowledge transfer and the motives of complementary resources were closely related to motives of organizational identity adaptation. Rather than either learn or transfer knowledge already in possession of both companies, or even bring together complementary resources, since the belief was that both companies were in possession of the particular resource, there was a growing belief that the alliance was motivated by the wish to change Statoil's organizational identity.

The last area of observation regards the salience of different motives during the evolution of the alliance. From the data presentation on motives and alliance evolution it was clear that motives regarding risk minimization, complementary resources, and strategic behavior were more common in the first cycle, and though these groups of motives were also important in the second and third cycle, they were markedly less so. Rather, cost minimization motives became more important as the alliance progressed. Motives of organizational learning and knowledge transfer were more salient in the second two cycles. According to respondents, other motives (OTHER), in particular involving identity adaptation, seemed to be prominent throughout the cycles but progressively more so towards the last cycle.

The increased salience as the alliance progressed, of organizational identity adaptation as a complementary motive for this alliance formation, can be interpreted as a burgeoning "theory in use" as opposed to "espoused theory" (Argyris & Schön, 1996), understanding of the alliance and a self-realization of the own organization. First of all, though managers espoused the purpose, documents such as the "Main Agreement" and other company official materials stated alliance missions, people intricately involved with the alliance made sense of the alliance motives on their own, or collectively. In this way, sensemaking and the social construction of reality in the salience of alliance formation motives changed as the alliance developed. Since sensemaking and a social construction of reality is intricately linked with identity (Berger & Luckmann, 1967; March, 1994; Weick, 1995), the understanding of alliance formation motives evolved, changed, were re-interpreted, as the respondents themselves and the organizations evolved, changed, or re-interpreted their sense of self.

## 5.5 Discussion

This study explored the motives to form a strategic alliance. The motives were coded into six motive groups fitting best with the traditional theoretical perspective on inter-firm cooperation reviewed in chapter four: cost minimization motives (CM) from transaction cost economics, strategic behavior motives (SB) from market-power theories, complementary resource motives (CR) from resource-based views, risk minimization motives (RM) from resource-dependency theory, organizational learning and knowledge transfer motives (OL) from other organizational theories. Motives not easily coded in traditional perspectives (OTHER) were left in a final group. Cost minimization motives through lowering transaction cost with one predominant partner and joint team organization, strategic positioning motives through industry competitive behavior, and political/financial risk-sharing motives, were consistent with the literature on cooperative ventures formation and by using a strict interpretation of the theoretical perspectives, fairly easily separated. Motives, involving risk-sharing and perceived uncertainty avoidance, were consistent with the resource-dependency literature (Pfeffer & Nowak, 1976; Pfeffer & Salancik, 1979). Motives in this perspective, besides being the motives identified by most respondents, were also important throughout the three developmental cycles observed. Given the high-risk, high-investment nature of the oil industry, resource-dependency motives could be expected to be frequent. Cost motives, based on theories in organizational economics or transaction cost explanations (Buckley & Casson, 1988; 1996; 1997; Kogut, 1988a), had mostly to do with the wish to minimize transaction costs by dealing with one partner rather than several, and internalizing traditional monitoring costs of operator functions into alliance joint teams, and were also easily mentioned by respondents and espoused in corporate materials. Surprisingly, cost minimization motives were less frequently identified, relative to the other groups of motives, than initially expected. The motives in this group became more salient as the alliance progressed and the task orientation went from being more creative in the first cycle, to being more economically efficient in the second and third cycles. Strategic behavior motives, rooted in the wish to influence the competitive positioning of the firms (Contractor & Lorange, 1988; Porter & Fuller, 1986; Lorange & Roos, 1992), were also fairly easily identified with a focus on political attractiveness of two partners with one front, Statoil's role as an National Oil Company (NOC) partner and BP's "hidden" agenda of North Sea natural gas. These motives remained fairly important in the first two cycles but became less important as the alliance progressed. Since strategic behavior rationales (Kogut, 1988a) in this vein are mostly concerned with gaining a competitive position in the industry, it seems natural that these motives were most important at the beginning of the alliance, when positioning for attractive projects was important. When the projects were acquired, the alliance was more focused on operating the acquired projects in an efficient and effective manner, from the industry position accomplished. Thus, motives coded in these three groups (risk minimization, cost minimization, and strategic behavior) seemed mutually exclusive and consistent with the literature.

Resource-based view motives of complementary resources, and other motives of organizational learning and knowledge transfer, were not as mutually exclusive. Complementary resource motives were coded as those that dealt with bringing complementary skills and resources to the alliance (Hamel, 1991; Doz & Hamel, 1998), while organizational learning and knowledge transfer motives dealt mostly with learning about internationalization, international business, and the transfer of specific skills between the partner firms. Two areas are interesting here, the first regarding coding categories, and the second regarding alliances as vehicles for knowledge transfer. Firstly, as pointed out in chapter four, there is some ambiguity as to whether or not a sustainable competitive advantage in the form of resources and skills can be perfectly transferred in the resource-based view theories.

Scholars such as Grant and Baden-Fuller (1995) posit that alliances can be motivated by the transfer of *explicit knowledge* based on the position that a sustainable competitive advantage is impossible to appropriate, replicate or transfer perfectly (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993). Other resource-based view scholars, such as Hamel (1991), and Eisenhardt and Martin (2000), take the position that an alliance may be formed for the internalization or transfer of a competitive advantage in the form of skills or best practices. If the position is taken that sustainable competitive advantages can be transferred, then motives coded informed by the theoretical perspectives of resource-based view theories and organizational learning and knowledge transfer should probably be merged into one group.

Secondly, Doz et al. (2001) posit that competitive advantage is based on knowledge. Many scholars have argued that knowledge has a more personal and tacit nature (Polanyi, 1962; 1966) and a more codified nature (Teece, 1981)[93]. Knowledge may also be more or less migratory, or embedded, depending on the nature of the knowledge (Badaracco, 1991). Furthermore, it has been argued that tacit and embedded knowledge may, exactly because of the difficulties in transferring or imitating, be the most strategically important form of knowledge. In this alliance, respondents reported that an important motive involved the transfer of knowledge regarding internationalization capabilities and/or international knowledge. According to respondents, this knowledge, that has been called "internationalization knowledge" (Erickson et al., 1997; 2001), seemed to be a business process-type of knowledge (Faulkner, 1995), and quite experiential in nature (Penrose, 1959) [94] . If organizational learning and knowledge concerning internationalization is a sustainable competitive advantage, and tacit or embedded in nature, then it could be posited that the BP and Statoil

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[93] For a review of knowledge theories, see appendix 7.

[94] For a review of internationalization and international knowledge, see appendix 6.

alliance could not be an effective vehicle for transfer. The larger question becomes whether or not alliances can, in any instance, be successful for transferring sustainable competitive advantages in tacit, embedded knowledge form. In a strict resource-based view, involving imperfect imitation, the whole concept of "learning alliances" (Khanna et al., 1998; Kale et al., 2000) may be debatable.

The differences between organizational learning and knowledge transfer motives (OL), contra those dealing with the identity adaptation motives found in the motive group "OTHER", is not as straightforward either. The transfer or learning of particular technological knowledge, or organizational practices, easily falls into organizational learning or knowledge transfer motives according to traditional alliance literature (Badaracco, 1991; Hagedoorn, 1993; Doz & Hamel, 1998; Inkpen, 1998). Here, the theoretical emphasis is on clearly defined technology, skills, expertise or practices that respondents could identify, and easily see how either company could acquire through an alliance. As cost minimization motives, behavior motives, complementary resource motives, and risk and uncertainty minimization motives for alliance formation, "learning alliances" (Khanna et al., 1998; Kale et al., 2000) also have an economic foundation in augmenting a firm's capabilities and have been hailed as one of the most important motives for alliances today (Badaracco, 1991; Von Krogh & Roos, 1996; Inkpen, 1998). What is less clear-cut was the wish to transfer or learn about running international operations or "international knowledge" (Eriksson et al., 1997; 2001). Many respondents discussed the fact that BP had long international experience while Statoil was undergoing a strategic change from concentrating on domestic operations to focusing on international operations. What exactly constituted international capabilities or knowledge seemed to be a matter of tacit knowledge in the manner of Polanyi's classic quote *"we can know more than we can tell"* (1966: 136). According to the respondents, learning something about internationalization, and running international operations successfully, was a major motive for Statoil entering into the alliance. A clear understanding of what this knowledge actually consisted of seemed fairly vague, and involved numerous aspects of international business[95]. It is, however, interesting to note that there seemed to be an implicit assumption that the knowledge to be learned or transferred was tacit and organizationally embedded, and could not be purchased through normal market transactions. Instead, it was to be learned through an apprenticeship-like system, such as through the alliance joint teams. Since having international/internationalization knowledge or being successful internationally is debatably difficult to ascertain, and can even be posited as mostly socially constructed, it could be argued that it was all a matter of organizational self-conception[96].

This line of thought leads us to perspectives within the social and organizational identity discourse. Indeed, learning and identity are closely linked in discussions of learning and organizational identity adaptation (Lave & Wenger, 1991; Kogut & Zander, 1996; Brown & Starkey, 2000; Child & Rodrigues, 2002). In this study, we have differentiated between the particular motive to learn or transfer all types and forms of knowledge (c.f., Penrose, 1959; Polanyi, 1962; 1966; Machlup, 1980; Teece, 1981; Winter, 1987; Badaracco, 1991; Faulkner, 1995; Nonaka et al., 2001) and the motive to ally to become and to be viewed both internally and externally as something else. According to respondents, a change in what the literature defines as "identity" (see e.g. Albert & Whetton, 1985; Elsbach & Kramer, 1996; Gioia & Thomas, 1996), including both self-conception, and reputation or image (Dutton & Dukerich, 1991; Dutton et al., 1994), from being a primarily domestic,

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[95] In the next chapter, chapter five, the nature and content of international knowledge as described by respondents is discussed.

[96] There are obviously different ways of measuring internationality (c.f., Welch & Luostarinen, 1988; Andersen, 1997) and different ways of attributing and measuring success. For a literature review on theories of internationalization, see appendix 5.

state-owned company to becoming an international commercially oriented firm, is an overarching theme in the motive for Statoil to embark into this alliance. This specific purpose was not printed in any official alliance documents examined, nor was it mentioned in interviews with external newspapers or company materials. Neither was the term "identity" commonly mentioned in interviews. However, the wish to become something else, in the eyes of internal employees and external actors, was a dominant theme and is not easily explained by the extant literature theorizing inter-firm cooperation.

## 5.6 Some limitations

In this chapter, the focus was on understanding different groups of respondents' perceptions of "theory in use" (Argyris & Schön, 1996) motives for the BP Statoil alliance. Furthermore, respondents' sensemaking of motives as the alliance changed was of interest. At least three limitations regarding the comparative theory part are worth pointing out[97]. Firstly, individual respondents normally cited multiple motives but the motives were not coded according to their rankings or relative weights with regards to importance. Though this would have been interesting, it would have necessitated another, more deductively collected data set, involving survey methods where respondents quantitatively ranked the motives rather than discussing them in-depth as in this data sample. This approach would have been more appropriate for a well-established theoretical field than the area of inter-firm cooperation, which is posited to require a more grounded, inductive methodology (Oliver, 1990; Parkhe, 1993). In addition, deductively testing theoretically derived motives would have left little room for the serendipitous discovery.

[97] Limitations of a case study in general, as well as the grounded more inductive approach, are discussed in chapter two on research methodology.

Secondly, motives were not coded as to which motive was relevant to which alliance partner. In this way, it is not possible to discern the exact number of motives within a motive group that was BP- or Statoil-related. Rather, the concentration was on the number of identified motives and to which group they naturally belonged. In the data presentation sections, however, the motives were discussed with respect to individual companies. Given the initial attempt of understanding the motives for alliance formation in general, rather than a specific company's individual agendas in particular, it was believed that it was enough to focus on alliance motives in general. With hindsight, coding separate companies' motives would have been an improvement.

Finally, though it was attempted, it was difficult to code motives according to the alliance developmental cycle. The major difficulty involved the relative importance within each cycle (closely related to the first limitation discussed). For instance, in many interviews, the individual motives discussed were identified in all three cycles but the salience of the same motive in different cycles varied. Hence most motives would have been coded in all three cycles rendering the analysis meaningless. Instead, the choice was made for a more qualitative, interpretative approach.

# CHAPTER SIX

## Knowledge and identity as alliance motives

IN THE PRECEDING CHAPTER, we saw that the alliance between BP and Statoil was formed for different reasons. The motives overlapped and were mostly complimentary, and could be understood from different theoretical perspectives traditionally used to theorize inter-firm cooperation. In this chapter, the alliance formation motives of organizational learning and knowledge transfer (OL) of especially international capabilities or "internationalization knowledge" (Eriksson et al., 1997; 2001) and the motives regarding organizational identity adaptation (OTHER) are specifically explored. The reasoning behind this is twofold. Firstly, these motives seemed intricately interlinked. The "espoused theory" (Argyris & Schön, 1996) understanding of Statoil's motive for the alliance regarding organizational learning and transfer of internationalization knowledge was closely related to Statoil's sense of organizational self. The perceived possession of internationalization knowledge seemed to presuppose the possession of an international identity and image. In other words, "what you know is who you are". In this way, the "espoused theory" of organizational learning and knowledge transfer of international knowledge as an alliance formation motive differed from the "theory-in-use" (ibid.) motive of adapting Statoil's organizational identity from a domestic to an international organization. The longitudinal nature of this case study involving a grounded approach resulted in this serendipitous discovery that would not have been possible in a more deductive, theory testing method.

Secondly, the serendipitous discovery of organizational identity adaptation, as a motive for this particular alliance formation, has not previously been identified in the extant literature. Hence, the motive requires a thorough discussion within the framework of organizational identity theories. Though the data collected was focused on the motives for the alliance from both partners point of view, in this chapter, the focus is primarily on Statoil and the alliance as a tool for transferring international knowledge and organizational identity adaptation.

## 6.1 International knowledge as a motive for the alliance

A major purpose of the alliance was ostensibly to transfer or learn knowledge of international operations from the more internationally experienced BP. Respondents in this study were asked to discuss and describe the alliance formation motive of transferring or learning international knowledge from BP to Statoil. More specifically, the content and nature of the specific knowledge that was identified as a motive for Statoil to enter into the alliance, was explored. As the data were collected and interpreted, it became clear that defining international knowledge was closely connected to Statoil's organizational sense of self. The type of knowledge discussed here has been defined in many different ways[98]. As a broad generalization, the content of international knowledge can be divided into knowledge about a specific geographical area and more general knowledge about technology, operations, and internationalization (see e.g., Johanson & Vahlne, 1977; Welch & Luostarinen, 1988; Eriksson et al., 1997; 2001). Geographically specific knowledge pertains to knowledge about customers, competitors and market conditions in particular foreign markets, as well as the mode of government and the institutional framework, rules, norms and values in those markets. More general

[98] See appendix six for a review of internationalization theories.

knowledge concerns knowledge of the firm's capability of engaging in international operations and their resources for doing so. This "inward" organizational capacity to conduct international operations (Welch & Luostarinen, 1988) is conceptualized as irrespective of geographical location and its utility can supposedly be applied irrespective of markets.

As a firm's internationalization has been an important issue among international business scholars, the nature of different forms of knowledge has also been a prime focus of interest among knowledge theorists[99]. The names used for often similar concepts are numerous, overlapping and sometimes confusing. The literature often uses both what may be considered elements and attributes of knowledge interchangeably. Terms such as "technology", "information", "learning", "know-how", "capability", and "skills" may all denote similar, overlapping or different elements or understanding of knowledge. Likewise, commonly quoted attributes or qualities of knowledge such as "articulable", "codifiable", "tacit" and "embedded" are used interchangeably and can both imply the characterization of knowledge elements or the knowledge elements themselves. The concept of knowledge usually includes two features: a harder or more concrete side, consisting of that which can be declared or articulated and may be contained in physical or material objects such as blueprints, patents, etc., and a softer side usually meant to encompass the knowledge needed to do something or that which has elements of the indefinable. Simplistically, knowledge can be theorized on a continua[100], described as more "information-like" or more "skill-like", conversely associated with more easy to codify/articulate and transfer versus harder to codify/articulate and transfer. A simple scheme of international knowledge based on the extant literature can be summarized as in table 6.1.

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[99] See appendix 7 for a review of knowledge theories.
[100] As in Winter's (1987) continua of knowledge assets.

**Table 6.1 Content and nature of international knowledge**

| International knowledge as either: | Geographically specific and/or more general knowledge[101] | |
|---|---|---|
| Element | Information-like | Skill-like |
| Nature | Articulated | Tacit |
| Tranferability | Easier | More difficult |

In this study, it became clear that although the transfer or learning of international knowledge was identified by 60% of respondents, there was no consensus as to the exact content and nature of the specific knowledge that was to be gained from an alliance with BP. Rather, respondents listed a wide range of aspects that could be divided into two major levels of analysis: the individual and the organization[102]. At the individual level, international knowledge included many different aspects that were mostly related to personally experienced knowledge of different cultures and expatriation. Possessing this knowledge assumed an "internalization" of what it really meant to operate in different cultures, rather than just having a vague, general notion of cultural differences, or superficial characterization of a specific country's culture[103]. As respondents described, expatriation in the

[101] There is debate as to whether or not the different types of knowledge discussed here are transferable or not. Johanson and Vahlne (1977) e.g., argue that "market-specific knowledge" is an "experiential knowledge" (Penrose, 1959) that cannot be transferred. Eriksson et al. (1997) take a different position arguing that large parts of the experientially learned knowledge can indeed be transferred.

[102] The level of "project or site location" was also discussed but usually was associated with the organization, BP or Statoil, rather than specifically bounded in the project or site location. Rather, projects and sites were implicitly discussed as within the organization.

[103] Respondents explained that having taken "Farnham Castle" training (expatriation training of varying lengths) was only a brief introduction to the expatriation life and the country you were going to be expatriated to. Although this type of expatriation training was a step in the right direction, it could not

international oil industry usually entailed many years accumulating the expertise and capability of living, working, and setting up homes and offices in locations very different from North American or Western European standards. Rather, expatriates were normally sent to locations far away from their home country (involving being far away from both family and friends), often with poor infrastructure, turbulent political governments, and high crime rates (countries mentioned were e.g., Nigeria, Angola, and Venezuela). Living and working in these countries usually entailed living in expatriate compounds that were described as "luxury jails", surrounded by armed guards, barbed wire enclosures, and serviced by locally employed nationals. It was believed that being able to thrive and work effectively in these conditions required unique people (not only the employees themselves, but also their family members) with innate qualities and long, personally gained, experiential knowledge. It was argued that BP employees were especially trained in this area. As several BP respondents explained, being hired by BP usually implicitly implied an international expatriate life. Historically, a BP employee had been employed directly from a university (often even sponsored at the university), expatriated within two years of coming to work for BP, and subsequently only spent time in the UK between postings[104]. Statoil on the other hand, both as an organization, as well as its employees, had very little experience of expatriation. As described in chapter three, the Statoil organization had primarily been established for exploration and production on the North Sea Continental Shelf and had only started with international exploration and production

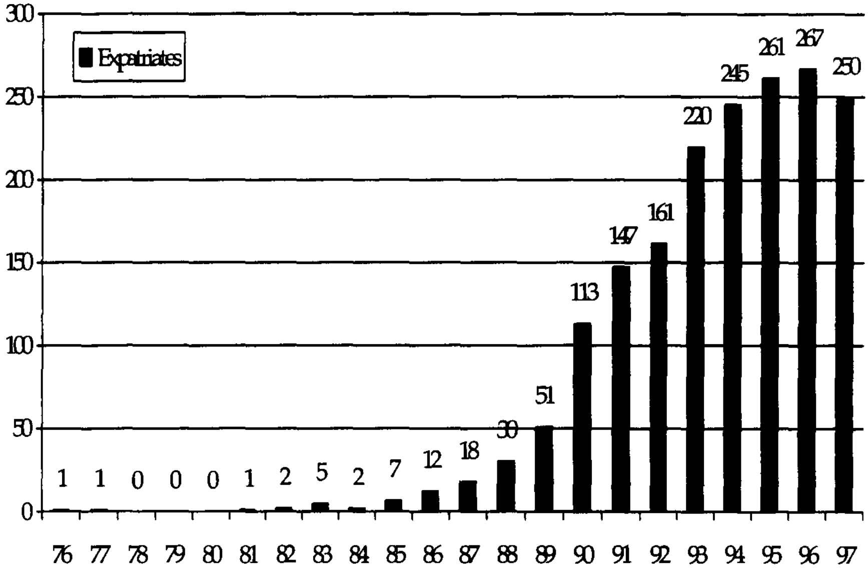
compare to actually having been expatriated for years on end in developing countries. It was even suggested that corporate support staff should take the training so that they could get a better, at least theoretical, idea of some of the challenges faced by their expatriated personnel.

[104] At the time of interviewing, respondents mentioned that this practice was changing. Several "downsizing" periods, active efforts at employing locally, and multiple mergers with other organizations, had changed traditional employment and expatriation practices in BP.

operations in the late 1980's. Though some individuals had started to be expatriated, most international work was done by employees traveling from Norway on extended visits or by local employees. With the exception for a few persons in Thailand and a few persons who had worked with a government project in Tanzania, the few expatriated employees were predominantly expatriated to European countries bordering the North Sea (e.g., UK, Holland, Denmark, Germany). Figure 6.1 shows a frequency summary of Statoil's expatriation postings from 1976 until 1997. It was only in the late 1980's that Statoil started to expatriate personnel to permanent positions abroad. The major increase, doubling the number of expatriates from 51 to 113 in 1990, corresponded with the BP and Statoil alliance formation.

**Figure 6.1 Statoil expatriation**

Source: Statoil's personnel information database (PINFO), 1998




The many aspects of international knowledge, discussed at the *organizational level,* dealt primarily with efficient and effective functioning of the home organizations as support for international operations. Though headquarter support functions were held up as important, and identified as organizational internationalisation knowledge or "inward internationalisation" (Welch & Luostarinen, 1988), specific examples were often invariably given at the individual level. Respondents for instance, argued that internationalisation knowledge was the overall understanding and support given by the headquarter organization at home (meaning in Norway or the United Kingdom). At the same time, the examples given were associated with specific individuals' understanding of the challenges associated with foreign operations. With regard to Statoil, a seemingly trivial issue such as language was considered a major problem. The historical and political "Norwegianization" of the Norwegian oil industry up to the mid 1980's had resulted in a preference (if not requirement) of all company material e.g., procedures, manuals, and other numerous written instructions, to be written in Norwegian. Internationalizing operations meant that local employees at site locations either had to learn Norwegian or get everything translated, which was naturally assumed to be a job for corporate staff. Respondents reported that it took a long time for headquarter staff to realize the importance of maintaining English in all correspondence and procedures, or at least automatically arrange for having everything translated. Much time and effort was spent on requesting English manuals, waiting for translations, doing translations, and otherwise training headquarter staff in the necessity of English as a working language.

Other organizational issues included headquarters' basic understanding of the difficulties involved with operating in foreign, often under-developed locations. Getting a phone line out of Nigeria could take hours; bringing in hard cash to pay employees or other suppliers to some countries in Asia was fraught with difficulties and delays; decisions involving all sorts of licenses in negotiation with governments were often subject to delays and "legal bribes"[105] - these were just some of the examples discussed by respondents. The examples mentioned were not seen as problems in themselves, rather they were seen as a natural part of doing international business in developing nations where major oil reserves were believed to be. Instead, the problem was associated with the perceived lack of understanding and support forthcoming from headquarter staff. This

[105] By "legal bribes", respondents meant for instance, economic support to a country's infrastructure or other investments involving e.g., medical facilities, usually unrelated to specific oil projects, that were deemed necessary for the negotiating government to even evaluate and support foreign companies' bids for oil projects. These "legal bribes" were usually seen as a necessary entrance ticket and common practice in the oil industry. Suffice to say, the ethics of this commonly practiced "entrance ticket" are debatable.

lack of understanding presumably resulted in unreasonable goals set by corporate staff, inordinate amounts of time used to explain the intricacies of operating abroad, and otherwise little support for working under difficult conditions. Thus, organizational international or internationalization knowledge was primarily explained as the corporate organization's understanding and support of the differences in operating in Norway compared to operating in e.g., Angola, Nigeria, Vietnam, and Azerbaijan.

