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Author(s)	Liu, AMM; Fellows, RICHARD
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ORGANISATIONAL CULTURE OF CONSTRUCTION JOINT VENTURES: CASE STUDIES IN HONG KONG

Anita M M Liu¹, Richard Fellows²

1. Professor, Dept. of Civil and Building Engineering, Loughborough University, UK.
2. Professor, Dept. of Real Estate and Construction, University of Hong Kong, Hong Kong.

ABSTRACT

Culture can be regarded as a system of shared meanings that organises values into mental programmes which guide the behaviours of people within communities – notably, nations and organisations. Organisational culture involves cognition, affect and behaviour and reflects customary thinking, feeling and acting that are attributed to a particular group of people as they learn to cope with their environment. Largely, behaviours of organisations depend on the decisions and business strategies of top management and are greatly influenced by culture. There is a close relationship between the characteristics of organisational culture in a joint venture (JV) organisation and the parent companies; often, the organisational culture of the (most) powerful parent company dominates. That reflection relates to the top management’s strategy and the allocation of authority among JV partners. The two case studies investigate the organisational culture of international JV projects in Hong Kong that pool resources from parents with different cultural backgrounds. One of the case studies compares the JV organizational culture with the parent companies from UK, Hong Kong and mainland China. The organizational cultures of the parent companies are consistent with their own national cultural characteristics but, in the JV where more than one national culture is involved, the JV organizational culture is highly influenced by the dominant national culture of the management team. In the second case study, the project director is seconded from the dominant parent company. That JV exhibits cultural characteristics which show a synergy of elements from the founding parents but with emphasis on the culture of the dominant partner in the JV.

Keywords: culture, international construction, joint venture, parent companies, Hong Kong

INTRODUCTION

The realisation process of major, international construction projects comprises a myriad of transactions amongst a huge number of participants, often involving the formation of a joint venture (JV). Viewed as a supply chain (Titus and Brochner, 2005), each component transaction is founded in the use values attributed to the subject matter of the transaction by the two transacting parties who, then, arrive at the market price at which the transaction occurs. Kotler (1972) notes that: “a transaction is the exchange of *values* between two

parties.” The things-of-value need not be limited to goods, services, and money; they include other resources such as time, energy and feelings.

The construction realisation process is a complex of interdependencies between individual transactions amongst social institutions, hence, as the realisation process depends upon those social institutions, e.g., interactions between JV partners as well as clients’ and consultants’ organisations, so too, to varying degrees, do those social institutions (performance, survival and success) depend upon the project (and other) transactions. In many international JVs, the vast number of interdependent, component transactions, coupled with diversity amongst participants leads to complexity and, consequent, boundary management issues and risks. Therefore, according to Das and Teng (1999), the partner firms may not work together efficiently because of incompatible organizational routines and cultures. It is this process of culture in action, i.e. the development of a new culture for the joint venture, which is the source of many conflicts and a major contributor to the failure of many JVs (Swierczek 1994).

JOINT VENTURES – CULTURE AND CONFLICT

Clearly, the focus of alliances is on transactions which are, otherwise, external to the individual participants that occur in a market context and so, necessitate formal relationships between independent organisations which intend to undertake activities together through some pooling of resources. Such formal relationship leads to the imposition of formal governance structures which converts to a form of hierarchy in the supply.

The reasons for forming an alliance may be the need to enter new markets, obtain new technology / best quality, economies of scale, reducing financial risk and sharing costs of R&D, achieving / ensuring competitive advantage (Elmuti and Kathawala, 2001; Glaister, Husan and Buckley, 1998). However, Li (1995) finds that international JVs involving US pharmaceutical and computer companies have a higher rate of failure than wholly-owned investment projects.

Julian (2005) reports that the presence of two or more parent organizations from different cultures and geographic locations tends to make an international JV a complex form of organisation structure that is often difficult to manage. Also, because parent organisations are legally separate entities, each has its own corporate culture and managerial way of doing things. This further increases managerial complexity and complicates the issues of coordination and joint problem solving for managers in international JVs.

