

CULTURE AND STRATEGIC ALLIANCE MANAGEMENT IN PAPUA NEW GUINEA

David Kavanamur and Bernard Esonu

ABSTRACT

Culture should be considered as a strategic issue in the management of strategic alliances that involve companies from the West and developing countries and from the public and private sector realm. In-depth interviews along the case study method with local and global alliance managers in Papua New Guinea reveals that culture has a direct bearing on alliance performance and therefore should not be relegated to backstage as being merely part of the remote macroenvironment. The research shows that exposure to, and training in, cross-cultural management skills enhances the alliance management process, public-private sector alliances present special challenges when there are wide culture gaps and institutional structure differences, culture has more impact on alliance implementation and performance than on strategy formulation, and cultural-fit between partners is easily realised where there are shared values. The few alliances that took culture seriously were the ones that survived while those that did not, failed.

Keywords – Alliance management culture, cross-cultural alliances, cross-cultural management skills, culture, shared values, strategic alliance management, wantokism

INTRODUCTION

This article focuses on the influence that culture plays in the management of strategic alliances in the Papua New Guinea financial services sector based on five cases that the author has studied over a period of four years. The five alliance cases are the National Superannuation Fund and AON International alliance (NASFUND-AON), The Bougainville Microfinance Scheme and Australian Volunteers International alliance (BMFS-AVI), the Smallholder Agriculture Credit Scheme and Coffee Industry Corporation alliance (SACS-CIC), the GoPNG's Credit Guarantee Scheme and the former Papua New Guinea Banking Corporation (CGS-PNGBC) and the Small Business Guarantee Facility and Bank South Pacific (SBGF-BSP).

The importance of the article lies in the fact that increasingly developing countries and their organizations – public or private - have to interface for development as well as for profit purposes with organizations external to their immediate environments. More often

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than not, such interfacing processes are undertaken through some form of alliances. The article has relevance for alliance managers in the West who work for global companies that have been prompted by the process of globalization to build alliances with companies in the developing world. As alliance managers they have to learn to interface with their counterparts who operate in environments that are high culture-context and ensure that both partners derive synergistic benefits. In such environments culture becomes a strategic issue with a direct bearing on alliance performance.

The article defines culture as the “collective programming of the mind which distinguishes the members of one group of people from another” (Hofstede, 1997: 5). It then highlights the characterizations of developing country cultures and their impact on the actual alliance management process, a function undertaken mainly by alliance managers or liaison coordinators. This exercise draws mainly from Hofstede’s (1997, 1980) value indexes of relevant developing countries.

Although strategic intent is now becoming paramount in alliance management, culture heavily impacts alliance strategy implementation and thereby underscores the importance of cultural-fit. Different cultural fit strategies are offered including synergy or cultural integration of the partners, complete domination by a single partner, selective domination of certain alliance spheres by each partner according to competence, and complete withdrawal from the alliance if cultures radically differ.

Culture plays a pivotal role at the management level in developing countries and invariably determines performance outcomes. This is because societies in developing countries have high culture-contexts. Culture therefore cannot be treated as a residual factor to be relegated to backstage as merely part of the remote macroenvironment, but should instead be accepted as an important organizational component. Organizational culture plays a crucial role in work organizations in developing countries like PNG because the organization environment is a high culture-context.

ORGANIZATIONAL CULTURE AND DEVELOPING COUNTRIES

Hofstede’s (1997, 1980) and subsequent studies enhances this article’s understanding of organizational culture in developing countries. Table I depicts the value indexes of relevant developing countries with similar context to PNG.

Table I. Hofstede’s value-index of five dimensions in selected developing countries

Dimension	Power Distance	Individualism	Masculinity	Uncertainty Avoidance	Long-term Orientation
Malaysia	104	26	50	36	-
Philippines	94	32	64	44	19
Indonesia	78	14	46	48	-
Thailand	64	20	34	64	56
West Africa	77	20	46	54	-
East Africa	64	38	41	52	-
Arab countries	80	38	53	68	-
Average	80.14	26.86	47.71	52.29	-

Source: Hofstede (1997: 26, 53, 84,113,166).

Table II. Hofstede's value index of five dimensions in major Western cultures

Dimension	Power Distance	Individualism	Masculinity	Uncertainty Avoidance	Long-term Orientation
USA	40	91	62	46	29
UK	35	89	66	35	25
Australia	36	90	61	51	31
NZ	22	79	58	49	30
Canada	39	80	52	48	23
Germany FR	35	67	66	65	31
Average	34.5	82.67	60.83	49	28.17

Source: Hofstede (1997: 26, 53, 84,113,166).

