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CULTURAL ISSUES IN THE IMPLEMENTATION AND MANAGEMENT OF INTERNATIONAL JOINT VENTURES IN TELEVISION DISTRIBUTION

By

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ABSTRACT

CULTURE ISSUES IN THE IMPLEMENTATION AND MANAGEMENT OF INTERNATIONAL JOINT VENTURES IN TELEVISION DISTRIBUTION

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This thesis studies the cultural issues in the implementation and management of international joint ventures (IJVs) in television distribution. Globalization of the television industry is changing the nature of business, increasing the frequency of multi-cultural encounters. Potential areas of risk to an IJV exist between partners from different cultural backgrounds. An exploratory case study was used to identify the perspectives of each partner firm in New Zealand Sky Network Television. Questionnaires and personal interviews were used to reveal how firms discover areas of differences and manage those differences to create a synergistic environment. The conclusions of this study suggest three hypotheses for future research in this field.

DEDICATION AND ACKNOWLEDGEMENTS

This thesis is dedicated to everyone who supported and advised me on the completion of this project, especially my parents, Larry and Caryl, without whom this would have been an impossible endeavor; Micheal Alexander, whose love kept me sane; and my sister and brother, who are my closest friends. I also wish to thank the members of my committee--Dr. Bella Mody, Dr. Johannes Bauer, and Dr. Joseph Straubhaar-- who advised and counseled me about the academics of this thesis, as well as motivating me to succeed. Many "thank yous" are also extended to all of the respondents from Sky Network Television, the other industry professionals who provided insights, my fellow classmates (most importantly, Parthavi Das) and everyone else who offered suggestions. I would also like to thank everyone at the Institute of Public Utilties (Johannes, Kathy, Brenda, and Michelle) for the special considerations and services they lent me.

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Chapter One

INTRODUCTION

Globalization[1] is changing the face of the television industry. Recent reports of joint ventures, mergers, and acquisitions are increasing the involvement of US television firms in the global environment. These ventures are not always determined by the size of the company. Many associate the trend with big corporations such as TCI and Time Warner, however many lower profile firms and individual investors are also investing in international joint ventures in television distribution (Kervner, 1992). For example, in 1989 Chase Communications announced a joint venture with Reece Communications, Rutter Dunn Communications and Poltekalb. This was one of the first joint ventures completed in the Eastern Bloc countries. Most of the negotiations took place under communist rule ("US Broadcaster," 1989). "Going global" is also not just for firms experienced in television distribution. Firms who specialize in other industries, such as the Regional Bell Operating Companies (RBOCs), are also participating in the globalization of television (Kerver, 1992).

Understanding the joint venture process and how firms handle the

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[1]Globalization is a complex form of internationalization which implies a degree of functional integration betweeen international dispersed economic activities, and should not to be confused with internationalization-the increasing geographical spread of economic activities across national boundries (Dicken, 1992). In the television industry this distinction is important because the business strategies being used today are more often aimed at the overall global effect vs. a national business focus with international coming in second.

cultural issues inherent in this process is valuable to the future of the industry. Trial by error is not always the most effective method of discovery. The motivation behind this paper is to learn from the experiences of others. I am most interested in creating a document that is applicable to the current climate of the international television distribution market.

GLOBALIZATION AS A FRAME OF REFERENCE

Globalization as a phenomenon is not new. However it is only recently that this phenomenon has actually reached "global" proportions. Featherstone (1990), in Global Culture, finds this to be due to "a shift towards a homogeneous unitary nation state, an increase in the number of international agencies and institutions, and an increase in the forms of global communication, acceptance of unified global time, development of global competition and prizes, and the development of unified notions of citizenship, rights and the conception of human kind."

Many researchers are stressing the need for additional research on this phenomenon. Worsley (1990) finds that updates of traditional models are needed because globalization adds a new point of reference--no longer are we only members of a specific nation state, we belong to groups which are both smaller and wider than that definition. The impacts of globalization differ for each industry. In mass media, Anthony Smith (1991), author of The Age of Behemoths: the Globalization of Mass Media Firms, sees a need for research into the internal workings of mass media firms to better understand the alliances being formed due to this phenomenon. The television industry, which is interwoven within the larger mass media industry, offers an interesting case because of its regulatory history. Television broadcasting has always been heavily regulated, unlike other forms of mass media such as newspapers or magazines. As states begin to lift these restrictions and other forms of distribution (ie: satellite) circumvent traditional broadcast-oriented regulation, the boundaries of the national television market are quickly disappearing (regulation will be covered in detail in Chapter Two). As the forces of globalization change the structure of the television industry's environment, further research into the impacts of culture on traditional business strategies is needed.

DEFINITION OF KEY TERMS

To establish a common level of understanding it is important to define the key terms used repeatedly in this text. Culture, according to David and Terpstra (1991), is a learned, shared, compelling, interrelated set of symbols whose meanings provide a set of orientations for members of a group. Robertson's definition of globalization is the phenomenon of global compression which has caused an increase in the complexity and nature of our relationship with the global environment. These definitions ultimately imply an increase in the impact of intercultural communication[2] on

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[2]Intercultural communication is "a transactional, symbolic process involving the attribution of meaning between people of different cultures (Gudykunst & Kim, 1992)". There is a direct relationship between an increase in intercultural communication and the globalization of business strategy. This relationship can affect all dimensions of intercultural relationships (ie: national, personal and organizational) however, for the purpose of this study, the level of organizational intercultural communication will be the primary focus. The term intercultural should not be

traditional business relationships. These relationships take various forms based on the environment the television firm operates within[3] and its chosen business strategy.

