

# INTERNATIONAL JOINT VENTURES IN RUSSIA: THE INFLUENCE OF CULTURE ON ALLIANCE SUCCESS

by

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of Doctor of Philosophy of Cardiff University*

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## ***Abstract***

Strategic alliances are currently very popular among organisations. Both the performance and success of strategic alliances have been extensively investigated over the last couple of decades. Many previous researchers have suggested that one of the main reasons for the high failure rates of strategic alliances is the cultural differences of the alliance partners. The goal of this thesis is to understand, analyse, and explain how differences in organisational culture affect International Joint Venture (IJV) performance in Russia.

A conceptual framework of IJV performance is developed that shows the role of organisational culture against a number of other factors, including: national culture, communication behaviour, and conflict resolution techniques. This research focuses on managerial values and practices as key elements of organisational culture.

This thesis is based on a sample of seventeen Russian IJVs. Data was collected both from personal interviews with the senior managers of each IJV, and from questionnaires measuring managerial values and practices which were completed by twenty-seven senior managers. A modified version of the Schwartz value survey was used to measure managerial values, while practices were measured using the focus questionnaire of Van Muijen et al. (1999).

The main findings of this thesis can be grouped into two parts: findings related to managerial values and practices, and findings related to organisational culture and its role in IJV performance. This research recognises that organisational culture is an important factor which can influence IJV performance. This study finds that managerial values and practices are good indicators of the current political, economic, and social conditions in Russia. Human values may be influenced by the current political, economic, and social environment in emerging economies (ECs) with a turbulent environment. The senior managers in the Russian IJVs who took part in this study exhibited different practices as well as values. This study identifies several sub-cultures in Russia and suggests that human values should be studied on a regional level. Tradition and openness to change values of Schwartz's framework are found to be congruous in this study.

The second group of key findings suggests that non-equity IJVs in Russia adopt an organisational culture similar to that of the partner with majority control whereas equity IJVs in Russia have a hybrid culture. IJVs with "foreign" and hybrid cultures are positively associated with IJV performance in Russia whilst IJVs with an organisational culture similar to that of the Russian partner are negatively associated with IJV performance. This research reveals that similarities of organisational cultures between partner companies are not essential for partnership success. Finally, the research finds that trust is a paramount aspect of IJV success in Russia.

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# Chapter 1

## ***Introduction***

---

The purpose of this research project is to explore, and to understand, the influence and role of organisational culture on International Joint Venture (IJV) success in the context of Russia. There are many cultural theories that represent human beliefs and values within business organisation. These theories provide a number of different ways of understanding organisational culture, and the influence it has on the management and success of business organisations, in a wide variety of contexts. This research specifically focuses on the role of culture in IJVs in Russia.

This study considers the literature of strategic alliance, and reviews the different factors that are considered to influence alliance success. It will also outline the various models of values and practices that are cited as core elements and influencers of organisational culture. The available literature captures the relationship between organisational culture and IJV performance. This approach assists in conceptualising a model that shows the link between organisational culture and IJV performance. The overview of developing and emerging economies (such as that of Russia) provides a basis for the development of the research questions.

This introductory chapter describes the motivation for the research, its aims and objectives, and the overall structure of the thesis.

### **1.1 Motives for the Research**

The research topic addressed in this study is important from several theoretical and practical perspectives.

Over the last two decades the topic of strategic alliances has received a lot of attention from researchers (e.g. Doz and Hamel, 1998; Spekman et al., 2000; Gulati and Zajac, 2001; Dussauge and Garrette, 1997; Kanter, 1994; Mohr and Spekman, 1994; Das and Teng, 2000; Lorange et al., 1992; Ring and Van de Ven, 1994). The diversity and scale of the research on partnerships is really astonishing. Strategic alliances between

organisations have been examined from a variety of perspectives, including: transaction cost economics, strategic management, and a resource-based view. Strategic alliances worldwide have increased significantly in recent years (Ireland et al., 2002). This has also been accompanied by a high rate of failure, which has led to a number of investigations of the factors associated with alliance success and dissolution (see Elangovan and Shapiro, 1998; Dussauge and Garrette, 1997; Mohr and Spekman, 1994). These researchers concentrate on goal achievement and relationship factors, such as: commitment, interdependence, trust, communication and conflict resolution techniques. Many researchers report that organisational culture is one of the most important factors in alliance performance because the different organisational cultures of partners may produce a damaging effect on the performance of alliances (e.g. Gancel et al., 2002; Hofstede, 1991; Schein, 1996a; Sirmone and Lane, 2004). Although many researchers allude to the importance of a cultural “fit” between alliance partners, there is little research to explain the importance of fit and how different organisational cultures influence the divergent paths of alliance success or dissolution.

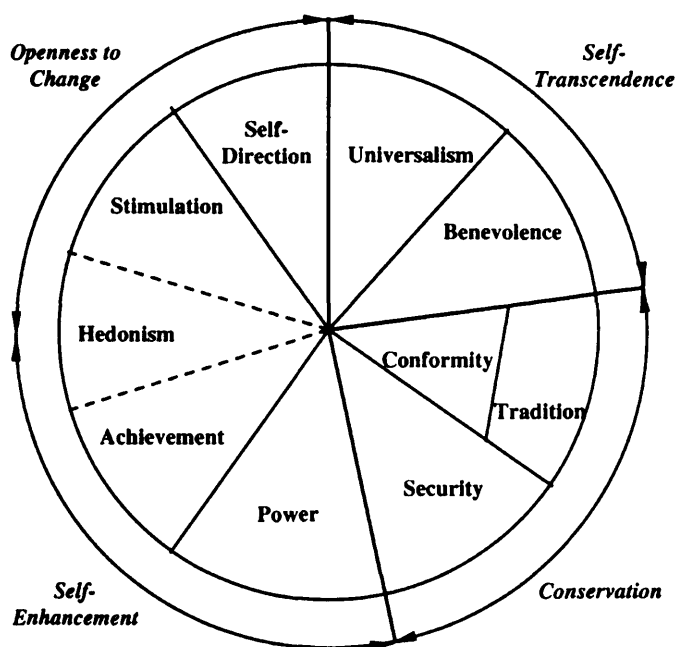
Consequently, the topic of organisational culture in the context of IJV success offers various challenges to a researcher in adding to the existing literature on the topic.

Organisational culture is a fascinating topic for research. The domain of organisational culture is wide open to interpretation and it still has an element of uncertainty. Because many researchers offer widely different definitions, the construct of organisational culture remains almost allusive and unclear. Most academics agree that the core of culture is values and beliefs, yet a universal model of measuring values has not been fully developed (e.g. Hofstede, 1991; Rashid et al., 2003; Lundberg, 1991). Today most research relies on more explanatory models that depend on the perceptions of both researcher and respondent, and on a correlation with the apparent prevailing circumstances within an organisation.

This research adopts the Schwartz value model which has been extensively used to measure the cultural distance of managers (e.g. Kozan, 2002; Ralston et al., 2008). Schwartz et al. (2001) postulate the existence of ten motivationally distinct value dimensions that were empirically found to be recognised among many of the world’s

cultures, these value types are: power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, conformity, tradition, and security. In addition, Schwartz et al. (2001) show a dynamic structure of relations among value types that is organised in the form of a circular motivational continuum (see Figure 1.1). The relative distance between value types on the motivational continuum determines the degree of their compatibility, or incompatibility.

**Figure 1.1:** Structure of Relations Among 10 Values



**Source:** Schwartz et al., 2001: 522

Conflicts and compatibilities among the ten types of values can also be summarised in terms of structural relations among the basic dimensions: self-enhancement (hedonism, power, achievement) versus self-transcendence (universalism, benevolence); value and openness to change (self-direction, stimulation) versus conservation (conformity, tradition, and security).

This research uses a modified Schwartz value framework which consists of twelve cultural values and four domains, which are: altruistic values (a world at peace, social justice, equality), openness to change values (a varied life, an exciting life, curiosity), self-enhancement values (authority, influence, wealth), and traditional values

(honouring parents and elders, family security, self-discipline). A modified version of Schwartz values was developed by Stern et al. (1998) who found that each Schwartz value structures may be reduced to three values still retaining reliability.

Differences in organisational culture are also viewed through practices. Managerial practices are the important elements of organisational culture because at an organisational level cultural differences reside mostly in practices and less in values (Hofstede, 1991). The organisational practices model of Van Muijen et al. (1999) is adopted in this research. This model identifies four organisational culture orientations, they are: support orientation, innovation orientation, rules orientation, and goal orientation.

This thesis unites two theoretical issues: strategic alliances and organisational culture. It will then develop a model to explain the linkage between these two in a Russian environment. Although strategic alliances are widespread in many industries and countries, there is little attention paid to alliances in emerging and transition economies. Therefore, the field of IJVs in emerging and transition economies leaves a potential theoretical gap, a gap which this thesis hopes to begin to fill.

Russia is one of the world's largest transition economies, offering huge potential resources and apparent opportunities to Western companies; however, the business context of Russia has not yet been extensively explored. Research in Russia offers many challenges to researchers: it offers researchers an opportunity to contribute to the extant theory of alliances between businesses from different countries and it also offers the opportunity to examine the question of organisational culture in a large transition economy. Research can also provide a new and fresh insight into Russian culture as it changes under the weight of a market economy.

Organisations are under pressure in a transition economy to transform rapidly. Companies in transition economies work within ongoing economic, political and social reforms which overarches organisation change and transformation. Transition managers in a transition economies have to rethink their roles and repertoires. While shifting from 'political' to 'economic' orientation, managers within transition economies adopt different rationalities, identities and behaviours (Hollinshead and

Maclean, 2007). Hence researchers have to regularly review understanding of organisational change in such environments in order to draw lessons to enhance better understanding of organisations and managements (Soulsby and Clark, 2007; Hollinshead and Maclean, 2007) and explain emerging patterns.

There are few research studies which have been conducted on Russian business culture. Some researchers have found that Russian managers are collectivistic, with high power distance, high levels of femininity, and uncertainty avoidance (e.g. Elenkov, 1997, 1998). Meanwhile, other researchers have shown that people's values in Russia depend on the living area; for example, people who live in the large cities tend to have values which are more similar to those of the West (Salmi and Sharafutdinova, 2008). It has been suggested that managerial mentality in Russia is characterised by a high degree of political influence (Elenkov, 1998). One of the aims of the research is to look closer at managerial values and practices in Russia in order to explore organisational culture in IJVs. This is a significant reason to research Russian IJVs where at least two partners come from different countries to form a separate organisation. The new organisation may have an organisational culture similar to one of the partners, or it may have an entirely new culture.

Many authors rely on the idea of organisational culture "fit" (e.g. Gancel et al., 2000; Dawe, 2000; Moller and Svahn, 2004). They suggest that similarity of organisational cultures is important in order to create a successful alliance. Nevertheless, it is difficult to find a partner with similar organisational culture, especially when this partner comes from a different country (i.e. Russia). The question which arises is whether the organisational cultures of partners and IJVs should be similar? And, if so, then to what extent are they similar?

This thesis further explores this topic, asking: What type of organisational culture exists in Russian IJVs? What are the main differences between IJV partners? And, how do these differences influence IJV performance?



## **1.2 Aims and Objectives**

This study aims to evaluate and increase the understanding of the role of organisational culture in the performance of IJVs within a Russian context. The paramount objectives of this research are:

1. To conceptualise strategic alliance, IJVs and organisational culture.
2. To identify the types of relationships between organisational culture and IJV performance.
3. To explore the context of emerging economies (specifically, Russia) and to ask what factors influence organisational culture in these countries.
4. To examine organisational culture in IJVs in Russia.
5. To explore how differences in organisational cultures may affect IJV performance.

## **1.3 Research Questions**

This research asks the following questions:

1. What is the type of organisational culture in IJVs in Russia?
  - a. What are the managerial values in Russia?
  - b. What are the managerial practices?
2. Do successful and unsuccessful IJVs in Russia have different organisational cultures?
3. What are the main organisational culture differences between IJVs in Russia and their partners?
4. Do organisational culture differences influence IJV success?
5. What is the better cultural fit for IJVs in Russia?

## **1.4 Structure of the Thesis**

This thesis is organised into nine chapters. It begins by reviewing the extant literature in the fields of alliances, organisational culture, emerging economies, and Russia.

Chapter 2 begins by introducing the importance of the research, and considers the definition of a strategic alliance and the main motives for alliance formation. This chapter looks at the different forms of alliances and, finally, it explores the different factors that influence IJV success. This chapter seeks to identify the essential nature of a cultural factor in IJV performance.

Chapter 3 reviews the literature of organisational culture. Different schools of thought on organisational culture are reviewed in order to gain a deeper insight into the topic. The link between organisational culture and partnership performance is highlighted, offering the possibility that values and practices are the core elements of organisational culture. Widely used models are examined, and values and practices are reviewed to provide a basis for the conceptual model of the current research.

Chapter 4 provides a consideration of emerging economies. It identifies the main characteristics of emerging economies through an explanation of institutional voids. It will also examine the influence of institutional voids on organisational culture. The Russian economy and culture is described with the context of historical background using a review of extant literature on Russian national culture in order to identify cultural values. This chapter describes the Russian economic and political environment to provide context and understanding of how these factors may influence managerial practices in Russian firms.

Chapter 5 presents a methodology of the research programme in order to answer the research questions. This chapter describes and compares different research methods of data collection. It introduces the joint use of qualitative and quantitative methods which are essential for capturing the complexity and depth of issues influencing IJVs in Russia, it also looks to the role of organisational culture in Russian IJVs. This

chapter explains how data was collected and analysed. It also discusses triangulation, reliability, validity, and ethical issues.

Chapters 6, 7, and 8 provide the data which was collected during the study, they also include an analysis of this data. While Chapter 6 concentrates on the data collected through questionnaires, Chapter 7 presents the cases and the data collected through interviews. Chapter 8 presents the findings and results collected from the questionnaires and interviews with seventeen IJVs in Russia. Chapter 8 identifies three groups of IJVs in Russia. It draws the link between the type of ownership and organisational culture in the IJVs, describing the major differences in organisational cultures between IJVs and their partners.

Chapter 9 concludes this dissertation by summarising the findings of this research, answering the research questions, highlighting the contribution of the study and implication for theory and practice. It will, finally, define the research limitations of this study and recommend areas of future research.

# Chapter 2

### **2.1 Introduction**

In the 1990s cooperative strategy became a fashionable area of intellectual debate, rather like the way that competitive strategy became fashionable in the 1980s following the publication of works by Porter (Faulkner and De Rond, 2000). In addition, the historic movement towards globalisation has opened up many new opportunities to companies (such as new markets and new customers). Companies often require both local and global partners in order to reach their goal to expand internationally, or to achieve economies of scale (Doz and Hamel, 1998). IJVs may be the best option for many firms who wish to enter into a new foreign market because of the impact of international governmental regulation. Furthermore, many firms realise that a “go-it-alone strategy” is less viable because of the rapid development of new technologies. Development projects are often too large for any one single company to finance, and the development of the technology needed often requires the input of more than one company (Vyas et al., 1995).

The continued growth in the formation of alliances and IJVs has led to speculation that today’s notion of global firms will be superseded by the idea of globalisation as networks of strategic alliances among firms spanning many different industries and countries (Austin, 2000; Doz and Hamel, 1998). Strategic alliances can be very simple and can include only two organisations sharing their technological or marketing resources. Nevertheless, some have become more complex and involve many companies from different industries and countries. The result is a series of alliance networks in which some companies compete with each other in a number of product areas (Vyas et al., 1995). For example, the number of strategic alliances in the USA increased to more than 10,200 in the year 2000 alone. It is estimated (Ireland et al., 2002) that US firms with US\$ 2 billion or more in revenue each formed an average of 138 alliances between 1996 and 1999. In 2002, each of the top 500 global businesses had on average 60 strategic alliances. Dyer et al. (2001), in their in-depth study of 200 companies and their 1,572 alliances, find that a company’s stock price jumped

approximately 1 % with each announcement of an alliance, which translated into an increase in market value of around \$54 million per alliance.

Strategic alliances have become the most popular form of cooperation for entering international markets (Doz and Hamel, 1998). IJVs hold the most widespread mode of foreign direct investment across the globe, especially in emerging economies (Neimans, 1993; Lyles and Baird, 1994; Delios and Henisz, 2000). A number of academics have studied strategic alliances across the world, spurred by their enormous popularity in many countries and industries (e.g. Kotabe et al., 2000; Kauser and Shaw, 2004; Lowen and Pope, 2008; Neves, 2006; Zineldin and Dodourova, 2005). However, in spite of their popularity and growing number, many alliances fail. This high rate of failure has been documented in many works (e.g. Child and Faulkner, 1998; De Laat, 1997; Elangovan and Shapiro, 1998; Dussauge and Garrette, 1997; Kanter, 1994; Mohr and Spekman, 1994; Ohmae, 1989). The possibility of failure is a considerable concern because alliances usually take a large investment of capital. Consequently, strategic alliances have become an important and timely mode of organisation to study. Scholars from a variety of backgrounds have chosen strategic alliances as an area for scholarly inquiry (Doz and Hamel, 1998). The significant scholarly attention paid to strategic alliances has resulted in valuable insights into the antecedents and consequences of strategic alliances that, in turn, have resulted in contributions to both theory and practice (Gulati and Zajac, 2001).

This chapter focuses on the literature of strategic alliances. Firstly, a clear definition of the alliances is offered. Secondly, the studies that identify the motives for the formation of alliances are reviewed. Thirdly, the different forms of strategic alliances are discussed. Finally, the various factors that influence alliance success are explored.

## **2.2 Definition of Alliances**

A review of the literature on strategic alliances reveals that there are many different definitions of the term. Alliances are often defined according to their specific characteristics, such as: agreement between people, strategic intent of partners, and equity participation. For example, Gulati and Zajac (2001: 366) define strategic

alliances as “*voluntary arrangements between firms involving either a pooling or trading of resources. They can occur as a result of a wide range of motives and goals, take a variety of forms, and occur across vertical, horizontal, and other related boundaries.*”

Many definitions focus on the specific characteristics of alliances and the motives for their formation. For example, Gulati and Zajac (2001) show the resource-based motives for an alliance formation. Ireland et al. (2002) and Das and Teng (2000) focus only on competitive advantage as a source of an alliance formation. Spekman et al. (2000: 37), on the other hand, focus on the long-term objectives of alliances and claim that:

***An alliance is a close, collaborative relationship between two, or more, firms with the intent of accomplishing mutually compatible goals that would be difficult for each to accomplish alone.***

Some key words emerge from this definition that warrant closer attention, as described by Spekman et al. (2000):

- *Collaborative* – This implies that a set of operating norms exists among partners, such that each partner will not act in self-interest to the detriment of the others. Also implied here are the notions of voluntary involvement rather than coercion, and the expectation of reciprocal behaviour.
- *Mutually Compatible* – This suggests that there is alignment among partners such that each can accomplish its objectives within the framework of the alliance.
- *Difficult to Achieve* – This not only recognises that each partner is dependent on the other, but also acknowledges that their individual fates are linked. Each admits, for example, that costs are prohibitive, time too precious, expertise too limited, or management time and other resources too scarce to attempt to achieve the goals of the alliance without a partner.

A further implication of this definition is that an alliance represents an open-ended contract between separate firms that must share decision-making and control. The

open-ended nature of an alliance contract reflects the view that alliances are formed partly as a response to an uncertain world and that the benefits can be achieved only through collaboration (Spekman et al., 2000). The definition of Spekman et al. (2000) considers collaborative and behavioural aspects which are important to the success of an alliance and are considered in this dissertation.

## **2.3 Motives for the Formation of Alliances**

Scholars have identified a long list of motives for alliance formation. For example, Transaction Cost Economics (TCE) focuses on minimising the sum of transaction costs and production costs. Alliances may help an organisation to reduce the risk of a project by spreading this risk over their partners, as well as its costs (Das and Teng, 2000; Lorange et al., 1992; Ring and Van de Ven, 1994).

While TCE focuses on cost minimisation, the Resource-Based View (RBV) theory emphasises value maximisation of a company through using and combining valuable resources in order to maintain a competitive advantage (Das and Teng, 2000; Ireland et al., 2002). According to this theory, these firms need to seek a strategic fit between their internal characteristics (i.e. strengths and weaknesses) and their external environment (i.e. opportunities and threats) (Das and Teng, 2000). In RBV a company is defined as the set of tangible and intangible resources, and by optimising their combination a firm can develop its capabilities. Alliances are seen as a way of accessing and transferring others firms' resources. This approach provides an important base for understanding the effective management of alliances and strategy formulation (Ireland et al., 2002).

A strategic choice perspective suggests that firms pursue inter-organisational alliances to: increase the competitiveness of market power; neutralise or block the moves of a competitor; and maximise their ability to offer attractive products or services (Barringer and Harrison, 2000; Burgers et al., 1993; Dyer et al., 2001). In an international context, firms usually form IJVs with local partners in order to enter foreign markets (Barringer and Harrison, 2000). The selection of such a mode of entry into a market is a strategic decision, based on how a partner can increase the firm's



competitiveness in a foreign market (Barringer and Harrison, 2000); for example, an organisation may lack knowledge of foreign markets. Also, in some emerging economies, an IJV with a local partner is required by governmental legislation.

In comparison with TCE and RBV which rely on an economic rationale, Institutional Theory (IT) adopts a behavioural rationale which suggests that institutional environments impose pressures on organisations to appear legitimate and conform to prevailing social norms. One way that firms can do this is through participation in inter-organisational relationships. For example, a small company may increase its visibility, reputation, and prestige through partnerships with larger and better established organisations. IT claims that in order to be legitimate, many organisations imitate industry norms. For instance, they may engage in inter-organisational relationships because other successful companies in their industries are doing so. On one hand, IT is helpful in the context of inter-organisational relationships because it describes some behavioural rationale of companies. However, on the other hand, if firms simply imitate each other then it will be difficult to create any source of competitive advantage through the partnerships (Barringer and Harrison, 2000).

The literature suggests that companies usually enter into alliances because of environmental characteristics, such as: market uncertainty, globalisation of the industry (Pucick, 1993), risk sharing, and host government policy. However, a firm's characteristics can also be a driving force of alliances, for example: alliances can often help to strengthen an organisations' market position (Lowen and Pope, 2008) and power; overcome skill and resource weaknesses (Cravens et al., 1993); as well as provide customer information (Zaman and Mavondo, 2007).

## **2.4 Forms of Alliance**

Strategic alliances can take many forms. These forms can vary depending on the alliance structure (Lewis, 1990), the input and output resources of the parents (Lorange et al., 1992), and the main goals of alliance formation (Kuglin and Hook, 2002).

For instance, Lorange et al. (1992) distinguish four types of strategic alliance, depending on the input and output resources of the parents, they are: ad hoc pool, consortium, project-based joint venture, and full-blown joint venture (see Figure 2.1).

**Figure 2.1:** Types of Strategic Alliances

		Parents' Input of Resources Sufficient for	
		<i>Short-term Operation</i>	<i>Long-term Adaptation</i>
Parents' Retrieval of Output	<i>To Parents</i>	Ad Hoc Pool	Consortium
	<i>Retain</i>	Project-based Joint Venture	Full-blown Joint Venture

**Source:** Lorange et al., 1992: 11

An over-riding consideration driving the formation of a strategic alliance is the type of relationship that the parent firms are going to have. Consideration needs here to be given to resources: physical, organisational and human. Resource input may be minimal, or it may be abundant. The parents' desires regarding input and output resources are the basic determinants of the type of strategic alliance that a firm is going to enter into. For example, two firms may wish to put into the alliance a minimum set of complementary resources, perhaps on a temporary basis, and all of the output (learning, know-how, equipment, profit, etc.) is given to the parents; this form of alliance is known as an *ad hoc* strategic alliance (Lorange et al., 1992).

Joint ventures are a very popular form of strategic alliances, especially when the direction of the growth objective is international (Johnson et al., 1996; Dussauge and Garrette, 1995). They may be used to exploit a new product market opportunity,

access an overseas market, share costs and financial risks, or acquire knowledge or technology for the core business (Cravens et al., 1993).

International Joint Ventures (IJVs) involve two or more organisations from different nations who cooperate to form a new organisation separate from, but owned by the parent companies (Johnson et al., 1996).

The key distinction between the strategic alliance and the joint venture is that the latter's organisational form consists of the formation of a separate independent organisation by the venture partners. The joint venture creates a new organisation to perform one or more business functions, such as: marketing, production, and research and development (Cravens et al., 1993).

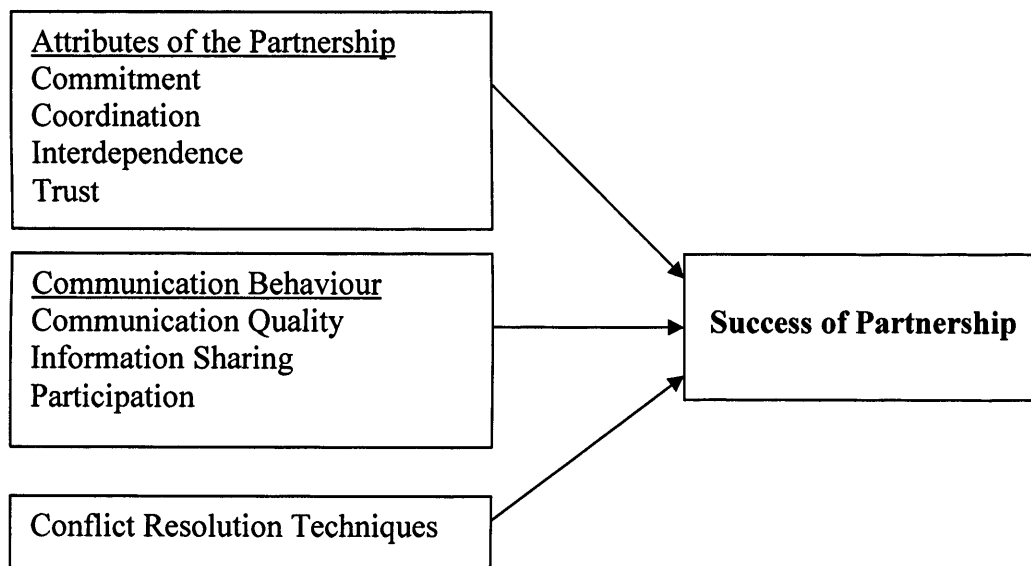
IJVs can be formed for one project only, or they can be a continuing business relationship. They fulfil the requirements of a host country's government for a local equity position and furthermore, IJVs ease the risks incurred from operating in unfamiliar cultural and economic environments (Johnson et al., 1996). On the other hand, cross-national, managerial, and relationship problems may lead to a conflict, or even the dissolution of the venture, because IJVs involve at least two partners who may come from different industries and/or countries.

Many researchers (e.g. Dyer et al., 2001; Ozorhon et al., 2007; Spekman et al., 1996; Young et al., 1989) have found that, as with mergers and acquisitions, almost half of all alliances fail; and when they fail they destroy value, and the companies involved do not achieve their goals (Lowen and Pope, 2008; Reuer, 2004; Roussel, 2003; Spekman et al., 1996). Consequently, scholars from a variety of backgrounds have chosen strategic alliances as an arena for enquiry, reflecting the fact that strategic alliances themselves have grown dramatically in number and in importance for many organisations (Gulati and Zajac, 2001). Many researchers have begun to study the successful performance of alliances (e.g. Child and Faulkner, 1998; De Laat, 1997; Elangovan and Shapiro, 1998; Dussauge and Garrette, 1997; Kanter, 1994; Mohr and Spekman, 1994; Ohmae, 1989).

## 2.5 Alliance Success: Main Factors

Researchers have identified a long list of factors contributing to alliance performance in order to explain why many alliances fail. A review of the literature shows that the most important aspects of alliance success are goal achievement and relationship factors, such as: commitment, interdependence, trust, communication and conflict resolution (see Figure 2.2). All of these factors are interdependent and a single weak link can contribute to the failure of a strategic alliance (Adams, 2001).

**Figure 2.2:** Factors Associated with Partnership Success



**Source:** Mohr and Spekman, 1994:137

Commitment refers to the willingness of trading partners to exert efforts on behalf of the relationship. This suggests a future orientation in which the partners attempt to build a relationship that can weather unanticipated problems (Mohr and Spekman, 1994). They are expected to achieve the main objectives of a successful alliance because more committed partners are likely to be more cooperative, communicative, and flexible in accommodating conflict issues (Zaman and Mavondo, 2007).

Coordination reflects the set of tasks that each party expects the other to perform. Without a high level of coordination, work and production would stop and the partners could not reach their aims and objectives (Mohr and Spekman, 1994).

The recognition of partners' interest and interdependence is one of the key elements of a successful collaboration (Ohmae, 1989). Interdependence means that the partners need each other: they have complementary assets and skills, and neither can accomplish alone what both can do together (Kanter, 1994). Interdependence results from a relationship in which both firms perceive the mutual benefits to be gained from interacting, and in which any loss of autonomy will be equitably compensated through the expected gains (Mohr and Spekman, 1994).

Trust has received a great deal of attention from scholars in various fields, from social psychology and sociology to economics, organisational behaviour, strategic management, and international business (e.g. Child and Faulkner, 1998; De Laat, 1997; Elangovan and Shapiro, 1998; Schumacher, 2006; Simpson and Mayo, 1997; Mohr and Spekman, 1994; Ohmae, 1989; Ring, 1997). Trust between organisations is an important independent variable (cause) of joint performance because of: enhanced cooperation (Luo, 2002; Schumacher, 2006), transaction cost savings, capability improvement, and increased strategic flexibility (Luo, 2002). Trust is seen as a key determinant of the relationship process. Child and Faulkner (1998: 45) identify trust as:

*Having sufficient confidence in a partner to commit valuable know-how or other resources to transactions with it despite the fact that, in so doing, there is a risk the partner will take advantage of this commitment.*

It was found that trust between partners should make them more willing to share information (Lane et al., 2001), and thus better inform their actions and decisions (Child and Faulkner, 1998; Johnson et al., 1996). Trust has a positive effect on planning and coordination (Simpson and Mayo, 1997), an organisation's profit, and the quality of customer service (Kumar, 1996).

From the literature it may be seen that trust has a large impact on the success of an alliance. However, most researchers to date have only stated the importance of trust, whereas there are no findings on the level of trust which is necessary for successful partnerships. According to Aulakh et al. (1996), trust is significantly dependent on

culture and geographic region. This is very important finding and may provide a valuable view on the success of an alliance in the future.

Communication behaviour is critical to partnership success because communication processes underlie most aspects of organisational functioning. In order to achieve the benefits of collaboration, effective communications between partners are very important (Mohr and Spekman, 1994).

Communication quality is a key aspect of information transmission. Quality includes such aspects as the accuracy, timeliness, adequacy, and credibility of information exchanged. Information sharing shows how often and accurately both partners exchange information about their tasks and businesses. The availability of information helps to complete tasks on time and more effectively (Mohr and Spekman, 1994). Consequently, effective information sharing can help a business to achieve an alliance goal and those objectives which are linked with partnership success. Participation refers to the extent to which partners are involved in planning and goal setting. All alliance participants must understand why the alliance makes sense and how it fits into the larger set of goals and objectives which are held by the firm. This implies that all alliances must be congruent with the values and beliefs of the firm, and that these core values are shared by the partner (Spekman et al., 1996).

In summary, good communication behaviour between alliance partners can increase the level of understanding, facilitate shared experience, foster a more cooperative atmosphere, and promote future interactions between the partners (Choi et al., 2010).

Conflict resolution techniques include a common vocabulary and joint problem solving (Spekman et al., 1996; Adams, 2001; Mohr and Spekman, 1994). Conflict often exists in alliances due to the inherent interdependencies between partners and, therefore, the manner in which partners resolve conflict may influence partnership success. A satisfactory solution may be reached if the partners engage in joint problem solving, thereby enhancing partnership success (Mohr and Spekman, 1994).

However, managerial communication behaviour and conflict resolution techniques are different in every country. The manner of each manager to communicate and resolve

conflict is also dissimilar. Moreover, a conflict itself can arise as a result of cultural differences between partners because culture shapes the behaviour of alliance managers (Albaum et al., 2010; Das and Kumar, 2010a). Lorange et al. (1992: 16) reports that:

*Cross-cultural differences play a vital role in the formation and management of strategic alliances, and they should not be allowed to get in the way of the purpose of the strategic alliance.*

When an IJV involves partners from different countries, it carries challenges in communication behaviour at all levels of the organisation (Butler, 2010). Cultural differences create differences in authority, reporting, and decision-making styles, for example: which people get involved in decisions; how quickly decisions are made; how much reporting and documentation is expected; what authority comes with a position; and which functions work together (Kanter, 1994).

Cultures vary substantially in their decision-making style. For instance, managers from cultures characterised by collectivist tendencies and a strong group orientation will seek more interaction and involvement in the management of their IJVs (Hofstede, 1991). While, in contrast, managers from cultures characterised by individualistic orientations tend to prefer centralised decision-making in the IJVs management. For example, French and the American managers use different approaches to decision making: the former will emphasize logic, the latter facts. These differences can lead to the making of a suboptimal decision, no decision, or a delayed decision. Moreover, neither manager will be aware of the degree to which their decision-making styles are affecting the outcomes. Consequently, IJV functioning is likely to be damaged by the managers (Das and Kumar, 2010b). Furthermore, cultures vary in attitudes toward, and tolerance of, authority. Some cultures prefer stronger authority structures, while other cultures have less tolerance and preferences for defined authority (Johnson et al., 1996). In addition, cultural clashes can be found in a partner's corporate values and expectations, organisational structures, leadership styles, work practices, and human-resources practices (Dyer et al., 2001).

According to the model of Mohr and Spekman (2004), good information sharing helps partners to achieve their goals. However, Johnson et al. (1996) found that in some cultures withholding information from a business partner is considered simply good business practice, whereas in other cultures withholding information from business partners is considered to violate the basic norms of ethical business conduct.

It can be concluded from this that culture has a substantial influence on Mohr and Spekman's (1994) attributes of the partnership, communication behaviour, and conflict resolution techniques. Because all of the factors in the model are interdependent, any mismatch can lead to an IJV failure. However, researchers do not estimate to what extent each factor contributes to partnership performance. It may be very difficult, or even impossible, to find two organisations with a perfect match in their goals and relationship factors and, therefore, some aspects have a greater contribution to the successful performance of an IJV than others.

## **2.6 Measuring Alliance Success**

There is no consensus on the most appropriate criteria and methods for the evaluation of alliance and IJV's success. In general, three types of measures can be ascertained from the literature: financial measures, subjective measures, and objective measures. The first type of measure focuses on financial indicators, such as: profitability, return on investment, sales, and growth. The second type is a subjective measure that focuses on managerial opinion of goal achievement and relational stability. The third type of measure considers the IJV duration. However, the first type of measure is criticised in the literature because it gives only short-term outcomes (Anderson, 1990) and is not appropriate for relatively new IJVs in emerging economies (Yan and Gray, 2001), whereas the last type of measure does not consider if an IJV has achieved its goal (Rahman, 2006). For instance, some IJV partners may end their partnership because their IJV was formed to complete one project only. It has been found that measuring performance through profit, market share, and duration can be inappropriate for new IJVs in the emerging economies (Yan and Gray, 1994). In addition, obtaining accurate financial details on IJVs is very difficult since many firms are reluctant to provide this information, leaving the researcher questioning the



quality and accuracy of the figures obtained (Anderson, 1990). Therefore, this research obtains a subjective measure, which is one of the most widely used measures (Choi and Beamish, 2004; Fey and Beamish, 2001; Ozorhon et al., 2007; Rahman et al., 2006; Yan and Gray, 2001).

Measuring performance as achievement of each partner's objectives can help to give a better insight into the relationship issues of IJV (communication behaviour and conflict). This dissertation is going to use a satisfaction measure of performance where performance will be operationalised as the extent to which senior managers of the IJVs agree that their ventures are successful companies and both partners have achieved their strategic objectives. Communication behaviour and conflicts between partners reported by the senior managers will be taken into account as they increase the possibility of the IJV dissolution (Hennart et al., 1998).

## **2.7 Summary**

The present chapter shows that a number of previous researchers have demonstrated the increasing role of partnerships in business. However, many IJVs fail because the partners have not achieved their goals. When investigating the main factors which influence alliance success most of the previous researchers have concentrated on: commitment, interdependence, trust, communication, and conflict resolution techniques. However, cultural differences clearly play a crucial role in IJVs.

Although the issue of alliances and their success has received increasing attention in the literature, there has been a lack of theory regarding the role of organisational culture in IJV success; despite the fact that a number of researchers have claimed that organisational culture can be an essential factor in the success of an IJV (e.g. Cravens et al., 1993; Sirmon and Lane, 2004). Therefore this research focuses on the role of organisational culture in IJVs. The next chapter will focus on the literature of organisational culture.

# Chapter 3

## ***Organisational Culture***

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This chapter reviews the role of organisational culture in IJV success. First to be considered are the definitions of organisational culture. Secondly, the different types of organisational culture are discussed. Thirdly, the relatively underdeveloped research area of the role of organisational culture in IJV performance will be explored. Fourthly, the different frameworks on cultural values and practices are reviewed. Finally, in accordance with past research, a model for understanding and analysing organisational culture impact on IJV success is developed.

### **3.1 Introduction**

Cultures arise within organisations based on their own histories and experiences. Starting with the founders, those members of an organisation who have shared in its successful growth have developed assumptions about the world and how to succeed in it, and they have taught those assumptions to new members of the organisation (Schein, 1996b).

Organisational culture is important in trying to better understand the context of organisations and the people managing the organisation (Rashid et al., 2003). Culture forms the basis of direction in an organisation because it provides the meaning for employees of “*where we are going and how we are related*” (Lundberg, 1990:19). Also, cultures provide much of the rationale and supportive reasoning for an organisation’s mission, strategy, and policy. Organisational culture has a meaningful influence on what is perceived inside and outside the organisation; specifically, it has an impact on the corporation’s image or reputation and how people respond to a given company (Macintosh and Doherty, 2007).

Organisational culture can influence how people set personal and professional goals, perform tasks, and administer resources to achieve them (Lok and Crawford, 2004) from the human resource management point of view. Moreover, culture influences employees’ uncertainty and anxiety about expected behaviour (Smith, 2003).

Some researchers have found that organisational culture has a significant influence on organisational performance. For example, Lok and Crawford (2004) found that organisational culture has a strong effect on job satisfaction and organisational commitment in Hong Kong and Australia. Russel (1989) and Kenny and Reedy (2006) found that cultural beliefs and norms can support innovation in an organisation because organisational culture affects the extent to which creative solutions are encouraged, supported, and implemented. Meanwhile, Kenny and Reedy (2007) report that a culture supportive of creativity encourages innovative ways of representing problems and finding solutions.

### **3.2 Definitions of Organisational Culture**

Like alliances, organisational culture is a topic that has received much attention in both the practitioner and academic management literature over the past fifteen years (Bititci et al., 2004; Hofstede et al., 1990; Pettigrew, 1979; Schein, 1996a).

The concept of culture has been adopted from anthropology. Among culture scholars there are two main theories which should be outlined on culture in organisations. According to one approach, culture is treated as an independent variable that may be manipulated and changed. Those theorists who belong to this school see culture as something that an organisation “*has*” (e.g. Slocum, 1971; Harbison and Myers, 1959; Sekaran, 1981). The second approach sees culture as a root metaphor and it adopts the idea of culture as an epistemological device: “*Culture as a root metaphor promotes a view of organisations as expressive forms, manifestations of human consciousness*” (Smircich, 1983: 347). Those who support this perspective view culture as something an organisation “*is*” (Smircich, 1983).

Many researchers who have focused on organisational culture have defined it in terms of values and beliefs (e.g. Rashid et al., 2003; Lundberg, 1990). For example, Lundberg (1990) sees organisational culture as a set of values and beliefs reflected in the behaviour of the people who work in an organisation. Nevertheless, the construct of organisational culture is still unclear because many authors differ in their definitions. They define organisational culture as:

*Shared perceptions of organisational work practices within organisational units that may differ from other organisational units. (Van de Berg and Wilderom, 2004:571)*

Organisational work practices are a central part of this definition. According to Hofstede (1991), values are important elements of organisational culture, but organisations show more differences in practices than in values. Van de Berg and Wilderom (2004:571) support this view:

*We measured organisational practices and values by asking for the extent to which the practices are present or should be present, and we also found that organisations differed more strongly on practices than on values. Therefore, we did not include organisational values explicitly in our definition.*

As mentioned above, culture may also be viewed as an internal variable where organisations are seen as culture producing phenomena. This view of culture has its roots in systems theory research, which views culture as existing in a determinant relationship with the external environment of the organisation. This theory suggests that the culture of an organisation is important to maintaining the balance of the larger system (Dawe, 2000).

Hofstede et al. (1991: 179) say that “there is no consensus about the definition of organisational culture but most authors would agree on its following characteristics:

- Holistic referring to a whole which is more than the sum of its parts
- Historically determined reflecting the history of the organisation
- Related to anthropological concepts like rituals and symbols
- Socially constructed created and preserved by the group of people who together form the organisation
- Soft
- Difficult to change.”

Among the many definitions that have been proposed, Schein’s (1992:9) is widely used. He defines organisational culture as:

***A pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptations and internal integrations – that worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.***

In comparison with other definitions which mainly focus on practices, Schein emphasises behaviour and behavioural regularities. For Schein culture is the deeper level. Basic assumptions are the core beliefs of the group, they operate unconsciously and help to resolve employees' problems of internal integration. Schein highlights the importance not only of values but also of shared experience among group members. Moreover, organisational culture is a result of group experience and may emerge from a group or an organisation with a significant history (Schein, 1992).

An organisation's culture is initially formed as a result of early experiences and the influence of early leaders. Over time, assumptions about how to operate become so implicitly imbedded in the underlying assumptions of action that they are difficult to articulate (Kaarst-Brown et al., 2004).

Schein (1992) built a three-level model of organisational culture to explain the cultural processes within organisations. At the deepest level, the basic assumptions of employees represent what they believe to be acceptable and true. These assumptions lie deeply, and employees do not consciously consider or identify them. Employees bring basic assumptions with them into an organisation, as well as developing others in the workplace.

The values of the organisation are at the next level. Values are also invisible and manifested in the behaviour of employees. They are mainly based on the values of founders or leaders.

The third level includes artefacts. They are the most visible aspect of the culture of an organisation. They can be easily observed but they are difficult to decipher. When changes occur in an organisation, the impact can be seen at the artefact level (Schein, 1992).

### 3.3 Types of Organisational Culture

The role of founders and leaders of organisations is very important as the values of the organisation are based on their values (Schein, 1992). Therefore, organisational culture is often classified according to the leadership style. This research adopts similar classification as leaders, and their decisions may influence the most important attributes of the IJV's success.

Organisational culture can be divided into four main types: power culture, achievement culture, role culture, and support culture (Bititci et al., 2006).

The power culture indicates unequal access to resources. The dominant leadership style here can be defined as authoritative, autocratic and with an idealistic prime-mover (Bititci et al., 2006). In such a culture, there would be little empowerment of employees and all directions would emerge from the top. Employees' initiative is usually not welcomed and they expect directions. Power cultures are common in Latin American and many Asian societies (Thomas and Lindsay, 2003).

In an achievement culture, employees are motivated but they still need some encouragement to achieve a high performance (Bititci et al., 2006). The essential components for the creation and maintenance of such a culture are well-selected and trained employees who operate in an environment of trust. However, some elements of the power culture are needed here as well. These include acceptance of the leader and his proposal. Strong leadership is necessary in this type of culture (Thomas and Lindsay, 2003), but the leader in this culture gives directions and encourages employees and his or her management style can be described as consultative (Bititci et al., 2006) but not dictating.

In a role culture, the power base of the leader is legitimacy and followers accord status out of respect of the office. The leader does what he or she is authorised to do. Leadership tends to be invisible, impersonal, and evasive. The leader practices "selling", which is an intermediate position between telling and consulting (Bititci et al., 2006).

Finally, the leader in the support culture is people oriented, caring and empathic. He or she involves people in the decision-making process and actively pursues participation, commitment, openness, and morale (Bititci et al., 2006). This culture can be important for the development of an achievement culture. Without a balance of caring (which is the main component in the support culture) the achievement culture can lead to competition between employees (Thomas and Lindsay, 2003).

According to Schein (1992), an employee who joins an organisation brings with them basic assumptions. If this person is a leader then these beliefs, values and assumptions may become a major influence on the culture of the organisation. As strategic direction often arises from the leader, it will be affected by their personal culture orientation which becomes absorbed into the broader organisation. Moreover, leaders sometimes can make decisions according to their assumptions rather than reality (Schein, 1992). This can be dangerous in high power cultures where managers can be isolated from the feedbacks of employees (Thomas and Lindsay, 2003).

It can be concluded that the type of organisational culture is very important as it shows the management style in an organisation, the decision-making process, the reporting, and the strategies which may have a crucial role in the IJVs success.

### **3.4 Organisational Culture and Alliances**

The issue of cultural factors in alliances has increasingly attracted academic attention. Cultural background can be very influential when an organisation creates an IJV (Lu, 2006) because this partnership brings together as least two companies from different countries.

Academic journals have published many articles reporting on different organisational culture type collisions, and their damaging effects on the performance of alliances (e.g. Hofstede, 1990; Meirovich, 2010; Moller and Svahn, 2004; Munns et al., 2000; Schein, 1996a; Sirmon and Lane, 2004).



Some authors (e.g. Gancel et al., 2002) suggest that culture is the root cause of all a partnership's problems because an alliance is like a marriage and needs the cultural match of both partners. Some authors (e.g. Butler, 2010; Das and Kumar, 2010b; Fuller and Vassie, 2002; Lu, 2006) argue that culture is important in the IJVs as both parents are from different countries and the behavioural differences, commitment, interdependence, information sharing, and conflict resolution techniques may lead to planning and interaction problems.

Researchers have found that cultural alignment generates mutual understanding and co-operation between the partners, whereas significant differences between the partners' cultures could create conflicts and erect barriers to co-operative methods of working (Fuller and Vassie, 2002). Also, the similarity of the partners' organisational culture increases partner learning (Rodriguez et al., 2003; Lane and Lubatkin, 1998), satisfaction, and the effectiveness of interactions (Moller and Svahn, 2004; Sirmon and Lane, 2004; Pothukuchi et al., 2002), whereas differences in organisational culture decrease these positive outcomes (Sirmon and Lane, 2004). Improving the cultural alignment of partnering organisations creates common reference points, understanding, and practices and behaviours, and reduces the levels of uncertainty (Fuller and Vassie, 2002).

Overall, when the cultures of partner organisations present dramatically different philosophies, styles, and values they do not "fit" well and may result in what is commonly referred to as culture "clash" (Dawe, 2000).

Many authors suggest that it is important to find a partner with similar culture. They argue about the importance of culture but do not explain how important it is and to what extent both partners need to have similar cultures, whereas it may be very difficult, or even impossible, to find a partner with similar philosophy and values.

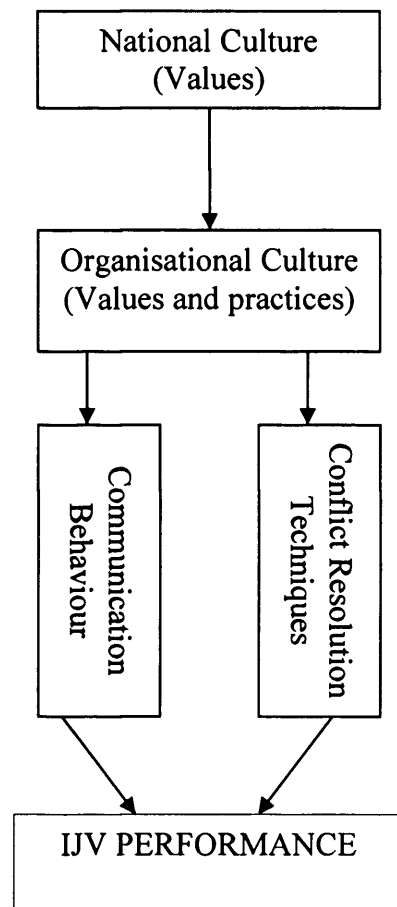
Schein (1996a) suggests that good culture fit is more likely to be determined by careful assessment of IJV partners' basic underlying assumptions and values rather than more surface level artefacts. These values and basic assumptions are related to national culture as national culture relates primarily to deeply seated values that are common to the members of a nation (Sirmon and Lane, 2004). Differences in

national culture systematically influence organisational cultures through the firm's administrative heritage – the historical management practices that have been used by organisations within a nation. Many managerial issues are defined and regulated by national culture and, therefore, when IJV partners collaborate the differences in their national cultures can manifest themselves as differences in the partners' organisational cultures (Sirmon and Lane, 2004).