At the *individual level,* international knowledge involved the internalization of expatriation and culture knowledge, and could be described as an individual's "geocentric" state of mind (Perlmutter, 1969). This type of knowledge seemed highly "experiential" (Penrose, 1959) in nature since only by personal experience could it be attained. Hence, the knowledge was also fairly tacit (Polanyi, 1966) and could not easily be transferred or learned by someone else through simple descriptions. Rather, it had to be experienced personally. Organizational international knowledge, on the other hand, seemed more transferable. Corporate headquarters' understanding and knowledge of the difficulties associated with foreign operations were assumed important for effective and efficient support. Complete internalization of that knowledge was however not necessary[106] for corporate staff. The belief was that numerous meeting, visits, and explanations seemed to alleviate the problems, and respondents described how things seemed to get better with sufficient effort from both sides. Thus, what was described as organizational international knowledge very much corresponds with Eriksson et al. (1997; 2001)

[106] Even though internalization or personal experience with expatriation was not believed to be critically necessary for effective and efficient corporate support of international operations, the fact that many corporate staff employees in BP had long expatriation experience, whereas Statoil employees located in Norway had little or none, arguably facilitated BP corporate staff members' understanding and support of international operations.

definition of "internationalization knowledge", being more easily articulated and fairly easily transferred.

Interestingly, at least in this study, "market-specific" knowledge (Johanson & Vahlne, 1977), or what Eriksson et al. (1997) dubbed "business knowledge" and "institutional knowledge", was discussed within the frame of internationalisation, but was not given as much importance as that of changing expatriated individuals' and the organization's state of mind, to use Perlmutter's (1969) nomenclature, from ethnocentric to geocentric. Rather, knowledge that was specific to the geographical location was seen as important but not defined, per se, as "international or internationalisation" knowledge. The reasoning behind this was explained to be the fact that new oil discoveries were expected to be found in countries where neither established international oil companies, like BP, or less established, like Statoil, had ever operated before. This meant that BP and Statoil would be on equal footing in gaining projects through negotiating with developing nations' governments[107]. Indeed, it was even suggested that Statoil would have an advantage in negotiating since their historical national oil company image would offset any negative colonial image that BP might have. This perception was supported by the fact that Statoil was fronted as operator in the BP and Statoil alliance in Nigeria, from where BP had earlier been expelled, as well as strongly involved in helping the Vietnamese government to establish a professional national oil department[108].

[107] Respondents were asked to discuss the following situation. If becoming successful in a country, where neither company had earlier experience, was considered a race, who would win? Respondents seemed to feel, everything else being equal, that BP would win the race because it had more expatriation experienced personnel and a well-functioning, experienced support organization at home.

[108] Both the Norwegian government and Statoil were influential in helping the Vietnamese establish a professional national oil department. Numerous Vietnamese government employees as well as representatives from Vietnam's

Individual and organizational international or internationalisation knowledge was however argued to be influential in quickly gaining important market, business, or institutional knowledge in a specific geographical location. In this way, the individual and organizational internationalisation knowledge served as a prerequisite for market-specific knowledge as well as allowed for a quicker learning curve. It was believed that, though faced with the same challenges of understanding a new market, bidding for new projects, establishing efficient operations, etc., an organization with individual and organizational internationalisation knowledge would likely out-compete an organization lacking that knowledge. Table 6.2 is a summary of respondents' description of international knowledge.

**Table 6.2 International knowledge**

| | **Individual** | **Organizational** |
|---|---|---|
| **Content** | Culture and expatriation related, experientially learned knowledge | HQ understanding and support regarding the difficulties of operating abroad |
| **Nature** | Skill-like and more tacit | Information or procedure like and more articulate |
| **Transferability** | Experientially learned, thus more difficult to transfer | Imitation and adaptation, fairly easy to transfer different aspects |

Revisiting the Statoil alliance formation motive of organizational learning and knowledge transfer of international or

national oil company, PetroVietnam, were brought to Norway and Statoil for extensive training.

internationalization knowledge from BP, it becomes clear that the alliance may not have been the best tool. Though international knowledge was explained as an important motive, the nature and content of that knowledge was, at least at the individual level, not easily transferable. At the individual level, the knowledge was assumed embedded (Badaracco, 1991), tacit (Polanyi, 1966), experiential (Penrose, 1959), person embodied (Pavitt, 1971), and skill-like or knowhow-like (Teece, 1981; Hedlund & Zander, 1993). BP employees could not teach, nor transfer the knowledge embedded in them to less expatriation experienced Statoil employees. The knowledge had to be personally experienced and internalized through many years of operating internationally and expatriating personnel.

At the organizational level, international knowledge was posited as more migratory (Badaracco, 1991), having a more procedural and declarative structure (Blakeslee, 1985), an explicit or articulated (Nonaka et al., 2001) nature, that more easily could be transferred or learned through working closely with a more internationally experienced organization. In this way, international knowledge did not have to be experienced personally, rather an organizationally internalized understanding of the special circumstances and difficulties involved with operating in developing countries was posited as sufficient[109].

Whether, or not, BP could transfer or teach Statoil this type of organizational knowledge hinged on several issues. First of all, the structure of the alliance organization was important for learning or transferring the knowledge. Received wisdom argues that an alliance

[109] Even though it was argued that it was not strictly necessary for organizational headquarter support staff to internalize expatriated personnel's experience, it was still argued that having more expatriation experienced corporate support employees was of significant help and thus implied a greater organizational international knowledge.

organization closer to the hierarchy end of the "market-hierarchy" (Williamson, 1975) continuum outperforms alternatives in supporting inter-firm learning (Kogut, 1988; Mowery et al., 1996). Though the BP and Statoil alliance organization was not a separate legal entity, it was organized in a way that was optimal, *ceteris paribus,* for inter-organizational learning. As described in chapter two, the BP and Statoil alliance organization was unique to the industry, and besides being motivated by reducing transaction and monitoring costs, it could ostensibly have been set up as an implicit effort to transfer skill-like knowledge between the partnering organizations. At the same time as the organization of the alliance was good, depending on the value associated with the knowledge, organizations may seek access to another firm's knowledge through collaborations, but will not necessarily wish to internalize the knowledge in their own organization (Inkpen, 1998). Though the value or "absorptive capacity" (Cohen & Levinthal, 1990)[110] of international knowledge can be assumed to have been important to Statoil, given the strategic change of going from primarily national to international operations, "initial learning conditions" (Doz, 1996) were poor, thus hampering possible learning. As shown in chapter five, the organizational learning or transfer of international knowledge was reported as an important motive for Statoil to enter into the alliance, but this was explicitly expressed in official materials published by the participating partners. Rather, it seemed implicitly understood by respondents. This lack of a clearly articulated purpose regarding international knowledge learning or transfer, or even a clear definition of the knowledge to be learned or transferred, led to problematic transfer or learning. The task of transferring international knowledge was not defined, the routines and interfaces for learning were unstructured, and no goals or performance measures for learning were implemented.

[110] The term "absorptive capacity" was first used by Cohen and Levinthal (1990) and is defined as a firm's ability to recognize the value of new knowledge and assimilate the knowledge for commercial purposes.

As Doz (1996) discusses, initial conditions can facilitate or hamper a partner's learning, and in this alliance the knowledge to be learned was clearly undefined and only vaguely understood.

Further, Statoil's learning was hampered by the organization's structure in that the international exploration and production business department (INT) was predominantly the only business unit regularly exposed to international operations and BP personnel[111]. Though it was held that the alliance with BP would be a spearhead for strategically internationalizing Statoil's organization and personnel, dissemination of international knowledge outside of the international exploration and production business unit to Statoil's organization at large was slow or almost non-existent. Instead, at least in the beginning, expatriated personnel were confined within the international department. This containment of internationally experienced personnel to a single business unit within the larger Statoil organization further hindered an improved "relative absorptive capacity" (Lane & Lubatkin, 1998) [112]. In this way, Statoil's organizational structure of more or less self-contained units and a lack of internationally experienced personnel significantly hampered the inter-organizational learning that the alliance was in part formed for. Moreover, whether or not the alliance was organized to facilitate the learning or transfer of international knowledge becomes a moot point if, as respondents indicated, international knowledge is tacit, embedded, experiential knowledge at the individual level, and though more articulated and thus transferable at the organizational level, based on the organizational internalization of expatriated personnel's

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[111] This exclusivity was eventually changed when Statoil personnel with experience of expatriation started working outside of the business unit responsible for international exploration and production.

[112] Lane and Lubatkin's (1998) concept of "relative absorptive capacity" refers to the finding that a firm's ability to learn from another is a function of existing knowledge bases, organizational structures and compensation policies, and dominant firm logics.

experience. A much cheaper and simple solution to Statoil's problem may have been the acquisition of international knowledge through a serious, strategic recruitment of internationally experienced personnel.

In summary, the linkage between knowledge, learning, and identity seemed clearly linked or inter-related. When respondents were asked to discuss the form and nature of international knowledge, it became clear that the specific knowledge was very much related to the organization's members' perception of organizational self rather than specific knowledge about internationalization. As a senior Statoil corporate manager put it when queried about Statoil's internationalization:

> "Well, the alliance with BP was important, but more for legitimacy than anything else. I know in the beginning we talked about learning all sorts of things, but we're just as good as they are. Probably better in a lot of areas. I go around and hold all these presentations, and I try to get our people to understand that we already are international. They just don't seem to get it. Look [*shows me overhead materials of Statoil's operations*], we are all over the world and have been so from the start. You can't be in the industry without by definition being "international". We participate with foreign firms in equity projects both here in Norway and abroad. We transport oil and gas through international pipelines. We sell crude oil in the international commodities market from offices in Asia. And we do it all well! It's not about becoming international. We already are. It's about getting our people to accept and understand it...and yes, act like it!" (Statoil corporate manager, 1997).

In discussions, learning or wanting to learn about international skills and capabilities was closely linked to Statoil's identity adaptation. What actually constituted international skills and capabilities was mostly vaguely defined as individual embedded experience of expatriation and organizationally understood knowledge of the challenges of operating foreign locations. Irrespective of the type or definition of the knowledge that Statoil was to learn from BP, the perception of having learned it or acquired it seemed to be closely connected to its identity or self-conception and its perceived reputation. It has been argued that shared identity facilitates knowledge creation (Kogut & Zander, 1996) and that identity processes can facilitate or make organizational learning difficult (Brown & Starkey, 2000). A remaining question becomes the effect of knowledge and organizational learning on organizational identity. Does what we know or learn determine our identity or self-conception?

## 6.2 Organizational identity theories

The study of organizational identity [113] has received increasing attention over the past two decades (Albert et al., 2000). The concept of identity has been studied at the level of the individual (psychology, symbolic interactionism, and psychodynamics), group (social identity theory, genre, racial, ethnic, and national identities), and more recently, the organization (Ashford & Mael, 1996). The emerging theories of organizational identity are based on personal or individual identity theories found in the psychology and social psychology literature, along with concepts of self-categorization and in-group, out-group

[113] It is important to recognize that there is a distinction between organizational *identity* and the organizational *identification,* based upon which individuals relate to their organizations. Specifically, "identification is the perception of oneness with or belongingness to a group" (Ashford & Mael, 1989: 34), whereas the organizational identity of that group cannot be ascertained merely by looking at individual levels of identification. Much research on identification (e.g., Salk & Shenkar, 2001) draws from the work on social identity theory and their discussions of individual social identification in the context of collective social identity. See section on social identity theories in this chapter for further discussion.

dynamics in social identity theories[114]. As seen in the preceding chapter, a major finding of the comparative theory approach to alliance formation motives was organizational identity adaptation as a motive for forming the alliance between BP and Statoil. This need or want "to be seen as international", with the positive normative association of being "successful", cannot solely be explained by traditional theories of formation motives. The finding was serendipitous and hence necessitated a focused examination of the organizational identity literature. The organizational identity literature is reviewed in this part of the chapter, followed by a specific discussion of organizational identity and the BP and Statoil alliance[115].

### 6.2.1 Personal identity as a point of departure

For an understanding of organizational identity adaptation, as a motive for alliance formation, it is necessary to understand the antecedents found in the literature on personal or individual identity. Personal identity is most usefully viewed as a general framework for understanding oneself that is formed and sustained through social interaction (Gioia, 1998). Identity, or a "person's sense of self" (Akerlof & Kranton, 2000: 715), constitutes the core of a person and

[114] Though the theoretical development of organizational identity can easily be traced to the literature on personal identity and social identity theories as a fundament, some have claimed that the conceptual idea was first introduced by Ouchi (1979), when he outlined the organizational control mechanism he referred to as "clan control". Citing the example of the varied functions and methods of control within a parts supplier, Ouchi described how clans provide a model for the reduction of goal incongruence between individuals by means of socialization processes. An organization, typified by a high level of identification and socialization, shared beliefs and values, and loose coupling between subunits, may be controlled most effectively within this clan-control framework.

[115] In this chapter, the focus is on organizational identity adaptation as a motive for alliance formation. The organizational identity adaptation process, per se, is examined in detail in chapter seven.

distinguishes him idiosyncratically from others (Gioia, 1998). It has to do with who one is, who others think one is, and whom one aspires to be (Albert, 1998). Identity not only constitutes a way of perceiving and classifying one as distinct from others[116], but also allows for seeing oneself as similar to people one closely associates with, or wants to be associated with (Erickson, 1964). Individuals construct themselves as having some essential characteristics that they cite as their self-concepts, and that they engage in interpretations and practices intended to affirm the continuity of those self concepts over time and place (Steele, 1988). The concept of identity is deliberately ambiguous (Weick, 1995; Gioia, 1998). The purpose of this ambiguity being that maintaining a certain amount of ambiguity allows individuals to adapt to different roles and different contexts, as well as provide scope for their own evolution. This view challenges the idea of any one single identity. Rather, the socially constructed nature of multiple identities or personalities is acknowledged in current literature on identity[117], at all conceptual levels (e.g., Pratt & Foreman, 2000; Ashford, 2001; Hogg & Abrams, 2001).

## 6.2.2 Identity at multiple levels of analysis

In the extant literature, the concept of identity can be studied at any level of analysis, for instance, the individual, the group, the organization, or the industry (Whetton, 1998)[118]. Since, individuals,

[116] They not only see themselves as distinct, but also act as if they are distinct. As Gioia (1998: 19) discusses "Any reasonable observation would suggest that individuals who distinguish themselves along such fine-grained lines are actually more similar to their comparison others than they are distinct,..."

[117] This idea is reflected in James' (1918: 294) early challenge to an assumption of a "holistic" identity when he argued that a person has many different "social selves" appropriate for different audiences: "A man has as many social selves as there are individuals who recognize him".

[118] As in the concept of "organizational identity", some would argue that the very term "organizational behavior" is flirting with cross-level fallacy issues,

groups, and organizations are basic levels of living systems (Miller, 1978), moving from individual to organization identity is considered a simple upward step in unit of analysis (Gioia, 1998). Individual or personal identity and organizational identity are seen as mutually and reciprocally linked (Elsbach & Kramer, 1996). How an individual, group, or organization is different from other individuals, groups, or organizations is what is core and distinctive compared to the other. The concept of identity is in itself a conceptual bridge for linking macro- and micro-level structures and processes (Ashford & Mael, 1996). It is maintained that going from studying individual identity to organizational identity is a straightforward leap upward in level of analysis, rather than a leap outward over a conceptual chasm (Gioia, 1998)[119]. As Albert and Whetton (1985: 268) put it,

> "From our point of view, the formulation of a statement of identity is more a political-strategic act than an intentional construction of a scientific taxonomy. We treat the problem of imprecise, possibly redundant, or even inconsistent multiple classifications at different levels of analysis not as a methodological problem to be solved, nor as a deficiency of the concept of identity, but as a description of the facts of self-classification to be examined and explained."

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discussed in chapter two, since they believe that organizations do not behave, rather people do (Roberts et al., 1978).

[119] Critics would argue that it is problematic to identify a singular organizational identity since the concept is little more than a comprehensive construction by a relatively small subset of upper-level executives, or by observing theorist or researchers. This thesis subscribes to the opposing view, as demonstrated by Gioia's (1998: 20) argument: "Certainly, we can observe that organization leaders frequently invoke a collective identity as a means of imputing or maintaining the sense of organizational coherence and cooperativeness." Further, this thesis treats organizational identity as an "imagined community" (Anderson, 1983) where organizational members have a shared imagination of the collective identity. In this way, organizational identity is a collectively held frame within which organizational participants make sense of their world (Weick, 1995).

The notion that identity can be studied at multiple levels is closely linked to whether or not individuals, groups, and organizations have one sole identity or multiple identities. It is well accepted that individuals have multiple identities depending on the issues, circumstances, roles, etc. (e.g., James, 1918). Further, in social identity theories, given the number of groups to which an individual might belong, his or her social identity is assumed to consist of an amalgam of identities (Ashford & Mael, 1989)[120]. Among organizational identity theorists, the concept of multiple organizational identities is more debated. Those believing that organizations have "hybrid" or multiple identities depending on an issue's temporal salience, or specific context (e.g., Albert & Whetton, 1985; Gioia, 1998; Hogg & Terry, 2000b; Pratt & Foreman, 2000), believe that as individuals with multiple identities given a particular context or audience, organizations also easily subsume a multiplicity of identities[121] or "multiple selves" (Rindova & Fombrun, 1998). Such identities can be associated with e.g., core values, practices, products or services, strategies, and visions.

### 6.2.3 Organizational identity: The seminal definition

Drawing on personal identity theories, the concept of organizational identity was most prominently advanced by Albert and Whetton (1985) when they developed the triadic perspective of organizational identity as *that* which is "**central, enduring, and distinctive**".

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[120] As Ashford and Mael (1989) note, it is not having multiple identities, per se, that causes conflict, rather it is when values, beliefs, norms, and demands inherent in the different identities are opposing that conflict arises.

[121] The concept of multiple identities in organizations seems easier to accept than that of individual multiple identities. It is usually acknowledged that organizations are composed of distinct units, competencies, and interests, which leads to a natural and unproblematic management of multiple identities. An individual with multiple identities may instead be seen as hopelessly fragmented, or even schizophrenic.

Organizational identity is what is taken by organization members to be *central* to the organization, what makes the organization *distinctive* from other organizations, and what is perceived by members to be *enduring* or continuing features linking the present organization with the past. In this way, organizational identity represents how members of an organization answer self-reflective questions, such as "Who are we?", "What kind of business are we in?", and "What do we want to be?" (Albert & Whetton, 1985: 265). The questions are proposed to become more salient in turbulent times and are taken for granted under more ordinary circumstances. Since the most recent work on organizational identity has a point of departure in Albert and Whetton's (1985) seminal work, the three criteria[122] are reviewed here.

The criterion of "centrality" is the least debated criteria of organizational identity features. It is not a definitive set of measurable properties, rather, for a given organization, a given purpose, and from a theoretical viewpoint, one must judge what is or is not central (Albert & Whetton, 1985). Albert and Whetton discuss "essential" and "unique" components of the centrality criterion, as empirically overlapping but logically independent, since all essential characteristics need not be unique and vice versa[123]. What is maintained as important is the classification scheme and the organization's location in it. The idea that what is central in a given

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[122] Though Albert and Whetton's three criteria have recently come under debate, most conceptual and empirical work uses their nomenclature as a point of departure. Recent work challenges especially the notion of the durability and distinctiveness of identity (Gioia & Thomas, 1996; Gioia, et al., 2000) and the importance of centrality (Gioia, 1998). See also Albert (1998), and Scott and Lane (2000) for a critical overview of these concepts.

[123] Albert and Whetton (1985: 267) use the example of brand loyalty to demonstrate this idea. "In the quest for brand loyalty, it is not sufficient for a company to point out to consumers the essential ingredients in a product that justify its purchase. Marketing campaigns go beyond this and emphasize how product x differs from all other competing products, which may share most or even all of the same ingredients."

purpose (contemporary organizations usually have multiple purposes) opens the field to multiple core features, and thus multiple identities. Indeed, Albert and Whetton discuss what they call "hybrid" organizational identities, rather than a sole "holistic" identity.

The temporal aspect of organizational identity is derived from a central proposition in the individual identity theories. Since change may infer identity loss[124] resulting in mourning and grief in individuals, and loss of identity supposedly threatens an individual's health, it is inferred that as individuals, Albert and Whetton argue that organizations must also have a, at least *relatively*, stable identity to remain healthy. The criterion of "stability" is the one that has recently come under most fire. Though individual identity theories posit that the same core set of values, perceptions, and attributes prevail over time, organization identity appears to be more fluid (Gioia; 1996; Gioia et al., 2000). The idea is that what is core about an organization can change at a much more rapid pace than that which is core in an individual. While individual identity is socially constructed with the focus on a centering stability, it is argued that organizational identity is constructed with the balance shifted toward "adaptive instability" (Gioia, 1998; Gioia et al., 2000). This "adaptive instability" presumably allows for the rapid reconstruction of identity so that the organization can maintain a "light-on-its-feet" flexibility that allows an organization to cope. Post-modern identity discussions (Whetton & Godfrey, 1998) also take issue with the criterion of stability. In their world, not only are identities multiple, but the symbolic means for their construction are also multiplying. Thus, becoming increasingly fragmented and limitless as globalization progresses, rendering the concept of identity best viewed as a mobile construct (Ailon-Souday, forthcoming 2003).

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[124] It is interesting to speculate whether an individual, or an organization, can actually lose an identity. I would argue that individuals and organizations adapt, transform, or change their identity, rather than lose it altogether.

Finally, the third criterion of "distinctiveness" begs the question: "distinct as compared to what"? Organizations define who they are by creating or invoking classification as schemes and locating themselves within them. Organizational identity is a classification of the self that identifies the organization as recognizably different from others. How distinctiveness is defined depends critically on what other objects of comparison are deemed relevant. Claims of distinctiveness and uniqueness are common, though they may not hold up very well to comparative scrutiny (Martin et al., 1983)[125]. This third criterion has also come under debate. Gioia and Thomas (1996), for instance, raised the issue of the actual degree to which distinctiveness was a defining characteristic of organizational identity. Their evidence from the academic industry suggested that the current rage for benchmarking and within industry emulation was diluting the actual distinctiveness of many organizations. In this way, mimetic isomorphism (Powell & DiMaggio, 1983) leads to less distinct features. This desire to be unique and yet meld with a group has been called the "paradox of identity" (Smith & Berg, 1987).

### 6.2.4 Identity and image

In theories of organizational identity, the concepts of identity and image are especially important. Identity and image are assumed as interlinked but separate concepts[126]. The acknowledgement of the interrelationship can be traced from individual or personal identity theories (Cooley, 1902; James, 1918), to more recent work at the organizational identity level (Albert & Whetton, 1985; Dutton &

[125] As Dutton et al. (1994) point out, whether or not claims of distinctive collective identity are valid is much less important than the fact that organization members believe that they are distinct and therefore engage frequently in efforts to foster the shared idea of a distinct, collective identity.

[126] In fact, Gioia (1998: 23) called them "cousins", connoting individual separateness, at the same time, of the same family.

Dukerich, 1991; Dutton et al., 1994; Elsbach & Kramer, 1996; Gioia & Thomas, 1996) Organizational image has had numerous conceptualizations in different fields[127]. The most prevailing view of organizational image, used in recent studies of organizational identity, is based on Dutton and Dukerich's (1991; elaborated on in Dutton et al., 1994) definition. These scholars define image as the way insiders, believe outsiders, see the organization (Dutton & Dukerich, 1991; Dutton et al., 1994)[128]. Conversely, identity is defined as the way organizational members view themselves. In their study of the New York/New Jersey Port Authority's attempts to deal with the problem of homeless people frequenting their facilities, they argued that the perceived deterioration of image was an important impetus for action, leading to changes in identity. Discrepancies between identity and image were thus linked to adaptation processes and organizational strategic action.