Culture must be considered when studying global relationships. As individuals, we are influenced by our national culture, our professional culture and the culture of the organization(s) to which we belong (this concept will be further examined in Chapter Three). Cultural differences create the potential for cultural misunderstandings, this is project culture risk (David, 1993). Intercultural management incorporates the culture and power issues that affect the working relationships between people from different organizations and strives to minimize the risk (David, 1993:123). As firms expand globally and the frequency of IJVs increases, it is important to understand these relationships and how they impact the formation of an IJV.

An IJV is the involvement of two or more partners where at least one of the partners is located outside the host country and each partner is an active participant in the ongoing activities of the firm (Geringer et al, 1989). Recent trends in the privatization or liberalization of state-run enterprises around the world have opened many markets to investment by US television firms which did not exist previously. Crucial for an IJV is the role of culture in the successful realization of strategic objectives.

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used interchangeably with cross-cultural--the comparison of phenomenon across cultures (Gudykunst & Kim, 1992).

[3]See Appendix A, Environments of A Firm (David, 1993)

The main purpose of forming an IJV is to achieve goals that could not have been achieved independently (Webster, 1989). With this in mind, there are specific motivating forces which lead to the formation of IJV's in television, including the regulatory environment, knowledge exchange, and"benefit-risk" sharing (the motivations for forming an IJV will be covered indepth in Chapter Two). Television broadcasting is a heavily regulated industry due to its ability to reach large audiences and the possible impacts on the culture and sovereignty of the nation. Regulation is used to control foreign ownership, define programming content, protect national programming production, and define sources of funding. Thus changes in the regulatory environment can open new markets or make existing markets more attractive to overseas investors.

IJVs also allow for the exchange of knowledge. The visiting partner is often looking for expert knowledge of the host country's regulation, marketing and cultural environment (Hauseman, 1991 & Barrett, 1992). For the host partner, gaining access to industry knowledge, such as technology and programming expertise, is a valuable commodity. All partners are interested in the "benefit-risk sharing" which is possible through joint venturing (Webster, 1989). This is especially important in the global television market, because there is considerable competition from the global media giants such as Time-Warner, Sony, Turner Broadcasting, and TeleCommunications, Inc. (Robichaux, 1993).

Finally, the nature of an IJV involves the trading of "chips" (ie: skills, capital, access) with each partner contributing the "chip(s)" they hold with the most value to the venture (Bleeke et al, 1993). However, when risks and resources are shared so are the benefits realized from the IJV, thus the motivational importance of any one factor is minimal. It is the overall impact of a combination of factors which leads to the formation of an IJV in television.

Successful formation of an IJV in television also includes the negotiation of strategic factors such as the development of business goals and the division of control. These factors lay out the "game-plan" of the venture. It is extremely important that each partner communicate what their desired role will be. Hidden agendas can be detrimental to the operations of the venture. In Rosten's (1991) research of Soviet-US joint ventures, some Soviets candidly responded that their goal was to spend time in the US regardless of the type of venture they became associated with. However, he notes that however difficult it may be to discover the goals of your partner, it is necessary for the formulation of a sound business strategy which will lead to the achievement of both parties goals.

The development of an IJV, as noted by Lane and Beamish (1990), is a long-term proposition and investment. Therefore when developing a business agreement it is necessary to commit to the venture in the long-run versus the short-run. The level of commitment of each of the partners must be realized by each party in order to minimize future frustrations (Schuler et al, 1991). Overall, the business goals must reflect the value of the relationship for both parties (Lane et al, 1990).

Defining who will control each aspect of the venture is a very delicate but crucial process. Geringer and Hebert(1989) define control as the "process by which one entity influences, to varying degrees, the behavior and output of another entity through the use of power, authority and a wide range of bureaucratic, cultural, and informal mechanisms." They find the mechanisms by which control is exercised (ie: the level of ownership, technical knowledge and managerial expertise) will effect the extent of the control exercised. They also theorize that each partner should control those aspects of the venture which they perceive to be critical, rather than to attempt control of the entire venture.

These processes of joint venturing become more difficult when the joint venture is between firms from different countries. Both the national and organizational cultural differences will influence the shape the resulting venture will take. Firms wishing to participate in an IJV must realize that ignoring intercultural management and concentrating solely on strategic objectives increases the risk of joint venturing abroad.

In the formation of IJVs in television distribution, the role of intercultural management is crucial in developing a venture which is consistent with each partners goals and which will work within the context of the host country's culture over the long term. For example, in an IJV between two Czechoslovakians and an American television professional, conflict arose due to differing views on advertising. The American partner preferred advertising within the program and the Czech partners' preferred advertising surrounding the program. The American partner assumed that his partners, who had exhibited an understanding of capitalism and the American television model throughout the negotiations, would support his fight for regulatory change. In reality the Czechs, who believed that commercials within the program interrupt the flow and artistic vision of the program, could not fathom changing the regulation even for an increase in profit. This cultural misunderstanding may be detrimental to the future workings of the venture by upsetting the balance which was created in the initial negotiations (B. Byrnes, personal communication, February 1993).

Firms in other sectors are also beginning to see the need for analysis of the potential for cultural conflict before the IJV is formed. In the case of Ameritech International Mr. Gus Martinez (personal communication, May 1993), who is of Latin American descent, was utilized in the development of ventures in Venezuela and Mexico. His combination of business and cultural expertise gave him instant credibility. In a phone interview, he stated that his knowledge of Spanish and his understanding of and sensitivity to the Latin American culture gave Ameritech the advantage over their competitors. He found a sensitivity to culture and the ability to be flexible when negotiating an IJV as key factors. This knowledge was helpful to Ameritech in the Venezuelan opportunity. Ameritech chose not to pursue the venture even though they were a finalist.