Hofstede (1991) supports this point of view: claiming that at the individual level, cultural differences reside mostly in values, whereas at organisational level, cultural differences reside mostly in practices and less in values. Following Hofstede's suggestions, it may be argued that within a country organisations differ mostly in their practices. Organisational values are mainly determined by the dominant values within a given society. From a cross-cultural perspective, organisations differ partly in values due to the country values (Van Muijen et al., 1999). Differences in national culture explain 50% of the differences in managers' attitudes, values, and beliefs (Hofstede, 1991). Therefore, because this research focuses on IJVs, in this thesis organisational culture differences will be viewed through values and practices (see Figure 3.1).

Figure 3.1 summarises all of the previous arguments and shows the role of organisational culture in IJV performance. National culture is shown as the paramount factor. National culture influences and shapes managerial behaviour (Kanter, 1994; Johnson et al., 1996). Although organisational culture may readily modify the communication behaviour and conflict resolution techniques of organisational members, it is unlikely to be able to redefine the basic assumptions of national culture (Das and Kumar, 2010a). The previous chapter explained that differences in organisational cultures of IJV partners influence IJV performance through the differences in communication behaviour and conflict resolution techniques.

**Figure 3.1:** The Connections between Organisational Culture and IJV Performance



### 3.5 Concept of Values

A previous model that was developed from the literature review shows that values are the core elements of culture (Hofstede, 1991). There is a substantial amount of literature which examines the concept of values (e.g. Christie et al., 2003; Fritzsche and Oz, 2007; Hofstede, 1991; Hood, 2003; Nonis and Swift, 2001; O'Reilly III, 1991; Rallapalli et al., 2000; Rokeach, 1973; Schwartz et al., 2001; Trompenaars, 1996). These studies focus on the values which are held by managers, a comparison of different value systems, and organisational ethical values.

The term 'value' has been defined in different ways. It may be seen as "*a symbolic system*" (O'Reilly III, 1991: 492), "*the basic principles and tenets*" (Hood, 2003: 263)

or “*an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence*” (Rokeach, 1973: 5). While their definitions are different, many researchers agree that values influence behaviour (Fritzsche and Oz, 2007). So, differences in values can explain differences in behaviour. Values affect a person’s attitudes; they also guide ongoing activities, values systems employed to resolve conflicts and to make decisions (Hood, 2003; Fritzsche and Oz, 2007; Rokeach, 1973).

Further research shows that values may vary not only between individuals but also between institutions and organisations. Differences of values between two organisations can explain differences in their cultures. Values of the organisation may be transmitted to employees through a formal statement and organisational policies (Hood, 2003). Top managers communicate their organisational values to employees to shape behaviour and lead the firm (Schein, 1985). Therefore, the differences in managerial values and values systems may explain the differences in organisational cultures.

A ‘*value system*’ may be defined as an enduring organisation of beliefs concerning preferable modes of conduct, or end states of existence, along a continuum, or relative importance (Rokeach, 1973).

There are several classifications of values which are in use (e.g. Rokeach, 1973; Hofstede, 1991; Schwartz et al., 2001).

Rokeach’s (1973) values measurement distinguishes 18 instrumental and 18 terminal values. The list of terminal values was obtained from the literature mentioning various values found in American and other societies, graduate students in psychology, and interviews of about 100 adults. The list of terminal values was obtained from Anderson’s (1968) list of trait-names. Rokeach’s approach focuses on personal values that influence one’s behaviour in day-to-day life; however, his method of measurement values has been criticised because of the following reasons: questionable relevance of the values to daily life, difficulty of the lengthy ranking tasks, and information loss because of rank ordering (Nonis and Swift, 2001).

Hofstede's (1991) work on cultural differences is one of the most influential. Many of the subsequent studies on the effect of cultural dimensions in managerial ethics, attitudes and decision-making have relied on the work of Hofstede (e.g. Albaum et al., 2010; Christie et al., 2003; Armstrong, 1996; Thorne and Saunders, 2002; Yan and Hunt, 2005). Baskerville (2003) examines the popularity of Hofstede's work, using the Social Science Citation Index over the eighteen years from 1981 to 1998. Even though not all social science journals are included in this index, it shows an increasing use of Hofstede's research in many disciplines. However, there are some limitations on the use of such data: citations can be negative or positive, or there can be major and minor citations. Despite these limitations, Baskerville's (2003) analysis clearly shows an increasing use of the Hofstede's research; for example, the total number of citations has increased from 46 citations in 1988 to 333 citations in 1998. Baskerville's (2003) analysis also shows an overwhelming use of Hofstede's work in two major research disciplines: management-related disciplines and psychology.

According to Hofstede (1991), cultural values may be represented by five dimensions: individualism vs. collectivism, power distance, uncertainty avoidance, masculinity vs. femininity, and short- vs. long-term orientation. His research is based on the IBM organisation and includes a large sample of employees from a number of different subsidiaries in forty countries. While Hofstede's dimensions are widely used in business research, there are some limitations to his data.

Firstly, Hofstede's sample does not include many emerging economies (e.g. countries from the former USSR and Soviet block countries). Hofstede recognises that including these nations could change the dimensions (Hofstede, 1991). Secondly, his sample includes only IBM employees. Their national culture could interact with organisational and professional cultures (Merritt, 2000) and, therefore, it is likely that studying different organisations would result in different dimensions. For example, Merritt (2000) makes sets of analyses to determine the extent to which Hofstede's dimensions of national culture are relevant in the world of commercial aviation. Merritt's (2000) study is based on data from 9400 airline pilots from 19 countries. The first analysis applies items from the original Hofstede's Work Value Survey and is successful in replicating 'power distance' and 'individualism' indexes, but not the 'masculinity' and 'uncertainty avoidance' indexes.

Hofstede's cultural dimensions have been also criticised. His dimensions are compared to other national measurements: GNP, economic growth, population size, latitude, population growth, and population density. For example, individualism relates to Gross National Product per capita and press freedom (Hofstede, 1991: 73) and Power Distance relates to income differentials (Hofstede, 1991: 43). Individualism may be predicted from the basis of national wealth and Power Distance from population size, latitude and national wealth. It may be seen that the dimensions identified by Hofstede describe the characteristics of nations, many of which could be identified as socio-economic factors. This socio-economic data may reflect the mechanisms of social organisation, or strengths and opportunism of different nations, which may be epiphenomenal to historical origins (Baskerville, 2003).

Schwartz's values framework has been widely used in business and management research to measure a cultural distance of managers (e.g. Illes and Reiter-Palmon, 2007; Kozan, 2002; Ralston et al., 2008), employees (e.g. Rice, 2006), and consumers (e.g. Furnham and Valgeirsson, 2007; Wang et al., 2008; Doran, 2009; Worsley and Lea, 2008). Schwartz values can be good predictors of managerial style, organisational hierarchy (Kozan, 2002) and destructive leader behaviour (e.g. striving for short-term over long-term goals) (Illes and Reiter-Palmon, 2007). Kozan (2002) also shows that cultural values of managers may significantly differ inside one country, creating a few subcultures of managers. Subcultures, as defined by Schwartz values, are very strong predictors of managerial behaviour and style.

Schwartz establishes that values can be grouped into ten value types, located in a single two-dimensional value space. His analysis is based upon data collected from 60,000 individuals in 63 countries. Many countries provided two samples: secondary school teachers and students (Smith et al., 2002).

According to Schwartz et al. (2001: 521), the following value dimensions may be identified:

1. *Power*: Social status and prestige, control or dominance over people and resources. A person who likes to be in charge and tell others what to do.

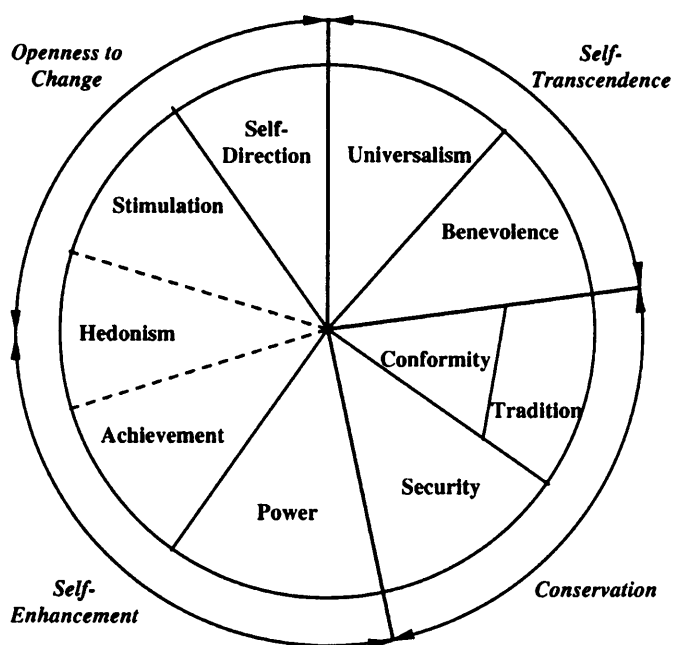
2. *Achievement*: Personal success through demonstrating competence according to social standards. Being successful is important. A person who likes to impress other people.
3. *Hedonism*: Pleasure and sensuous gratification for oneself. A person who likes to enjoy life and having a good time is very important to him or her.
4. *Stimulation*: Excitement, novelty, and challenge in life. A person who looks for adventures and likes to take risks. He or she wants to have an exciting life.
5. *Self-direction*: Independent thought and action-choosing, creating, exploring. He or she thinks it is important to be interested in things. He or she is curious and tries to understand everything.
6. *Universalism*: Understanding, appreciation, tolerance, and protection for the welfare of all people and for nature. He or she thinks it is important that every person in the world should be treated equally. A person wants justice for everybody, even for people they do not know.
7. *Benevolence*: Preservation and enhancement of the welfare of people with whom one is in frequent personal contact. They always want to help the people who are close to them. It is very important to them to care for the people they know and like.
8. *Tradition*: Respect, commitment and acceptance of the customs and ideas that traditional culture or religion provide of the self. A person who thinks that it is important to do things the way they learned in a family. They want to follow their customs and traditions.
9. *Conformity*: Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms. A person who believes that people should do what they are told. They think that people should follow rules at all times, even when no one is watching.
10. *Security*: Safety, stability, and harmony of society, of relationships, and of self. Safety is very important for these people. They want their country to be safe from its enemies.

Schwartz found that 45 of the 57 values in his theory are universal in nature; that is, they have similar meanings across all cultures.

The structural component of Schwartz's et al. (2001) values theory explicates the dynamic relations among ten values. The pursuit of any value may conflict, or may be congruent, with the pursuit of other values. For instance, the pursuit of novelty and change (stimulation values) is likely to undermine preservation of tradition values. In contrast, the pursuit of tradition values is congruent with the pursuit of conformity values.

Figure 3.2 portrays a structure of relations among ten values.

**Figure 3.2:** Theoretical Model of Structure of Relations Among 10 Value Constructs



**Source:** Schwartz et al., 2001: 522

Schwartz et al. (2001) explain that individual values can be organised in two basic dimensions. The higher value types (such as openness to change (with self-direction and stimulation value types) and conservation (with security, conformity, and tradition value types)) are bipolar in scale and form a dimension. The second dimension includes self-transcendence (benevolence and universalism) and self-enhancement (power and achievement). Also, Schwartz et al. (2001) clarify that hedonism shares elements of both dimensions. As can be seen in Figure 3.2, the circular arrangement of the values represents a motivational continuum. The closer



any two values are in either direction around the circle, then the more similar their underlying motivations will be. The more distant any two values are, then the more antagonistic their underlying motivations will be (Schwartz et al., 2001).

Schwartz's values have several potential advantages when compared to Hofstede's dimensions. Schwartz's values are theoretically derived, whereas Hofstede derived his framework empirically. Both researchers empirically examined their frameworks using large scale, multi-country samples. However, Schwartz's dimensions have been tested with more recent data (collected between 1988 and 1992) with two matched samples (student and teacher samples). Moreover, these samples are obtained from more diverse regions, including the former USSR. While Hofstede's sample includes several countries, Schwartz's sample focused not only on a single nation-state but also on cultural groups within a state (Imm Ng et al., 2007).

Schwartz (1994) claims that Hofstede's four dimensions were included within his cultural dimensions. For instance, the tradition and conformity dimension corresponds to the collectivism dimension of Hofstede. However, he argues that his value types are different because

*They are based on different theoretical reasoning, different methods, a different set of nations, different types of respondents, data from a later historical period, a more comprehensive set of values, and value items screened to be reasonably equivalent in meaning across cultures. (Schwartz, 1994:117)*

Some authors (e.g. Steenkamp, 2001) claim that Schwartz's values overlap with Hofstede's values. However, while the evidence of Steenkamp (2001) illustrates some overlap, other researchers (e.g. Breet and Okumara, 1998; Imm Ng, 2007) show that there are many differences between Hofstede's and Schwartz's value frameworks and these differences "add to the explanation of cultural differences between countries" (Imm Ng, 2007: 174). For example, Imm Ng's (2007) statistical analysis is conducted to assess the congruency between two frameworks and the results suggest that Hofstede's and Schwartz's frameworks are not congruent. Moreover, an analysis of trade statistics is also conducted to find out how well cultural distance scores based on both models predict the amount of trade between countries. This analysis shows that

Schwartz's values play a more significant role. Schwartz's value framework is used in this research.

Schwartz et al. (2001) uses a 56-item instrument to measure value structures. This may be impractical for some researchers, because it takes an unacceptably large amount of time available for administering a research instrument. Stern et al. (1998) found that each of Schwartz's value structures may be reduced to three values while still retaining acceptable levels of reliability. Stern et al. (1998) conducted two studies and factor analysed the value items from each study separately. They found a four-factor solution in each case which corresponded closely to the value clusters reported by Schwartz. The short scales were then developed, consisting of the items that match with Schwartz's clustering (i.e. all of the items in a scale fall within the appropriate cluster as identified by Schwartz) while still maintaining good reliability and effectiveness (Stern et al., 1998). Composing the reduced values structures, Stern et al. (1998) rename the self-transcendence structure in altruistic values. Table 3.1 represents a modified Schwartz's value scale.

**Table 3.1: Modified Values Scale**

<b>Construct</b>	<b>Item</b>
Altruistic values	A world at peace, free of war and conflict
	Social justice, correcting injustice, care for the weak
	Equality, equal opportunity for all
Openness to change values	A varied life, filled with challenge, novelty, and change
	An exciting life, stimulating experiences
	Curiosity, interested in everything, exploring
Self-enhancement values (or Egoistic)	Authority, the right to lead or command
	Influence, having an impact on people and events
	Wealth, material possession, money
Traditional values (or Conservation)	Honouring parents and elders, showing respect
	Family security, safety for loved ones
	Self-discipline, self-restraint, resistance to temptation

**Source:** Stern et al., 1998: 997

Taking into account the operational benefits of the shorter scale of values along with the positive results of Stern et al. (1998), the reduced value scale is chosen for use in this research.

### **3.6 Practices**

In his definition of culture Schein (1991) refers to various cultural elements. He treats basic assumptions as the essence of culture. However, basic assumptions are usually invisible and they can be observed through the next two cultural elements, which are values and artifacts. Artifacts, according to Schein (1991), are the most visible level of culture and may include technology, art and behaviour patterns.

In organisational culture literature practices and routines are often referred to as artifacts of organisational culture, in which values and norms are reflected (e.g. Hofstede, 1991; Meirovich, 2010; Van den Berg and Wilderom, 2004). It is important to observe organisational practices because at an organisational level, cultural differences reside mostly in practices and less in values (Hofstede, 1991; Van den Berg and Wilderom, 2004). Values may predict and explain behaviour and practices but they often may be different from practices. For example, people may behave differently because they believe that others would, or would not, like them to do it. This is often called a subjective norm (Trafimow et al., 2010). In individualistic societies, such as many Western countries, values are more important predictors of behaviour than subjective norms (Krauss, 1995). In contrast, people in collectivist cultures place more weight on group opinion (Trafimow et al., 2010). Therefore, their values and practices may be different.

Hofstede (1991) was one of the first researchers who found that a shared perception of daily practices should be considered as the core of an organisation's culture. Symbols, heroes, and rituals can be subsumed under the term "practices" because they are visible to an observer although their cultural meaning lies in the way they are perceived by insiders (Hofstede et al., 1990).

These values are programmed in our mind from childhood but the organisational practices are learned through a socialisation processes within the organisation, and organisational culture concerns the shared perceptions of daily practices (Hofstede, 1991). This view is in line with the definitions of organisational climate, which underline the observable practices of the organisations (Fey and Beamish, 2001; Van Muijen et al., 1999).

In many studies on organisational work practices the actual measures of organisational culture may vary but the dimensions of organisational culture are very similar, they correspond to the type of organisational culture. Van den Berg and Wilderom (2004) and Fischer et al. (2005) analyse a number of different studies on organisational culture and practices. They show that many of them have similar dimensions (e.g. Hofstede, 1991; Van Muijen et al., 1999; O'Reilly et al., 1991; Schein, 1992; Detert et al., 2000; Ashkanasy et al., 2000). For instance, Van Muijen et al (1999), Hofstede (1991), O'Reilly et al. (1991), and Detert et al. (2000) identify goal or task oriented dimension. All of the mentioned researchers have the innovation oriented dimension and support or people oriented (Hofstede, 1991; Van Muijen et al., 1999; O'Reilly et al., 1991; Schein, 1992; Detert et al., 2000; Ashkanasy et al., 2000). Van Muijen et al. (1999) constructed an internationally useful instrument for measuring organisational culture. They identify four organisational culture orientations (see Figure 3.3):

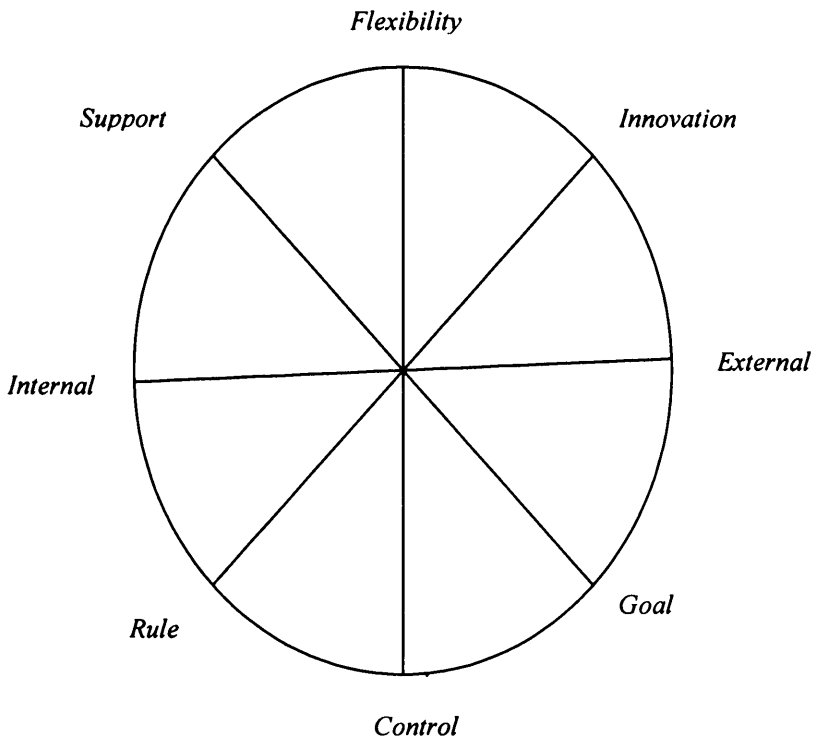
- Support orientation;
- Innovation orientation;
- Rules orientation; and,
- Goal orientation.

These four orientations are made by combining the four dimensions of organisational culture: internal and external focus of organisation, and flexibility and control.

The main concepts of support orientation are participation, cooperation, people-based, mutual trust, team spirit, and individual growth. Communication is often verbal and informal. Employees are encouraged to express ideas about their work and feeling

about each other. Decision making often runs through informal contacts (Van Muijen et al., 1999).

**Figure 3.3:** Culture Orientations



**Source:** Van Muijen et al., 1999: 556

The innovation orientation is characterised by such concepts as creativity, openness to change, anticipation, and experimentation. Control from above is neither possible, nor required, and management expects commitment and involvement of employees (Van Muijen et al., 1999).

The rules orientation emphasises respect for authority, rationality of procedures, and division of work. The structure is hierarchical and communication is often written and top-down. Power is based on formal authority. The goal orientation includes such concepts as rationality, performance indicators, accomplishment, accountability, and contingent reward.

The model of Van Muijen et al. (1999) is circumplex: the circle can be read from left to right and vice versa. For example, the support orientation and the innovation

orientation share an emphasis on flexibility and co-operation between colleagues, and the innovation orientation and the goal orientation have in common an external focus. On the other hand, there is tension between the diametrical orientations. For example, stability and control (the rules orientation) are opposed to creativity and change (the innovation orientation), while team spirit and cooperation (the support orientation) contrast with contingent reward and accountability (the goal orientation).

In this thesis the organisational practices model of Van Muijen et al. (1999) is used. This instrument has several advantages. Firstly, in comparison with the other scales (e.g. Hofstede, 1991), Van Muijen's et al. (1991) framework is less time consuming. In this research, senior managers are chosen as respondents; however, due to their tight schedule they might be unable to complete a large questionnaire. Also, Van Muijen et al. (1999) design their focus questionnaire using a large sample of organisations from different industries and different European countries, including those of the former Soviet Union. The final scale is based on items that are found to be universal in all these countries, this increases the reliability of the scale.

### **3.7 Summary**

This chapter discusses the main theories and concepts regarding the organisational culture and its role in partnership success. The discussion is summed up in the conceptual framework (see Figure 3.4).

Figure 3.4 represents the conceptual framework for the current research. As has been mentioned earlier, the process of an IJV requires that at least two partners from different countries come together to form a partnership. In Figure 3.4, Russian partner and Foreign partner represent two different organisations involved in the formation of the IJV. As this research focuses on the IJV, it was essential to identify the elements of national culture and values because they have a substantial influence on organisational culture. Based on the research of Schwartz, and the modified model of Stern et al. (1998), four dimensions with 12 values are chosen to measure national culture in this study, the instrument of Van Muijen et al. (1999) with four cultural

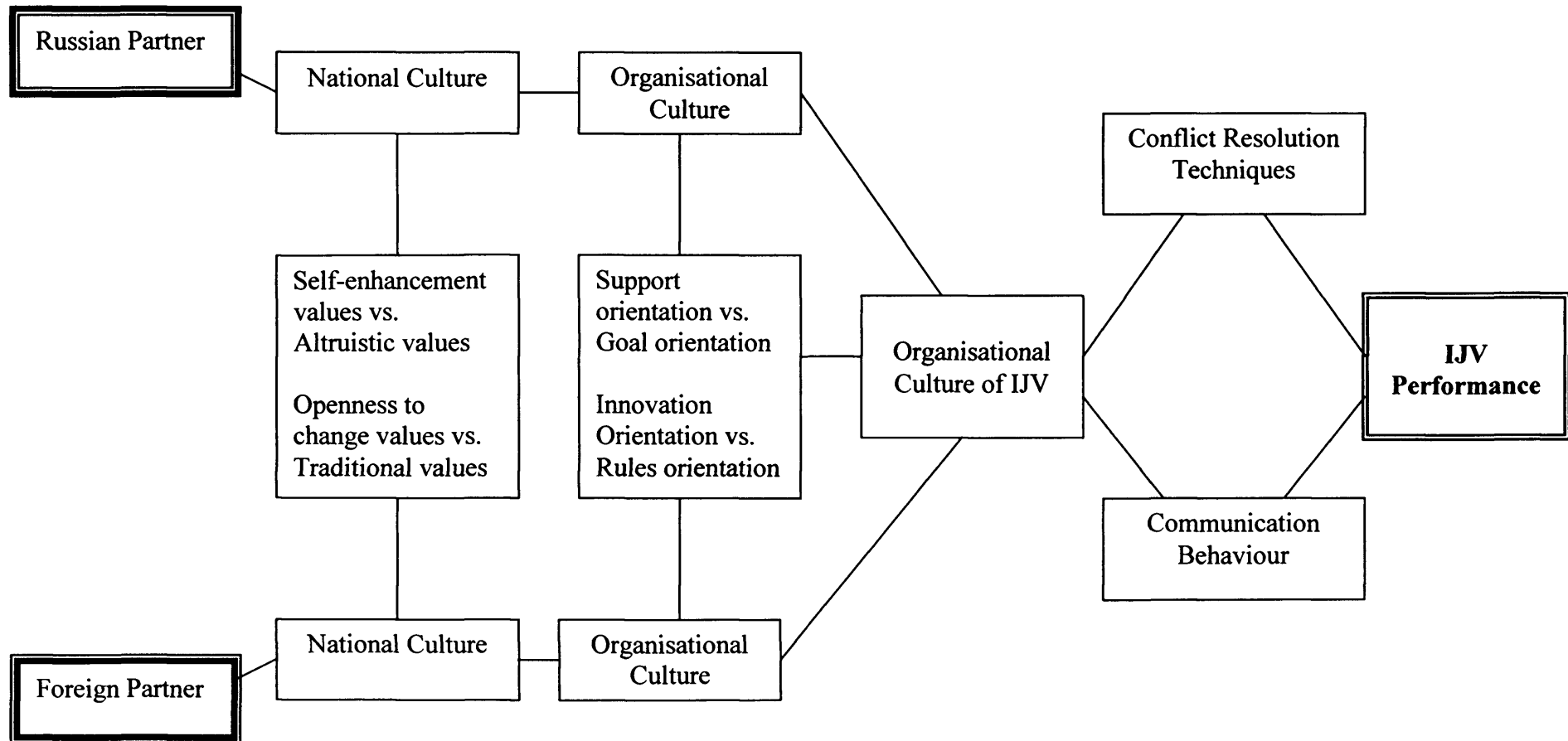
orientations is taken for measuring organisational practices in order to gather a deeper insight into organisational culture in these IJVs.

During the process of IJV, both partners bring along their own organisational cultures and form a separate entity that has either: the culture derived from both partners, a culture similar to one of the partners, or an entirely new culture. When all partners collaborate, the differences in their organisational culture result in different communication behaviour (communication quality, information sharing and participation) which may lead to conflicts and IJV dissolution.

The previous chapter explains the concept of alliances, and outlines the factors which may influence IJV success. Experience with IJVs has shown that they face a number of problems which can often result in IJV failure. One of the principle reasons behind IJV failure is the cultural differences of IJV partners. In order to investigate the cultural concepts of IJVs in Russia, we first need to revise some issues related to the Russian economic, social and political environment. Russia, as one of the largest emerging economies, is undergoing a number of substantial changes, including the radical transformation of its socioeconomic processes and institutions. Knowledge of these institutional changes is of great interest and importance to this thesis because they have a significant impact on culture.

The next chapter reviews the main economic aspects of emerging economies, paying particular attention to Russia, and will identify their impact on organisational culture.

**Figure 3.4** Conceptual Framework





# Chapter 4

## ***Emerging Economies and the Russian Context***

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The purpose of this chapter is to review extant literature relevant to emerging economies and in particular the Russian economy and culture. This chapter defines emerging and transitional economies and describes the main characteristics of these countries, the challenges they face, and how institutional voids may influence organisational culture. A gap in the previous research of the Russian culture and economy is identified and its influence on organisational culture and managerial practices is considered.

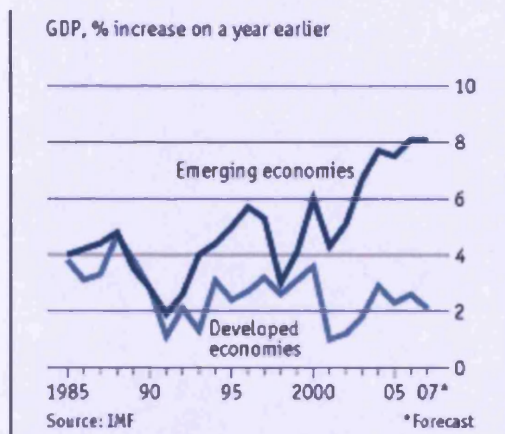
### **4.1 Introduction**

In the 1980s, and the beginning of 1990s, the term “newly industrialising countries”, which had previously been applied only to a few fast-growing Asian and Latin American countries, was replaced by the broader term “emerging market economies” (ECs) because of liberalisation and the adoption of market-based policies by many developing countries (Hoskisson et al., 2000). Other categorisations, such as “Third World countries” and “developing countries”, have become inconsistent because they were mainly based on the absolute level of economic development, usually indicated by the average GDP per capita and the GDP growth rate.

The World Bank categorises countries on the basis of GDP per capita into low (for 2006, less than \$905; fifty-three countries), lower middle (\$906 - \$3,595; fifty-five countries), upper middle (\$3,596 - \$11,115; forty-one countries), and high groups (more than \$11,116; sixty countries). However, only two of the ECs fall in the low category (India and Vietnam), although of course this is misleading because it disguises large disparities in incomes within this mean figure, whereas five countries are high-income economies (Hong Kong, Singapore, South Korea, Estonia and Czech Republic). Moreover, most emerging and transition economies have had an average annual GDP of more than 5 % since 2000 (see Figure 4.1). According to the International Monetary Fund they account for 30 % of world GDP at market exchange rates, and the half of global GDP growth (Chavalier, 2007). Consequently, ECs have

evoked a considerable interest among researchers (e.g. Hoskisson et al., 2000; Arnold and Quelch, 1998; London and Hart, 2004; Khanna and Palepu, 1997).

**Figure 4.1: GDP Increase in ECs and Developed Economies**



**Source:** Chavalier, 2007

## 4.2 Emerging Economy: Definition

An *Emerging Economy (EC)* can be defined as a country that satisfies two criteria: the absolute level of economic development (usually indicated by the average GDP per capita, or the relative balance of agrarian and industrial activity) and government policies favouring economic liberalisation and the adoption of a free-market system. Emerging economies can be divided into two groups: developing countries in Asia, Latin America, Africa, and the Middle East; and transition economies in the former Soviet Union and China (Hoskisson et al., 2000). Hoskisson et al. (2000) identify 64 emerging economies, of which 51 are fast-growing developing countries and 13 are transition economies. If the country is in the process of economic liberalisation from a command economy, it is defined as a “*transition economy*” (Arnold and Quelch, 1998). Transition economies are thought to be committed to strengthening their market mechanisms through liberalisation, stabilisation, and the encouragement of private enterprises (Hoskisson et al., 2000).

Thanks to rapid growth, and a large market with a limited competition, emerging economies have become very attractive for many foreign investors and their potential has already affected a shift in multinational companies (e.g. Hoskisson et al., 2000; Arnold and Quelch, 1998). At the same time as domestic policies are becoming more market-oriented, emerging economy governments are opening their countries to foreign markets and joining regional trading associations (Hoskisson et al., 2000). In 2007, emerging economies received significant amounts of foreign direct investment (FDI) inflows, which grew from \$568 billion in 2006 to \$782 billion in 2007 (IIF, 2008). However, entering low-income markets in emerging economies and operating in these markets may require a different strategic approach (London and Hart, 2004) because companies face a “high velocity” environment of rapid political, economic, and institutional changes that are accompanied by relatively underdeveloped factor and product markets (Wright et al., 2005).

Many emerging economies have experienced substantial change. Macroeconomic stabilisation, a precondition for external financial assistance, has been particularly difficult to achieve. The development of market institutions (such as legal infrastructures that provide the basis for effective corporate governance) has been even slower and more difficult. Economic and political shocks, and the current stresses resulting from the rapid implementation of economic reform programmes, have increased the uncertainty and risk for domestic companies and foreign investors (Arnold and Quelch, 1998; Hoskisson et al., 2000). In addition, it has also raised their costs because of the higher prices for resources in some countries, lowered prospects for profitability, and macroeconomic instability (Doh et al., 2003). As a result, factors such as the development of market institutions and the high variance in the institutional environment (Delios and Henisz, 2000), levels of government involvement, industry structures, ownership patterns, and enforcement of business laws may all contribute to explanations of strategic decisions of companies in emerging economies (Wright et al., 2005).

### 4.3 Institutional Voids

One of the key factors in understanding the difference between developed and emerging economies involves the configuration of local institutions (Ricart et al., 2004). The main challenges arise in emerging economies because of weak institutional infrastructures due to uncertainties arising from economic and political instabilities, and a lack of market-based management skills (Wright et al., 2005). *Institutional voids* occur when specialised intermediaries (such as communication infrastructure, financial services, or various databases on consumption) either do not exist or are failing. Without the functional activity provided by these intermediaries, key strategic decisions become more difficult to make, with direct consequences for industry analysis, positioning, and sustainability which are the key fundamentals of competitive strategy (Mair et al., 2007; Ricart et al., 2004).

Unlike developed countries, emerging economies do not have the necessary institutions which can help to facilitate the functioning of markets (Khanna and Palepu, 1997). Advanced economies tend to have many seasoned market intermediaries and effective contract-enforcing mechanisms, whereas ECs have unskilled intermediaries and less effective legal systems (Khanna et al., 2005). In transition economies the process of transition requires fundamental change in institutional frameworks, and managerial and consumer attitudes (Ennew et al., 1993). That is, resources are employed within the business group in order to compensate for the lack of environmental resources available through the establishment of local offices, IJVs, or training programmes designed for local specialists (Ennew et al., 2000).

Business groups have become intermediaries and have made organisational arrangements to fill institutional voids in some emerging economies, such as India and Chile. These groups have also played an important role in firm restructuring in some transition economies, such as China (Wright et al., 2005).

The problem of institutional voids can be seen through the product, capital, labour markets, and the government regulations of a country (Khanna and Palepu, 1997).

### 4.3.1 Product Markets

Many emerging economies have underdeveloped communication infrastructures (Khanna and Palepu, 1997) and distribution systems (Arnold and Quelch, 1998; Ennew etc., 2000). The postal service is typically inefficient, slow, or unreliable. Moreover, in comparison with developed countries, the number of Internet users, and telephone and mobile subscribers is much lower in ECs. For example, according to the latest data only 22 % of the population in China have the Internet, 38 % in Brazil, compared with 87 % in the Netherlands, 68 % in France and 76 % in the UK (see Table 4.1). However, many transition countries score relatively highly in the number of fixed lines, mobile phone subscribers, and the number of Internet users.

**Table 4.1:** Development Indicators

<b>2008</b>	<b>Internet users (per 100 people)</b>	<b>Fixed line and mobile phone subscribers (per 100 people)</b>
Netherlands	87	170
France	68	149
Switzerland	76	180
UK	76	180
USA	76	140
Brazil	38	100
China	22	74
Malaysia	56	118
India	4.5	34
Bulgaria	35	166
Latvia	60	127
Poland	49	141

**Source:** World Bank, 2010

The development of the Internet services in a country has a great impact on organisations and their culture. The advent of the Internet, digital connectivity, and use of e-commerce and e-business models has helped many companies to improve their services and fit with customer demand. The Internet reinvented businesses and

individuals, introducing “the age of network intelligence”. This has pressed organisations in developed countries to modernise their administrative practices and management systems. The bureaucratic paradigm (characterised by internal productive efficiency, departmentalisation, hierarchical control, and rule-based management) has been replaced by a competitive, knowledge based economy (characterised by flexibility, network organisation, innovative entrepreneurship, organisation learning, speed up in service delivery, and a customer driven strategy). For example, the Internet and mobile phones allow customers to access information about organisations and their services instantly, conveniently, and from anywhere. Also, organisations are conducting business-to-business e-commerce in order to lower their costs. The opportunity to conduct online transactions with the government reduces red tape and simplifies regulatory processes, therefore helping businesses to become more competitive (Ndou, 2004). In addition, the Internet helps to provide e-learning between employees in a company, it brings employees together and promotes knowledge sharing among them. It gives employees the possibility of accessing relevant information regarding compensation and benefit policies, and training and learning opportunities. Overall, the Internet has helped companies in developed countries to reduce their costs, increase quality, and service delivery to businesses and customers. It has also helped to increase an organisations’ transparency and accountability. These factors have helped developed countries to shift to supportive and innovative organisational cultures (Ndou, 2004). Because many people in ECs do not have an access to the Internet, their organisations do not always deploy the appropriate IT infrastructure (web-sites, e-commerce and online services). This may explain why many ECs have an autocratic organisational culture, centralised and limited communications, and low information and knowledge sharing in organisations.

Many researchers claim that because of the high level of illiteracy it is difficult for companies to communicate with their potential customers (e.g. Khanna and Palepu, 1997; Arnold and Quelch, 1998). However, since 1997 the rate of illiteracy has changed substantially in many ECs. According to UNESCO (UNESCO, 2007), many of these countries have as high a literacy rate as that of developed countries. Many transition economies, especially the former USSR countries, are leading in the rate of

literacy and tertiary enrolment (see Table 4.2), which can be explained by the historically great value that the USSR always put on education.

**Table 4.2: Tertiary Enrolment**

<b>Rank</b>	<b>Country</b>	<b>Score</b>
1	Finland	91.69
2	Korea	91.04
4	USA	82.72
8	Slovenia	81.19
11	Lithuania	76.04
12	Latvia	74.36
15	Russia	71.04
16	Ukraine	68.96
17	Spain	66.87
18	Estonia	65.74
21	Argentina	65.03
22	Poland	63.41
23	Belgium	63.01
26	UK	59.71
30	France	56.39

**Source:** UNESCO, 2007

Independent consumer-information organisations are rare in ECs, and there are only a few analysts who rate products and services (Khanna and Palepu, 1997). Market research and advertising is much less developed, and the absence of databases on consumption patterns makes it difficult for companies to segment their customers (Khanna et al., 2005; Ennew et al., 2000) and get reliable information about consumers with low incomes who are the most significant segment in emerging economies (Khanna et al., 2005).

For instance, the World Economic Forum ranks countries on the availability of research and training services which is based on the Executive Opinion Survey 2006-2007. In most of the ECs specialised research and training services for companies are less available than in developed countries (see Table 4.3).



**Table 4.3:** Local Availability of Research and Training Services:

In your country specialised research and training services are (1 = not available, 7 = available from world-class local institutions)

Rank	Country	Score
1	Switzerland	5.99
2	USA	5.99
3	Germany	5.98
5	UK	5.87
12	France	5.59
25	Czech Republic	4.82
31	India	4.71
32	Brazil	4.67
35	Slovenia	4.60
38	Croatia	4.39
41	Poland	4.37
45	Argentina	4.26
48	Lithuania	4.19
60	Hungary	3.97
74	Bulgaria	3.75
80	Kazakhstan	3.63
113	Georgia	2.85

**Source:** World Economic Forum. INSEAD, 2007c

These structural problems in the product markets influence the organisational culture of companies in ECs. For example, the absence of necessary databases and research services may have an impact on managerial decision making. Managers from developed countries will prefer consulting a research base before making a decision. They will place emphasis on the use of reports, databases and other electronic forms of information. In contrast, managers from ECs may gather information from friends, co-workers, relatives, and rumours. Consequently, organisational culture in these countries is usually relationship oriented and has less formal information and knowledge (Morden, 1999).

### **4.3.2 Capital Markets**

The problem in capital markets is similar to that in product markets. Access to information (such as sales levels or the number of distributors) is difficult and investors take a higher risk by putting money into unfamiliar ventures (Khanna and Palepu, 1997). ECs do not have many reliable intermediaries like credit-rating agencies, investment analysts, merchant bankers, or venture capital firms (Khanna et al., 2005).

Because of the high environmental risks in many ECs (such as unstable currencies and corrupt governments) venture capitalists require large returns on their success and often invest only in firms promising high return rates. For example, in Brazil venture capital is offered only to IT businesses. To a lesser degree, opportunities have emerged in human healthcare and retail. In India the areas which attract venture capital are software and software services, and in Taiwan they are manufacturing and some integrated circuit design. In some ECs governmental policies toward venture capital are still undeveloped. For example, while in China the government intends to encourage venture capital, many of its laws discourage small firm formation (these include regulations on the minimum capital size of RMB 10 million to be considered a company (Kenney et al., 2002)).

In addition, the banking system in many emerging and transition economies is not well developed and the companies can not easily receive bank loans (Khanna et al., 2005). Some ECs are leading in the availability of credit (see Table 4.4). Nevertheless, the banks' interest rate remains very high in most of these countries. For example, in South Africa, Romania and Kenya it reaches 13.5 %, in Azerbaijan 19.1%, and 23 % in Peru (World Bank, 2008a).

**Table 4.4: Getting Credit Rank in 2010**

<b>Country</b>	<b>Getting Credit Rank</b>
Malaysia	1
UK	2
South Africa	2
Singapore	6
USA	6
Bulgaria	6
Kenya	6
Latvia	6
Switzerland	15
Slovakia	15
Peru	15
Romania	15
Lithuania	46

**Source:** World Bank, 2011a

Additionally, systems of payment which are an integral part of the functioning of developed market economies (such as cheques and credit cards) are often largely underdeveloped in many ECs (Ennew et al., 2000).

For instance, the Bank for International Settlements shows statistics on payments in Turkey and Serbia, comparing them to those in developed countries. In 2005 the number of cards with a payment function per one inhabitant was 0.52 in Serbia and 1.09 in Turkey which compared with 1.95 in the Netherlands, 2.35 in the UK and 5.20 in the USA. The number of Automated Teller Machines (ATMs) per 1 million inhabitants was 113 in Serbia and 206 in Turkey which compared with 1,631 in Canada, 1,289 in Belgium, and 968 in the UK (BIS, 2008).

Due to the problems with venture capitals and bank loans, many organisations in ECs do not have sufficient funds to support their existing businesses. This may reduce the level of innovativeness, technologies, and manufacturing processes in a company (MacMillan et al., 2008).

### **4.3.3 Labour Markets**

In spite of their large population, many emerging markets do not have enough skilled workers (Khanna et al., 2005). The rate of tertiary enrolment is very low in Malaysia, Mexico, Brazil, China, India and Indonesia (UNESCO, 2007), which can explain the low number of skilled employees. This is not such a problem exists in many transition economies (such as Slovenia, Lithuania, Latvia, Ukraine, Estonia, Poland and Kazakhstan) which are leading in the number of people who are enrolled in tertiary education (UNESCO, 2007).

In addition, ECs and many transition economies have fewer scientists and researchers. The total expenditures on research and development is much lower in these countries. For example, according to UNESCO data (UNESCO, 2007), in 2006 the number of researchers per one million inhabitants was 926 in China, 895 in Argentina, 952 in Romania, 1,344 in Bulgaria, 1,562 in Poland and 1,758 in Latvia. Nevertheless, these numbers remain low in comparison with developed countries (e.g. France\* - 3,353; Germany – 3,386; UK – 3,033; and USA\* - 4,651).

In ECs organisations have trouble recruiting managers and other skilled workers. There is little information about the ranks and teaching quality of universities and allied institutes. Another institutional void arises from the absence of executive search firms and recruiting agencies (e.g. Khanna et al., 2005; Ricart et al., 2004).

All these factors have a great impact on organisational culture. For example, in order to develop an achievement culture, organisations require well-trained and well-selected employees, but in most ECs this training and recruitment is not available. Moreover, the role of business education is considered to be a significant actor in shaping a base of organisational behaviour, but many ECs face a problem in business and management education. Firstly, many ECs do not have many specialised business schools. Next, the students would gain more benefit from their programme if their local lectures had experience of developed countries (Szamosi et al., 2008). Nowakowski et al. (2008) questioned 734 executives in 15 different Eastern European countries examining issues such as labour market, talent management and leadership.

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\* In 2005

60 % of their respondents suggest that their country's universities and institutes are not preparing graduates with the necessary leadership skills. It was found that typical characteristics of a leader in ECs are criticising, autocratic (Suutari and Riusala, 2001; Szamosi et al., 2008), and "short-term minded" (Nowakowski et al., 2008).

#### **4.3.4 Government Regulations**

National and local governments are very influential in ECs. A high degree of political influence on business produces an institutional environment conspicuously different from that encountered by the typical Western firm (May et al., 2000). This reflects both the recent history of many ECs as command economies or closed markets, the desire of many host governments to build local business, and the importance of government-led infrastructure projects in the early stages of development (Arnold and Quelch, 1998). For example, in Malaysia foreign companies can enter into IJVs only after checking to see if their potential partners belong to the majority Malay community or the economically dominant Chinese community, so as not to conflict with the government's long-standing policy of transferring assets from the Chinese community to the Malay (Khanna et al., 2005). In some former Soviet Union countries (such as Ukraine and Belarus) the governments own a large proportion of shares in manufacturing firms. From the middle of the 1990s the percentage of state ownership in these transition economies has fallen as a result of privatisation programmes; it now averages about 6 % in Ukraine, although in Belarus it still exceeds 20 % (Buck et al., 2000).

In addition, firms in ECs may be unable to use institutions that support their business activities (such as courts) for the enforcement of contracts. In some ECs there is a benchmark of more than 600 days needed in order to enforce a contract; for example, this process requires 616 days in Brazil, 820 days in the Czech Republic, 830 days in Poland, 1,350 days in Slovenia, and 1,420 days in India. Moreover, the number of procedures to enforce a contract from the moment the plaintiff files a lawsuit in court until the moment of payment is higher in many ECs (see Table 4.5) (World Bank, 2007b). As a result, some companies bear additional costs when they engage with

organised crime by paying for protection and other security services that would otherwise be unnecessary (Doh et al., 2003).

**Table 4.5:** Number of Procedures to Enforce a Contract in 2010

Rank	Country	Score
1	Ireland	20
2	Singapore	21
5	Austria	25
6	Netherlands	25
6	Belgium	27
53	Argentina	36
53	Chile	36
53	Estonia	36
53	Georgia	36
65	Kazakhstan	38
75	Indonesia	40
110	Brazil	45
112	India	46
170	Armenia	49

Source: World Bank, 2011b

In order to overcome these difficulties with regulations, laws or norms, people in ECs sometimes use their personal connections with people who control necessary resources. Network contacts and personal relations may help to reduce uncertainty (Hoskisson et al., 2000). Batjargal (2003) and Peng (2001) found that network connections in emerging markets can be a crucial value-adding factor in a firm's performance. Networks in ECs are based on the objectives of: achieving a reciprocal exchange of information and favours (not governed by rules), to share advice freely, to expand the network at will, to inspire each other, to achieve personal goals, and to help each other obtain business and career advantages. Networks may help facilitate trust and professionalism in society because the people linked together in the network know that they can rely on each other (Dobovsek, 2008).

For example, in China network contacts (*guanxi*) are a major dynamic in society. The Chinese word 'guanxi' refers to the concept of drawing on established connections. Guanxi bonds people through the exchange of favours. This relationship does not have to involve friends, though, where possible, this is preferred. Guanxi can be described as a long-term oriented intangible asset (Dunning and Kim, 2007). It can be a key factor in achieving business goals and objectives (Zhu and Zhang, 2007) as it helps to smooth transport arrangements and collection of payments, build the firm's image and reputation, as well as access the bureaucrats who facilitate business transactions. Guanxi in China can be identified with a traditional form of relationship marketing; however, it differs from relational exchange in Western society. The guiding principles of relational behaviours in guanxi are morality and social norms. Guanxi is an informal relationship based on personal affiliations. Exchange partners in Western society will have more explicit role expectations and the guiding principles of a relational exchange will be legality and rules (Flambard-Ruaud, 2005). Guanxi in China results in certain management practices, such as a long-term horizon, a consensus approach to decision-making, and a risk reduction approach (Flambard-Ruaud, 2005).