Given the importance of relationships and behaviour to the operation and (successful) performance of JVs, together with their objectives, it seems clear that culture is of fundamental impact, especially when considering compatibilities amongst participants.

Culture is manifested through facets of behaviour. Behaviour is dependent upon values and beliefs, whether any behaviour is determined by conscious thought/evaluation or ‘instinctive’. Kroeber and Kluckhohn (1952), following their discovery of 164 definitions, define culture as, “...patterns, explicit and implicit of and for human behaviour acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and, especially, their attached values; culture systems may, on the one hand, be considered as products of action, on the other as conditioning elements of future action”.

International JVs are autonomous organizations from their inception (Auster, 1987). However, the academic and practitioner literature suggests strongly that parent firms do not allow international JV to function independently to form their own organizational culture and identities apart from the parent companies (Geringer and Herbert, 1989; Main, 1990). Parent companies want to exert management control over the newly formed international JV through different types of parental control structures. Killing (1982) suggests that the most effective

form of control is the situation where one partner dominates decision-making control within the venture.

Conflict inevitably exists in JV projects which may lead to project failure. However, some organizational theorists (see Mullins, 2005) believe that if conflict is managed properly, it can increase organizational effectiveness. JV contractual procurement is adopted widely on major construction projects in Hong Kong. Amongst such projects, most are formed between local and foreign partners/parents. The Airport Core Program (ACP) is a classic example of international JV construction in Hong Kong. This set of projects demonstrates that, despite conflicts, if the projects are managed properly with appropriate styles, international JVs can be successful on large-scale infrastructure projects (Hung, Naidu, Cavusgil and Yam, 2002).

PROJECT-BASED CONSTRUCTION JOINT VENTURES

Most international construction JVs in Hong Kong are “Project-based”, each with a finite life span – the international JV is dissolved upon (physical) completion of the project. Sillars & Kangari (2004) state that a project-based JV is a special type of alliance and, often, is used to form a competitive organisational structure in the global market; it allows participants to assemble project-needed assets quickly – on a short-term basis without substantial investment. Such JVs are temporary in nature, i.e. the creation of a separate entity through the alliance of two or more organisations for the purpose of carrying out a specific project (as under ‘project partnering’ – Bennett, Ingram and Jayes, 1996). The JV participants join, often through contractual agreement, to contribute resources of skill, experience, financing or physical resources. According to Lorange and Roos (1992), project-based JVs are organisations to which the parents put in a minimum of strategic resources, entering an arrangement for jointly creating strategic value through a common, temporary organization. The resources generated do not get distributed to the parties except for the financial results (e.g. dividends, royalties, etc.). An example is the creation of an alliance in a certain country to facilitate entry into that country; each of the parties contributes resources only as required to perform the project, and the rewards are repatriated to each party as financial return (see Lorange and Roos 1992). Lynch (1993) compares project-based and traditional, more enduring, JVs in Table 1.

Area of comparison	Project-based JV	Traditional JV
Life span	Finite	Indefinite
Nature	Dissolving after project	On-going
Strategic planning	Short-term orientation	Long term orientation
Time to rectify default	Within contract period	On-going process
Decision making	Relatively fast	Relatively slow
Management style	Task oriented	Business oriented
Partner relationship	Short-term orientation	Long term orientation
Information flow	Must be Quick	On-going process
Product/Service improvement	Defined by contract	On-going process
Control	Hierarchy	Team work
Primary Objective	Completion of project on time	Business objective
Possible benefits	Possible win-lose situation	Win-win situation

(Source: adapted from Lynch, 1993:26)

Table 1: Comparison of project-based and traditional joint ventures.