GOAL OF THE STUDY

The goal of this thesis is to study how intercultural differences due to the globalization of an industry affect the formation and management of international joint ventures[4]. More specifically an analysis of current research of joint venturing and intercultural management will be integrated with the results of a case study of New Zealand Sky Network Television to develop guidelines for the analysis of the formation of international joint ventures (IJV) in television distribution[5]. The focus of this project is to better understand how two or more organizations, with specific values and goals based on their established organizational cultures, create a new organization able to function as a cohesive unit. And more specifically how is this process different for joint ventures in television. Emphasis will be placed on identifying the sources of project culture risk in IJV formation and management.

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[4]An international joint venture involves the pooling of resources, sharing of risks, blending of expertise, and the formation of a separate but legal entity (Webster, 1989) in a focused effort to achieve the business objectives (David, 1993). This list is not exclusive. It is important to remember each individual IJV is negotiated to exploit the resources and potential power of each partner. In comparison with other types of foreign investment, such as strategic alliances and stock purchases, the distinguishing characteristic of this definition of an IJV is mixing of various resources to form a separate legal partnership.

[5]Television distribution will be defined, for the purposes of this study, as the transmission of audio and visual entertainment and information programming to an audience. Programming may be transmitted via a mix of media including over-the-air, wire (copper or fiber optic), or satellite.

RESEARCH METHODOLOGY

This thesis will study the influence of intercultural communication problems on the functioning of IJVs in television. It consists of a bibliographic literature review of both joint venture literature and intercultural management literature. This is followed by a qualitative, exploratory study of an individual case to help generate hypotheses in this new area for subsequent testing. This case study will identify the perspectives of each partner organization in the selected firm towards the potential sources of project culture risk and the processes of risk neutralization in this particular IJV in television distribution. This study will investigate the extent of attention each partner focused on cultural differences and the effect this attention had on the venture relationship. The insights uncovered in the study will be used to develop testable hypotheses for future research.

The case of New Zealand Sky Network Television was chosen because of the organizational diversity of the partner firms as well as their differing national cultures. This is an IJV between Ameritech, Bell Atlantic, Time Warner, TeleCommunications Inc, and four New Zealand based partners (Television New Zealand, Heatly-Jarvis Investments, Todd Corporation and Tappenden Industries) to deliver a multi-channel, subscription television service over-the-air. The mix of partners from diverse sectors such as in telephony, programming and publishing, cable, and entrepreneurial investment provides a complex case study with good potential for the formation of several hypotheses for future testing in a larger sample study.

Questionnaire Design. Multiple questionnaires were used to gather data, based on the audience they were intended for. Separate written questionnaires were sent to the partner firms and the management of SKY. Follow-up questions used in the personal phone interviews were based on questions fom the Questionnaire for Partner Firms. Since the nature of the study was exploratory, phone interviews were less formal and were used to garner additional information not anticipated when the initial questions were developed. Samples of the questionnaires can be found in Appendix E.

The standardized questionnaire provides uniformity and ensures that the opinions of all respondents were solicited on the key issues raised at the end of Chapter Three. Questions were both open and closed ended. The Questionnaire for Partner Firms was sent to Gary Jaekel (Director of Strategic Investments at Ameritech), Carl Rossetti (Senior Vice President of Corporate Development at Time Warner), Adam Singer (Vice President of International at TCI), Bob Lewis (Senior Advisor of Corporate Development at TCI)[6], Nancy Stern (Public Relations Director at Bell Atlantic), Brent Harmon (Chief Executive at Television New Zealand), Craig Heatly (Partner at Heatly-Jarvis Investments), Robert Bryden (Partner at Todd Corporation),

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[6]Two questionnaires were sent to TCI because their assistants were unable to determine who would be available as a respondent. Mr. Lewis was involved in the planning and implementation of Sky, while Mr. Singer is the current representative. Both of the questionnaires were returned and included in the results of the survey, because both of their insights were valuable.

and Allan Gibbs (Partner at Tappenden Industries). Questionnaires were not returned from Bell Atlantic and Television New Zealand. The Questionnaire for Sky Network Television was sent to the three top managers at SKY: Nate Smith, Chief Executive Officer; John Fellet, Chief Operating Officer; and Rob Hellriegel, Business Manager. Neither Rob Hellriegel or Nate Smith returned the questionnaire.

Personal phone interviews were used to gather more in-depth responses to the questions found on the questionnaires. Interviews were also valuable to further study issues difficult to explore in written form, such as who controls the venture. Telephone interviews allowed for better feedback on these sensitive issues. Interviews were attempted with all respondents. Only Carl Rossetti at Time Warner, Craig Heatly at Heatly-Jarvis Investments, Robert Bryden at Todd Corporation, and Rob Hellriegel were available. The biggest reason for this was the senior level of executive being interviewed. Many of the respondents were simply not available during the research period.

Specific questions were designed to address key issues of intercultural management of international joint ventures raised in Chapter Three. An introduction to these issues and the corresponding questions follow:

Issue One: How do two or more organizations, with specific values and goals based on their established organizational cultures, create a new organization able to function as a cohesive unit?

This issue initially appears to be based solely on organizational culture. However, it is important to remember that organizational culture is constrained by national culture (David, 1993). Understanding that differences do exist, questions 2a, 2b, 2d, 3a, 3b, and 3d ask the respondent to check those dimensions of culture where they perceived differences would exist. The basic question states "Did you expect there would be differences between the national culture of New Zealand and the United Staes. If YES, please pick check all of the dimensions of culture which apply." Dimensions included in the survey were compiled from the literature reviewed in Chapter Three, including Graham (1985), Usinier (1991), Vertinsky et al (1990), and David (1993). They are: language, business attire, degree of flexibility, negotiation style, national work ethic, management style, business ethics, time frame for decision making, philosophy towards regulation, attitude towards TV as entertainment, attitude towards paying for television, attitude towards program content, and orientation towards consumerism. In Question 3 organizational culture replaces national culture.