As shown in Table I, the power distance indexes of developing countries are consistently higher than Western countries (Table II), both by individual country standard and by the average of the two groups of countries. Discussions on management in Africa, Thailand, Vietnam and Mexico, among others (see Kavanamur, 2003), demonstrate that Hofstede's indices confirm that non-Western societies accept that:

- power is unevenly distributed
- collectivism is preferred over individualism showing that human ties are much tighter relative to those in Western countries
- masculinity is lower relative to the West reflecting a generally lukewarm emphasis on performance and achievement oriented behavior
- there is slightly higher uncertainty avoidance reflecting an inability to accept higher risk

Hofstede's data on masculinity, uncertainty and long-term orientation should, however, be interpreted with caution as they are inclusive. For example, the difference between Western and Chinese cultures on masculinity is not significant enough due to rapid industrialization (Leung, 2000: 113) and the Nordic countries tend to be more feminine than Anglo-Saxon countries. Also, while Chinese cultures may reflect a higher average score on long-term orientation compared to the West, it does not necessarily follow that all developing countries have a tendency for long-term orientation. These findings generally find support in the work of others in international management, particularly Punnett's (1989) cluster analysis, Kluckhohn and Strodtbeck's (1961) value orientation model, Hall's (1976) high versus low context culture framework, and Gannon's (1984) metaphors.

Although Hofstede's study is useful generally for the purposes of this article, it must be acknowledged that his findings may reflect only a snapshot of evolving cultures and because it was undertaken in 1980, it faces the danger of being dated.

Hess (2001) discusses the implications of aspects of PNG's national culture at the organizational level. PNG is a nation of enormous ethnic diversity with over 800 languages and cultures. The bulk of the population (87 per cent) dwells in the rural areas, working in the subsistence economy. Social concepts which are common and have implications for organizations include *wantok*. The concept is defined as a system of rela-

tionships (or set of obligations) between individuals, characterized by some or all of the following: common language (*wantok* = one talk), common kinship group, common geographical area of origin, common social associations, common belief based on the principle of mutual reciprocity (Mannan, 1978: 200). At best the *wantok* system is suitable for the more clannish social environment (Hess, 2001) and has been referred to as a form of micro social capital (de Renzio et al., 1999).

Hess (2001) observes that *wantokism* influences work attitudes in modern work organizations. On the one hand, its positive aspect may be that it provides “mutual support and cooperation within mutually acceptable rules of social and economic behavior” (Warakai, 1989: 45; cited in Hess, 2001: 14). On the other hand, because of its social obligations to render time and resources to unemployed relatives, it acts as a major disincentive to work (Monsell-Davis, 1993: 8) and therefore productivity. It has also been viewed as operating within organizations with “detrimental impacts on decision making, control and communication” (Hess, 2001: 15). Hess interviewed PNG informants who were among 200 students in management courses at the Australian National University and found that the tendency to favour *wantoks* in appointments and promotions and the strength of informal work groups based on regionalism limit effective managerial control.

Clearly, *wantokism* as a cultural orientation limits the motivation to work, inhibits organizational commitment, prevents recruitment on the basis of organization objectives or performance, impairs rational decision making processes and problem solving capabilities, and is inimical to being proactive and to long-term planning for development, investment or saving. Kavanamur (2001) notes that PNG culture is generally less individualistic, has high uncertainty avoidance, high on associative thinking with less abstractive thinking, has a past-present oriented time perspective and has a passive/reactive task orientation.

These are typical cultural orientations of developing country cultures (Kanungo et al., 1990; Hofstede, 1997; Mendonca and Kanungo, 1997), which alliance managers in PNG have to be aware of and tailor human resource management policies, managerial practices, and interpersonal communications accordingly to generate appropriate alliance cultures. Managers need to understand the society’s attitude towards human nature and towards work.