Project-based JVs are characterized by pre-determined limited life spans and activities which are oriented towards well-defined objectives (Hung et al, 2002). In construction, this type of JV is usually formed when one partner is required to undertake a special project with high

technology and financial requirements and the other contractor has a market advantage. The JVs are terminated upon the completion of the given project. Such limitation in time usually leads to management problems – for instance, pressure for rapid decisions, or the selection of an inappropriate partner. Parent firms have less time to understand the local environment and to investigate their potential partner(s) thoroughly. Further, culture related conflict is almost inevitable in this type of JV if adequate planning and deliberation do not precede key partnership and venture formation decisions.

According to Lynch (1993), the differences of the project-based and traditional joint ventures are wide ranging, from the limited life span of the venture, the planning horizons, to the decision making and management styles, and the required information flows for yielding potential benefits for the two different types of JV. International construction projects are often project-based JVs.

Johnson, Cullen, Sakano and Bronson (2001) also state that parental control over a legal autonomous organisation may also result in an area of conflict unique to international JVs. The constant interference from parent organisations prevents an international JV from evolving into an integrated organisation. Therefore, conflict inevitably exists between parents and a newly formed, project-based international JV. According to Johnson et al (2001), the three conflict relationships which might appear in international JVs are (1) conflict between parents, (2) conflict within the JV between parents, and (3) conflict between parents and JV management. Since it has been alleged that the parent organisation has significant influence on the JV, the research questions in this paper are:

1. whether the organisational cultures of the parent companies are consistent with their own national cultural characteristics and, where more than one national culture is involved in the JV, whether the JV organisational culture is influenced by the dominant national culture of the management team,
2. whether the JV exhibits cultural characteristics which show a synergy of elements from the founding partners but with emphasis on the culture of the dominant partner in the JV.

RATIONALE FOR THE CASE STUDIES

Both mergers and construction JVs involve procedural integration as well as physical integration of resources to various extents – depending on the environmental/project specifics at the time. Whilst procedural integration, in mergers, involves the combination of systems procedures and rules, physical integration entails the consolidation of assets and equipment. However, in JVs, managerial and socio-cultural integration is more important (see Lynch, 1993; Hung et al, 2002; Das and Teng, 1999; Lorange and Roos, 1992), and relates to cultural integration, integration of management styles and changes in organisational structure.

Datta's (1991) findings indicate that one aspect of managerial integration in mergers, namely differences in management styles, has an important impact on post-acquisition performance while impediments to procedural integration in the form of differences in reward systems do not play an important role. Such findings may have implications for construction JVs. Thus, research is necessary to explore the importance of task forces in mediating problems and conflicts in construction JVs that emerge out of differences in terms of conflict management styles, cultures, and systems to provide insights.

A JV brings together the management groups of two or more organizations with styles which might be similar or very different. Significant differences can contribute to *cultural ambiguity* (Buono, Bowditch and Lewis 1985), a situation characterized by uncertainties concerning whose style or culture will dominate. Since Datta (1991) argues that compatibility in management styles facilitates post acquisition assimilation and construction project-based JVs are susceptible to *cultural ambiguity* because of different management styles from the parent organisations, it is postulated that major differences in management styles and philosophies can prove to be serious impediments to the achievement of success in construction JVs.

An organisation is made up of people and it is the beliefs and values of the leaders which shape the organisational culture. Organisational culture is manifested in company goals and strategy which are underpinned by the beliefs and values of those leading the organisation. Kotter (1996) examines the process of how managers in a young company (arguably similar to the 'temporary' construction JVs in this paper) develop and attempt to implement a vision/philosophy and/or a business strategy; when strategy implementation works, people behave in ways that are guided by the philosophy and strategy; the organisation then continues its success over a period of years; finally, a culture emerges that reflects the vision and strategy and the experiences people had in implementing them. Hence, organisational culture is highly influenced by, and dependent on, top management's strategy and philosophy. In the case of JV organisations, the dominant culture of the management team may influence the establishment of the organisational culture of the JV.

In this paper, two case studies are carried out to investigate the influence of the parent companies on the JV's culture.