> **Issue 2:** What adjustments are made for the project culture risk inherent in doing business in a multi-cultural environment?

Both the questionnaire designed for the partner organizations and the SKY managers included a question (#4 on the SKY questionnaire and #5 on the questionnaire for partner firms) addressing the methods used to neutralize the cultural differences. Understanding how a firm adjusts its basic strategy to accommodate its potential partners and improve the IJVs chances for success is important. The open-ended question asks "Did your firm plan for these differences so that any possible detrimental impacts could be effectively handled?"

Issue 3: What is the impact of cultural differences on the negotiations and the resulting structure of the IJV?

Questions 2c, 3c, and 4 (#4 is only on the survey for the partner firms) respond to this issue. For the partner organizations, misunderstandings due to cultural differences can be detrimental to the venture. As was pointed out in Chapter Three, building cultural synergy requires learning. Question number 4 asks "Were the the cultural differences anticipated greater or less than the actual differences experienced?". Questions 2c and 3c rank each firms opinion whether cultural differences presented a major or minor risk to the outcome of the venture.

Issue 4: How is the control of the venture defined and perceived amongst the partners?

How the different aspects of a venture are controlled is very sensitive issue for the partner firms. Geringer and Hebert (1989) and David (1993) both point to control as a key issue in establishing an effective organization. Because of the sensitivity related to the issue, questions regarding control, such as who managed the venture, were asked during the personal interview.

Issue 5: How is this process different for IJVs in television, based on the strong relationship between television and society?

National culture is implicitly tied to this issue. The national culture of the host country encompasses the regulatory framework and consumer values which make television a unique product. As was discussed in Chapter Two, regulation has always surrounded the television industry. Question 6 on the partner survey (the question was not included on the SKY survey), asks "Did your firm expect that achieving cultural compatibility between partners in an international joint venture in television distribution would be different from participating in an IJV in other service industries?"

Other questions were also included as background for the questionnaire. Question #1 determined each respondents role in the venture by asking "Were you involved in both the planning and implementation stages of the New Zealand Sky Network Television Venture or were you only involved in one of the development stages?" Questions 7 and 9 (numbers 5 and 7 on the SKY survey) were used to briefly define the organizational environment of the respondents firm by prompting firms to complete the phrase "In my opinion I percieve (respondents firm)..."and to respond to "How would you classify the environment at your firm?" Question 8 asks the respondents to provide their definition of success. It also asks when they expect to achieve success in the venture.

Step three included administration of a questionnaire to the on site management of the venture. It asked many of the same questions to offer a comparison of the anticipated risks that each partner was concerned about, how were they neutralized and how cultural differences are dealt with on a daily basis. Follow-up phone interviews were conducted for more in-depth responses. From the analysis of the surveys and interviews, hypotheses have been generated related to project culture risk in IJVs in television distribution.

The first part of this thesis introduces the issues surrounding the globalization of the television distribution industry. Chapter Two reviews the environments of the television industry and the motivations for going global. Chapter Three summarizes the influence of national and organizational culture on IJV formation and implementation. The second part of this thesis reviews the methodology, results, and conclusions form the case of New Zealand Sky Network Television. Chapter Four describes the environment of Sky Network Television. The external environment concentrates on the national culture, regulation, competition, and consumers. The history of Sky Network Television serves as a basis for the description of the internal environment. Chapter Five, analyzes the results of the questionnaire. The goal of Chapter Six is to link the theortical conclusions made in Part One with the industry specific information gathered in Part Two. Testable hypotheses for future experimentation are included.

Chapter Two

THE RISE OF US PARTICIPATION IN INTERNATIONAL JOINT VENTURES IN TELEVISION DISTRIBUTION

The current trend in most industries is to expand globally. This trend, often referred to as globalization, is fueling the increase of IJVs in television distribution. As mentioned in Chapter One, this is not the result of any one factor, but the combination of environmental and strategic factors which together make an IJV the successful alternative. This chapter is divided into three sections. First, it describes the changes taking place in the industry environment which make "going global" a possibility. It then outlines the reasons for choosing an IJV as the form of investment. Finally, it introduces examples of current international joint ventures taking place in the industry.

WHY "GO GLOBAL": THE ENVIRONMENTAL FACTORS

Globalization of a firm is due to a combination of factors which alter the environment in which the firm operates. In the television distribution industry, a variety of changes in the environmental factors are creating a positive climate for the expansion of US investment in IJVs overseas. David's Environments of a Firm (1993), illustrates the inter-relationships of the societal, physical, task, and corporate environments and their role in defining the firm's business strategy (see Appendix A). This diagram shows that as change impacts one area, the others are affected as well. For example, if the societal environment changes due to a shift in regulatory philosophy, opportunities may open for international investment by the firm. Other changes can also have an impact such as internal revision of the overall corporate philosophy, new modes of product distribution, better receptivity of the capital markets, or research and development projects which reduce a physical barrier such as distance. Most important in motivating US firms to participate in television distribution IJVs are changes in regulation, advancements in technology, increasing economies of scale, and saturation of the television market in the US. The following four subsections expand on each one of these environmental factors.

