

Organisational Culture: The Case of Indonesian Construction Industry

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ABSTRACT

Despite the complexities involved in measuring culture of the construction industry, this culture is regarded as being worthy of research, especially in relation to the organisational culture needed to improve organisational performance. Questionnaire surveys were distributed to selected representative G-7 Indonesian civil engineering contractors in order to assess the organizational culture profiles of the construction companies adopting the Organizational Culture Assessment Instrument (OCAI), which is based on the Competing Values Framework. The findings from the study indicates that different culture types are emphasized in the six cultural dimensions of OCAI, reflecting various elements of cultural values that exist in an organization's operating activities. A comparison between the dominant characteristics of the organizational culture type within Indonesian construction companies, possessing a culture type similar to that of other global construction companies, shows the differences that exist with construction industries elsewhere in the world. Having different pictures of culture profiles in the construction industries suggests that the culture profiles within the construction industry might reflect the construction market demand and business environment, in each country, and the goals of each construction company.

Keywords: *Competing Values Framework, organizational culture, construction industry, Indonesia.*

1. INTRODUCTION

Current research within the construction management area has revealed evidence that organizational culture is considered to be a determinant factor in contributing to the organization competitiveness [1], quality management systems [2], sustainability [3], performance and effectiveness [4]. The 'people' in organizations are collectively bounded by the organizational culture which in turn reflects organization characteristics [5]. In this study, the term 'organizational culture' is going to be defined as the shared values and underlying assumptions within construction organizations, which motivate and support organizations to operate effectively.

Focusing on an investigation of the link between organisational culture and effectiveness of an construction organisation, [2] provides a list of organisational culture-performance link studies which were conducted by researchers in different parts of the world, between 1990 and 2004. From the list, it can be concluded that various kinds of organisational culture dimensions have been proven to be connected with short and long-term performance, direct or indirect performance, low and high performance, and growth and profitability of an organisation.

Current research in Indonesian construction and project management has not pursued a more comprehensive study of the organizational culture profiles of Indonesian construction companies and the link to effective organizational performance. In the interviews conducted as part of a pilot survey by the author, some of the respondents, all local contractors, stated that they had never considered undertaking any organizational culture investigation and thus were unaware of what types of culture their companies possessed. They observed that, in their view, organizational culture was demonstrated by characteristics such as, commitment, loyalty, and good team work.

This current study is aimed at diagnosing the dominant culture types in the six cultural dimensions of Organizational Culture Assessment Instrument (OCAI). Further analysis was made in regard to comparing the dominant characteristics of Indonesian construction companies' culture profile with other global construction companies. The method of analysis is carried out primarily by comparing measures obtained from the OCAI of [1], in order to determine the current dominant culture types of the respondent organizations that appear to enable them to operate effective organizational and management practices, that overcome the business environment's demands and challenges, that in turn will lead to have the potential for having organization effective performance.

2. JUSTIFICATION FOR CHOOSING THE COMPETING VALUES FRAMEWORK

There are a number of well-established and well-recognized models and instruments, which are used for identifying and measuring organizational culture. One of the most widely used theoretical models is the Competing Values Framework (CVF).

which was developed in [6]. It has the aim of helping organizations in understanding themselves and supporting the development of effective organizational phenomena. Indeed, the CVF "has been shown empirically to reflect the current thinking of organizational theorists on organizational values and resulting in organizational effectiveness" [7].

The CVF was eventually selected as being the most suitable organizational culture model to use in the context of this study, due to its suitability in identifying the profiles or types of organizational culture of construction companies, together with providing a measure of the strength of the individual characteristics that make up those profiles. The research is considered timely as many Indonesian construction companies do not perceive the importance of organizational culture, and therefore, a model is needed, which is easy to assimilate and which allows better visualization of how this complex phenomenon operates within their companies and of how a deeper understanding of corporate culture can assist business and process improvement within their organizations.

