



The impact of organizational culture on international bidding decisions: Malaysia context

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Received 4 March 2014; received in revised form 12 October 2014; accepted 17 October 2014
Available online 4 November 2014

Abstract

With the rapid urbanization and globalization, developing countries contractors start to venture overseas. These contractors are exposed to various types of risks especially external risks. Although it is well known that organizational culture has impact on decisions, yet, the effect of organizational culture on international bidding decisions in construction to date is under-research. This paper explores the relationship between organizational culture and international bidding decisions in response to the political and economic risks of Malaysian international contractors. A culture-decision conceptual model was proposed and tested using questionnaire survey and further interpreted through interviews. Goals and strategy orientations contribute greater influence on political risk decisions. While, goal and guanxi orientations cast the greater influence on economic risk decisions followed by involvement, values and capability orientations. This study found that organizational culture casts the influence on international bidding decisions, yet, it is not the dominant cause especially in risk decisions.

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Keywords: International construction; Organizational culture; Political risk; Economic risk; Legal risk

1. Introduction

Construction sector plays a key role in economic development and growth in developing countries (Dang and Low, 2011). The effect of globalization and the rapid urbanization in developing countries (Zhang, 2011) due to the increased demand on knowledge, expertise and technology from more advanced countries have led to an expansion and increased of international construction markets. Globally, construction growth is expected to have an average 3.5% compound annual growth rate (CAGR) between 2009 and 2014 and it will be led by Non-Japan Asian countries with the growth at a 7.3% CAGR. While, the total construction spending in the regions of Asia–Pacific is expected

to expand at 5.8% and led by China, India and Indonesia (IHS Global Insight, 2010).

However, international construction is fraught with higher uncertainties and risks than in domestic market (Han and Diekmann, 2001a, 2001b; Han et al., 2005). International external risks generally consist of political, economic, legal, cultural (languages and religious differences) and social risks (Li et al., 1999; Wang et al., 2004). These risks play an imperative role on a firm's strategic bidding decisions in international construction (Han et al., 2005) that can spook contractors to venture overseas (Han and Diekmann, 2001b). Cultural (language and religious differences) and social risks play a less important role in international construction compared to political, economic and legal risks (Li et al., 1999). For example, macro condition affects bidding behavior via markup decisions (Ye et al., 2014).

As such, international bidding decisions become difficult and complicated (Han and Diekmann, 2001a, 2001b; Han et al., 2005). Construction firms seem to be increasingly risk averse

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(Han et al., 2005). Some tends to make international entry decisions based on personal intuition or past experience (Messner as cited in Han and Diekmann, 2001b, p. 300) instead of rational decision making. Generally, decision-making tends to suffer deviation from rationality (Stein and Welch, 1997) especially during uncertainty situation (Hoch et al., 2001). This could be explained by culture that affects and corrupts the process of information (Oliveira, 2007). Organizational culture is commonly presumed as a key determinant of organizations' ways of doing things, decisions, behavior and management practices (Cameron and Quinn, 2011; Schein, 2010). Existing culture directs management behavior which will affect decision-making, problem solving and strategy formulation of an organization (Christensen and Gordon, 1999). Organizational culture tends to influence people on decision making in response to the opportunities and threats that affects an organization (Thompson, 1993).

Since the 1970s, organizational culture has attained considerable attention in the academia especially in the business discipline (Harrison, 1972). Previous cultural literature provides rich, interesting and comprehensive contributions in both academic and industry practices. Despite this widespread interest in culture, organizational culture remains an under-explored topic in academic research compared to national culture especially in the construction industry (Ankrah and Langford, 2005; Cheung et al., 2011; Oney-Yazıcı et al., 2007). The majority of the contributions to date in construction have focused on the organizational culture profiles in construction-related organizations (Ankrah and Langford, 2005; Jaeger and Adair, 2013; Liu et al., 2006; Maloney and Federle, 1993; Oney-Yazıcı et al., 2007; Zhang and Liu, 2006), development of organizational culture framework in construction (Cheung et al., 2011), the impact of organizational culture on organizational performance (Coffey, 2010), project performance (Kuo and Kuo, 2010), job satisfaction (Liu, 1999), surveyors' ethics (Liu et al., 2004) and management practices such as total quality management (Koh and Low, 2008), innovation behavior (Hartmann, 2006), knowledge management practices (Fong and Kwok, 2009), leaderships (Giritli et al., 2013), and carbon reduction strategies (Wong et al., 2013; Wong and Zapantis, 2013), just to mention a few. Accordingly, Oney-Yazıcı et al. (2007) suggested that future research should be done on cultural issue in international construction.