Regulatory Changes

Around the globe, television markets-traditionally based on national boundaries-are experiencing a shift in regulatory philosophy. Noam (1991) describes this phenomenon as a shift from perceptions of TV as a public good to that of a private good. As re-regulation occurs in these markets, new opportunities emerge for the reorganization of television firms both locally and internationally (Negrine et al, 1990). According to Negrine and Papathanassopoulus (1990), television is evolving from a cultural product (based on the public service ideal) into a commodity traded on the open market. They have tagged this phenomenon as commercialization - "the desire to reduce regulatory practice to a minimum and allow the consumers of television to dictate (either directly or indirectly) their choices." Commercialization is achieved by increasing competition in the market, deemphasizing the traditional concepts of protection of the public interest, and imposing cuts on the level of financial support. The goal is not to completely abandon regulation, but instead to use regulation to achieve a balanced market.

Historically, the intention of regulation was to protect the public interest (citizens) from the power of broadcast television, handled the issue of scarcity of spectrum, guaranteed universal access and maintained the sovereignty of the nation. As the foundations on which these principles are based upon begin to shift, so must the regulatory policy[7] shift to meet the changing needs of the market. This new approach towards regulation is more liberal than historical approaches. The current trend is to let the consumer carry a portion of the responsibility through the choices they make.

Whereas scarcity of spectrum is becoming less of an issue due to the increasing efficiency (and capacity) supplied by the new technologies, the other key issues continue to be surrounded in debate. The power of broadcasting to disseminate information and shape opinions has been debated since its inception. Melkote's (1991) historical review of the theoretical approaches to the power of mass media messages revealed a full spectrum of beliefs. On one end of the spectrum, researchers used such linear terms as the bullet theory, the hypodermic needle theory, and the

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[7] "Policy is a definitive course or method of action selected from alternatives and in light of specific conditions to guide and determine present and future action (Bauer, 1992)."

stimulus response model to describe the all powerful medium. At the opposite end of the spectrum lie those researchers who find the relationship between mass media and its ability to change perceptions and attitudes as being rather weak. This group of researchers sees the mass media as an agent of reinforcement versus an agent of change. Despite these findings regulators continue to "protect" citizens from the power of television by continuing to govern areas such as programming content, variety of programming, advertising quotas, and ceilings on program imports.

The debate surrounding the issue of national sovereignty involves a nation's right to determine what is disseminated to its citizens. One very timely example is the current version of the North American Free Trade Agreement (NAFTA). The agreement concedes that foreign investment in Canada's "culture industries" will remain under the sovereign control of the Canadian Government (Norman, A. et al, 1993). Despite such efforts by regional and global organizations such as NAFTA, the European Economic Community, and the International Telecommunication Union, national sovereignty remains a regulatory policy goal for many countries.

Universal access is another goal of regulators both nationally and internationally. During the 1977 World Administrative Radio Conference (WARC), the representatives of the less developed countries began to voice their opinion that the previous method of "first-come, first-served" distribution of satellite orbits was unfair. In order for these countries to be assured they would have the same opportunities as developed countries to enter the satellite industry, a certain number of orbits was reserved for each country. Negrine & Papathanassapoulos (1990) credit this change in policy to two considerations:

1.) "the question of state sovereignty, and national self-determination; and

2.) the principle of equality of access to international resources."

The global acceptance of a more liberal philosophy of regulation is due to a phenomenon coined the "ripple effect" (Negrine et al, 1990). While the regulatory choices made by each country are unique, the overall effect of increasing liberalization and freedom of choice has impacts beyond the originator's national boundaries. New regulations regarding foreign ownership limits, foreign programming quotas, program content regulation, sources of funding, advertising limits, licensing of spectrum, and technological standards are creating a new societal environment with increasing opportunities for US firms to invest in television distribution overseas.

Technology

The issues surrounding changes in the technological environment of the television industry are challenging the old ideologies of regulation. Where scarcity was once an issue, fiber optic cable has drastically increased channel capacity. Where satellite footprints do not correspond with traditional national boundaries, the issues of national sovereignty are brought to the surface. Both Peter Dicken (1992) and Eli Noam (1991) conquer that technology itself does not cause internationalization. It is an "enabling agent" which reduces the restrictions of space and time allowing for international growth. Technological choices are influenced by the values and motivations of society. These choices are visible both in purchasing decisions made by individual consumers and by government regulators who set standards. According to Noam (1991), "it would be inaccurate to describe media liberalism as technology driven...the underlying dynamics [are] connected to but [are] not determined by technology." These advancements in technology cause changes in the environment of the television industry which act as motivators for internationalization.

Economies of Scale

To achieve economies of scale according to Bauer (1992) a firm will attempt to operate at its minimum efficient size. Economies of scale can be achieved by maximizing a firm's technological, organizational, and/or monetary advantages. The structure of the market is determined by economies of scale in that only a certain number of firms can achieve efficiency in the market place (Bauer, 1992). In the mass media industry we are seeing an integration of firms which at one point only participated in sub-industries. Publishing firms, telephone companies, and movie producers are investing in the television distribution industry to take advantage of the economies of scale experienced through integrated investment. Noam (1991) finds this trend towards integration to be due to the emergence of a new information industry. In this new integrated industry "alternative pathways for delivery of information are not neatly segregated as they have been in the past (Noam, 1991)." Firms are taking advantage of this by investing in vertically compatible industries. Noam (1991) uses the example of the release sequence for a work of fiction:

* Hardcover book or Broadway theatrical production
* Soft-cover book or travelling theatrical production
* First-run movie theater exhibitions
* Videocassette
* Pay-per-view television
* Regular pay television
* Network television
* Second run pay television
* Television syndication
* Late night television

Examples of firms investing in television distribution that are taking this approach include Time Warner, Paramount, Viacom, Rupert Murdoch, Bertelsman, and Turner Broadcasting.