In developed economies, it is difficult to operate using networks because of the legal and institutional infrastructure which prevents fluid operations of such networks due to intellectual property right laws, stringent requirements for transparency, ownership and board functioning (Wright et al., 2005). The development of civil law in the West has reduced the authority of the business leader of the firm compared to that of leaders in the ECs. In the same way, the importance of the contract has reduced flexibility, giving less weight to confidence in the word of one's partner, and made easier the development of imposing hierarchical structures and impersonal networks (Flambard-Ruaud, 2005).

The lack of strong legal frameworks and ineffective institutional systems has allowed a significant increase in opportunism, bribery and corruption in ECs which create the greatest potential for distorting investment plans. For example, in September 2002, a Lesotho court found Acres International, a Toronto-based firm, guilty of passing \$260,000 as a bribe to the chief executive of the project. In July 2002, Xerox admitted that it had made improper payments of more than \$500,000 to government officials in

India to increase sales. Red tape and bureaucratic delay also result from dealing with corrupt officials or complying with the requirements of corrupt regimes. Firms may use bribes to avoid red tape and delays in facilitating project approvals. However, Procter & Gamble, as a part of its broader exit strategy from Nigeria closed a Pampers plant rather than pay a bribe to a customs official (Doh et al., 2003).

In ECs corruption reduces FDI (Uhlenbruck et al., 2006). It can also decrease tax revenue, raise transaction costs, and pressure many companies to go underground (Wilson, 2006). On an organisational level, corruption results in managerial incompetence because managers often promote incompetent leaders and employees. According to data from the World Bank, only a few emerging economies have a low level of corruption – Hong Kong, Singapore and Taiwan. However, a number of countries (such as Estonia, Chile and Malaysia) have improved their indexes in corporate and judicial corruption, and are moving closer to developed countries in their ranking (World Bank, 2005).

Many companies attempt to offset the costs of corruption and bureaucracy through the selection of different entry modes and structures (Doh et al., 2003). Many prefer to overcome these difficulties and barriers in emerging economies by forming an IJV. Institutional pressures arising from incumbent state-owned firms and domestic market orientation of investor lead to a preference for IJV entry in countries such as Indonesia, Thailand, Korea, Malaysia, the Philippines, and Vietnam (Wright et al., 2005). Doh et al. (2003) found that in Eastern Europe and the former Soviet economies, the probability of investing through an IJV rather than a wholly owned subsidiary increases with the level of corruption.

Entry via an IJV with a local partner may provide access to local networks and reduce uncertainty (Doh et al., 2003). Furthermore, it helps organisations to learn about new markets (Prahalad and Lieberthal, 1998), develop their brands, and establish a distribution system (Arnold and Quelch, 1998).



#### **4.4 Reasons for Foreign Organisations to Enter the Russian Market**

Since 1991 Russia has experienced significant economic changes, turning from a planned economy to a market-oriented economy. When they were first opened the large Russian markets offered great opportunities for foreign investors. As a result, a number of foreign businesses have entered into the Russian market. Before 1991 there were 116 US companies already based in Moscow and these were joined by further businesses in the following years (Dulworth, 1995). Nevertheless, many organisations that have been attracted by the business opportunities in Russia have encountered a number of serious obstacles. As has been suggested by a number of studies, the Russian environment is very complex and the Russian culture is very different from that of the West (Elenkov, 1998).

There are several key reasons why foreign firms are attracted to Russia. Chief among them is the vast size of the Russian market with over 150 million people (Fey, 1996; Bartley and Minor, 1994). Russia's relatively inexpensive and highly-skilled labour force is also viewed as a key attractor (e.g. Fey, 1996; McCarthy et al., 2005). Many foreign firms are also eager to enter Russia quickly since it was viewed as relatively inexpensive country to develop a base for a business so that when the Russian economy stabilized, they would be in a good position to take advantage of the Russian market (McCarthy et al., 2005).

Moreover, many foreign investors are attracted by Russia's sustained economic growth and macroeconomic stability, which are viewed as positive components by many current foreign investors in Russia (Ernst & Young Report, 2007). Russian real GDP growth has accelerated from 7.4 % in 2006 to 8.1 % in 2007, and the data from early 2008 indicates further growth of well above 8 % (The World Bank, 2007b). However, the current financial crisis has resulted in the significant decrease of Russia's GDP rate in 2008 and 2009. Although Russia's economy emerged from recession in the third quarter of 2009, its GDP contracted by 7.9% for the whole of 2009 (slightly less than the prediction of above 8%). Russia's economy began to grow in 2010, with an average growth of 4.5 % (The World Bank, 2011).

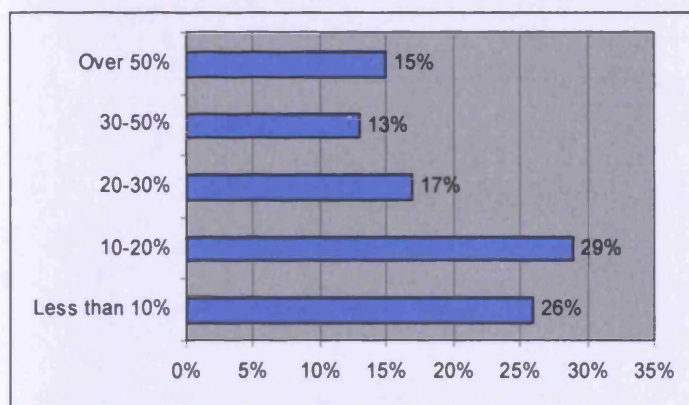
Foreign firms often view Russia as attractive because of the lack of competition in many sectors of the Russian market. As a result, companies that were quick to react had appealing opportunities (Fey, 1996). In addition, many foreign organisations see access to Russia's natural resources as a major reason to enter the country. Many partnerships between Russian and foreign firms were formed in the oil, gas, chemical and manufacturing sectors (McCarthy et al., 2005); examples include the TNK oil company and British Petroleum, AvtoVAZ and Fiat, the Russian leading Chemical company Metafrax and Swedish Perstorp Formox.

#### **4.5 Foreign Direct Investment in Russia**

Foreign Direct Investment (FDI) in Russia has been growing steadily since 1999. The main factors for this have been: macroeconomic stability, the high growth of disposable income, the achievement of investment-grade credit ranking, the flexible exchange rate policy, and the easing of currency laws (Savov, 2007). According to the World Bank, Russia ranked among the five top countries in terms of cumulative FDI over 2001-2007 (World Bank Group Project, 2008). Russia's FDI was USD 52 billion in 2007, comparing to the USD 14.2 billion in 2005. However, during the recent crisis it dropped to USD 12 billion (World Bank, 2011c).

According to Ernst & Young (2007), most foreign investors in Russia have significantly increased their profits and sales since 2005. For example, 29 % of 83 current investors reported their profit increased in the 10-20 % range, while 15 % of current investors saw their profits rise more than 50 % in 2005 (see Figure 4.2). Moreover, more than 90 % of respondents said that they plan on increasing both their business operations and investment in the next three years (Ernst & Young, 2007).

**Figure 4.2:** Profits (base: 83 current investors)



**Source:** Ernst & Young, 2007: 43

The main reasons of the growth in foreign investment in Russia are its macroeconomic situation (i.e. a high GDP rate, better nominal exchange rate, lower unemployment, and higher disposable income) (World Bank, 2008c). However, Russia remains far behind other countries vying for FDI. China, the world's leader, had a total FDI of USD 63 billion last year – twice that of Russia (Ernst & Young Report, 2007). One of the suggested reasons for this is the intricate Russian environment and culture. Therefore, the next sections are going to examine the main aspects of Russian culture.

#### **4.6 The Historical Background of Russian Culture**

Historical insight is necessary to understand some specificities of the Russian national culture.

Many research studies on the Russian business environment (e.g. Schrader, 2004; Shleifer and Treisman, 2005; Kets de Vries, 2000; McCarthy et al., 2005; Shama and Merrell, 1997) connect people's values and behaviour with the Soviet experience, they do not take into account the Imperial and early periods of Russian history. Seventy years of the Soviet era had developed new practices, but this is a very short period of time to change people's values which have been shaping for thousands of years.

The historical background of Russian culture in this section was written after an extensive literature review (e.g. Nikolai Berdiaev, Vasily Klyuchevsky, Dmitry Likhachov, Nikolai Karamzin, notes and letters of Dostoevsky, count Leo Tolstoy, prince Peter Viazemsky, notes and memoirs of foreign travellers to Russia – marquis de Custine, duke de Liria, and Alexandre Dumas- père).

Russian history can be divided into four main periods: early (pagan) periods, Byzantine period, the Russian Empire, and the USSR. A brief overview of the first three periods is very important because after the fall of the Soviet Union many people were alarmed with what they perceived as the loss of traditional Russian culture and a distinctive Russian identity during the Soviet era, which included the formation of a new identity for all Soviet citizens - “the new Soviet person”. So, as the USSR collapsed, Russians turned to their roots and many perceived ancestral values have since resurfaced. Churches are being restored all across the country, Russian writers and artists whose works were banned are once again being honoured, and the individual character of ancient cities and communities is once again becoming established.

Nowadays, resurgence in the early pagan period can be seen in Russian culture, people’s life and daily behaviour. For example, old Russian folklore takes its roots in the pagan beliefs of ancient Slavs, much of which is represented in the Russian fairy tales. The beliefs and rituals of ancient Slavs are similar to those in many Western European countries but, unlike many Western Europeans, the Russians still widely use these beliefs in their daily life. The other common practice includes mysticism (fortune-telling, tarot cards, and astrology). These beliefs and rituals are more widespread in small towns and villages.

The most important aspect of the Byzantine period in Russia was the adoption of Orthodox Christianity, which led to a fundamental cultural transformation. Russia adopted a whole set of cultural values, beliefs, artefacts and language from the Byzantine Empire. The main beliefs of this tradition are considered to be personal sacrifice, obedience, and forgiveness. By the middle of the fifteenth century the remnants of the Byzantine Empire and other previously powerful Orthodox countries (such as Bulgaria, Serbia, and Romania) were all conquered by the Turks. Russia

remained the only fully independent Orthodox country, and Moscow succeeded Constantinople as the centre of Orthodox Christendom. At that time the church developed a new theory about the role and power of the tsar, which later helped Russian tsars to build the tsarist autocracy. The Russian Church and state continued to play this central role in the Orthodox world for the next 450 years, carrying out all its original rituals and everyday practices.

The period of the Russian Empire was begun with Peter I (Peter the Great, who ruled Russia from 1682 to 1725), whose reforms of and modernisation made Russian culturally much closer to Western Europe. Next, the reign of Catherine the Great (which began in 1762 and ended in 1796) is often regarded as the high point of absolutism. Many emperors (Paul I, Alexander I, Alexander II, and Nicholas II) had liberal political views and followed a modernisation programme. An autocratic regime in Russia caused the Decembrist revolt (December, 1825) when a small circle of liberal nobles wanted to install a constitutional monarchy, and it would later help create the Narodnaya Volya organisation which assassinated Alexander II in 1881. After the failure of the Decembrist revolt Nicholas I turned to the new doctrine of Orthodoxy, Autocracy, and Nationality. Following Alexander's II assassination in 1881, the throne passed to his son Alexander III who reviewed the previous doctrine. Alexander III believed that Russia could be saved from chaos only by shutting itself off from the subversive influences of Western Europe. Russian society was divided into two camps – Slavophiles and the "decadent" West. The Slavophiles were opponents of bureaucracy, preferred the collectivism of the mediaeval Russian world, or village community, to the individualism and capitalism of the West. After the revolution in 1905 Russia got a constitution and a national-level representative assembly (Duma). This system was abolished after the revolution of 1917. The USSR was formally established in 1922.

The process of modernisation in the Russian Empire included the development of education. In the nineteenth century university education, travelling, and knowledge of foreign languages was essential and even necessary (e.g. French was the second official language of the Russian Empire).

On the other hand, until 1861 the majority of Russia's population were still living as serfs and had not been integrated into new 'western' Russian culture. Culturally, Russia's serfs were told that intellectual work was only a "gentleman's amusement" and a favourite pastime. As a result, the serfs continued to live by old beliefs and traditions which included old pagan habits and the Orthodox Christian faith. By 1917 the cultural gap between the working and middle classes was great, and would not have been common in other countries.

Russian culture of that time was described as a hybrid of Byzantine and the West (e.g. Berdiaev, 2000; Likhachov, 1999). Some authors (e.g. Guseynov, 1998) paint Russian culture of the nineteenth century, and the first decades of the twentieth century, as a hybrid animal with a European head and a Byzantine body.

In 1915-1918, exploring the beliefs and values of Russian people, Berdiaev (2000) distinguished two main cultural groups (subcultures) in Russia with the following traits (Table 4.6).

**Table 4.6:** Values in Russia (based on the descriptions of Berdiaev)

<b>1 Group</b>	<b>2 Group</b>
Rational (opinions and actions based on reason and knowledge)	Intuitive (opinions and actions based on feelings rather than facts or proof)
Individualistic	Collectivistic
Elitist	Folk origins
Materialistic (believe that only physical matter exists and the spiritual world does not)	Spiritual values (believe in spiritual world)

**Source:** Berdiaev, 2000

Also, many scholars (e.g. Nikolai Berdiaev, notes and letters of Dostoevsky, notes and memoirs of foreign travellers to Russia – Marquis de Custine) notice that the most distinctive trait of Russian culture was the absence of "the happy medium". For example, the level of individualism of the first group was as high as the collectivism of the second group.

The USSR's politics of community groups strengthened collectivism in Russia. Religion as "the opium of the people" was banned. Many educated people (including writers, composers, scientists, and merchants) were murdered or sent abroad.

From the start the Soviet government placed a high value on education and scientific research. The ordinary people were encouraged to receive an education, which was free in the USSR. Many theatres, cinemas, museums, and concert halls were built and they were made available for use by all of the people who lived in the cities. However, a large part of the Soviet population still lived in villages and small towns. The village population did not have a right to travel to the cities. Staying in isolation they continued living by their old traditions and beliefs. This may explain: the rapid revival of the Orthodox religion and its values after 1991, why superstition and mysticism are still common in Russia, and why there was a split in Russian society into traditional Slavophiles and the Western leaning group in the 1990s.

#### **4.7 Russian Culture Today**

As has been described in Chapter 3, culture can be described as deeply rooted beliefs and values. As values differ significantly between countries, then respective managerial values and approaches are also likely to differ. Cross-national differences in managerial values can be crucial in IJV's where cooperation and understanding are essential to make effective decisions (Elenkov, 1998).

Russian culture was not measured during the Soviet period, and the early description of Russian values (Table 4.6) of Berdiaev (2000) at the beginning of the twentieth century is based on historical analysis and observations.

One of the first studies on Russian culture and values was conducted in 1999 by the Romir Independent Research Centre. According to this survey, a high standard of living was found to be of concern to only 17 % of people. Freedom and job were chosen as the least important values, whereas security and social values were rated as the most important (Salmi and Sharafutdinova, 2008).

Another investigation was made in 2002. Exploring the dynamics of Russian values during the 1990s, the Institute of Socio-Political Research (which is based in the Russian Academy of Sciences) found that Russians primarily favoured spiritual values, such as the comfort of one's internal world, family, and an interesting job. Material values and success were not found to be significant. Moreover, the study shows whether people share individualist or collectivist values. The study compares Russians living in Moscow region and those living in the South-West of Russia. It found that inhabitants of the Moscow region are very individualistic and their mentality is close to that of the West, while it found that the inhabitants of the South-West region relate more to collectivistic values. Finally, the most recent analysis of Russian values by Russian public opinion research in 2005 confirms all of the previous findings: spiritual values were chosen by the majority of respondents and esteem, power, and wealth were ranked low (Salmi and Sharafutdinova, 2008).

Elenkov (1997, 1998) measures Russian culture among 178 Russian managers using Hofstede's dimensions. His findings show that Russian executives are collectivistic, with high power distance, high levels of femininity, and high uncertainty avoidance.

Overall, Russian values depend significantly on where people live. People living in large cities are characterised by individualism, wealth and power values, whereas people living in towns and villages share collectivistic, spiritual, and social values (Table 4.7). It is interesting that this data coincides with the early findings of Berdiaev.

**Table 4.7:** Values in Russia (derived from the literature review)

<b>Large cities</b>	<b>Towns and villages</b>
Individualism	Collectivism
Materialistic	Spiritual values
High power distance	
Femininity	
High uncertainty avoidance	



The Russian modern economy and institutional voids will be described next in order to explain current managerial practices.

## **4.8 Russian Economy Today**

During the 1990s, Russia underwent extraordinary transformations. The country experienced several significant economic, legal, and political developments during the 1990s that deeply affected business (McCarthy et al., 2000).

The first significant change occurred in the late 1980s when the government in the USSR allowed limited market forces to operate within a centrally planned economy and established policies encouraging the creation of cooperatives, small businesses, and IJVs (McCarthy et al., 2000). Conceived by Gorbachev, the quick-fix strategy sought to restructure the Soviet economy within a socialist, centrally planned, one-party system (Shama and Merrell, 1997). The objective was to help alleviate the inefficiencies of state organisations in such areas as consumer goods and services (McCarthy et al., 2000).

Early cooperatives and JVs represented the main types of private and quasi-private enterprises allowed by the government. Although some of these organisations were private, governments at various levels (such as the Moscow city government) often participated in ownership and management. The Law of Soviet State Enterprises of 1987, for instance, introduced such features of a market-oriented economy as self-financing by enterprises (McCarthy et al., 2000). However, the party used officers from the *Komitet Gosudarstvennoj Bezopasnosti* - KGB (Committee for State Security) in early IJVs with Western companies to control all the profits from business with foreigners (Vinogradova, 2006). In practice, such measures failed because they threatened management and workers alike and resulted in lower production and higher prices (Shama and Merrell, 1997).

In 1991, with the collapse of the Soviet Union, Russia turned to a market-oriented economy. Hundreds of thousands of small and medium-sized private firms have since

sprung up in various areas of the economy (Puffer and McCarthy, 2007). The rapid and strong growth of the Russian economy is spread across many relatively new industries. For example, retail, communications services, automotive sales, maintenance services, insurance, production of construction materials, branded consumer durables, value-added foods and beverages, hospitality services, and personal care and fitness services are all segments where significant growth has been visible and is projected for several years to come (Ernst & Young Report, 2007).

Russia is fast becoming a very attractive market for increasing numbers of foreign multinationals like General Motors Corp., Gillette, Renault, Danone and others (McCarthy et al., 2000). Furthermore, in 1991 approximately 2,000 IJVs from more than 60 countries were registered in Russia, whereas by 1997 this number had increased to 16,000. The main partners were the USA and European Union countries (mainly Germany, the UK, Finland, France, Italy, and Poland) (Kleyner, 1998).

New reforms that were adopted by the Russian government in 1992 freed almost all prices, allowed private ownership of land, permitted privatisation of collective farms, motivated privatisation of small enterprises, and enabled the transfer of many state enterprises into joint stock companies. An annual inflation rate in 1992 was 1,353 % and a 20 % decline in the GDP. By 1993, the monthly inflation rate was 25 %, and the rate of decline of the GDP had eased. Russian managers were facing competition and inflation for the first time in their professional lives (Shama and Merrell, 1997).

Among the problems which occurred during the transition to a market economy were the Soviet educational and science systems. Many teachers and scientists, together with doctors and computer programmers emigrated from Russia. A Harvard study indicates that Russia has lost between 10,000 and 30,000 scientists since 1991 (Mereu, 2002). Other sources estimate the number between 500,000 and 800,000 scientists (BBC, 2002). The main reasons of this emigration were low wages and a decline in the prestige of intellectual labour. For example, the amount of funds for scientists has declined and the government invests less money in R&D (Genov, 2007).

Moreover, according to a conservative World Bank estimate, \$88.7 billion in funds were transferred from Russia between 1993 and 1996 (McCarthy et al., 2000). Later

data shows that in 2004 \$33 billion were transferred from Russia and between January and December 2008 - \$85 billion (Fitch Ratings, 2005).

In addition, organised crime reached pandemic levels among politicians, corrupt government bureaucrats, and quasi-business entities (May et al., 2000). Part of this culture has been tax evasion, manifested in under-reporting such economic activities as production, sales and profits, especially by private-sector companies (Shama and Merrell, 1997).

In the middle of the 1990s substantial control over the Russian economy was taken by the leaders of the largest financial-industrial enterprise groups – the oligarchs. Oligarchic capitalism refers to the economic activities of a small number of very large and powerful financial-industrial groups operating in highly concentrated industries in the private sector, predominantly in natural resources (Puffer and McCarthy, 2007).

While most industrial branches of the Russian economy experienced a sharp decline for most of the 1990s, gas and oil production remained relatively stable, and the electricity sector maintained more than enough capacity to meet demand. Russia possesses roughly one-third of the world's natural gas reserves – mostly concentrated in 20 large fields – and currently supplies a quarter of all gas on the world market. The natural gas sector is dominated by Gazprom, in which the government has a stake of more than 50 %. Gazprom has a virtual monopoly on the production, transport, processing, and storage of gas (Ernst & Young Report, 2007).

Russia's electrical power infrastructure (consisting of approximately 215 million kilowatts of generating power and 2.7 million kilometres of high- and low-voltage grid) represents the largest such infrastructure in the world. The volume of Russian electricity production is second only to that of the United States. The Russian electrical company RAO Unifited Energy Systems (RAO UES) and its subsidiary firms are responsible for 70 % of the production and supply of electricity (Ernst & Young Report, 2007).

Russian oil reserves are the seventh largest in the world and amount to over 69 billion barrels (Ernst & Young Report, 2007). The majority of oil resources in Russia are controlled by LUKoil and Rosneft companies.

All these empires are owned by a small number of extremely wealthy and powerful people, many of whom are included on Fortune's billionaires list (Puffer and McCarthy, 2007).

This form dominated the Russian economy in the second half of the 1990s and early 2000s. It still remains as an important, but less dominant component of the economy. Putin's election signalled a vastly increased role for the government in the economy and business. The ownership of some companies acquired by the oligarchs became the subject of challenges from the state (Puffer and McCarthy, 2007). For instance, in 2003 the Yukos-Khodorkovsky case called into question the role of the Russian government in business and the economy, the type of economic system that was emerging, and the implications for Russia's global competitiveness (Puffer and McCarthy, 2007). The arrest of Mikhail Khodorkovsky, CEO of the largest oil company in Russia, was widely believed to be designed to punish Yukos for funding liberal political parties (Shleifer and Treisman, 2005).

After 2003, the Russian government gained more influence over the economy by controlling a number of major corporations in which it has majority or significant ownership (Puffer and McCarthy, 2007). For example, after the prison sentence of Khodorkovsky, Yukos's assets were broken up and sold at auction. The assets created the basis for the newly created petroleum company, Rosneft. Moreover, the government obtained more than 50 % of Gazprom's shares, which is the Russian gas monopoly. Next, two Russian oligarchs of Interros, one of the largest financial groups, and Roman Abramovich of Sibneft sold a large share of their business to the government. Moreover, the government announced in 2006 that it intended to gain majority control of Alrosa, the Russian diamond monopoly (Puffer and McCarthy, 2007).

So, the Russian government still plays a very large role in economy and the Russian managerial mentality is characterised by a high degree of political–influence orientation and uncertainty avoidance (Elenkov, 1998).

#### **4.9 Institutional Voids in Russia**

There is a high degree of uncertainty and risk for businesses in Russia due to the absence of a formal market infrastructure, and a lack of sufficient experience and knowledge about working under such conditions (Aleshin, 2001).

Russia is a very large country (stretching across 9 time zones) and a major proportion of the population lives in the western part of the country. Communication infrastructures (e.g. railways and postal services) are mainly developed in the western part of Russia. Consequently, the main economic activity, industries and infrastructure are concentrated around the large cities (with Moscow leading by a significant margin) and in the western part of Russia. Consequently, foreign business has a relatively limited choice of areas in which to invest (Savov, 2007).

Large distances between cities make contacts with suppliers and clients slower and increase costs. Moreover, communication processes become complicated as the number of Internet users in Russia is very low. In 2008, only 32 % of people had the Internet access (World Bank, 2010) due to the high prices on the Internet services (World Economic Forum, 2007b). Russia scores high in the number of fixed lines and mobile phone subscribers (172 subscribers per 100 people) (World Bank, 2010). However, for organisations the Internet is a more effective and faster way to contact their customers, and promote products and services. For customers, the Internet is also a great source of information and knowledge, as well as an access to many products and services. There is no demographic information about Internet users in Russia. Nevertheless, it can be suggested that the majority of them live in large cities because in many Russian towns and villages Internet services are still unavailable.

The capital market in Russia is still very weak. There are few credit-rating agencies or investment analysts. Venture capital is available only for organisations in the most profitable businesses, such as real estate development and natural resources. In addition, the banking system is not well developed. Although the Russian banking system is stronger in comparison with Brazil or China, it is mainly dominated by state-owned banks (Khanna et al., 2005).

According to recent World Bank data, Russia has made a significant progress during the last year in the availability of credit for business. In 2007 Russia was ranked 156 among 178 countries, whereas in 2010 it had moved to 87th (World Bank, 2011d). Although the consumer credit market is booming in Russia, the central bank's interest rate still remains very high (reaching 14-15 %) (Central Bank of Russia, 2011). This has a number of impacts on Russia's economy. Firstly, these factors prevent an increase in purchasing power, Russia's credit and financial services are in high demand among people with lower incomes. Secondly, it prevents organisational and industrial growth (Prahalad and Hammond, 2002).

Russia's relatively inexpensive and highly-skilled labour force is viewed as one of the main attractors for foreign investors (e.g. Fey, 1996; McCarthy et al., 2005). Russia is one of the leaders in tertiary enrolment and the rate of literacy is still high (UNESCO, 2007). Moreover, in comparison with other emerging and transition economies, Russia has many scientists and researchers. In 2005 the number of researchers per 1,000,000 inhabitants was 3,227, and in 2006 this number has increased to 3,255 (Table 4.8).

Higher education is very popular in Russia. There are also many institutes and universities. The quality of university education is high, predominantly in engineering, natural sciences and mathematics because of the USSR's focus on these subjects (Fey and Bjorkman, 2001). Although there is no recent tradition of business education in Russia, the first Russian business school, the Moscow Institute of Commerce, was founded in 1907 on the private donations of merchants. This was the only institute which prepared qualified businessmen. In the USSR the only type of business education which was available was administrative training, teaching how to run a centrally planned economy. This education was mainly available for the top

leaders of the Communist party and their children. Consequently, many Russian executives in the Communist era typically had an engineering background (Fey and Bjorkman, 2001; Kets de Vries, 2000). Nowadays, there are still many lecturers and professors with experience of a command economy teaching in Russian business schools.

**Table 4.8:** Number of Researchers per 1,000,000 Inhabitants

Country	2005	2006
Bulgaria	1,298	1,344
Croatia	1,126	1,148
Latvia	1,426	1,758
Poland	1,627	1,562
<b>Russia</b>	<b>3,227</b>	<b>3,255</b>
China	852	926
Argentina	822	895
France	3,353	n/a
Germany	3,359	3,386
Netherlands	2,477	2,524
UK	2,995	3,033
USA	4,651	n/a

**Source:** UNESCO, 2007

Russian managers can be divided into two main groups: the older generation who received their education and experience in the USSR and the younger generation. The process of adjustment to the new Russian society and economy can be easier for the new generation because for the younger group of business people the emphasis will be on learning, whereas for the older generation the main challenge is unlearning (Kets de Vries, 2000). Understanding the main characteristics of both groups is important because managers play the most important role in IJV formation. However, as the new generation of managers has just started replacing the older generation, there is no research and data about their managerial attitudes and practices. Thus, the characteristics of the older group of managers are discussed in this section.

Managerial attitudes and orientation is one of the main problems foreign firms face in Russia (Ennew et al., 2000; McCarthy et al., 2005; Kets de Vries, 2000). In Russia this problem is much stronger than in other ECs because of the lack of experience of a market economy, a highly integrated industrial structure, and heavily entrenched employee rights (Ennew et al., 2000).

The older generation of managers who obtained their basic experience in state-owned enterprises carry their values from their past. Authoritarianism and the preference for concentrating power at the top created vastly hierarchical organisations. Focused on running centrally planned economy, Soviet education did not devote attention to management styles, marketing, consumer behaviour, production management, business strategy, HR, nor organisational development. It also did not take into account basic psychological concepts. So, Russian managers frequently treat their employees like robots and have little respect for the person. Employees in such organisations are usually idle and do not show much initiative. Also, learning and information sharing is very slow (McCarthy et al., 2005). Moreover, being new to the concepts of market economy and management, many Russian executives lack the vocabulary to communicate effectively about business issues (Kets de Vries, 2000). Overall, many Russian organisations have a punishment-oriented culture with highly directive leaders who centralise decision-making within themselves and operate within rigid hierarchies (McCarthy et al., 2005).

#### **4.10 Government Regulations**

The State and government regulations play a very important role in Russia. The state's involvement in business is a constant feature of Russian culture and institutions. As has been mentioned above, after a short period of market reforms, in 2003 the Russian government once again regained a strong influence over business.

Nowadays, the levels of bureaucracy and corruption in Russia are much higher than in many ECs. For example, Khanna et al. (2007) compared different economic indices, such as governance indicators and corruption perceptions between Brazil, Russia,



China and India. They show that while three of these countries share similar markets, Russia is an outlier on many parameters (Khanna et al., 2005). Also, foreign investors in Russia see bureaucracy and corruption as the main problems when they enter and operate in the Russian market (Savov, 2007; Khanna and Palepu, 1997; Ernst & Young, 2007). For example, in Russia in order to get a licence for a business, firms are often required to obtain a variety of documents and the process takes on average 704 days. In fact, the World Bank ranks Russia 177th out of 178 countries when it comes to dealing with licences (World Bank Group Project, 2007). While Russia scored poorly on all counts, the data (see Table 4.9 and Figure 4.3) shows that while the number of procedures and the length of time it takes to obtain a licence has been relatively stable, the cost expressed as a percentage of per capita income has increased significantly.

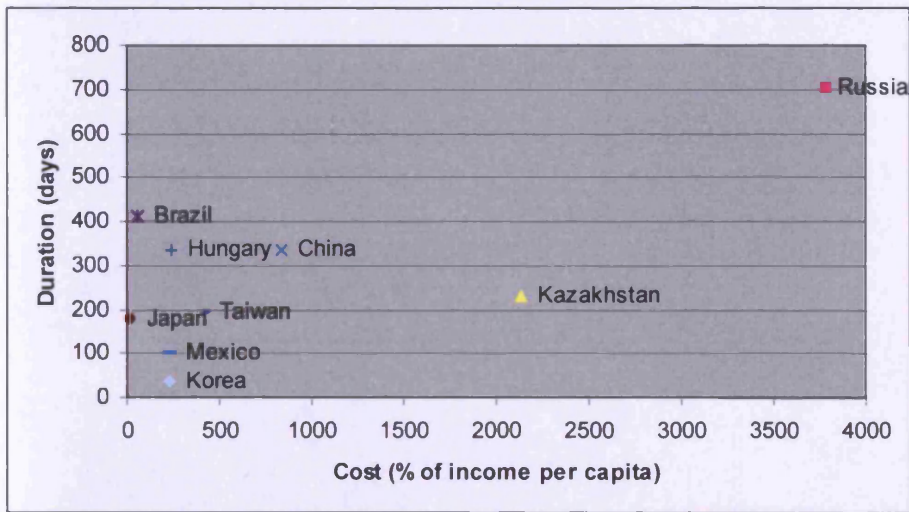
**Table 4.9: Historical Data: Dealing with Licences in Russia**

----	<b>2006</b>	<b>2007</b>	<b>2008</b>
Rank	--	172	177
Procedures (number)	56	56	54
Duration (days)	739	739	704
Cost (% of income per capita)	404.6	317.7	3788.4

**Source:** World Bank Group Project, 2008: 14

Part of these increased costs can come from an increase in corruption, as officials from many sides (health, fire safety, environmental) have significant discretion in delaying the issuance of a licence (Savov, 2007).

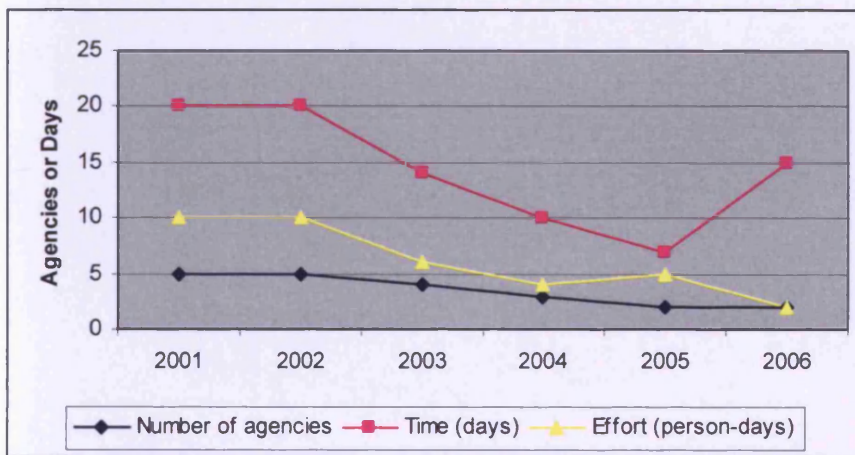
**Figure 4.3: Costs versus Duration: Comparison with Other Countries**



Source: Savov, 2007: 12

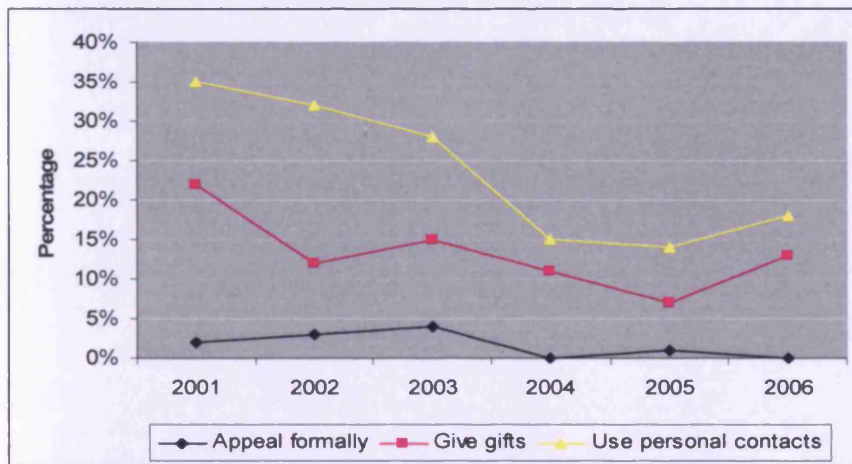
For instance, licence registration for business in Russia takes more time than the benchmark of five days (Figures 4.4 and 4.5) and Russian firms are sometimes required to obtain a large number of permissive documents.

**Figure 4.4: Methods of Registration**



Source: CEFIR, 2007

**Figure 4.5: Methods of Registration**



**Source:** CEFIR, 2007

Registration costs have risen due to the increased use of intermediaries (Savov, 2007). Consequently, in 2006 there was an increase in the number of firms that used personal connections (17 % of all firms) and gave gifts or bribes (12 %) during the registration process. In fact, only 0.1 % of firms appealed formally.

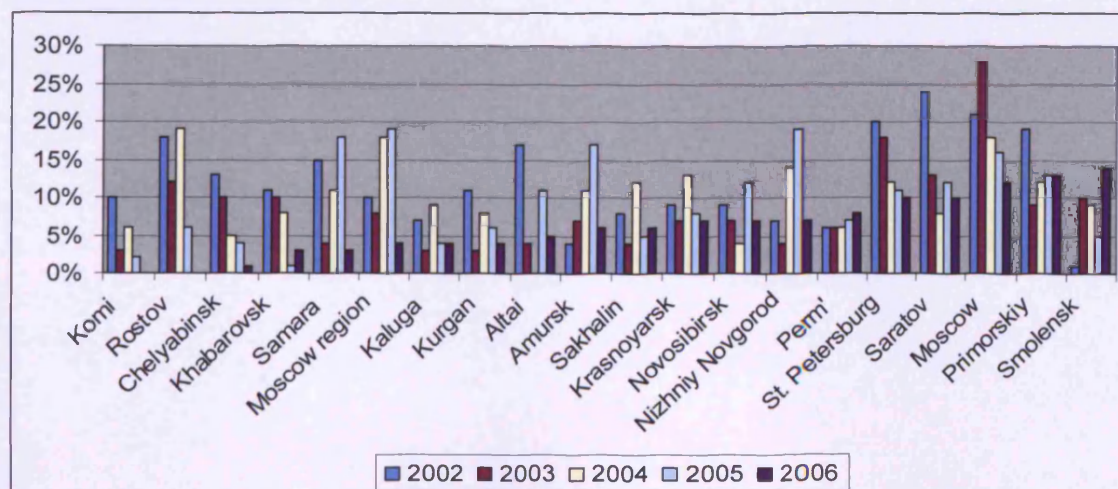
Moreover, the Centre of Economic and Financial Research (CEFIR), with financial support from the United States Agency for International Development (USAID), has been monitoring the level of regulatory burden imposed by the government agencies on small businesses. CEFIR's findings suggest that there was a gradual improvement in the business environment for SMEs during the period 2001-2006. One of the more recent negative tendencies to emerge was that the respondents felt that unequal competition and corruption had become more serious problems. CEFIR's report highlights such areas of concern for business as inspections (CEFIR, 2007).

Various polls have shown that inspections by government and municipal authorities have become a perennial problem for companies in Russia. CEFIR also concludes that tax inspections have become a more serious problem when compared with 2004. The findings of 2006 by CEFIR monitoring highlight the following areas of concern (Savov, 2007):

- Repeat inspections: The majority of the inspecting agencies comply with the norms provided by the law and do not visit any particular firm more than once every two years. However, there are numerous inspections: the tax, fire and sanitary authorities and the police all violated this benchmark during 2003-2006 in 35%, 34%, 21% and 13% of firms polled, respectively.
- Unscheduled inspections: Around half of all inspections conducted by the police and trade inspectors were unplanned, while more than 30% of the inspections conducted by the tax and fire inspections were administered without a warrant, which should not happen according to the law (CEFIR, 2007).

Also, CEFIR (2007) surveyed corruption relative to SMEs in various regions. It found that some regions of Russia are less influenced by corruption than others. Moreover, the situation appears to have improved on average. Out of the 20 regions surveyed, 15 regions felt less pressure to give bribes in 2006 which compared with 11 in 2005 and nine in 2004 (Figure 4.6). Most notably, pressure to give bribes has decreased dramatically in Moscow and St Petersburg; however, some areas did report higher corruption pressure, such as the Primorskiy and Smolensk regions. Many regions in Russia that have a high level of corruption are also the most developed and have the highest concentration of business.

**Figure 4.6:** Pressure to Give Bribes (by region)



Source: CEFIR, 2007

In 2010 Russia was ranked very highly by the World Bank on the contract enforcement scale, being 18th among 178 countries (World Bank, 2011b). Enforcing contractual obligations (i.e. when a counterparty defaults on its part of a contract) provides an important foundation to business stability. Nevertheless, in Russia businesses still often use non-court mechanisms to enforce contractual relations, for example: self-enforcing agreements using prepayment and barter transactions; third-party enforcement through business associations; financial industrial groups; and administrative mechanisms such as local or regional government, bankruptcy commissions, securities commission, and anti-monopoly committees (Savov, 2007).

Private enforcement through tribunals and courts is less likely to be used by Russian companies. Russian judges have found it difficult to keep up with the many laws and procedural rules, which can change daily. The numbers of court-houses were insufficient to satisfy the needs of the rapidly growing private sector and the judges were left after the collapse of the Soviet regime. Another problem is a reportedly high level of corruption among judges and judicial enforcers, which is compounded by low salaries and a lack of oversight (Vinogradova, 2006). Consequently, Russia is ranked very low in judicial independence (see Table 4.10).

Because of the high level of corruption and bureaucracy in Russia, people's interactions, transactions, and spheres of trust are in many cases still limited to their rather closed social networks and people strongly refer to, and rely on, their personal networks (Schrader, 2004).

Personal networks in Russia are usually mobilised among family and friends. Russian entrepreneurs adopt systematic networking strategies to build and maintain effective networks for entrepreneurial success. The material reciprocity and rational calculations about contacts' resources are the main selection factor for network recruitment (Batjargal, 2006).

**Table 4.10: Judicial Independence**

Is the judiciary independent from political influences of members of government citizens or firms? (1 = no heavily influenced 7 = yes entirely independent)

Rank	Country	Score
1	Germany	6.53
12	United Kingdom	6.04
28	France	5.26
37	United States	5.06
56	Czech Republic	4.10
73	Lithuania	3.60
81	China	3.43
101	Bulgaria	2.75
<b>102</b>	<b>Russia</b>	<b>2.70</b>
107	Ukraine	2.52
108	Georgia	2.52
127	Venezuela	1.19

**Source:** World Economic Forum. INSEAD, 2007a

As connections refer to a strong reliance upon personal networks in conducting business, trust is typically generated only within such networks. In the Communist period, networks were imperative for most people to accomplish virtually anything in their everyday lives. A study of Russian entrepreneurs by Puffer and McCarthy (2007) found that network connections reduced uncertainties and risk in financial transactions, provided access to resources and loans, and helped increase sales and profits. Also, networks are used extensively by the state to influence companies' activities through its personal contacts with industry and links with the media and banks (Buck, 2003).

The other consequence of the Soviet politics and current corruption is very low trust. Many Russians do not trust others because of the moral heritage of the Soviet regime with its secrets and lies, the current institutional chaos, and the widespread deception and violence. In this environment, networking activities become very costly. As a

result, the lack of trust makes network expansion and enrichment difficult and expensive (Batjargal, 2006).

In common with other transition economies, economic actors in Russia use personal relationships as hedging safeguards against legal, institutional and environmental uncertainties. One leading Russian sociologist, who was interviewed by Batjargal said:

*Russian entrepreneurship is embedded in neither markets nor hierarchy but in a hybrid form of the two. There exist therefore parallel structures where the same amount of money and connections has different values in each. You make the same volume of profit by spending different amount of money. Succeeding in Russian capitalism depends not only on your financial capability but also on many other factors such as informal networks, trust, etc. (Batjargal, 2003: 541)*

Hence, poorly developed and weak institutions, economic and political instability, and a lack of established business culture has created corruption in all levels of state authority, bribery, and a lack of trust (Vinogradova, 2006; Taylor et al., 1997). Furthermore, it forced many companies to evade taxes, and under-report sales and profits.

#### **4.11 Under-reported Economy**

Official statistics are widely used by international business to assess consumer demand, portray a standard of living, and examine currency stability. By this account, Russia's official GDP declined in real terms by 13 % in 1991, 20 % in 1992, 12 % in 1993, and 15 % in 1994, making for a combined decline of 50-60 % over four years. Officially, Russian GDP continued to decline in 1995 and 1996 (Shama and Merrell, 1997).

Russia's private sector, now constitutes approximately 70 % of the economy (Peng, 2001), and has been growing by 15 to 150 % annually since 1992 (Shanna and Merrell, 1997). Moreover, the population in Russia has been experiencing an

improving standard of living since 1994. For example, average living space increased from 16 square meters per person in 1990 to 19 in 2000 and 21 square meters in 2005 (Goskomstat, 2008). Private ownership of cars doubled between 1991 and 2000. The number of Russians going abroad as tourists rose from 1.6 million in 1993 to 4.3 million in 2000 (Shleifer and Treisman, 2005).

Furthermore, about 90 % of private-sector income and about 40 % of all wages are never reported to Goskomstat and are not reflected in the official reports of Russia's GDP and per capita income (PCI). These unreported earnings are part of the informal economy, which may be larger than the official economy (Shana and Merrell, 1997). The tax burden has driven many companies to tax evasion, and the under-reporting of sales and profits (Vinogradova, 2006; Shana and Merrell, 1997). Under-reporting economic activity is mainly a private-sector phenomenon (Shana and Merrell, 1997).

There is little research on the unreported economy in Russia. Shana and Merrell (1997) interviewed 20 managers in Russia from different private companies. All their interviewees said that they do not report all their profit and sales. On average, only 10 % of incomes were reported by these organisations and 90 % was unreported. Incomes were usually not reported in order to minimise possible taxes (Shana and Merrell, 1997).

Tactics used by private companies to avoid reporting income include cash deals, double sets of books, bogus capital expenses, fictitious subcontracts, foreign trade, and "creative" lists of employees (Shana and Merrell, 1997).

For example, in cash deals (i.e. purchasing from suppliers and selling to customers in cash) usually one in ten transactions is recorded and reported (Shana and Merrell, 1997). In the two sets of books case, there is one 'official' contract with fictitious prices and volumes of supplied or purchased goods or services, and then there is another document, kept for internal records, that reflects the real money and goods/services exchanged (Vinogradova, 2006). This tactic is usually used with cash deals. When a bogus capital expenditure is used, the company generates fake documents from cooperative suppliers, and the cost of the capital good is charged against company revenues to reduce profits and taxes. A real capital good does not



change hands, only the documents do. The use of fictitious subcontracts involves the cooperation of understanding people in other businesses who give receipts for specified sums of money, presumably for services performed for a company. These accommodating subcontractors are paid 5-7 % of the sum specified in the fictitious subcontract (Shana and Merrell, 1997). Companies with large export activity often hide some of their revenues in foreign banks and report lower incomes and profits. Finally, there is the listing or non-listing of employees. Some organisations do not declare all employees. Those employees who are not declared are paid in cash. The other technique is to declare all employees but report only 10 % of their actual wages (Shana and Merrell, 1997). However, those organisations that require transfers of large sums of money, or that involve large, especially state-owned enterprises as transacting parties rarely use these techniques (Vinogradova, 2006).

So, foreign managers working with Russia face very different managerial practices and behaviour, and these differences may create serious troubles in an IJVs negotiations and operation. Overall, many Russian managers may lack a business education, they often have an autocratic management style, and, because of environmental and political uncertainty, they are short-term oriented. The level of trust among Russian executives is very low and they prefer to rely on their personal networks.

#### **4.12 Summary**

The first two chapters discussed theories and concepts relative to alliances and IJVs. Cultural implications associated with IJV success were considered. In order to analyse organisational culture in IJVs in Russia. This thesis pays particular attention to the main aspects of ECs in order to analyse organisational culture in IJVs in Russia. Organisational culture in ECs is shown to be different from that of developed countries, not only because of differences in national culture but also because culture may be influenced by institutional voids. This chapter highlights the main characteristics of Russian culture and business that inform the main research objectives.

# Chapter 5

## ***Research Methodology***

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This chapter describes the objectives and approach which are used in this research. The main aim of this research project is to understand and analyse the effects of organisational culture, and the effects of their differences, on IJV performance in Russia. This chapter will first identify the research questions and objectives. It will then discuss the benefits of different methodologies and the design of questionnaires. This chapter then focuses on: sampling for the study, interview procedures and analysis, questionnaire distribution and collection, and the methods which are used to analyse the questionnaire and interview data.

### **5.1 Research Paradigm**

There are two main research traditions utilised in cultural studies: a positivist approach (Hofstede, 1990) and an interpretivist approach (Smircich, 1983). These two methodological paradigms are based on different underlying assumptions about culture and IJVs.

A positivist approach suggests that the forces shaping social behaviour may be studied using scientific methods. A positivist approach may suggest greater objectivity through the use of quantitative methods because they allow for the collection of numerical data presuming “truth” over opinion and bias (Carey, 1989; Schwandt, 1997). A form of elitism (Eurich, 1985; Greenwood and Levin, 2000) and “cultural pedagogy” (Kincheloe, 1995; Giroux, 1997; McLaren, 1997; Berry, 1998) has been described to underline a limited access to “understanding” provided by this “scientific” approach in pursuit of “truth”. Positivists believe that researchers should not directly interact with the people they are studying because they may influence their behaviour (Denzin and Lincoln, 2000). This presents some problems in a search for links between culture and IJV performance.