Organizational identity or even future desired identity is also purposely represented in what has been called "projected image" (Gioia & Thomas, 1996; Gioia et al. 2000). Projected image is focused on the externally projected identity that has the purpose of conveying a socially desired and managed impression and not necessarily some ostensible reality (Bernstein, 1984). Berg (1985) went even further by defining image as the public's perception or impression of an organization, usually associated with a given action or event. Corporate identity and image can be understood as a form of manipulated projected image. Theorists in public relations and

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[127] See e.g., Gioia et al. (2000) for an overview of different concepts of "image".

[128] The terms "identity" and "image" used in Dutton & Dukerich (1991) are the same as the more cumbersome terms "perceived organizational identity" and "construed external image" used in Dutton et al. (1994). These ideas hold parallels to Cooley's (1902) "looking glass theory" of identity according to which the self forms from an individual's understanding of how others perceive him, how others judge this perception, and how the individual feels about these imagined perceptions and judgments.

marketing areas have been most concerned with the visual representations of the corporation, emphasized through the design and management of corporate symbols and logos (see e.g., Hatch & Schultz, 1997). In this instance, it is natural to associate identity with reputation [129]. Reputation is how the external world defines an organization, and though that reputation impacts on an organization's self-reflection (identity), it is not a component part. They depend on each other and feed off each other, and whether they are coupled depends on the actions that different actors take to manage both their identities and their reputations (Rao, 1994).

### 6.2.5 Concepts from social identity theories

Social identity theories (SIT) specifically involve "identification". The concepts of "identity" and "identification" are closely interlinked but still considered as different constructs. While identity, at different levels of analysis, refers to self-concept in identity theories, social identification is theoretically based in SIT, and refers to *"the perception of oneness with or belongingness to some human aggregate."* (Ashford & Mael, 1989: 21). Though identity is considered linked to action (Dutton & Dukerich, 1991; Gioia & Thomas, 1996), identification is a perceptual cognitive construct that is not necessarily associated with action, rather action is understood as an antecedent or consequence of identification (Foote, 1951). The concept of "identification" involves personally experiencing the successes and failures of a group and is

[129] According to Rindova and Fombrun "Research on organizational identity has focused on the "imaginations" that organizational members hold of their own organizations, and reputation research has focused on the "imaginations" of outside observers." (1998: 62). Despite this similarity of interests, the two areas have developed in rather different directions. Rooted in the areas of strategy and economics, reputation research has been preoccupied with the performance effects of reputation; rooted in social psychology, identity research has focused on the development and maintenance of collective identities and their relationship to individual ones."

distinguishable from "internalization". Whereas identification refers to self in social categories, internalization refers to the incorporation of values and attitudes (Ashford & Mael, 1989). In this way, internalization is in part the identity itself, while identification is predicated on the desire for identity. It is argued that identification with a group is similar to identification with a person (Ashford & Mael, 1989). Social identity theorists, such as Ashford and Mael (1989) discuss identification with a group as the desire for self-definition. This view is posited complementary to the view held by individual identification theorists like Kelman, who discuss "classical identification" (1961: 63) as the desire to appease, emulate, or vicariously gain the qualities of some "other". As Kelman puts it, "He attempts to be like or actually to be the other person." In this way, identification occurs when an individual adopts behavior derived from another person or group because this behavior is associated with a satisfying self-defining relationship to this person or group.

According to social identity theory, groups engage in categorization, identification, and comparison in their construction of a self-reflection (Tajfel & Turner, 1979) or the pursuit of a positive social identity. The view of self is thus socially defined, and derived largely from membership in certain social categories (Ashford, 2001), which hold strong emotional and value significance (Tajfel, 1982). Though social identity theory is usually applied to the group level of analysis, it has also been extended to the organizational level of analysis (Ashford & Mael, 1989; Dutton & Dukerich, 1991; Rao et al., 2000; Hogg & Terry, 2000a; Ashford, 2001). In essence, organizations comprise several groups (Hogg & Terry, 2001). In the same way as individual identities are in part a result of comparisons and social interaction with others (Erickson, 1964), organizational identities are derived through social interaction with other organizations (Whetton & Godfrey, 1998). Organizational identity is formed through membership in formal groups or through benchmarking processes (Gioia, 1998) or through more informal networks, including the industry to which the groups belong (Elsbach & Kramer, 1996)[130], the organizational form these groups use, or through membership in accrediting bodies (Sarason, 1998). Through identification, individuals perceive themselves as psychologically intertwined with the fate of the social category, sharing its common destiny and experiencing its successes and failures (Deaux, 1996, in Ashford, 2001: 25). As individuals, groups, or organizations begin to identify, they usually assume the perceived prototypical or exemplary characteristics of the category as their own (Ashford, 2001).

A key concept is "in-group and out-group" dynamics. Self-categorization theory (Turner, 1985) is an extension of, and evolves from social identity theory (Hogg & Terry, 2000a). The theory attempts to operationalize the process of social categorization into in-group and out-group prototypes, through what is known as "depersonalization". A prototype is a cognitive representation of features that describe and prescribe attributes of a group (Hogg & Terry, 2000a), or "a best example of the category" (Oakes et al., 1998: 75). Prototypes maximize similarities within groups, as well as differences between groups, thus embodying attributes that characterize groups, and at the same time distinguish them from other groups (Oakes et al., 1998; Hogg & Terry, 2000a). Self-categorization depersonalizes the self in terms of the in-group prototype, and depersonalizes perceptions of others so that they are perceived as copies of the relevant prototype (Hogg, 2001). Thus, group memberships play an important role in defining the self, with individuals using the salient dimensions of groups to which they belong to define the salient dimensions of themselves (Tyler, 2001).

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[130] Elsbach and Kramer (1996) call this "strategic reference groups" which is different from the concept of "strategic groups" in the strategy literature (e.g., Porter & Fuller, 1986).

## 6.3 Organizational identity adaptation as a motive for the BP and Statoil alliance

An alliance motivated by a wish or need to change an organization's self conception is different from traditional perspectives on inter-firm cooperation. This serendipitously discovered motive adds an important cognitive and social dimension to understanding alliance formation, which for the most has been neglected in the extant literature[131]. In this section, the complementary alliance formation motive of organizational identity adaptation is discussed.

Before the alliance was formed, Statoil was going through a strategic change of internationalizing its operations[132]. As Gioia and Thomas (1996) found, strategic change can be a trigger to evaluate organizational identity in terms of identity, image, and desired future identity. The impetus for strategic change was largely related to contextual factors, described in chapter three, such as for instance, the Norwegian oil industry's historical development and assumptions of "going concern". Regardless of the drivers for strategic change, the perception was that Statoil was to internationalize its operations and change the organizational focus from that of a domestic firm to that of an international one. The importance of being international, besides having espoused economic rationales, isomorphic bandwagon reasons (DiMaggio & Powell, 1983), or fashionable trend explanations (Gomes-Casseres, 1987; Hirst & Thompson, 1999; Røvik, 2000), was also closely

[131] You could argue that network perspectives, neo-institutional theories, and more managerial and political frameworks for alliance formation (Oliver, 1990; Gulati, 1995; 1998; Shenkar & Tallman, 1993; Child & Faulkner, 1998) are more concerned with social and cognitive aspects, than more traditional alliance formation theories. But as far as I know, organizational identity theories have not been applied to explaining alliance formation.

[132] A description of the contextual background for the alliance is found in chapter three. What Foote (1951) has called "motivations" are further discussed in the next chapter with regards to organizational identity adaptation.

connected to Statoil's sense of organizational self. For different reasons, Statoil had been fairly unsuccessful in establishing a major international presence preceding the alliance with BP. An alliance with BP, involving the equity purchase of several large international projects, changed this scenario and with one giant leap, Statoil was more seriously launched onto the international scene. But the fact that the alliance with BP geographically placed Statoil more earnestly on the international arena was not necessarily associated with Statoil's organizational identity. Even without the alliance with BP, Statoil could have bought equity shares in a great many dispersed exploration and production projects. As discussed earlier, Statoil was economically sound from the accumulation of enormous North Sea revenues. These profits could easily have been re-invested in numerous international projects giving a strong, at least geographically, international presence. But being located in many countries, and having minor equity shares in numerous foreign projects did not seem to be the impetus for the alliance. Statoil's geographical dispersion, or possibility of dispersion, seemed un-debated. Instead, the definition of being "international", and hence by definition "successful", was related to an internalized self-conception, along with a publicly recognized and accepted image of Statoil as an international organization.

At the organizational level, Statoil wanted to change its "perceived organizational identity" and "construed external image" (Dutton et al, 1994), from that of a rather obscure domestic company to that of a successful, international company. As we saw in the preceding chapter, respondents discussed Statoil's "wanting to become" something else than it was. Statoil respondents' self-conception about their organization was to a large extent dominated by being a domestic, state-owned company, with traditionally little emphasis or focus on international projects. They believed that they already were a "successful" company but to become and to be considered a "major player", they had to become "serious" on the international arena. The alliance with BP was the first step in this purported process of adapting their identity.

Their "construed external image" (Dutton et al., 1994) or what they believed was their external reputation, seemed fairly consistent with their perceived organizational identity or own self-conception. The belief was that outsiders viewed them as a successful, albeit domestic, state-owned company, and this belief was reinforced by the strategy of fronting Statoil in the alliance when it was believed to be politically/strategically correct in negotiating with newly emerging oil nations interested in establishing their own National Oil Companies. Despite a wish to become strongly established in the international field, along with the economic strength to do so, the fact remains that Statoil only invested in minor, dispersed, international projects, before partnering in the BP and Statoil alliance. This supports the argument that Statoil's own perceived organizational identity mirrored its construed external image in being primarily domestic and state-owned in nature.

Adapting Statoil's organizational identity involved the construction of a desired future or new possible identity (Gioia & Thomas, 1996; Gioia et al., 2000). An exact knowledge of who they wanted to be in the future was not specific, rather more vaguely described as "internationally successful" and becoming a "major player". In the case of Statoil and BP, the "major players" represented the in-group or "strategic reference group" (Labianca et al., 2001) where BP was a prototypical member. Companies most mentioned in this context were especially BP and Shell, but also Mobil, Texaco, Elf, Agip, and Conoco. By allying with BP, Statoil could, by "basking in reflected glory" (Ashford, 2001) or by association, be part of the in-group and take on the in-group's attributes and characteristics through a type of "legitimate peripheral participation" (Lave & Wenger, 1991). Allying with BP as a role model, or prototypical member of the in-group, also provided Statoil with the possibility of experimenting with, and adapting to a new "possible self" (Markus & Nurius, 1986) or "possible social identity" (Cinnirella, 1998). What it really meant to be an international company could be experienced through close proximity to BP and afforded the possibilities of trying out "provisional selves" (Ibarra, 1999), as exemplified by respondents' report of Statoil's proclivity to choose and/or imitate best practices that were in line with Statoil's own organization.

In this study, we found that Statoil's identity was fairly well mirrored in image. The changing contextual environment wherein Statoil was embedded was the impetus for strategic change. It was exactly this strategic change that served as an impetus or trigger for Statoil's perceived need for organizational identity adaptation. Since the mirror image of the firm's organizational identity seemed fairly congruent, it was the possible desired identity and image (Gioia, 1996), rather than discrepancies between image and identity (Dutton & Dukerich, 1991), which drove the adaptation process. In this way, the current identity and image were incongruent with what was believed to be necessary according to the strategic change Statoil was undergoing. The "identity gap" between "working identity" and "ideal identity" (Reger et al, 1994) provided the necessary link to action. "Action" in this case being the alliance between BP and Statoil. BP was chosen as an organizational prototypical member of the in-group or of what Elsbach and Kramer (1996) call Statoil's perceived "strategic reference group". This type of self-categorization, as described by SIT, resulted in inter-organizational emulation (Labianca et al., 2001) involving both cooperation and competition between the alliance partners.

This thesis centers on how we can understand the motives to form the BP and Statoil alliance. Because of the serendipitous discovery, the focus in this chapter has mainly been on Statoil's organizational identity adaptation motive since it was the most obviously identified.

But organizational identity can also be understood in BP's motives to ally with Statoil. Rather than a motive of organizational identity adaptation, BP was concerned with their "construed external image" (Dutton et al., 1994) and their socially desired "projected image" (Gioia & Thomas, 1996). BP respondents were concerned about what they believed was their externally held image of being an old-fashioned, colonial, and imperialistic oil company. Though BP respondents believed that this assumed negative image was not aligned with their own "internally perceived identity" (Dutton et al., 1994), it was clear that allying with, and sometimes fronting Statoil, a successful national oil company (NOC) from a politically neutral country, was an attempt at managing or projecting a more positive corporate identity and image. Inconsistency between identity and image is seen as a trigger for organizational identity adaptation through strategic action (c.f., Dutton & Dukerich, 1991; Dutton et al., 1994, Gioia & Thomas, 1996; Gioia et al., 2000). In this case, BP recognized that the perceived discrepancy between identity and construed external image was unacceptable and strategically allied with Statoil to project a more positive external image.[133]

Whether or not BP or Statoil actually adapted their organizational identity, by using the alliance with BP, is not clear and outside the scope of the present study. Though the vehicle for adaptation is ambiguous, some anecdotal evidence implies that Statoil had adapted their identity after the alliance was terminated. New Statoil-operated,

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[133] Interestingly, BP respondents felt that their external image was unfair. Though they felt the need to change their image or reputation externally through e.g., allying with a National Oil Company, they felt no need to change their own identity. Gioia et al. (2000) described similar findings in Shell after Greenpeace occupied the Brent Spar, leading to widespread media attention, public awareness, and objection by the German government. Rather than assert efforts to change their internally perceived identity, efforts were made to project a more socially sensitive future image as a precursor to changing to a hope for future identity.

large-scale exploration and production projects were undertaken at the same time as BP and Statoil competed for large projects in different international regions. Changes in the respect afforded Statoil, by BP respondents interviewed in 1995 compared to in 2000, can be seen as changes in Statoil's external reputation or image. Respondents discussed both aspects of initially not truly understanding the strengths of Statoil as an organization, as well as the perception that Statoil had developed and learned a lot during the alliance period. Changes in Statoil's "perceived organizational identity" and "construed external image" are also well documented in interviews with Statoil respondents. In the interviews, it is also clear that there was a strong change from feelings of inferiority and out-group dynamics, that changed to feelings of superiority and "what do we need them for?" sentiments as the alliance progressed. This is supported by the fact that BP pulled out of the Statoil-operated Nigeria alliance project leaving a self-confident, sole Statoil[134]. Finally, the fact that Statoil was partially privatized on the Norwegian Stock Exchange in the summer of 2001 further supports the notion that their identity had changed from a small, domestic, National Oil Company to a successful, large, multinational oil company.

[134] Anecdotally, a small oil discovery in Nigeria, right after BP pulled out, was hailed as proof by Statoil respondents that Statoil was better than BP.

# CHAPTER SEVEN

## Processes of organizational identity adaptation

IN THE PRECEDING CHAPTERS, it was shown that organizational identity adaptation was an important, additional and complementary, motive for the BP and Statoil alliance. In this chapter, we are interested in the organizational identity adaptation processes as inferred from the case study. Even though this part of the study initially used a grounded approach, based on the unexpected discovery in the comparative theory part, it was necessary to become "theoretically sensitive" (Glaser, 1978) to relevant literature on organizational identity theory processes. Hence, the theoretical framework underlying the model presented here emerged in large part because of the data itself. The process model uses theoretical concepts from organizational identity and identification theories, social identity theories, as well as borrows some neo-institutional theory concepts to describe and understand the processes observed in the BP and Statoil alliance. In this chapter, current organizational identity process literature is reviewed, followed by a definition of organizational identity as found in the case. Finally, the emergent organizational identity adaptation model is presented grounded in the BP and Statoil alliance.

### 7.1 Theoretical sensitizing: Studies of organizational identity dynamics

"Although organizational identity may act as an anchor for the self-concept, it its nevertheless often in a state of flux and development against a background of organizational diversity." (Hogg & Terry, 2000b: 150). "...organizational identity is much more fluid than individual identity." (Gioia, 1998: 22). The preceding citations take direct issue with Albert and Whetton,s (1985) seminal criterion of organizational identity as enduring and stable. The current view of organizational identity as more fluid or "adaptively instable" (Gioia et al. 2000) is based on recent conceptual and empirical studies. Whether or not organizational identity is considered stable and enduring is of debate within the field, where recent views seem to view organizational identity as a process rather than a measurable objective structure. Indeed, any effort to understand organizational identity adaptation presupposes organizational identity as a dynamic, changeable construct, rather than a static and stable notion. Instead of being seen as an essence that is consequentially exhibited, it emerges from interactions between actors (Czarniawska-Joerges, 1994), and thus is temporally changeable.

As discussed in the previous chapter, *identity* and *image* are key concepts in the organizational identity literature (Dutton & Dukerich, 1991; Dutton et al. 1994; Gioia & Thomas, 1996; Whetton & Godfrey, 1998; Gioia et al., 2000), and are equally important in organizational identity process models. Dutton and Dukerich (1991), expanded in Dutton et al. (1994), discussed the discrepancy between identity and image, as a trigger for strategic action, involving homeless people using the New Jersey/New York Port Authority terminals as shelters. In their study, a negative image spurred both strategic change and identity adaptation. Similarly, Gioia and Thomas (1996) provided results of a two-part study involving how top management teams in higher education institutions made sense of important issues that affected strategic change in modern academia. In their study, "desired future image" was especially key to the sensemaking process and served as an important link between the organization's internal context and the team members' issue interpretations. Building on this study, Gioia et al. (2000) proposed a process model of the identity-image interdependence. In their model, the process is triggered by discrepancies in comparisons of identity and image. If there is no discrepancy, or organizational members see the discrepancy as acceptable, no effort will be made towards resolving the discrepancy. Alternatively, if the discrepancy is considered important, resolving the discrepancy involves either changing the organization's identity or attempting to change the way others perceive the organization. An effort in changing image may thus be based on projecting an attractive vision in the form of a "desired future identity" that in turn can serve to pull identity into subsequent alignment.

Reger et al. (1994) also proposed a dynamic process model for "manipulating" organizational identity, where current organizational identity was distinguished from an ideal organizational identity[135]. An important concept introduced by these scholars is the concept of "identity gap". An identity gap is an inconsistency between current identity and ideal identity, defined as "the cognitive distance between the perception of the current and the ideal identity." (1994: 574). Similar to processes motivated by discrepancies between identity and image, the inconsistency between current and ideal identities can provide motivation to alter organizational identity.

"Desired future identity" (Gioia et al., 2000) and "ideal identity" (Reger et al., 1994; Gioia & Thomas, 1996) are closely related to the concepts of a positive answer to queries of what "possible selves" (Markus & Nurius, 1986) or "possible social identities" (Cinnirella, 1998) we would like in the future. The concepts, anchored in the

[135] In later work, Gustafson and Reger (1995) elaborated on Reger et al.'s (1994) model and extended it to high-velocity environments. In both studies, organizational identity is considered composed of beliefs about what is enduring and is based on deeply ingrained and tacit assumptions, and hence organizational identity is likely to provide an inertial barrier hindering organizational change. The challenge is in manipulating organizational identity to facilitate organizational change.

psychology literature, involve what we might become, what we would like to become, and what we are afraid of becoming, and are useful because they provide a dynamic link of motivation and action between the twin concepts of *current* identity and image, and *future* identity and image. The concept of "possible selves" (Markus & Nurius, 1986) gives a concrete form to aspirations, hopes, and fears, and establishes a goal that provides purpose and direction (Ashford, 2001). It is socially constructed and functions as an incentive for future behavior as well as provides an evaluative and interpretive context for the current or what they call "working" view of self. It pertains to how we think about our potential and future, and includes both ideas about ideal selves that we would like to become as well as the selves we are afraid of becoming[136]. Building on the concept of possible selves, Cinnirella (1998) elaborated and expanded on the concept of cognitive alternatives in the social identity theories. "Possible social identities" with regard to group identity, deals with perceptions of current and possible group memberships, rather than only self-concept in the "possible selves" concepts. Possible social identities include conceptualizations of the social categories and groups an individual might have been a member of in the past, and could become a member of in the future. Possible social identities can be perceived to originate from the self, other in-group members, out-group members, as well as other sources (Cinnirella, 1998). Cognitive models of information processing explain how individuals selectively perceive, evaluate, and interpret attributes of the external environment in terms of their meaning for the self (Bandura, 1986).

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[136] As Markus and Nurius put it: "An individual's repertoire of possible selves can be viewed as the cognitive manifestation of enduring goals, aspirations, motives, fears, and threats. Possible selves provide the specific self-relevant form, meaning, organization, and direction to these dynamics. As such, they provide the essential link between self-concept and motivation." (1986: 954).

Finally, to understand identity construction, it is important to look behind the self for the underlying motives of the particular kinds of behavior that spring out of it (Foote, 1951). By identifying, social identity theories discuss how individuals perceive themselves as psychologically intertwined with the fate of the social category or role, sharing its common destiny, and experiencing its success and failures (Deaux, 1996). Role prototypes or models are thus important for our identity construction (Foote, 1951; Ibarra, 1999; Ashford, 2001). Since individuals tend to seek and value social identities that enhance their self-esteem and status (Hogg & Abrams, 2001), choice of role model will likewise be based on a socially constructed, positive perceived identity and image. Identification with a role model implies motivation and action with the ultimate goal of changing "desired future identity" into "current identity". People adapt to their new identities through the use of role models and experimenting with "provisional selves" that serve as trials for possible but not yet fully elaborated identities (Ibarra, 1999). In the same way, organizations emulate other organizations with an admired image and reputation, and the choice of role models influences changes in image and identity (Elsbach & Kramer, 1996; Gioia & Thomas, 1996; Labianca et al., 2001).

## 7.2 Defining organizational identity for the model

In the previous chapter, the organizational identity literature was reviewed. Grounded in the case study, ***I define organizational identity as an organization's members' multiple and collective socially constructed imaginations***[137] ***of the features presumed to be fairly***

[137] Critics would argue that there cannot be a collective organizational identity because it is only seldom that an organization is so small that all the members are able to have face-to-face contact and define a shared identity. I define organizational identity as Benedict Anderson's (1983) "imagined communities" where a nation is an imagined or invented collectivity or an abstract construction. In this sense, organizational identity is the members' perceived

***central, dependently distinct or not distinct, but ultimately, adaptively unstable.*** The definition above reflects a position taken on three separate but interlinked issues debated in current literature on organizational identity (see chapter 6 for review). First of all, there is a debate of the stable and enduring nature of organizational identity. From the case study, organizational identity is viewed as more mutable than previously theorized, and though the labels to describe organizational identity may be enduring, the meanings or interpretation of those labels are more fluid (Gioia et al., 2000). Secondly, whether or not the features used to describe an organization's identity are distinct depends on whether or not they are distinct as opposed to the chosen "other". In other words, the features may be distinct and they may not be distinct depending on the chosen comparison. Organizations are subject to institutionalized mimetic isomorphic pressures (DiMaggio & Powell, 1983; Powell & DiMaggio, 1991). Inter-organizational emulation (Labianca et al, 2001) and the imitation of ideas and practices associated with perceived successful organizations lead to less distinctive organizations (Gioia & Thomas, 1996). Hence, from a social identity perspective, it could be posited that firms purposely attempt to be more distinct from out-group organizations and at the same time less distinct from in-group organizations. Finally, there is the debate of whether or not organizations have multiple identities. From the case study, it became clear that organizations have "hybrid" or multiple identities (Albert & Whetton, 1985; Hogg & Terry, 2000b; Pratt & Foreman, 2000). As Weick puts it, "Identities are constituted out of the process of interaction. To shift among interactions is to shift among definitions of the self" (1995: 20). The positions taken in debates, regarding the dynamic, distinct, and multiple nature of organizational identity, can be linked to the less controversial concept concerning the socially

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collective imaginations of that which is central, dependently distinctive, and adaptively unstable, and identification with a social category is psychologically real (Ashford & Mael, 1989).

constructed element of organizational identity. If identities are socially constructed through e.g., self-categorization (Tajfel & Turner, 1979), and different groups represent different in- or out-groups depending on issue (Turner, 1985), then a natural conclusion seems to be that at least organizational identities[138] are both dynamic and multiple, and more or less distinct depending on issue, given the rapid changeability of our environment (Gioia et al., 2000).

