

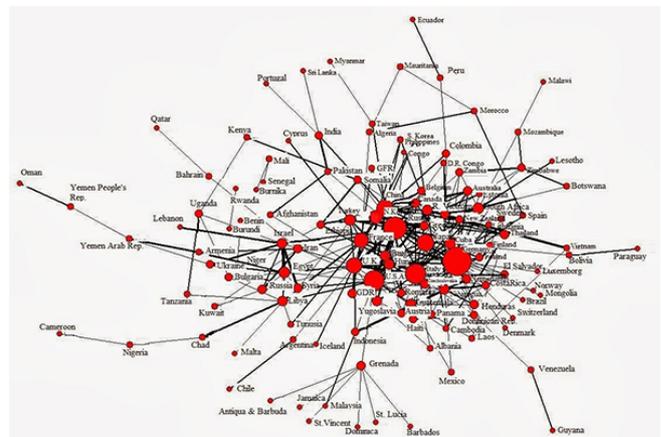


The Role of National Animosity in Business Partnerships

Historical national animosity can influence business ties.

Pakistan has India and Afghanistan as neighbors, and there is shared ethnicity and language across the borders. Still, it is not clear to us that a firm in Pakistan will choose an Indian or Pakistani firm as an alliance partner. UK is much closer to France than to the US, but we think of a special relation between UK and US that goes beyond the shared language. Would it surprise us to see UK firms ally more with US than French partners?

Let's not explain our intuitions on these nation pairs through some soft culture concept. We know that there have been threats of wars and actual wars between the less likely pairs of nations in these examples. Well, there was also a war between the UK and US a while ago, but it is nothing compared to UK-France relations. In fact, it is possible to link nations through their ties of animosity, as in the figure below.



The figure is part of a research paper published in Academy of Management Journal by Ilgaz Arikan and Oded Shenkar, who examined the effect of national animosity on firm alliances. Their idea was that national animosity would affect the climate of trust such that firms would prefer some partner nations over others even if the animosity was more a traditional residue than an actual threat. After all, invasion threats between the UK and France have not been issued for a while.

So what can make alliances possible between two nations that historically have been in strife, but now are not and have firms that need each other? The question is a real dilemma because firms can suffer if their alliance choices are driven by history more

than by economic value. Well, there are some conditions that help nations become more attractive, even if they have been in strife. The conditions are not entirely nice, but they do help. Basically, the potential partner nation looks more attractive if it is generally hostile to other nations, rather than singling out the nation of the firm. It also looks more attractive if there is a lot of variation in how it treats other nations. Under both of these conditions, the deepest kind of alliances involving equity are likely to happen.

So the worst situation is when the firms that your firm needs most are in a nation that is peaceful to all other nations than your own. In business, it is best to stay away from sworn enemies, including sworn political enemies. It is just one more detail to consider in the craft of putting together an effective portfolio of alliances and one that is so new that we did not even consider it in our book, *Network Advantage*.

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