Market Saturation

One factor which is specifically related to motivating US investment overseas is the saturation of the US television distribution industry. As of July, 1993 (Arbitron, 1993), 99% of the households (HH) in the United States had at least one television set and 65% of these homes also subscribed to a cable or satellite pay service. In comparison with other countries, these figures may have peaked. The United Kingdom, for example, has a cable penetration of only four percent (Maney, 1993). In response, investment in UK cable by US firms is totalling in the billions of dollars. According to Maney's article in the USA Today, NYNEX is prepared to spend up to $3.5 billion over the next five years on its UK systems.

The UK isn't the only market opening its television industry for investment. Cable and satellite ventures in Asia are also on the rise. According to an article in Asian Business, by Nick Ingelbrecht (1993), as the former state monopolies break their hold over Asia's television industry. Asian consumers are experiencing "the beginnings of a deluge of new services." Where the average US consumer has access to over 25 channels, viewers in Asia have only three. The potential for growth is huge and investment is occurring in both cable and satellite. In Asian Business, (Ingelbrecht, 1992) Singapore's Information and Arts minister, George Yeo, was quoted as saying "a good foreign partner can help us improve our quality, penetrate the international market and upgrade our business skills."

With these goals influencing regulators, the current state of flux that the industry environment is experiencing is destined to continue.

CHOOSING AN IJV AS THE FORM OF INVESTMENT

So when the environmental factors are pointing towards going global , why does a firm choose to form an IJV as the investment strategy? From a myriad of investment strategies, such as mergers, acquisitions, portfolio investments, strategic alliances, and licensing agreements, forming an IJV is not always the ideal method of entering the global environment. Disadvantages can include necessity of divulging trade secrets, profit-sharing, conflicts with partners, and working in a multicultural environment. However, certain regulatory requirements, the availability of capital, benefit-risk sharing, and knowledge exchange can make an IJV the most attractive (and in some cases the only) alternative. The following sections expand on each of these factors.

Regulatory Requirements

As we mentioned earlier in this chapter, regulation can impede the ability of a foreign firm to invest overseas. Host country regulations regarding ownership are a significant to choosing an IJV as the investment strategy. According to the NTIA (1993), of the 17 countries they studied 11 of them permitted some degree of foreign ownership in broadcasting or cable (see Appendix B). Foreign ownership regulations can restrict a firm's ability to "go global" if, for instance, their organizational structure is not compatible with holding a minority interest.

Most large entertainment conglomerates firms, when allowed the option, would prefer to operate a wholly-owned subsidiary. They would have complete control of a merger or acquisition, whereas in a joint venture control is negotiated amongst all the partners (Geringer et al, 1989). However regulations on foreign ownership are often aimed directly at this group of corporations.

Availability of Capital

For smaller firms, the most predominant factor in choosing and IJV is the availability of capital. Full ownership of a venture is impossible for many investors, especially of a television distribution company due to the large investment required. This fact is illustrated by NYNEX's investment of $3.5 billion into UK cable (Maney, 1993). Capital requirements make joint ventures a very attractive alternative for many firms unable to finance a merger or acquisition.

Benefit-Risk Sharing

Benefit-risk sharing allows a firm to "spread out the costs and risks of a major business undertaking (Webster, 1989)." Webster (1989) also finds, that because a firm can take larger risk without sacrificing their reputation in the event of a failure, they may be able to take larger risks than if they were operating independently. In the television distribution industry, joint venturing allows partner firms to share the high investment costs and the risk of entering a new untested market. Benefit-risk sharing also provides opportunities for firms to test market new technologies (DBS is a good example), spreading the risk among a group of firms. By working together firms often will take risks beyond the scope of their individual abilities.

Knowledge Exchange

Knowledge exchange is a key factor in forming an IJV in television distribution, especially in the areas of technology, programming, and culture. In the area of technology, it has been hypothesized by many (see Maney, 1993) that the Regional Bell Operating Companies (RBOC's) are using their UK cable ventures as a testing ground. They want to be prepared to deliver video when or if the restriction is lifted here in the US.

Knowledge exchange is not just beneficial for the visiting partner. In many Countries where television distribution was previously controlled by the state, private local investors who want to invest often don't have the proper industry knowledge to succeed. By forming partnerships with experienced television firms from the US they can leap frog this learning phase and compete more successfully against the established state-owned firms. As Brian Byrnes (personal interview, February, 1993) pointed out, these new entrepreneurs would have a hard time competing with the established firms if it weren't for the help of a foreign investor. In Mr. Byrnes' case, he is supplying his Czech partners with programming, capital and access to technology. Most important to the Czech partners is access to quality programs. Mr. Byrnes reputation in the US opens doors in the US they would never of found on their own.

Gaining important information about the culture of the host country is also critical to the success of a venture. Local partners can provide background regarding business practices and market philosophies. They can also brief the foreign partners on differences in regulatory philosophy. Partner organizations all have a commitment to the success of the venture. This provides an advantage over mergers and acquisitions, were the firm must discover cultural differences on their own.

CURRENT IJVS IN TELEVISION DISTRIBUTION

Keeping track of "Who's Who in Television Distribution" is difficult. Attempts to develop a complete list of firms and the IJVs they are participating are hindered by the diversity of distribution channels available, the dynamic environment of the industry and the diversity of firms participating in the market. Tracking investment activity is also impeded because much of the information about the local partners involved in each deal is often concealed. Even when the deal is with a high-profile firm such as the RBOCs, Tele-Communications Inc., Time Warner, and Paramount, this information is not available. Sometimes this is simply because their partner is a local investor who has had no previous experience in television. Another hindrance is that some of the players are relatively unknown, small operators who see this as a way to further the success of their firms by going abroad (Kerver, 1992). For these reasons, the list found in Appendix B is merely illustrative of the actual market. Instead of aiming for creation of an exhaustive list, concentration was placed on creating a list with as many complete entries as possible.

