

## Chapter 7.22

# Global E–Business Alliances: The Socio–Cultural Perspective, Influence, and Mitigation

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### ABSTRACT

With increasing ability to interact globally through the electronic medium, businesses are able to tap into newer business opportunities externally as well as capitalize internally on pools of resources and talents spread across the globe. However one of the major hindrances to the utilisation of these opportunities and talents through global alliances is cross-cultural issues. While technology renders the geographical boundaries redundant, it aggrandizes the chasms in socio-cultural value systems of physically disparate alliance partners. This chapter discusses the gamut of global e-business alliance: the primary reasons for their needs, their socio-cultural perspective, and the various factors that influence such alliances. Finally the corresponding mitigating approaches to those negatively influencing factors are suggested.

### INTRODUCTION

Electronic commerce requires sound business alliances. This is because electronic business can reach far and wide, transgressing geo-political boundaries instantaneously. In order to succeed in a global electronic business, it is essential to create alliances that are not merely of the electronic world but also based around the physical world. This is so because however easy it might be to form an electronic link between two businesses, there are numerous non-technical factors, such as social, political, cultural (Laudon & Laudon, 2002), and legal, that influence the outcome of global e-business alliances. In fact it is the balance between these non-technical factors that usually determines the success or failure of a global e-business alliance, as the technical factors are a “given” for these alliances. Understanding

the socio-cultural perspective resulting from the non-technical factors is at the heart of e-business alliances in this communication age (Unhelkar, 2003a). However while globalization continues to promote organizations to ascend their technological capabilities, when it comes to physical (non-technical) alliances, as already mentioned, organizations stumble across relatively unexpected challenges in terms of cultural and sociological issues (Unhelkar, 2003c). Increasing competitive pressures make it imperative that companies develop new capabilities in providing timely goods and services, improve internal management of their businesses, and decrease costs. These requirements are better served by strategic alliances that bring together disparate skills, capabilities, resources, and environments. Interestingly the electronic world not only creates the need for this synergy but also facilitates bringing these skills together, which would otherwise not have been possible in mere physical alliances. Despite their potential benefits, the majority of alliances do not survive even in the early periods. According to some statistics 55 percent of alliances fall apart within three years; only 23 percent of them can barely cover the costs of forming those alliances in the first place. One of the major reasons for this failure appears to be the inability of the organizations to accommodate differing cultures (Grambs & Zerbib, 2000). These cultural differences are not merely socio-cultural but also related to corporate cultures and political cultures (Laudon & Laudon, 2002; Unhelkar, 2003c). Thus for an effective globalization process, it is crucial that a fine balance between electronic expansion and creation of physical alliances with global trading partners is achieved.

The fact that the socio-cultural issues are now gaining importance in the e-business world is not surprising. This is because these “soft” issues usually follow the successful handling of technological and methodological issues within any process (Unhelkar, 2003b). Therefore, in the context of processes for globalization and related global

information system (GIS) issues, programming for Web sites (technology) and modeling within the context of software engineering (methodology) are challenges surpassed by cultural and social issues. This chapter considers the major reasons and issues in setting up global alliances in the electronic world, the factors that influence such alliances, and what can be done to ameliorate the cultural problems that hamper growth and prosperity of these alliances.

## **REASON FOR GLOBAL E-BUSINESS ALLIANCES**

As mentioned earlier, when organizations form wider electronic alliances it becomes imperative for them to also consider the issues related to physical alliances. This is especially true when the e-business alliance is global, spanning across geo-political borders wherein technological capabilities to interact with each other need to be supported by the physical capability to service clients and business partners. A global alliance effectively builds on the possibilities offered by two companies that are able to electronically communicate and that have value to offer to each other. Usually the underlying principle for electronic business alliances that also require physical alliance capabilities is that each member of the business alliance has something to offer that is complimentary to the other across geo-political borders. It usually turns out that one organization is a technically savvy global aspirant that is trying to reach across the borders. However, due to numerous factors such as social, cultural, legal, and political, the organization is unable to transcend its borders. This is when the electronic commerce world facilitates formation of these alliances, as it is easier to communicate electronically across boundaries than it is to do so physically. However the central point expounded in this chapter is that such alliances, although electronically (technologically) easily conceivable, require

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