Bidding is a critical decision stage in overseas venture (Dikmen and Birgonul, 2004) as top management needs to decide the extent of risk to be absorbed by their organization. Bidding process consists of estimating and adjudication stages. The latter stage is the judgment of directors about the commercial factor of the firm's specific conditions, market conditions and risks (Brook as cited in Laryea and Hughes, 2011, p. 248). In brief, most researchers (Ahmad, 1990; de Neufville et al., 1977; Dikmen and Birgonul, 2004; Han and Diekmann, 2001a, 2001b; Shafahi and Haghani, 2014) focus on proposing decision model to assist contractors to make better bidding decisions in construction. Others such as Zarkada-Fraser and Fraser (2002) investigated construction firms' perception of the impact of political risk on international market entry decisions; Han et al. (2005) examined the contractors' risk attitude in international

bidding decision; Oo et al. (2008) compared the contractors' bid decisions in public sector contracting between Hong Kong and Singapore under booming and recession conditions; and Ballesteros-Pérez et al. (2013) proposed a bid tender forecasting model based on the scoring and position probability graphs to improve bidders' competitiveness but without the consideration of risk issues. Yet, little or no attention is paid on the impact of organizational culture on international bidding decisions in construction. Besides, it is worthwhile to investigate the impact of organizational culture under the same nation as organizations under the same nation tend to behave differently (Dimitratos et al., 2011).

Consequently, this paper aims to propose and test a conceptual model of the impact of organizational culture on international bidding decisions in response to the political, legal and economic risks. Political risk provides a broader definition and it generally consists of legal risks (law and regulations of host government) (Khattab et al., 2007). As such, these risks are further condensed into political and economic risks. In this study, organizational culture is defined as "a pattern of shared basic assumptions" that is practiced by organization's members to deal with the "problems of external adaptation and internal integration" (Schein, 2010, p. 18). While, national culture (beyond the scope of this study) refers to the values, beliefs and assumptions embedded in a particular country (Hofstede et al., 2010).

2. Malaysian contractors in the international construction market

Based on the statistics bulletin by Construction Industry Development Board (CIDB) Malaysia, there are 10,901 (16.34%) contractors registered under grade G5 to G7 with CIDB until June 2014 (CIDB, 2014). These middle and large contractors are entitled to tender projects at a value of 1.5 USD million and above. Yet, less than hundred are international contractors (CIDB, n.d.). The 1986-June 2014 cumulative statistics showed that a total of 719 international projects have been secured by Malaysian contractors, 603 overseas projects (total value of RM60, 899.79 million) have been completed and 116 overseas projects (total value of RM46, 756.07 million) are still under construction. Based on the numbers (nos.) of projects secured, most of them venture into the Middle East (UAE/Dubai — 77 nos., Qatar — 29 nos., Saudi Arabia — 17 nos., Bahrain — 16 nos.), ASEAN (Cambodia — 78 nos., Thailand — 50 nos., Singapore — 45 nos., Indonesia — 25 nos., Philippines — 23 nos., Vietnam — 22 nos., and Brunei — 12 nos.), South Asia (India — 92 nos., Maldives — 21 nos. and Bangladesh — 13 nos.), China (72 nos.) and Sudan (24 nos.) (CIDB, 2014). China, Vietnam, Indonesia and Bangladesh are the highest risk markets based on the factors such as transferability of funds, construction materials cost, enforceability of contracts, increased regulations, currency depreciation, taxes and corruption. While, Singapore is a market with low risk scores (IHS Global Insight, 2010).

Based on the Engineering News Record (ENR), only one (1) Malaysian contractor was in the lists of top 225 international

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