CONCLUSIONS

The decision to expand globally is tied to changes in the enviroment in which the firm operates. Changes in regulation of the television industry world wide has increased the opportunities for US firms to venture overseas. These more liberal regulations open markets previously closed to foreign investment. Other environmental changes include advances in technology, economies of scale and market saturation. Once a firm decides to go global, joint ventures are often the most likely alternative. Factors such as regulations restricting the level of foreign ownership, the availability of capital, the ability to share benefits and risks, and the exchange of knowledge. When reviewed in light of the current changes in the environment, these factors point to international joint ventures as a successful strategic investment alternative for entering the global market.

Chapter Three

THE INFLUENCE OF CULTURE

As was discussed in Chapter One, understanding the influence of culture on the development and management of an IJV is an important step in reducing the risk involved with venturing abroad. This chapter concentrates on reviewing how this relationship has been studied in the past and where future research should concentrate. First, how culture is considered as an influencing factor in the joint venture literature will be reviewed. Secondly, intercultural management issues will be examined. Thirdly, I will look at attempts to combine both the business school approach and the cultural communications approach, in the section entitled Achieving Cultural Synergy in an IJV. Finally, my conclusions will point to areas for merging these two perspectives into synergistic guidelines for the analysis of IJVs in television.

CULTURE'S INFLUENCE: NATIONAL AND ORGANIZATIONAL CULTURE

Before we procede, it is important to define how individuals are socialized. Kenneth David (1993) divides this process into three stages: national, professional, and organizational. These processes are progressive (see Figure 3.1) with national being the primary socialization process. National culture provides a basis for understanding among individuals in a society.

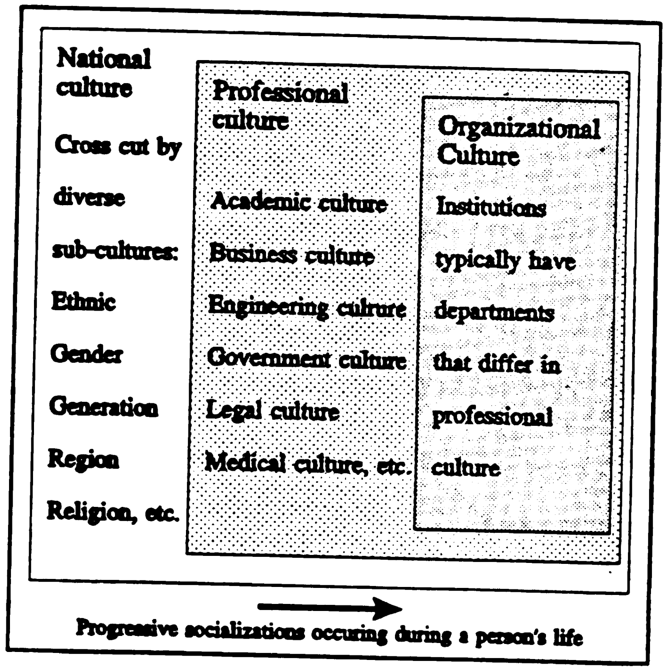

Figure 1: The Socialization Process (David, 1993)

The second stage of individual socialization is into a professional culture. Professional culture narrows the wider constructs of national culture, but does not conflict with it. It defines the "effective rules of the game."

Organizational culture is the final stage of the socializaiton process and is constrained by the limits of national culture and professional culture. David defines organizational culture as "an imperfectly shared system of understandings with which organization members orient themselves to internal and external relationships and processes." He has found orga

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organizations to have four options towards forming an integrated environment:

1.) recruit members who fit with in the existing culture,

2.) train members to fit,

3.) monitor activities, and

4.) fire those who don't fit.

Understanding these concepts is crucial when studying international joint venturing, because cultural misunderstandings are multifaceted due to the different socialization processes. However, because of these inter-relationships it is difficult to determine which socialization process impacts which of the dimensions of culture. It is more important to understand that these differences between the partner organizations in an IJV create potential areas of risk to the success of a venture. Each individual of an organization is progressively socialized into the national, professional, and organizational cultures they are exposed to. When an organization attempts to form an IJV, understanding the potential for problems due to these culture differences is imperative.

CULTURE AS A FACTOR IN IJV LITERATURE

The majority of studies reviewed on IJVs cover the strategic factors which are considered in the formation of a successful venture (Harrigan, 1989; Carter, et al, 1988; Barrett, 1992; Webster, 1989; Lorange, et al, 1987; Nigh, et al, 1990; and Hausman, 1991). These factors include partner selection, benefit-risk sharing, knowledge exchage, and availability of capital. These studies provide a basic review of the business school perspective, but avoid the cultural issues. It is interesting to note, that in their 1989 text, Control and Performance of International Joint Ventures, Sheth and Eshghi did not select one article that mentioned the impact of culture. However, in 1991 50% of the articles in the text, Global Microeconomic Perspectives, included various cultural issues.

The more recent JV literature reviewed has begun to add the cultural perspective. Sheth and Eshghi (1991) mention the impact of culture on technology transfer, capital structure, human resource management, and information flows. Conflict, as an issue connected to cultural differences, was mentioned by Schuler et al (1991). Others also relate culture to management style and partner selection (Rosten, 1991; Beamish, 1987; and Killing, 1983). However this group of studies does not effectively link culture to the strategic models, instead it is merely mentioned as a consideration. Culture is treated as an extraneous variable that operates outside the realm of business strategy, when actually it should be the base from which strategic models and frameworks are developed.