BACKGROUND TO THE ALLIANCE MANAGEMENT CASES

Case 1 – Smallholder Agriculture Credit Scheme (SACS)¹: The Smallholder Agriculture Credit Scheme (SACS) represents a strategic alliance between the Rural Development Bank of PNG and the Coffee Industry Corporation (CIC). The alliance was established in 1996 based on a proposal from the CIC. Although the SACS has other commodity partners, they are not covered in this paper due to space and time limitations. The RDB-CIC alliance represents 28 per cent of the SACS loan portfolio which is by far the largest when compared with other commodity bodies. RDB’s alliance manager observed that despite a downward trend in coffee prices the coffee sub-sector remained the leading sector and recorded the highest loan collections cumulatively, consistently increasing loan repayments over the last five years.

The alliance is essentially a revolving fund constituting K10 million in seed capital from the GoPNG via the Department of Agriculture and Livestock (DAL) for lending to smallholder coffee farmers. The revolving finance entails that the principal of loan out-laid is reinstated for further on-lending upon repayment, with the RDB retaining the interest portion to cover its administration costs. The maximum loan for any one project is K10, 000 with interest charged at a subsidized rate of 5 per cent. Maximum loan term is 10 years with a 3-year grace period.

Case 2 – GoPNG’s Credit Guarantee Scheme (CGS)²: The GoPNG’s Credit Guarantee Scheme (CGS) was established in 1976 and operated under the auspices of the Department of Treasury until 2002 when it was suspended. The CGS was designed to operate with strategic partners or Participating Financial Institutions (PFIs) under an MOA. In this case, one such partner which is the focus of this report was the Papua New Guinea Banking Corporation (PNGBC), a nationally owned bank that was merged with Bank South Pacific (BSP), a private sector bank, in early 2002 at the time of research.

The *modus operandi* of the CGS alliance stems from Section 37 of the *Public Finances (Management) Act 1995*, which permits the Treasury Minister to guarantee the repayment of a loan, including interest, made to any person or business organization operating in a strategic area approved by the GoPNG. In this case, the CGS guaranteed up to 80 per cent of loans aimed at cultivating a cadre of national entrepreneurs tied to the national interest of the GoPNG. Thus the PNGBC agreed to participate in the alliance through a MOA by providing loan facilities to national entrepreneurs at market rates using normal prudential procedures. The GoPNG via Treasury undertook to guarantee 80 per cent of the loans plus interest not recovered in the event of default. Under the MOA, loan applicants under the scheme could enter through PNGBC and Treasury, but ultimate approval was the prerogative of the PNGBC. Upon satisfactory assessments of loan proposals, banks such as PNGBC proceeded to request the Department of Treasury to issue the necessary guarantees binding the GoPNG to pay the guarantee in the event of default before loans were disbursed.

The range of loan facilities made available included individual loans up to K50, 000 and group, company and/or joint venture loans of between K50, 000-200,000 per member. These were granted on the basis that there were at least five national shareholders. The loan repayment period was five years with monthly repayments. Borrower equity and security were not required under the scheme and loans were for any productive purposes. In the first year of the loan, a two per cent loan premium fee was charged on the principal amount. This fee was for the extra risks that banks incurred. An establishment fee, which varied with each bank, was also charged. The interest rate charged was the commercial banks’ prime lending rate and interest was calculated on daily outstanding amounts, according to Treasury’s alliance manager. Applications were made to commercial bank branches, which forwarded them to their respective head offices in Port Moresby. After screening, successful applications were then forwarded to Treasury for endorsement.

The PNGBC was a major alliance partner in the GoPNG CGS network because it was a state-owned bank that was established in 1974, had a market share of 60 per cent, and had a wide branch network up until 2002 when the GoPNG sold 75 per cent of its con-

trolling share to BSP. PNGBC was an 'all-finance' bank geared towards providing the population of PNG with adequate financial services and products. The bank had to reduce its network of branches and agencies in the last decade due to security problems and to increase its profitability, but by the turn of the century, PNGBC was to remain the single most successful financial institution in the country as far as the mobilizing of small savings was concerned. As at September 1999, the bank administered more than 500,000 passbooks and transaction accounts, with an average deposit balance of less than K400.

Case 3 – Small Business Guarantee Facility (SBGF)³: The Small Business Guarantee Facility (SBGF) represents a strategic alliance between the Small Business Development Corporation (SBDC) and Bank South Pacific (BSP), which was operated between 1996 and 1999. There were other partners in the SBGF network but for the purposes of this paper focus is restricted to the SBDC and BSP alliance.