The CVF consists of four major culture types (clan, adhocracy, hierarchy, market) that are theorized to compose cultural profiles within various kinds of organizational contexts [8]. These authors further explain that an organization can possess either a predominant internal or external focus, and may either be wishing to achieve flexibility and discretion, or stability and control. This combination of factors creates four potential cultural categories, each representing a distinct set of cultural values. The four major culture types that emerge from the framework (Figure 1) are briefly described by [1] as follows:

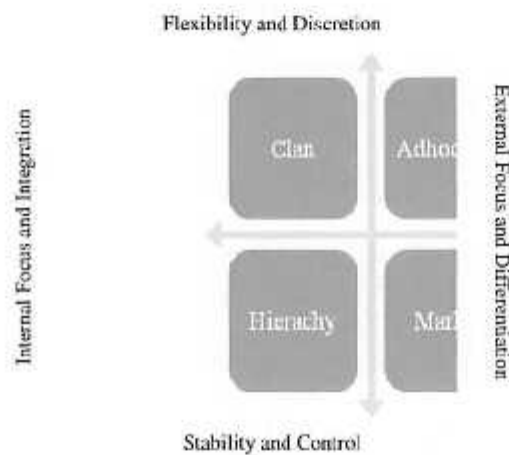


Figure 1: The Competing Values Framework

In construction research on organizational culture profiles, [9], [10], [11], [12], and [2] used the Organisational Culture Assessment Instrument (OCAI), which is based on the CVF, to identify the culture profiles of construction companies in each country of their research domain. They found that the tool is helpful in providing a comprehensive picture of a company's organisational culture and the values that characterize each culture, as well as providing a comparison standard for culture profile interpretation. The six cultural dimensions of OCAI represent the culture climate in an organisation which forms a cumulative representation of an organisational culture [13]. The cultural dimensions with associated cultural types of the OCAI are presented in Table 1.

Table 1: OCAI traits and typologies

Cultural Dimensions	Culture Types			
	Clan Culture	Adhocracy Culture	Market Culture	Hierarchy Culture
Dominant Characteristics	It is a very personal place. It is like an extended family. People seem to share a lot of themselves.	It is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	It is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.	It is a very controlled and structured place. Formal procedures generally govern what people do.
Organisational Leadership	The leader is generally considered to exemplify	The leader is generally considered to exemplify entrepreneurship.	The leader is generally considered to exemplify a no-nonsense, aggressive.	The leader is generally considered to exemplify

	mentoring, facilitating, and nurturing.	innovation, or risk taking.	results-oriented focus.	coordinating, organising, or smooth-running efficiency
Management of Employees	The management style is characterised by teamwork, consensus, and participation.	The management style is characterised by individual risk taking, innovation, freedom, and uniqueness.	The management style is characterised by hard-driving competitiveness, high demands, and achievement.	The management style is characterised by security employment, conformity, predictability, and stability in relationships.
Organisation Glue	The glue that holds the organisation together is loyalty and mutual trust. Commitment to this organisation runs high.	The glue that holds the organisation together is commitment to innovation and development. There is an emphasis on being on the cutting edge.	The glue that holds the organisation together is the emphasis on achievement and goal accomplishment.	The glue that holds the organisation together is formal rules and policies. Maintaining a smooth-running organisation is important.
Strategic Emphases	It emphasizes human development. High trust, openness, and participation persist.	It emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	It emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.	It emphasizes permanence and stability. Efficiency, control, and smooth operations are important.
Criteria of Success	Success is on the basis of the development of human resources, teamwork, employee commitment, and concern for people.	Success is on the basis of having the most unique or newest products. It is a product leader and innovator.	Success is on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.	Success is on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.

Source: [1]

3. RESEARCH METHODOLOGY

The respondents to the questionnaire for this study were drawn from 74 construction companies listed as grade 7 (G-7) contractors - the highest grade of Indonesian contractor qualification. A minimum of three responses and a maximum nine responses in each company involved in the questionnaire giving a total of 403 respondents: 67 Quality Management Representatives (QMRs), 215 Managers (Ms) and 121 Project and Site Engineers (Es). These groups of respondents represented the following levels of seniority (high - QMR), (middle - M), and (low - E) in the organizational structure.