ORGANISATIONAL CULTURE MEASUREMENT INSTRUMENT

Data on organisational culture profile are collected by means of the OCAI (organisational culture assessment instrument) developed by Cameron and Quinn (1999). It is a validated instrument used to identify the organisational culture of a company and classifies organizational culture into four main types: Clan, Adhocracy, Market and Hierarchy culture. OCAI is used to assess organisational culture by means of six key dimensions, namely, dominant characteristics, organisational leadership, management of employees, organisation glue, strategic emphases and criteria of success. There are four questions for each of these six dimensions, representing specific organisational culture of *clan*, *adhocracy*, *market* and *hierarchy*. The OCAI scoring method is modified in this paper to the Likert 5-point scale ranging from 'strongly disagree / never true' to 'strongly agree / completely true'.

It is hypothesised that the characteristics of organisational culture of the international construction joint venture is similar to those of

- (1) the organisational culture of the dominant parent company and,
- (2) organisational culture of the parent company from which the dominant manager in the project management team comes.

PROJECT CASE 1

Background

Project Case 1 discusses the case of a construction JV in Hong Kong involving a railway construction project of approximately HK\$ 1.3 billion and comprises a four year contract period in 15 working stages. There are four partners from three different cultural backgrounds in the construction JV but only three of them have assigned staff members to the management team of the project. The fourth partner is the financier and only sends a representative to the board.

Partner A is a company which has transformed itself from a large construction company in the UK to an international project management group employing approximately 44000 people in some 40 countries. Partner B is a well established Hong Kong construction company which participates in construction business, real estate development and infrastructure construction. Partner C is a large Chinese state-owned enterprise group with national Grade 1 qualification in (construction) main contracting and an overseas business licence approved by the Chinese government.

Data collection and results

Each respondent is to fill in two sets of OCAI, one for the JV organisation and the other for the parent company. The response rate is 19%, 30%, and 25% from Partners A, B and C respectively. The summary of the staff employment, secondment profile and mean cultures scores are given in Table 1 (details in Liu and Fellows, 2008).

Liu and Fellows (2008) found that although 65% of the JV employees in project case 1 are Chinese, the JV does not have a similar organisational culture profile to the Chinese Partners B or C. However, the JV has a similar organisational culture profile to Partner A which supplies the most number of management personnel that come from UK. Since organisational culture is highly influenced by and dependent on top management's strategy and philosophy, the dominant culture of the management team may influence the establishment of the organisational culture of the JV.

Organisation	No. of employees in JV				
	N	Chinese (Hong Kong)	Chinese (Mainland China)	UK	Others
JV	102	76	0	21	5
Partner A	16	3	0	13	0
Partner B	10	10	0	0	0
Partner C	8	0	8	0	0
Total	136	89	8	34	5

Organisation	No. of employees in management level				
	N	Chinese (Hong Kong)	Chinese (Mainland China)	UK	Others
JV	4	2	0	2	0
Partner A	5	0	0	5	0
Partner B	1	1	0	0	0
Partner C	0	0	0	0	0
Total	10	3	0	7	0

Mean culture score	Organisational culture types N = no. of respondents				
	Market	Hierarchy	Clan	Adhocracy	N
JV	3.42	3.21	2.79	2.65	8
Partner A	3.11	3.00	2.61	2.44	3
Partner B	3.33	3.67	3.45	3.00	3
Partner C	2.75	3.08	2.75	2.25	2
Total					16

Source: Adapted from Liu and Fellows, (2008)

Table 1 – Employees in JV and the organisational culture profiles – Project Case 1

PROJECT CASE 2

Background

Project case 2 is a JV in Hong Kong involving the construction of the superhighway commissioned by the Highways Department of the Government of the Hong Kong Special Administrative Region (HKSAR). Parent company A is the local partner and parent company B is the foreign partner. Parent company A was established in the 1970s and has grown to become one of the largest contractors in Hong Kong strong in civil engineering construction.