The SBGF was a financial alliance that started in 1996 with an initial funding of K1.6 million by the GoPNG. The scheme had three types of bank guarantees: the Clean Loan Guarantee, Collateral Short Guarantee and Credit Risk Guarantee. Loan guarantees ranged from 50-100 per cent of the principal loan and eligible loan amounts ranged from K1, 000-K100, 000. Under an alliance agreement known as the SBGF Participating Agreement between the partners that was reached in 1996, SBDC was required to deposit K500, 000 in a term deposit with BSP at below market interest rates. The deposit acted as a guarantee for lending by BSP to target clients.

Case 4 – Bougainville Microfinance Scheme (BMFS)⁴: The Bougainville Microfinance Scheme (BMFS) represents a strategic alliance between AusAID, its Australian managing contractor (AMC) the Australian Volunteers International (AVI), and the Bougainville Transitional Government (BTG) through the Bougainville Division of Commerce. The alliance partners created a separate entity known as the Bougainville Haus Moni (BHM) as a way to achieve their main objective on Bougainville - financial intermediary to rebuild Bougainville after a 10-year war with the GoPNG. Essentially, AusAID is the main financial backer of the project alliance and capacity builder of the BHM via the AMC, while the Commerce Division was the main alliance initiator. The Commerce Division also provided finance for the project through counterpart funding. Australian Volunteers International, as the AMC, provides a team of advisers to BHM and visits Buka three times a year to supervise the implementation process.

Case 5 – NASFUND-AON⁵: The final case study in this paper represents a strategic alliance between the National Superannuation Fund (NASFUND) of PNG, formerly the National Provident Fund (NPF), and AON Consultancy (PNG) Ltd, a global corporation specializing in employee benefits administration. The alliance agreement was finalized on May 2, 2001 through an Administration Services Agreement (ASA) initially for five years. The alliance agreement stated that NASFUND would outsource its backroom operations to AON Consulting. This process left NASFUND with the key functions of compliance and client servicing.

NASFUND is a compulsory savings scheme for workers in the private sector established in July 1981 by the *National Provident Fund Act Chapter 377* of the revised Laws of Papua New Guinea. NASFUND is the second largest in the superannuation

industry which totals K1.2 billion (A\$620 million). NASFUND is currently leading in best practice management for corporate governance after a period of mismanagement during 1998 –2000. During this period, the company turned in its worst financial performance with a near financial collapse in 1998. Net asset value grew constantly from K100 million in 1991 to K284.451 million in 1997 then drastically fell by 40.6 per cent to K124.033 million in 1999. From period 1998 to 2000 the company recorded losses each year. Profitability was restored in 2001 after a new CEO was appointed in 1999 and some changes were made to the board.

Importantly, the turnaround in the company coincided with reforms in the superannuation industry, namely the privatization of state-owned funds such as the old NPF. NASFUND was incorporated as a company under the *Companies Act* in 2002. This meant that political appointments of CEOs and board members could cease. The superannuation industry reforms also brought the NASFUND under the *Banks & Financial Institutions Act*, particularly its requirement of board members and senior executives meeting the ‘proper and fit person test’. The other relevant pieces of legislation that reigned in the management of NASFUND are the *Superannuation Act 2000*, *Companies Act*, *Public Finance (Management) Act*, and *National Provident Fund (Financial Reconstruction) Act 2002*.

The alliance now manages the employee benefits of 65,000 contributing members from over 932 employers as at April 2003. According to NASFUND’s CEO the decision to outsource to a major global company has brought the company financial results beyond expectations, even though the alliance is still in its early days with the company declaring profits since 2001. NASFUND’s primary goal is client service and was seeking to be the industry leader by 2003.

ORGANIZATIONAL CULTURE AND ALLIANCE MANAGEMENT CASES

Key themes and issues of management culture run across the cases (Table III). Most involve the challenges alliance face in developing a culture-fit between the partners’ organizations and with the dominant societal cultures. A common theme that emerges is that all alliance management processes were affected by the negative influence of PNG’s societal culture including corruption, political interference and *Wantokism*. These influences interfere with decision making, are apparent in slow decision making at management board level, and reflect strong social culture rather than business culture, emerging loan default culture and *bighmanship* resulting in strong respect for hierarchy.