Using the OCAI questionnaire developed by [1], a respondent rated a set of statements that relate to six cultural dimensions, i.e., dominant characteristics (DC), organisational leadership (OL), management of employees (ME), organisational 'glue' (OG), strategic emphasis (SE), and criteria of success (CS); the rating level is based on whether these dimensions are similar (or not) with the current situation in a respondent's company. This instrument is used to identify the most closely fitting type of culture for the company, i.e., whether it is predominantly a Hierarchy (H), Market (M), Clan (C), or Adhocracy (A) culture.

4. RESULTS AND ANALYSIS

4.1 Results of Construction Companies' Culture Profiles

By individually plotting each of the questions under the six cultural dimensions on the Organizational Culture Assessment Instrument (OCAI) worksheet, the analysis of the companies six cultural dimensions was focused on indicating types of culture that most dominant in the six dimensions.

Figure 2 presents an example of the OCAI results of the dominant culture type for 'strategic emphasis' dimension from one of the company respondents. The dominant Market type (33) was emphasized in this dimension, followed by Clan type (24), and a slightly balanced of Hierarchy (22) and Adhocracy (21) types.

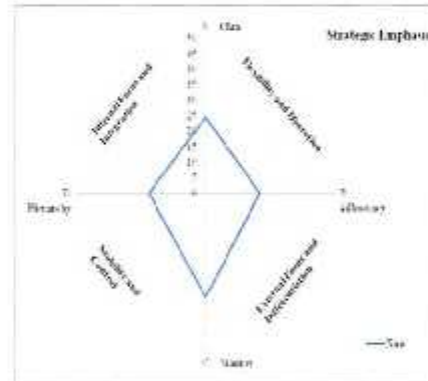


Figure 2: Dominant 'Market' type in the dimension of strategic emphasis

Table 2 summarises the dominant culture types of the six cultural dimensions possessed by most of the 74 construction companies. Overall, respondents perceived that the dominant characteristics or the core values of the construction companies is most represented by the 'Clan culture' (41.9%). The core values of 'Clan type' in this first dimension is the sense of 'family' and the importance of 'sharing'. In reference to the style of the organization leader, most of the construction companies are strongly Hierarchy oriented (29.7%), with the leaders being hard drivers, producers, and competitors. The management style used to manage employees is strongly Clan oriented (56.8%) which is characterized by the value of team work, consensus, and participation. The organization glue that holds companies together is also the Clan culture (66.25%); loyalty and mutual trust are key norms of this Clan type in this fourth cultural dimension. The companies' strategic emphasis is strongly Market oriented (35.1%), the Market culture having a competitive and achievement focus. Success criteria of companies as perceived by employees as the Clan culture (45.9%) that believes that their success lies on the development of human resources, commitment, and concern for people.

Table 2: Dominant culture types of six cultural dimensions

	Cultural dimensions	'C' type		'A' type		'M' type		'H' type		***	
		n	%	n	%	n	%	n	%	n	%
1 st	Dominant characteristics (DC)	31	41.9	11	14.9	22	29.7	5	6.8	5	6.8
2 nd	Organisational leadership (OL)	18	24.3	8	10.8	21	28.4	22	29.7	5	6.8
3 rd	Management of employees (ME)	42	56.8	4	5.4	11	14.9	13	17.6	4	5.4
4 th	Organisational glue (OG)	49	66.2	3	4.1	7	9.5	5	6.8	10	13.5
5 th	Strategic emphasis (SE)	13	17.6	6	8.1	26	35.1	15	20.3	14	18.9
6 th	Criteria of success (CS)	34	45.9	-	-	11	14.9	23	31.1	6	8.1

Note: 'C' = Clan, 'A' = Adhocracy, 'M' = Market, 'H' = Hierarchy, ***= no dominant type;
= most prevalent culture types possessed by respondents in each cultural dimension.