The key concepts of identity and image are traditionally seen as interlinked but separate concepts (Dutton et al., 1994; Gioia & Thomas, 1996). Identity is defined simply as an "organization's sense of self"[139]. It answers the question of "who are we as an organization?" Image refers to the reflection in the looking glass (Cooley, 1902) or mirror (Dutton & Dukerich, 1991; Hatch & Schultz, 2002) and answers the question of "who we think others think we are, as an organization?"[140]. In organizations, these two concepts are reciprocally interrelated and play off each other leading to an organizational identity that is adaptively unstable (Gioia et al. 2000). As we saw in the case, the assumed dynamism of organizational identity and inter-relatedness between the key concepts of identity and image make it impossible to discuss one without the other. In discussing organizational identity processes, it is thus necessary to bring both concepts together.

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[138] In taking this position, I acknowledge that individual identity is relatively more stable and less multiple than organizational identity. It is a matter of degree rather than total difference in nature.

[139] Adapted from Akerlof and Kranton (2000: 715) who define identity as a "person's sense of self".

[140] Though it is interesting to speculate about the effects and intricacies possible, through a disconnect between who others *actually* think we are and who we think others think we are, in this study I am concerned with the interplay of who we believe we are and who we believe others believe that we are. See chapter six for an overview of the image concept.

Though some studies on organizational identity mention future organizational identities as an aside to, or part of, image and identity, what organizations aspire to be in the future has received much less importance as a separate construct than it has in the personal identity literature. For instance, Albert and Whetton state that the question "What do we want to be?" (1985: 265) is important in defining organizational identity, but do not discuss how this question is connected to the key criteria in defining an organization's identity. The idea of organizational identity as a dynamic rather than static concept, leads to the implication of *future* organizational identities as a key concept in itself. Some studies have started to develop this thinking. In their investigation of how top management teams in higher education institutions make sense of important issues that affect strategic change in modern academia, Gioia and Thomas (1996: 371) argue that "it is not existing identity or image but, rather, envisioned identity and image – those to be achieved – that imply the standards for interpreting important issues.". In a later work, Gioia et al. (2000) brings the future and its impact on organizational identity even more strongly into the picture. Their process model of the identity-image interdependence includes the future identity and image as important for changes in current identity and image, but envisioned identity is still treated as sub-parts of identity and image, rather than a separate concept with the same importance[141].

The "identity gap" between current and desired future identity can be seen as a manipulative tool for strategic action (Reger et al., 1994). This assumes that an envisioned future identity is usually something normatively associated as positive. The concepts of "possible selves" (Markus & Nurius, 1986) and "possible social identities" (Cinnirella,

[141] In Gioia et al. (2000: 69) process model identity is defined by the self-reflection questions: "What do we think we are?" and "Who do we think we should be?" Conversely, image is defined by the other-reflection questions: "Who do they think we are?" and "Who they think we should be?"

1998) add an important dimension: what we fear becoming as important as what we would like to become[142]. What an organization *fears* becoming may be as strong an impetus for organizational change as what an organization *wants* to become. Sahlin-Andersson and Sevón (2002) discuss for instance "identity transformation" as a consequence of this type of fear whereby Scandinavian Airlines System (SAS), in the late 1980's, started a campaign called the "100 points program". Similarly, driven by the same fear, the Swedish railways announced a list of issues to improve operations.

In viewing organizational identity as a process rather than a structure of an organizational self-perception, the concept of organizational identity is posited to be expanded and viewed as holding three concepts: identity (who we believe we are), image (who we believe others believe we are), and possible selves (who we want to become, or are afraid of becoming, in the future). The three are mutually dependent in that a change in one will have an effect on another, as well as cause a further change and effect in the third. The dynamics are thus contained in feedback loops that are reciprocally interrelated.

Finally, it is important to define the level of analysis assumed in this model. Debates exist as to whether or not organizational identity should be regarded from a holistic or hybrid perspective, having one or multiple identities. As James March discusses, identities shift from situation to situation as each situation highlights a different set of relationships (1994: 63). In this way, the model considers hybrid or multiple organizational identities not only possible, but also most likely (Pratt & Foreman, 2000). Further, the concept of organizational identity is seen as a process of identity, image, and possible selves that are reciprocally inter-related, rather than a measurable construct in

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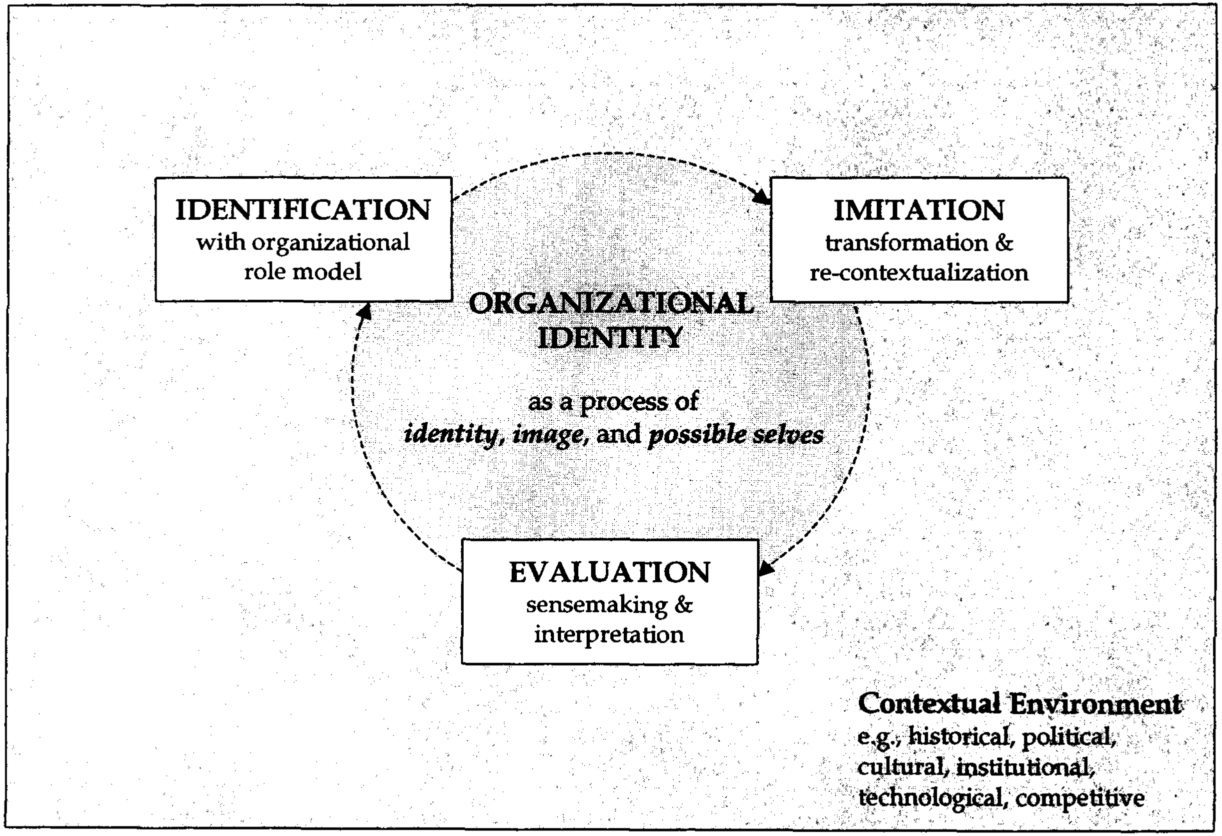
[142] This concept is closely related to the concept of "disidentification" whereby individuals define who they are by who they are not (Elsbach & Bhattacharya, 2001).

itself. Using Albert and Whetton's (1985) nomenclature, the features of organizational identity are considered relatively core and central in labeling, sometimes distinct and sometimes indistinct, and instead of being stable and enduring in nature, organizational identity is considered adaptively unstable (Gioia et al. 2000).

## 7.3 A process model of organizational identity adaptation

The model presented in figure 7.1 is, as models usually are, a fairly simple and overly rational depiction of a process that is, in actuality, a richer, more complex, more subtle, and often more tacit process. In the framework, adaptation of organizational identity is seen as consisting of a repetitive sequence of identification, imitation, and evaluation phases, each of which is derived from, and has effects on, component parts of organizational identity. Finally, the contextual environment serves as an antecedent or trigger to organizational identity processes. Although these phases overlap in recurrent cycle sequences, as phases rather than stages normally do, it is useful to separate them for analytical purposes. The sequence of the phases is crude because it omits feedback loops, simultaneous processing, and the idea that over time, some phases may drop out. Given the notion that organizational identity is constantly mutable and fluid (Gioia, 1998; Hogg & Terry, 2000; Gioia et al., 2000), organizational identity goes through continuous cycles of phases with no end sequence. Rather, the sequential phase cycles are considered infinite as organizational identity is proposed as constantly adapting.

**Figure 7.1 A process model of organizational identity adaptation**



### 7.3.1 The contextual environment

In Statoil's case, there were several contextual factors that played a significant role as a trigger for adapting the organization's identity. The most important reasons given by respondents could be understood in institutional theory terms. First, there was concern about the fact that efficient production of oil on the Norwegian Continental Shelf had reached peak levels, production would decrease and finally end within the next 20 years [143]. Hence, Statoil's organizational survival was dependent on accessing international oil reserves to maintain production (Stortingsmelding, 1993). This "going concern" concept was widely accepted and unchallenged among both Statoil managers and Norwegian politicians. The only voiced concerns dealt with the risks of investing in politically unstable areas (Ryggvik, 1997b; 2001). Another, institutional notion was the global trend and political acceptance of "internationalisation" that swept over the world (Hirst & Thompson, 1999), and especially Norway in the mid 1980's. The acceptance and approval of Statoil's move toward the international arena was a significant change in Norwegian politics (Ryggvik, 1997a; 1997b; 2000; 2001). Given the fact that Statoil was a state-owned company, very much considered owned by the Norwegian people, there was surprisingly little social debate as to Statoil's move to the international arena. In fact, the Norwegian government approved Statoil's plans without debate or committee analysis (Ryggvik, 1997b; 2000), which was in hindsight odd since Statoil had historically always been under close political scrutiny and economic monitoring. "Internationalization" was, per se, a good thing

[143] Estimates of remaining oil and gas production is normally calculated as a function of current annual production amounts and discovered reserves. New technology has historically served to commercialize existing marginal reserves that would normally not have been included in the estimates. Hence, constantly improved technology has resulted in fairly constant remaining production years estimates.

and had become an "institutionalized standard" (Røvik, 2000) or "fashionable trend" (Hirst & Thompson, 1999).

The perceived need to move towards the international arena could also be understood in historical and political terms as narrated in chapter three. Given the Norwegian petroleum industry's historical and political development of looking internationally for foreign capital, to the period of protectionism called "Norwegianization", and back to a realization of Norway and Statoil's reliance on actors in the international arena, forced an organizational strategic change which triggered the perceived necessity of adapting Statoil's organizational identity from that of a primarily domestic organization towards that of an international one.

Technological and competitive rationales for expanding abroad were also mentioned. The extreme depth of the North Sea seabed had resulted in a unique technological expertise in deep-sea drilling technology. Statoil was known to have repetitively broken drilling depth records and was considered technologically at the forefront of deep-sea oil extraction. This expertise was believed to come in very handy in "frontier" areas, where new oil discoveries were expected to be discovered in deep water. Respondents believed that Statoil could leverage this proprietary knowledge in a very efficient and rational way. Competitive rationales included the idea that in negotiations with developing countries governments, it was necessary to have an established presence in the international arena to be perceived as a legitimate actor, and thus be successful in gaining potentially interesting exploration and production projects. A critical mass in international projects was assumed to be important for success. As discussed in chapter three, Statoil had only a few, dispersed, smaller projects internationally, and this was considered to be a problem in successfully acquiring new projects.

In the model that has emerged from the case study, the contextual and political environment plays an important role in the process of organizational identity adaptation [144]. "Identities are locally and contextually defined, and when the context for action changes, identities may be forced to change with them." (Sahlin-Andersson & Sevón, 2002). "The logic of appropriateness" (March, 1994) in a given context defines the desired future identity as a motivational link to action and adaptation. Given the accepted notion of identity being socially constructed, it is impossible to understand organizational identity adaptation as a solely internal, self-contained process. Rather, the organization is embedded in a contextual environment rich in external stimuli that should be reflected in the model. As Gioia et al. (2000: 70) put it, "organizational identity is not solely an internally determined concept. Identity involves interactions and interrelationships between insiders and outsiders". Though they were especially discussing the interrelationship between identity and image, the normative aspect of what a good or bad identity or image is, is largely related to a social construction (Berger & Luckmann, 1967) embedded in a contextual environment. It follows that even an understanding of the features of that identity, as well as different conceptualizations of image (corporate identity, reputation, projected image), are not only socially constructed in interaction between the self and others, but also embedded in the same contextual environment. By projecting itself onto its environment, an organization develops a self-referential appreciation of its own identity and image, which in turn, permits the organization to act in relation to its environment (Morgan, 1986).

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[144] Legitimacy through political support for organizational identity change is important. In a study of the 27-year life of Telemig, a Brazilian telecommunications company, Rodrigues and Child (2002) found that organizational identity construction and deconstruction was subject to the extent to which an organizational identity was reiterated by constituent groups and its domain, and on the extent to which a coalition of constituent groups was able to articulate and to mobilize political support for an alternative identity.

Discrepancies between Statoil's identity (as a very successful, albeit mostly domestic organization) and image (domestically successful largely because of Norwegian protectionism), and an identity gap between current identity (domestically successful) and possible selves (fear of organizational survival and wish to be an international player) were apparent. These discrepancies between the socially constructed, environmentally embedded constructs of identity and image triggered attempts at realignment (Dutton & Dukerich, 1991; Gioia & Thomas, 1996). These efforts at re-alignment subsequently resulted in changes to the organization's identity. The "identity gap" (Reger et al., 1994) between current, or working identity and possible selves, serves as the motivational trigger for action. The environment context is thus a major source of pressure for changes in organizational identity and functions as an antecedent of social identification in organizations (Ashford & Mael, 1989).

### 7.3.2 The identification phase

In this case we saw that Statoil wanted to be considered an international organization, and thus assumed by the very definition, perceived as an international, successful, commercial, "major player". This was their possible (desired) self that created the identity gap between how they currently perceived themselves and how they desired to be perceived in the future. As discussed in the preceding chapter, the firms most admired were, in addition to BP, Shell, Mobil, Texaco, Elf, Agip, and Conoco. On the one hand, Statoil wanted to be seen as in the same league as these organizations and as one respondent put it, "join the in-crowd" (Norwegian geologist)[145]. But not only did Statoil want to be perceived as in the same group, they also wanted to become like those organizations. In this way, the

[145] Translated from Norwegian "invitert i det fine selskapet"

organizations "in the in-crowd" were perceived as collectively embodying characteristics that could be appropriated.

In what can be called the identification phase, the organization chooses another organization as a role model for guiding the organization towards its view of its desired possible self (or away from an undesired possible self). The role model is a prototypical member of the group of organizations comprising the in-group (or in-crowd). By identification, the model includes the traditional understanding of the concept found in social identity theories where identification represents definitions of oneself in terms of a social referent (Ashford & Mael, 1989). This perception of "oneness" with a social other is thus represented by Statoil's wish to be seen as in the same group. But also, the label of "identification" includes what has been called "classical identification" (Kelman, 1961) which is predicated on the desire to appease, emulate, or vicariously gain the qualities of the other. Identification is the appropriation of and commitment to a particular identity or series of identities (Foote, 1951). Though Kelman and Foote were discussing the individual's "attempts to be like or actually to *be* the other person" (Kelman, 1961: 63)[146], in this model organizations, like individuals, are driven in the same way[147]. As individuals try to change their self-conception through identification with other individuals, organizations adapt their organizational self-conception through identification with other organizations. This type of organizational identification is closely related to the concept of *"inter-*

[146] Kelman makes the point eloquently, "By saying what the other says, doing what he does, believing what he believes, the individual maintains this relationship and the satisfying self-definition that it provides him." (1961: 63).

[147] As Ashford and Mael discuss, "identification with a group is similar to identification with a person." (1989: 22). Hence, I go one further and take the position that identification with a group is similar to identification with an organization. In this sense, it is the social category as psychologically real, embodying characteristics deemed prototypical of its members, which the organization can identify with the category per se.

*organizational emulation*", defined as "striving to equal or surpass a comparison organization on a set of strategic features." (Labianca et al., 2001: 312), and may to a certain degree be predicated on the desire to bask in the glory of more prestigious organizations (Gioia & Thomas, 1996).

As reviewed in chapter six, role models are important for identification. Individuals define their own role in terms of the role of the other (Kelman, 1961). Further, perceptions of "oneness" with, and in the attempt to be like or become some other, the other becomes a natural role model. In the same way, organizations focus more or less conscious efforts on defining their organizational role contra the roles of other organizations. As children imitate and emulate their parents, organizations imitate and emulate their organizational heroes or role models. This type of inter-organizational emulation refers to cognitive classification schemes or organizational comparison of strategic reference groups or industry sub-groups [148] (Elsbach & Kramer, 1996; Labianca et al., 2001). Thus, cognitive identification of a strategic reference group is a process of self-categorization, using us vs. them categorizations that are subject to in-group/out-group dynamics proposed by social identity theories. It is important to add that as Powell and DiMaggio (1991: 29) put it, "models are not imported whole cloth". Rather, organizations may identify with an organization and choose to emulate certain aspects, but at the same time may chose

[148] The terms "strategic reference groups" is not the exact same as the concept of "strategic groups". Strategic groups are normally defined by key objective attributes such as size and structure (Porter & Fuller, 1986). Strategic reference groups involve these key attributes but also include less measurable attributes such as image, similar organizational identity type (normatively held assumptions of e.g., economic vs. ideological), similar identity strength (the degree to which members hold a set of beliefs about the organization, or the extent to which members perceive their organization's qualities and values to be distinct or special), and of similar reputation (Labianca et al., 2001).

to omit others [149] . Processes of "dis-identification" (Elsbach & Bhattacharya, 2001) in less salient aspects may thus occur. In a study of the modernization of Japanese society, Westney (1987), for instance, showed that Western societal institutions were used as a role model for Japanese institutions, involving consciously deciding to imitate certain features, at the same time as omitting others.

### 7.3.3 The imitation phase

Several BP business processes, procedures, and technologies were imitated and adapted by Statoil. Respondents (in both organizations) discussed, e.g., how Statoil copied BP's international subsidiary set-up manual to develop their own. According to respondents, Statoil's own manual turned out to be an adapted copy of BP's. Statoil was also interested in BP's change to what was called a "living plan" which entailed a continuously changing budget and planning process, rather than annual or quarterly updating and reporting. Interestingly, this living plan initially caused some aggravation in Statoil since the reported budgetary and planning figures constantly changed and were difficult to align with Statoil's own planning cycles. But the practice was eventually adapted in Statoil's international division, even though it continued to cause difficulties when reporting to the Statoil's corporate systems.

Other symbolical physical manifestations were also apparent. Many Statoil employees working with BP employees gradually changed their clothing attires to resemble those of BP employees. From having been

[149] Labianca et al. argue that the concept of "emulation" is not the same as the concept of "imitation" in neoinstitutional theories since an organization can imitate certain aspects without emulating the organization as a whole. Rather they take the position that "while imitation can be the ultimate outcome of the emulation process, it is only a component of the broader emulation process." (2001: 314).

traditionally informal by international standards, Statoil employees working with BP personnel started wearing more formal clothes, exchanging jeans and kakis for darker business suits and ties[150]. In addition, English became the official working language in the international exploration and production area of Statoil, while Norwegian was still the official language in the rest of Statoil. This meant that documents from this department were over time written in English. Norwegian remained the main language spoken in internal Statoil meetings and informal gatherings, but "buzz" words adopted from BP employees gradually encroached in everyday communication. This role imitation, as defined by "the role of a professional and international oil industry organization", was more of an unconscious attempt on the part of individual actors. The fact that those working with BP employees had gradually changed their working attire as well as their official language was paradoxically discussed more by Statoil respondents not working with the alliance and by BP employees working in the alliance, then by the Statoil respondents actually working in the alliance. For Statoil employees not working in the alliance, these comments seemed to reflect self-categorization in that they defined themselves as distinct from the employees in the international division.

In this model, in the imitation phase the organization picks up an idea, translates it into something that fits it own context, and materializes it into action. This type of imitation can be seen as either "translation" or "transmutation" whereby the role model organization either acts as an interpreter and supplies narratives of experiences and can even participate in adaptation of the other organization, or the role model organization acts as a magician in the possession of knowledge and power that sparks imagination and new ideas in the other organization

[150] Though things may slowly be changing, the oil industry is very much dominated by men.

[151] (Berg et al., 1998). Organizations frequently imitate other organizations and become more similar because of it (DiMaggio & Powell, 1983; Powell & DiMaggio, 1991). Imitation is a process in which something is created and transformed by chains of translators and the impetus for imitation is closely related to self and other identity (Sevón, 1996). In this way, identity and identification are important in imitation processes (Sahlin-Andersson & Sevón, 2002)[152]. With regard to the interplay between organizational identity and imitation, the trigger for both choice of imitation product and the imitation itself derives from an organization's identity, but also feeds back into the same organizational identity, giving room for adaptation.

Imitation follows identification, and because of imperfect transmission and diffusion, results in more or less transformation. The result of imitation may or may not be similar to the idea, practice, structure, etc., that was originally conceptualized, since concepts of transformation or re-contextualization are well theorized (e.g., Hedlund & Nonaka, 1993; Doz, 1996; Brannon, forthcoming 2003). In their discourse on knowledge transfer, most scholars have directly or indirectly assumed the importance of context in their arguments. Any type of knowledge has no meaning without being associated to a shared context. Teece (1981: 82) argues that *"A shared context appears necessary for the formulation of meaningful messages."* in the successful transfer of technological knowledge. Likewise Kogut and Zander (1992) and Hedlund and Nonaka (1993) argue that knowledge is expressed in regularities by which members cooperate in a social community. Nonaka and Teece (2001) posits that knowledge involves the understanding of interrelationships and behavior of how something

[151] Berg et al., (1998) also suggest a third organizational change strategy. A transplantation strategy is when a "transplant surgeon" implants knowledge in the form of concepts models and routines, running risks of rejection.

[152] Imitation can also be triggered by an "identity crisis" (Sahlin-Andersson, 1996).

works where *"ba"*, meaning context dependency, is important for the successful transfer of any type of transfer. Imitation or learning is, thus, influenced by the differences of perspectives among co-participants, which has consequences for the transfer-*"transformation"* process (Hedlund & Nonaka, 1993), where the product, practice, or knowledge of what goes into the transfer process is different from what comes out because of context-specific attributions of each setting.

### 7.3.4 The evaluation phase

In the evaluation phase, the organization makes sense of, and assesses their imitation experiences. The concepts of identity and sensemaking are closely related in the literature. Sensemaking is an enactment process (Weick, 1979), in which organizational participants come to appreciate the potential of others by reshaping or clarifying the identity of their own organization (Ring & Van de Ven, 1994). It is an interpretive process that is necessary "for organizational members to understand and to share understandings about such features of the organization as what it is about, what it does well and poorly, what the problems it faces are, and how it should resolve them" (Feldman, 1989: 19).

Weick's (1995) seven properties of sensemaking are used to order how Statoil respondents evaluated both conscious and unconscious identification and imitation phases[153]. First, sensemaking is affected by, but also affects organizational identity. The way Statoil employees made sense of the alliance and the practices that were imitated were derived from their identity, image, and an idea of possible selves. At the same time, their identity, image and idea of possible selves, was

[153] Weick's (1995) seven properties of sensemaking are: (1) grounded in identity construction, (2) retrospective, (3) enactive of sensible environments, (4) social, (5) ongoing, (6) focused on and by extracted cues, and (7) driven by plausibility rather than by accuracy.

impacted by this sensemaking in a feedback loop. In this way, at the same time as identities are constituted out of the process of interaction (Weick, 1995), sensemaking and interpretation are conducted in interaction with an organization's sense of self. The example of the international operations set-up manual is illuminating. Statoil's own organizational identity, in terms of wanting to be an international oil firm, was input into the evaluation of imitating BP's international subsidiary set-up manual, a positive evaluation of the imitation was inputted back into Statoil's organizational identity, resulting in an adjustment of that organizational identity. Thus, the feedback loop between identity and sensemaking processes serves to adapt an organizations identity. In this way, organizations continually learn about their identities, as well as adapt their identities, by projecting them into the environment and interpreting the consequences.