Table. III Cross-case summary – Alliance management culture

	Alliance Management Culture
NASFUND-AON	<ul style="list-style-type: none"> • Change management program introduced by NASFUND in 2000 has improved management culture. • Strong service oriented culture with improvements at front desk service. • Strong corporate governance culture with emphasis on transparency through implementing firewalls against corruption and political interference.
BMFS	<ul style="list-style-type: none"> • Alliance culture influenced by AVI's philosophy of building grassroots capacity, effective communication with stakeholders, sensitivity of local culture, local ownership of projects, and gender balance. • Growing professional work culture within BHM. • AMC concerned with inability of board to make fast decisions. • BHM concerned with AVI's tendency to pressurize board in decision making reflecting differing cultural orientation. • AMC feels BHM's alliance manager has an exaggerated sense of hierarchy being a former public servant.
SACS	<ul style="list-style-type: none"> • Strong community service oriented culture. • Culture largely shaped by Community Service Obligations. • Subsidized interest rates shaped by societal culture of dependence on GoPNG. • Partners aim to cultivate a new market-oriented culture to lending.
CGS	<ul style="list-style-type: none"> • Alliance fell victim to culture of reverence for hierarchy and red-tape. • Hierarchy and lack of seniority for Treasury's alliance manager prevented lateral communication. • Reward system did not promote alliance management skills. • Strategic-, operational-, cultural-fit gaps widened by the early 1990s. • Handout mentality promoted loan fungibility and moral hazard amongst borrowers. • Decentralized lending to grow loan book at PNBC did not account for <i>wantokism</i>.
SBGF	<ul style="list-style-type: none"> • SBDC's bureaucratic culture affected its interface with BSP. • Alliance's lending culture shaped by BSP's strict lending culture that SBDC was under pressure to justify its existence due to slow outreach. • Lending officers' discretion was supervised by senior staff to cushion against <i>wantokism</i>.

Source: Kavanamur (2003: 229).

Alliance managers who devised strategies to filter these influences or blend the positive aspects of societal culture with organizational culture were able to improve alliance performance. In the NASFUND-AON alliance, NASFUND, given its excellent alliance management skills, undertook a change management process that improved the organizational culture prior to entering into its alliance with AON, a global company. During the course of alliance implementation firewalls were implemented for protection from political interference that often gave rise to corruption. Thus, whilst the negative influences of societal culture was filtered out, the partners developed a strong cultural-fit that revolved around a strong service-oriented culture, with improvements in front desk service and strong corporate governance culture with an emphasis on transparency. The firewalls, built by NASFUND being the lead partner, entailed separation of board from management and the outsourcing of the following functions: Chairman of the Audit & Remuneration Committee to PW Coopers, Investment Fund Manager to Capital Brokers/ANZ joint venture, Chief Accountant to Deloitte, external auditors to KPMG and Fund Controller to AON Consulting.

To remove political interference, NASFUND became a private company after being a government statutory body since its inception in the 1980s. Conflicts of interest were minimized by having board members declare any such conflicts at the beginning of meetings and to promote transparency, board minutes are published on the NASFUND website, www.nasfund.com.pg. This website also posts the employment terms and conditions of staff, from CEO to desk officer.

In the BMFS alliance, the strong community service orientation and grassroots culture of AVI seemed to have dominated the alliance. The partners used local societal structures such as clans and used the positive aspects of *wantokism*, such as sharing, to develop local trust and derive a sense of ownership of the GMFIs that were multiplied at the local grassroots level. However, in terms of work culture and ethics, AVI continued to inculcate a professional work culture and networking skills at BHM.

Likewise, at the SACS the alliance has developed a strong community service oriented culture. The main challenge for SACS now is to take this CSO culture forward and integrate it with a new market-oriented culture towards lending, brought about by pressures exerted on the parent partners to achieve financial sustainability.

In the weak cases, evidence abounds showing that the partners' organizational cultures were at opposing poles. There were no efforts made to achieve cultural-fit. In the CGS and SBGF, the commercial banks' cultures were different from the government agencies' cultures and were the main source of conflict. However, in one of the banks, the state-owned PNGBC, the banking culture succumbed to societal influences such as *wantokism* and political interference, resulting in a break down in the lending culture between 1996-2001. It is noted in this paper that in this situation the breakdown in lending culture rendered PNGBC's superb lending technology irrelevant because such technologies could easily be manipulated. A final point is that the failure to achieve cultural-fit is bound to prevent the achievement of strategic- and operational-fit.