4.2 Analysis of the Results

The findings from the study of the identification of dominant culture types within Indonesian construction companies indicates that the organisational culture within most Indonesian construction companies is predominantly of the Clan type, where the

company is focused on internal maintenance with flexibility, family-like relationships having a concern for people, and sensitivity towards its customers. This predominant culture type is also emphasized most in the cultural dimension related to how employees are managed, how the organisation is held together, and how the organisation's success in its achievements is defined. This finding is fundamental to the perspective of organisational culture within Indonesian construction companies. With the rapid and remarkable growth rate in the construction industry, it is important for this sector to recognise its individual and collective cultural patterns, in order that they can be used to evaluate companies current operational activities, achievements, and future successes. In addition, it needs to be recognised that adoption of the predominant company cultural profile allows companies to adapt and respond to challenges, and hence later set up appropriate cultural changes or maintain and strengthen the existing fundamental culture profile.

The dimension labeled 'organisational leaderships' is related to the dominant leadership style and approach used by leaders and managers in those companies which are more hierarchy-focused than the other three culture types. This indicates that the leaders and managers are generally considered to exemplify coordinating, organising, and smooth-running efficiency. For the surveyed companies, this finding confirms that the role of leaders and managers is to set an example in the day-to-day operational activities of the companies [14], [15] and [16], to become the focal points within the organisation in which the operational activities are largely governed by standardized procedures.

The dimension labelled as 'strategic emphasis', the area of emphasis that drives the organisation's strategy, in this study is 'Market type dominant', wherein the company emphasizes permanence and stability; efficiency, control and smooth operations, as the important company strategies. This finding suggests that current form of Indonesian construction strategy is focused more on profit and goal accomplishment, due to high competitiveness in both domestic and international markets. Contractors' focus on profit and market-orientation, in fact, is in line with of The Ministry of Public Work's policy to enforce Indonesian construction to take a role in global markets, as the industry can no longer just depend on the domestic market [17].

A comparison between the dominant characteristics of organisational culture type within Indonesian construction companies, possessing a culture type similar to that of other global construction companies, shows the differences that exist with construction industries elsewhere in the world. Hong Kong construction companies appear to emphasize the strong Clan type [18], while the Hierarchy type dominates the construction industry in Thailand [19]. From surveys conducted by [1], they found that, on average, the Market type was the predominant culture profile in the construction sector. A similar finding was reported by [10] for Finnish construction companies. In the case of the construction industry in China, a mixture of culture types exists, with Hierarchy – Market culture dominance being reported by [11] and Hierarchy – Clan culture dominance reported by [20]; the culture profiles of Chinese contractors varieties between geographical regions [20]. The Turkish construction industry has a mixture of Clan and Hierarchy cultures [12]. Having different pictures of culture profiles in the construction industries suggests that the construction industry has not yet been able to define 'a typical' culture profile, such as those based on Cameron and Quinn's culture typologies. The culture profiles within the construction industry might reflect the construction market demand and business environment, in each country, and the goals of each construction company. Reference [11] state that the understanding of organisational cultures (overlaid with national cultures) is an important element of any business enterprise.

5. CONCLUSIONS

The finding of this study is that Clan culture is most dominant within the highest grade of Indonesian construction companies qualification, while the style of organisational leadership is a hierarchical dominance. As common for an organisation in doing business, Indonesian construction companies emphasize Market type in their strategy settings. The identified organisational culture profiles most emphasized within Indonesian construction companies contributes to the recognition of the current contractor's cultural pattern, and this can be a basis for a company to consider further measures for matching the current culture profiles with the future demands of its environment, including future challenges and opportunities to be faced by the company. This will then advantage the company in setting up appropriate culture changes and/or strengthening its current culture profile in order to possess the most adaptable organisational culture; that culture will, in turn, help the company to successfully deal with the complexities of construction business entities.

Different countries have different and specific national cultures, different market demand and business environments, and as well as the goals of each construction company, which might influence a company's culture.

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