Parent company B is a Japanese company which has extensive JV experience in Hong Kong and provides expert advice and financial contribution to the project.

In this project, parent company A exercises operational control at the JV general management level and this is reflected in the appointment of the JV project director who is seconded from parent company A; he is appointed as the chief person-in-charge and exercises overall control of all aspects of the project administration and site construction activities.

Data collection and results

The OCAI questionnaire is administered to the following respondents of project case 2:

- (1) The JV project director (who is seconded from one of the parent companies and is the highest and final decision maker of the newly formed JV),
- (2) project staff from the parent company which second the JV project director, and
- (3) project site staff from the newly formed JV.

The JV project director is asked to identify (1) the organisational culture of the parent company from which he is seconded, and (2) the organisational culture of the JV. The project staff from the parent company (N=9) are asked to identify the organisational culture of the parent company and the project staff from the JV (N=11) are asked to identify the organisational culture of the JV.

One sample t-test at 95% confidence level is used to test the difference in perceptions on the organisational culture dimensions between the project director, the staff from the parent company and the staff from the JV. The null hypotheses for the t-test is:

Ho: $\mu = \mu_0$

i.e., there is NO significant difference between the sample means.

The organizational culture profiles of the JV and the parent company are quite similar (see Figure 1 and Table 2).

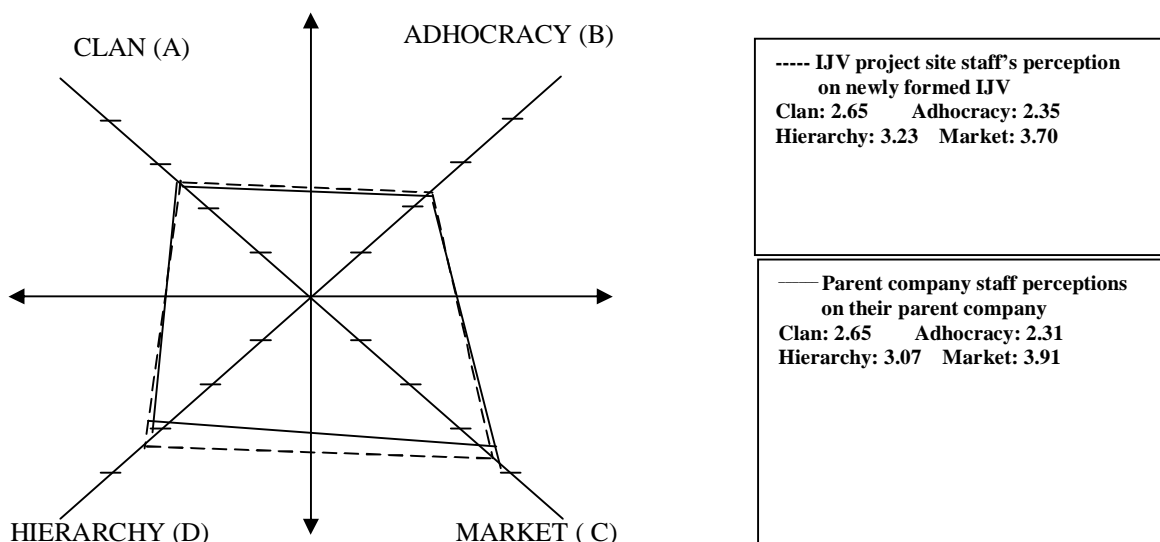


Figure 1: Organisational culture profiles of the JV and parent company

	JV (N=11)	Parent company (N=9)	t	Sig. (2-tailed)
Mean Scores				
Market	3.6964	3.9078	-2.157*	0.045
Hierarchy	3.2273	3.0744	1.858	0.084
Clan	2.6518	2.6478	0.031	0.976
Adhocracy	2.3473	2.3144	0.161	0.874

* significant difference

Table 2: Organisational Culture of JV and Parent Company – Project Case 2

The results in project case 2 are summarized as follows:

1. The JV staff perceives that the JV organisational culture profile is similar to the parent company except that the parent company scores significantly higher on the market culture dimension. (Table 2)
2. The project director perceives that the JV has the same organisational culture profile as the parent company. (Table 3)
3. (a) The project director perceives higher ratings both clan and adhocracy culture in his parent company and his JV than his JV staff. (Table 3)
(b) The project director perceives a higher market culture in the JV than his JV staff. (Table 3)

	JV				Parent Company			
	Staff (N=11)	Project Director	t	Sig.	Staff (N=9)	Project Director	T	Sig.
Mean Scores								
Market	3.6964	4.0000	-4.346*	0.001	3.9078	4.0000	-1.342	0.217
Hierarchy	3.2273	3.1666	1.244	0.242	3.0744	3.1666	-1.402	0.199
Clan	2.6518	2.3333	3.328*	0.008	2.6478	2.3333	3.554*	0.007
Adhocracy	2.3473	1.8333	4.050*	0.002	2.3144	1.8333	3.062*	0.016

* significant difference

Table 3: Project Director's perceived organizational culture of JV and parent company – Project Case 2

DISCUSSION

As Kamminga and Van Der Meer-Kooistra (2006:234) conclude, "case research was a very suitable method to study a complicated concept such as joint venture control" and furthermore, "the international aspect of the international joint ventures had a great impact on control". Substantial research has shown that managers in different countries make different strategic decision because they possess different cultural values (Schneider and De Meyer 1991, Hofstede 1980). For instance, Shane (1994) argues that national differences in levels of trust impact perceptions of transactions costs and, thereby, influence the desirability of internalization and the choice of foreign market entry mode.

Literature suggests strongly that parent firms do not (and perhaps should not) allow international JVs to function independently and form their own organisational culture and identities apart from the parent companies (Geringer and Herbert, 1989; Main 1990). Johnson et al (2001) review that international JV parents intervene directly or indirectly in their JVs to accomplish and maintain control over the JV. As a result, parental control inevitably exists in JVs as the parent companies may want to achieve their own objectives especially in the

project-based construction JV with finite life span.

Further, Geringer and Herbert (1989) state that a parent may be able to influence the relative allocation of control over an international JV by influencing staffing of the JV's top management positions. Although Cameron and Quinn (1999) emphasise that organisations may not exhibit a single, unitary culture, Schneider (2000) asserts that every successful organisation has a core culture (control; collaboration; competence; cultivation) which is central to its functioning and Weeks and Gulunic (2003) discuss the gradual, evolutionary nature of change in organisational cultures in path-dependent directions, which may be punctuated by periods of stability and others of rapid, step-type changes. Also, the dominant values of a national culture are usually reflected in the organisational culture (Hellriegel, Slocum and Woodman, 1998). In the case of an international construction joint venture, the national culture of the dominant partner is likely to influence the organisational culture of the JV.

In both case studies, it is found that the dominance of the management team influences the organisational culture of the JV; hence, if the project director is seconded from a particular parent company, the culture of that parent company is transposed to the JV – which is supported from both case studies' findings. In particular, project case 2 shows the following:

- *The project director perceives that the JV has the same organizational culture profile as the parent company*

As the highest level decision-maker is seconded from the dominant parent company, he brings with him the norms (of how things are done) and the values (in which are the more important matters) of the parent company. The project director probably does not wish to change any of these norms, has been carrying out the practices that he is used to (in the parent company) and sees himself being able to replicate the organizational culture of the parent company.

- *The JV staff perceive that the JV organisational culture profile is similar to the parent company*

There is only significant difference in one dimension, i.e. market culture, where the parent company scores higher than the JV. This is understandable as the parent company is expected to make the business decisions involved in the general construction market environment and the JV is more empowered in making the day-to-day operation decisions on a project basis.