Quantitative methods are unlikely to develop a framework for our understanding of complex links between culture and IJV performance. While quantitative research may

provide some objective measures for mathematical data treatment, the provision of data reflecting managerial values, feelings and behaviour are difficult to measure by a more numerical approach. Thus, an approach that seeks to explore the more complex side of human nature is required and this research adopts an interpretivism approach to gain a deeper insight into the cultural context of IJVs.

Interpretivism arose from the recognition that the human sciences were fundamentally different from the natural sciences (Ellson, 2004). For interpretivists the social world consists of, and is constructed through, meanings. Interpretivism is a means of analysis of verbal data in phenomenology (Agar, 1980; Daft and Weick, 1984; Smircich and Stubbart, 1985; Guba, 1990; Denzin and Lincoln, 2000). The interpretivist uses a subjective approach to describe behaviour and explain that behaviour from the point of view of those involved. An interpretive perspective encourages personal involvement and emphasises knowledge as “*standpoint dependent*” (Smircich and Stubbart, 1985: 728). An interpretivist methodology leans toward the collection of qualitative data (Denzin and Lincoln, 2000).

This study seeks to explore the questions related to cultural influences on IJV performance suggesting the need for an ontological approach based on qualitative methods. The case method offers the practical potential for observing a business within a changing environment, patterns of behaviour (Stake, 1988), access (Silverman, 2001), and the possibility of authenticity, plausibility and criticality (Golden-Biddle and Locke, 1993). Interpretivism allows the researcher to gain insight into managerial culture and understand and interpret human actions within their cultural context. The epistemology of interpretivism leads to the need to interact closely with the subject of the study. These ontological and epistemological needs influence the research design and these needs are discussed next.

## **5.2 Research Questions**

Although many researchers agree that organisational culture plays an important role in IJVs, the literature review failed to find a previous study which has investigated this issue. Many of the research studies which concentrate on the Russian business

environment, or on IJVs in Russia, were written seven to twelve years ago; however, taking into account the highly turbulent Russian economy during this period, most of the information presented in these studies is now outdated. Consequently, the importance of organisational culture in IJVs in Russia is selected as a primary focus of this research project.

After analysing the existing theories on organisational culture and its influence on IJV's performance, it was found that cultural incompatibility is one of the leading reasons of IJV dissimilation and conflict in IJVs. Therefore, this study was designed to explore and identify how differences in organisational culture can influence the success, or dissolution, of IJVs in Russia.

Another of the aims of this study is to evaluate and increase the understanding of the role of organisational culture in the IJV performance within a Russian context. The paramount objectives of this research are:

- To conceptualise the strategic alliance, IJVs and organisational culture.
- To identify the types of relationships between organisational culture and IJV performance.
- To explore the context of emerging economies, and in particular Russia, and also to explore what factors influence the organisational culture in these countries.
- To examine the organisational culture in IJVs in Russia.
- To explore how differences in organisational cultures may affect the performance of IJVs.

This research aims to answer five main questions:

1. What is the type of organisational culture of IJVs in Russia?
  - a. What are the managerial values in Russia?
  - b. What are the managerial practices?
2. Do successful and unsuccessful IJVs in Russia have different organisational cultures?

3. What are the main organisational culture differences between IJVs in Russia and their partners?
4. Do organisational culture differences influence IJV success?
5. What is the better cultural fit for IJVs in Russia?

In order to investigate all of these issues, particular attention will be paid to the properties of IJVs in Russia.

### **5.3 Research Methods**

One of the goals of this study is to combine both qualitative and quantitative methodology to provide a more thorough understanding of the questions being investigated. As many authors have indicated, the study of culture and its influences benefits from the combination of qualitative and quantitative methodology in order to yield more comprehensive and meaningful data (e.g. Hofstede, 1984; Hines, 1993; Kiessling and Harvey, 2005; Reiter et al., 2010; Yauch and Steudel, 2002). Although most of the previous research studies on organisational culture and IJVs have used a questionnaire methodology (e.g. Ralston et al., 2008; Fischer et al., 2005; Fey and Denison, 2003; Van Muijen and Koopman, 1994), questionnaires alone are not able to investigate this topic in-depth. Interviews can help to yield rich, or in-depth, data (Hall and Hall, 1996) and they offer the possibility, through empathetic listening, to achieve a thorough insight (De Witte and Van Muijen, 1999). They are also ideally suited to examining topics in which several different levels of meaning need to be explored (King, 1994). A qualitative methodology was found to be especially necessary in this study for capturing the complexity and depth of the issues which influence IJVs in Russia, as well as to examine the role that organisational culture plays in this.

While interviews help to collect in-depth data about IJV and its organisational culture, questionnaires may provide further valuable information about the cultural values and practices of managers. In previous studies questionnaires have been the most popular method used to collect data about values (e.g. Schwartz, 2001; Elenkov, 1997; Kozan, 2002; Smith et al., 2002; Doran, 2009). Questionnaires are also less time consuming

and they may help to collect data from a number of managers in the IJV. Therefore, in this research project it was decided to use both qualitative and quantitative methods: information about managerial values and practices was gathered through the use of questionnaires, while interviews with senior managers provided information about an IJV, its partners, and the differences in organisational culture.

One of the best ways to study the “cultural fit” in IJVs is to access the IJV and its partners; however, this requires a lot of time and travel. For example, in order to get access to the senior managers of an IJV and its partners, the researcher first has to establish a rapport with the respondents and develop a relationship and trust. This is particularly important for data collection in Russia because the Russian people are not used to being interviewed and they are very suspicious at any attempts to learn their views (Fey, 1996). Consequently, in this research it was decided to access only the senior managers of Russian IJVs.

The interviews were conducted between November 2009 and February 2010. The interviews were one to three hours in length and they were conducted with the CEOs (in some cases other senior managers from the IJVs) of seventeen IJVs which are based in Russia. The interviews attempted to identify how the differences in the organisational cultures of an IJV and its partners can influence the success of an IJV. Further data was then collected through questionnaires.

## **5.4 Questionnaire Design**

Questionnaires are one of the most commonly applied and efficient methods for collecting standardised data. They allow respondents to reply at a time which is convenient for themselves, while also ensuring minimum disruption to the organisation.

The questionnaires used in this study are comprised of five-point Likert-type scales (see Appendix 2 and 3). The choice of Likert-type scales was caused by several factors. The main advantage of this scale is that it is easier to read and quicker to complete than other types of scales. This point was especially important for this study

because the senior managers were the questionnaire respondents. The senior managers are very busy and in order to increase the response rate, it was beneficial to have questionnaires which were quick to complete. Also, five-point Likert-type scales have been shown to possess reliability equivalent to the other scales (Neuman, 2000). For these reasons, the extensive use of five-point Likert-type scales in this study seemed to be justified and optimal.

As mentioned above, a modified version of Schwartz's instrument developed by Stern et al. (1998) was used to collect data on values. This questionnaire aims to measure the value structure of the top managers in IJVs. The four value structures which were used are: altruistic values, traditional (or conservation) values, self-enhancement (or egoistic) values, and openness to change values.

The second, quantitative phase of the research includes a survey to measure manager's perceptions of the practices in their work situation and estimate the type of organisational culture (Appendix 3). The four types of organisational culture measured by this questionnaire are: support, innovation, rules, and goal orientation. This survey is developed by Van Muijen et al. (1999) to measure observable behaviours, procedures, and policies within organisations.

All of the questionnaires which were used in this study have been previously used in other research, and as such their reliability and validity have been tested (e.g. Fritzsche and Oz, 2007; Stern et al., 1998; Van Muijen et al., 1999); therefore, this study was able to minimise any problems with the questionnaire's usefulness as predictors of relevant attitudes and behaviours.

## **5.5 Translation**

There are many cross-cultural studies which are based on the use of an adapted, or translated, questionnaire which has originally been developed for use in another country. However, using an adapted, or translated, questionnaire does not necessarily ensure that it measures the same constructs as the original, this issue arises because of the inevitable cultural and lingual differences (Lin et al., 2005). For example,



translation may cause a number of problems, such as: poor wording, inaccurate translation, or inappropriateness of item content. One of the most widely used techniques to detect translation bias is an independent back translation, as recommended by Brislin (1970). An independent back-translation means that:

*An original translation would render items from the original version of the instrument to a second language, and a second translator—one not familiar with the instrument—would translate the instrument back into the original language.*  
(Geisinger, 1994: 306)

Several steps were taken in this research project to ensure the competence of the questionnaires. Firstly, the questionnaires were reviewed by the researcher's supervisor and the Ethical Committee of Cardiff Business School. Changes were made to correct minor problems that were identified. Then, the questionnaires were translated into Russian by a native Russian speaker. Once this was complete the questionnaires were back-translated into English by another person who is fluent in both Russian and English (this translator moved to the UK at the age of 12 and holds a Master's degree in business). Finally, the completed Russian and English versions were reviewed by a native speaker of Russian and English (this translator is currently studying a PhD in Psychology). The same technique (back translation) was applied to ensure the efficiency of interview data.

## 5.6 Sample

In order to increase the researcher's understanding of the IJVs in Russia, personal interviews (each averaging two and a half hours in length) were conducted with either the CEOs or the senior managers responsible for the IJV development. The senior managers at each IJV in Russia were then asked to fill in the questionnaires.

The senior managers were selected for interviews on the basis of their expertise and relevance to the research and their influence, prominence, and knowledge of the company suggested as "*an elite interview*" (Marshall and Rossman, 1995) or "*high-status interview*" (King, 1994). Elite interviewing has many advantages. Senior



managers holding a senior position within an organisation can provide the researcher with valuable information about an IJV and its partners. They are likely to be familiar with the legal structure of the organisation and the actual relationship between an IJV and its partners.

However, elite interviews also have some difficulties related to access. Senior managers are usually busy people working under a demanding time schedule and difficult to contact to arrange a meeting. Another disadvantage in interviewing senior managers is that the interviewer may have to adapt the planned-for structure of the interview based on the wishes and preferences of the senior manager (Marshall and Rossman, 1995). Consequently, elite interviews place onerous demands on the researcher including a working application and knowledge of the subject as well as a high degree of confidence (King, 1994). However, the insights and meanings and the quality of information that they may provide (Marshall and Rossman, 1995) can be original and hugely valuable to the research process.

### ***5.6.1 Sampling Requirements***

To be included in the sample, an IJV had to be located in the Moscow, Perm, or Ekaterinburg regions. The Moscow region is the largest in Russia and it has the largest concentration of IJVs. Meanwhile, Perm and Ekaterinburg are both large cities with a population of 1 and 1.2 million respectively. Perm is situated in the European part of Russia, near the Ural Mountains, while Ekaterinburg is situated on the eastern side of the Ural mountain range. Both cities have been major trade and industrial centres since the time of Imperial Russia.

To be included in this study, the IJVs were required to employ at least fifteen people and to be set up by both a Russian organisation and a foreign company. The IJVs must also have been started before September 2007, in order to allow adequate time for performance and organisational culture to stabilise. This date was chosen because in the first two years IJV performance is often irregular and the organisational culture is uncertain (Woodcock et al., 1994).

This study included IJVs with two and more parent firms from different sectors. In addition, to gather more information and learn the experience of IJVs in Russia it was decided to include at least one IJV which is no longer operating. This IJV had to be operating in Russia for at least five years and to have employed no less than fifteen employees.

### ***5.6.2 Sample Selection***

The initial list of 827 IJVs in Russia was obtained from Russian governmental organisations and commercial databases. The IJV had to be at least two years old and to be located in Moscow, Perm, or Ekaterinburg regions. Then, 350 IJVs were randomly chosen for this study. However, it was soon found that many of the IJVs in the list could not be contacted because they had gone out of business. In addition, many of the contacted IJVs had changed their form of ownership and are now fully Russian owned or have been taken over by the foreign organisations. Consequently, only 57 out of the 350 IJVs were able to be reached. Attempts were made to contact each IJV at several times on different days, and at different times of day. For instance, sometimes no one answered the telephone, sometimes the telephone number no longer belonged to the IJV, but in the majority of cases the IJV has changed its form of ownership and is now either a fully owned Russian or foreign company. 39 out of the 57 reached IJVs met the sampling requirements (i.e. they had more than 15 employees and have been operating longer than two years). Of the 39 IJVs, 15 agreed to take part in this study: this represents a participation rate of 38 %. Also, two senior managers of recently operating two IJVs were reached and they both met the sampling criteria. One of these IJVs is no longer operating, but the other has changed its form of ownership and it has become a fully owned foreign company. Both IJVs had been operating as IJVs for not less than five years. The list of IJVs included in the sample, and the industries they operate in are shown below (see Table 5.1).

**Table 5.1: IJVs Included in the Sample**

<b>IJV</b>	<b>Industry</b>
Ventures A, D, G, J, and N	Energy and Utilities
Ventures B, O and P	Construction
Venture C	Financial Services
Venture E	Manufacturing/Automobiles and Trucks
Venture F	Engineering and Research
Venture H	InfoTech and Telecommunications/Cellular
Venture K	Manufacturing/Machine tool
Ventures L and R	Manufacturing/IT and Electronics
Ventures M and Q	Chemical

## **5.7 Interviews**

Interview questions and cover letters were sent to all of the senior managers who agreed to take part in this study. They were then contacted again to arrange an interview date. The interviews averaged 150 minutes in length, and they were conducted between 29<sup>th</sup> of October 2009 and the 10<sup>th</sup> of February 2010. The interviews were semi-structured, and they were based on the interview guide which is shown in Appendix 4.

There are certain advantages to the use of this semi-structured schedule. For example, it allows flexibility so that a specific topic can be explored in more depth, depending on which issues have emerged during the interviews. While a structured interview has formalised questions, a semi-structured interview is flexible and allows new questions to be brought up during the interview. This is very important in the current research project because the researcher aims to explore the many issues which are related to the IJVs and organisational culture. As Lindlof and Taylor (2002) suggest, an interview guide was prepared beforehand with a range of questions which the interviewer can ask (see Appendix 4). Interview guides help researchers to focus an interview on the topics at hand without constraining them to a particular format. They

can also help interviewers to tailor their questions to the interview situation, and to the people that they are interviewing (Lindlof and Taylor, 2002).

The interview questions were open-ended; for example, "Could you describe the organisational culture in your organisation?" Some specific questions about particular dates and demographics were also asked, these included: name, position, organisation, partners, and date of formation. These questions mainly provided the interviewer with a guide to the minimum information needed about an IJV. The guide consisted of fourteen open-ended questions. The interview guide was constructed to find what the feelings of the interviewees' experience in the IJV were. Some of the questions were derived from the guides for examining organisational culture in alliances which are developed by: Doz and Hamel (1998), Spekman et al. (2000), and Austin (2000). In this study the interviewer asked the managers for additional explanations of their comments when their answers were too brief. There were 19 senior managers interviewed (12 male and 7 female) from 17 IJVs (see Table 5.2).

The interviewer assured the respondents that their responses and the names of IJVs will be aggregated and will not be identifiable with the individual responses in the text of the thesis. During the interviews the researcher took detailed notes. At the start of the interviews the researcher asked the senior managers or CEOs permission to use a tape-recorder. Some of them directly rejected its use, and some clearly felt very uneasy and uncomfortable. As has been mentioned above, Russian people tend to be suspicious and are not used to being interviewed. Perhaps, this is a remainder of the communist era and KGB (Vinogradova, 2006). It was consequently decided to use written notes during the interviews.

**Table 5.2:** List of Interviewed People

<b>IJV</b>	<b>Position of Interviewed Person</b>	<b>Sex</b>
Venture A	CMO (Chief Marketing Officer)	F
Venture B	CEO	F
Venture C	Chief of Strategic Development and Communication Officer	F
Venture D	CFO	F
	Chief of Economic Analysis and Planning Officer	F
Venture E	CEO	M
Venture F	CEO	M
Venture G	CEO	M
Venture H	CEO	M
Venture J	CEO	M
	CMO	M
Venture K	CFO	M
Venture L	CMO	M
Venture M	CEO	M
Venture N	CFO	M
Venture O	CEO	M
Venture P	CTO (Technical Director)	M
Venture Q	CFO	F
Venture R	CEO	M

Written notes have a few potential advantages in comparison with taped conversations. Firstly, written notes are less time consuming. Taping may require going through the data three times: interviewing, typing the transcript, and reading notes for coding and analysing. On average, each hour of taped interview may take five hours to transcribe (Glaser, 1998). Secondly, taping only collects words and not observations. Interviews without observations are not informed by behaviour and in this regard they are not grounded in meaning. Finally, offering confidentiality is undermined by taping, especially in sensitive areas where being on record may be

seen as dangerous by the respondents (*ibid*). This was particularly important and relevant to this research.

In this research, the interview notes were written and checked again within two hours of completing the interviews. Any additional impressions that the researcher had were also added, but they were always kept separate from the senior managers' responses. Following the advice of Yin (1984), all of the data and information obtained were included in the notes, even if it was not specifically asked by the interviewer. Also included in the notes was some information about the IJVs which was gathered on organisation's web-site, and the patterns that the researcher noticed across the IJVs as a whole.

The next stage of the research was a systematic analysis of the qualitative interview data. The theoretical framework provided a starting point for data classification. The results of the qualitative analysis are presented in the next chapters.

## **5.8 Questionnaire Distribution and Collection**

After the interviews, the senior managers of the IJVs in Russia were asked to fill in two questionnaires. In large organisations the questionnaires were distributed between three senior managers, and in smaller companies they were distributed to between one to two top managers. Both questionnaires were filled in by the interview respondents and those senior managers who were recommended by the CEOs to be knowledgeable respondents.

Twelve managers completed questionnaires on the day of the interview and then returned the completed forms to the researcher. The rest of the questionnaires were sent to the twenty-seven managers by e-mail or fax. Twelve of the managers returned their completed questionnaires to the researcher after a few days. After two to three weeks the fifteen managers who had not returned their questionnaires were contacted again. Two more managers responded and sent the researcher completed questionnaires following this reminder. The thirteen managers who had still not returned their questionnaires after two to three weeks were contacted by telephone

and sent a second copy of the questionnaires by e-mail. If after this the managers still had not responded then they were contacted one final time by an e-mail that explained the importance of their participation in the project. Those managers who had still had not responded by week ten were considered to be non-respondents.

Questionnaires were sent to managers of 17 IJVs. Overall, 39 questionnaires were sent and 27 responses received (Table 5.3) from 17 IJVs. This represents a participation rate of 69 %. Thus, the qualitative and quantitative part of this dissertation is based on 17 IJVs.

**Table 5.3:** List of Sample Demographics

<b>N</b>	<b>Venture</b>	<b>Position</b>	<b>Sex</b>	<b>Age</b>	<b>Education Level/Subject</b>	<b>Nationality (R- Russian, F- Foreign)</b>
1	A	CMO	F	36-45	BSc/Business	R
2	A	CFO	M	36-45	BSc/Business	R
3	B	CEO	F	46-55	BSc/Business	R
4	B	CFO	F	26-35	BSc/Business	R
5	C	Chief of Strategic Development and Communication Officer	F	36-45	BSc/Business	R
6	C	Chief Economic Analysis and Forecast	F	46-55	BSc/Business	R
7	D	CFO	F	46-55	BSc/Business	R
8	D	Chief of Economic Analysis and Planning Officer	F	36-45	BSc/Business	R
9	E	CEO	M	36-45	BSc/Business	R
10	E	CFO	M	46-55	PhD/Business	R
11	F	CFO	F	26-35	BSc/Business	R
12	G	CEO	M	36-45	BA/Politics	R
13	H	CEO	M	36-45	Masters/Business	R
14	J	CEO	M	36-45	BA/Law	R



15	K	CFO	M	56 and over	BSc/Business	F
16	L	CMO	M	46-55	BSc/Engineering	R
17	M	CEO	M	56 and over	PhD/Chemistry	R
18	N	CFO	M	46-55	BSc/Business	F
19	N	Chief Accounting	F	45-55	BSc/Business	R
20	O	CEO	M	56 and over	BSc/Engineering	F
21	O	CMO	F	36-45	BA/Philology	R
22	P	CTO	M	46-55	BSc/Engineering	F
23	P	CMO	F	46-55	BA/Philology	R
24	Q	CFO	F	46-55	BSc/Business	R
25	Q	CEO	F	46-55	BSc/Business	R
26	R	CEO	M	46-55	BSc/Engineering	R
27	R	CFO	M	36-45	PhD/Business	R

The combination of qualitative and quantitative methodology in a case method was found to be the most appropriate methodology for this research because it explored and described a cultural context.

## 5.9 Data Analysis

This research was conducted using a case method approach. The main aim of the use of the cases in research is to develop a richer, contextually based theoretical understanding of the problem. This method was chosen for use in this research study because the aim was to develop an understanding of how differences in organisational cultures may influence IJV success in Russia. The literature review shows that there is a theoretical gap in the role of organisational culture in IJV performance. Moreover, the Russian context has not yet been widely explored. This gap first requires a

theoretical understanding of the “cultural fit” of IJV’s partners and its role in IJV success or dissolution.

Cases are used by scholars to develop theory about topics. One principal convention of the case approach presents through quotations, explanations, syntax, cultural clichés (Van Maanen, 1988). If only limited theoretical knowledge exists concerning a particular phenomenon, an inductive research strategy that lets theory emerge from the cases can be a valuable starting point (Siggelkow, 2007). Cases can be historical accounts but they are more likely to be contemporary descriptions of recent events. The central idea is to use cases as a basis to develop theory inductively. So, cases are often seen as the bridges from rich qualitative evidence to mainstream deductive research (Eisenhardt and Graebner, 2007).

There are three important uses for case research: motivation, inspiration, and illustration. First, cases are a great way to motivate a research question. A case is an influential way to demonstrate why a certain phenomenon is important. Second, the interest in rich case data enables an inspiration for new ideas. Third, cases help to provide a great illustration. Case research may sharpen existing theory by pointing to gaps and beginning to fill them (Siggelkow, 2007).

Although cases are seen as subjective research, well prepared theory building from cases can be “objective” because its close adherence to the data keeps the researcher “honest” (Eisenhardt and Graebner, 2007).

This research uses a case method in order to capture some properties of life in organisations, organisational culture in IJVs, and to explore and understand the relationships of IJVs and their partners.

### ***5.9.1 Quantitative Data Analysis***

Cluster analysis was applied to the data gathered in this research in order to analyse managerial values and practices. According to Yin (2003), cluster analysis is a

desirable technique for use in case studies. Cluster analysis has been broadly used in market and cultural research when working with multivariate data from surveys (e.g. Hofstede, 1998; Hofstede et al., 2002; Brida et al., 2010; Garibaldi de Hilal et al., 2009; Kozan, 2002; Kwantes et al., 2007; Lee et al., 2011; Lukasova et al., 2006; Walsh et al., 2008). Previous researchers have used cluster analysis to group objects according to their similarities or dissimilarities. This technique also helps to better understanding of the relationships between different groups and their socio-demographic and behavioural factors (Brida et al., 2010; Bernini, 2009).

In this study cluster analysis was performed for both questionnaires, and it was carried out using an R programme. In addition, the simple average was calculated for each value in Questionnaire 1 (Appendix 2), and each question in Questionnaire 2 (Appendix 3), in order to define their weight.

The first step in cluster analysis is variable selection, which is necessary in order to define the variables upon which the respondents will be clustered. In this research, twelve cultural values were used to cluster respondents in Questionnaire 1. It is then desirable to use alternative segmentation criteria for external validation, such as: demographics, geographic, incomes, and others. Consequently, it was decided in this research to use gender as an additional variable for Questionnaire 1; Questionnaire 2 was similarly performed. All respondents were clustered according to their daily work practices (a total of twenty-one practices). Educational subject was included as an additional variable. The choice of these two variables is based on the literature review (e.g. Rosener, 1990; Van Vianen and Fischer, 2002). Gender is a very important factor which shapes and influences values and beliefs because historically the roles of males and females have been different. The choice of educational subject as an additional variable is based on the results of some previous studies which have found that many managers in Russia have a different educational background to those in the West (e.g. engineering instead of business) (e.g. Kets de Vries, 2000; McCartney et al., 2005). Consequently, their leadership style and practices may also differ.

The next stage to be made in cluster analysis is the estimation of the number of clusters. There are no clear recommendations to be found in the literature about defining the optimal number of clusters and, therefore, it is suggested to use a

subjective approach instead (Hajmi et al., 2010). The cluster analysis in this research project was performed using several different methods. They all gave the same result and clusters, which confirms their validity. Finally, based on the clusters' relative size and substantiality, the most rational number of clusters in both questionnaires was considered to be four. All of the characteristics of these segments are summarised and described in the next chapter.

### ***5.9.2 Qualitative Data Analysis***

The next step to be made was an analysis of qualitative data, which is based on the interviews which were made with seventeen IJVs in Russia. Two of these IJVs are no longer operating (as described above). Overall, nineteen senior managers were interviewed (Table 5.2).

The main aim of this research is to examine how organisational culture may influence IJV success, and to ask how important these differences are for IJV performance. Therefore, the interviews which were made with the senior managers should be able to provide this study with information about IJV performance. They should also be able to identify how managers view the role of organisational culture in IJV success. The current research used a subjective measure of senior managers to determine if an IJV is successful (as has been described previously in Chapter 2). The duration of an IJV can also provide information about success where an IJV has been operating for a long time. Thus, the interview guide included such question as "When was your IJV was formed?" Many interview questions were aimed to understand the relationship between IJV and its partners. Consequently, the majority of the senior managers clearly expressed their opinion about the success of their IJV. However, it was decided to add a direct question at the end of the interview which could provide more information about what managers think about the success of their IJV, the question was: "Would you call your IJV successful?" In addition, in order to decide if an IJV is successful, the researcher has used her own impression which is based on all the information obtained from the interviews.

All of the interview data was analysed using textual content analysis, which is associated with the interviews' open-ended questions responses and additional spontaneous information that was received during the interview process. The main aim of textual content analysis is to obtain richer contextual information based on statement, stories, and other verbal responses. Content analysis includes the process of analysing the verbal responses through the development of content dictionaries and data coding (Denzin and Lincoln, 2000). The content analysis process included: open coding, axial coding, and selective coding. The process of interpretation begins with open coding, while towards the end of the whole analytical process selective coding comes more to the fore. Coding here is understood as '*representing the operations by which data are broken down, conceptualised, and put back together in new ways*' (Strauss and Corbin, 1990: 57). Each coding provides a specific function. Open coding aims at expressing data and phenomena in the form of concepts. Firstly, the data are disentangled and labelled. Then the concepts start to be developed and categories begin to emerge. In the current study the open coding was done by analysing and comparing each interviewee's data to the other interview data. Next, the data was categorised and the links were identified.

## **5.10 Reliability and Validity of the Research**

Reliability is an important measure of research quality. Yin (2003) defines reliability as demonstrating that the operation of a study, such as data collection procedures, can be repeated and the same results will be obtained.

The main criticism of the case method is that the role of the researcher is principal to data generation and interpretation, which can lead to a problem of bias. The main point of this criticism is that if the same research is conducted by another researcher then the results may be different. In addition, the use of interviews raises questions of reliability because the individual report may be inaccurate.

In the current research, several steps were taken in order to increase the reliability of the interview data. Firstly, the researcher had additional training on qualitative research, including interviewing. In addition, the researcher had an experience of

interviewing senior managers in the past while gathering data for an MBA dissertation. The promise of confidentiality improved the reliability of the interview data as the character of the discussion appeared to be more open and not tense. Then, as Silverman (1993) suggests, some conventions and abbreviations were used in notes during the interview process so that the researcher could write down all the answers. In addition, after each interview the researcher checked all the notes and added information which had not been written during the interview, this information was written using different coloured ink. Finally, the researcher added additional impressions, which were kept separate from the interview data.

The question of validity can be summarised as '*a question of whether the researcher sees what he or she thinks he or she sees*' (Flick, 2002: 224). Validation is constructed through application of internal validity and external validity. Internal validation is established if the research conclusions are supported by the research design, data gathered, and analysis. If this process develops an accurate conclusion, supported by the research, then it will meet the internal validation requirement. According to Denzin and Lincoln (2000), internal validation can be achieved by:

- Formulation of the research question which guides the study (presented in the beginning of this chapter).
- Identification of a site and participants (i.e. IJVs in Russia, and CEOs or senior managers in the organisation).
- Identification of the data collection strategies which are to be used (i.e. semi-structured interviews and two questionnaires).
- Identification and statement of the researcher's own bias (which is presented in the following text).
- Documentation of the research plan and analysis methods (see Chapter 5).

Internal validation of this research can also be supported by reliance on previously used, and verified, methodologies and methods. As has been mentioned above, both questionnaires were previously used in similar research works. Interview techniques are very popular in management and cultural studies, and they are one of the most important tools which is used in the research of national and organisational culture

(Smirnich, 1983, Hofstede 1991; Schein, 1991). They also provide an excellent source for case studies (Yin, 2003). In this work, the guide for semi-structured interviews with open-ended questions was developed according to the recommendations of: Doz and Hamel (1998), Spekman et al. (2000), and Austin (2000). Thus, internal validation in this study is achieved by a well structured process and the use of proven methods.

In order to understand external validation or generalisability one has to pay attention to the research design's purpose (Yin, 2003). The aim of this research was to develop a better understanding of the organisational culture influences on IJVs in Russia, this includes: an understanding of organisational culture in Russia, how senior managers of IJVs perceive this organisational culture, and how it may be involved in IJV development. However, the results and findings of such research are contextually based and present challenges to the generalisability of the findings.

According to Yin (2003), one of the main challenges of this approach is that the case method research is a theoretical building research method and so will not be tested through the deductive process of hypothesis development and testing. This research project is a contextually based research which involves people from several different countries and, hence, several different cultures. If this research method is applied to IJVs in other countries then the researchers may get different results and findings. Finally, the researcher's own personal cultural bias also presents a challenge (Denzin and Lincoln, 2000). The researcher's own values and attitudes influence the understanding of topic. For the social researcher this is an acknowledged fact and, while he or she may acknowledge it, it cannot be eliminated.

The challenges mentioned above acknowledge that the research results in this study are not statistically, but are analytically, generalisable (Yin, 2003).

## 5.11 Triangulation

Triangulation is a powerful technique which helps a researcher to receive a more detailed and balanced picture of the situation and increase the validity of the research (Flick, 2002). Denzin (1989: 237-241) distinguishes four types of triangulation:

- Data Triangulation - The use of different data sources.
- Investigator Triangulation - The use of different observers and interviewers to detect or minimise biases which result from the researcher as a person.
- Theory Triangulation - The use of multiple perspectives to interpret data.
- Methodological Triangulation - The use of different methods to study a research problem.

The current research uses two methods of triangulation. The first method is data triangulation. Data triangulation is used through quantitative and qualitative studies. In quantitative studies a few managers from each IJV were asked to fill in questionnaires. In terms of qualitative studies, I interviewed senior managers from the different IJVs in Russia. The second method is methodological triangulation. This study uses between-method triangulation by combining the questionnaires with semi-structured interviews. The different methodological perspectives complement each other in the study, thereby reducing the weaknesses of each single method and increasing validity of the research (Flick, 2002). Combining quantitative and qualitative data can help the researcher to see if they both support each other because each method adds a different shade to the interpretation. A between-method triangulation helps to clarify meanings and develop an in-depth understanding of the research questions. Methodological triangulation is more likely to contribute to the development of theories (Ellson, 2004).

The main purpose of this research is to understand the effects of organisational culture differences on IJV performance in Russia. This topic is still not widely explored, especially in the Russian context. Methodological triangulation helps to broaden the knowledge on the topic and develops further understanding of the research questions.



## 5.12 Reflexivity

Reflexivity is an important topic for qualitative researchers to consider. During the last few decades a number of social studies have put forward a lot of evidence supporting the argument that personal, social, and local factors influence both the research process and its results, which creates a problem for objectivity. One of the methods which is used to keep the research objective is to use standardised methods, in this view data collection and interpretation should be conducted with procedures that help eliminate subjective and local influences (Breuer, 2002).

Qualitative research normally does not use standardised procedures. Doing qualitative research makes the impact of the researcher far more obvious than in its quantitative counterpart (Breuer, 2002). *“There is always a temptation to tell the whole story and there is the opportunity to highlight the author as a hero rather than a participant or observer.”* (Ellson, 2004: 110)

Perhaps it is almost impossible to avoid subjectivity but the main concern is how much of our own subjectivity we put into research reports (Gilgun, 2010). In the current research the researcher included only those bits of reflexivity that add to the understanding of IJVs in Russia and their organisational culture. The cases of IJVs and their analysis are separated and, therefore, the readers’ understanding and implications of these events can be different.

## 5.13 Research Ethics

There is no international agreement or regulations of ethical standards in research (Ryen, 2004). However, ethical issues arise from the kinds of problems researchers investigate, and the various methods which are used to obtain valid and reliable data. Ethics may be evoked by: the research problem itself, the setting in which the research takes place, the procedures required by the research design, the method of data collection, the kinds of people serving as research participants, and the type of data collected (Frankfort-Nachmias and Nachmia, 1996).

In order to protect the participants in this research project it first sought approval from the Cardiff Business School Ethical Committee. Both questionnaires and the interview guide (see Appendices 2, 3, and 4) were approved by the Ethical Committee.

The researcher promised confidentiality to all of the senior managers and the IJVs. Ryen (2004) suggests that in order to maintain confidentiality, the researcher should be obliged to protect the participants' identities and locations. In this research all of the organisations were named symbolically (Venture A, Venture B, etc.) Their exact locations and the locations of their foreign parents were protected to avoid revealing the identity of the company concerned.

All of the senior managers voluntarily participated in the study. During the interviews the researcher recognised the right to refuse answers, or to object to the interview being tape-recorded.

## **5.14 Summary**

This chapter has developed a valid research methodology. It also presented the research objectives and questions. The use of qualitative and quantitative methods was considered to be an effective way of gathering data about IJVs and organisational culture. Two questionnaires are used to receive information on managerial values and practices, whereas open-ended interviews help to gather in-depth data about organisational culture in the IJV and its partners. The research design also recognised the potential threats and any necessary action was taken to make the quality of the study valid. The next chapter will discuss and analyse the questionnaire findings.

# Chapter 6

## ***Data Presentation and Analysis***

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This chapter presents the data from, and offers an analysis of, the questionnaires. The aim of the two questionnaires was both to determine managerial values and practices in order to provide a better understanding of organisational culture in IJVs in Russia, and to answer one of the main research questions: “What is the type of organisational culture in IJVs in Russia?” Cluster analysis of the data collected from questionnaires will be presented in this chapter, and the results will be depicted graphically. The main clusters will be determined and comparisons will then be made.

### **6.1 Demographic Characteristic of Sample**

Questionnaires were sent to 39 managers, and responses were received from 27. All of the respondents are senior managers of the IJVs. From the descriptive statistics shown below (Table 6.1) it can be seen that there are 14 males (52 %) and 13 females (48 %) in the sample. 18 respondents (67 %) have a degree in business, and the highest education level for the majority respondents (23 people – 85 %) is undergraduate\*. Most respondents are Russians (85 %), the other 4 respondents (15 %) were from the country with which IJV was formed. The majority of the respondents fall into two age categories: 36-45 and 46-55.

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\* There is no division into undergraduate (BSc/BA) and graduate (MSc/MA) levels in Russia. Tertiary education always fitted into a single stage resulting in a specialist diploma which takes 5-6 years to complete. Specialist diplomas of selected high-ranking universities are perceived to be equal to Western MSc/MA qualification.

**Table 6.1: Demographic Characteristic of Sample (N = 27)**

<b>Demographics</b>	<b>Number (people)</b>	<b>Percentage (%)</b>
<b>Sex:</b>		
Male	14	52
Female	13	48
<b>Age (years):</b>		
25 years old or less	0	0
26-35 years old	2	7.4
36-45 years old	10	37.2
46-55 years old	12	44.4
56 years old or over	3	11
<b>Education Subject:</b>		
Business and Management	18	67
Other	9	33
<b>Highest Level of Education:</b>		
BSc/BA	23	85
Masters	1	4
PhD	3	11
<b>Nationality:</b>		
Russia	23	85
Other	4	15

## 6.2 Cluster Analysis for the Questionnaire 1

A hierarchical cluster analysis, followed by a simple average calculation, was performed for Questionnaire 1 in order to find out what values are the most important for senior managers in IJVs in Russia (see Appendix 5). All 12 cultural values were used as input variables for clustering. Gender was used as an alternative variable. Based on the clusters' relative size and substantiality, the most rational number of clusters for the most appropriate representation of the data was considered to be four. The primary characteristics of all the segments are summarised below.

### Cluster 1

This cluster includes three cultural values which were ranked the highest by the respondents, these values are: family security, honouring parents and curiosity. According to the Schwartz model (see Chapter 3) family security and honouring parents belong to the group of traditional values while curiosity is one of the openness

to change values. Some demographic information on this segment is summarised below in Table 6.2.

In terms of demographic characteristics, no significant differences in scores were found between genders and managers with different educational backgrounds (i.e. business studies and others). The age category shows substantial differences for all three values. For example, people who are in the age group 56 and up gave lower values to 'family security' and 'honouring parents'. However, two out of the three managers from this age category are foreigners and these differences in values can be explained by national and cultural differences. Also, younger age groups (26-35 years old, and 36-45 years old) have substantially lower scores for the 'curiosity' value. 'Honouring parents' is found to be less important for younger managers (26-35 years old).

**Table 6.2:** Average Values for Cluster 1 (Questionnaire 1)

<b>Value</b>	<b>Family Security</b>	<b>Honouring Parents</b>	<b>Curiosity</b>
Average (N = 27)	4.9	4.2	4.5
<b>Sex:</b>			
Females	5.0	4.3	4.4
Males	4.7	4.1	4.6
<b>Age:</b>			
26-35	5.0	3.5	3.5
36-45	5.0	4.6	3.7
46-55	5.0	4.5	4.7
56 and up	3.7	3.0	4.0
<b>Educational Subject:</b>			
Business	4.9	4.2	4.4
Other	4.7	4.2	4.7
<b>Educational Level:</b>			
BSc/BA	4.9	4.2	4.4
Masters Degree	5.0	4.0	4.0
PhD	4.7	4.0	5.0
<b>Origin:</b>			
Russian	5.0	4.3	4.6
Other	4.3	3.3	4.0

Managers with the highest educational level (i.e. PhD) ranked the ‘curiosity’ value higher than the others. In addition, all three values in this cluster have lower importance for foreign managers than for Russian managers.

*Cluster 2*

There are three values in this cluster: wealth (self-enhancement/egoistic value), exciting life (openness to change value), and varied life (openness to change value). All three values received similar scores from the respondents (3.9; 3.8; and 4.0). ‘Wealth’ belongs to the group of self-enhancement or egoistic values, while ‘varied life’ and ‘exciting life’ values are related to the ‘openness to change’ group. The main characteristics of this cluster are shown below in Table 6.3.

**Table 6.3: Average Values for Cluster 2 (Questionnaire 1)**

<b>Value</b>	<b>Wealth</b>	<b>An Exciting Life</b>	<b>A Varied Life</b>
Average (N = 27)	3.9	3.8	4.0
<b>Sex:</b>			
Females	3.8	4.0	4.0
Males	4.0	3.6	4.0
<b>Age:</b>			
26-35	3.5	3.5	3.5
36-45	3.9	4.3	4.3
46-55	4.0	3.6	3.8
56 and up	4.0	3.0	4.0
<b>Educational Subject:</b>			
Business	3.9	3.9	3.9
Other	4.0	3.6	4.1
<b>Educational Level:</b>			
BSc/BA	3.9	3.7	3.9
Masters Degree	4.0	5.0	5.0
PhD	4.0	3.7	4.7
<b>Origin:</b>			
Russian	3.9	3.9	4.1
Other	4.0	3.0	3.3

As in Cluster 1, there were no large differences found between genders and managers with different educational background. Scores for all three values differ in age groups.

'Wealth' received lower scores from young managers (26-35 years old), while both 'change' values were rated higher by the 36-45 year old managers. Furthermore, as in the previous cluster, senior managers with a PhD showed different scores in the value: 'a varied life'. There was only one person with a Master's degree who showed higher scores in both 'change' values. Also, as in the previous cluster, obvious differences can be seen between nationalities. Foreign senior managers value 'exciting life' and 'varied life' lower than the Russian managers, while 'Wealth' receives similar scores from both Russian and foreign managers. This fact is inconsistent with the findings of some previous researchers (Salmi and Sharafutdinova, 2008) who claim that money and wealth are less important values in Russia than they are in Western countries. Nevertheless, it confirms the findings of those previous researchers (e.g. Salmi and Sharafutdinova, 2008) who claim that Russian people living in large cities are more similar in their values to those in Western societies.

### Cluster 3

This cluster contains three values: authority (self-enhancement/egoistic value), influence (self-enhancement/egoistic value), and equality (altruistic value). In contrast to the previous two clusters, the value ranks are more divergent in Cluster 3. Table 6.4 represents the average values. It can be observed that all three values in this cluster received different scores in all categories: gender, age, educational subject, educational level, and origin.

The main differences in this segment appear between females and males. 'Authority' and 'influence' were ranked higher by males. Some differences in values may also be found in the age groups. For example, managers in the age category 26-35 ranked 'authority' much lower than did the other age groups. A higher value for 'influence' can be seen in the age group 56 and up. All of the 26-35 years old respondents were females, which can help to explain why this age group scored lower in 'authority'. As has been mentioned above, the majority of senior managers in the age 56 and up are foreigners and, therefore, the value differences of this age group can be seen as national and cultural differences.



Interestingly, in Cluster 3 the different values of ‘influence’ can be seen between respondents in the educational subject category. Managers who have a degree in business value ‘influence’ higher. As in the previous clusters, managers with a PhD show different scores.

Finally, it can be underlined that the values of ‘influence’ and ‘equality’ are very different between Russian and foreign executives.

**Table 6.4:** Average Values for Cluster 3 (Questionnaire 1)

<b>Value</b>	<b>Authority</b>	<b>Influence</b>	<b>Equality</b>
Average (N = 27)	3.5	3.5	3.6
<b>Sex:</b>			
Females	3.2	3.2	3.7
Males	3.7	3.7	3.4
<b>Age:</b>			
26-35	2.5	3.5	3.5
36-45	3.7	3.4	3.5
46-55	3.5	3.4	3.7
56 and up	3.3	4.0	3.3
<b>Educational Subject:</b>			
Business	3.5	3.7	3.6
Other	3.4	3.1	3.6
<b>Educational Level:</b>			
BSc/BA	3.3	3.3	3.6
Masters Degree	5.0	5.0	3.0
PhD	4.0	4.0	3.7
<b>Origin:</b>			
Russian	3.5	3.4	3.7
Other	3.5	4.0	3.0

#### Cluster 4

The three cultural values that belong to this cluster are: self-discipline (traditional/conservative values), social justice (altruistic value), and a world at peace (altruistic value). This cluster received the most divergent scores from the respondents. As in Cluster 3, there are different scores between males and females. Males rank altruistic values lower than females, this can help to explain the low score

for this value in the educational subject category because the majority of people (78%) who have a degree in other than a business subject are males.

**Table 6.5: Average Values for Cluster 4 (Questionnaire 1)**

<b>Value</b>	<b>Self-discipline</b>	<b>Social Justice</b>	<b>A World at Peace</b>
Average (N = 27)	3.6	3.3	3.7
<b>Sex:</b>			
Females	3.5	3.5	4.1
Males	3.8	3.1	3.3
<b>Age:</b>			
26-35	3.0	3.5	4.0
36-45	3.3	3.3	3.5
46-55	3.9	3.4	4.0
56 and up	4.0	2.3	2.7
<b>Educational Subject:</b>			
Business	3.5	3.3	3.8
Other	3.9	3.1	3.3
<b>Educational Level:</b>			
BSc/BA	3.7	3.3	3.7
Masters Degree	5.0	5.0	5.0
PhD	3.0	2.7	3.0
<b>Origin:</b>			
Russian	3.5	3.4	3.7
Other	4.5	2.5	3.3

A value of self-discipline is increasing in the age group: young managers found it less important than old. It can be seen that there are large differences in scores between respondent with different educational level. Finally, it should be underlined that national cultural differences in values also remain significant in this cluster.

### 6.3 Cluster Analysis for the Questionnaire 2

The second questionnaire aimed to find out more about the organisational culture in IJVs in Russia. It included 21 questions related to different types of organisational culture: support, innovation, rules, and goal oriented culture. Because many managers

felt uneasy to describe an organisational culture in their companies, this questionnaire helped to get additional information about organisational practices.

As was the case with Questionnaire 1, a hierarchical cluster analysis followed by simple average calculation was performed for Questionnaire 2 (see Appendix 6). All 21 questions (practices) (see Appendix 3) were used as input variables for clustering. Educational subject was used as an alternative variable. Based on the clusters' relative size and substantiality, the most rational number of clusters for the most appropriate representation of the data was considered to be four. The primary characteristics of all segments are summarised below.

#### Cluster 1: Rules Orientation

All three questions from the rules orientation culture (i.e. questions 13, 14, and 15) received the highest scores from the respondents. This fact is fully consistent with the literature review (e.g. McCarthy et al., 2005; Kets de Vries, 2000) which claims that Russian managers have an autocratic style of leadership. Young managers (26-35 years old) showed much lower rates in all three questions (Table 6.6). Because the younger generation received their education and work experience in the post-Soviet period, their managerial style can be very different from that of the older managers. Surprisingly, foreign senior managers scored even higher in this section. In addition, a large difference in responses is to be found between managers with different education.

**Table 6.6: Average Values for Cluster 1 (Questionnaire 2)**

<b>Practices</b>	<b>Question 13</b>	<b>Question 14</b>	<b>Question 15</b>
Average (N = 27)	4.1	4.3	4.3
<b>Sex:</b>			
Females	3.9	4.2	4.2
Males	4.4	4.4	4.3
<b>Age:</b>			
26-35	3.0	3.5	3.5
36-45	3.9	4.2	4.2
46-55	4.5	4.5	4.3
56 and up	4.3	4.7	4.7
<b>Educational Subject:</b>			
Business	4.2	4.3	4.2
Other	4.0	4.4	4.3
<b>Educational Level:</b>			
BSc/BA	4.0	4.3	4.3
Masters Degree	4.0	3.0	3.0
PhD	5.0	5.0	4.7
<b>Origin:</b>			
Russian	4.1	4.3	4.2
Other	4.3	4.8	4.5

*Cluster 2: Goal Orientation*

This cluster includes all of the variables (i.e. questions 16-21) from goal oriented culture, and two variables (i.e. questions 5 and 6) from support oriented culture (see Table 6.7).

In contrast to the previous cluster, a large diversification in average scores may be found between almost all of the groups (gender, age, educational subject, and educational level). Thus, in this case, it is necessarily to study each IJV separately in order to find the reasons behind these differences.

**Table 6.7: Average Values for the Cluster 2 (Questionnaire 2)**

<b>Practices</b>	<b>Quest 5</b>	<b>Quest 6</b>	<b>Quest 16</b>	<b>Quest 17</b>	<b>Quest 18</b>	<b>Quest 19</b>	<b>Quest 20</b>	<b>Quest 21</b>
<b>Average (N = 27)</b>	3.5	3.7	3.8	3.7	3.8	3.9	3.9	4.1
<b>Sex:</b>								
Females	3.2	3.3	3.9	3.5	3.7	3.6	3.6	3.8
Males	3.8	4.0	3.6	3.9	3.9	4.1	4.1	4.4
<b>Age:</b>								
26-35	2.5	3.5	2.5	3.5	3.0	3.5	3.0	2.5
36-45	4.1	3.7	4.2	4.1	3.9	4.1	4.3	4.4
46-55	3.5	4.2	3.7	3.4	4.0	3.7	3.7	4.2
56 and up	3.7	3.3	3.7	3.3	3.3	4.0	3.7	4.0
<b>Educational Subject:</b>								
Business	3.3	3.4	3.6	3.6	3.8	3.8	3.8	3.9
Other	4.0	4.2	4.1	3.8	3.8	4.0	3.9	4.4
<b>Educational Level:</b>								
BSc/BA	3.5	3.6	3.7	3.6	3.8	3.7	3.7	4.0
Masters Degree	3.0	3.0	4.0	4.0	3.0	5.0	4.0	4.0
PhD	4.0	4.3	4.0	3.7	4.0	4.3	5.0	4.7
<b>Origin:</b>								
Russian	3.5	3.7	3.9	3.7	3.9	3.9	3.9	4.1
Other	3.8	3.8	3.3	3.3	3.5	3.8	3.5	4.0

**Cluster 3: Innovation Orientation**

In spite of the fact that ‘openness to change’ values were ranked quite highly by most of the managers, innovation culture in IJVs received relatively low scores (Table 6.8). By analysing the average it can be seen that all questions received very low scores from females. Senior managers with a PhD ranked all practices related to innovation higher than others. Meanwhile, the low scores from young managers (26-35 years old) may be explained by gender differences because both of the senior managers in this age category are women.