Evaluation, involving sensemaking and interpretation, is obviously retrospective. Action is a precondition of sensemaking, in the case of the international set-up manual, imitation of the manual naturally preceded evaluation. As Weick (1995: 26) puts it, the creation of meaning is an attentional process, but it is attention to that which has already occurred. Since we are only conscious of what we have done, not necessarily what we are doing (Mead, 1934), it follows that retrospective evaluation of our actions follow the actions themselves. Evaluation also induced enactment of the environment and in doing so created the material that at the same time became both constraints and opportunities. Statoil chose to imitate and implement the international set-up manual resulting in respondents' claims that the manual was a great procedure to hand out when setting up new operations but ultimately became problematic when each new set-up required managers to disregard the manual because the manual was too generically specified when countries were either too unique or different to fall under generic rules. Evaluation, including sensemaking and interpretation, is also an inherently social process.

Whether or not the perception of the imitation of the manual was a good or bad thing, in terms of the organization's own identity, was socially constructed. The manual was a joint effort whereby one group copied and to a certain degree adapted the manual, sent it out on hearing, took the comments and further adapted the manual, before it was approved by corporate staff. In this way, many employees were involved in the collective project of developing a manual and at the same time had a natural ownership for the ultimate product. Sensemaking is continuous, as demonstrated by continual development and adaptation of the manual and its cause and effect feedback loops to Statoil's organizational identity. Finally, the evaluation phase is driven by plausibility rather than by accuracy. Whether or not the manual was actually a good or bad thing, what it really meant for in terms of consciously changing identity, image, or bringing Statoil closer to a desired future self (or feared self) was irrelevant. Rather, it was perceived as plausible that the manual was a manifestation of Statoil being an international company, it could be shown externally, and it brought them that much closer to who they wanted to be.

## 7.4 Implications and concluding remarks

To sum up, Statoil respondents believed that they, as an organization, were a mostly domestic oil firm (identity), they believed that the rest of the oil industry viewed them as a domestic oil firm (image), but they saw themselves in the future as an international oil firm (possible organizational self). This led them to identify (in the identification phase) in terms of "wanting to become, and to be" a firm within the perceived in-group, where BP was a prototypical member. This identification with an organizational role model led to the transformation and re-contextualization (in the imitation phase) of different practices, procedures, and physical manifestation deemed prototypical of an "international oil firm". Sensemaking and interpretation (in the evaluation phase) of both the choice of organizational role model and specific practices, procedures, and structures were finally evaluated leading to adjustment in Statoil's organizational identity.

The emergent process model grounded in the BP and Statoil alliance has several implications for current debate in the field of organizational identity. First, though most studies of organizational identity take a point of departure in Albert and Whetton's (1985) seminal nomenclature of core, stable, and distinctive features. The findings of this study would posit organizational identity as those features that are "core depending on which unit or identity", "more or less stable, depending on the environmental context", and "more or less distinctive, depending on the relevant other".

The criterion of core or central is closely related to whether or not organizations have multiple identities. In this study, we saw that Statoil had multiple sub-unit identities at the same time as they had a certain identity that was shared in all units. In the case study- we saw that organizational identity consisted of certain features that were internally collectively labelled as perceived identity (identity as e.g., safety conscious, good labor relations, competitive), and externally construed (image as protected but professional, Norway's future). There was also a commonly accepted "desired future identity" of successful future operation (thus necessitating commercially viable international expansion). At the same time, there were significant differences in the interpretation of those labels and in the highlighting of different features depending on business unit. Thus, the labeling of the features of organizational identity may be perceived and construed as core, but the interpretation or meaning of the labels varied according to sub-units. This study also joins more recent theoretical and empirical studies of organizational identity (Dutton & Dukerich, 1991; Reger et al., 1994; Gioia & Thomas, 1996; Gioia et al., 2000), and posits organizational identity as a dynamic process rather then static measurable structure. The very idea of organizational identity adaptation presupposes viewing organizational identity as a dynamic and changeable process rather than an objective, measurable, structure. Finally, the notion of distinctiveness is also questionable. In this study, we found that Statoil's organizational identity (as a process between identity, image, and possible selves) was an antecedent to identification and emulation with a role model, as well as had reciprocal consequences on Statoil's organizational identity. The "paradox of identity" (Smith & Berg, 1987) was apparent in that Statoil wanted to be perceived as BP or other members of the in-group, at the same time as Statoil wanted to be unique. Considered unique, not only from out-groups, but also even relative to BP. At the same time as identification or emulation with another organization occurs, distinctiveness remains important in the rhetoric surrounding organizational identity features. As Sevón (1996) suggests, total identification with a completely similar organization would be meaningless, thus necessitating espoused sentiments of an organization's distinctiveness. This endeavour to become similar yet different is echoed in Gioia and Thomas' (1996) study of university administrators seeking a new image by mimicking other more successfully imaged universities. They "were trying to achieve prominence by becoming non-distinctive from this elite referent group [meaning a group involving the "top-10" universities]." (1996: 395).

# CHAPTER EIGHT
## Contribution and implications

THE RESULTS OF THIS THESIS are based on one hundred and twenty interviews, massive archival materials, secondary data, and numerous participant observations, collected over a six-year period. Furthermore, the study is longitudinal in nature, and incorporates the views of respondents at different units and hierarchical levels of analysis. In this way, the thesis can be considered a unique empirical contribution, primarily contributing to two theoretical fields: inter-firm cooperation and organizational identity theory. The thesis documents the transition of a general interest in understanding alliance formation motives, to a particular interest in exploring organizational identity adaptation processes. Organizational identity adaptation as a complementary alliance formation motive was a serendipitous discovery from the comparative theory part of this thesis. It was found that some firms may be motivated to form alliances by the wish to adapt their organizational identity, and the choice of partner was based on emulation and role modeling, rather than purely economic efficiency or strategic considerations. The second part of the thesis explored this alternative motive of alliance formation based on cognitive and social processes. Insights from organizational identity theories were used to sketch a mid-range "organizational identity theory of cooperation". In this framework, adaptation of organizational identity is seen as consisting of a repetitive sequence of identification, imitation, and evaluation phases, each of which is derived from, and has effects on, component parts of organizational identity. The contextual environment serves as an antecedent or trigger to organizational identity processes.

The results of this thesis do not posit organizational identity adaptation as the sole reason behind alliances. Cost minimization, strategic rationales, resource and skill substitution, learning, interdependence uncertainty, legitimacy, and bandwagon effects are all important motives. At the same time, these traditional theories of alliance formation in the extant literature do not seem to wholly explain the initial puzzle that this thesis started out with. Namely, the fact that despite the dismal picture of inter-firm cooperation performance reported in both managerial and academic press, firms continue to form alliances at unprecedented rates. The present study is a longitudinal, empirical case study contributing to two broad theoretical areas: inter-firm cooperation theory and research methods and organizational identity theory. Furthermore, the empirical findings, though based in inter-firm cooperation and organizational identity theories, also have some implications for the strategic-, and knowledge management areas. In this final chapter, contributions and implications are discussed, followed by managerial implications and a conclusion to the thesis.

## 8.1 For the inter-firm cooperation literature

The results of this thesis pose a challenge to the prevailing literature on alliance motivation, which primarily discusses economic models for cooperative behavior (Child & Faulkner, 1998; Tallman & Shenkar, 1994). Though the findings are, in part, consistent with economic models of alliance formation motivation, they also suggest that the search for a new organizational identity, through emulation and collaboration with a reputed role model, is an important, additional and complementary motive for alliance formation. This finding may suggest some new directions for inter-firm cooperation theory and research. Economic arguments are easily espoused and managers will obviously justify their actions from an economic perspective. Individuals and organizations are however, not purely "rational" economic actors but also driven by a myriad of other factors (Weber, 1952; Bensusan-Butt, 1978; Powell & DiMaggio, 1991). Disregarding self-enhancing rhetoric and theoretical explanations based on economic efficiency, focusing instead on more non-economic, cognitive, and social dimensions, has implications for both methods and sampling traditionally used in research on alliance formation and performance measurement of cooperation. Furthermore, rather than focusing only on static, snapshot pictures representing top managerial views or officially espoused rationales, the results of this thesis show that including temporal dimensions and the views of those further down in the organizational hierarchy are required for a fuller understanding of alliance formation.

The results of this thesis illustrate that conventional methods and sampling in research on alliance formation and performance measurement are somewhat problematic. Though the literature on inter-firm cooperation has been abundant during the last two decades, the chaos of theoretical and methodological "messiness", discussed by Oliver (1990) and Parkhe (1993), is in part a result of the juxtaposition of economic theories and deductive "iron-caged" (Weber, 1952) reasoning. Because of this, grounding the research in the organizational phenomena was required. By partially disregarding received wisdom and using a grounded theory approach (Glaser & Strauss, 1967), new insights into alliance formation were attained. More traditional deductive approaches based on, e.g. cooperation in press databases, surveys of numerous alliances and joint ventures, and even interviews with possibly self-efficacious managers, propagate existing cooperation theory, rather than bringing us any closer to a better understanding. It left us with the initial paradox between the increasing number of alliances and the dismal performance rates.

A traditional look at the BP and Statoil alliance would have contributed to the puzzle. From a strictly economic standpoint, the alliance between the two partners failed miserably. Monitoring and transaction costs were not done away with, rather, large duplication and monitoring costs were incurred, managing joint multi-cultural teams was time-consuming and problematic, and the transfer of international or internationalization knowledge was dubious. It could be argued that environmental and financial risks were shared in a portfolio of alliance projects, at the same time, this motive for such an alliance could not have been the most important motive since equity partnering has historically been a natural part of the oil industry. Thus, a deductive, snapshot inquiry based on existing theories would likely have resulted in a failed performance measure. The fact remains that though respondents' views on alliance performance varied during the years data were collected, Statoil seemed fairly satisfied with the alliance in the end. The alliance may, from a purely economical standpoint, have been costly, but it allowed the organization to gain in self-confidence (closely connected to identity) and to take a major step in joining the industry in-group, or competing against the "majors" in the international oil arena. BP was more clearly negative to the alliance from start to end. At the same time as economic efficiency aspirations seemed unrealized, BP maintained that projecting a more positive image by allying with a National Oil Company (NOC) like Statoil was an important motive for alliance formation. Fronting Statoil in Nigeria, and even to a certain degree in Vietnam, was also considered an important aspect of successful project acquisition. But as the alliance progressed into operating already acquired projects, this initial motive became less salient. In this way, the results of this thesis contribute to the general call for incorporating "non-pecuniary motivations for behavior into economic reasoning" (Akerlof & Kranton, 2000: 749) and a more particular call for non-, strictly, economic explanations of alliance formation (Child & Faulkner, 1998; Tallman & Shenkar, 1994).

Further, this study is a longitudinal study that contributes to research on process dynamics, including the context in which inter-firm alliances are embedded (Doz, 1996; Ring & Van de Ven, 1994). The realization of Statoil's formation motive of organizational identity adaptation was a "theory in use" (Argyris & Schön, 1996) understanding that became more collectively understood as the alliance progressed. The managerially and officially espoused motive of organizational learning and knowledge transfer was in this study intimately linked to the organization's sense of self. As the alliance progressed, Statoil respondents believed that the learning or knowledge that was to be attained through an alliance with BP was in reality already in their organization's and personnel's possession. In this way, the change in the understanding and the perception of Statoil's formation motives evolved as Statoil obtained a closer look at the prototypical member of their chosen in-group, a better understanding of the nature and content of internationalization or international knowledge, and a different perception of Statoil's own capabilities.

Besides answering to the call for including temporal dimensions, this study also penetrates the managerial level in research on social phenomena (Avital, 2000; Parkhe, 1993). The incorporation of respondents further down in the hierarchy was important for two important reasons. First of all, experienced corporate managers typically reiterated company official reasons for the alliance and seemed hesitant to stray from the official line. In some ways you could speculate that they had a stake in the official line since many had been involved with setting up the alliance structures and systems, developed and authored the alliance brochures, and were in addition, experienced in being interviewed by internal and external journalists. In initial interviews, their responses seemed particularly guarded. Less experienced personnel, further down in the organizational hierarchy, was less accustomed to being interviewed and seemingly spoke more freely. Though they also discussed officially espoused motives, they were more interested in discussing what they believed were the "real" reasons for the alliance. Besides opening up for new insights, the interviews with less guarded respondents were also indispensable for later interviews with more experienced corporate managers. The new insights provided by respondents lower down in the organizational hierarchy facilitated and informed pursuit behind top managerially espoused motives. Secondly, understanding a collectively held view of the features of an organization's identity necessitates the views of respondents at all levels of the organizational hierarchy, not only the top managerial. It could be argued that at the organizational level, an intended or wished for organizational identity is derived from the strategic vision of founders and top managers (Gioia & Thomas, 1996; Hatch & Schultz, 1997). However, for a truly collective organizational identity, the vision of top managers must encompass the expectations and sensemaking of constituents (Rindova & Fombrun, 1998). In this way, an organization's identity is not a purely managerially held view of an organization's central, distinctive, or enduring features, to use Albert and Whetton's nomenclature. Delving further down in the hierarchy resulted in a richer, more in-depth understanding of the collectively held view of the organization's identity, as well as the processes by which the identity was to change.

## 8.2 For the organizational identity literature

This study is also an empirical contribution within the organizational identity field. The findings extend current theories of organizational identity by showing that some organizations enter into alliances motivated by the wish to change their organizational identity. Organizational identity research has mostly been the study of individuals and groups within a firm, or the individuals' identification with an organization (e.g., Dutton & Dukerich, 1991; Elsbach & Kramer, 1996; Labianka et al., 2001)[154]. The present study of how a firm searches for a new identity, through the use of an organizational role model and inter-organizational emulation, contributes to social identity and organizational identity theories by introducing them to the field of inter-firm cooperation at a macro, or industry level. As for individuals and social groups, this thesis presents evidence that some organizations also adapt their organizational identity through self-categorization and in-group/out-group dynamics among, for instance, industry "strategic reference groups" Elsbach & Kramer, 1996).

Joining the debates within the field of organizational identity, this study provides support for arguments that there is a significant interdependence between the organization's own sense of self and their external image (e.g., Dutton & Dukerich, 1991; Gioia et al., 2000). As Elsbach and Kramer (1996: 468) discuss "....because members' own social identities and self-esteem are intimately connected to the identity and reputation of their organizations, they care about how their organizations are described and also how they compare with other organizations." In line with such arguments, the results in this thesis document the "cognitive distress or identity dissonance" (ibid.) of BP, illustrated by its attempt to project a more socially sensitive image through an alliance with Statoil, and Statoil illustrated by its attempt to project an image of being an international firm through an alliance with BP, thus attaining in-group membership. In this way, the cognitive dissonance between identity and image was in part a motive for alliance formation for both partners. Furthermore, regarding Albert

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[154] A notable exception involving inter-organizational identities is a fairly recent study by Salk & Shenkar (2001). Though this study on social-identification and social-enactment processes in a British-Italian, shared management joint venture, innovatively extends social identity theory into a new domain by exploring the salience of different social identities on sense-making, it does not study more macro-level organizational identities within the industry or the process of how organizations adapt their identity and become internally and externally something else through the use of an alliance tool.

and Whetton's (1985) triadic conceptualization of organizational identity, a more postmodern understanding of "enduring" seems evident from the case. Though the labels used to discuss the organization may have been *enduring*, the interpretation of meaning attributed to the labels were rapidly changing[155]. For instance, the term "international" as a defining organizational feature was subject to a variable and changing meaning. In this way, this study joins more recent theoretical and empirical studies of organizational identity (Dutton & Dukerich, 1991; Gioia et al., 2000; Gioia & Thomas, 1996; Reger et al., 1994), and posits organizational identity as a dynamic process, rather than a static, measurable, structure. The very idea of "organizational identity adaptation" presupposes seeing organizational identity as a dynamic and changeable process. This study also illustrates the "paradox of identity" (Smith & Berg, 1987), this time taking Albert and Whetton's (1985) triadic feature "distinctiveness" to task. Since Statoil wanted to change their organizational identity to that of a more successfully perceived firm, or at least similar to how they perceived BP, they identified through wanting to not only be like, but almost becoming BP, through processes of both "inter-organizational emulation" (Labianca et al., 2001), and "isomorphic behavior" (Powel & Dimaggio, 1991). The identity paradox for Statoil involved becoming distinct from the "losers" (meaning domestic) while at the same time becoming less

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[155] Gioia et al. (2000: 75-76) put it eloquently, "The theoretical implication of acknowledging a socially constructed (and reconstructed) organizational identity is that even though we might use the same labels to describe the elements of a core identity, those elements are nonetheless subject to multiple and variable interpretations, which implies that identity changes with changing interpretations. Because we use the same labels over time to describe core elements of identity, it is deceptively easy to presume that identity is stable or enduring. The durability is in the *labels*, however – not in the interpretation of the meanings that make up the ostensible core."

distinct from the "winners" (meaning international)[156]. Thus, the defining features of an organization's identity may be less stable and distinctive as previously believed.

This thesis empirically contributes to the emerging literature on organizational identity processes. Given the historically accepted notion that the features of organizational identity are relatively stable and enduring (Albert & Whetton, 1985), the field of organizational identity processes is still in its infancy. The framework based on the BP and Statoil alliance, described in chapter seven, details the processes of organizational identity adaptation through the use of an alliance as an organizational tool. Albert (1977) posits that organizational identity is formed through a process of ordered inter-organizational comparisons, and reflections of them, over time. Though the model described in this thesis was built on the experiences of Statoil and BP, it could arguably be widened to include many organizational actors and forms within industry specific "strategic reference groups" (Elsbach & Kramer, 1996). An alliance governance structure does not have to be the result of the perceived need to change an organization's identity. The process phases of identification, imitation, and evaluation, are just as applicable for separate organizations when identity-image dissonance occurs. "Inter-organizational emulation" (Labianca et al., 2001) may lead firms to adapt their organizational identity through identifying, imitating, and evaluating from a more distant stance, or looser inter-organizational structure.

Finally, this study raises the issue of whether or not an organizational identity can purposely be adapted. An institutional perspective would argue that though organizational identity may change in a "convergent" and "evolutionary" (Greenwood & Hinings, 1996)

[156] The finding of this study closely resemble Gioia and Thomas' (1996) study of university administrators seeking a new image through mimicking other "top-ten" universities.

manner, manipulating or managing an organizational identity adaptation is not really possible. Rather, the view would be that organizations slowly change their identity and image through a more deterministic process accommodated by institutional expectations and contextual isomorphic convergence. In this study, we saw that BP in part went into the alliance to adapt their image, while Statoil went into the alliance to adapt both their identity and image. Whether or not the partners actually adapted their organizational identities was beyond the scope of this thesis, but their attempt to do so, through the organizational tool in the form of an alliance, is interesting.

## 8.3 For strategy and knowledge management

The results of this study can also be seen as having a contribution for the strategic management and knowledge management fields. If organizations form alliances motivated by a wish to adapt their identity, implications for linkages between organizational identity and firm strategies seem evident. Creating or accepting an identity is a motivational and cognitive process by which order is brought to the concept of organizational self and to organizational action (March, 1994). *"It involves learning to act in a particular way"* (ibid, 1994: 62). In this way, organizational identity is closely interlinked with organizational action, because they are both sensemaking products (Weick, 1995)[157]. As Huff (1998: 111) notes, *"In order to exist, you have to act, and to act, you have to have some sense of who you are and some sense of*

[157] Empirical studies on organizational identity have shown that organizational identity is connected to action. For instance, Dutton and Dukerich's (1991) study of the New York/New Jersey Port Authority showed identity as the key concept that provided an organization with a viable framework for understanding and action. They also demonstrated that identity simultaneously filtered, constrained, and ultimately shaped the Authority's interpretations and actions of an important issue over time. Gioia and Thomas (1996) also showed that identity and image were critical organizational perceptions that influenced interpretation and action during strategic change at a university.

*what you are trying to do"*. It is argued that organizational identity deals in large part with the question of how identity affects action (Whetton & Godfrey, 1998). How one acts may depend more on who one is, who others think one is, and who one aspires to be, than on any objective assessment of the opportunities and costs associated with a given direction (Whetton, 1998). Furthermore, how firms interact with constituents depends on their strategic goals and their identity beliefs (Barney, 1986). Identities shape business practices and relationships, which in turn shape images or the reputations of firms. Important strategic interactions between organizations depend on organizational identities (Rindova & Fombrun, 1998) [158] . Finally, organizational identity may act as both a barrier and an aid for organizational change supporting strategic action (Reger et al. 1994). This because, a strong or weak organizational identity makes a difference in whether strategic action is made easy or difficult (Gioia & Thomas, 1996). In this thesis, we saw that BP and Statoil took strategic action in order to adapt their organizational identity. Statoil to be accepted as an international oil company partly through inclusion to the in-group, and BP to be seen as more politically palatable through an alliance with a National oil company from a relatively politically neutral country. In BP's case, the motive seemed more explicit and was easily discussed by respondents. Statoil's motive was more complicated and less easily espoused by respondents. Rather, the in-depth, longitudinal nature of the case study approach, in this study, was instrumental in discovering the

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[158] A few related ideas in the strategic management literature may provide further support for the notion that organizational identity is related to strategic action. For example, Drucker (1994: 95) described the importance of a "theory of the business" which includes beliefs that "shape any organization's behavior, dictate its decisions about what to do and what not to do, and define what the organization considers meaningful results." Clark (1970) referred to the concept of organizational sagas that not only define organizations but also influence the behavior of their members, and Abell (1980) has emphasized the importance of business definition, or how firms define or position themselves in their competitive environments.

linkage between alliance formation as a strategic action and the wish to change the organizations' identity.

This study is also a related contribution to the knowledge management field. Though there are few empirical studies on the link between learning, knowledge, and identity, it is reasonable to assume that they are interlinked (see e.g., Brown & Starkey, 2000; Rothman & Friedman, 2001; Child & Rodrigues, 2002) In the BP and Statoil alliance, the linkage between knowledge, learning, and identity was not completely clear[159]. Learning or wanting to learn about international skills or internationalization was closely interlinked to Statoil's organizational identity. What actually constituted international skills and internationalization was mostly vaguely defined as organizationally embedded experience of supporting expatriated personnel, and tacit, personal experiential knowledge of expatriation and different cultures. Irrespective of the type or definition of the knowledge that Statoil was to learn from BP, the perception of having learned it, or acquired it, seemed closely connected to their organizational identity or self-conception, and their perceived reputation. It is argued that shared identity facilitates knowledge creation (Kogut & Zander, 1996), and that learning is context dependent (Lave & Wenger, 1991). Further, identity processes can both facilitate or encumber organizational learning (Brown & Starkey, 2000; Child & Rodrigues, 2002). Turning the argument around, it is interesting to speculate on the opposite relationship. In other words, the effects on an organization's identity from that organization's knowledge acquisition and learning. Does what we know, or learn, determine our identity or self-conception? A

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[159] Brown and Starkey (2000) argue that the link between organizational identity and organizational learning has not earlier been made explicit because of the historically strongly held assumption that organizational identity was stable and enduring feature of organizations. Recent views of organizational identity, as more adaptive (Dutton & Dukerich, 1991; Gioia & Thomas, 1996), also open up for the link between identity and learning.

closer cross-fertilization between the literature on knowledge and learning and organizational identity could benefit both fields.