- *The project director perceives higher ratings for clan and adhocracy culture in his parent company and his JV than his JV staff*

Both the project director and the JV staff have the same ranking of the organisational culture dimensions, i.e., market culture being ranked the highest to adhocracy culture being ranked the lowest. However, the project director has significant difference in perceptions of most of the JV organizational culture dimensions compared to that of his JV staff (see Table 3).

The project director perceives a higher rating for the market dimension and a lower rating in clan and adhocracy than the other project team members. Clan culture activities focus on empowerment, teambuilding, employee involvement, human resource development, and open communication. The clan culture (which is internal focus but wanting flexibility) emphasises loyalty and tradition where "commitment is high. ...The leaders are considered to be mentors and, perhaps, even parent figures" (Cameron and Quinn, 1999:87). Adhocracy culture includes such activities as surprising and delighting clients/customers, creating new standards of performance, anticipating client/customer needs, engaging in continuous improvement, and implementing creative solutions to problems. In the context of construction, it would mean that the construction companies are ready to be innovative and pioneer

initiatives that lead to new products and services, i.e. an emphasis on “creating a vision of the future organised anarchy and disciplined imagination” (Cameron and Quinn 1999:38).

It is suggested that the JV staff operate in a much more friendly and cooperative atmosphere (clan) and are much more resourceful, performance-focused and ready to innovate/improvised than the project director believes.

- *The project director perceives a higher market culture in the JV than his JV staff.*

Since the project director perceives the culture profile for his JV to be the same as his parent company, he is less aware of the power-based decisions being shifted, e.g. parent company makes strategic market-oriented decisions in a business context for the project and the project director is involved in these decisions. However, his staff are involved in daily project operational decisions and not empowered to the same extent by the parent company as the project director; hence, JV staff may perceive the JV being in a much less market-oriented position.

CONCLUSION

In project case 1, the organizational culture of the JV is compared with the parent companies from UK, Hong Kong and mainland China. The findings support hypothesis 1 which states that organisational culture of the JV is similar to that of the dominant parent company; and, more specifically, project case 1 reveals that it is the dominance of the company from which most of the JV management personnel come.

In project case 2, the JV project director's position, in particular, can affect the JV's operations since the project director is responsible for maintaining relationships with each of the parents as well as running the JV. The findings support hypothesis 2 which states that the JV organisational culture is similar to the organisational culture of the parent company from which the dominant manager in the project management team comes.

With respect to the research questions regarding the possible relationships of (1) national culture and organisational culture and (2) JV organisational culture and dominant parent company's organisational culture, this paper concludes the following:

- Project case 1 demonstrates that while there is a similarity between the organisational cultures of the JV and the UK parent company which dominates the management team, the organisational culture of the UK company is also in line with its national culture. It is most apparent that while partners B and C (Chinese companies) exhibit high ratings in clan and hierarchy culture, lower ratings in clan and hierarchy are exhibited by the UK partner A – which is expected of the characteristics in their national culture (see Hofstede, 1980, 2001). That is indicative that where more than one national culture is involved, the JV organizational culture is influenced by the dominant national culture of the management team. The relationship of the national and organisational culture is not directly tested in project case 2 where both partners (Japanese and Chinese) come from a similar eastern cultural background.
- Project case 1 supports the second research question that the JV organisational culture shows a synergy of the elements from the founding partners but with emphasis on the culture of the dominant partner in the JV. In project case 1, although the JV culture follows that of the dominant partner A, it also synergises the elements of partners B and C in that hierarchy and clan culture are rated highly (higher than Partner A's) and ranked in the same relative order (as partners B and C) to each other.
- Project case 2 further tests the dominance of the parent company (from which the JV project director is seconded) and shows supportive evidence that the JV is influenced by the organisational culture of the dominant parent company which supplies the key management personnel. The seconded project director closely adopts the culture of

his parent company and synergises those elements into the JV culture.

Further research should be conducted to examine (1) the possible relationship between national culture and organisational culture, and (2) the relative power of and how conflict is managed by the JV project director as important factors influencing the organizational culture and management style of the project-based construction JV.

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