A common thread can therefore be observed across all cases, revealing that cultural-fit between partners could be reached where there are shared values. Thus, for the NASFUND-AON, BMFS and SACS, there were common goals that accelerated the process of building cultural-fit. However, organizations that are poles apart in terms of values are less likely to achieve cultural-fit. In this regard, public-private sector alliances present special problems and cross-cultural alliances add further challenges to the work of alliance managers. Moreover, when one adds the pressures of societal culture on alliance management, the task of alliance managers looks even more challenging and unenviable in a developing country environment.

DISCUSSION ON ALLIANCE MANAGEMENT CULTURE

From the strategic management approach alliance management in the West focuses on establishing cultural-fit between the partners' organizational cultures and societal cultures. It also recognizes that communication is essentially embedded in culture. Moreover, it recognizes the fact that because developing countries are a high-culture context, culture becomes a strategic issue with a direct bearing on performance. Generally, therefore developing countries are highly relationship-oriented.

The cross-case analysis confirms the importance of culture to the alliance management process. Even though it may be true that PNG has a relationship-oriented culture and a high culture-context that may be conducive to alliance management, these traits make it difficult for alliances to reach a cultural-fit between organizational cultures and societal cultures. All the cases were concerned with the negative influence that PNG's societal culture places on process management. These influences comprise political interference leading to corruption, *wantokism* which prohibits discretion in decision making, slow decision making processes, a predominantly social culture rather than a business culture, widespread loan default culture, and 'bigmanship' which reveres hierarchy and respect.

The cross-case analysis contributes empirical evidence to the alliance management literature confirming that a cultural-fit between partners could be reached where there are shared values. Based on the NASFUND-AON case, it demonstrates how the negative effects of societal culture could be filtered. It also points out that whilst cross-cultural exposure enhances the alliance management process, cross-cultural alliances themselves add one more challenge to the process in a country such as PNG where international exposure is limited amongst its people and where the adult literacy rate is far lower than most developing countries. Another point to emerge from the cross-case analysis is that when negative aspects of cultural traits such as *wantokism* predominate, technological sophistication becomes nonsensical. The case of the CGS attests to this point where the breakdown in lending culture made lending technology less effective in protecting the quality of loans.

In addition to the above discussion, a number of key lessons can be gauged from this paper. These include:

- Exposure to, and training in, cross-cultural management skills enhances the alliance management process. This allows partners to appreciate differences and to work on common interests, rather than to focus on faultfinding. The ability to focus on the big picture, while simultaneously tracking operational or process issues, is an art alliance managers need to master. The strategic management approach calls this process 'perspective taking'.
- Public-private sector strategic alliances present special challenges to alliance management because there are wide culture gaps and institutional structure differences. The CGS case demonstrates that even when such alliances were not achieving their goals after more than 10 years, alliance termination was constrained by institutional factors. Governments may argue for the continuation of these alliances on the grounds of community service obligations. In such a scenario, the private sector partners frequently tend to tag along using the consolation argument that it is their moral obligation to do so.
- Culture has more impact on alliance implementation and performance than on strategy formulation. Developing culture-fit between partners' organizational cultures and societal cultures becomes a paramount task for alliance managers and senior executives. All cases have had to contend with the negative influence of PNG's societal culture dominated by *wantokism*, seemingly slow deci-

sion making at board level, and tolerance for corruption. Cases that devised strategies to filter these influences were able to improve alliance performance.

- Cultural-fit between partners is easily realised where there are shared values. However, organizations with opposing values are less likely to blend. Thus public-private sector alliances present special problems. Cross-cultural alliances provide additional challenges to the work of alliance managers.

CONCLUSIONS

The article is based on research that confirms the significance of cultural elements such as *wantokism* and its influence on attitudes to work, time and decision making in strategic alliance management. In fact, all cases were apprehensive about the negative influence of PNG's socio-cultural environment on the alliance management process.

Alliance managers highlighted the significance of cultural factors and its many aspects such as a widespread political interference in management issues, a general trend towards endemic corruption, *wantokism* which prevents discretion in decision making as senior executive oversight is necessary, slow decision making at board level, a predominance of social culture over business culture, emerging loan default culture and 'big-manship' resulting in a strong respect for hierarchy.

Alliances that involved a government agency partner were more susceptible to the direct influences of *wantokism* and political interference. The CGS illustrates this where loan applications not only entered through the bank counters, but also through two political entry points - at the PNGBC CEO level and at the National Executive Council or cabinet level. Usually, such loan applications were approved outside the normal prudential banking guidelines. It must be noted here that this practice was not isolated to the CGS, but was also prevalent throughout the lending culture of the bank as the PNGBC was, until 2002, a state-owned commercial bank.