**Table 6.8: Average Values for the Cluster 3 (Questionnaire 2)**

<b>Practices</b>	<b>Question 7</b>	<b>Question 8</b>	<b>Question 10</b>	<b>Question 11</b>	<b>Question 12</b>
<b>Average (N = 27)</b>	3.7	3.1	3.4	3.4	3.3
<b>Sex:</b>					
Females	3.3	2.7	3.1	3.2	2.8
Males	4.1	3.5	3.8	3.5	3.9
<b>Age:</b>					
26-35	2.5	2.0	2.0	3.0	2.0
36-45	4.4	3.9	4.0	3.5	3.7
46-55	3.2	2.3	3.2	3.3	3.2
56 and up	4.3	4.3	3.7	3.7	3.7
<b>Educational Subject:</b>					
Business	3.5	3.1	3.4	3.3	3.2
Other	4.1	3.2	3.4	3.4	3.6
<b>Educational Level:</b>					
BSc/BA	3.6	3.0	2.4	3.4	3.3
Masters Degree	5.0	5.0	5.0	3.0	4.0
PhD	4.0	3.7	3.3	4.3	4.7
<b>Origin:</b>					
Russian	3.7	3.1	3.4	3.5	3.3
Other	3.8	3.3	3.5	3.5	3.5

#### Cluster 4: Support Orientation

This cluster received the lowest scores from the respondents. It includes four questions related to the support orientation and one question from the innovation culture. The question, “How often do unpredictable elements in the market environment present good opportunities?” received low scores from almost all of the managers.

From the analysis of average values it can be highlighted that one question from the support orientation (“How often is constructive criticism accepted?”) has very divergent scores.

**Table 6.9: Average Values for the Cluster 4 (Questionnaire 2)**

<b>Practices</b>	<b>Question 13</b>	<b>Question 1</b>	<b>Question 2</b>	<b>Question 3</b>	<b>Question 4</b>
Average (N = 27)	3.7	3.1	3.4	3.4	3.3
<b>Sex:</b>					
Females	3.3	2.7	3.1	3.2	2.8
Males	4.1	3.5	3.8	3.5	3.9
<b>Age:</b>					
26-35	2.5	2.0	2.0	3.0	2.0
36-45	4.4	3.9	4.0	3.5	3.7
46-55	3.2	2.3	3.2	3.3	3.2
56 and up	4.3	4.3	3.7	3.7	3.7
<b>Educational Subject:</b>					
Business	3.5	3.1	3.4	3.3	3.2
Other	4.1	3.2	3.4	3.4	3.6
<b>Educational Level:</b>					
BSc/BA	3.6	3.0	2.4	3.4	3.3
Masters Degree	5.0	5.0	5.0	3.0	4.0
PhD	4.0	3.7	3.3	4.3	4.7
<b>Origin:</b>					
Russian	3.7	3.1	3.4	3.5	3.3
Other	3.8	3.3	3.5	3.5	3.5

## 6.4 Summary

This chapter analysed the clusters obtained in relation to some demographical factors, such as: gender, age, level of education, educational subject, and nationality. This analysis demonstrates the managerial values and practices of managers in Russia. Overall, from the cluster analysis, it can be observed that traditional values got the highest rates from the Russian managers. Also, the main differences in average values were found between both Russian and foreign managers, and different age groups. In the Questionnaire 2 rule oriented culture received the highest scores from senior managers. The main differences in average values can be seen between managers from different age groups and educational levels.

The qualitative analysis provided very valuable information about the type of organisational culture in IJVs in Russia. However, in order to get complete

information and answer research questions, it is necessary to refer to the interview data. In the next chapter, a number of case studies which are based on the results of the interview data will be presented.



# Chapter 7

## *Cases*

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This chapter presents the cases of 17 IJVs in Russia. These cases rely on data which is derived from interviews with senior managers.

The cases in this chapter will present a brief introduction to the parent firms, followed by background on the venture. All companies will remain anonymous, simple fictitious names will be used that are not meant to represent any existing firm. The sample includes IJVs with companies from different countries. In many cases, mentioning the country of a partner, or partners, could disclose the names of the companies involved in the IJV. Thus, in order to maintain confidentiality, it was decided to give instead the name of a continent: America (including Canada, the USA, and Latin America), Europe (including Western, Eastern, or Central), and Asia.

The main objective of these cases is to understand and characterise the main features of organisational culture in the IJVs in Russia. This chapter gives an insight into organisational practices and provides a base for future analysis.

### **7.1 Venture A**

The IJV which is described in this case was undertaken by Russian and American organisations in 1994. This venture was formed between partners who had long stable relationships which are based on mutual trust and interests.

#### American Partner

The American partner is a large company with headquarters located in a number of different countries. It is engaged in energy and utilities production. The company is proud of its geographical diversification and production in different countries. A mission statement of the American parent declares that it looks for growth opportunities through strategic partnerships and acquisitions. The main objectives of the company are: profitable, low-cost growth; financial flexibility and openness to

serve the long-term interests of shareholders; and, a qualified and experienced team. The company pays a lot of attention to its people and: their expertise and qualifications, training, and health and safety issues. The company's employees are seen as a source of competitive advantage and this is highlighted by the social responsibility of the organisation.

### Russian Partner

The Russian partner is one of the oldest, and largest, Russian organisation. It is proud of its long history and achievements in manufacturing and construction. The company emphasises that it has its own long traditions. Throughout its history, the Russian partner has achieved a considerable expertise in manufacturing and quality control. The company sees key strategic advantages in both employing a highly-qualified staff and in running a modern quality control system. This organisation employs the latest approaches to HR management. One of the main goals of the company is staff development and training, including running its own professional training programmes and in sponsoring education in a number of different colleges and universities. This organisation recognises the need for good managerial training in order to develop the managerial and leadership skills of its managers. The Russian partner has its own university, which was established for staff training. Also, it draws attention to its collaboration with different universities and institutes in order to support young professionals. Along with high wages, the organisation offers a lot of social benefits to employees and various promotion programmes.

Although in this case study both partners are from different countries, the words they use to describe themselves, their vision, and purposes are very similar. They are similar in size and both pay particular attention to quality. Both of them are strongly committed to their employee's staff training and education.

### Joint Venture

In 1994 both partners set up a 50/50 IJV in order to produce high quality products for the energy industry. One of the main aims of the American partner was geographical expansion and an entrance into a new emerging market (i.e. Russia). The Russian

partner saw an opportunity for learning new technologies in manufacturing through staff training and education. The IJV is a small company (less than 50 employees). The IJV under this study will be referred as a Venture A.

Interviewee: CMO (Marketing Director)

Place: Head Office

Date: 26<sup>th</sup> January 2010

The interview with the Marketing Director took place in the meeting room of the head office. The head office is a new, modern style building with production units located on the left wing. The Russian parent's head office is only a few minutes away.

In the beginning of the interview the manager briefly described both partners and the Venture A. Then, she showed me a catalogue of the Venture A and asked if I wanted to look around the production units. She emphasised their new equipment in the production units, their cleanliness, and even the uniform of the engineers and the technical workers. She seemed very proud of this production unit.

### Role of Culture in Venture A

The interview question about organisational culture seemed to confuse the CMO for a while. She found it quite difficult to describe the organisational culture of Venture A. She highlighted that the organisational culture in their venture was mainly shaped by the American partner. Then, comparing and contrasting the cultures of both partners and the Venture A, she quickly described the meaning of their organisational culture. She saw and described it through the structure of the Venture and its partners, their decision-making styles, and their managerial work practices.

Explaining the main differences between the Venture A and its partners, the manager mainly talked about the differences and similarities with the American parent company. The Russian partner was rarely mentioned. She explained:

*“The American partner has shaped our organisation. They are constantly with us. They are interested in all the details of our work. The Russian partner cares only about financial outcomes.”*

The CEO of Venture A is an American of Russian origin. He has worked in the American parent for a few years. He has close relationships with the American managers. Thus, the American organisation has a great influence over the daily work and corporate culture in Venture A. The Marketing Director highlighted:

*“We have been working together (the American partner and the Venture A) for 15 years. Our employees and managers know each other very well and now we are like one family. We trust each other, and this is most important.”*

Almost all of the daily communications of Venture A with the Russian parent depend entirely on the CEO of Venture A. The rest of the managers of the Venture do not participate in negotiations with the Russian parent. The Marketing Director commented:

*“He [i.e. the CEO] regulates and manages all of the communications with them. Then, he informs us [i.e. the employees] about outcomes.”*

The manager paid particular attention to the different accounting systems, legislation, and “*mentality*” when portraying the differences in the organisational cultures of Venture A and the American partner,

*“They [i.e. the American managers] want us to do all the documentation and finance according to their standards, but we cannot. Russian law regulates these standards, and we have to follow it.”*

Explaining the differences in mentality, she stated:

*“Bribes and network are common in Russia. But it can ruin relationships with the foreign partner. That is why constant negotiations and trust are so important in this case.”*

The resolution of cultural differences was seen as essential for success in the venture:

*“Constant negotiation and cultural training help to resolve cultural differences. Also, trust is very important.”*

Overall, the role of culture in the IJV success was seen as “*quite important*”.

The successful fit of cultures depends on people, and their training and education. Venture A has very close relationships with their American partner. The employees have regular training and meetings. Most of them have been trained abroad.

The managers of the American parent and Venture A meet every three months. All of the managers are encouraged to make decisions, but some decisions are only made by Venture A’s CEO and the top managers of the parent companies.

In general, Venture A is seen as a successful organisation by its senior manager:

*“We have been operating in the market for 15 years. We have very close and stable relationships with our partners. We have good financial performance.”*

### **Analysis**

According to the interview data, Venture A’s culture is very similar to its Western partner. The firm has a flat structure. Many employees participate in the decision-making process. Employee training and meetings with the American partner are regular. The company recognises the need for cultural training. The interviewed manager mentioned that employees of Venture A are trained in the national cultures of both partners. Venture A has only minimum control from the Russian parent.

Venture A’s CEO was born into a Russian family in an American country. He is fluent in both languages, and knowledgeable about both countries and cultures. The CEO brought his experience and knowledge from the American partner and replicated the same values in Venture A. The CEO showed high scores in the openness to change values. Close relationships between managers could have better helped the foreign parent to implement its culture in Venture A.

## **7.2 Venture B**

The IJV illustrated in this case was formed in 2000 by two privately owned companies. Both partners came from countries with similar economic and business environments.

### European Partner (former USSR)

The European partner is a MSE (medium size enterprise) which is owned by one family and operating in the construction industry since 1992. The organisation has access to the natural resources which are used in the construction works. Until 2000, the European partner was the only construction company which had access to resources and so the company could offer cheaper services than its competitors. Until 2000, the European partner was a leader in the local market.

In 2000 the new governmental policies allowed access to similar resources to all businesses, thereby encouraging the creation of new companies. A lot of new organisations, including large foreign corporations, spread into the market. The European partner faced high competition.

The European partner still has neither a web-site nor a mission statement. The objectives and purposes are stated in the registration documents and organisational brochure; they include: profit maximisation, high quality work, staff training, qualifications, and safety.

### Russian Partner

The Russian partner is a small family-owned enterprise which is operating in the construction industry. The company was set up in 1996. The director of the Russian partner has close relationships with a large number of suppliers. This allows the organisation to offer a wider range of services and products to its customers. Similar to many small Russian organisations, the Russian partner does not have a web site or

a mission statement. Its main objectives include profit growth and a high quality of products and services.

### Joint Venture

In 2000, the directors of the two firms signed an IJV agreement. Establishing a partnership was seen as a new source of competitive advantage for both companies. The main purpose of both partners was to get access to new resources and suppliers. The share of the European partner is 60 %, the Russian partner owns 40 % of the IJV. The IJV is a small company (less than 50 employees). The IJV under this study will be referred as a Venture B.

Interviewee: CEO (General Director)

Place: Head Office

Date: 27<sup>th</sup> November 2009

The interview took place in the head office with the General Director. When the researcher telephoned to the Venture B, the director agreed to give an interview in the same day, but she expressed concern that she will not be able to help because Venture B is a very small organisation and its partners are quite small companies whereas an organisational culture is *“something only large corporations have.”*

The head office was in the process of alteration. The General Director invited me into her office explaining that the head office will be fully renewed in three weeks.

In the beginning of the interview the researcher explained the purposes of the research and reminded the General Director about the ethics of this research project. When the researcher asked permission to use an audio recorder, the manager replied with a smile:

*“I would prefer not to be recorded. Hopefully, it is okay with you, too?”*



The manager briefly described both partners and Venture B. She explained that Venture B offers a wide range of construction works. Some of the materials and techniques they use are new in the region. The main aims of the company are profit maximisation, high quality services, and the development of new products and services.

### Role of Culture in Venture B

The question about organisational culture made the CEO feel uneasy.

**Researcher:** *How would you describe organisational culture in your IJV?*

**CEO** (after a short pause): *To be honest, I do not know.*

When she was asked to describe the differences in organisational cultures of both partners and Venture B, she tried to explain it through the differences in national cultures. She explained that both countries (Russia and the European partner's country) have quite similar cultures as "*their historical development is similar and both people have similar beliefs and attitudes.*"

**Researcher:** *How dissimilar are your IJV and your partner organisations in the ways you make decisions and perform work?*

**CEO:** *It is difficult to explain. But...I have never seen our European partner. We are used to contact by phone or e-mails. Now I am in touch only with the Russian partner. Their directors [the managers of the European partner] lack negotiation skills. They constantly order. They speak to us [i.e. the General Manager and other employees] as if we were servants. Then, they never accept any criticism. I never can express my own opinion! Finally, we have serious conflicts. Then, we stopped contacting each other. Now, they speak only to our Russian partner.*

*Our Russian partner is very similar to us in terms of its aims, structure, and decision-making style. We are both small companies, and the decision-making is very fast. We do not have a centralised power as many Russian companies do. All people involved participate in the decision-making and organisational development. We are like a family.*

It was obvious that the General Manager was very angry with the European partner. She has been working in Venture B since 2000. She never saw the managers of the European partner because the majority of meetings were held in the head office of the European partner. The managers of the Russian parent met them every year in their head office. She has never been called for these meetings. She was usually informed about the results of the meetings and the new plans for development by the Russian partner.

She then explained that the managers of the European and Russian partners have not seen each other for three years and the Russian partner *“has to enjoy telephone conversations with them.”*

**CEO:** *You see, there is nothing interesting. I told you that our company has nothing to do with organisational culture. Let's have a cup of tea and I shall show you our new Presentation Room.*

The Presentation Room had recently been renovated. It was made in the Empire style. The decorations of the room demonstrated the core expertise of Venture B. All of the displays showed the wide range of products and decorative materials used in their construction works. The photographs on the walls showed examples of the most remarkable works done by the company in the past. The CEO was very enthusiastic while showing the room and the products on the displays. She told me that a few weeks ago she had ordered new catalogues and leaflets for the company.

While having tea the manager complained:

*“Our partner firms did not have any business plan. They simply signed the IJV agreement and started doing business. All the materials and techniques that we adopted from our European partner do not work in the local market. People here have completely different taste and preferences. No one thought about it when the Venture was opened. So we quickly got into financial troubles. We had to reorganise our work and business. The European partner was angry. He was, he is still sure that we simply do not want to work. Then they forgot about us. They contacted the Russian partner to get their share of the profits.”*

Next, we moved to the final questions. A question about conflict resolution techniques confused her. After a short pause she said:

*“No one tried to regulate it [i.e. a conflict]. This was not my fault. I expected the managers of the European company to apologise at least. They did not. Moreover, they telephoned the Russian partner asking to fire me! I had a shock when I heard this from the Russian manager. But he [the CEO of the Russian partner] assured me that I will stay on in my position. After all, he said that he will negotiate with them by himself. So the European partner and our Venture have not been in contact with each other since that day.”*

**Researcher:** *Would you call your IJV successful?*

**CEO (laughing):** *Financially it is just OK. As a partnership... probably not.*

### **Analysis**

The manager does not have a clear vision of the company's objectives and aims. There is no mission statement. The organisation has been operating in the market for ten years and it still does not have a web-site. The leaflets and catalogues have just been ordered. The showroom has only been fixed. From the first days of the Venture's operation there has been uncertainty and a lack of clarity about what and how the firm wants to reach.

There is lack of understanding of the meaning of organisational culture. The manager was certain that organisational culture can exist only in large companies. She was able to catch some points of definition and describe culture in the Venture B. However, she felt uncomfortable talking about this topic. The Venture is a small company and a family business. Perhaps, the manager was not ready to discuss some "family" issues of the company.

Venture B's employees do not have any contact with their European partner, and the conflicts that rose between the managers have still not been resolved. No one has made an attempt to regulate it.

### 7.3 Venture C

This case features a Russian-American IJV which provides a wide range of financial services. It was formed in 1993. By 1997 Venture C had become one of the biggest financial companies in the market.

#### American Partner

The American partner is a large and diversified financial company with a long history. It is very proud of its history and it has businesses in many countries. The paramount objective of this company is successful growth around the world. The organisation highlights that it aims for the market leadership and profitable growth. Its main values are stated on the web-site as being:

- Quality of services
- Value for customers

The first attempts to enter into the Russian and Eastern European markets were made in the end of the 1980s. The new governmental legislations in the Soviet Union at this time allowed the establishment of IJVs. However, a lot of control remained on the financial industry. Finally, in 1993 the American partner, following its main goal of diversification, established an IJV in Russia. One year later in 1994, the new governmental legislations allowed the American partner to extend its European division by opening its own branch in Russia.

#### Russian Partner

The Russian Partner is a large telecommunication company. A state-owned Russian company became a privately-held organisation after 1991. During many years a company had been a monopoly in the local market. It controlled the Internet services and the land-line telecommunications.

In 1993 the Russian partner announced the formation of an IJV with the American company. The main target of the Russian partner was growth and extension in a new segment of the market. Also, a partnership with an American company was seen as prestigious, and it could attract new customers and create a new image for the company.

In 2001 the Russian partner was re-organised. Nowadays, the distribution of an ownership is in two main blocks – 51 % owned by the Russian telecommunication group and 40 % owned by different telecommunication and financial organisations. The rest of the ownership is distributed among the local citizens.

The new re-organised company adopted a Western style of management. Its mission statement declares that it has profitable growth and innovation. The core objectives are: quality, technological advance, and transparency. The company has experienced large growth. Nowadays, its shares are listed on foreign stock exchanges. At the same time, the staff of the Russian partner are recognised as the most technically and commercially competent.

### Joint Venture

Both partners set up an IJV (Venture C) in 1993. As has mentioned above, the main goal of the American partner was making an entrance into the Russian market. The Russian partner followed its ambitions of exploring a new financial market and creating a new image for the company. Venture C is a large company where the American partner owns 30 % and the Russian partner holds 70 %.

Interviewee: Chief Strategic Development and Communication Officer

Place: Head Office

Date: 3<sup>d</sup> December 2009

The interview took place in the head office with the Chief Strategic Development and Communication Officer.

The manager was holding the interview guide and the cover letter which were sent to her a few days before the interview. She introduced herself and said:

*“You are doing PhD in Strategic Management. Great! So you can explain to me what it is! I am the Chief Strategic Development and Communication Officer and... (Pause) This new fashionable phrase (Strategic Development) was added to my position of Chief Communication Officer two years ago. But the CEOs forgot to explain what it means, so I had to learn by myself!”*

In spite of this ironical remark, the manager answered all of the questions clearly and confidently. None of the questions confused or surprised her. She was obviously ready to speak on the topic. Somewhere in the middle of the interview she mentioned that:

*“I spoke to our CEO on this topic [i.e. organisational culture] a few days ago. Some of the questions in the interview guide really set us thinking.”*

The researcher asked permission to use a tape recorder during the interview. The manager was surprised with the question and rejected it straight away:

*“A tape recorder? What for? I would prefer to avoid it if you do not mind.”*

## History

Venture C was one of the first large financial organisations in the local market. In 1992 the Russian government started new reforms which resulted in huge inflation and decline in the GDP. Faced with a market economy, competition and inflation for the first time, Russian businesses chose the US economical model as an example and guideline. In 1993, when trust to in the new financial organisation was very low, an IJV with an American company became a symbol of success and prosperity. The English name of Venture C attracted a lot of customers. However, facing high risks and an unstable economical and political environment, the company experienced financial troubles. The American partner already opened its own branch in Moscow and Venture C was soon forgotten.

By 1997 the economical situation in Russia had become much more stable. Venture C had achieved its best financial performance. The organisation became a “*pride of the region*”. In November 1997, when Venture C had been celebrating its astounding growth, the American partner attended the celebration:

*“It [the American parent] suddenly remembered about us. We had not been hearing from them [the American CEOs] since 1994. And it was the first and the last time I saw them. Our Russian partner speaks to them from time to time but we [the Venture’s managers] do not know anything about it.”*

Less than one year later, in August 1998 Russia defaulted and faced one of the biggest financial crises that it has ever experienced. Most of the Russian financial institutions and many of the organisations were bankrupt. During the default crisis, Venture C experienced serious financial troubles. However, the organisation managed to survive thanks to the help of the Russian partner which had been sponsoring it during the crisis.

A few years later Venture C faced new troubles. The tense relationships between Russian and the US governments shattered the Venture’s image. Its English name and partnership with the American company were now used by its competitors in their marketing campaigns to shake customer’s faith in Venture C.

*“It was even worse than the financial crisis. Trust in our Venture was undermined. We did everything to save our existing clients. So, as you can see, the main goal of our organisation for most of the time had been “to survive.”*

### Role of Culture in Venture C

The manager described organisational culture in Venture C as competitive, friendly, and informal where people trust each other:

*“Organisational culture is based on leadership style and motivation. We have a horizontal structure where a lot of people participate in the decision-making and organisational development. Most employees in the company are females with similar backgrounds and education. This is very important. In my*

*opinion, this fact has shaped the supportive and caring culture in our organisation.”*

The CEO explained that many of the cultural artefacts were brought to the organisation by the Russian partner. The Russian partner developed an image for the Venture C, a logo, and shaped its values and practices.

*“Our employees [from the Russian partner and Venture C] know each other. Since the first day of the Venture’s establishment we celebrated all the holidays and birthdays together. Every year we all go to cruise down the Volga River. We have winter and summer sports competition between our employees. Then, every year our organisations meet to reward the best employees and managers... You know, we even dress in the same way.”*

She continued to control the interview telling the researcher that many organisations write down all the values and procedures for their employees. Next, they try to change employees according to new values and procedures:

*“In our company all the values and procedures were written when the culture was formed. And they were written to match existing culture.”*

The manager was absolutely certain that the organisational culture of Venture C is almost identical to the culture of their Russian parent. However, she highlighted the point that the culture of their Russian parent has been influenced by Western countries because the Russian partner has a lot of alliances and partnerships in the USA and Western Europe. Moreover, the CEOs of the Russian parent studied in the USA.

**The Researcher:** *Some people suggest that differences in organisational cultures lead to conflicts and dissolution of IJVs. Do you think differences in organisational cultures can cause IJV dissolution?*

**The CEO:** *I think... yes, but only if cultures are very different. I mean different in the decision making styles, a structure and governance, values etc. In case of small differences it [i.e. the partnership] should not be problematic. Small differences are easier to handle.*



The manager hesitated a moment when the researcher asked if Venture C is a successful company. She finally said:

*“No. I think that our IJV is far from being a successful organisation.”*

### Analysis

Venture C behaves in the same way as the Russian partner. It has adopted the same attitudes and values. Constant contacts and negotiations with the Russian partner helped to consolidate these values. However, employees in the organisation do not have the necessary training. The manager mentioned that she is not aware about strategic management, even though she is the Head of Strategic Management Department.

Additionally, there is lack of planning and clear strategy in the company. Facing its first troubles in the market (e.g. American name and image) the company did not do anything to resolve the situation. There was no awareness or concern about a new strategic direction.

This Venture has never had a person or a team responsible for the Venture development and negotiations with the partners. The manager was even unaware if the CEOs of the Russian partner maintain contact with the American parent.

The manager mentioned that the Venture has a supportive and carrying culture. The Questionnaire 2 was filled in by two managers from the Venture, including the interviewed manager. Their scores show a strong predominance of rule oriented culture.

## 7.4 Venture D

The next case describes an IJV between three organisations from different countries: Russia, and two European countries. The Russian company owns 42 % of the venture, European partner 1 (former USSR) holds 33 %, and European partner 2 holds 25 % of the venture.

### European Partner 1 (former USSR)

The European partner 1 is a large corporation that specialises in manufacturing, construction, and research. This company is one of the oldest in Europe in its field of work. It is very proud of its history and achievements in production and quality systems. It also has partnerships in many countries.

The main goals of the company are profit growth, quality, employee's education and qualifications, and safety. The organisation does not have a mission statement. Its web-site is quite simple. It describes products and services, gives general information about the CEOs, and describes a long organisational history.

### European Partner 2

European partner 2 is a part of a holding group. The company provides transportation for the holding's products. The main goals and objectives of the company include quality and innovation.

### Russian Partner

The company was set up in the Soviet Union as a manufacturing and research organisation. The organisation has developed a lot of new products and made a valuable contribution to engineering research. The company's web-site highlights that the main goals of the company are innovation, quality, and employee education.

The majority of CEOs of the Russian partner have been managing the company since the Soviet era. The organisation's web-site is very simple and tells a little about the

company, but it mainly concentrates on the products and awards the company has received since its establishment.

### Joint Venture

In 2000, the three organisations mentioned above founded an IJV company (Venture D). Venture D is a large manufacturing company (approximately 500 workers) which produces products for energy and utility industry. The main reason of the venture formation for both European partners was to enter in the Russian market. The Russian partner saw an opportunity for a technology transfer.

Interviewees:      1. Chief of Economic Analysis and Planning Officer  
                            2. CFO  
Place:                Head Office  
Date:                 28<sup>th</sup> January 2010

The interview was arranged with the CFO in the Venture's head office. When the researcher arrived, the CFO apologised and said that she has just been called to an urgent meeting in the Russian partner's head office. So she introduced a young Chief of Economic Analysis and Planning Officer to act as a person who is competent in the research topic and promised to come back in an hour.

The Chief of Economic Analysis invited me into a meeting room and offered me tea. She was very confused and apologised that the CFO had left. She said that she saw the interview questions and felt very uneasy about most of them:

*"I have never thought about our organisation as an IJV. You know, we even do not have any contacts with our foreign partner."*

The manager meant that Venture D does not have any contacts with the European partner 2.

In the beginning of the interview the researcher asked a few general questions about Venture D. Surprisingly, the manager was misinformed about the country of the European partner 2. The researcher found it out later after speaking to the CFO.

Answering the question about the main goals of Venture D, the manager exclaimed:

*“The same as the majority of manufactures have. The first goal is to increase production. The second goal is to increase profit.”*

### Role of Culture in Venture D

An organisational culture in Venture D was described through its personnel. According to the manager, the Venture D has a “*personnel-oriented culture*” because:

*“The company cares about its employees, their education, qualifications, and helps them with their personal problems. Moreover, the organisation provides them a lot of social benefits.”*

The manager could not answer the other questions as she has never participated in the negotiations with the Venture’s partners. Being the fourth person in the company, she has never been called for meetings with the partners. She was not even sure when and where these meetings take place.

We had been waiting for the CFO when she telephoned, apologised again, and assured us that she will arrive in half an hour. The young manager obviously felt uncomfortable about this. Firstly, she offered to go and see the production unit. Then she exclaimed that it is located 20 minutes away but her car was taken by the CFO. The temperature fell to -30°C. It was rather cold for a 20 minutes walk and we decided to stay in the head office. In twenty minutes all of the employees went for lunch. The manager invited me to join them.

The lunch bar was very large, new, and well decorated. It had two areas. The manager explained that the first, small area was for the senior managers. Basically, the two areas were almost identical and were not separated from each other. The CEO area had better tablecloths and each table was decorated with a vase and fresh flowers

(quite expensive things in Russia in the winter time). The CFO telephoned again and promised to arrive in half an hour. She came in two hours and we met in her office.

Her view of organisational culture was quite different from the other manager. She noticed with irony:

*“All the procedures and practices are written in our regulations. We strictly follow them. Some of the practices are written in the company’s protocols. We have to follow them. Also, have you seen the structure of our organisation? It is vertical. I think these facts say everything about our culture.”*

Many employees of Venture D came from the Russian partner. The Venture and the Russian parent have the same CEO. The Venture’s CTO (Chief Technical Officer) had been working in the Russian parent for almost 30 years. He is the second most senior person in the Venture.

*“Our cultures are identical [i.e. the organisational cultures of Venture D, Russian parent and the European partner 1]. Our organisations have been exchanging employees for many years. The Russian partner and the European partner 1 have been doing it for almost 50 years! The same people mean the same style of work. The same CEOs mean the same style of leadership. Some differences we have are related to the size of the organisations.”*

The CFO explained that the Russian parent is a bigger organisation. Consequently, decision-making and planning tend to be a bit slower.

According to the CFO, the Chief Technical Officer is the only person who is constantly in touch with the CEO. The Venture’s and the Russian parent’s CEO is the only person who participates in the negotiations with European partner 1. European partner 1 then gets in touch with European partner 2. European partner 2 and the Russian parent do not have direct meetings. The Venture’s managers and European partner 2 have never seen each other.

*“European partner 2? I do not know anything about it. I know exactly that our CEO has never been in touch with them.”*

Despite the fact that many employees and the CEOs of the Venture D have been working in both partner organisations and know each other, one of the main problems the Venture faced was trust.

*“During many years our parent companies [i.e. Russian and European partner 1] were sure that we are cheating on them. The situation was ridiculous. The European parent 1 believed that the Russian partner and our Venture act in collusion. The Russian partner decided that the European partner 1 and our CTO are in collusion. Many times they both sent independent experts to our company to check some financial and technical documentation. It took them both many years to resolve that conflict.”*

Answering the questions the CFO was quite sarcastic and even ironical. She explained that Venture D is out of risk and organisational culture differences cannot lead to the Venture’s dissolution.

*“Differences? I am afraid that organisational culture similarities can cause the dissolution. Nevertheless, it is not our case. We do not have many competitors and the government and many industries need our products.”*

### **Analysis**

Venture D was set up by two similar companies. The Russian and the European parent 1 have similar organisational cultures. Their cultures can be described as autocratic, or rule oriented cultures. There is only one person in the company who has the power to make decisions. The rest of the employees do not participate in the decision-making. The CEO and the CTO of Venture D also work in the Russian parent. The culture of the Venture is reflected by the CEO’s own values and beliefs.

The Russian and the European partner 1 may be described as ‘Soviet organisations’. It seems that both companies are more production oriented. The companies do not have a clear mission. Venture D reflected a similar approach to business. The first interviewed manager exclaimed that the first goal is “*to increase production*”. In her opinion, this is a primary goal of all manufactures.

Venture D does not have any team responsible for the venture development and communication processes are concentrated only on one man (the CEO). There is lack of training as well. The first manager could not answer most of the questions about organisational culture. She was not informed about the Venture's parents at all.

## **7.5 Venture E**

The next case features a 50/50 Russian – Asian IJV (Venture E). The CEO of Venture E preferred to stay anonymous. He did not mention the names of the parent companies. So the current case study begins with a description of Venture E.

### Joint Venture

Venture E was set up in the manufacturing industry by two large organisations. The Asian partner of the Venture is a large family business. Many of the executives and employees in the organisation are relatives. The CEO of the Asian company met the Russian CEO many years ago. The first idea about an IJV organisation was born in the 1980s when the Soviet Government first allowed IJVs with foreign companies. However, the idea was brought to life many years later. To the Asian partner the partnership gave an opportunity for growth and diversification. It was also attracted by the possible access to the natural resources of Russia. The main goals of the Russian partner were profit growth, access to foreign capital and loans, and transfer of new technologies.

Venture E and the Russian parent have the same CEO. A vice-president and a Chief Operating Officer (COO) come from the Asian parent company. There are approximately 600 employees working in Venture E. Both organisations (i.e. Venture E and the Russian parent) are situated five minutes away from each other.

Interviewee: CEO  
Place: Café - Restaurant  
Date: 1<sup>st</sup> February 2010

The interview was conducted with the CEO. He agreed to an interview with reluctance. He highlighted that he prefers to stay anonymous. The researcher called on the day of the interview to confirm a time. The CEO agreed to meet up during lunch. He told me that he usually has lunch in a nice cosy Café – Restaurant which is close to the head office. He gave directions and explained how to find “*his own table*”. It was agreed that we would meet there.

The Café – Restaurant is a luxurious café made famous by its delicacies and Champaign and Whisky bars. The CEO was punctual:

*“Good afternoon. (Laughing) I hope you are not a British spy.”*

During the first twenty to thirty minutes, the manager was controlling the conversation. He recommended and explained dishes from the menu. Then, he asked a few general questions about the UK. Next, he started a discussion on Russian classical literature, history, and music. At the end of the discussion he exclaimed:

*“Okay, now we can gradually turn to the issue of organisational culture!”*

### Role of Culture in Venture E

The manager was quite unsure how to describe the organisational culture in Venture E. He was absolutely certain that the organisational culture in his Venture was influenced by the Russian parent:

*“The organisational culture is very similar to the Russian parent. I am the CEO of both organisations. Thus, it is not surprising that our Venture has the same culture as the Russian parent.”*

Then he added that Russian law requires the companies to have a charter with goals and purposes, described practices and procedures. The charter can “*get on with the organisation*” in different ways:



*“It depends on the CEOs and managers, how they work and how they motivate their employees... You see, the management style in our Venture is quite... (Smiling) call it autocratic if you want. We have a horizontal structure but it does not work well. Two CEOs are from the Asian partner. Many of the decisions they make are wrong only because they do not work in this country. They do not know Russian law and business environment as well as do I. That is why almost all the decisions are made by me. They know that they can trust me.”*

At that moment the food was served and the CEO deviated from the subject. He started talking about Catherine the Great, Louis XIV, and Napoleon I. These three sovereigns are one of his subjects of interest. The manager is keen on history. He told the researcher that he spent quite a lot of time in different archives studying historical documents.

After the starters, he took the interview guide and said:

*“Right, before the main course, we have to go through the questions about differences. Four... Five... Six... Seven!”*

Then, he quickly started explaining. He made a pause from time to time waiting for the researcher to finish writing.

*“Our Asian partner has a completely different culture! Obviously, our countries are different and national cultures are different. Our languages are very different. Our intonation and gestures are completely different. The Asian parent is a family company. They are paternalistic. They are very devoted to the company. They work for the idea more than for money. Promotion and salary are less important for their employees. Finally, their CEOs keep a lot of workers only because these people devoted to the organisation.*

*In the Russian parent and Venture E, money and promotion are the first motivators for the employees. No one will work for an idea! Next, our ethics are different. I mean bribes and corruption. The point is that large companies can easier avoid it because they are more powerful and they have good networks. Small companies may get stuck in corruption. How to explain to your foreign partner that your company cannot promote its product without bribes? They do not understand it. They usually look at you and think you are immoral person... Anyway, we*

*passed it long time ago. We are large organisation now and we have much less troubles with it."*

During the meal the subject was changed again. The CEO told the researcher about the main sports events and competition. He noticed that his Asian partners are not keen on sports. He often goes to play tennis and golf with the other managers. These are his favourite sports. Moreover, the CEO and managers from the Venture E and the Russian parent organise golf and tennis competitions for their employees every year. Traditionally, these take place in a different country every year.

There are many points of interaction between the managers of both partners and Venture E. Firstly, all senior managers hold four large meetings every year. In addition to the formal meetings, Venture E organises a lot of informal meetings for the CEOs and employees. These meetings are used in order to educate employees about the parent companies, their products and services, and the Venture's future plans and goals. Also, there are a lot of personal communication links between the partners and Venture E. For example, the CEOs send personalised memos and cards to each other to remind partners about up-coming events, or to celebrate birthdays or holidays. Newsletters, fax-line, and video-conferences are constantly used in order to update a partner and provide information.

The CEO of Venture E believes that constant communication is the most important factor in the IJV's success:

*"An IJV is a marriage! As in every marriage, it has its ups and downs. You have just to be ready for it. If you can get on with your partner cultural differences will not ruin the IJV. If not, then they [i.e. the cultural differences] may lead to dissolution. In my opinion they play no bigger role than trust, commitment, similar aims, and so on. In order to smooth all the possible conflicts, partners have to be ready for constant meetings and negotiations."*

**Researcher:** *What advice would you give to a foreign company that would like to set up an IJV in Russia?*

**CEO:** *First, find a good partner. Second, go out with your partner for some time, study it a bit more. Finally, if it is good then marry it!*

## Analysis

Venture E has been managed autocratically by one man. So the culture of the company is replicated by the CEO's values and beliefs. He was unsure how to describe organisational culture and finally referred to the firm's charter. In his opinion, an organisational culture is a set of values and practices written in a business charter. All employees must read and study this charter.

The Russian partner and the Venture have the same CEO. Therefore, the organisational cultures of both partners may be very similar. The main advantage of the Venture is close relationships between the CEOs who have known each other for a long time. Also, there is a good communication process. The Venture's employees are knowledgeable about both parent companies. They have an opportunity to meet each other, and they even spend their spare time together. Nevertheless, the Venture E seems to be endorsing the CEO's hobbies and interests. For example, the CEO mentioned that the firm organises competitions in tennis and golf for its employees. Tennis and golf were chosen because they are the CEO's favourite sports.

## **7.6 Venture F**

This case illustrates an IJV between a Russian chemical organisation and a European construction company. The IJV was formed as a 51/49 project, where the Russian company owns 51 %.

### European Partner

The European partner is a MSE which operates in construction industry. The firm's main goal is financial and geographical growth. It tries to achieve this through partnerships with different companies.

## Russian Partner

The Russian partner is a large organisation that operates in the chemical industry. The company was formed in the Soviet era. It was privatised in 1992. It quickly reached a good financial performance. Nowadays, the Russian partner is one of the most successful companies in the country. Its shares are traded in many European stock exchange markets. The organisation was awarded a prize as one of the most dynamic and profitable companies in Russia.

The three main goals of the company are:

- Increasing economic efficiency;
- Maintaining environmental integrity; and,
- Ensuring social justice and stability.

The company has a lot of partnerships. Also, its clients are located in different countries. The organisation is proud of its geographic diversification.

## Joint Venture

The European and Russian partners set up an IJV (Venture F) in 2005. The newly formed organisation aimed to provide engineering research and construction works. The main goal of the Russian parent was technology and knowledge transfer. The European partner wanted to enter and operate in the Russian market. Venture F is a small organisation. The CEO of Venture F is also one of the directors of the Russian parent.

Interviewee: Financial Director

Place: Head Office

Date: 19<sup>th</sup> January 2010

The interview was conducted with the Financial Director. She is the second person in the organisation. The CEO mainly works in the head office of the Russian parent. He

rarely comes into his office in Venture F as both organisations are located far from each other.

The Financial Director was contacted by phone. The cover letter and the interview guide were sent to her after the telephone conversation. In a few days the researcher called again. The Financial Director was quite confused. She explained that she cannot help a lot with the questions as the topic was quite new for her. Finally, she agreed to meet.

The interview took place in the head office. The head office has been recently altered. All of the furniture and equipment was new. Most employees were dressed informally (mainly jeans and a shirt) which is very unusual for a Russian company. The researcher was shown to the office of the Financial Director. After the initial greeting she exclaimed:

*“I hope this trip will not be absolutely useless for you. I looked through the questions in the interview guide. I have to admit, they are quite complicated for me.”*

### Role of Culture in Venture F

When asked to describe organisational culture the Financial Director responded:

*“It is informal. All our employees are young. They have similar background. The decisions and instructions are not written down. We do not have a written policy. Negotiations and meetings in our firm are informal, too. Most employees came from the Russian parent.”*

The manager acknowledged that Venture F does not have any contact with its European partner. All of the negotiations with European parent are made by the Russian partner:

*“I can not describe the differences in organisational cultures between our Venture and the European partner. Our employees have never participated in meetings with them. Our CEO, who is the manager of the Russian partner, contacts them. He usually informs us about the results and new plans.”*

The Financial Director felt strong about the autonomy of the Russian parent in Venture F. She highlighted that the major decisions are made by the Russian partner. All the instructions are made by their CEOs.

*“Our company does not have clear goals and a mission. We even do not have a web-site. Our CEO thinks it is not necessary.”*

The manager acknowledged that many employees were happy to move to Venture F. They were motivated by hopes of a career and the opportunity to learn and explore new things. However, the Venture mainly does research and projects for their Russian partner.

The parent companies have a lot meetings and negotiations. They hold as least one official meeting every three months. Also, they have a lot of informal negotiations and meetings:

*“We always attend corporate evenings and celebrations in the Russian partner’s head office. I saw the managers of the European parent there many times. They often come. Of course, our employees and I were introduced to them. Unfortunately, we could not speak and get to know each other better. They do not speak Russian and our employees do not speak their language. It is pity. Some of the managers of the Russian partner are fluent in their language. Russian managers often go to the head office of the European partner. They are constantly in touch by phone, e-mails, fixed-line, and video conferences.”*

The Financial Director felt that the culture of Venture F is quite similar to the Russian partner:

*“As you understand, most employees brought Russian parent’s culture with themselves. We perform work in the same way as we did in the Russian partner’s organisation. Nevertheless, we are less formal. Also, we are very small company and the speed of the planning and work is much higher.”*

The manager could not give a answer when the researcher asked her about the role of the organisational culture in the success of the IJV. She hesitated and responded that

she is not sure how it may influence the Venture's success or failure. She also showed much interest in the topic and when the interview was finished, she asked the researcher many questions about the research and methodology. The manager reminded a few times to send her a final report when the research is finished.

### **Analysis**

Venture F does not have a clear vision, or goals. There is no clarity about where the organisation is going and what it would like to achieve. Also, the CEO has very little interest in the Venture. He rarely appears in the office. Most of contacts are made by telephone. The interviewed manager being the second person in the Venture does not have the power to make decisions or to change something. The CEO is the only person who can make decisions. The analysis of the future, and the future direction of the firm are conditioned by the CEO and the Russian parent.

The manager has a degree in business studies (accounting). Nevertheless, her view of organisational culture is weak. She found the questions about organisational culture quite complicated and recognised that she had never studied this topic.

## **7.7 Venture G**

The IJV portrayed in this case was formed between Russian and European energy and utilities companies in 2003. The company was set up by the European partner as a branch. The newly formed European firm faced troubles in Russia due to poor knowledge of the Russian market and government laws. Because of this the company started seeking a Russian partner. In 2003 the firm became a Russian - European IJV.

### European Partner

The European partner is a subsidiary of a large corporation. It was set up for international projects. The firm offers innovative technologies combined with know-how and operates in the energy and utilities industry.

Nowadays, the company has businesses in many countries. The success of the company is based on innovation, technical capacity, quality, and safety. The organisation pays a lot of attention to ecological issues. It is proud that its know-how has helped energy and utility companies to become more ecologically friendly organisations.

### Russian Partner

The Russian partner operates in the construction industry. The company is a part of a holding group. The mission of the company emphasises four aims: geographical diversification, advanced technologies and innovation, and generating value to society through environmental issues and standards. The company has a horizontal structure and it is proud of its innovative management system. The company's website highlights its Corporate Social Responsibility (CSR), which includes health, safety, and environmental issues.

### Joint Venture

The history of the organisation began in 2001 when the European parent opened its first company in Russia. Very quickly, the newly formed firm faced many troubles in the Russian market. Two years later, the European partner reorganised the firm into an IJV (Venture G).

Interviewee: CEO  
Place: Head Office  
Date: 3<sup>d</sup> February 2010



The interview was conducted with a CEO in the Venture's head office. The head office itself was a bit messy. The CEO apologised and explained that Venture G will probably be closed very soon.

He acknowledged that Venture G was set up in order to complete a few projects. Thus, the firm does not have a mission. It has a lot of goals which are related to the projects including quality, safety, staff qualifications, and environmental issues.

*“Venture G has already completed all its goals and the parent companies are going to close it soon.”*

### Role of Culture in Venture G

The role of culture was seen as “big” and “very important” by the CEO. He captured the meanings of the definitions used by different scholars to describe the impact of culture. Organisational culture in Venture G was described as:

*“Our culture was set up as a branch of the foreign partner. Many employees in our organisation are from the European parent. So our culture was formed and influenced by the foreign parent a lot.*

*We are a very mobile organisation. The speed of decision-making and planning are very fast. Our employees are from different countries but they share similar experiences. The way they perform their work is the same. This is very important in our organisation where safety and quality play a very important role. Our employees have a lot of training together. They have a similar background and education.”*

The manager clearly distinguished cultural values, practices, and artefacts. He continued his description by contrasting and comparing the Venture with its parent companies:

*“Our Russian parent pays a lot of attention on cultural artefacts. Its logo, equipment, furniture, personnel dress, parking etc. are all thought out in detail. They care about the firm's image. The image was created, the values and practices were written and the employees were trained until their values and practices became the same.*

*Our European partner is a smaller company. They pay less attention on artefacts and image creation. They have its mission and goals. They employ people who are compatible with them. Profit growth bothers them more than the Russian partner.”*

The CEO acknowledged that different organisational cultures may lead to many conflicts between partners and an IJV. According to him, when the managers and employees believe in different things and do their work in different ways, it creates misinterpretations and misunderstandings between the partners. Later this can lead to conflicts. He commented:

*“For instance, our Russian parent performs work faster. Its decision-making is quick. Its planning is quick. When it comes to an important decision, the managers who are responsible for it come for a meeting. They negotiate and make a decision. In some cases, [depending on the situation] decisions are made only by the CEOs of our Venture. The Russian partner fully trusts us and will never check our decisions.*

*Our European parent is slower and its decision-making is much slower too. They negotiate and analyse a lot before they make a decision. They constantly check all of the decisions made by our CEOs. They prefer to have a 100 % guarantee in success. They calculate risks. The Russian parent prefers to take risk. The European and Russian partners often disagree on the level of risk. After all, the European parent believes that the Russian partner and the Venture’s managers are irresponsible. Then, they trust us less, and conflict begins to rise.”*

The Venture’s managers pay a lot of attention to meetings and communications with its partners. The European and the Russian parents do not contact each other. All the negotiations are made through Venture G.

Every year, all of the CEOs have a large annual meeting where they discuss and set the goals for the following year. They also have at least four smaller meetings every year. All these meetings take place in Russia in the head office of Venture G.

*“Obviously, we use e-mails, letters, and video-conferences to contact our partners. Our Russian parent is located one hour away from us, so we have more meetings with them than with the European parent. Our managers go to the head office of the*

*European parent every year. All the meetings are formal. We rarely have informal meetings.”*

The Venture has a flat structure. Many managers participate in the decision-making and planning process. The CEO highlighted that he calls the managers for meetings regularly where they discuss the work of the Venture. Everyone is welcomed to propose and suggest new ideas. The managers are encouraged to make decisions. However, the main strategic decisions are usually made by the parent companies.