## 8.4 Managerial implications

This study has several general and practical implications that are briefly summarized here. First of all, the recognition that strategic action may be born out of cognitive and social needs, rather than purely economically efficient considerations is important. If organizations form alliances motivated by a need or wish for organizational identity adaptation, then alliances must be structured in a way that allows for the possibility of motive fulfillment. This requires an in-depth, more reliable understanding of alliance formation motives that go beyond "espoused theory" (Argyris & Schön, 1996) rationales. Though alliance managers may find it difficult to officially rationalize, or even consciously understand, an alliance for, for instance organizational identity adaptation, a lack of recognition and understanding of "real" motives will certainly lead to performance failures on some scale. Well-accepted notions of "strategy, structure, systems" (Chandler, 1962) or "purpose, process, people" (Bartlett & Ghoshal, 1994; 1995; Ghoshal & Bartlett, 1995) would advocate the necessity of having a clear understanding of the alliance strategy or purpose for a corresponding satisfactory performance. Structuring an alliance for cost minimization, or industry strategic competitive behavior, is presumably different from structuring an alliance for identity adaptation. For instance, in the case of BP and Statoil, the alliance was structured (most likely unconsciously) with joint teams giving maximum exposure to each firms' organizations. This allowed for an in-depth insight into each firm's structures, systems, and processes, facilitating imitation, and possibly knowledge transfer. At the same time, joint team organization was costly, especially after the creative period of new projects attainment was over, and the "operations cycle" required more efficient and effective operations. If the primary motives for BP to enter into this alliance was for access to financial funds and for the reduction of transaction costs through having one main partner in a portfolio of projects, and Statoil's main motive was for adapting their identity and image (organizational identity) through becoming a member of the perceived industry in-group, than these motives could potentially be extremely complementary. At the same time, the expensive structuring of joint teams may not have been very wise. Instead, simplistically hypothesized, with the requisite amount of honesty and trust, the most efficient organization, presumably BP, could have operated the projects without Statoil monitoring, and Statoil could have internally and externally flagged their association with the "international player" BP. In this way, BP would have been able to save money and attain access to additional financial resources, and Statoil would have been able to attempt adaptation of its identity and image through a visible association.

Secondly, it should be recognized that an alliance partner has multiple motives that may or may not be aligned or complementary to their partner's motives. Further, each partner's motives will change as the alliance progresses and the contextual environment and industry changes. The dynamism of the two firms' strategic positions in the industry requires re-evaluation and re-negotiation of the alliance relationship and adjustments made to changes in the industry, corporate strategies, competencies, resources, and alliance experiences. What made sense at formation may not make the same sense later. In addition, misunderstandings, conflicts, and changing expectations among partners may be resolved or provide reasons for rethinking the terms of the relationship. In the same manner, the realization of goals, strategic or commercial, or the successful transfer of knowledge, can require changes to the relationship. Since an alliance involves the loose coupling of partner firms, rather than unification which comes from a merger or acquisition, alliance partners are likely to dissolve the relationship completely or increase formal integration over time. Though alliance performance is often measured by instability, dissolution of an alliance does not necessarily imply the breakdown of a relationship or a strategic blunder. By contrast, the ending of an alliance may simply reflect the fact that its goals have been achieved and that a tool, which was appropriate at the time, has been abandoned in the face of changing circumstances. It follows that a strategic concern for organizations might be the management of instability rather than the management of stability. Balancing the stability and instability of changing partner strategies, contextual environments, and industries, as well as the corresponding identity and image components of organizational identity may create a sense of positive adaptive-ness, allowing the organization increased capacity for change, at the same time maintaining a constant sense of core values and strategies. This focus on the management of instability bears the risks of substituting faddish images or trendy strategies for core values and sustainable strategies. Hence, the attempt must be guided by a strong vision of future desired organizational self, but at the same time remain sensitive to the perseverance of continuity in elements that provide the necessary security to accomplish identity and strategic change. Finally, managers wanting to attempt to change their organization's identity may have a strong organizational tool in the form of alliances. This intentional strategy presupposes a clear understanding of present and future desired identity. It also requires a clear picture of industry-specific in-groups, in as much as building a "reputation by association" will be the most optimal tool for change.

## Conclusion

This thesis started out with the initial conundrum between the reported poor performance of inter-firm cooperation and the growing number of new cooperation. An answer to this initial puzzle could be found in the notion that as individuals attempt to build a reputation by association, organizations can also attempt to build reputation by association. If organizations purposely attempt to build their identity and image through alliances with in-group members, the further question becomes whether or not they are successful in their attempt, and if successful, how salient and resilient to change that particular organizational identity is. Can new alliances with new partners easily change the picture? This study explored the motives for alliance formation grounded in a single case study. The serendipitous discovery of organizational identity adaptation as an alliance formation motive raises many issues that should be investigated further, as well as replicated in more studies. Rather than clarifying the methodological "messiness" (Parkhe, 1993) or getting a better understanding "of what we actually know" about alliances (Oliver, 1990), this thesis adds a new dimension without discarding existing wisdom. From these results, it seems that the cognitive and social processes in our understanding of antecedents to inter-firm cooperation should be a particularly fruitful area of research in the future.

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# APPENDIX ONE

## Pilot study interview guide

### Introduction

Both researchers present themselves, the research, SSE-IIB
Explain confidentiality

### Interviewee personal background

Age, experience (educational, work, international), languages
How did you come by your current position?

### Strategy

Reasons for the Alliance (Statoil/BP)

- advantages/disadvantages of an alliance
- differences from a joint venture
- reasons before - reasons now (official agenda Vs hidden agenda, changes in both)
- planned or emergent strategic changes
- roles - balance
- knowledge of other alliances in the oil industry

### Relationship to R&D Alliance and Alliance Gas

- Interdependency between alliance legs. Strategic importance?
- Any synergies? Planned analysis of possible synergies?
- Differences in integration?
- How easy would it be to get access?

### What do you see as the major challenges? Why?

- organizational structure, three locations
- multinational teams
- differences in org./natl. culture

- commitment/retainment of identity, no full responsibility anywhere
- would it have been better with another company (same natl. or size, experience)

**Examples of successful and unsuccessful projects/groups**
- how are they localized? organized?
- why are they good or bad?
- how multinational are the groups?
- What about locals?

**Culture issues**

Differences in organizational culture
- decision making
- processes / bureaucracy
- hierarchy, power distance

**Differences in national culture**
- examples of conflicts
- values
- attitudes of third country nationals
- Best things and worst things about the others

**Multicultural teams**
- Attitude to the other company
- Better or worse than natl. team?
- Team identity - 1-2-3 teams - How important is it?
- Loyalty - Commitment - How important is it?
- Leadership of team?
- Best things / Worst things
- Individual incentives or group incentives
- Contact with headquarters, do they understand the situation?
- What makes the team good or bad?
- Design parameters?

- Training, appraisal and rewards

## Learning

Operational and cognitive learning

- Are there any actual changes in SOPs due to:
- Has there been any suggestions to change SOPs due to:
    - ⇒interaction with external partner (ie Nigerian State co. or other)
    - ⇒direct imitation of SOPs from the other co. (to identify best practice & implement)
    - ⇒internal evaluation of the work that has been done together with the other co. (develop new best practice together)
- Describe how these changes were implemented
- Describe why these suggestions were not implemented (at all/not yet)

## Organizational incentives for learning (single/double)

- In what way can the Alliance in Nigeria or each HQ company potentially benefit from trying out new, alternative ways of operating the activities?
- Do you believe the Alliance in Nigeria or each HQ company will benefit most from developing distinct routines that are stable over time or from continuously trying to find better ways of performing the current type of activities?

## Individual incentives for learning

- What are your individual goals?
- Group goals?
- How important are they?
- How are they measured?
- In what ways can you - as an individual - potentially benefit (i.e. being rewarded from the Alliance or from your HQ) from trying out new, alternative ways of operating the Alliance activities?

- Do you believe you - as an individual - will benefit most from developing distinct Alliance routines that are stable over time or from continuously trying to find better ways for the Alliance or HQ to perform the current type of activities?

### Experimentative learning (infrastructure)

- What are the issues that the Alliance needs to learn most about in order to operate successfully in Nigeria?

### Conclusions

Lessons from alliance experience learnt

- What things should have been done in advance?
- What can be done in the future?
- What changes have you experienced?
- Would they do it again?

### The Future

- Do you think the Alliance will continue?
- Was it a success?

# APPENDIX TWO
## Second data collection interview guide

### Background Personalia

- Name:
- Date:
- Interview location:
- What is your formal position?
- How long have you been in current position? History in company?
- Do you have personnel responsibility? How many?
- What is your educational functional field?
- What is your current functional field?
- Shortly describe your international experience with Statoil.

### Part 1 – The BP and Statoil Alliance

- What is your understanding of the purpose of the alliance from each partner's view? Were the purposes compatible?
- Has the purpose been fulfilled? How has the alliance performed? Did the purpose change over time and how?
- Has the alliance organization been structured (joint teams) in a way that is efficient in relation to the purpose?
- What worked well/ not so well? Specific examples? Specific times.
- What is your view of both firms' strengths and weaknesses? Are they compatible?
- How did integration of joint teams work? Would either company do this again? What would you change if you were to manage and structure a similar alliance in the future?

## Part 2- Internationalization capabilities

### What are internationalization capabilities?

- There is a lot of talk about internationalization in Statoil. What does internationalization really mean for Statoil?
- What are the capabilities needed to become truly international?
    - ⇒ Complexity of organization
    - ⇒ Authority; Decision making
    - ⇒ Evaluation and control
    - ⇒ Rewards and punishments; incentives
    - ⇒ Communication; information flow
    - ⇒ Identification
    - ⇒ Perpetuation (recruiting, staffing, development)
- How would you characterize Statoil in the past and currently with regards to international experience?
- How do you see Statoil in the future?
- If you were to be responsible for Statoil's internationalization processes, what would you do or change?

### Nature of Internationalization Capabilities

- tacit to articulable
- not teachable to teachable
- not articulated to articulated
- not observable in use to observable in use
- complex to simple
- an element of a system to independent of a system

### Who has which internationalization capabilities?

- individual
- group
- project
- division
- other

## Part 3 - The BP and Statoil Alliance in relation to internationalization

- What is your relationship to the alliance? How much contact or work do you do for it?
- Assuming that one of the purposes of the alliance was to transfer internationalization know-how to Statoil from the more experienced BP, what was that experience?
- How was it to be transferred?
- What has been transferred?
- Has Statoil learned anything from BP and if so what?
- Has BP learned anything from Statoil?
- How could the process have been better? What could we have done to structures or systems to accommodate learning better?

## Wholly owned subsidiaries

- What is your relationship to the subsidiaries? How much contact or work do you do for it?
- Have we learned anything from our subsidiaries when it comes to internationalization capabilities?
- What, how, when?

## Intra-firm dissemination

- Is internationalization knowledge confined to your RO?
- Do you feel that the rest of the firm understands your work? Accommodates? Aligns?
- Have you or your division learned anything from other Statoil units concerning internationalization capabilities?
- How much contact do you have with other Statoil RO's?
- What have you learned, when and how?

## Part 4 - Mode, destination and timing

How do you communicate or transfer knowledge? With who do you transfer knowledge? When is the knowledge transferred?
How often? Which ones? Who is there? What do you talk about?

- Formal meetings?
- Informal?
- Telephone?
- Telefax?
- Computer networks?
- Reports?

## When do you think this knowledge is transferred?

- In the beginning of cooperation? (sensemaking phase)
- After a while? (execution phase)
- After cooperation? (reassessment phase)

# APPENDIX THREE

## List of interviews

### Pilot study data collection

#### Statoil HQ, Stavanger, Norway 21-25/8-1995

1. Torunn Sandvoll, Petroleum Engineer, Statoil
2. Ellen Sjøberg, Technical Assistant, Statoil
3. Terje Bartnes, IT and Operations Manager, Statoil
4. Ed Duncan, Staff II Geologist, BP
5. Paul Ventris, Geologist, BP
6. Mervyn Campbell, Senior Geophysicist, BP
7. Dale Dailey, Geologist/Geophysicist, BP
8. Bjørn Erik Vesteraas, Personnel Manager, Statoil
9. Ragnhild Lilletveit, Geology Manager, Statoil
10. Kari Løwen, Personnel Manager Asia, Statoil
11. Jofrid Hebnes, Controler AzKaz, Statoil
12. Seye Fadahunsi, Geologist, Statoil Nigeria
13. Kai Killerud, Manager A&A, Statoil
14. Stanley Wirak, Control Manager, Statoil
15. Paul Habelko, Manager Strategic Planning, Statoil
16. Rolf Magne Larsen, Executive Vice President Statoil, Statoil

#### BP Vietnam, HCMC, Vietnam, 11-15/9-1995

17. John Abrahamsen, Logistics and Admin Manager, Statoil
18. Einar Tresselt, Duputy Director General, Statoil
19. Mrs Du, Sekr. to E. Tresselt, PetroVietnam
20. Helen Moorecraft, Commercial Analyst, Statoil
21. Tran Nhu Tri, Taxation Accountant, PetroVietnam
22. Tony Travers, Services, BP
23. Olav Heigre, Director Gas Project, Statoil
24. Mike Jackson, Well Engineer, BP

25. Ian Forbes, Director General Vietnam, BP
26. Luong The Dung, Procurement Officer, PetroVietnam
27. Jamie Simons, Manager Gas Project, BP
28. Dinh Thi Anh Nguyet, Personnel Officer, PetroVietnam
29. Liv Tone Olsen, Senior Business Analyst, Statoil

**BP HQ, Uxbridge, London 4-9/10-1995**

30. Per Kulseth, Manager Finance & Control, Statoil
31. Ole Johan Lydersen, Commercial Manager, Statoil
32. Rolf Monsen, Technical Support, Statoil
33. Martyn Smith, Senior Geophysicist, BP
34. Graham Walker, Senior Accountant, BP
35. Andrew Woodger, Controller West Africa, BP
36. Angela Strank, Exec. Assistant to Chief Exec. XFI, BP
37. Tony Renton Commercial Manager West Africa, BP
38. Mike Townshend, Manager Government Relations, BP
39. Adrian Champion, Staff West Africa, BP
40. Chris Wright, Chief Executive XFI, BP

**Statoil Nigeria, Lagos, Nigeria 22-26/1-1996**

41. Ivar Erntsen, Manager Logistic, Statoil
42. Knut Graue, Exploration Manager, Statoil
43. Ronke Ibrahim, Senior Accountant, Statoil Nigeria
44. Einar Lauritz Jensen, Cost Accountant, Statoil
45. Severin Longva, Drilling Manager, Statoil
46. Mike McCrindle, Finance Controler, BP
47. Ojo Olujide, Advisor Technical Liason, Statoil Nigeria
48. Keith Ross, Drilling Engineer, BP
49. Bunmi Sojinrin, HR Coordinator, Statoil Nigeria
50. Richard Seabourne, Drilling Engineer, BP
51. Ingebjørn Storøy, Administration Manager, Statoil
52. Patrik Adoh, Security Coordinator, Statoil Nigeria
53. Dr. John Abede, Vice Chairman, Statoil Nigeria

54. Eva Strømskag, Advisor Support & Relations, Statoil

## Second data collection interviews

### Statoil HQ, Stavanger, Norway 2-4/4-1997

55. Helge Hatlestad, Technical Manager, Statoil
56. Fredrik Berger, Health, Safety & Env. Manager, Statoil
57. Rolf Magne Sunde, Commercial Manager, Statoil
58. Lars Gunnar Dahle, Information Manager, Statoil
59. Jan Vollset, Manager Nigeria Exploration, Statoil
60. Tor Egil Sunderø, HR Manager, Statoil

### Statoil Nigeria, Lagos, Nigeria 21-25/4-1997

61. Patrik Adoh, Security Coordinator, Statoil Nigeria
62. Olujide Ojo, Adviser Technical Liason, Statoil Nigeria
63. Eva Strømskag, Manager Organization & Planning, Statoil
64. Spenser Onosode, Assistant Controller, Statoil Nigeria
65. Knut Jørgensen, HMS Manager, Statoil
66. Knut Graue, Exploration Manager, Statoil
67. Forbes McLean, Deputy Managing Director, BP
68. Idar Johnsen, Managing Director, Statoil
69. Severin Longva, Drilling Manager, Statoil
70. Neil Smith, HSE & Quality Manager, Statoil Nigeria
71. Ivar Erntsen, Logistic & Procurement Manager, Statoil
72. Øystein Hovden, Operations Geologist, Statoil
73. Mark Eames, Commercial Manager, BP
74. Ronke Ibrahim, Senior Accountant, Statoil Nigeria
75. Dapu Olatunji, Medical Advisor, Statoil Nigeria
76. Bunmi Sojinrin, HR Coordinator, Statoil Nigeria
77. Michael McCrindell, Finance Controller, BP
78. Tony Jones, Drilling Superintendent, BP

**Statoil/BP Vietnam, Hanoi, 12-13/5-1997**

79. Tore Sund, Vice President and Deputy Director General, Statoil

**Statoil/BP Vietnam, HCMC, 16-23/5-1997**

80. Derek South, Teamleader Geology, Statoil
81. Chris Sladen, Director Exploration and Appraisal, BP
82. Steve Walker, Director General, BP
83. Olav Heigre, Director Gas Project, Statoil
84. Peter Leigh, Gas Project Engineering Manager, BP
85. Bong Nguyen, Senior Cost Analyst, PetroVietnam
86. Andrew Ormiston, Contracts Control Coordinator, BP
87. Irwin Dawson, Director Business Support, BP
88. Barry Bidston, External Affairs Manager, BP
89. Erik Sjøberg, Controler Finance Accounting, Statoil
90. Jan Ekeberg, Legal Advisor, Statoil
91. N.T. Tri, Geophysicist, PetroVietnam
92. Jan Rafdal, Petroleums engineer, Statoil
93. Arnfinn Jenset, Senior Business Advisor, Statoil
94. Pavel Goldflam, Information Management Manager, BP
95. Colin Macintyre, HSES & Quality Manager, BP
96. Jammie Simmons, Gas Project (6,1) Manager, BP
97. P.T. Van, Staff Development Officer, PetroVietnam
98. Barry Smith, Human Resource Manager, BP
99. Don Barrett, Manager Finance and Control, BP
100. Ian Parker, Manager Gas Transportation, BP

**Statoil UK, London, UK, 6-10/6-1997**

101. Tony Saul, Legal and Corporate Affairs, Statoil
102. Jacob Sannes, General Manager E&P, Statoil
103. Julia Hutson, Human Resource Manager, Statoil
104. Astrid Taranger, Licence Manager, Statoil
105. Pippa Evans, Financial Controller E&P, Statoil
106. Mike Appleton, Contracts & Bus. Serv. Manager, Statoil

107. Helen Butcher, Project Manager North Sea, Statoil
108. Ole J. Lydersen, UK Dev. & Prod. Manager E&P, Statoil
109. Tony Dore, Exploration Manager E&P, Statoil
110. Helen Moorcraft, License Manager, Statoil

**Statoil HQ, Stavanger, Norway, 16/9-1997**

111. J. N. Vold, Exec. VP and Member of the Board, Statoil
112. Tor Fjæran, Director LUN, Statoil
113. Willy H. Olsen, Director KSU, Statoil
114. Roger O'Neil, Exec. VP and Member the Board, Statoil

**Statoil HQ, Stavanger, Norway, 11/10-99**

115. Rolf Magne Larsen, Exec.Vice President Statoil, Statoil
116. Sigmund Helland, unclear title, Statoil
117. Jan Vollset, unclear title, Statoil
118. Ole Johan Lydersen, Strategy & Portf. Manager, Statoil

**BP-Amoco, Sunbury on Thames, London, UK, 8/2-2000**

119. David Bamford, Director of BP-Amoco Exploration, BP
120. Marc Eames, Risk Management Manager, BP

# APPENDIX FOUR

## Participant observation, archival-, and secondary data

### Participants observations of management meetings

1. Angola project, 1st. quarterly alliance management review meeting, Stavanger, Norway, 3.3.1997
2. Nigeria project, 1st. quarterly alliance management review meeting, Stavanger, Norway, 3.3.1997
3. Statoil Emerging Assets, 1st. quarterly Statoil management review meeting, Stavanger, Norway, 7.3.1997
4. Vietnam project, 2nd. quarterly alliance management review meeting, Ho Chi Minh City, Vietnam, 14-15.5.1997
5. Statoil UK subsidiary, 2nd. quarterly Statoil management review meeting, Stavanger, Norway, 5.6.1997
6. Statoil asset peer review management meeting, Copenhagen, Denmark, 19.6.1997
7. Statoil management conference, Copenhagen, Denmark, 20.6.1997

### Extended participant observation at site locations

Working, living, and spending all free time with respondents over numerous extended time periods in a "quasi-ethnological" data collection approach.

1. Ho Chi Minh City, Vietnam, 14 days, September 1995
2. London, UK, 5 days, October 1995
3. Lagos, Nigeria, 7 days, January 1996
4. Lagos, Nigeria, 14 days, April 1997
5. Hanoi and Ho Chi Minh City, 14 days, May 1997

## Major archival materials

1. BP and Statoil jointly. 1990. "The Protocol"
2. BP and Statoil jointly. 1990 "Strategic alliance main agreement for international exploration and production"
3. BP and Statoil jointly. 1991. "The alliance international exploration and production booklet"
4. BP and Statoil jointly. 1991. "BPX/Statoil E&P alliance teams human resources briefing document"
5. BP and Statoil jointly. 1991. "Alliance exploration strategy"
6. BP and Statoil jointly. 1993. Alliance financial control booklet"
7. BP and Statoil jointly. 1993. "BPX/Statoil E&P alliance business plan 1992-1995"
8. BP and Statoil jointly. 1993. "Competitive edge"
9. Numerous Statoil and BP in-house employee publications between 1990 until 2000.

## Secondary data sources

1. McKinsey and company evaluation of Statoil's international expansion, 1989
2. Audit of BPX-Statoil E&P Alliance, Statoil report no. 0465; BPX report no. XFI 1/93, 1993
3. Anderson Consulting survey data (1-6 Likert scale) on Statoil's international exploration and production globalization process, 1997
4. Statoil expatriation and rotation data (1976-1997) from Statoil's personnel information database PINFO, 1998

# APPENDIX FIVE
## Theories of alliance evolution

From the literature it is well established that alliances and cooperative ventures are dynamic rather then static organizational forms with developmental phases or stages (Lorange, 1987; Achrol et al. 1990; Zajac & Olsen, 1993; Ring & Van de Ven, 1994; Browning et al., 1995; Doz, 1996). In this appendix, a short review of some studies is listed as a background for the developmental phases and cycles used in the case study.

Lorange (1987) draws analogies to the birth and growth of a child when describing the evolution of cooperative ventures. Evolution is seen as a continuum and divided into three phases: shared, where partners have complementary roles; dominant, where one partner takes the lead; and finally independent, where the alliance operates as a more or less autonomous entity. Achrol et al. (1990) describe a model of four phases in alliance development as entrepreneurship, collectivity, formalization and finally domain elaboration. The entrepreneurship phase is characterized as being typically fluid and creative at the outset and is followed by the phase of collectivity where a defined sense of mission is developed. The formalization phase involves the development of systems and procedures and leads to the final phase, domain elaboration, which is one of self-renewal and flexibility. Zajac and Olsen (1993) suggest that a dynamic perspective focuses on cooperative feedback mechanisms and decision points and on the issues that individuals must weigh in their analyses of any cooperative relationship. They propose a phase model of cooperative relationships composed of an initializing phase, a processing phase and a reconfiguration phase with feedback loops to the earlier phases. They believe that feedback mechanisms influence the individual's cognitive and conscious decision to continue in a cooperative relationship. In a case study of building a research, development, and testing consortium in the semiconductor industry, Browning et al. (1995) describe a movement from conflict and ambiguity during initial relationship formation to giving, structure, process, and openness. The authors identify the steps leading to the development of trust and cooperation. The process described as sequential and interactive involved three sets of social conditions: early disorder and ambiguity, emergence of a moral community, and structuring of activities.