These cultural factors made the development of cultural-fit between partners that could not change the cultural mindsets of people within their own organizations, much more difficult. In cases where cultural mindsets were difficult to change, the end result – failure - of these alliances was never in doubt. The CGS is typical, in particular when the PNGBC lending officers and Treasury officials deliberately approved loans to improve their social standing in the community or to reward a *wantok* or clan as part of the exchange obligation process. This culture meant that, the sophisticated banking technology that PNGBC possessed could not protect loan quality, rendering it nonsensical given the socio-cultural and political objectives that were being pursued by PNGBC loans officers and their CEOs, Treasury officials, and politicians. Indeed, PNGBC's prudent lending culture deteriorated in the period from 1996 to 2001 (PNGBC Limited, 1999, 2000).

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A few alliances such as NASFUND-AON were able to filter out the negative influences of PNG's societal culture by building firewalls around their alliances through good corporate governance principles and legal reform to their industry. However, for NASFUND, this strategy depended on a change management program adopted by senior executives and the direct backing of the country's prime minister who was promoting economic and public sector reform.

NOTES

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- ¹ This case analysis is based on data derived from in-depth interviews with alliance officials of both the Rural Development Bank and the Coffee Industry Corporation at varying times in 2002. Interviews were conducted with the RDB's alliance manager, the Executive Manager (Lending) and economist (both based in Port Moresby), and the branch manager in Goroka. CIC's alliance manager, who is the National Credit Manager, was interviewed at the CIC head office, Goroka. Secondary data sources helped triangulate the data.
 - ² This case analysis is based on data derived from in-depth interviews with alliance officials of both the Department of Treasury and the former Papua New Guinea Banking Corporation (now Bank South Pacific) at varying dates in 2002. Interviews were conducted in Port Moresby with Treasury's alliance coordinator, Assistant Secretary Treasury within the Economic Policy Unit, Assistant Secretary General Investment within the Commercial Investment Division, First Assistant Secretary CID, and Acting Assistant Secretary Domestic Debt Management together with the Senior Financial Analyst Debt Recovery for failed CGSs and investments. PNGBC's former alliance manager who was the Executive Manager (Commercial Lending) was also interviewed. Secondary data sources helped triangulate the data.
 - ³ This case analysis is based on data derived from in-depth interviews in Port Moresby with alliance officials of both the Small Business Development Corporation and Bank South Pacific at varying dates in 2002. Interviews were conducted with SBDC's new alliance manager who is now the organization's Managing Director as well as SBDC's Manager (Training). For BSP, interviews were conducted with its alliance manager who was the Manager of the Lending Centre tasked with overseeing the SBGF alliance from 1996 to 1999. This person is now the Head of Consumer Business with BSP. Secondary data sources were used to triangulate the data.
 - ⁴ This case analysis is based on data derived from in-depth interviews with alliance officials of both the Australian Volunteers International as AusAID's Australian managing contractor of the Bougainville Microfinance Scheme and the Bougainville Haus Moni at varying dates in 2002. Interviews were conducted in Bougainville, Port Moresby and Balmain, Sydney (Australia) with AVI's alliance manager who is the team leader of the AMC and BHM's alliance manager who is currently BHM's project coordinator in Buka. Secondary data sources were used to triangulate the data.

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- ⁵ This case analysis is based on data derived from in-depth interviews with alliance officials of both the National Suprannuation Fund and AON Consulting (PNG) Ltd at varying dates in 2002. All interviews were undertaken in Port Moresby. Interviews were conducted with NASFUND's alliance manager who is currently the General Manager and with its Managing Director. As for AON, its alliance manager responsible for the NASFUND portfolio was interviewed. Secondary data sources have been utilised for data triangulation.

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APPENDIX A: APPLICATION QUESTIONS

1. How important is culture to strategic alliance management in a typical developing country setting?
2. Do alliance managers in the West and developing countries face the same challenges in managing alliances?
3. Why is it important for alliance managers in developing countries to filter out certain influences of the general societal culture from negatively influencing an alliance's organisational culture?
4. Why do public-private sector alliances present particular challenges for alliance managers?
5. What key lessons could be gleaned from the few success alliance cases from Papua New Guinea that could benefit alliance management globally?

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