**Researcher:** *Would you call your IJV a successful company?*

**CEO:** *It is difficult to say. We have completed all our goals. So... probably yes, we have succeeded. Nevertheless, I would prefer this organisation to last longer. Nowadays, we are becoming a competitor for our European partner as we got a lot of orders from the countries where our European partner controls the market. Obviously, they do not want us to operate in those markets. Taking into account that we have completed our goals, they now hurry to close us. The Russian partner got what it wanted too. We'll see, our partners are negotiating now. They have a new idea. I do not know anything about it, yet.”*

### **Analysis**

The interviewed manager was one of the few executives whose scores in the questionnaires did not show a dominance of traditional values and rule oriented culture. Preference was given to the openness to change values, and a supportive and goal-oriented culture.

Venture G was formed by two companies who have similar goals and values. The European partner did a substantial analysis to find the “right” Russian partner. The Venture’s culture was mainly shaped by the European partner. During the first few years, the firm was a branch of the European parent. Also, many employees in the Venture came from the European partner organisation. All the employees and managers have had regular training in the head office of the European partner. It

appears that in some cases the company continued to be treated as a branch of the European partner.

## **7.8 Venture H**

The IJV described in this case was set up in the info-tech and telecommunications industry by the Russian and European companies. The IJV has been operating since 1994.

### European Partner

The European partner is a large organisation that operates in the info-tech and telecommunications industry. The company's vision and mission aim for a stable growth and leading position in the globe through long-term relationships with its clients and through partnerships.

Being a relatively young company, the organisation managed to create a wide network of clients and suppliers. It has a lot of partnerships with universities and research centres which help to develop new products and services.

The company states its main values and principles of work as:

- Being committed to business ethics;
- Educated and cooperative staff; and,
- Excellence of work.

### Russian Parent

The Russian parent is a large state-owned organisation. The company manufactures products for the energy, electronic, and transport industries. The organisation's website is very simple. It briefly describes its history, products, and provides contact details.

## Joint Venture

In 1994 both partners set up an IJV in order to develop and produce high quality products and services for the info-tech and telecommunications industry. The IJV is a MSE. One of the main aims of the European partner was geographical expansion and an entrance in the Russian market. The main goal of the Russian partner is technology and knowledge transfer. The European partner holds 60 % of the equity. The IJV in this study will be referred as Venture H.

Interviewee: CEO

Place: Head Office

Date: 28<sup>th</sup> January 2010

An interview was arranged very quickly. The researcher telephoned the organisation. On the same day the cover letter, the interview guide and questionnaires were sent to the company. In a few days the researcher received a response from a secretary who offered possible dates for an interview with a CEO.

The interview took place in the head office. The head office is a new modern style building. All decorations in rooms and halls create an atmosphere of home. There were a lot of flowers, mats, wooden furniture, and paintings on the walls.

The CEO greeted the researcher and began asking different questions about the UK and Cardiff. He pointed on the wall under his table and said: *"I studied in the UK, too."* The researcher saw a framed Masters Diploma from a British business school.

In the beginning of the interview the researcher asked a few general questions about Venture H. The CEO acknowledged that he would not be able to provide with the information about the Russian partner. The Russian partner did not participate in the Venture's development.

*"It [the Russian parent] is a closed state-owned company. There is a lot of secrecy around them. We do not know much about it."*

## Role of Culture in Venture H

The CEO described the organisational culture in Venture H as a “*democratic*”, “*family style*”, and people-oriented.

*“The core of our culture is people. We pay a lot of attention to their education and training. We help them in personal development. Our managers are democratic. I think that our organisation is like a family. All our employees know each other. Also, the power distance is small in the company.”*

Many employees and managers in the Venture came from the European partner. The CEOs have always come from Russia. The European partner changes the CEO every four to five years. All the major decisions concerning the work of Venture H are made by the European partner.

The organisational culture in the Venture has been shaped by the European parent. During the first three years the Venture H had develop its mission, values and goals. They are similar to the European partner. Business ethics, transparency, team-work, excellence of service, and staff trainings have become the main values of Venture H. All of the documentation, accounting system and databases had been improved to match the standards of the European partner.

The manager acknowledged that the national cultures of Russia and the European parent’s country are very similar. Despite the fact that the organisational cultures in Venture H and the European parent are similar, there are some economical and political differences which influence the way people perform their work.

*“Russian legal and political environments create an additional culture in the company. This culture is completely different. It is parallel to our existing organisational culture. I mean bureaucracy and corruption. For example, the governmental bureaucracy here may freeze a business. In order to get necessary documents or certificates we may wait a few weeks or even months. The officials can make you waiting purposely. The company cannot continue its work without these documents and certificates. What to do? If you do not pay a bribe you may wait a few months longer. You may start a court process but it may take a year to resolve a conflict!”*

The CEO highlighted that differences in organisational cultures are very important and they could lead to the Venture's dissolution.

*"They (differences) definitely can ruin an IJV. I have explained to you the main differences in our organisational cultures. We cannot be perfect in our ethics because of the government. Now, I can tell you how it can cause troubles.*

*Our European partner even does not want to hear about bribes. Great! I agree with them. What to do then? Close a company? They are sure that there are some ways to avoid corruption. They think that the CEO does not try to do it. In some situations, I am afraid; there are no ways to escape from it.*

*During the first six years the European partner had changed many CEOs in Venture H. Almost every year they chose a new CEO. There were a lot of conflicts between managers."*

Later, the manager added that another big difference in organisational cultures between Venture H and its European parent is the speed of work. The Venture performs its work faster, including: decision-making, documentation, planning, and contacts with customers.

*"We had a lot of complaints from our employees about it. We tried to speak to our partner [i.e. the European parent] about it. But it is useless. They just do it slower because they are bigger company. It is a difference you have to accept."*

The next difference the manager observed was related to the working hours. In the partner's head office employees usually start work at 7.30 am and then finish earlier. The European partner decided to organise work in the Venture in the same way. The new working hours helped in the communication and negotiation processes between the Venture and the European partner. If the two companies work the same hours, then the time difference between their cities will have been minimised.

*"You can't imagine how much suffering and indignation it evoked among the employees. The European parent had its own way. Finally, our employees fomented a little insurrection here. It came as a big surprise to the European partner. Their judgement was that our people are lazy. You know, they are simply a bit different. One has to remember about these differences. There are some changes one should not make."*

The Venture's managers pay a lot of attention to meetings and communications with its European partner. There is a special programme of meetings and negotiations. All the managers strictly follow it.

Both the board of directors and shareholders have two large annual meetings. A winter meeting usually takes place in Russia in the Venture's head office. A summer meeting takes place in Europe. The CEOs also have two annual meetings. The main strategies for the future development are dictated by the board of directors. The European parent has a bigger power in the decision-making as it owns 60 % of the Venture.

In addition, every month Venture H takes part in various exhibitions. At least one manager from the European parent attends the exhibitions. Also, the Venture has a few branches and many service centres in Russia. The managers of both companies have a tradition to visit all of them every year. Almost all CEOs and managers in the European partner speak Russian fluently and this makes negotiations and contacts easier.

*"If a conflict occurs I telephone the CEO of the European parent. We organise a meeting or a video-conference immediately. All the conflicts are usually resolved by the top managers. Shareholders participate only if we are not able to come to an agreement, but... it does not happen often. I am very glad that all managers from our parent speak Russian. It helps a lot!"*

### **Analysis**

Venture H does not have any control from the Russian parent. The Russian partner does not participate in the Venture's daily work. The firm's organisational culture was mainly influenced by the European partner. There are European managers and employees in the Venture. The European partner developed the Venture's values, aims, and goals and they are almost identical to those of the parent company. Also, the daily work of employees is also influenced by the European parent. The Venture's accounting system, databases, information sharing, negotiation style, and decision-



making are similar to its European parent. It seems that the Venture is treated as a branch of the European parent.

The CEO of Venture H received his education in the UK. He reflected on some of his values in the Venture. The CEO filled in the questionnaires after the interview in front of the researcher. Venture H is the only interviewed company that showed a high score in the innovation-oriented culture category. The rule oriented culture received very low marks from the CEO.

## **7.9 Venture J**

The next case describes a 50/50 Russian-European IJV between two large corporations. The IJV is engaged in the energy and utility industry.

### European Partner

The European partner is a global company. It is engaged in the design, manufacture, and servicing of different products. The company's products are used in a wide range of applications and industries, including: oil and gas, pharmaceutical, chemical, food and beverage, power generation, and others.

The main values of the company are quality, health and safety, and environmental protection.

### Russian Partner

The Russian parent is a large organisations which is engaged in research, design, and manufacturing.

The organisation was set up during the Soviet era. Currently, the Russian parent is a public limited company where 55 % of the shares belong to the Russian government. The company is famous for its research centres and institutes. It employs a lot of

scientists. Many of its managers and employees have a PhD in engineering. The majority of the employees have been working in the company for more than 30 years.

Highly educated and experienced workers have become the main competitive advantage of the company. The Russian partner developed a lot of new and innovative products. Currently, the company holds more than 1,000 international patents. It is proud of its new technologies, equipment, and electronic systems.

### Joint Venture

Both partners set up an IJV in 1994. It was a big event in the region and it attracted a lot of attention from the mass media and officials. The Russian partner was a closed state-owned company. Since its establishment it has opened itself for the first time. A partnership with a foreign company became almost a sensation.

Both partners have equal shares in the IJV. The global European partner did not have access to the Russian market. The newly formed venture gave a new market and customers. The Russian partner was seeking for new and innovative technologies to increase competitiveness of its products and services.

The IJV under this study will be referred to as Venture J.

Interviewees: 1. CEO  
2. CMO (Chief Marketing Officer)

Place: Head Office

Date: 3<sup>d</sup> December 2009

Venture J responded very quickly to the letter and suggested possible dates for the interview. The interview took place in the head office, which is located a few minutes away from the Russian parent. A CMO met the researcher. He apologised for the disorder in the office and explained that Venture J has recently moved to the new office.

The first 20 minutes the researcher spoke to the CMO who provided with the general information about the Venture J. He added:

*“I am afraid I will have to leave you soon. I have an urgent meeting. Our CEO will answer the rest of your questions. He will join us in 5 minutes.”*

### Role of Culture in Venture J

The CMO described the organisational culture in the Venture as “*a mixture of the Russian partner’s culture and a fresh air*”:

*“We have a lot of employees who came here from the Russian partner. They brought with them the organisational culture of the Russian partner. We also have young managers who have established a completely different style of communication and decision-making.”*

**Researcher:** *You have mentioned that some employees brought an organisational culture from your partner. Could you describe the organisational culture of your Russian partner?*

**CMO:** *It is Soviet culture, autocratic. The decision-making is centralised on top. People strictly follow the written rules and procedures.*

At this moment the CEO entered the office. He introduced himself and added that he is very interested in the topic of the research and will be glad to help. The CMO briefly told him about the current discussion, apologised again and left.

The researcher asked the CEO to describe the organisational culture in the Venture J. The CEO’s opinion was very similar to that of his colleague.

**CEO:** *I would describe our organisational culture as democratic. We have a lot of employees from the Russian parent. However, all of our managers are young. Our culture is less formal. The Russian parent still carries the Soviet culture because all top executives received their education and experience in the USSR. They have been working in the*

*organisation for more than 30 years. They know only one culture and one style. It is already useless to change them.*

The manager acknowledged that most executives in the Russian parent are engineers.

According to the CEO,

*“They [the senior managers of the Russian parent] like to create a product. They are very good in research as well. Many of them are scientists. However, they do not know anything about profit and sales! They even do not think that profit is the most important. In their view the product is the first and foremost. But what is the point of it if you cannot sell it? Also, you know, scientists usually have pretty bad communication skills. But these skills are very important in a commercial field.”*

**Researcher:** *Do these differences create any clashes or conflicts with the Russian parent?*

**CEO:** *No, not really. Venture J has a very good performance. They trust us.*

The CEO acknowledged that the Venture J has many things in similar with its European partner. The Venture’s managers constantly have training. Many of them take place in the head office of the European partner. Venture J adopted its production chain and operational management from the Russian parent, whereas marketing, finance, communication style and decision-making are more similar to the European parent.

The manager observed two differences in organisational cultures between Venture J and the European partner:

*“First, the speed of our work is different. I mean planning, decision-making, analysis etc. In Russia, we are used to doing everything quickly. We are in a hurry and in constant stress. We always have deadlines and never break them. Our European partner is more relaxed. It takes them much more time to make decisions or prepare documents. They do not understand why and where we hurry.*

*Second, the average age of our top managers is different. It seems that the European partner does not like it. It had been creating some trouble in communications and trust.”*

The top managers of Venture J are quite young (35-40 years old) in comparison with the CEOs of the European partner (50-55 years old). The interviewee suggested that the European partner sees young managers as inexperienced. He argued that young managers in Russia have better experience because they had not been studying in the USSR. Therefore, their values and knowledge are more business oriented.

The role of culture in the IJVs success was seen as “*a very important*” by the CEO. He acknowledged that communications play the biggest role, and help to match and fit cultures.

Venture J has regular meetings with its partners. During the first years when the company was still unstable, all of the managers had one meeting every month. Later, when the company stabilised, the meetings became less frequent. The board of directors usually meets one to two times per year. However, the CEO does not know much about their meetings. He usually participated in the meetings with top managers where the main future directions of Venture are discussed. As both partners have equal shares in the Venture, it is difficult to avoid conflicts and clashes in the decision-making. The CEO said that this happens rarely now because the partners have developed understanding and trust. During the first years the managers called for independent experts to resolve the conflicts.

The European partner has a manager who is responsible for the negotiations with Venture J and the Russian parent. This manager is fluent in Russian. He is also knowledgeable in Russian culture as he has lived in Russia for many years.

*“We [the Venture J and its partners] have a lot of informal meetings as well. Our Russian parent is only five minutes away from us. We can meet any time. We have very good relationships with the European manager who is responsible for the negotiations. We are constantly in touch. So if a problem occurs, it can be resolved quickly.”*

**Researcher:** *Would you call the Venture a successful organisation?*

**CEO:** *Yes, definitely.*

### **Analysis**

The overall strategic future direction of the Venture is based on profit. The manager does not have a clear vision of the organisational goals. There is no mission statement as well. The Venture's organisational culture was described well. The Venture adopted its production scheme from the Russian parent, whereas its managerial skills are more similar to the European parent. The managers are constantly trained in the head office of the European parent. Thus, they replicate new ideas and practices in the Venture. Actually, the answers from Questionnaire 2 show that the Venture has a goal oriented culture. The rule oriented culture received a quite low score.

The main advantage of Venture J is that it has a well organised communicative process with both partners. The Russian parent is located a few minutes away, and this allows the top managers to have regular meetings. Also, the European parent has a team which is responsible for communications with the Venture. One of the managers from this team is fluent in Russian and they are familiar with the Russian environment and culture. Nevertheless, it appears that almost all negotiations between the Russian parent and the European parent, and the Venture and the European parent, go through one man only.

## **7.10 Venture K**

The next case will illustrate a Russian – American IJV. This IJV is a large manufacturer which produces products for many industries.

### **American Partner**

The American partner is one of the world's leaders in design, manufacturing, and service. The organisation's products are used in many industries. The company

operates globally in more than 150 countries, and it employs approximately 35,000 people.

The main values of the American partner are:

- Excellence (to be the best);
- Innovation (new creative solutions);
- Integrity (be ethical and respectful);
- Customer service (exceed expectations);
- Dependability (honour commitments); and,
- Adaptability (to be passionate about change).

### Russian Parent

The Russian parent is a large manufacturer which was established in the Soviet Union. In the middle of the 1990s the company became a part of a holding group, the largest part of which belongs to the government. Nowadays, the Russian parent specialises in the research, design, and, manufacturing of products for a number of different industries.

The company pays a lot of attention to its personnel, especially to the training and qualifications of its young employees. The company states that its main goals are to increase the education and qualification of employees, and the produce high quality products.

### Joint Venture

In 1997, the Russian and American companies founded an IJV (Venture K). The Russian parent owns 75 % of the Venture, the American company holds 25 %. The main reasons behind the formation of the Venture were profit growth and market access for the American partner, whereas the Russian parent wanted to improve their product quality through technology transfer.

Interviewee: CFO  
Place: Head Office  
Date: 14<sup>th</sup> January 2010

The interview was arranged with a Chief Financial Officer in the Venture's head office. The CFO is an American, and he has been working in the Venture K since its formation. The interview was conducted in English as the CFO does not speak Russian.

### Role of Culture in Venture K

The questions about organisational culture of the Venture K and its partners provoked a lot of criticism from this manager. He was upset with the structure of the Russian parent, its goals, and the role of the Russian CEO. Describing the organisational culture, he started comparing and contrasting the role of the CEO and decision-making styles in the American partner and in the Russian company.

*"The Russians are very formal. The organisational culture in the Venture is formal, too. Here the General Director decides everything. The CEO in Russia has all the power. In the American partner power is shared and different managers make decisions. Thus, responsibility is also shared."*

Many Russian managers still carry their experience from the past. In the Soviet Union General Directors were the only people who made decisions. The management system in the Russian partner remains similar to those it had in the Soviet era. The same management style was brought to Venture K.

*"When a CEO here makes a decision everyone agrees with him. It seems that everyone has exactly the same idea. In the American partner decisions are shared. Not only the CEO decides. We vote. Everyone is responsible for it. If managers in the American parent make a mistake they lose bonuses. If a CEO makes a mistake... Bad for him! In the Russian parent and Venture K CEOs will not be punished. If they decide "yes" even if everyone says "no" then they have a power to do it!"*



The manager felt that the employees in this organisation are idle. Their opinion is never counted, they cannot make decisions, and their initiative is low.

*“In the American partner commitment to a project and work are very important. In the Venture there is no commitment. People fail deadlines. They do not finish a project on time, and even do not keep their bosses aware of it.”*

The Russian managers have also brought with them their experience of work in a state owned company. Many of them do not have a sufficient knowledge about a market economy. The Russian partner and the Venture work according to the Soviet model. They are production oriented instead of being profit oriented companies.

*“They say: “We want to rebuild our product. We want to make it better. If we make a profit, it will be nice, too.” No! I say that you have to make a profit. Then, you can rebuild and invest to rebuild again! But they have a completely different approach!”*

Information sharing in the Venture is very slow, and it takes long time to receive the necessary information. Also, as all of the power concentrates on the top, employees have to get permission from the CEOs before getting the necessary documents or information.

*“In the American partner I can go to different departments to get information. Here, you have to go up in order to reach down. It takes a long time.”*

In addition, work in different departments is not structured. There are different databases in different departments which lead to difficulties in planning and analysis.

Shareholders and managers of both partners meet every 2-3 months. However, the American partner, who owns only 25 % of the Venture, cannot make a decision.

*“The American partner can only suggest and give advice, but the Russian partner makes all the decisions. If they decide to do something then they do it even if the American partner says “No”.*

Consequently, the American partner just follows the rules of the Russian organisation.

*“If they have all the competences and can do things by themselves they do not cooperate. They even do not listen to us. Only when they are in serious troubles they will listen how to resolve the problems.”*

**Researcher:** *Do you think that differences in organisational cultures are important, and they may cause an IJV's dissolution?*

**CFO:** *Actually, you can find differences everywhere, even inside one country. It is difficult to avoid them. They may create a conflict. But conflicts are everywhere. People do not like to share power. It is important to understand these differences and to know that they exist.*

**Researcher:** *Would you call your IJV successful?*

**CFO:** *Success is a long-term thing. So, it is still early to say.*

**Researcher:** *What advice would you give to foreign managers who would like to set up an IJV in Russia?*

**CFO:** *Take the majority of ownership or make it 50/50 because if you do not have power to make a change then this change will not happen!*

### **Analysis**

Venture K is managed autocratically by one man – the CEO of the Russian partner. Thus, the organisational culture of the Venture was copied from the Russian partner. The CEO brought his experience from the Soviet era. He has a little interest in a profitable business. There is a strong production-led preference and a lack of any strategic direction. As in many autocratic cultures, the organisation reflected the values and beliefs of the CEO. The style of work, motivation, and the decision-making are conditioned by the values of the CEO.

## 7.11 Venture L

The next case is about a Russian – European IJV. This partnership is based on mutual trust and long stable relationships between managers.

### European Partner

The European partner is a part of a holding group. This company is engaged in the design, manufacturing, and distribution of IT products for the energy industry. At the end of the 1990s the firm reached its financial pick and the European partner started seeking for opportunities in new markets with new partners. The Russian market presented great opportunities for the European partner because the competition in this sector of business was not as tight as it is in Europe. Moreover, the CEO had a friend in Russia who owned a company operating in the IT industry. The long friendship of both managers led to the creation of an IJV company.

### Russian Partner

The Russian partner is engaged in the design of products for the IT industry. It is a small family owned company. The company was operating in the local market. The idea of an IJV presented a good growth opportunity to this company. The European partner could create a good image for the firm. Moreover, the Russian partner would be able to get access to new technologies, knowledge, and customers.

### Joint Venture

Both CEOs have been friends since they went to university. They agreed to open a 50/50 IJV company (Venture L) in Russia. Venture L was set up in 2001 and it is engaged in the construction, distribution, and service of IT products for the energy industry. The Russian partner and Venture L have the same CEO.

Interviewee: CMO

Place: Head Office

Date: 3 February 2010

An interview took place in the head office with a Chief Marketing Officer. He greeted the researcher and said:

*“Before we start I have a favour to ask of you. I looked through the interview questions. Please, remember that I did not finish Harvard Business School. So could you avoid all these difficult terms?”*

The CMO has a degree in mechanical engineering. He was working in R&D in a construction company before he came in the Venture L. He found that many of the interview questions are quite technical and more applicable for large corporations, whereas in small companies all of the processes are different.

#### Role of Culture in Venture L

The manager described the organisational culture in the Venture as “*informal*” and “*a family culture*”. According to him, the Russian and European partners have very similar cultures. Both CEOs are friends and many managers in partner companies know each other. Their families have also been friends for a long time.

*“Obviously our Russian parent and the Venture are very similar. We have one CEO. All employees in Venture L are Russians. However, they all trained in the European partner’s head office. Our European partner has a similar culture. It is an informal family style culture.”*

Many employees in the European partner are family members. Before the company was bought by the holding group it had been a family business.

The CMO complained that despite all the similarities the European partner has a different style of work, which causes some clashes between managers.

*“You know, they are too relaxed. Everything they do, they do slowly. They answer e-mails in 3 to 5 days! We do it in one day. It takes them a long time to make a decision. When our managers meet here, they firstly discuss business. Next, they go to a*

*restaurant or a theatre. When our managers go to the European partner we spend a few days in the restaurants and theatres before we start to speak about business. This is the way they like to do it."*

The researcher asked a few questions about the work practices in all three companies. The manager assured me that the Russian partner and the Venture have exactly the same procedures, accounting systems, and documentation. He explained that after the Venture formation, the Russian partner changed its business practices according to the European company. Thus, all three companies perform work in a similar manner.

**Researcher:** *Some people suggest that differences in organisational cultures lead to conflicts and dissolution of IJVs. Do you think differences in organisational cultures can cause IJV's dissolution?*

**CMO:** *(Thinking)... I am not sure. Different cultures may cause conflicts, I think. Nevertheless, if people are flexible and diplomatic enough, these conflicts can be regulated.*

The CMO highlighted several times during the interview that negotiations and communications between partners plays a very big role in the success of the Venture. Venture L and its partners have a lot of meetings during the year, most are informal. Most of winter meetings take place in the European partner's head office. Most of the summer meetings take place in Russia. In addition, all employees of the parent companies and Venture L exchange greeting cards and memos. Every year Venture L takes part in various exhibitions. It is a tradition for the managers from the European parent to come to these exhibitions in order to introduce and present the Venture.

The manager was uncertain when the researcher asked him to contrast the decision-making styles of both parent companies and Venture L. He responded that in the Venture the CEO always brings the other managers to the meetings. The decision-making is shared between two to three managers. All of the questions concerning the Venture's development are decided only by the parent firms, the other managers of the Venture do not participate in these decisions.

The structure of the European parent includes a Board of Directors and a management team. The Board of Directors makes all the decision about the Venture's development, the managers implement them. The CMO told that from time to time there is a collision of interests between the Venture's CEO and the Board of Directors. Both partners have equal shares and only negotiations help to avoid a conflict.

*"In such situations, the European CEO helps a lot. He is a friend of our CEO and they always find a compromise and agreement. Then, the European CEO authorises this with the Board of Directors. Thus, we easily avoid conflicts."*

### **Analysis**

Venture L does not have clear goals and vision. As in the previous cases, the company does not have a mission statement. There is no strategic approach to business development.

The manager's view of organisational culture is weak. His knowledge of management is limited. They are mainly based on a few training sessions in the head office of the European partner.

## **7.12 Venture M**

The current case illustrates an IJV between Russian and European companies. This IJV operates in the chemical industry. The Russian company holds 48 % of the Venture, and the European partner has 52 % of the equity.

### **European Partner**

The European parent is engaged in the research, design, and production of products in chemical industry. The company has been operating in the European market for more than 80 years. The European partner achieves a sustainable development through

good quality and environment oriented products. It pays particular attention to the qualifications and training of every employee.

At the end of the 1990s the organisation began the development of new products and opened a few branches. The company decided to open a manufacturing plant in Russia in order to achieve a competitive advantage for its products. The IJV would give the company an opportunity to decrease the costs of production and enter into a new market. Consequently, the European company began looking for a Russian partner.

### Russian Partner

The Russian partner was set up in 1991. It is a MSE. The company is engaged in the design and manufacturing of products for different industries such as the chemical, pharmaceutical, and catering industries.

The company is proud of its laboratories and highly qualified staff. The Russian partner states that the main values of the company are innovation, cost efficiency, and quality.

### Joint Venture

Both partners set up an IJV (Venture M) in 2002. Venture M is a manufacturer which is engaged in the chemical industry. The CEO of the Russian partner became the General Director of the newly formed organisation.

Interviewee: CEO

Place: Head Office

Date: 27<sup>th</sup> January 2010

The interview was arranged very quickly. Venture M responded to the letter asking the researcher about convenient dates for an interview.

The interview took place in the Venture's head office. Actually, the head office of the Venture and the Russian partner are combined together as the CEO and many managers work for both organisations.

### Role of Culture in Venture M

The CEO briefly described both partners. When the researcher moved to the questions about organisational culture, the manager answered with a smile:

*“It is very difficult question for me. I received my education in the USSR. I did not study business and management theory. I learned management and leadership from practice. I think that I am carrying old ideas of management.”*

The CEO has a PhD in Chemistry. He felt that his knowledge of management is limited and old. However, when the Venture M was formed almost all of the managers went for training in the European partner's firm. This training has become regular and happens a few times every year.

*“We constantly go for training. It helps us a lot. Firstly, it gives a lot of knowledge on the necessary subjects. Secondly, it helps us to know our partner better.”*

Comparing and contrasting the organisational cultures of both partners, the manager mainly concentrated on national cultures. He described the differences between the partners' countries, people's life style and habits, and their beliefs. On the question about decision-making and the style of work in both companies (Question 7) the manager responded:

*“The Russian partner and Venture M have very similar cultures, almost identical. It is obvious because the managers are the same.”*

According to the CEO, the Russian parent and Venture M have similar characteristics. Both organisations follow the same procedures and regulations, which are described and determined by the charter. Thus, the organisational cultures cannot be different.



Observing the differences between the Venture and the European partner, the CEO mainly paid attention to the speed of work.

*“The European partner is more flexible and less formal. They are slower, too. We make decisions quickly. We answer e-mails and letters quickly. They always keep us waiting. Also, they plan the Venture’s work many years in advance. We do not understand how they can do it in Russia.”*

He commented that the Russian environment is so unpredictable that any advance planning is almost useless. However, the Venture follows the rules of the European partner and makes forecasts and analysis for a period of five years.

The CEO saw the Venture’s culture as very similar to that of the Russian partner. He also referred to himself as an old school Soviet. On the other hand, the work in the Venture (including the analysis, planning, documentation and the decision-making) were organised according to Western standards.

*“Actually, they treat us like a branch. We are not a branch. However, all the procedures are organised similar to those of the European partner.”*

Furthermore, decision-making and power are shared between a few managers. For example, answering the question about communications and conflicts between the partners, the manager exclaimed:

*“If a conflict occurs, we can resolve it through negotiations. It is very important that both sides understand each other well. Long discussions help. Then, we vote, of course. Our managers vote and decide what decision to make.”*

**Researcher:** *Some people suggest that differences in organisational cultures lead to conflicts and dissolution of IJVs. Do you think differences in organisational cultures can cause IJV’s dissolution?*

**CEO:** *I think that trust is the most important thing in Russia. If there is no trust then the relationships between partners’ managers will be very tense. Differences in cultures may be smoothed by the partners. You may negotiate with your*

*partners and explain these differences. If there is no trust, it is very difficult to build it. If trust is broken, it is almost impossible to rebuild it.*

### **Analysis**

The European partner owns a bigger part of Venture M. So, it has an advantage in the decision-making process. Venture M almost operates as a branch of the European partner. The European parent even mentions Venture M on its web-site as “*a Russian branch*”. The Venture’s work and daily practices are organised similarly to those of the European partner.

The CEO’s knowledge on organisational culture is weak. He constantly referred to the national cultures of both countries. He views organisational culture as policies described in a charter. On the other hand, his leadership style is different from many Russian managers. The company has a small, flat structure and many managers participated in the decision-making.

### **7.13 Venture N**

The following case represents a Russian – American IJV operating in the energy and utility industry. The company was one of the first IJVs in the region. It has recently celebrated its jubilee and is very proud of its successful growth.

#### **American Partner**

The American company is a medium-size, privately owned firm. It is engaged in energy production. The company has been operating in the local market for almost forty years. Organisational culture in the firm can confidently be called “a family culture”. A family, and family values play a very big role in the American partner’s country. Many employees and managers in the firm have known each other for a long

time. They studied together in schools and universities. Also, their families spend a lot of time together.

The American partner was one of the first organisations that entered into the Russian market in 1991. The company opened its own branch; however, in a few months the company was faced with many difficulties and it began to look for a Russian partner.

### Russian Partner

The Russian parent is one of the subsidiaries of a large, leading, and vertically integrated company. The firm is engaged in the energy production industry. It aims to support long-term economic growth, social stability, prosperity and progress in the regions where it operates, as well as caring for the environment and ensuring sustainable use of natural resources.

The Russian partner identifies its values through personnel management policy which *“helps to create a strong stable corporate culture and a well-shaped system of corporate values”*. According to the Russian parent, the main goal of the Personnel Management Policy resides in the creation of a human resources management system, which would enable the company to have a stable status as a *“preferable employer in the labour market.”*

### Joint Venture

The Russian – American IJV (Venture N) was set up in 1992. It is operating in the energy production industry. The Venture was built as a 50/50 project.

Interviewee: CFO

Place: Head Office

Date: 1<sup>st</sup> December 2009

The interview was conducted with an American Chief Financial Officer. He has been living in Russia for 30 years. He studied at Leningrad Polytechnic University (Saint-

Petersburg State Polytechnic University) in Russia. He worked in a branch of the American partner in Moscow. Later, he moved to Venture N.

The interview took place in the Venture's head office. The head office is in a renovated modern building. All of the offices are equipped with new furniture and it uses the most recent models of office techniques. The waiting, or reception room, has an accurately arranged display with the Venture's diplomas, awards, and presents from partners and other organisations.

The CFO greeted the researcher and invited her for a coffee in the lunch room. The lunch room is also used as a meeting room for the CEOs. There is a large round table in the centre, large plasma screens on the walls, sofas, and sideboards. The table was covered with a white cloth and set for a lunch with an elegant porcelain coffee service. During the coffee, the manager preferred to speak about general topics. He asked a few questions about the UK and Cardiff University. Then, he moved to the topic of classical music and Russian composers. In 15-20 minutes he offered to begin the interview. The CFO felt uneasy when the researcher asked to use a tape recorder. He hesitated a moment and said:

*“Everything I am going to tell you is not for a report. I will speak slowly and we have plenty of time, so you can make notes.”*

### Role of Culture in Venture N

The manager described an organisational culture in Venture N as “friendly”, “employee oriented”, and “a family culture”. According to him, the national cultures in Russia and his home country are similar because in both countries the family plays a very big role. He explained that in Venture N all employees know each other and spend a lot of time together. Venture N organises different trips, sports competitions, and corporate evenings for the employees.

*“People in the organisation create culture. In our company all employees are like one family. We are not a very large company, so all our employees know each other. They have been working together for a long time. Thus many of them are not only colleagues but friends.”*

In the beginning of the Venture formation, the Russian parent was a young company. Its organisational culture was only beginning to be shaped. Venture N was the first partnership of the Russian partner. So, learning from an American partner, the Venture adopted many work practices. However, in a few years the Russian parent grew into a large corporation. Nowadays, it has a lot of alliances and IJVs in many different countries.

*“Nowadays, organisational culture in the Russian parent is more Western in style. They have a mission, goals, CSR, its own traditions and stories. I would say that they have fully adopted the Western model. So, our Venture and the American partner also had to change. It was necessary to have a good cooperation. So, we [i.e. the American parent and the Venture N] changed our accounting and audit systems. We changed our documentation. We changed our databases and the way we do planning. I would say that now our Venture has a mixed culture adopted from both parent companies.”*

The manager argued that the Russian and the American partners still have some differences in their work practices. Nevertheless, all of these differences are related to the company’s size.

*“We have a different speed of decision-making and planning. It is obvious. The size of the companies is different.”*

The CFO also distinguished organisational and national cultures. He commented that on the national level both companies are very similar because people in both countries have similar values.

*“I was quite surprised to find out that in Russia family and family values are very important. It is very similar to my home country.”*

Before the researcher moved to the questions about communications between partners, the CFO pointed to his watch and said that it was lunch time. He offered to have lunch together and continue the interview later.

A cafeteria and a dining hall of the Venture are situated a few minutes away from the company. It is located in a restaurant. The Venture’s employees go there for lunch.

The restaurant has a VIP area which is used as a lunch, or dinner, room for the Venture's managers.

The VIP room is completely isolated from the rest of the restaurant area. It has a pool table, a small bar, and a large dinner table. The top managers are usually served by waiters. The researcher had lunch with the CFO and a chief accountant. During the meal the CFO continued the discussion about the Venture.

He noticed that the Venture's partners do not communicate at all. The main reason for this is that all top managers have limited knowledge of foreign languages.

*"As I am the only person in the Venture who is fluent in both languages, all communications go through me. I am like a bridge between both partners and the Venture."*

All CEOs have regular meetings four times a year.

*"It is [the number of meetings] written in our regulations. We strictly follow it. The meetings usually take place in the head office of the Russian parent because it is easier and faster to reach it."*

The CEOs of both partners make all the decisions about the Venture's future directions. According to the CFO, the partners have never had any conflicts and always come to the same decisions.

*"They both have the same aims. Thus, it is easy to find a compromise."*

After lunch myself, the manager, and the chief accountant walked to the display, which was described above. The manager told me about all the diplomas, and recalled when and how each present was received. He commented:

*"We prefer to develop long-term relationships with our partners. I do not really like when people come to do business, then leave and never think about you again. That is why we pay a lot of attention to the post cards and different presents. We always*

*congratulate our partners on different holidays. We remember the birthdays of our employees.”*

He did not finish the sentence because his mobile rung. The manager apologised and left the hall. As soon as he walked away, the chief accountant noticed sarcastically:

*“This is the way he sees it. And it is useless to dissuade him.”*

The CFO came back. He did not hear the comment of the other manager. The chief accountant returned to her office.

The CFO continued to tell the researcher about the Venture’s charity events. He highlighted that the company helps the local community (e.g. schools, hospitals, sports clubs, and churches).

*“It is very important not only to maximise your own wealth but to give a bit back as well. This is a key to prosperity.”*

The researcher asked a few questions about the CEO. Nevertheless, the manager tried to avoid all these questions. He did not respond directly. The CEO of the Venture also works in the Russian partner. He is not very often in the Venture. The CFO as the second most senior person in the organisation manages the company. All the decisions are made by two people – the CEO and the CFO.

### **Analysis**

With the absence of the CEO in Venture N, the CFO is the only person who manages the company. The interpretation of the organisational culture in the Venture was conditioned by the values and beliefs of one man. The CFO appears to be proud of the company. He views the organisation as one big happy family. In his opinion the national cultures in both countries are very similar. Meanwhile, he distances himself from the other employees (e.g. in the VIP area in the restaurant).

Another negative influence is the absence of a strategic approach to business development. The overall future strategic direction of the company is based on production. There is no publicly stated mission or vision.

The CFO is the only person who connects both parent companies. All the negotiations, letters and telephone calls go through him. This means that both parent companies may see only one point of view and one vision in different situations.

## **7.14 Venture O**

The IJV in this case was formed by Russian and European companies in 1995. Both partners are small private companies. They do not have websites and the information the researcher received about them is limited.

The directors of Russian and European companies met long time ago. They worked in one of the USSR's first IJVs. Later, their relationships developed into a close friendship. By 1995 the IJV, where they both had been working for five years, closed. The Russian manager set up his own firm in Russia while the European manager came back home and opened a small firm in his own country. Both firms operate in the construction industry.

In 1995 the manager of the European firm offered his friend in Russia an opportunity to open a 50/50 IJV (Venture O). The newly formed company had to bring a lot of benefits to both partners. The European side wanted to operate in the Russian market which promised a high profit. The main aims of the Russian side were access to technology and knowledge transfer.

### Joint Venture

Venture O was established in 1995. By 2002 the size of the Venture had doubled. In 2007 the Venture O opened its own production unit. The European manager moved to Russia and headed the company.



Interviewee: CEO  
Place: Head Office  
Date: 5<sup>th</sup> December 2010

The interview was conducted with a CEO (he is also an owner and the former CEO of the European partner). He is fluent in Russian as he has been living in Russia for a long time. The manager preferred to meet on a Saturday in the Venture's head office. He explained that on Saturdays he finishes work earlier and will be able to devote more time for the interview.

The head office of the company is located in a small old historical house which is situated in one of the oldest streets of the city. The house had not been renovated since the October Revolution in 1917. The Venture O bought it for the head office and had it fully restored. Actually, in 1997 it became the first house on the old street to be restored.

*“Our head office was a white crow on the street. It was the best advert we could make to our Venture. The quality of work was obvious. In one month we got a lot of customers and orders. It was the beginning of success.”*

The offices in the Venture O were well equipped. Many workers were working in the office on a Saturday.

### Role of Culture in Venture O

The manager was quite uncertain how to describe the organisational culture of the Venture O. He hesitated for a moment. The CEO described the main policies written in the company's charter, he said:

*“Nevertheless, our culture is informal. We do not follow all of the practices described in the charter. Our company and employees believe in one thing. It is quality. To be honest, I believe in it. And it took me some time to find employees and form a team which believes in it too.”*

The CEO was absolutely certain that the organisational cultures of both partners are very similar. He told me that both parent firms are small companies and operate in the same industry. Both CEOs have known each other for a long time and their friendship rose thanks to their similar interests and beliefs.

*“I have been working with the Russian CEO for 23 years. We are friends. We think and act in the same way. Our companies have similar structure and the work is organised in the same way. Moreover, when the Venture was formed, we re-organised many processes in our companies to make them similar. For example, we have a similar accounting system, documentation, databases, and even equipment. The Venture operates in the same way.”*

The CEO laughed when the researcher asked about the role of culture in the Venture’s success. He exclaimed:

*“In Russia trust is the most important thing. You have to find a partner whom you may trust. Concerning organisational culture, in Russia we leave it for the next 10-15 years. Organisational culture may start playing its role when the other of things are good. When there are problems with bureaucracy, corruption, and contract enforcement you do not have a time to think about organisational culture.”*

The managers of the Venture and both partners have regular meetings. Most meetings take place in the Venture’s head office. Once a year the managers meet in the European partner’s head office.

*“We do not have a strict schedule for the meetings. We meet as often as we need. When a problem occurs, the managers are called for an urgent meeting. Our European partner may arrive on the same day, or we can organise a video conference with them.”*

The manager is fluent in Russian. When he moved from the company’s European head office to Russia, a new director in the European partner was chosen who had a knowledge of the Russian language. Also, a few of the other managers in the European partner may also speak Russian. So, all of the communications are able to be made directly in Russian, without the need for interpreters.

**Researcher:** *Would you call your IJV a successful company?*

**CEO:** *Yes!*

### **Analysis**

As in many previous cases, Venture O does not have a clear future direction. The company's goals and mission are not defined. There is also a lack of understanding of organisational culture. The manager referred to the organisation's charter as a code which describes the corporate culture.

The CEO mentioned that he chooses employees who believe in the same things. Thus, the company behaves in the same way, it has adopted the same attitudes and values.

One of the biggest advantages of the Venture is that both the Russian and European CEOs have worked closely together for a long time. There is a high level of trust between the two, and this makes communications and decision-making between them easier.

## **7.15 Venture P**

This case is about a 50/50 Russian – European IJV (Venture P) which is engaged in the construction industry.

### **European Partner**

The European partner is a medium-sized, privately owned organisation. It has been operating in the European market for twenty years. The firm offers a wide range of construction work for the energy and utility industry. The company's owner and a CEO visited the USSR at the end of the 1980s. His company subsequently did a few construction jobs in partnership with Russian firms. In the middle of 1990s, the European partner decided to open a branch in Russia. The type of service and the

technologies the European partner used were new in the local market. However, very quickly the European firm was faced with many difficulties. The lack of knowledge of the legal system and the high level of bureaucracy caused many problems with registration. The branch could not get a licence for some types of work. Finally, the company withdrew its business from Russia and the CEO began to look instead for a Russian partner.

### Russian Partner

The Russian partner is a small private owned company which is engaged in the construction industry. The company was set up after the fall of the USSR in 1992. Its ownership was divided between three people. In 1995 one of the owners bought all of the shares. He is currently the owner and director of the firm. The company employs 30 people. Its main advantages in the local market are its highly qualified workers who were trained abroad and its access to the latest technologies and equipment. Thus, the high quality of work that the organisation is able to offer in the local market gives it a competitive advantage.

### Joint Venture

Both CEOs met many years ago in the 1980s. They both participated in the same works and projects in the USSR. Since that time they have been constantly in contact. The European partner offered the Russian director the opportunity to open an IJV. He told him about his unfortunate experience with the company's Russian branch. Both companies set up Venture P in 1999. The director of the Russian partner became a CEO of the Venture P. The CEO of the European partner became a technical director (CTO) in the Venture.

Interviewee: CTO

Place: Café

Date: 5<sup>th</sup> February 2010

An interview was arranged with the CTO. He is fluent in Russian, and the interview was able to be conducted in Russian. The Venture's head office is located in a region,

very far from the city. The only way to get there is by a car. It takes approximately two hours of driving by motorway. The CTO offered to meet in the city explaining that in a few days he will be there to show his colleagues a picture gallery. The meeting with the CTO was arranged in a quite café in the city centre.

The café that the manager chose is located in the city centre not far from the picture gallery. The meeting was arranged for 3.30 pm. The café was really quite at that time and there were only a few visitors.

The manager came precisely at 3.30. He noted that he only had two hours available for the interview. Then, he took the interview guide and said:

*“Right, I have to admit that the questions are a kind of surprise for me. I mean, they are very interesting but we are a small company. What sort of organisational culture can we have?”*

### Role of Culture in Venture P

According to the manager, an organisational culture is the way employees and managers perform their work, and the way they behave in attitude to each other. He also added that the firm’s traditions and the employees’ training are the main elements of organisational culture in the company.

The manager was able to establish part of a definition of organisational culture. However, he was certain that his Venture still does not have an organisational culture.

*“I think that organisational culture cannot appear by itself. The managers have to create and shape it. We still do not work on it. You see, we do not have a nice logo, image, or a website. Except for the engineering team, our employees do not have a dress code or uniform. We do not have any corporate events. We do not celebrate the holidays together. Finally, we do not go to play football or ski together. Our engineers are constantly trained. Quality is very important in our field. So, our engineers are constantly trained in the European partner’s head office.”*

According to the manager, the Russian partner is quite similar to the European partner because both organisations are not large companies and they operate in the same

industry. Nevertheless, he felt that the European partner “is a bit more formal”. Also, the manager highlighted that he has known the Russian CEO for many years and their friendship is based on similar beliefs and attitude to work.

*“We have a similar background. We are both engineers. We are both concerned about quality. For us the employees, their safety, benefits and salary play a very big role. We are both precise in details.”*

The manager felt difficultly in explaining all of the similarities between the European partner and the Russian parent. However, he later told the researcher how he met the Russian partner and how he got the idea to form his own company. The Russian manager worked with the European CEO for many years in the 1980s. Later they both received qualifications and went for training in Western Europe.

*“When we built our companies we applied the same model. That is why the Venture’s parents are similar. Thus, Venture P is the same.”*

The CEOs meet at least four times per year. Also the Venture P has one annual meeting for all of their managers. The main participants are two people from the Russian partner, two managers from the European partner, and two managers from Venture P. According to the CTO, they have all participated in the Venture’s development.

As has been mentioned above, both CEOs of the Venture P also manage the parent organisations. This is very common in the Russian IJVs. The CTO commented:

*“Venture P is situated a few minutes away from the Russian parent. Both companies are small and the amount of work is not so big. Thus, one person can handle two companies. Moreover, it is not easy to find a good CEO here in Russia. I mean a person who would be experienced, knowledgeable, and responsible. With me the situation is similar. The European partner is a small organisation. I may do both jobs. There is a direct flight between two cities. So, it is not a problem to be both there and here in the same day.”*

The manager was certain that organisational culture plays a big role in the success of the IJV. He highlighted how important it is that both partners share similar beliefs and trust each other.

*“I have been living in Russia for many years. I know the culture and people well. I already can see how different organisational cultures could ruin an IJV between a Russian company and a firm from my home country. In Russia people did not used to be responsible. Back home responsibility is one of the most important things in work. However, it is not so easy to enforce responsibility here. The court system is extremely bureaucratic. Being abroad you could be outraged and telephone your partner and demand he do this and that. You can have regular meetings explaining to your Russian partner the right way of doing things. But the foreign partner ultimately has to be here to see it all by himself and experience it. Thus, he will understand it better and it will be easier to avoid conflicts and misunderstandings. ”*

**Researcher:** Would you call your IJV a successful organisation?

**CTO:** Yes.

### Analysis

Venture P has a strong production-led preference. There is a lack of any strategic direction. There is no mission statement and the goals are not defined. The manager's view of organisational culture is weak. He sees organisational culture as “something a company has”. In his view organisational culture is a set of artefacts that have to be introduced to the employees. The major positive influence is close relationships between CEOs which help to develop trust.

The final two case studies will describe IJVs which are no longer operating in the market.

## **7.16 Venture Q**

This case features a Russian - European IJV (Venture Q) which was set up in 1996 in the chemical industry. The biggest part of the Venture belonged to the European

parent – 51 %, while the Russian parent owned 49 %. In 1999 Venture Q became fully owned by the European company.

### European Partner

The European partner is a leading chemical supplier to a number of the world's most essential industries (such as food and beverage, mining, manufacturing, oil and chemical processing industries).

The company's vision seeks for a leading and global market position. Nowadays, the European partner has headquarters and branches around the world. It is very proud of its R&D and innovative technologies.

The European partner is committed to its CSR and to sustainable development. The firm has a long history as a 'Responsible Care' company. The company highlights on its website: *"By fostering a culture that emphasises ethical business behaviour, strong corporate governance, community involvement and safety in all that we do, we strive each and every day to earn the trust of our customers, investors, employees, suppliers and neighbours. Our many stakeholders can feel confident about their association with our name."*

In March 2010, the European parent was recognised as one of the World's Top Ethical Companies for 2010.

### Russian Partner

The Russian parent is a state owned organisation which is engaged in the manufacturing industry. The company produces products which are used in many industries (such as defence, chemical, oil & gas, and food and beverage industries).

The Russian company does not state its goals and mission on its website. All the information there is related to its products.



## Joint Venture

An interview was arranged with a CFO of Venture Q. Currently, she is one of the top managers of the new European company.

Interviewee: CFO

Place: Head Office

Date: 25<sup>th</sup> November 2009

The interview took place in the head office of the European company, which used was also the head office of Venture Q.