An important concept is the idea that alliances go through repetitive cycles of different processes. Ring and Van de Ven (1994), for instance, introduce a conceptual framework for explaining how cooperative inter-organizational relationships emerge, grow, and dissolve over time in consecutive cycles. In the negotiation phase, the parties develop joint expectations about their motives, possible investments, and perceived uncertainties of a business deal that they are exploring to undertake jointly. The commitment phase is when they reach an agreement on the obligations and rules for future action in the relationship and, finally, in the execution phase, the commitments and rules of action are carried into effect. With time, the misunderstandings, conflicts, and changing expectations among the parties are inevitable, and these factors can provide cause for rethinking the terms of the relationship. In these "renegotiations", new supplemental agreements are typically established to resolve only the contested issues, but all other terms and understandings contained in the relational contract remain in effect. In this way, the ongoing relationship is preserved. In the final cycle of the process, the parties may conclude that the relationship should be discharged. In the same vein, Doz (1996), for instance, develops a framework to analyze the evolution of successful cooperation in strategic alliances through a sequence of interactive cycles of learning, reevaluation and readjustment where initial conditions determine whether, and how, learning takes place between the partners. These initial conditions allow the partners to start to learn, feeding into periodic reevaluations of the alliance that lead partners to make adjustments to their relationship by moving away from its initial conditions. This understanding of cycles in alliance evolution is used to understand the evolutionary perception of motives reported in this chapter.

**Table A5-1. Some research on inter-firm cooperation developmental phases**

| Study | Sensemaking Phase | Executions Phase | Reassessment Phase |
|---|---|---|---|
| Achrol et al., 1990 | Collectivity | Formalization | Domain elaboration |
| Zajac & Olsen, 1993 | Initializing | Processing Phase | Reconfiguration |
| Ring and Van de Ven, 1994 | Negotiations and commitment stages | Executions stage | Reassessment stage |
| Browning et al., 1995 | Early disorder and the emergence of a moral community | Structuring of activities | |
| Doz, 1996 | Initial conditions | Learning | Reevaluation and readjustment |

# APPENDIX SIX

## Theories of internationalization

In this appendix, literature on internationalization is reviewed for a frame of reference in discussions of internationalization in the study. A natural point of departure is to clarify what we mean by the term "internationalization" per se. The following review concentrates on the major antecedents in the literature on the internationalization of the firm, and defines the specific area of the internationalization process looked at in this study.

The concept of "internationalization" has had many descriptions with little consensus as to the exact definition. It is even difficult to discuss a "theory of internationalization" since the term internationalization itself has not been clearly identified (Welch & Luostarinen, 1988; Andersen, 1997). Internationalization has been described as the outward movement in an individual firm's operations (Johanson & Wiedersheim-Paul, 1975; Turnbull, 1987) and it has been interpreted as the sequential and incremental process of increased international involvement (Johanson & Vahlne, 1977; 1990). Others describe internationalization as the process in which specific attitudes or 'orientations' are associated with successive stages in the evolution of international operations (Perlmutter, 1969; Wind & Perlmutter, 1977) or the processes associated with the increased awareness of international activities on a firm's activities and the establishment of transactions with foreign countries (Beamish et al. 1997: 3). Welch and Luostarinen (1988) and Calof and Beamish (1995) adopt a much wider definition including organizational elements in the concept of internationalization. Welch and Luostarinen's "process of increasing involvement in international operations" (1988: 36) encapsulates this by including both "inward and outward growth", where the firm's outward growth is partly dependent on inward performance. Likewise, Calof and Beamish (1995: 116) discuss "the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments". The different perspectives on a firm's internationalization include the common element of processes pertaining to the outward movement of a firm's operations and processes concerning the internal organizational internationalization within the firm. The very term "internationalization" implies a process perspective, which is also evident in the literary antecedents to the field.

## The internationalization of the firm

The internationalization of the firm has been a key issue in international business research from the start (Buckley & Ghauri, 1999). Antecedents to research in this field have put forward basic concepts that have had a fundamental effect on subsequent research within the field. The following review describes a few influential studies. Aharoni (1966) analyses foreign investment decision-making, as a complex social process, that is influenced by social relationships within and outside the firm. The decision is analyzed as a succession of stages where a holistic understanding of all stages is necessary to comprehend the decision. Internationalization is described as the outward movement in a firm's operations through specific investment decisions in foreign markets. This work laid the foundation for studies of decision processes in multinational firms. Another influential study on the antecedents to firms' internationalization is Vernon' s (1966) study of US investment in Europe. Vernon argues that firms are highly stimulated by their local environment and are more likely to innovate when their immediate surroundings are more conducive to the creation of new techniques or products. For internationalization to occur, these innovations must be transferable to other economies. In adapting to the market, the firm moves through stages from innovation to standardization and maturity according to the forces of supply and demand for its product.

A dominant paradigm in research on the multinational firm is the internalization approach, rooted in transaction cost theory (Williamson, 1975) where the concepts of least cost location and growth by internalization of markets are introduced to internationalization theory (Buckley & Ghauri, 1999). The direction of internationalization can thus be predicted by predicting changes in cost and market condition (Buckley & Casson, 1979). Firms grow by replacing the external market and earn a return from doing so until the point at which the benefits of further internalization are outweighed by the costs. The theory basically states that a firm is motivated to go abroad to exploit some "advantage", in the most efficient mode that minimizes (transaction) costs. A variant and influential model within this paradigm is the "eclectic paradigm" or what has also become known as the "OLI model" (Dunning, 1977; 1988). Here, three sets of explanatory factors are used to analyze international business issues; locational factors, internalization factors, and ownership factors. Firms transfer their ownership-specific assets to combine with the most favorable sets of traditionally fixed elements in the global economy, and they do this, where appropriate, internally, in order to retain control of revenue generation.

A common characteristic of these important early works is their focus on outward movement and the foreign investment decision processes, often as it is reflected in the choice of foreign entry mode and location. The relative emphasis has been placed on market opportunities or competitive gaps rather than internal organizational capabilities. Aharoni (1966), e.g., studies the steps involved in the foreign investment decision process, Vernon (1966) looks at sequential decision-making, and internalization theories looks at the direction of internationalization by predicting changes in cost and market conditions. Resources, skills and the capabilities needed for internationalization of an organization receive little attention in these seminal works. Rather, the focus has been on the firm's external movements and the rationales thereof.

Other early scholars within the area of internationalization research started from the concept that firms going abroad suffered from the lack of knowledge about how to conduct business in foreign markets (Carlson, 1966; Hymer, 1976). Hymer was primarily concerned with why firms can invest abroad despite their disadvantages in comparison to local firms. Hymer's model hypothesized that when firm-specific advantages outweigh the lack of foreign knowledge then the prerequisites for foreign investment were present. His problem dealt with the lack of knowledge as a cost/benefit problem where the revenues from firm specific advantages had to outweigh the costs of lack of knowledge. Carlson was more interested in the issue of how firms handle uncertainty through shaping their investment behavior in specific ways. While Hymer focused on why some firms still can go abroad, Carlson was more interested in how the limited knowledge affected the foreign investment decision process. According to Carlson, firms handle the risk of foreign investment through an incremental decision-making process where knowledge acquired through initial investments is used in the next investment. Through this incremental process, a firm can maintain control over foreign ventures and gradually build knowledge of how to conduct business internationally. Carlson argued "once the firm has passed the cultural barriers and had its first experience of foreign operations, it is generally willing to conquer one market after another" (Carlson, 1966: 15). Carlson's work laid the foundation for research that later became known as the "Uppsala Internationalization Process Model".

From a behavioral- (Cyert & March, 1963) and evolutionary perspective (Nelson & Winter, 1982), the "Uppsala Model of

Internationalization Process" (Johanson & Vahlne, 1977; 1990; Johanson & Wiedersheim-Paul, 1975) was a significant contribution to the field. Penrose's (1959) concept of "experiential knowledge" as especially important in the firm's internationalization process was introduced in this model. This model is also about the firm's choice of market and form of entry when going abroad. The studies focused on the internationalization of Swedish manufacturing firms where internationalization was seen as a sequential and orderly process of increased international involvement and the associated changes in organizational forms. Two patterns were distinguished: the first pattern describes the firm's engagement in the specific country market that develops according to an establishment chain, i.e. from no activity to export through independent representatives, then sales subsidiary, followed by an eventual manufacturing facility; the second pattern explains that firms enter new markets with increasing perceived "psychic distance" which is believed to disturb the flow of information between the firm and the market. Psychic distance is understood in terms of factors such as differences in language, culture, political systems, etc. International activity commitment increases as firms learn more and therefore become less uncertain about foreign markets. A central theme in the Uppsala model is the firm's, in particular the individual's, gradual gain of "experiential knowledge" to the firm's knowledge base and the importance of this knowledge in the firm's internationalization process.

Welch and Luostarinen (1988) also added a new dimension to understanding the internationalization of the firm. In addition to the outward international movement of firms as concentrated on by earlier works, they also discuss the importance of the inward organizational capacity to conduct international operations. Welch and Luostarinen offer a six dimensional framework to examine the state of internationalization of a firm. Outward dimensions are: "Foreign operation methods" meaning entry and operations mode; "Sales objects" meaning depth and diversity of sales products; and "Markets" meaning the distance in terms of political, cultural, economic and physical. Inward dimensions are grouped under the title of "Organizational Capacity" and encompass the firm's organizational structure, the international skills, experience and training of personnel and the nature and extent of the firm's financing activities for international operations. They hypothesize that as skills, experience and knowledge are developed in some foreign markets, firms may "leapfrog" some of the incremental steps proposed in the Uppsala model. Welch and Luostarinen further discuss resource availability as an overall explanatory factor for undertaking international operations. In addition to physical or financial resources, knowledge development, communication networks, risk and uncertainty, control and commitment are discussed as accelerators and inhibitors to a firm's internationalization process. Johanson and Vahlne, and Welch and Luostarinen's approach focus on the resources, skills, and capabilities of an organization. The studies especially introduce the concept of knowledge to the field of internationalization. Knowledge as a resource: accelerating, inhibiting or contributing to leapfrogging the firm's internationalization process.

## Internationalization knowledge

A central issue in the Uppsala model (ibid) is about how organizations learn and how this learning affects investment behavior (Forsgren, 2000; 2001). Johanson and Vahle (1977; 1990) particularly examine the development of knowledge and the building of a commitment within the firm to foreign markets. They describe knowledge using Penrose's (1959) knowledge acquisition classification of "objective" and "experiential" knowledge (described in more detail in the next chapter).

> "One type, objective knowledge, can be taught; the other, experience or experiential knowledge, can only be learned through personal experience." and "....experience itself can never be transmitted, it produces a change – frequently a subtle change – in individuals and cannot be separated from them" (Penrose, 1959: 53).

Johanson and Vahlne postulate that the critical knowledge in the firm's internationalization process is "experiential knowledge". This knowledge is critical because it cannot be as easily acquired as objective knowledge. Two types of knowledge are further discussed in this model, "market-specific knowledge" and "general knowledge" where both types of knowledge are important for a firm's internationalization (Johanson & Vahlne, 1977: 28-29). First, market-specific knowledge is knowledge about distinct national market characteristics. This knowledge is gained through experience in the market, which can only be learned through personal experience. According to Johanson and Vahlne, it cannot be transmitted to other individuals or other markets. Very similar to this, Welch and Luostarinen (1988) discuss the possession of "appropriate knowledge" as a critical factor in the ability to carry out international operations. This knowledge includes knowledge about foreign markets, about techniques of foreign operations, about ways of doing business, about key people in buyer organizations, etc.

The other knowledge discussed by Johanson and Vahlne, "general knowledge", is also important but has a different structure. In the words of Johanson and Vahlne:

> "General knowledge concerns, in the present context, marketing methods and common characteristics of certain types of customers, irrespective of their geographical location, depending, for example, in the case of industrial customers, on similarities in the production process." and "...., whereas knowledge of the operation can often be

> transferred from one country to another country. It is the diffusion of this general knowledge which facilitates lateral growth, that is, the establishment of technically similar activities in dissimilar business environments." (Johanson and Vahlne, 1977: 28).

Thus, "general knowledge" differs from "market-specific knowledge" in that, according to Johanson and Vahlne, it can be transferred, however difficult, between individuals and markets. While the type of experiential knowledge, in market-specific knowledge, only has use and meaning in specific markets or situations. General knowledge, on the other hand, embodies knowledge with broader applicability that may be adapted to different situations.

Building on the literature on the internationalization process of the firm, Eriksson et al. (1997; 2001) attempt to identify and delineate the principal components of experiential knowledge that influence management's perception of the cost in internationalization. Their research distinguishes between three types of experiential knowledge pertaining to the firm's internationalization process: "foreign business knowledge", "foreign institutional knowledge" and "internationalization knowledge". Foreign business knowledge pertains to knowledge about customers, competitors and market conditions in particular foreign markets. Foreign institutional knowledge deals with the mode of government and the institutional framework, rules, norms and values in particular markets. Foreign internationalization knowledge concerns knowledge of the firm's capability of engaging in international operations and their resources for doing so.

> "Accumulated experience in internationalization is neither specific to a country nor to a mode of entry. It is firm-specific and constitutes a particular firm's 'way of going international'. A firm's experience of organizing

internationalization, experiential internationalization knowledge, means knowing what knowledge is required in different situations and different settings connected with internationalization, and where to seek this knowledge." (Eriksson et al., 1997: 345).

The concepts of foreign business and institutional knowledge are similar to market-specific knowledge while internationalization knowledge closely resembles the concept of general knowledge in Johanson and Vahlne's (1977; 1990) internationalization process. Their study showed that a lack of internationalization knowledge has a strong impact on the lack of both business and institutional knowledge, which, in turn, influences the perceived cost of internationalization. The accumulated internationalization experience that affects both business knowledge and institutional knowledge is not related to specific country markets. Rather, it is firm-specific knowledge relevant to all markets, which can be found in the firms' decision-making routines and structures. Their findings differ from Johanson and Vahlne's position in that the most critical experiential knowledge concerns specific markets.

In an exploratory study, Madhok (1996) discusses how "know-how"-, "experience"- and "competition-related" issues influence multinational firms' foreign market entry decisions, the kinds of concerns managers had regarding their partners and how they dealt with these concerns. The results suggest that competitive forces and the capabilities of the firm are increasingly dominant factors influencing firms' entry decisions and driving them towards collaborations. Know-how issues focus on internalization theory or transaction cost theory (Williamson, 1975; Buckley & Casson, 1979) where foreign market entry decisions center around the exploitation of firm-specific know-how. In other words, a firm goes abroad to exploit know-how-based advantages in the most (transaction) cost efficient modes. Competition-related issues place a central emphasis on the competitive dynamics among firms in their entry decisions (Porter & Fuller, 1986). The focus is here on the strategic positioning of the firm in various product markets in order to maintain competitiveness. Madhok's "experience-related issues" are the most pertinent to this study. These issues are drawn from the evolutionary theories of the firm for explaining firms' entry decisions where firm capabilities are the result of individual skills, organization and technology intermeshed through routines which evolve gradually over time and through experience (Nelson & Winter, 1982). According to Madhok, evolutionary perspectives draw a clear distinction between "knowledge" (information) and "know-how" (the ability to use the information) where both together comprise the knowledge base of a firm and can be referred to as the firm's "capabilities".

> "This perspective places a central emphasis on a firm's past pattern of experience and the capabilities that arise from this." and "...., this perspective focuses on the compatibility between the capabilities required for the successful conduct of the operation and the firm's existing knowledge base." (Madhok, 1996: 342).

Madhok's perspective on "experience-related issues" is in part Penrose's (1959) "experiential knowledge" and in part "capability". Hence, "internationalization capability" adds a new dimension to Johanson and Vahlne's "general knowledge" and Eriksson et al.'s "internationalization knowledge". Whereas general knowledge and internationalization knowledge are single-faceted in that they deal with experiential knowledge as a sole holistic entity, internationalization capability attempts to break down the elements of this specific experiential knowledge.

# APPENDIX SEVEN

## Theories of knowledge

Both practitioners and academics have proclaimed the growing importance of knowledge as a sustainable competitive advantage. *"Economic prosperity rests upon knowledge and its useful application"* (Teece, 1981: 82). Excluding monopolistic policies and other market irregularities, it has been argued that there is no sustainable advantage other than what a firm knows, how it utilizes what it knows, and how fast it learns something new (Prusak, 1997). Indeed, Nonaka and Teece (2001) argue that the competitive advantages of firms depend on the ability to build, utilize and protect knowledge assets. The concept of knowledge, its importance, and its nature is of course not a new debate. Philosophers of science have theorized, debated and characterized concepts and meanings of knowledge since the beginning of thought. However, it is especially during the last two decades that the concepts of organizational learning and knowledge have become major areas of study in the literature on organizations. The names used for often similar concepts are numerous, overlapping, and sometimes confusing. The literature often uses both what may be considered elements and attributes of knowledge interchangeably. Terms such as "technology", "information", "learning", "know-how", "capability" and "skills" may all denote similar, overlapping or different elements or understanding of knowledge. Likewise, commonly quoted attributes or qualities of knowledge such as "articulable", "codifiable", "tacit" and "embedded" are used interchangeably and can both imply the characterization of knowledge elements or the knowledge elements themselves. According to Machlup (1980), different kinds of knowledge have usually meant different kinds of subjects or different kinds of things known for most philosophers. Indeed, Zander (1991: 17) and Hedlund and Zander (1993: 28) have reflected that knowledge is a protean concept meaning that it can assume any form.

In this appendix, the literature on knowledge as used in the management literature is reviewed. A natural point of departure is to clarify what we mean by the term "knowledge" per se, and the qualities or natures normally attributed to the term. Given the amount of literature on the concept of knowledge in the various scientific fields, along with the scope of this thesis, it would be foolish to assume any comprehensiveness (see Machlup, 1980, for a wonderful review). Rather, clarification of the concepts of knowledge in the context of this thesis and the internationalization of the firm is attempted. The chapter starts with a description of the elements of knowledge and the attributes associated with knowledge interchangeably. A discussion of the closely related concepts of codification and context-specificity follow subsequentially. Finally, the conclusion serves to summarize the literary findings and their implications for the current study.

## The elements and nature of knowledge

An influential starting point in understanding what we mean by the concept "knowledge" is found in the philosopher Ryles' (1949, as found in Polanyi, 1966; Machlup, 1980; Weick, 1995) definition. He divides knowledge into "knowledge that" of theory and "knowledge how" of practice. *Knowledge that* refers to declarative knowledge, that individuals can articulate on examination. *Knowledge how* is learned by practicing, or by doing things. Building on Ryles, Michael Polanyi, a philosopher, scientist and influential pioneer in the knowledge discourse, discussed the term "knowing" which covered both, what he called, practical and theoretical knowledge (1966). He argues that *knowing* with reference to Gestalt psychology is divided in two aspects; "knowing what" and "knowing how", where the two aspects are understood to have a similar structure and neither can be present without the other. Polanyi's definition of *knowing how* seems very similar to Seely Brown and Duguid's (2001) "dispositional knowledge" which is described as the ability to do things rather then the ability to talk about them. Along a similar line, Kogut and Zander (1992) discuss knowledge with the distinction of "information" and "know-how" and compare the distinctions to declarative and procedural knowledge in artificial intelligence. For Kogut and Zander, *information* is a factual statement while *know-how* is a recipe for doing something which closely corresponds to Von Hippel's (1988: 76) definition of a firm's engineers who develop its products and operates its processes, *"know-how is the accumulated practical skills or expertise that allows one to do something smoothly and efficiently"*. It is a description of how to do something, and although held by individuals, it is also expressed in regularities by which members cooperate in a social community, such as in an organization (Kogut & Zander, 1992).

In the first of his massive volumes on the study of knowledge (1980), the economist, Fritz Machlup, distinguishes between two meanings of the term "knowledge", where the meanings are logically correlated. The first is knowledge as "that which is known" and the other is knowledge as "the state of knowing". The first meaning of knowledge, *known knowledge* refers to the contents of knowledge or more information-like knowledge known by more than one person. This meaning of knowledge, though correlated to the second meaning is unproblematic for Machlup, and most of his work deals with understanding the second meaning of knowledge, namely *knowing*. *Knowing* is primarily divided into "know-that", "know-how", and "know-what" where we are most concerned with the first two[160]. The

[160] *Know-what* is an interesting concept on the side of this discussion. It adds a dimension of relativity to the term *know-that*, and is defined as knowing an undetermined portion of all possible *knowing-that* claims about a subject. Machlup's example clarifies nicely: "To say honestly "I know French," how many of the many thousands of French words do I have to know? How much of its grammar and syntax, how many idioms and colloquialisms? I suppose that most of things knowable about the French language can be stated in the form of appropriate propositions, though this may be difficult for matters of pronunciation and intonation. In any case, hundreds of thousands of items of

terms *know-that,* which Machlup defines as the belief that something is so and not otherwise, and *know-how,* which is the capability of doing something, have a close resemblance to the definitions of Ryles (knowledge that and knowledge how), Polanyi (knowing what and knowing how) and Kogut and Zander (information and know-how). Though Kogut and Zander's concept of *information* closely resembles Machlup's *know-that,* it may be interesting to note that Machlup disagrees with what he calls the *"duplication of terms in knowledge and information"* when it refers to what people know or are informed about. For Machlup, *information* refers to the act or process by which knowledge is transmitted while knowledge is the contents transmitted.

Michael Polanyi wrote the often quoted phrase *"we can know more than we can tell"* (1966: 136) when considering human knowledge. In this way, he coined the term and understanding of "tacit knowledge", which many business researchers were to expand on in the future. For Polanyi, tacit knowledge was about the relationship between two terms in "tacit knowing", where the first term deals with awareness of a situation and the its meaning and the second with doing something about it, *"we know the first term only by relying on our awareness of it for attending to the second"* (1966: 138). The antecedent and close relationship to tacit knowledge can be found in his earlier work (1962), where he coins the term "personal knowledge".

> "Such is the *personal participation* of the knower in all acts of understanding. But this does not make our understanding *subjective.* Comprehension is neither an arbitrary act nor a passive experience, but a responsible act claiming universal validity. Such knowing is indeed *objective* in the sense of

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knowing *that* may add up to complete knowledge of French, but a fraction of the total will commonly be accepted in support of the claim "I know French"." (Machlup, 1980: 34). The concept of "know-what" resembles the discussion by Teece (1981) on codification: bounded rationality and a restricted set of information.

> establishing contact with a hidden reality; a contact that is defined as the condition for anticipating an indeterminate range of yet unknown (and perhaps yet inconceivable) true implications. It seems reasonable to describe this fusion of the personal and the objective as Personal Knowledge." (1962: vii-viii).

Related concepts to Polanyi's "personal knowledge" can be found in Pavitt's (1971) "person embodied" technology and Penrose's (1959) "experiential knowledge". According to Pavitt, technological knowledge consists of more than formulas, blueprints and hardware. *Person embodied* technology refers to *"what people know and what people can do"* (Pavitt, 1971: 70) and is the perhaps most important part of international transfer of technology. For Pavitt, *person embodied* technology can only be transferred through person-to person contacts in the much the same way Teece (1981) argues that the transfer of technology is dependent on the transfer of skilled personnel. *Experiential knowledge* (Penrose, 1959) is one of two ways knowledge comes to people and is only gained through a person's own activity or the result of personal learning. The other way in Penrose's taxonomy is called "objective knowledge" and deals with the type of knowledge that is *"transmissible to all on equal terms"* (Penrose, 1959:53). *Objective knowledge* is described as being independent of any particular individual or group of individuals and can be freely transmitted. On the other hand, *experiential knowledge* can never be transmitted since it is personal and only gained through a person's own activity. According to Penrose, increased experience shows itself by changes in knowledge acquired and changes in the ability to use knowledge. The two elements are interrelated since experience produces increased knowledge about things and contributes to objective knowledge as long as the results can be transmitted to others. But, according to Penrose, the experience itself can never be transmitted.

Another most common division of types of knowledge or attributes of knowledge is that between articulated and tacit knowledge. Hedlund and Nonaka (1993) discuss the interplay of articulated and tacit knowledge. In their model, both tacit and articulated knowledge exist at different levels: the individual, the small group, the organization, and the inter-organizational domain. Three elements of knowledge are also offered: cognitive knowledge in the form of mental constructs and precepts, skills, and knowledge embodied in products, well-defined services or artifacts. For Hedlund and Nonaka, "articulation" refers to tacit knowledge being made explicit or articulated at the individual, group, organizational, and inter-organizational level. A central concept in their model is that articulation is essential in facilitating the transfer of information. This division and interplay between different units of analysis is much like Kogut and Zander's (1992) characterization of the static properties of organizational knowledge where "information" and "know-how" are discussed from the individual, the group, organizations and network perspective.