The manager welcomed the researcher. She commented that after 1999 the head office was altered. The main changes which were made were related to logos and the company's colours. Thus, the furniture and decorations were already different.

The researcher asked the CFO to answer the questions keeping only Venture Q in mind. Before the interview began the researcher had asked for permission to use a tape recorder. Similarly to the previously interviewed managers, the CFO looked very confused. She hesitated a moment. It was obvious that she felt very uneasy about it. She asked the researcher if it is really necessary to tape the interview and showed a preference to speak without the use of a tape-recorder.

First, the manager classified the goals of both Venture's partners:

*"The European partner decided to set up Venture Q in order to get access to the Russian market. The firm wanted to open a production unit in Russia which would have helped to minimise production costs.*

*I have no idea what the goals of the Russian parent were, we have never seen them. As the former CFO I can tell you exactly that they really cared about, which was to get their share of the profits on time."*

All of the employees in Venture Q were Russians, but the CEO was from the European parent. He had been working in the European parent for a long time before he headed Venture Q.

Describing the organisational culture in the Venture Q, the CFO was able to catch the meaning of culture:

*“When I came there to work, I was very much impressed from the very beginning. Everything that was there was not like it is in many Russian companies. For example, the people were less formal. They were more open and less tense. The power distance was small. The top managers never distanced themselves from their subordinates. The Venture had its own values which were related to the environment, quality and ethics. All the employees had regular training in the head office of the European partner.”*

According to the CFO, the Venture was almost like a branch of the European parent. The Russian parent had never been interested in Venture Q. The managers of the Russian company did not participate in communications and negotiations with the European partner. All the decisions and future strategic directions were made by the European parent.

*“We were like a branch. The European parent had a 51 % controlling stake. It had power in decision making. The managers from the European parent communicated with us, we always been participated in the decision making process. The Russian partner only called and asked when it can grab its next part of the profits.”*

The Venture’s employees felt strong commitment to their organisation and the European partner. They had regular training in the head office of the European parent and an opportunity to increase their knowledge and qualifications. Venture Q helped its employees in their career and team-working was encouraged.

*“The European parent was interested in a long-term development. All of the employees had regular training. We were taught to work as a team. We were a great team! The European partner helped every employee in his or her career development. Finally, our managers had the power to make decisions. We were able to influence processes.”*

In 1998 the Russian and European partners came into conflict, after which the European company bought out the Russian part and turned the Venture into its subsidiary.

*“The main reason of the conflict was the difference in goals. By the way, these goals were culturally different. The Russian partner was interested in profit. I will say it differently. In Russia, there are many managers who are interested in getting their pockets full. They did not have any strategic approach or long-term goals. The European partner had long-term goals. Thus, they invested all of their profit in new technologies and development. The Russian partner preferred not to invest but to grab all the profit.”*

Negotiations between parent companies began in October 1998. The Russian parent quickly agreed to sell its part. The necessary documents were signed in one and a half months. In 1999 Venture Q became a European owned company.

### **Analysis**

The European parent had clear goals and strategic directions for its Venture. The main goal was to extend the Venture into a large production unit which would be able to supply the many clients of the European partner.

During the first years, the European company had been investing in new technologies, equipment, and trainings. The Venture was treated almost as a branch. It had no influence or control from the Russian partner. Thus, the European company organised the Venture's work similar to that in its headquarters. The CEO of the Venture was also from the European parent. The Venture's employees were happy to learn new things and they had training abroad. They were faced with a new environment and style of work. It may be said that Venture Q shared a similar vision, goals, and style of work with its European parent.

## **7.17 Venture R**

The final case is of a Russian – European IJV. The venture was set up by two large organisations as a 51/49 project, where the Russian company owned 51 % and 49 % of the Venture belonged to the European organisation.

### European Partner

The European partner is a global organisation. It is engaged in manufacturing products for different industries. The company has been operating in the European market for more than 100 years.

The European parent states its mission and goals through innovations, the pioneering spirit the company, and its leading position in the world. The main values of the company are commitment to business ethics, achieving a high performance, and innovation.

### Russian Parent

The Russian parent is a large manufacturer which produces electronic products for the telecommunication industry. The company's mission and goals declare the firm's growth and innovation through developing new technologies. The organisation achieves its goals and mission through partnerships with many companies.

### Joint Venture

The two partners set up an IJV company (Venture R) in 1993. Venture R was in operation until 2008. The new firm produced electronic products for the telecommunication industry.

The researcher was able to contact and arrange an interview with the former CEO of Venture R. He invited the researcher into his new office. The interview was conducted during his lunch time. Thus, the manager had only one hour available.

Interviewee: CEO  
Place: Company X  
Date: 25<sup>th</sup> November 2009

When asked, he immediately rejected the use a tape recorder. The manager smiled and asked:

**CEO:** *Is this your first interview?*

**Researcher:** *Yes.*

**CEO:** *I bet you will have to hear many such rejections. It is better not use it, even do not ask the managers. You will be able to make better contact.*

The CEO described the main goals of the Venture as production and profit. Venture R did not have a mission statement. According to the CEO, Venture R was formed because the Russian parent wanted to get additional profit and transfer technologies while the European parent wanted to get access to the Russian market.

The new organisation had a small, flat structure. Many CEOs and employees came from the European parent. The Venture's managers and employees had a lot of training. All training was organised by the European parent. Two times per year managers went to the head office of the European parent to attend lectures and seminars on leaderships and motivation. The engineers had training in the European partner's production units. During the first two years the Venture's work was organised in the same way as in the European partner. Venture R adopted the European partner's: production system, safety system, engineering processes, operational management, accounting, software, databases, and analysis methods.

*"Our employees were very happy to learn from the European partner. We adopted everything from them. We never heard anything from the Russian partner. It seemed like the Russian partner even did not exist. We identified ourselves with the European parent."*

The CEO could easily compare Venture R with the European parent. He has a high level of education in engineering. The manager spoke a lot about technologies and operational management. He highlighted that, like its European parent, Venture R was very democratic in the decision-making process. Nevertheless, he could not describe the organisational culture of the Russian parent. He commented:

*“I have no idea about it. They never contacted our Venture directly. All the contacts were made through the European parent. I mean, we had been with the European parent all the time and the Russian parent contacted them from time to time. There were no direct contacts between our Venture and the Russian company.”*

The main decisions and directions of Venture R were made by the European parent. The CEOs of the European parents had regular meetings and negotiations with the Venture’s managers. Then, it had a meeting with the Russian partner to confirm the future plans.

*“The European managers first discussed the future plans and strategies with us. They always wanted to hear our opinion. After all the corrections were made, the European partner presented a plan to the Russian partner. The Russian partner always agreed.”*

Venture R experiences a number of problems after the Russian financial crisis of 1998, but it had fully recovered in 2000. By 2002 the company had doubled its revenue and extended its production unit. In the same year it launched a few new products, which caused many conflicts between the partner organisations and which led ultimately to the Venture’s dissolution.

*“We launched exactly the same products as the Russian partner produced. Obviously, our products with the European partner’s know-how were much better. We became a competitor of the Russian parent. When our market share began to rise, the Russian parent became angry.”*

The Venture could produce its products with lower costs by using the technologies of the European parent. Many existing clients of the Russian parent started using the

Venture's products. Venture R soon became a major competitor of the Russian parent.

*"I know that the first reaction of the Russian managers was to ban all the decisions and plans of the European parent. They could do this because they had a controlling 51 % stake. The European partner was persistent and still tried to go on with its plans. The Venture's managers did not participate at all in those negotiations. Later, speaking to one of the European CEOs, I found out that the conflict was serious."*

The European parent was not able to resolve the conflict with the Russian parent. It did not involve managers from the Venture in the negotiations with the Russian parent. Also, the executives of the European parent did not speak Russian and all the communications were made through interpreters. The Russian partner continued to disagree with the most of decisions and plans of the European managers. Many of them were seen as a threat for the Russian company. By 2005 the Venture was entering a crisis. In 2008 the company was closed. The CEO looked sad while telling this story. At the end he said:

*"Unfortunately, I still do not know all the details, even though I was the CEO of Venture R. The European parent wanted to buy the Venture but the Russian firm did not sell its part. Then, the Russian parent wanted to buy the Venture but the European parent would not sell its share. The European CEOs were furious. Finally, they both withdrew their assets and the Venture was closed."*

**Researcher:** *What advice would you give to foreign managers who would like to set up an IJV in Russia?*

**CEO:** *Do not set it up! The Russian market is very complicated. If a foreign company has an opportunity to open a branch instead then this would be the best option.*

### Analysis

The Venture R was almost operating as a branch of the European company. Even though the Russian partner had a controlling stake in the Venture's ownership, it did

not participate in the Venture's development. The future direction of the company was drawn by the European parent.

The Venture's communication process was poorly organised. All the communications were made through the European parent. The Venture's management did not participate in the negotiation and communications with the Russian parent. There was confusion about what needed to be done when the conflict between partners became tense. The Venture and its employees stayed isolated from the negotiations.

### **7.18 Summary**

The aim of this chapter was to provide observations and analysis of organisational culture in IJVs in Russia. Although all companies belong to different industries and of different organisational size, they share certain common characteristics. The next chapter provides an analysis and a concise comparison of the findings from the cases and questionnaires to understand the role of organisational culture differences in IJV success.



# Chapter 8

## ***Results***

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This chapter uses quantitative and qualitative analysis to clarify the findings and research questions which were introduced in the Chapter 5. All IJVs were divided into three groups. The chapter describes organisational culture of each group using quantitative and qualitative studies. Then, it identifies the main differences between IJVs and their partners' cultures. Finally, managerial perception about IJV performance is outlined.

### **8.1 Three Groups of IJVs**

The analysis of interviews identified a linkage between parental control and organisational culture in IJVs in Russia. Consequently, all IJVs in this work are divided into three main groups (see Table 8.1 below):

1. IJVs where a foreign partner holds more than 50 % of the venture;
2. IJVs where a Russian partner holds more than 50 % of the venture;
3. 50/50 IJVs.

**Table 8.1:** The Three Groups of IJVs in Russia

<b>Foreign Control</b>	<b>Russian Control</b>	<b>50/50</b>
Venture B	Venture C	Venture A
Venture G	Venture D	Venture E
Venture H	Venture F	Venture J
Venture M	Venture K	Venture L
Venture Q	Venture R	Venture N
		Venture O
		Venture P

The current research aims to explore how organisational culture differences can influence IJV performance. In order to explore this issue the current study developed five research questions (Chapter 5). These research questions are:

1. What is the type of organisational culture of IJVs in Russia?
  - a. What are the managerial values in Russia?
  - b. What are the managerial practices?
2. Do successful and unsuccessful IJVs in Russia have different organisational cultures?
3. What are the main organisational culture differences between IJVs in Russia and their partners?
4. Do organisational culture differences influence IJV success?
5. What is better cultural fit for IJVs in Russia?

In order to provide a basis for the research questions' answers, in the next sections we will discuss organisational culture of each group, differences in organisational cultures between IJVs and their partners, and managerial perception about IJV success.

### ***8.1.1 Group 1 – Foreign Control***

#### **Organisational Culture of IJVs**

Organisational culture can be defined as the set of values and practices within an organisation. Values are central to culture and have core status. The questionnaires revealed that the values embedded by the most of IJVs in Group 1 are openness to change and self-enhancement values (Ventures G, H, M, and Q). These values represent how the managers in the company think. Thus, most of the senior managers from the first group can be characterised as people who are passionate about success, power, recognition, and competent performance; they are innovative, independent, and logical (Schwartz and Bilsky, 1987).

Van Muijen et al. (1999) develop four dimensions that can be used to measure organisational practices: support orientation, innovation orientation, rules orientation, and goal orientation. In order to get a closer look at the IJVs' cultures, we asked the top managers to fill in a questionnaire related to organisational work practices. Their

responses showed that most Russian IJVs have a rule oriented culture (Ventures B, M, and Q). In addition, a goal oriented culture received high rates from the managers. However, most managers describe the organisational culture in their venture differently during interviews.

From the interviews, it is clear that the ventures from Group 1 have a flat structure. Their decision-making process is shared and informal. People who work at these companies do not have to follow dress code.

These managers also showed interest in the personal development of their employees. The level of internal and external cooperation in most of these ventures was found to be good. However, the managers reported that they have to follow certain procedures which come under the Russian law such as requirement for ISO 9001:2008 - *Quality Management Systems*. Two questions from the section of rule oriented culture come under the rules and standards of ISO and this may explain why many companies showed high scores in rule oriented culture.

### Partners' Cultures

There are usually two or more collaborative partners involved in an IJV. They both bring their cultures together and form a new culture for an IJV. The new culture may be inspired by the partners' cultures and, therefore, it may be very similar to one of the partner's organisational cultures.

Most of the interviewed managers from Group 1 said that the organisational culture in their ventures is similar to that of the foreign parent:

*"Culture is more similar to a foreign parent."*

*"National cultures of Russia and the foreign parent are very similar. Organisational work in our venture has been fully synchronised with the foreign parent."*

*“Everything that was there [in the venture] was not like in many Russian companies.”*

Ventures G, H, M, and Q adopted values and objectives of the foreign partner. The daily work in the ventures is organised similarly to that of the foreign parents; for example, databases, accounting system, analysis and documentations are the same. The foreign companies have placed their own employees and managers in the IJV. Foreign companies constantly organise training for the venture’s management and employees. In fact, all four ventures are treated as a branch of the foreign parent. There is a minimum of, or almost no control and contribution from, a Russian parent.

Venture B is an exception in this group. Its foreign parent has not participated in the venture’s progress. All the main decisions concerning the company’s development are made by the Russian parent. Consequently, its organisational culture has mainly been influenced by the Russian parent.

According to the conceptual framework provided in Chapter 3, different organisational cultures of the IJV and its partners influence communication behaviour and conflict resolution techniques which lead to IJV success or failure. Table 8.2 below summarises the main differences of the partners and the ventures from Group 1. The information about the differences was obtained through the interviews.

**Table 8.2: Differences in Organisational Cultures for the Group 1**

<b>Differences</b>	<b>Russian Parent</b>	<b>Foreign Parent</b>	<b>IJV</b>
<b><i>VENTURE B</i></b>			
<i>Size and structure</i>	Small company, flat structure	MSE, hierarchical	Small company, flat structure
<i>Communication styles</i>	Flexible	Directive, commanding	Flexible
<i>Approaches to meetings</i>	Prefers face-to-face meetings and communications. E-mails, telephone, and fax are used to discuss small issues	Prefers to discuss the majority of issues by telephone	Prefers face-to-face meetings and communications. E-mails, telephone, and fax are used to discuss small issues
<i>Response to each other requests</i>	Fast	From slow to very slow	Fast
<b><i>VENTURE G</i></b>			
<i>Size of a company</i>	A large company (part of a holding group)	A MSE (subsidiary of a large company)	MSE
<i>Company's image</i>	Extensive use of values and cultural artefacts for cultural image	The company pays less attention to cultural artefacts	The company pays less attention to cultural artefacts
<i>Decision-making process</i>	Managers come with a few possible options, discuss them and choose one option	Managers come with possible options, choose a few of them, make analysis for them and choose the best	Managers come with possible options, choose a few of them, make analysis for them and choose the best
<i>Speed of decision making</i>	Fast	Slow	Varies
<i>Approaches to planning</i>	Risk taking	Avoiding risks	Avoiding risks
<i>Delegation of power</i>	The managers tend to consider the opinion of venture's CEO. In many situations, they empower the venture's CEO to make decisions by themselves	The managers make all the final decisions about the venture's work by themselves. They take into account the opinion of the venture's managers but do not empower them to make a final decision	Managers can make only small decisions. Most decisions are made by the foreign parent

<b><i>VENTURE H</i></b>			
<i>Size and structure</i>	Large company, hierarchical structure	Large company, flat structure	MSE, flat structure
<i>Goals and values</i>	Relative absence of values, production oriented	Values and goals are well defined, market oriented	Values and goals are adopted from the foreign parent, market oriented
<i>Information sharing</i>	Low information sharing. Information is tightly controlled. The company's web-site states a minimum number of facts. There is not much information about the company in mass media and the Internet	High information sharing	High information sharing
<i>Delegation of power</i>	Managers do not participate in either the decision-making or venture's development	CEOs make the major strategic decisions concerning the venture's development	CEOs are empowered to make decisions. Their opinion is counted by the European parent. However, the most important strategic decisions are made by the European parent and its shareholders
<b><i>VENTURE M</i></b>			
<i>Roles in the organisational structure</i>	The CEO and some managers work for the Russian parent and the IJV	Overlapping of work responsibilities was less likely	The CEO and some managers work for the Russian parent and the IJV
<i>Approaches to planning</i>	Short-term	Long-term	Long-term
<i>Delegation of power</i>	Managers make small decisions but the main strategic decisions are made by the foreign parent	Managers make the major strategic decisions for the IJV	Managers make small decisions but the main strategic decisions are made by the foreign parent
<i>Speed of planning, decision-making</i>	Fast	Slow	Fast
<i>Differences in contract definitions</i>	All contracts are very detailed and long. If a firm signs a contract with ambiguous definitions, then it is that firm's responsibility	All contracts are less long and use different definitions. The firm expects the parent to use similar definitions and general terms	The firm tries to be flexible and follow the rules of the foreign parent where possible
<i>Management style</i>	Formal	Informal	Following the style of the foreign parent the venture's managers adopted a less formal style

<i>Response to each others requests</i>	All requests are long and detailed. The parent expects to get a similar answer	All requests are very short and brief	The venture tries to satisfy the foreign partner and makes its requests shorter
<i>Language barriers</i>	Managers have limited knowledge of their partner's language	Managers do not speak Russian. All negotiations are performed in Russian with interpreters	Managers have limited knowledge of their partner's language
<b><i>VENTURE Q</i></b>			
<i>Goals and values</i>	Goals and values are not defined. There is no mission statement	Vales, goals, objectives, and mission are well defined	Values, goals and objectives were adopted from the foreign parent
<i>Approaches to planning</i>	Short-term	Long-term	Long-term
<i>Participation</i>	The firm did not participate in the venture's development	Managers constantly participated in communications with the venture. They made the main strategic decisions	Managers could make small decisions. The main strategic decisions were made by the foreign parent



### Group 1 – Perceptions of IJV Success

The achievement of the partners' strategic objectives and goals is the most appropriate measure of IJV performance (this has been described in the literature review). The interviews help to capture the top manager's perspective on IJV success. The managers were asked about their perception of IJV success, the achievement of partner strategic objectives, and level of conflict.

Most managers from Group 1 claimed that their ventures are successful companies. Inter-partner differences in organisational cultures did not lead to conflicts that could cause IJV dissolution. Most managers agreed that their partners and a venture did not have serious conflicts. Some of the managers mentioned contradictions that were easily resolved after a few meetings and discussions:

*"We have never had open conflicts. There were some contradictions, of course. However, we [i.e. the managers] could easily regulate it.*

.....

*Obviously, our foreign parent reached its goals. The Russian parent's goals were unclear from the beginning. It was happy to sell its equity, I think. When the foreign partner made its offer, the Russian parent agreed without delay." (Venture Q)*

*"We completed all our goals... Our partners reached all their goals... There were no conflicts that our managers could not control." (Venture G)*

*"It [i.e. the venture] is successful. Our partners are happy about it... We have long discussions every time a contradiction occurs... There were some conflicting views, of course but nothing serious or something that would have caused a serious conflict." (Venture M)*

*"We had some problems in the beginning. Now, everything is going smoothly. We have unanimity of judgement with our partner." (Venture H)*

### Summary for Group 1

This section began by defining the values of the managers from Group 1, which represents the IJV where the foreign partner holds more than 50 % of the equity.

The analysis of questionnaires shows that top managers from Group 1 have values different from the majority of the Russian senior managers. They score high in openness to change and egoistic values which are very similar to managers from the Western countries.

Moreover, the ventures from this group have adopted an organisational culture which is similar to that of the foreign parent. Their values, beliefs, goals and objectives were taken from the foreign parent. Organisational structure, overall daily work and business operations in the ventures were organised similarly to their foreign partners. Foreign companies have placed their employees and managers in the venture. Thus, the foreign partners contribute more in management expertise and marketing skills. This finding suggests that the Western partner's control and participation in daily work and operations has a direct impact on organisational culture in the IJV. The managerial values are another possible explanation: the chance for successful replication of the foreign parent's organisational culture is high because top managers from the IJVs have values similar to those of their Western colleagues.

One of the main differences which were found between parent companies and the IJVs is delegation of power. Most senior managers in the ventures do not have the power to make the main strategic decisions. They have to follow the rules of the foreign companies. Basically, these ventures are operating like a branch of the foreign parent. In some firms the Russian partner did not even participate in the venture's development. This is due to the level of parental control and its influence in the decision-making process.

The foreign parents hold the biggest part of the venture. Moreover, they have placed their employees and managers in the company and thus have greater control of the decision-making process. In comparison, the Russian parent does not have control in

the venture and so does not want to cooperate and eventually walks away from negotiation and participation.

The managers of the IJVs did not mention many differences between partners. The majority of the reported differences were related to both parent companies and did not cause conflicts between partners. Most senior managers agreed that the differences in organisational cultures are important. Cultural differences between partners can sometimes lead to a conflict or contradictions between partners according to the managers. This observation supports the conceptual model of the current research suggesting that similarity in cultural values between IJV managers and their foreign partners helped them to develop shared understanding and to achieve smooth coordination. It is notable and significant perhaps that the possibility of conflict in some ventures was reduced because the Russian partner did not participate in communication.

### ***8.1.2 Group 2 – Russian Control***

#### ***Organisational Culture of IJVs***

Most senior managers from Group 2 showed high scores in tradition values (honouring parents, family security and curiosity). These people respect traditions and prefer to avoid uncertainty, risks and actions that disturb traditional order (Schwartz, 1994). They also tended to make decisions that conform to the expectations of their close social environment, and in their information inflow they may rely on personal networks (Wang et al., 2008). The literature review identifies that tradition managers are often associated with rule oriented culture. In this study the analysis of the Questionnaire 2 shows that all ventures in Group 2 scored high in a rule oriented culture. This finding is fully consistent with the interview data which shows that many ventures in Group 2 have a vertical hierarchical structure where the CEO has an absolute power in the decision-making process. The mission statement, goals and values are not defined. The communication process and information sharing are slow. Most foreign parents do not participate in the venture's development and daily work.

### Partners' Cultures

Managers interviewed in ventures in Group 2 were certain that organisational culture in their firm is identical to that of the Russian parent.

*"Our organisational culture is very similar, almost the same as the culture of the Russian parent."*

*"Our cultures are identical."*

*"It is similar to the Russian parent but less formal."*

All the decisions about the venture's future development and daily operations are made by the Russian parent. Most managers could not describe the organisational culture of their foreign parent. In three out of five ventures, the top managers have never met with the foreign partner. The Russian companies usually communicate with the foreign firm and the managers from the ventures do not participate in this process. Table 8.3 below describes the main differences of the partners and the ventures from Group 2.

**Table 8.3: Differences in Organisational Cultures for the Group 2**

<b>Differences</b>	<b>Russian Parent</b>	<b>Foreign Parent</b>	<b>IJV</b>
<i>VENTURE C</i>			
<i>Size of company</i>	Large organisation	Large organisation	MSE
<i>Goals and values</i>	Clearly defined. Extensive use of values to describe organisational CSR and objectives	The mission statement and values are clearly presented on the web-site	Values are not defined
<i>Long-term vs. short-term orientation</i>	Long-term	Long-term	Short-term, survival mentality and orientation for resolving existing problems rather than planning for the future
<i>Participation in the venture's work</i>	Participated in the venture's development and daily work	Not participated	The company copies its Russian parent. The managers can make decisions but all the major decisions need an agreement from the Russian parent
<i>VENTURE F</i>			
<i>Size of a company</i>	Large organisation	MSE	Small organisation
<i>Goals and values</i>	Extensive use of values and cultural artefacts for cultural image	The company's goals and values are well defined and presented on its web-site	Values are not defined
<i>Organisational structure</i>	Horizontal structure but in fact, the power is centralised on the top	Horizontal structure	The venture has two CEOs. All the decisions are made by one manager. The other CEO does not have power in the decision-making
<i>Roles in the organisational structure</i>	One of the CEOs also manages the IJV	Overlapping of work responsibilities is less likely	Varies
<i>Participation</i>	The company makes all the major strategic decisions and decisions about the venture's daily work and operations	The managers do not participate in the venture's daily work and operations	The CEO rarely comes to his venture's office. He informs employees and the other managers about his decisions by phone or e-mail
<i>Communication style</i>	Formal	N/A	Informal

<b>VENTURE K</b>			
<i>Organisational structure</i>	Vertical structure	Horizontal structure	Vertical structure
<i>Goals and values</i>	Relative absence of values	Values and goals are well defined	Relative absence of values
<i>Market vs. production orientation</i>	Production oriented	Market oriented	Production oriented
<i>Long-term vs. short-term</i>	Short-term	Long-term	Short-term
<i>Roles in the organisational structure</i>	The CEO and a few main engineers also work in the venture	Overlapping of work responsibilities is less likely	The CEO of the Russian parent also manages the venture
<i>Decision-making style</i>	The CEO makes the major strategic decisions concerning the development of the Russian parent. Power is concentrated on the top	Many managers participate in the decision-making process. Power is shared. The managers vote to make a decision	The CEO makes all the decisions. The managers from the foreign parent do not have power to make decisions. Their opinion is not counted
<i>Delegation of power</i>	The CEO has an absolute power and control in the company. There is almost no control from the board of directors and shareholders	Focus on a broad set of stakeholders	The CEO holds all control in the venture
<i>Information sharing</i>	Low information sharing. It is difficult to get information from another department. When an employee requires information they are asked why and what they need it for	Transparent system. Information sharing is high between departments	The same as in the Russian parent
<i>Communication style</i>	Formal	Informal	Formal
<i>Meaning of meetings</i>	Meetings are placed in order to resolve a problem	Meetings are seen as an opportunity for discussion of future plans	The Russian parent organises meetings with the foreign partner when it needs an advice or solution in difficult situations. The foreign managers see meetings as constant cooperation between partners

<i>Language barrier</i>	The managers do not speak the language of their partner	The managers do not speak the language of their partner	The foreign manager who works in the venture uses interpreters in all the daily communications with employees. Both partners communicate and negotiate through interpreters
<i>Databases and approaches to analysis</i>	The company has different databases in their different departments. Analysis and planning are also performed differently	The databases and analysis are standardised throughout the company	The IJV uses databases similar to those of the Russian partner. Most methods of planning and analysis were adopted from the Russian parent
<i>Speed of analysis and planning</i>	Slow	Fast	Slow
<b>VENTURE R</b>			
<i>Organisational structure</i>	Large, hierarchical structure	Flat, small structure	Flat, small structure
<i>Delegation of power and participation</i>	The managers were not participated in the IJV's work and daily operations. They had regular meetings only with the foreign parent	The CEOs made all the major strategic decisions about the venture's development	The CEOs were participated in the decision-making process. Nevertheless, they were able to make only small decisions. The main strategic decisions were made by the foreign parent

<b>VENTURE D</b>				
<i>Differences</i>	<b>Russian Parent</b>	<b>Foreign Parent 1</b>	<b>Foreign Parent 2</b>	<b>IJV</b>
<i>Organisational structure</i>	Large, hierarchical structure	Large, hierarchical structure	Small, flat structure	Large, hierarchical structure
<i>Mission, goals and values</i>	There is no mission and values are not defined. Most goals are production oriented	There is no mission and values are not defined. Most goals are production oriented	Extensive use of values	Goals and values are seen as something that is dictated by the company's charter. Many goals are production oriented
<i>Roles in the organisational structure</i>	The CEO and the CTO also manage the venture	Overlapping of work responsibilities is less likely	N/A	The CEO and the CTO also work in the Russian parent

<i>Delegation of power</i>	The CEO has absolute power in the company. There is a minimum or almost no control from the board of directors and shareholders	The CEO has absolute power in the company. There is a minimum or almost no control from the board of directors and shareholders	Focus on a broad set of stakeholders	The CEO makes all the major decisions in the venture. The rest managers are almost not participated in the decision-making
<i>Participation</i>	The company has a lot of its employees in the venture. The company is participated in the venture's daily work and operations	The company has its employees in the venture. The managers often have meetings with the CEO and the CTO	The company does not participate in the venture's daily work and operations. Its managers have meetings with the Foreign parent 2. There were no meetings with the Russian parent or the venture	Only CEO and the CTO are participated in the meetings with the foreign parent



### Group 2 – Perceptions of IJV Success

All managers in Group 2 had a negative perception about their venture's success in comparison with the previous group. For example, when asked about success, the senior managers of Ventures C and D responded that their Russian partners still have not met their goals. Furthermore, the cooperation process between the partners is quite difficult and the managers often have conflicts.

The CFO of Venture K was also critical while speaking about cooperation between partners. The autonomy of the Russian partner caused many conflicts between the managers. The partners still have not met their goals.

Finally, the example of Venture R showed that conflicts between the parent companies led to its dissolution.

### Summary for Group 2

Group 2 represents the ventures where the Russian parent holds the biggest part of the equity. In most of these ventures the Russian parent has not only capital but also managerial control in the IJVs. In three out of five ventures the CEO of the Russian parent also manages the venture company. Managerial values and beliefs in these ventures are identical to those of the Russian parent suggesting once again that partner's control has a direct impact on organisational culture in the IJV.

As in the previous group, the findings show that the partners may gain power in the IJV not only through capital resources but also through managerial skills, technologies, and participation in daily work. For example, Venture R has been constantly cooperating with its foreign partner and it has adopted its values, technologies, know-how, operational processes, financial and marketing analysis and planning methods. The foreign partner has also placed its employees in the venture and hence the venture's organisational culture became more similar to that of the foreign parent. Interestingly, the CEO from Venture R showed high scores in the openness to change values. This finding may confirm the previous suggestion that the

venture could more easily adopt the Western culture as the CEOs values were similar to those of the Western managers.

The main distinctive features of this group are that the parent companies and the IJVs have many differences related to the values, organisational structure, different roles in the organisational structure, and delegation of power in the partnership.

All of the Russian partners in this group used to be state-owned companies in the USSR, and the government still owns the biggest stake in three of them. Moreover, in most of these companies the CEOs have been managing the organisation for many decades, and they still carry their managerial experience from the Soviet Union. These companies still do not have a mission statement and their values are not defined. Their organisational structure is large and hierarchical with a great power distance. Also, a production oriented approach dominates their market orientation. The CEOs in these companies have absolute power and they make all of the major decisions without consulting their subordinates.

The delegation of power was one of the main differences highlighted in the previous study of Group 1. In Group 1 the CEOs of the foreign parent have the main power in the decision-making. Nevertheless, the foreign parents have a horizontal organisational structure where many managers make decisions. They focus on a broad set of stakeholders, such as: shareholders, customers, and employees.

In Group 2 the problem of power delegation is related to the centralised power of the Russian senior managers. They have almost full control in the company and tend to have good relationships with the government.

The IJVs in Group 2 mainly cooperate with their Russian parent. The Russian parent, as has been mentioned above, has financial and managerial control in the venture. So, the organisational culture in these IJVs was shaped by the Russian parent.

Despite many similarities between these IJVs and their Russian parent, the managers during the interview reported a negative response about the venture's success and reported conflicts between the parent companies. Most of the similarities are related to

the organisational structure and management style. This finding suggests that if the Russian parent exercises more control and influence daily operations in IJV, then the levels of conflict may be high and IJV will have a negative performance. One of the reasonable explanations of this is low trust between managers. Almost all interviewed managers from this group reported that trust is a very important aspect in IJV success.

### **8.1.3 Group 3 – 50/50 IJVs**

#### **Organisational Culture of IJVs**

In equity-based IJVs the parent companies hold equal shares and the outcome of integration is less predictable.

As the previous group, most managers from the Group 3 scored high in the rule oriented culture and traditional values.

According to the interview data, all shared equity IJVs may be divided into three cultural groups:

1. IJVs with organisational culture similar to the foreign parent (Venture A)
2. IJVs with organisational culture similar to the Russian parent (Ventures E and L)
3. IJVs with a hybrid culture (Ventures J, N, O, and P).

Next, we briefly describe organisational culture of each group.

Venture A has, for the most part, been cooperating with its foreign partner. The organisation's CEO worked in the foreign parent for many years and he has organised the venture's work along similar lines to that of the foreign parent. The Russian parent has not participated in the venture's operations. The venture's employees do not have to strictly follow a dress code. The atmosphere in the Head Office is more relaxed. The CEO involves the managers in the decision-making process. Venture A organises

regular trainings for its employees. Also, the main values that Venture A states are almost identical to those of its foreign parent.

Ventures E and L both claimed that their organisational culture is very similar to that of the Russian parent. Both ventures scored highly in rule and goal oriented culture. From the interviews, the ventures and the Russian parent were found to have the same CEO. Their organisational culture can be described as autocratic, where the CEO makes all the main decisions. The Russian parent in these ventures holds all the managerial control. These ventures are operating similarly to the Russian partners. Although Venture E also has a few managers from the foreign parent, they do not have any power in the decision-making process. Both ventures place a lot of emphasis on employees, their career, and salaries. These ventures have also adopted a market oriented approach to meet customer needs. However, at the same time they follow strict rules and guidelines to meet these requirements.

Most managers from Group 3 described the organisational culture in their ventures as a mixture, or hybrid, of the Russian and foreign parents' cultures. These ventures have many similar characteristics. For example, both parent companies have their senior managers in the venture. The managers have almost equal power in the decision-making process. They make all major decisions at a high level while the rest of the employees are involved in making small decisions. Most ventures adopted their structure and the decision-making from the foreign parent, whereas operational and technical control came from the Russian company.

### Partners' Cultures

Table 8.4 below summarises the data gathered from the interviews which is related to the differences between partners and the IJVs. The ventures from Group 3 can be seen to have better developed communication processes. Their parent companies constantly cooperate and involve the IJV's managers in the cooperation process. So, most managers from this group were able to provide better information about parent companies.

**Table 8.4: Differences in Organisational Cultures for the Group 3**

<b>Differences</b>	<b>Russian Parent</b>	<b>Foreign Parent</b>	<b>IJV</b>
<b><i>VENTURE A</i></b>			
<i>Size of company</i>	Large organisation	Large organisation	Small firm
<i>Organisational structure</i>	Large, hierarchical structure	Small, flat structure	Flat structure
<i>Financial and accounting documentation</i>	N/A	The managers expect the IJV to prepare all accounting and financial documents according to their standards	The managers follow the standards that are described in the Russian legislation
<i>Participation in the venture's work</i>	Not participated	Participated in the venture's development and daily work	The CEO had been working in the foreign parent for many years. The foreign partner makes all the main decisions about the venture's strategic development. The employees have regular trainings with the foreign partner
<i>Communication style</i>	Formal	Informal	Informal
<i>Information sharing</i>	Difficult to get information. The IJV's CEO has to get permission from the top managers in order to receive necessary information	Easy to receive information from any department	High information sharing
<b><i>VENTURE E</i></b>			
<i>Roles in the organisational structure</i>	The CEO of the Russian partner also manages the IJV	Overlapping of work responsibilities is less likely	The CEO and a few managers also work in the Russian parent
<i>Management style</i>	Autocratic. The CEO makes all the major decisions	Consensual. Managers are relatives and they try to find an agreement	Autocratic. The CEO makes all the major decisions
<i>Type of relationships</i>	Professional relationships between managers and employees	Personal relationships. Managers tend to develop long-term personal contacts with people	Professional relationships between managers and employees

<i>Meaning of work and motivation</i>	“Working to live”. The main motivators for employees are salary, bonuses and career development	“Living to work”. Devotion to work and the company plays a big role	“Working to live”. The main motivators for employees are salary, bonuses and career development
<i>HR system</i>	Formal. All employees have a contract with the company. The contract states the cases when the company may fire an employee	Informal. The managers will not fire employees who have been working in the company for many years, even if an employee makes a large mistake	Formal. All employees have a contract with the company. The contract states when the company may fire an employee
<i>Expectations about payments</i>	All payments to contractors are made according to the rules of a contract	The managers pay more to their contractors if they think that the contractors did their work very accurately and honestly	All payments to contractors are made according to the rules of a contract
<i>Meetings style</i>	Meetings are usually placed to find a solution for existing problems or define the future plans. All meetings are formal	Meetings are less formal and they are placed for reaching consensus. Managers try to avoid confrontation	Mixed approach which combines the style of both partners
<i>Language barrier</i>	Managers speak Russian and some managers are fluent in English	Managers do not speak Russian and knowledge of English is limited	All communications and meetings usually take place in the Russian language. The foreign managers use interpreters. Two CEOs who work in the IJV use interpreters in their daily communications
<b>VENTURE J</b>			
<i>Organisational structure</i>	Large, hierarchical structure	Small, flat structure	Small, flat structure
<i>Decision-making style</i>	Autocratic. The CEO makes all the major decisions	Shared decision-making, voting	Shared decision-making, voting
<i>Product vs. market orientation</i>	Product oriented	Market oriented	Market oriented
<i>Information sharing</i>	Low information sharing. When managers want to get information from another department they always asked why they need it and what for	It is easy to get information from any department	High information sharing

<i>Speed of planning</i>	Slow	Slow	Fast
<i>Communication style</i>	Formal	Informal	Informal
<i>Managerial experience and educational background of managers</i>	Most managers have administrative experience and an education in engineering	The managers have good managerial experience and qualifications	The managers are younger than their colleagues from the parent companies. They have good educational background and qualifications. Their managerial experience is smaller than that of their foreign colleagues
<b>VENTURE N</b>			
<i>Size of the company</i>	Large company	MSE	MSE
<i>Organisational structure</i>	Large, hierarchical structure	Small, flat structure	Large, hierarchical structure
<i>Roles in the organisational structure</i>	The CEO also manages the IJV	Overlapping of work responsibilities is less likely	The CEO works in the Russian parent
<i>Decision-making style</i>	Autocratic. The CEO makes all the major decisions	Shared decision-making	Autocratic
<i>Speed of decision-making and planning</i>	Slow	Fast	Fast
<i>Company's image</i>	The company pays a lot of attention to its image	The company has not been working on its image	The IJV began creating an image. The CFO is fully responsible for it. Many things have been copying from the Russian parent
<i>Language barrier</i>	Some managers are fluent in English and German but they do not speak the language of their foreign parent	The managers do not speak Russian/German. Their knowledge of English is limited. They usually contact the venture's CFO who translates all of their messages to the Russian parent	Most meetings take place in Russia in the Russian language. The foreign managers use interpreters

<b>VENTURE L</b>			
<i>Size of the company</i>	Small	Large	Small
<i>Roles in the organisational structure</i>	The CEO also manages the venture	Overlapping of roles is less likely	The IJV and the Russian parent have the same CEO
<i>Type of relationships</i>	Personal relationships. Many employees are family members and close friends	Personal relationships. Many employees are family members	Professional relationships
<i>HR system</i>	Partially informal. The company employs only very close friends and members of the family	Informal. Almost all employees in the company are family members and relatives. The company recruits new workers from among their friends and relatives	HR system is formalised
<b>VENTURE P</b>			
<i>Size of the company</i>	Small	Small	MSE
<i>Style of work</i>	Individual orientation. People cannot work in a team	The team-work is developed better	Everyone tries to get a better result for him/herself. The employees cannot work well in a team
<i>Feedback system</i>	There is no feedback system	Well developed feedback system between managers and engineers	The venture uses a feedback system similar to its foreign parent
<b>VENTURE O</b>			
<i>Size of the company</i>	Small	MSE	Small
<i>Quality issues</i>	Quality issues play a very big role	The firm uses additional inspections to guarantee the best quality	The engineers in the venture think that their foreign colleagues are too pedantic and behave like prison wardens
<i>Approaches to the deadlines</i>	The employees often break the deadlines	If the employees break the deadline, they loose bonuses. The engineers usually submit projects on time	Although the bonus system is similar to the foreign parents, the engineers sometimes break the deadlines
<i>Communication style</i>	Informal	Formal	Informal



As can be seen from Table 8.4, all of these IJVs mainly have many differences with only one of the partners.

### Group 3 – Perceptions of IJV Success

In equity-based IJVs both parent companies have similar levels of control; however, in order to achieve their strategic objectives they may compete with each other (Kogut, 1989). Consequently, cooperation between partners tends to become more difficult in these equity ventures.

All managers from Group 3 claimed that their ventures are successful companies. As can be seen from Table 8.4, the parent companies have many differences in organisational cultures; however, these differences did not lead to conflicts. None of the managers reported conflicts between parent companies and the venture. Many managers mentioned that both partners have developed mutual trust and their relationships are smooth.

### Summary for Group 3

The IJVs in Group 3 fell into three categories.

The first category includes Venture A. The manager of the Venture A reported that the company has an organisational culture similar to that of the foreign parent. The foreign parent introduced its marketing and operations management to the venture. It also organises training for the employees. So the foreign partner holds the main control in the Venture A. This finding suggests that in equity IJVs the partner who contributes more to the venture's work will be able to gain more control. This also confirms the previous findings that recommended that organisational culture in the venture will be more similar to that of the partner with the highest level of control. Interestingly, the CEO of Venture A received the highest scores in change values. This finding is similar to the ventures from Group 1. In the IJVs in Russia it seems that successful adoption of a foreign culture may be possible if the CEO of the venture shares similar values with its foreign parent.

The second category includes Ventures E and L, which have both adopted the values and vision of the Russian parent. In both ventures the CEO is the same as that of the Russian parent company. The CEOs of Ventures E and L have the main power in the decision-making and, consequently, both companies have an autocratic management style. Although two of the managers in Venture E came from the foreign parent, they are not able to exercise their power. This finding suggests that it is difficult for a foreign parent to implement its own managerial control in a company with such a different structure.

The rest of the ventures (i.e. Ventures J, N, O, and P) fall into the third category. These ventures have a hybrid culture and have adopted the managerial style and operational processes from both partners; for example: they employ senior managers from both parent companies, they have similar powers in decision-making, and the operational routines and technologies expertise have equal contributions from the partners. All of the managers from these ventures claimed that both parent companies contribute equally in the venture's daily work and development.

Table 8.4 above shows that while the ventures and parent companies from Group 3 have many differences in their organisational cultures, all of the managers claimed that their partners have developed mutual trust. This has helped them to achieve shared understanding and smooth cooperation between parents and the ventures. Also, when the researcher asked the managers if organisational culture plays an important role in the venture success, almost all of the managers answered that the role of trust is bigger. This finding suggests that in Russia trust between partners smoothes differences in organisational cultures and contributes towards better cooperation. Of course it is always possible that the managers may have under-reported the conflicts between the parent companies during the interviews. They could view conflict as a negative trait and, consequently, did not want to look or sound bad during the interview.

## 8.2 Summary

In this chapter results of quantitative and qualitative analysis were presented. Based on the interview data, all IJVs were divided into three groups depending on the partner's control. It was found that IJVs in Russia have adopted an organisational culture which is similar to that of the partner who has the highest level of control. So if the foreign organisation holds more than 50 % of the IJV, then it is likely that organisational culture in the venture will be more similar to that of the foreign partner. A partner in an IJV can also exercise control through operational management, human resources, and knowledge.

It was found in this research project that IJV success in Russia is positively associated with foreign influence and control. All IJVs with Russian control reported many conflicts between managers and experienced a negative performance. One of the main reasons for this has been found to be trust. The researcher recognises that trust is a very important characteristic and one of the major aspects that may influence IJV success.

The next chapter concludes this thesis, it will include a description of the contributions of this research.

# Chapter 9

## ***Conclusion***

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The main aim of this research project is to increase the understanding of how organisational culture influences IJV success in an emerging economy context, with a particular focus on IJVs in Russia. This final chapter considers the aims and objectives of this thesis, answers research questions, and offers some conclusions and contributions to current understanding (including theoretical and managerial implications). Recommendations are also made for future research.

### **9.1 Context and Rationale**

The main purpose of this thesis is to understand the contribution and limitations of recent theories of organisational culture, and how they explain the role of culture in IJVs. This thesis considers emerging economies, and Russia in particular, in order to develop the understanding of institutional voids and their influence on organisational culture.

Chapter 1 of this thesis is introductory. It explains the impetus of the research, states the research aims and objectives, and presents a structure and organisation for the thesis.

Chapter 2 looks at strategic alliances and IJVs, types of strategic alliances, motives of alliance formation, and different factors which influence alliance success. Strategic alliances have become popular in the modern business; however, despite their popularity and the growing number of strategic alliances, more than a half of these alliances fail. The literature review presents Mohr and Spekman's (1994) model, summarises the main attributes of partnership success, and describes the main measures of alliance success. This thesis uses a satisfaction measure of performance, where performance was operationalised as the extent to which senior managers of the IJVs agreed that their ventures are successful companies and both partners have achieved their strategic objectives. This measure helps to discover any of the relationships issues of IJVs.

Chapter 3 looks at organisational culture and its role in IJV success. The literature review shows that many researchers argue about the importance of culture and cultural “fit” in IJVs, but they do not explain “how” important it is and to what extent both partners need to have similar cultures.

The literature review demonstrates a lack of consensus on the meaning of culture. The perspective taken by the researcher is that organisational culture is something the organisation “is”. Values and practices are generally perceived as the most important elements of organisational culture. Values are the core of national culture. It is important to take account of values in respect of IJVs where at least two partners come from different countries. Practices are the main element of organisational culture because at an organisational level cultural differences reside mostly in practices (Hofstede, 1991).

Chapter 3 discusses the concepts of values and practices, different value and practice frameworks, and their main advantages and limitations. This research adopts a modified Schwartz value scheme to measure managerial values and the organisational practices model of Van Muijen et al. (1999). Finally, Chapter 3 ends with a presentation of the conceptual framework.

Chapter 4 defines emerging and transition economies, and it reviews the previous literature on Russian culture and economy. The main purpose of this chapter is to introduce the problem of institutional voids and explain how institutional voids in ECs may influence organisational culture. The literature review notes that although emphasis is placed on the match between IJV partners and their organisational cultures, this relationship has not been well explained (especially within the context of emerging economies and Russia). Chapter 4 discusses the national culture of Russia, its cultural values, as well as the institutional voids and managerial practices, and focuses the research aims on Russian IJVs.

Chapter 5 considers the research questions, objectives, and methodology. The literature review leads to a suggestion that organisational culture difference is the main factor that influences IJV success or dissolution. Therefore, the research project was designed to explore the following questions:

1. What is the type of organisational culture of IJVs in Russia?
  - a. What are the managerial values in Russia?
  - b. What are the managerial practices?
2. Do successful and unsuccessful IJVs in Russia have different organisational cultures?
3. What are the main organisational culture differences between IJVs in Russia and their partners?
4. Do organisational culture differences influence IJV success?
5. What is a better cultural fit for IJVs in Russia?

In order to investigate all of these issues two research approaches were selected – quantitative and qualitative. Both approaches are used in cultural research and in this study the quantitative data has led to a greater focus for the qualitative interviews that were conducted. The research sample included 17 IJVs in Russia. Interviews were conducted with 19 senior managers from the 17 IJVs. Two questionnaires were completed by 27 senior managers. The chapter also discussed reliability, validity, triangulation and ethical issues.

Chapter 6 presents the data and analysis of questionnaires. Senior managers of 17 IJVs completed two questionnaires which aimed to collect information about managerial values and practices. The first questionnaire uses a modified Schwartz's value scheme and the second questionnaire uses the practices model of Van Muijen et al. (1999). Hierarchical cluster analysis with simple average calculations was applied to data from both questionnaires. The results show that tradition values and rule oriented culture receive the highest scores from most respondents.

Chapter 7 presents the cases which resulted from interviews with the 17 IJVs that took place in Russia. The cases are based on interview data with 19 senior managers. Each case is supplemented with a brief analysis.

Chapter 8 provides analysis and contrast of findings from the case studies and questionnaires to understand the role of organisational culture differences in IJV success.

## 9.2 Research Findings and Discussion

This study helps to develop a better understanding of the influence of organisational culture on partnership success or dissolution. The case studies provide deep insights into organisational culture and daily work of IJVs in Russia. The questionnaires help to gather additional information about managerial values and practices, which are the central aspects of organisational culture. Although the findings are specific to 17 organisations, there were commonalities between IJVs and a number of important points are observed. This section is going to discuss the main findings and answers to the research questions.

### 9.2.1 Profile of the Sample

The sample consists of 17 IJVs. Overall, 19 senior managers were interviewed from these ventures and questionnaires were collected from 27 senior managers. The sample included top managers who participated in the venture strategic development. One significant observation of the sample is the high percentage of females amongst the senior managers in Russia: 37 % of interviewed managers and 48 % of the senior managers who completed questionnaires were females. The current study did not find interdependence between the large number of females and managerial values and practices. Although, the researcher analyses female and male responses individually, there are no substantial differences. Although the literature review does not highlight a large number of senior women executives in Russia, this fact may have a great impact on organisational culture in Russian companies.

At 42 %, Russia has the world's second highest proportion of women in senior management roles (Grant Thornton IBR, 2009).<sup>\*</sup> Extensive previous research on women executives (e.g. Rosener, 1990; Karau and Eagly, 1999; Lyness and Thompson, 2000; Van Vianen and Fischer, 2002) shows that women and men have different approaches to management. For instance, women encourage greater collaboration (Rosener, 1990; Van Vianen and Fischer, 2002) and have more

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<sup>\*</sup> Global average is 24 % of females in senior management (e.g. Poland – 32 %, Germany – 17 %, Denmark – 13 %, and Japan – 7 %).



consultative-decision making processes (Rosener, 1990). Women are believed to discourage competitive behaviour in an organisation as they are not interested in claiming individual achievement (Van Vianen and Fischer, 2002). Their interest is found to lie in producing the best outcome. They are more interested in encouraging and motivating staff than exercising their own power (Rosener, 1990).

The interaction effect of gender, and managerial values and practices was not found in this study. Nevertheless, this is an issue that needs to be addressed further in future research which needs to look closer at the values of women executives in Russia and their influence on organisational culture.

### ***9.2.2 Research Questions***

#### ***1. What is the type of organisational culture of IJVs in Russia?***

- a. What are the managerial values in Russia?***
- b. What are the managerial practices?***

#### ***Values of the Senior Managers in IJVs in Russia***

A modified version of the Schwartz values survey, which consisted of 12 values, was given to the research sample (ranking them in order of importance). Chapter 6 discusses the results of the quantitative analysis which was conducted in this study. The cluster analysis that was conducted as part of this research project found that the three values which received the highest ranks from the managers were family security, honouring parents, and curiosity. These values can be good indicators of economic, political, and cultural conditions in a society (Rokeach, 1973; Hofstede, 1991).

The value of family security is ranked highest by the total sample. This result may be interpreted as the result of some difficulties with a lower standard of living in Russia. Russia experiences high inflation rates as a result of increases in prices and the overall cost of living, while incomes have remained relatively low. These findings are supported by statistics; for example, the inflation rate in Russia was last reported at 8.8 % in December of 2010. From 1991 until 2010, the average inflation rate in

Russia was 175.36 % reaching a historical high of 2333.30 % in December of 1992 and a record low of 5.50 % in July of 2010. The inflation rate refers to a general rise in prices as measured against a standard level of purchasing power (Trading Economics, 2011).

Another factor that could explain the dominance of security values is the lack of free speech and mass media in Russia. An ineffective judiciary, a high level of corruption, and bureaucratic courts make it difficult to bring legal action against anybody (Savov, 2007; Khanna and Palepu, 2007). Many newspapers and TV channels are controlled by the government, and it is hard to speak or publish any information that is disliked by the government. In another example, the government puts many limitations on organised strikes. These factors go some way to explaining why the security value is placed in the first rank by Russian managers.

The other value that is identified as important to senior managers in the sample is curiosity. There are at least two factors that may explain this result. The first factor is both political and historical: from 1869 higher education has been accessible for all people in Russia, including females. In 1925 the Soviet government proclaimed free compulsory primary education. Students and pupils with high marks had better work opportunities. They were also paid higher levels of grant. The second factor is economic. In an unstable Russian economy people with a good education tend to more easily find work and they have better opportunities for a successful career.

Finally, honouring parents and elders value is given a high ranking by senior managers. This value can be an indicator of the Russian culture because the main factors that influence the choice of this value include religion and education.

#### *Practices of the Senior Managers in IJVs in Russia*

This research uses a modified model of Van Muijen et al. (1999) to measure managerial practices. This model includes 21 questions which are related to different types of organisational culture: support orientation, innovation orientation, rules orientation, and goal orientation. From the literature review it was found that cultural values impact human behaviour and determine what leadership dimensions the

managers are likely to choose. Traditional values are adjacent to power and are consistent with rule oriented culture (Smith et al., 2009; Kozan, 2002). In the current research, all of the questions from the rule orientation category received the highest scores from the senior managers. Rule oriented culture demonstrates respect for authority, rationality of procedures, and division of work. The structure of organisations with rule oriented culture is hierarchical, and communication is written and top-down. The top managers are usually directive and tell their subordinates what to do (Bitici et al., 2004). This finding is fully consistent with the literature review (e.g. Kets de Vries, 2000; McCarthy et al., 2005) which found that Russian managers are administrators and have an autocratic style of leadership. Furthermore, the findings show that managerial practices as well as values may be indicators of economic, cultural, and political situations in the country.

The first aspect that supports this view is the role of authority and power of leaders in Russian history. Part of the Russian culture is that people accept authority. Russia has been an autocratic country for more than 300 years. The findings show that many organisations in Russia still have large hierarchical structures where power is centralised at the top in the figure of a CEO who makes all of the major decisions. The CEO's delegate decisions to low-level managers and subordinates for implementation. Employees in the companies are generally unwilling to question decisions that are made by the CEO. This may repress the development of the IJVs because employees cannot freely express their ideas.

The second aspect shows political and economic influence over organisational practices. Russia is planning to enter into the World Trade Organisation (WTO). In order to meet the standards of WTO it has introduced the ISO's Quality Management Systems into Russian business organisations. Russian companies now have to follow specific rules and procedures to receive ISO certificates. For example, managers have to write down all instructions. This can explain why some responses of the second questionnaire contradict some of the interview answers.

## Organisational Culture in IJVs in Russia

Overall, it may be concluded from the questionnaires that most IJVs in Russia have a rule oriented culture. However, the interview data suggests that organisational culture in many IJVs does not conform to the main characteristics of rule oriented culture.

The findings show that there are obvious differences in organisational cultures between three types of IJVs:

1. IJVs where a foreign company holds more than 50 % of stake;
2. IJVs where a Russian company holds more than 50 % of stake;
3. Equity-based IJVs.

The first group has an organisational culture similar to that of their foreign partner. The majority of senior managers from this group gave highest priority to change and egoistic values. These ventures have a less formal culture than other organisations with an open information system and low power distance. The structure of the companies is small and flat with shared decision-making.

Most companies from the second group have a rule-oriented organisational culture. The managers from these ventures rank tradition values high. Almost all IJVs have a large hierarchical structure where the CEO makes all of the major decisions.

The third group includes IJVs with different organisational cultures. One of the ventures has adopted its culture from the foreign partner, the organisational culture of one venture is similar to that of the Russian partner, and several ventures have a mixed or hybrid culture where some work practices were adopted from the foreign parent and some processes are identical to the Russian partner.

## ***2. Do successful and unsuccessful IJVs in Russia have different organisational cultures?***

In order to investigate the role of organisational culture differences in IJV performance two types of IJVs were selected – successful and unsuccessful. Chapter

3 describes that this study uses the subjective opinion of the senior managers to measure IJV performance. Managerial values and practices in both groups were investigated in order to determine whether successful and unsuccessful IJVs in Russia have similar or different values and practices and identify values and practices associated with successful IJVs.

As previously mentioned, the senior managers of all equity-based IJVs held positive impressions about the performance of their companies. Almost all of the IJVs with foreign control described themselves as successful organisations. The group of successful IJVs includes 11 companies (Ventures A, E, G, H, J, L, M, N, O, P, and Q). Most IJVs that held negative impression about their performance (i.e. Ventures B, C, D, F, K, and R) are ventures with Russian control.

Most managers from the unsuccessful IJVs gave the highest priority to values of tradition and rule oriented culture. They have similar organisational cultures to those of the Russian partner. The Russian partner holds the majority control in most of these companies. Half the unsuccessful IJVs were described as autocratic organisations. CEOs of these organisations hold the highest managerial role in the Russian partnership and IJV. They make all of the decisions and deliver them to subordinates who implement them.

Many senior managers from successful IJVs showed highest scores in change and egoistic values. Only one company from this group was described as an autocratic organisation with the power concentrated at the top. Most successful IJVs have either an organisational culture similar to that of their Western partners or a hybrid culture adopted from both partners.

### ***3. What are the main organisational culture differences between IJVs in Russia and their partners?***

Chapter 8 presents the tables that state the main differences between IJVs and their partners. All of the information about differences was derived from the interviews with senior managers. Many IJVs described various differences related to the size of

the companies and the speed of work. For instance, large companies are slower at planning and decision-making than small firms. Also, differences in communication style and language barrier were mentioned. This section describes the main and most important differences: organisational structure, decision-making style, and short-term vs. long-term planning. These differences are highlighted as the most important for two reasons. Firstly, the literature review indicates that these differences play a very important role (e.g. Fey and Bjorkman, 2001; Ennew et al., 2000; Kets de Vries, 2000; McCarthy et al., 2005). Secondly, from the interviews with managers, these differences between IJVs and the partners are found to be the most widespread in Russia and can be crucial in a company's performance.

### Organisational Structure

The interviews revealed that organisational structure is one of the most common differences between the Russian and foreign partners, and an IJV. Interviews with the senior managers confirmed the results of the literature review which states that many Russian companies have a high level of centralisation, a large hierarchical structure with high power distance between the top managers and subordinates, a high level of formalisation, and low information sharing between departments (e.g. Fey and Bjorkman, 2001; Ennew et al., 2000; Kets de Vries, 2000; McCarthy et al., 2005). The majority of foreign partners have a small flat structure with a low level of centralisation and transparent system with high information sharing.

### Decision-making Style

The different structures cause large differences in decision-making styles. Many Russian CEOs make all of the decisions without consulting subordinates (Kets de Vries, 2000). The interviewees suggest that employees in Russian companies do not question the decisions of the CEO. The CEOs in many Russian partners make all the major decisions. Most foreign partners have a shared decision-making process of some kind following mainstream management training and education literature.

### Short-term vs. Long-term Planning

The interviews revealed that short-term planning is one of the main features of IJVs in Russia. The preference for security values may explain managerial short-term orientation. Most companies put emphasis on the present and the managers are not oriented towards long-term strategic development. This can explain why so many Russian IJVs do not seem to have clear objectives and goals. This organisational practice is an indicator of the quickly changing social and economic environment in Russia which stimulates a short-term view.

#### ***4. Do organisational culture differences influence IJV success?***

The findings show that similarity in the parent firms' organisational culture is not essential for IJV success in Russia, and many successful IJVs in Russia have parent companies with different organisational cultures. These differences are not seen to create conflicts between partners and their senior managers reported that their IJVs have good performance. On the other hand, differences and similarities between the organisational cultures of IJV and its parents do appear to influence the venture's performance.

Similarity in the organisational culture of the foreign partner and IJV is found to be important when the foreign company holds the majority of control in IJV. Most of the Russian IJVs where the foreign partner has control have excellent performance.

Similarity in the organisational cultures of the Russian parent and the IJV is not found to be an indicator of IJV positive performance. One explanation for this is related to the organisational culture of the Russian partners, many of whom are controlled by the state. These are large companies, with a vertical structure and centralised decision-making. Information sharing in these companies is weak. The Russian partners are production-oriented rather than market-oriented. Strategic planning is not developed in the organisations. The interviews in this study have revealed that these companies do not have explicit, or even implicit, mission statements. Many of their reported goals and objectives speak about an increase in production. The other determinant is

related to trust. Low levels of information sharing, transparency, and trust can create additional conflicts between managers and subordinates that negatively influence performance. In IJVs with Russian control, the foreign partner is not empowered to make decisions and bring change to the IJVs. Most of these ventures operate in a similar way to their Russian parent. When an IJV in Russia adopts an organisational culture similar to that of its Russian partner, it transfers similar work practices (e.g. short-term orientation and low level of trust) which can result in a less positive performance.

Strategic goals and organisational objectives are better determined in IJVs which adopt the organisational culture of their foreign parent, or which use an organisational culture which is similar to a foreign partner (i.e. a hybrid culture in the equity IJVs). These ventures are more likely to have clear strategic directions and market-orientation. The foreign partners often introduce marketing, strategic management, and financial analysis to the ventures. The Russian partners mainly contribute with employees, operational management, and knowledge of the Russian business environment. Most of these IJVs have small flat structures and shared decision-making. The work processes and communication between venture managers and partners are organised more effectively in these IJVs. The result is that these ventures have a better performance.

##### ***5. What is better cultural fit for IJVs in Russia?***

The current research project included IJVs with organisations from different countries (i.e. America, Europe, and Asia). The results show that IJVs that have an organisational culture more similar to that of their foreign partner have a better performance. Consequently, it is important for foreign organisations to create an organisational culture in a Russian venture which is similar to their own. It is more likely that IJVs will adopt foreign culture if a foreign organisation has a major control in the venture. There can be many ways to exercise control in the IJV; for instance, through management, technologies, and know-how. This study shows that there is a large group of managers who share non-tradition values (i.e. change values and egoistic values) which are more similar to those of Western societies. A foreign



partner may try to recruit managers whose values are more similar to that of Western societies, thereby minimising the level of conflict between managers and helping to develop an organisational culture in the IJV which is similar to that of the Western partner.

### **9.3 Key Findings and Contributions to Theory**

The major contribution of this thesis is related to managerial values and practices, and the role of organisational culture in IJV success or dissolution.

Some of the key findings of this research are:

- Managerial values and practices are good indicators of current political, economic, and social conditions in Russia;
- Senior managers in IJVs in Russia show differences not only in practices but in values too; and,
- Tradition and openness to change values are congruous.

Cultural values represent the most fundamental elements of an individual's culture and personality (Hofstede, 1991). They help people to compose perceptions and attitudes (Rokeach, 1973). Information about the cultural values of managers can help in understanding and explaining managerial behaviour or practices (Fritzsche and Oz, 2007). One of the main objectives of this research was to explore the values and practices of senior managers in the IJVs in Russia. This study uses a Russian context and contributes to understanding managerial values and practices, it also contributes to our understanding of the source of these values and practices.

The findings show that political, economic, and social trends in Russia have a significant impact on managerial values and, therefore, political and economic changes can reshape managerial values. Schwartz et al. (2001) sought to find universal values that have the same meaning for all societies. The values proposed by Schwarz do not offer universal application in all environments and depend to a large

extent on traditional views of culture and business behaviour which are adopted by more developed business cultures and, perhaps, within the confines of scholarly research in that environment. In a transitional Russian environment these values have a different meaning because of a quickly changing economic, political, and social situation.

Managerial practices similar to values are also seen to be influenced by political and economic trends. Therefore, the question is whether these values can be a good measure of organisational culture. For instance, the interviews illustrated that many of the organisations that gave highest priority to rule oriented practices are not consistent with the definition of rule oriented culture given by Van Muijen et al. (1999). One of the CEOs explained that he gave high scores to rule oriented culture only because some work practices are currently required by the ISO standards. Consequently, the political and legal aspects dictate the values to be adopted, and these may differ as a result of history, tradition, and political systems.

Hofstede (1991) was one of the first researchers to notice that cultural differences at an organisational level reside mostly in practices and less in values. Therefore, many researchers have studied organisational culture within a given society through the measurement of organisational practices and not values (e.g. Van de Berg and Wilderom, 2004). This research suggests that organisational values are in fact mainly determined by the dominant values within a country – in this study, Russia.

The results of this research project has highlighted that people's values may be very different within one country. Most of the managers in this study gave a high priority to tradition values. Nevertheless, there is a group of managers who show high scores in change and egoistic values. This suggests a learning, or imitational, aspect to values in the Russian business environment.

This research helps to explain collectivistic cultures. Schwartz et al. (2001) contends that his tradition dimension corresponds to the collectivism dimension of Hofstede (1991), and some literature suggests that Russia is a collectivistic society (e.g. Elenkov, 1997; 1998). Collectivistic societies are characterised by team-working, long-term social relationships, avoiding conflicts, and high organisational

commitment (Hofstede, 1991; Kozan, 2002). For example, people in collectivistic societies identify themselves with the group and, therefore, workers from collectivistic cultures are more involved and identified with their workplace (Hofstede, 1991). People are more likely to work together to increase efficiency in collectivistic countries. Collectivism shows people's ability to work in a team at an organisational level, it also shows that they prefer to avoid conflicts in decision-making (Kozan, 2002). Collectivistic societies perceive the workplace as more than a source of income, they see it rather a place where social ties are widened. The collective creates a paternalistic organisation and support culture (Hofstede, 1991).

Nevertheless, the findings of this research show that Russian IJVs gave the lowest scores to support culture. Many respondents in the interviews made comments which, to varying degrees, showed an individualistic approach. Some managers mentioned that team-working is bad and not effective in their companies. The senior managers explained that team-working is weak due to the individual approach of each team member. Competition between employees, rewards for the best performing employees and managers, career and salary orientation, and low organisational commitment were all described by the senior managers. It can be argued that a conflict avoiding style is absent in Russia. For example, Russian history with many wars, conflicts, and internal confrontations shows that the conflict decision-making style has frequently been used over the years. Furthermore, although collectivistic cultures typically value a long term orientation (Hofstede, 1991), the interview responses showed that a short-term orientation is dominant in many organisations in Russia. The interviews indicate that the collectivistic characteristic of Russian society can be called in question and may offer some explanation for Russian managerial values.

Collectivism in Russia is perhaps different from the collectivism in Asian societies. Collectivism in Russia may have links to the political and economic environment as human values are related to the socio-economic trends. A possible explanation is related to the political ideology of collectivism. Russia had experienced substantial Western influence before the time of the USSR. Both the autocratic power of tsars and the recent communist regime created a collectivistic political and economic ideology. Ralston et al. (2008) identify Russia as a country where economic ideology is more collectivistically-oriented while the national culture is more individualistically-

oriented (Ralston et al, 2008). Russia contrasts with China from a socio-cultural perspective, and with the USA from an economic and ideological point of view (see Figure 9.1).

**Figure 9.1:** Countries Classification According to National Culture, Economic and Political Ideology

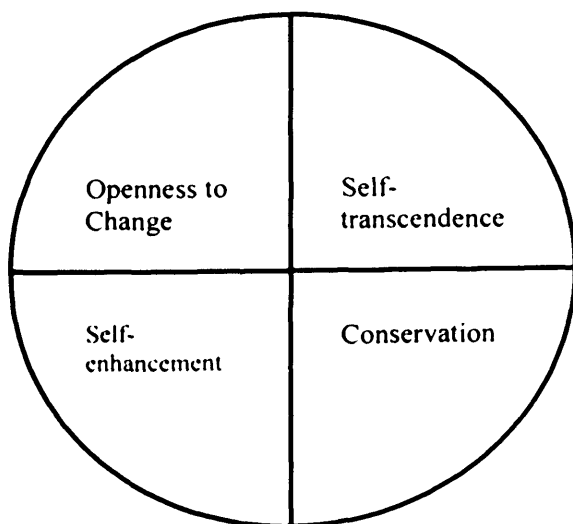
		Culture	
		Western	Eastern
Ideology	Capitalism	USA	Japan
	Socialism	Russia	China

**Source:** Ralston et al. 2008: 12

This research contributes to the understanding of the value model which was developed by Schwartz et al. (2001) (see Chapter 3). Schwartz et al. (2001) show a circular structure of relations among values (see Figure 9.2).

According to Schwartz et al. (2001: 521), openness to change values “*is likely to undermine preservation of tradition values*”. The circular structure portrays the relations among values, their conflict, and their congruity. The more distant the values are then the more antagonistic they will be.

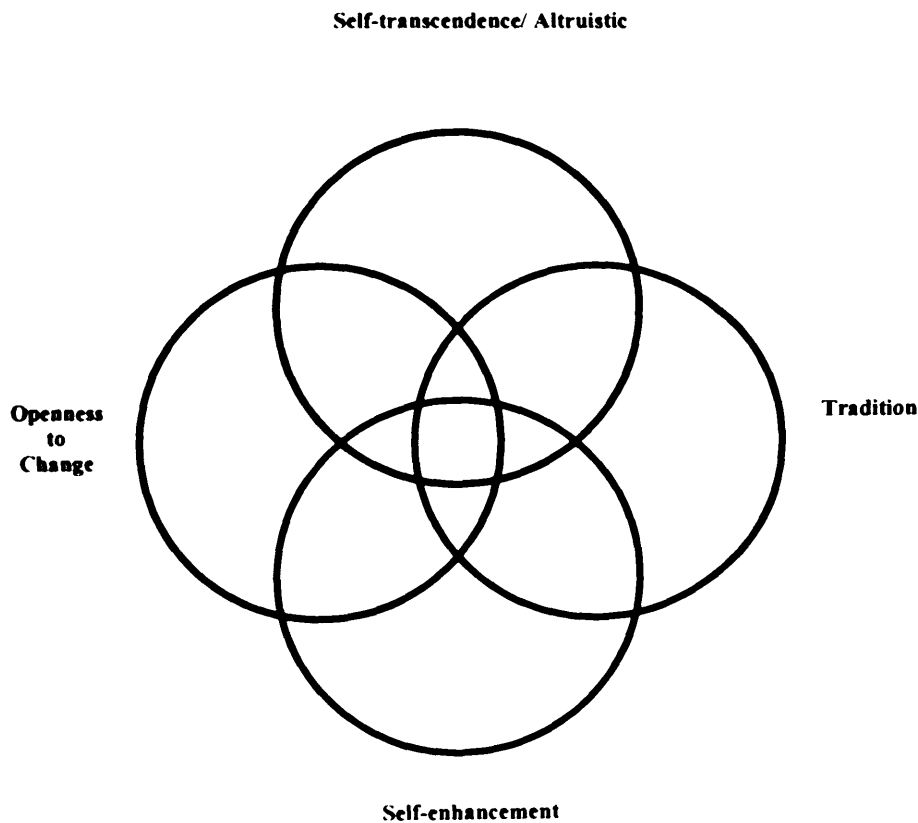
**Figure 9.2:** Theoretical Model of Structure of Relations Among Values



**Source:** Schwartz et al., 2001: 522

The quantitative part of this study (see Chapter 6) found that both conservation (tradition) and openness to change values received the highest scores from the senior managers. This shows that these values may also be congruent. Congruency of openness to change and traditional values may be a specific characteristic of Russian culture. It also suggests that the relationships between the four value domains may be different to that described by Schwartz et al. (2001). The relationships between value domains may not be circular where two domains are conflicting or congruent, but consistent (see Figure 9.3). Figure 9.3 shows four domains of cultural values where all domains are consistent. Consequently, the pursuit of any value does not conflict with the pursuit of the other value.

**Figure 9.3:** Value Construct: Four Domains



Some further findings of this research are:

- IJVs with foreign control adopt an organisational culture which is similar to their foreign partner;

- “Foreign” organisational culture in the IJVs in Russia is associated with IJV positive performance;
- IJVs with Russian control adopt organisational culture similar to their Russian partner;
- Russian organisational culture in IJVs in Russia is associated with IJV negative performance;
- Equity IJVs have a hybrid organisational culture which includes practices of both partners; and,
- Hybrid organisational culture is associated with IJV positive performance.

In non-equity IJVs in Russia a parent that has less control participates a little, or not at all, in the venture’s development. A partner who does not have power in the decision-making process does not participate in negotiations and meetings. Only one partner is usually committed to a venture in non-equity IJVs, and these IJVs operate as though they are a branch of its partner. A partner with major control brings to a venture a similar organisational structure, decision-making style, marketing skills, customer service, and planning. Partners with major control exercise managerial control through its own managers in an IJV, or organise regular training for managers. Consequently, the organisational culture of a non-equity IJV is more likely to become similar to that of a partner who holds major control.

The major contribution to theory of this research project relates to the commitment of both partners in IJVs. A high level of commitment can help partners to achieve their objectives and avoid conflicts (Mohr and Spekman, 1994; Zaman and Mavondo, 2007), but this study shows that in non-equity IJVs a low level of commitment from one of the partners does not lead to conflict or low performance.

This study shows that IJVs with a “foreign” organisational culture have a positive performance, whereas IJVs that have an organisational culture similar to the Russian partner have a negative attitude about their success. This finding disagrees with the studies of Beamish (1984) on IJVs in ECs which finds that dominant control by foreign organisations in IJVs was negatively related to performance in ECs; and when local partners dominate ventures, no such relationship is found. The current study

examines IJVs in Russia and indicates opposite findings: foreign organisations with more control in IJVs transfer organisational culture in a company similar to their own. Similarity of organisational cultures between IJV and a foreign parent is positively associated with IJV success.

Most non-equity IJVs with Russian control adopted an organisational culture similar to that of their Russian partner. These IJVs were described as unsuccessful by their senior managers. Although organisational cultures of IJVs and the Russian partners are similar, the managers reported conflicts and negative performance. The main reasons for this are the lack of effective strategic planning in organisations, a production-oriented instead of a market-oriented approach in these companies, and the Russian partner has transferred its centralised decision-making in most of these IJVs. A plausible explanation for this may be that some managerial practices are crucial for successful collaboration.

The equity IJVs in Russia usually have a hybrid organisational culture which is adopted from that of both the partners. In the interviews, all of the executives of these IJVs expressed certainty of a positive performance of their companies. One of the main contributions made by the foreign parent in the equity IJVs in Russia is a strategic long-term approach to the organisational development. This factor may help the company to achieve better performance. One of the major implications for practitioners is, therefore, that a foreign partner should introduce its strategic management perspective to an IJV.

A further important finding of this research is that trust is one of the most important aspects of IJV success in Russia. In the interviews, most of the top managers referred to trust as one of the most important factors which influences IJV success or dissolution. Managers felt that when both partners and a venture have a high level of trust then such factors as commitment, communication behaviour, and conflict resolution techniques become less important. When partners trust each other, they are less likely to question plans and actions. A low level of trust exists in Russian organisations, which is highlighted by the fact that all of the senior managers when asked if they minded the use of a tape recorder during interviews rejected it outright.

## 9.4 Limitations

This study has several limitations.

The first limitation is related to the sample. The interviews with the senior managers of the IJV were essential as they make the major decisions about a venture's work and development. The senior managers have busy schedules and arranging a 1, or a 2 hour interview takes a long time. Large distances between cities in Russia, and the travel requirements, made the time limit even more problematic. A larger sample of IJVs in Russia would have been preferable, but the time limit of a thesis and the difficulty of obtaining the agreement of Russian based senior managers for interview necessarily restricted the research to a small sample.

The comparison of organisational cultures of IJV in Russia would have been aided by interviews with the top managers of both parent companies. Again, time and availability were a significant hurdle, as was the widely spread geographical locations of parent companies.

This research was limited to one country – Russia. Consequently, the findings have limited external validity because of the culturally specific character of the study.. Whilst generalisation of a case is important because this is how the case is able to contribute to theory, care should be exercised in attempting to draw generalisations from this research in respect of other geographical areas. The rigour with which a particular theory has been established depends on the number of cases that show replication (Rowley, 2002) although in some exceptional circumstances a single case can be used a powerful example (Siggelkow, 2007). Single cases can enable the creation of more complicated theories because the researcher can fit theory to the many details of a particular case. In contrast, by doing research in many countries a researcher can only apply those relationships replicated across all cases. The potential for more richly observed detail is available to a single case because there are fewer relationships and the resultant theory is often more generalisable (Eisenhardt and Graebner, 2007). Nevertheless, it would be valuable to explore the research questions



from this particular study in other emerging and transition economies. This would be a valuable topic for future research.

Finally, as Russia is still going through an extensive socioeconomic transition, further studies should be repeated at a later date in order to gauge the changing environmental, social, and political influences on business and society. A longitudinal study would offer a multidimensional view of evolving business practice, and the influence of more traditional capitalist business practices, in the context of IJV's and transition economies.

## **9.5 Implications and Recommendations**

The findings of the present study have raised a number of theoretical and practical implications. It has also produced a number of recommendations regarding organisational culture and its role in IJV performance.

This research recognises that organisational culture is an important factor which can influence IJV performance. It shows that similarity of organisational cultures between partner companies is not essential. This research highlights different situations in equity and non-equity IJVs in Russia, and the way they operate. Further research should distinguish between equity and non-equity IJVs.

Schwartz et al. (2001) have been thought to find universal value dimensions to measure culture; however, they have been successful only at certain level of the concept. This research highlights that in ECs with a turbulent environment, human values may be influenced by the current political, economical, and social environment. Many researchers have described Russia as collectivistic country with high uncertainty avoidance and high power distance (e.g. Elenkov, 1997, 1998; McCarthy et al., 2000). In this case, many Russian senior managers have characteristics of traditional orientation which is similar to the collectivistic dimension (Schwartz et al., 2001). Many IJVs in Russia also show high uncertainty avoidance by preferring short-term planning. However, in this study there is a group

of managers with different values and different leadership style. This case shows that cultural values and managerial practices must be studied not only at a national level but also at a local level.

In addition, this research used a mixed methodology to examine organisational culture in IJVs. The use of quantitative and qualitative methods helped to receive information about organisational culture that would have not been evident with the use of each methodology independently. A combination of qualitative and quantitative techniques uncovered different aspects of the organisational culture. Although the quantitative analysis identified managerial values and practices, the qualitative analysis helped to get at the underlying reasons for these. Thus, the use of mixed methods created a deeper understanding of the organisational culture.

This research has meaningful implications for both the managers of IJVs and the managers of partner companies. Interviews with the senior managers show that many managers think that organisational culture is something an organisation has. They see organisational culture through the set of written rules and regulations described in an organisational charter. Organisational culture is an important factor in IJV performance and a foreign partner may contribute a lot by providing the necessary training for managers and employees of IJVs, the training should include organisational culture as well as the different managerial styles and practices.

Foreign managers should take into account the different managerial practices of the managers in Russia as well as the influence of political, economical, and social environment on managerial style and behaviour. Many Russian managers have an autocratic style and they prefer to make all the major decisions without consulting their subordinates. However, this research shows that there are different cultural groups in Russia and many managers have cultural values similar to those in the West. In determining appropriate managerial practices and values, the IJV partners would benefit from pre-opening trainings by examining the culture of the region and the managers who are going to lead an IJV.

This research highlights the fact that foreign influence has a positive impact on IJVs in Russia. Foreign partners should try to create an organisational culture in an IJV

which is more similar to their own by providing the necessary training for managers and employees in the IJV, developing better communication processes inside a company, and introducing market-oriented strategies, production management, international finance, human resource management, and organisational development.

*"Leaders are the guardians of the culture of the organisation, the silent values, beliefs, and norms of behaviour that make the organisation unique. One of the central tasks is to create and maintain a corporate culture whose values support the organisation's central goals"* (Kets de Vries, 2000: 78). Many IJVs in Russia do not have clearly stated goals and values. Russian managers need to develop a vision – the primary reason for the venture's existence. They then need to educate their staff about what that vision is and why it is important. By sharing, communicating and reinforcing this vision to employees the managers will create a better group identity where everyone will feel involved in the process of IJV development.

Finally, many senior managers referred to trust as one of the most important factors in IJV success. In Russia, due to historical reasons, there is lack of trust within organisations. Low levels of trust between IJVs and partners can be a source of conflict and even IJV dissolution (Mohr and Spekman, 1994). Also, lack of trust stifles communication processes and information sharing (Lane et al., 2001), as well as planning and coordination (Simpson and Mayo, 1997). Building trust with the managers of an IJV is essential.

## **9.6 Further Research**

There are several topics for further research emerging from this thesis.

It is recommended that future research should include longitudinal studies that investigate organisational culture in IJVs over a period of time. This is because relationships may change between partners over time, and a learning process may occur.

A further study may consider using quantitative and qualitative methods, and include more IJVs in Russia and their parent companies. The scale of the study could be extended and include other transition economies in order to gain a more holistic picture of ECs. Repetition of the current study in other ECs may classify more common trends in IJVs in these economies.

This research domain could expand and use different value and practices models. The role of women executives and their influence on organisational culture in Russia could profitably be explored. Finally, trust is seen as a very important factor by the majority of senior managers in Russia, and future research should examine the role of trust in IJV performance in Russia or other transition economies.

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# Appendices

## Appendix 1: Letter to IJVs in Russia

Cardiff Business School  
Aberconway Building  
Colum Drive  
Cardiff, CF10 3EU  
United Kingdom

/DATE/

Dear [Mr./Mrs./Miss/Ms.....]

I am a PhD student at Cardiff University – one of the UK’s premier research institutions. I am conducting research about International Joint Ventures (IJVs) in Russia. The main issue of this research is to investigate how **differences in organisational cultures of IJV partners influence IJV success or failure**. There is a little information and research on organisational culture in IJVs in Russia. Your views and experience as the managers of IJVs are very important and will greatly contribute to this study.

I would be grateful if you or any of your colleagues could help me with my research. It would be a great help if you could fill in 2 questionnaires and send them back to [kobernyuke@cf.ac.uk](mailto:kobernyuke@cf.ac.uk) or by fax +7 3422 111111. It will take approximately 5-7 minutes of your time. The aim of these questionnaires is to examine values and practices of IJV managers. You can find questionnaires in the Word files which are attached below.

I would also greatly appreciate if you agree to give an interview and answer some questions about organisational culture of your IJV. If so, please indicate convenient dates and times.

**The information you provide is strictly confidential.** While your responses will be analysed for this study, your identity and the identity of the firm you represent will not be disclosed.

I would be pleased to offer you a summary of the results once it is completed, to thank you for helping with the research.

Thank you in advance for your help at this busy time.

Yours sincerely,  
Elena Kobernyuk  
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## Appendix 2: Questionnaire 1



This questionnaire represents 12 cultural values. Please rate how important each of these is as a guiding principle in YOUR life. Mark the appropriate box (use “x” or highlight a figure) according to the scale below.

1 – unimportant 2 – a little important 3 – of moderate importance 4 – quite important 5 – extremely important						
1	<b>A world at peace</b> (free of war and conflict)	1	2	3	4	5
2	<b>Social justice</b> (correcting injustice, care for the weak)	1	2	3	4	5
3	<b>Equality</b> (equal opportunity for all)	1	2	3	4	5
4	<b>A varied life</b> (filled with challenge, novelty, and change)	1	2	3	4	5
5	<b>An exciting life</b> (stimulating experiences)	1	2	3	4	5
6	<b>Curiosity</b> (interested in everything, exploring)	1	2	3	4	5
7	<b>Authority</b> (the right to lead or command)	1	2	3	4	5
8	<b>Influence</b> (having an impact on people and events)	1	2	3	4	5
9	<b>Wealth</b> (material possession, money)	1	2	3	4	5
10	<b>Honouring parents and elders</b> (showing respect)	1	2	3	4	5
11	<b>Family security</b> (safety for loved ones)	1	2	3	4	5
12	<b>Self-discipline</b> (self-restraint, resistance to temptation)	1	2	3	4	5

*Thank you very much for your cooperation!*

## Rules orientation

1 – never, 2 – seldom, 3 – sometimes, 4 – usually, 5 – always					
<i>How often...</i>	1	2	3	4	5
13. Are instructions written down?					
14. Are jobs performed according to defined procedures?	1	2	3	4	5
15. Does management follow the rules themselves?	1	2	3	4	5

## Goal orientation

1 – never, 2 – seldom, 3 – sometimes, 4 – usually, 5 – always					
<i>How often...</i>	1	2	3	4	5
16. Is competitiveness in relation to other organisations measured?					
17. Is individual appraisal directly related to the attainment of goals?	1	2	3	4	5
18. Does management specify the targets to be attained?	1	2	3	4	5
19. Is it clear how performance will be evaluated?	1	2	3	4	5
20. Are the hard criteria against which job performance is measured?	1	2	3	4	5
21. Is reward dependent on performance?	1	2	3	4	5

*How old are you?*

1. 25 years old or less
2. 26-35 years old
3. 36-45 years old
4. 46-55 years old
5. 56 years or over

*What is your gender?*

1. Male
2. Female

*What is your educational level?*

1. BSc (including undergraduate or specialist diploma in Russia)
2. Masters degree (postgraduate or magistrate programme)
3. PhD

*What is the subject of your education?*

1. Business (e.g. management, economics, or accounting)
2. Other. Please, specify \_\_\_\_\_

**Thank you very much for your cooperation!**



## Appendix 4: Interview Guide\*

*Explain the purpose of this study. Explain the confidentiality is ensured unless the IJV senior manager explicitly gives permission for his/her name and the name of IJV to be used.*

Ask respondents and complete the following sections:

Name and job title	
The name of the IJV	
Year the IJV was formed	
Name, country and percentage of ownership of the IJV's parent firms, at the time the IJV was formed	Parent 1 Parent 2
Date	

1. What are the main reasons that your IJV was formed?
  - What were the reasons of the Russian parent?
  - What were the reasons of the foreign parent?
2. Could you describe the main goals of your IJV.
3. How would you describe your IJV's organisational culture?
4. Is your IJV's organisational culture similar to your Russian parent organisational culture?
  - In what ways is it similar/different?
5. Is your IJV's organisational culture similar to your foreign parent organisational culture?
  - In what ways is it similar/different?

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\* This is an interview guide. These questions may be modified or changed depending on situation and respondents' answers.

6. Some people suggest that differences in organisational cultures lead to conflicts and dissolution of IJVs. Do you think differences in organisational cultures can cause IJV's dissolution?

- Do you think that these differences are substantial? (If no, why?)

7. How dissimilar are your IJV and your partner organisations in the ways you make decisions and perform work?

*Ask the following if it has not mentioned in the answer for the question 7.*

Do the following differences make collaboration difficult?

- Different speeds or styles of decision making?
- Different pace and rhythm of planning?
- Different ways of handling data?

8. Are your managers comfortable with the level of interaction with their partners (or is it too little or too much)?

9. How is communication between the partners managed?

- What channels and vehicles are used to communicate with your IJV's partners?

10. Do all partners make similar contribution to the IJV in terms of planning and goal settings?

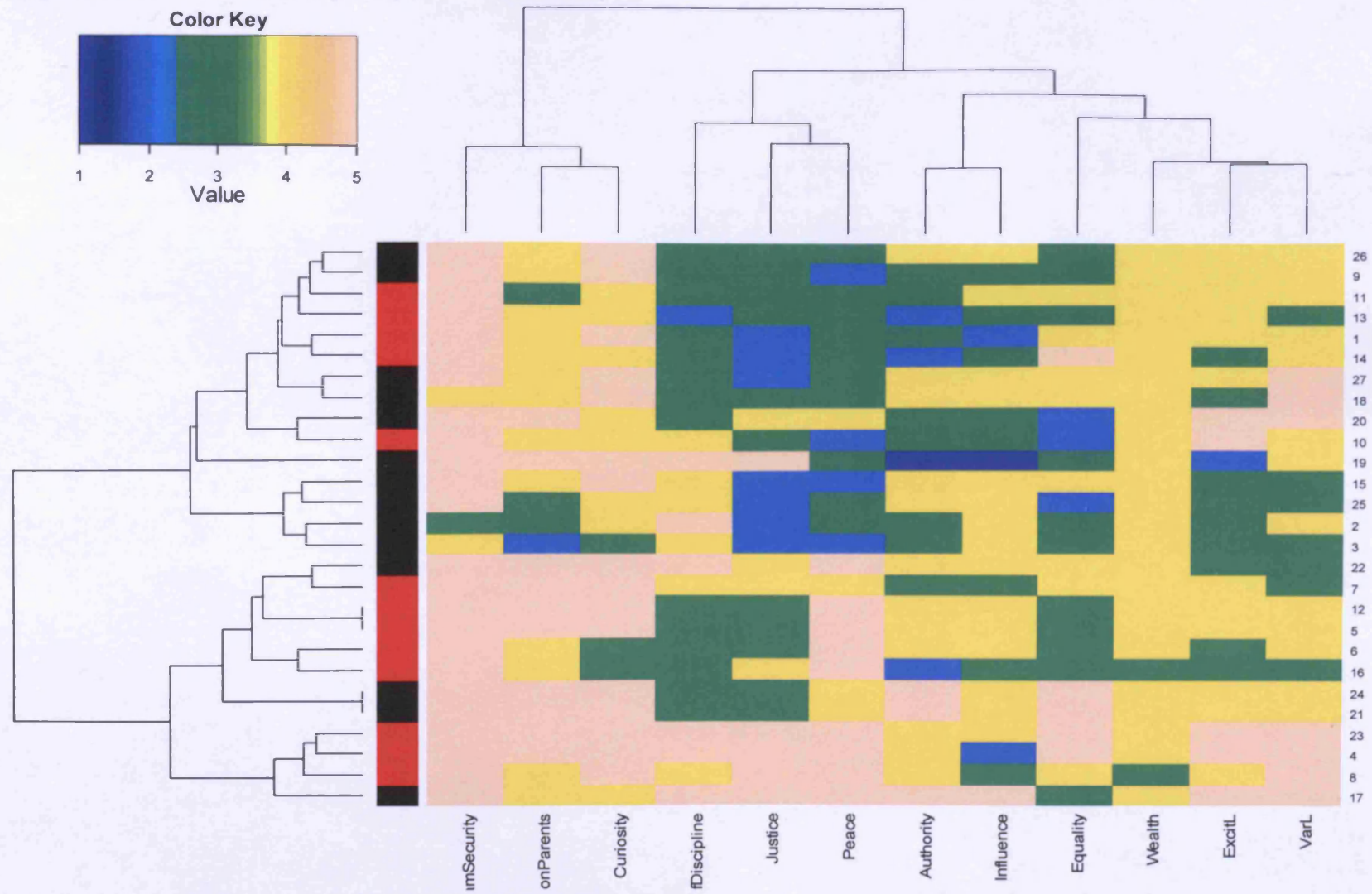
11. If a conflict/problem occurs between IJV and partners, how would you describe management attitude towards a conflict between your IJV and partners?

12. Does your IJV have an external communication strategy or programme?

13. Would you call your IJV successful? (If no, why? If yes, ask about partners' objectives and goals).

14. What recommendations would you give to foreign managers who are going to set up an IJV in Russia?

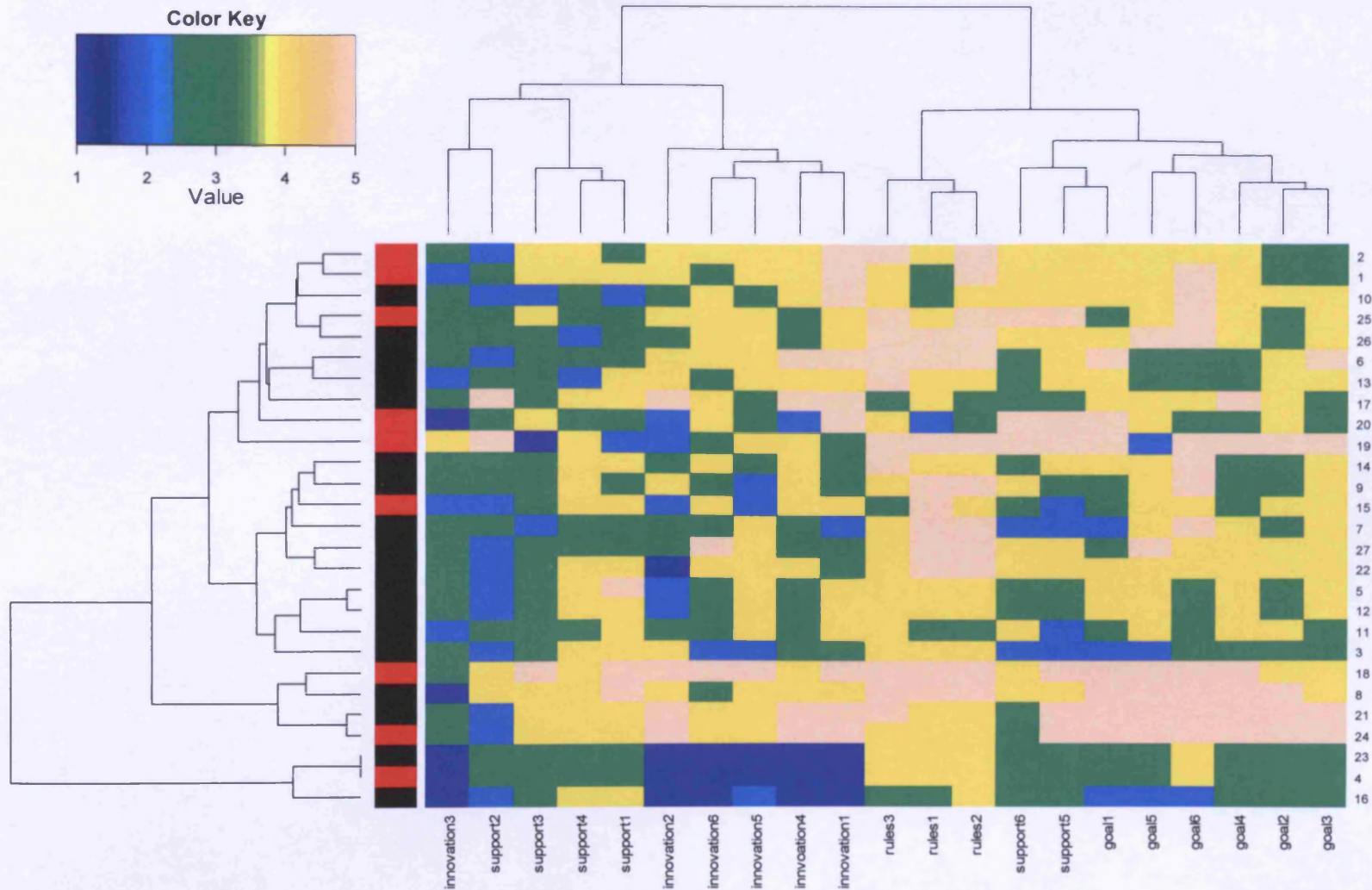
# Appendix 5: Cluster Analysis (Questionnaire 1)



**Colour Key:** black = male, red = female

**Value Key:** FamSecurity – family security  
HonParents – honouring parents and elders  
Curiosity – curiosity  
Discipline – self-discipline  
Justice – social justice  
Peace – a world at peace  
Authority – authority  
Influence – influence  
Equality – equality  
Wealth – wealth  
ExcitL – an exciting life  
VarL – a varied life

## Appendix 6: Cluster Analysis (Questionnaire 2)



**Colour Key:** black = business education, red = other subjects

## Practices Key:

- innovation3 – how often do unpredictable elements in the market environment present good opportunities?
- support2 – how many people who wish to advance are supported by their supervisors?
- support3 – how often is constructive criticism accepted?
- support4 – how often do managers express concern about employees' personal problems?
- support1 – how many people with personal problems are helped?
- innovation2 – how often is there a lot of investment in new products?
- innovation6 – how often does the organisation search for new products/services?
- innovation5 – how often does the company makes the best use of the employee skills to develop better products/services?
- innovation4 – how often does the organisation search for new opportunities in the external environment?
- innovation1 – how often does your organisation search for new markets for existing products/services?
- rules3 – how often does management follow the rules themselves?
- rules1 – how often are instructions written down?
- rules2 – how often are jobs performed according to defined procedures?
- support6 – how often do management practices allow freedom in work?
- support5 – how often are new ideas about work organisation encouraged?
- goal1 – how often is competitiveness in relation to other organizations measured?
- goal5 – how often are the hard criteria against which job performance is measured?
- goal6 – how often is reward dependent on performance?
- goal4 – how often is it clear how performance will be evaluated?
- goal2 – how often is individual appraisal directly related to the attainment of goals?
- goal3 – how often does management specify the targets to be attained?