While the models by Hedlund and Nonaka (1993), and Kogut and Zander (1992), combine a one-dimensional classification of knowledge with different levels of where knowledge resides, Winter (1987) believes that knowledge assets are more diverse and have different strategic significance. He characterizes "knowledge and competence assets" in a taxonomy on four major continua: tacit to articulable, observable to not observable in use, complex to simple, and dependent to independent of a system. According to Winter, the characteristics of knowledge and competence assets are directly related to voluntary and involuntary dissemination of technologies where some assets are subject to involuntary transfer and some assets will resist affirmative efforts to transfer.

In their critique of the concept and importance of knowledge tacitness, Hedlund and Zander (1993) offer an alternative by suggesting a distinction between different ways of structuring articulated or articulable knowledge in "architectonic" and "list-like" form. *Architectonic* knowledge relies on hierarchical classification into extensive sets of mutually exclusive knowledge elements, ordered in categories of differing levels of abstraction and tied together in explicit frameworks of logical deduction or implication and/or causality. *List-like* knowledge relies on enumeration without explicit ordering into levels or specification of relations, between elements. This classification of knowledge structures implies different types of articulation rather then new names for the tacitness and articulation concepts.

In his article that explores the nature of international technology transfer and the operation of the market know-how, Teece (1981) makes a division between technology or knowledge in codified form, and technology or knowledge in un-codified or tacit form, according to the implication for transfer. Technology or knowledge in codified form includes blueprints, formulas, or computer languages while un-codified or tacit knowledge is mostly about what later is referred to as just "know-how". According to Teece:

> "there is a simple but powerful relationship between codification of knowledge and the costs of its transfer. Simply stated, the more a given item of knowledge or experience has been codified, the more economically it can be transferred." (Teece, 1981: 83).

Likewise, Badaracco (1991) characterizes the nature of knowledge by considering the ease of transfer and dividing into "migratory" or "embedded" form. *Migratory knowledge* is encapsulated in formulas, designs, patents, manuals, books, or pieces of machinery. *Embedded knowledge* cannot be fully articulated and usually resides in complex social relationships. For knowledge to migrate, it must be clearly articulated and reside in "packages". A person or a group of people must be capable of opening the package and understanding the knowledge within. And finally, the person or persons must have no barriers, rather incentives to do so.

Nonaka et al. (2001), considers knowledge to be *"a dynamic human process of justifying personal belief toward the truth"* (2001: 15). According to them, knowledge is dynamic since it is created in social interactions among individuals and organizations, context-specific because it depends on a particular time and space, humanistic because it is related to human action and relational because whether or not it is considered knowledge is in the eye of the beholder. The authors suggest that there are two types of knowledge: "explicit knowledge" and "tacit knowledge". *Explicit knowledge* is expressed in formal and systematic language and shared in the form of data, scientific formulas, specifications, and manuals. It can be processed, transmitted and stored relatively easy. On the other hand, *tacit knowledge* is rooted in action procedures, routines, commitment, ideals, values and emotions. Scharmer (2001) builds on Nonaka et al.'s work (Hedlund & Nonaka, 1993; Nonaka et al., 2001) and adds what he calls a third form of knowledge called "self-transcending" knowledge which is defined as tacit knowledge prior to the embodiment in day-to-day practices. This concept proposes a distinction between two types of tacit knowledge: tacit embodied knowledge on the one hand and not yet embodied knowledge on the other hand. Self-transcending knowledge is thus the ability to sense the presence of potential, to see what does not yet exist.

As Machlup (1980) has mentioned, yet other scholars divide knowledge into the subject area they concern rather than the knowledge elements themselves. A good example of this can be found in Faulkner (1995) based on ten case studies of international alliance organizations and a statistical study of a further 57, where he divides learning in alliances into three types of learning: "technological learning", "process learning" and "opportunity learning".

Technological learning deals with a mixture of technology codifiable in blueprints plus the know-how involved in their use. Process learning deals with knowledge deeply embedded in the partners' culture, and opportunity learning deals with practical matters such as supplier and market information. For Faulkner, technological and process learning both have elements of earlier scholars' knowledge elements "know-that", "information", "objective knowledge", "explicit" and "know-how", "skill", "practical knowledge", "tacit". Table A7-1 lists different knowledge elements or natures.

**Table A7-1 Different knowledge elements**

| **Study** | **Taxonomy** |
|---|---|
| Badaracco, 1991 | Migratory and embedded knowledge |
| Blakeslee, 1985 | Declarative and procedural structure of knowledge |
| Collins, 1995 | Symbol-type and encultured knowledge |
| Faulkner, 1995 | Technological, process and opportunity learning |
| Hayek, 1945 | Scientific and uncommon knowledge |
| Hedlund & Nonaka, 1993 | Articulated and tacit knowledge |
| Hedlund & Zander, 1993 | Architectonic and list-like structure of knowledge |
| Jensen & Meckling, 1995 | Specific and general knowledge |
| Kogut & Zander, 1992 | Information and know-how |
| Machlup, 1980 | Know-that, know-how and know-what |
| Nonaka et al., 2001 | Explicit and tacit knowledge |
| Pavitt, 1971 | Person embodied knowledge |
| Penrose, 1959 | Objective and experiential knowledge |
| Polanyi, 1962; 1966 | Personal and tacit Knowledge + knowing what and knowing how |
| Ryles, 1949 | Knowledge that and knowledge how |
| Scharmer, 2001 | Self-transcending knowledge |
| Seely Brown & Duguid, 2001 | Dispositional knowledge |
| Teece, 1981 | Codified and tacit form (know-how) of knowledge |
| Von Hippel, 1988 | Know-how |
| Winter, 1987 | Tacit to articulable, not teachable to teachable, not articulated to articulated, not observable in use to observable in use, simple to complex, element of a system to independent of a system |

## Articulation and codification

Since the identified two parts of knowledge are placed on a continuum of articulation/codification, it is necessary to discuss this concept as well. According to Teece (1981: 83), codification is the restructuring of information-like and skill-like knowledge elements into a pattern of meaningful structures. The following passage presumably deals with the codification of more information-like knowledge.

> "Codification – the transformation of experience and information into symbolic form – is an exercise in abstraction that often economizes on bounded rationality. Instead of having to respond to a hopelessly extensive and varied range of phenomena, the mind can respond instead to a much more restricted set of information. At least two obstacles stand in the way of effective codification. First, abstracting from experience can be accomplished in an almost infinite number of ways. Ask a group of painters to depict a given object and each will select different facets or features for emphasis. Furthermore, the choice of what to codify and how to codify it is often personal. Second, to structure and codify experience one way can make it difficult, subsequently, to do so in an alternative way. The conceptual channels through which experience is made to flow appear to run deep and resist rerouting." (Teece, 1981: 83).

In this way, Teece describes the difficulties involved especially in the codification of "experience". The examples of obstacles to effective codification for a group of painters deal mostly with issues of bounded rationality and personal choice in amount and quality rather than difficulties in the codification process per se. This understanding seems very similar to the relative "know-what" of "know-that" in Machlup's (1980) world. "Un-codified or tacit knowledge", on the other hand, is much more difficult since it requires face-to-face contact and repetitious examples. Thus, for Teece, information-like knowledge can be relatively easily codified while skill-like knowledge is more difficult and slower and more costly to transmit.

As we have seen, some types of knowledge are more easily codified than others. It may be simple to write a basic computer program to accept or reject a simple loan application but it may be more difficult to write a program taking context-specific considerations. Only humans using their common sense and experience can do this. The concept of difficulties in codifying certain types of knowledge closely resembles arguments that computers can never take the place of humans. The work of artificial intelligence is the work of codifying human knowledge so that computers have the same knowledge as humans and simulate the human brain. Though many have tried this challenging feat (e.g., computer vs. human in games of chess and bridge) there is little evidence that it has actually worked. Instead, it is argued that context specificity and experiential knowledge is the greatest barrier to accomplish the perfect human machine.

Codifying skill-like knowledge may also require compiling a recipe[161] or description of how to do something where each step in itself is meaningless except for its capacity to produce the desired end result (Hedlund & Zander, 1993). Codifying this knowledge involves many difficulties. A most common and quoted example of this is the knowledge of riding a bicycle. You could write down descriptions of how to ride a bicycle but you can't ride one without mastering balance experientially. Another example of difficult to codify knowledge is the knowledge of mastering a skill. How does one learn the art of carpentry without apprenticing closely with a carpenter. How can we describe something that is not yet articulated and may even be difficult

[161] In the terms of Hedlund and Zander (1993: 23), recipes are the archetype of specification of know-how in "list-like" structuring of knowledge where "each step has no necessary meaning and the relations between them need not be understood."

to ascribe characterizations? The inability to articulate action has given rise to the very term "tacitness" which Polanyi (1966) posits arises when information processing is high-speed and simultaneous, when action is embedded in a context, and when the relationship between the details of a complex skill is lost in language. In conclusion, information-like knowledge or what has commonly been called the hardware side of knowledge may be more easily codified while the software side, skill-like knowledge, is more or less difficult to codify.

## Context specificity

In their discourse on knowledge, most scholars have directly or indirectly assumed the importance of context in their arguments. Knowledge has no meaning without being associated to a shared context. Teece (1981: 82) argues that *"A shared context appears necessary for the formulation of meaningful messages."* in the successful transfer of technological knowledge. Likewise Kogut and Zander (1992), and Hedlund and Nonaka (1993) argue that knowledge is expressed in regularities by which members cooperate in a social community. Nonaka and Teece (2001) posit that knowledge involves the understanding of interrelationships and behavior of how something works. Their model adds the concept of context-dependency, which they call "ba". Their concept of context-dependency corresponds closely with the concept of "situated learning" (Lave & Wenger, 1991) where learning is situated to certain forms of social co-participation. Lave and Wenger center on what kinds of social engagements provide the proper context for learning to take place, rather than on what kinds of cognitive processes and conceptual structures are involved. The scholars introduce the concept of "legitimate peripheral participation" which denotes a particular mode of engagement of a learner who participates in the actual practice of an expert, but•only to a limited degree and with limited responsibility for the ultimate product as a whole. Learning is, thus, influenced by the differences of perspectives among co-participants which has consequences for the transfer-'transformation' process (Hedlund & Nonaka, 1993), where the product of what goes into the transfer process is different from what comes out because of context-specific attributions of each setting. It is also argued that what and how we learn is a product of the culture[162] we participate in. Another similar argument is that learning takes place best within the boundaries of the firm (Kogut & Zander, 1992; Kogut & Zander, 1996). This view can be expanded to Lave and Wenger's concept that participation creates identity, which again, facilitates learning.

## Conclusion

The purpose of this thesis is not to come up with new names for old concepts, rather to be able to describe and discuss the empirical findings in the context of knowledge of internationalization. Thus, the different researchers' fundamental concept of knowledge usually includes two elements: a harder or more concrete side usually consisting of that which can be declared or articulated and may be contained in physical or material objects such as blueprints, patents etc. and a softer side usually meant to encompass the knowledge needed to do something or that which has elements of the indefinable[163]. In this

[162] Using the term culture may also take us off on another tangent. Culture may denote variables such as collective values and beliefs within a boundary which may include groupings such as a seminar group, an academic institute, a university, an industry, a city, a region, a nation, etc. Having these shared beliefs and values within a specific culture may only facilitate the learning process but also what is learned.

[163] Though most literature on knowledge discuss two major elements of knowledge, it is interesting to note that some current scholars, such as Nonaka and Teece (2001), do not include information as knowledge though they concede that it is impacted by it. Rather, for them, knowledge involves the understanding of interrelationships and behavior of how something works.

study, we will simply use the labels "information-like knowledge" and "skill-like knowledge" and coarsely associate the attributes "easier to codify" or articulate and "harder to codify" or articulate. The two concepts are at different ends of a continuum according to ease of codification in much the same manner as Winter's (1987) knowledge asset continua. As the literary findings suggest, the assumptions of interrelatedness of *information-like knowledge* and *skill-like knowledge* are adopted in this study. In the same manner, great importance is attributed to context specificity in the understanding of knowledge.

# APPENDIX EIGHT

## Reflections on a "philosophy of science"

In this appendix, a short overview of the philosophical frame of reference used in the thesis is reviewed. The "uncertainty principle" suggests that scientific research involves an interaction between the scientist and the object of investigation, and that what the scientist observes is directly related to the nature of the interaction (Heisenberg, 1958). This is related to the idea that an object gains its objectivity[164] only by being observed, and that objectivity must thus be a property that stems from the observer (Berkeley, 1910). These ideas have important implications for the way we view and conduct science, because they emphasize that science is a process of interaction. Researchers engage a subject of study by interacting with it through means of a specific frame of reference, and what is observed and discovered in the object, reflecting "objectivity", is as much a product of the interaction and the methods through which it is operationalized as it is of the object itself (Morgan, 1983). It follows that since it is possible to engage an object of study in different ways, the same object may be capable of yielding different kinds of knowledge or different objectivities of knowledge. It is thus important to understand the frameworks through which researchers approach their investigations and of understanding the possible modes of engagement.

The major framework with which the object of this study was approached could best be described as a partially interpretive thinking. Interpretive as in broadly approaching social science from the German

[164] "Objectivity is the simultaneous realization of as much reliability and validity as possible." (Kirk & Miller, 1986). Reliability and validity are discussed in chapter two.

intellectual tradition of ontological hermeneutics[165], and the *Verstehen* tradition in sociology. Interpretivists argue for the uniqueness of human inquiry in that the aims and methods of social sciences are different from those of the natural sciences. In this way of thinking, the goal of natural science is scientific explanation, whereas the goal of social sciences is the grasping or understanding (*Verstehen*) of the "meaning" of social phenomena. Though the study was undertaken with partly interpretivist thinking, it was undertaken on the assumption that it is possible to obtain some universal knowledge of organizations through scientific investigation, rather than the equal validity of numerous interpretations of the same phenomena[166]. This has been called "a positivist view of research" where the process is directed toward the development of testable hypothesis and theory that are generalizable across settings (Eisenhardt, 1989). I take the position that interpretation and addressing the concerns of external validity are not mutually exclusive social science objectives. Rather, as King et al. (1994) posit, an understanding of human behavior through both interpretation and more positivistic views of empirical research is necessary for science.

This research can also be seen as guided by some of the ideas of the philosopher of science, Feyerabend, who was described as a "methodological anarchist"[167]. Feyerabend insisted on the need to

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[165] Early hermeneutical thinking, or what has been called objective or validation hermeneutics, is an epistemology or methodology (with realist pretensions) for understanding objectifications of the human mind. It assumes that meaning is a determinate, object-like entity waiting to be discovered in a text, a culture, or the mind of a social actor. In contrast, philosophical or ontological hermeneutics is concerned with ontology (being). In this way, the hermeneutical condition is a fact of human existence (Schwandt, 1994).

[166] Some interpretists would argue that "the interpretive perspective is deliberately nonscientific and nonpositistic." (Denzin, 1983: 131).

[167] Feyerabend was called a "methodological anarchist" because he criticized the view that there is something called a sole scientific method or only one rational way of investigating human behavior. According to Feyerabend, there is no

develop maximally challenging alternatives in order to test any theory (Mitroff & Emshoff, 1979; Shand, 1993). His idea was that all data are theory-laden since a researcher cannot collect data of any kind without having utilized or presupposed the existence of some theory or theoretical concepts. If all data are theory-laden, and the goal is to either test or generate theories through data collection, then the existence of a single theory can actually hinder further growth of a particular theory, at the same time as there is the danger that the data uncovered by the theory can promote the appearance of compatibility between theory and data when such is not the case. Hence, Feyerabend argues for continual development of the strongest possible counter theories to any and all theories.

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pure way of describing the world independently of conceptual and theoretical assumptions, which leaves us with the possibility of there being a variety of conceptual systems between which there can be no means of adjudication ultimately independent of all theoretical assumptions. He has also been described as a "democratic relativist" meaning that this view "frees inquiry from the shackles of supposing there is only one correct method of understanding the world." (Shand, 1993: 309).

# APPENDIX NINE

## More quotes coded as organizational identity

Following is a selection of more interview responses coded as motives outside of traditional perspectives (OTHER).

### More quotes about BP's wish to project a different image:

"Fronting a NOC card was the most important reasons for the alliance with Statoil! Playing an NOC card in developing nations makes us that much more attractive when bidding for E&P projects. These countries want to build their own industries and their own national oil companies. Statoil is considered a fairly successful NOC and is attractive to developing countries' governments." (BP manager, 1995)

"Why did they get into the alliance? Well, BP would never have gone to Nigeria again, without fronting another company. Their experience there was just too scary. Obviously, everyone wants to be there but its risky and you never know when the political climate will change. Even Shell, who has been there all along and did not get thrown out, is nervous. They keep having to invest and pay for different projects for the Nigerian people to be happy. BP knew that their image in Nigeria was bad and even though we kept getting invitations to come back, we thought it would be better to keep a low profile. An alliance with Statoil fronting seemed like a great idea." (BP geologist, 1995)

"BP and British people are seen as colonizers. The Vietnamese are afraid that they will come in and take control of Vietnam's new found gold. An alliance with us at least gave the impression that we would help them build their own industry. And that is exactly what we are doing. Norway's oil department is educating the Vietnamese people so that they can develop their own 'professional' oil department." (Statoil manager, 1995)

"You know, in negotiating with governments, it's not only about the company's reputation. In the oil industry, it's also about which country the company represents. It's really very political. Norway, and by association Statoil, has a much better reputation than does Britain and BP." (Statoil manager, 1997)

"The only reason we needed Statoil was for the NOC card! BP has a pretty crappy reputation in places like Nigeria. I think fronting a company like Statoil was strategically smart." (BP engineer, 1996)

"Let's face it. By going in with Statoil, we had a much better chance at interesting projects. Nigerians obviously don't like us much. Being nationalized proves that. There is no way we would have gone in again on our own." (BP engineer, 1997)

"We have a nice, non-political, non-threatening image to people in Vietnam. Besides, we have shown that it is possible to build a great company based on Norway's oil resources. BP, on the other hand, has a negative colonial reputation. They are arrogant and culturally insensitive. But they were smart enough to understand that that's how they are seen. An alliance with us softened their bad image and made them more palatable to Vietnamese government officials." (Statoil engineer, 1997)

## More quotes about Statoil's wish to adapt their organizational identity:

"We wanted to be an international oil company, not only a domestic one here in Norway. An alliance with BP allowed us to join the international 'in-crowd'." (Statoil manager, 1995)

"Of course we could have become really international on our own. We didn't need BP just to gain access to international projects. We are just as competent as the rest of them and we could have bought equity shares all around the world. But our board had no real confidence in us. Going international in a major way, with a company like BP holding our hand, gave the board a sense of security in investing large amounts of Norwegian tax money." (Statoil manager, 1995)

"Wow, they are so arrogant. In the beginning, we actually believed that they had a lot to teach us. But as the alliance progressed and we got to know them better, we found that we are just as capable and competent as they are. Better in a lot of respects, actually. The alliance with BP was about convincing our board that we could do it. Invest serious money internationally. BP would in a manner be a quality control." (Statoil geologist, 1996)

"They wanted to learn about running international operations and to become a truly international player. Who better to learn from than us?" (BP geologist, 1996)

"You know Statoil's reputation was one of low cost consciousness. For instance, they were well known to send several managers to license meetings where other partners would only send one person. Sure they could afford it with the easily found and produced oil in the North Sea. But you know, international E&P requires a whole other cost consciousness. Statoil managers and board knew this. An alliance with BP would at least give the impression that they were more commercially focused." (BP manager, 1996)

"Statoil wasn't ready to invest in any major way, internationally. Besides they would not have been taken seriously. Sure, they had some smaller dispersed projects in numerous countries. But everyone knows that there is a critical mass in running international operations. You have to have big stakes in concentrated regions to be profitable or even have a chance. Statoil is well known and has done well on the Norwegian continental shelf, but going abroad requires a good international reputation that they obviously lack. Linking up with us was a great idea! It brought them out in the world, gave them an automatic international acceptance, and let them learn everything from us." (BP economist, 1995)

"I really don't know what we were supposed to get out of the alliance. As you know, at the time when the alliance was formed, we were having financial difficulties. Statoil, on the other hand, was reaping enormous profits from the primarily protected Norwegian sector North Sea. I guess BP needed the money to continue E&P activities in frontier areas. Statoil's motivation was much simpler. Yes, and quite smart! BP is a major international player. By forming an alliance with BP they were able tag along to places they would not have gained entrance to on their own." (BP manager, 1995)

"Every company has to be international these days. Statoil was already international. It's the nature of the industry. Even though we have concentrated on discovering oil and gas in Norway, we refine, transport, and sell internationally. Now we are supposed to find oil outside Norway, so I guess that's a little different. But finding oil here or there is exactly the same. BP's long international experience was just supposed to make it easier for us. It would give us legitimacy outside our own shores. That's all we needed. We are a better company. We quietly get the job done without a lot of high-flying consultant talk." (Statoil economist, 1996)

"Everyone admires what BP has achieved and the position it holds in international E&P. Statoil wanted a role model in becoming an international company." (BP engineer, 1996)

Of course the experience Statoil gained in the North Sea could be applied internationally. But since they were so unknown, they would not have been able to acquire any major projects on their own. They needed BP to open the doors." (BP geologist, 1997)

"BP is a major player. Statoil wanted to become one. The alliance allowed them to see upfront how to do it." (BP geologist, 1997)

"The alliance helped Statoil in the door of international operations. There is no way they would have gotten this far, this quick without us. You need the right contacts, the reputation of being commercially and technically competent, and a corporate organization with long experience in operating abroad. Statoil really needed BP since they lack it all." (BP economist, 1996)

"In retrospect, even though we initially didn't believe Statoil could offer us much besides money, their deep sea drilling expertise from the North Sea has been quite impressive. That's why Olav is heading drilling here in Vietnam. Statoil's side was much more obvious. An alliance with us gave them the legitimacy they lacked. It's much easier getting the right people to the negotiating table if you have the right connections. In this way, BP's long successful history ensured that Statoil would be taken seriously." (BP engineer, 1997)

"Well, you know, to be considered successful in today's globalized world, you have to be operating internationally. Statoil had little international experience. You know that they have been concentrated in Norway or in the waters of their backyard neighbors. Linking up with a 'major' like BP would help them to become what they wanted to be. An international 'player'." (BP economist, 1997)

"Since North Sea oil will dry up sooner or later, we had to go abroad. Even though we knew that we were as competent as we needed to be, no one seemed to acknowledge this. Of course the Mongstad scandal did not help. But even our managers seemed to like the idea of connecting with BP. I think it was because they basically liked the idea of saying 'BP and us'." (Statoil geologist, 1997)

"Look at those people at head-office. They are all Handelshøyskole economists, they wear dark suits, use English consulting language, and make a lot of unnecessary work for us and themselves to legitimize their existence. We could have gotten just as far on our own. The alliance with BP was just so that they could fly business class to London, use company credit cards, and otherwise just feel important by being linked to BP." (Statoil geologist, 1997)

"I think they feel more serious by being in an alliance with us. Even though they are not, they think they now are an international company just because they are working internationally with us. But come on, we have made our mistakes. We have a pretty bad image in a lot of countries. I am not sure that BP is the best role model." (BP engineer, 1997)

"Statoil had grand plans. They wanted to join the gang of major E&P players. I know they were contemplating several other companies before the alliance with BP was announced. I've heard Shell was a serious possibility. Anyway, the alliance with BP was, at least from Statoil's side, a means to hook up with the right connections. With BP guiding them, they thought that they overnight could become a major international company." (BP manager, 1997)

"Going abroad with such an unknown name would have made it really difficult. Here in Vietnam, for instance, even though I like Statoil's human resource policies best, no one wants to work for a company like Statoil. Or negotiate contracts. They have never even heard of the company. BP, on the other hand, has an important reputation. If you want to get the good employees, besides paying the best, you need to have a good reputation. Without BP, Statoil would never have been able to get any good projects or the best people on their own. They really needed BP." (BP manager, 1997)

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