CROSS-CULTURAL MANAGEMENT LITERATURE

The literature in the field of cross-cultural management begins to merge cultural issues with international strategic business models. Cross-cultural management studies the behavior of people within and between organizations around the world (Adler, et al, 1986). The majority of the studies reviewed in this area use comparative analysis of organizations in two different national cultures. The goal is to recognize, analyze and generalize differences to achieve organizational effectiveness (Smircich, 1983). They deal with understanding differences and reducing risk in cross-cultural relationships. Possibilities for synergy in establishing an IJV are not explicitly defined, but are often mentioned as areas for future research. Various organizational concepts which have been studied in this manner are business negotiations (Graham, 1985), business time perceptions (Usinier, 1991), and choice, decisiveness and risk adjustment in international marketing (Tse et al, 1988). The common finding of these studies is that differences do exist in the management of organizations due to national cultures, but they did not establish guidelines for better management of these concepts in the business community.

Adler, Docktor, and Redding's (1986) review of cross-cultural management found three key areas of debate: cross-cultural variance (concept of nation vs.culture), cultural determination (culture as the basis for differences), and intercultural interaction (adaptation). Through a literature review in the areas of developmental psychology, sociology, and anthropology, they determined that cultural differences which exist between cultures should be used to a firms advantage. If differences are not dealt with from the outset they often do not surface until they are problems.

However, if handled properly a greater cultural diversity does not always lead to greater cultural misunderstanding. They believe that future researchers should concentrate on developing models which illustrate the causal relationship. In their conclusions, they emphasize that for continued progress to occur in the area of cultural management, culture must be considered as important a variable as other strategic management variables.

One of the most prominent researchers in the area of cross-cultural variance is Geert Hofsteede. His book, Culture's Consequences (1984), studies the cultural differences in constructs of power distance, uncertainty avoidance, individualism, and masculinity. Hofsteede found these four constructs to represent the "basic problems of humanity with which every society has to cope (1984: p. 212)." He conducted research in 40 nations to uncover the role national culture plays in an individual's "mental program". By mapping the survey results for each country on axis', he was able to illustrate that the variations between each country's scores prove that each individual society reacts differently to these constructs (see the sample scale in Figure 2, which illustrates the relationship between power distance and uncertainty avoidance). However, David (1993) points out that one of the shortcomings of Hofsteede's model is it's inability to be exported to cultures beyond those studied. Hofsteede does not create a framework for the analysis of continuous cultural interaction, instead he has mapped out the average scores of each culture surveyed for a given time period.

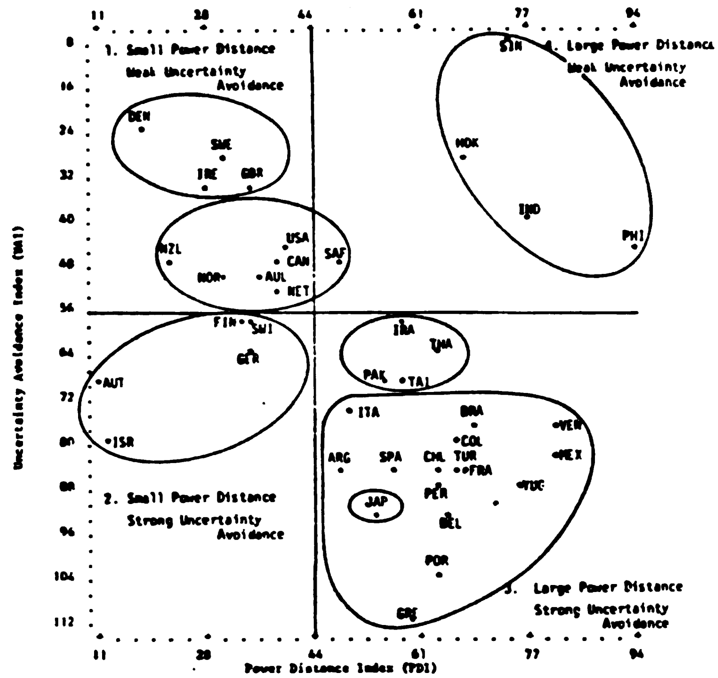

Figure 2: Positions of the 40 countries on the Power Distance and Uncertainty Avoidance Scales (Hofsteede, 1984)

The majority of studies in the area of cultural determination analyze various constructs in different cultures and draw conclusions on how relationships can be structured in the global environment. Vertinsky, Tse, Wehrung, and Lee (1990) study the norms of managers from the People's Republic of China, Hong Kong and Canada in relation to the phenomenon of globalization. They correlate the dichotomy of covergence and divergence with globalization, stating that globalization is the "convergence process through which cross-cultural and national differences are reduced (p.854)." The results of their survey of 155 executives points to significant differences in the norms of organizational design and management among the cultures studied. Rather than supporting convergence due to globalization, their study finds other factors may come into play, such as trends in the global economy.

In a study dealing with the intercultural interaction of managers, Kelley et al (1987) compare attitudes of Japanese, Chinese, and Mexican managers with their ethnic-American counterparts. The design of their study attempts to isolate the cultural variable and the results show differing ties to national culture between the foreign managers and their American counterparts. Overall, they raise the question of how strong the impact of national culture norms are on managerial attitudes and the necessity for further research on how organizational practices can be modified and adapted without having a negative impact on organizational effectiveness.

INTERCULTURAL MANAGEMENT

The overall theme of research in this category is creating cultural synergy in an organization to improve the odds of developing a successful and effective partnership. Cultural synergy is the recognition of cultural influences where the differences and similarities between cultures are used to create new organizational structures and management strategies (Moran & Harris, 1982). Basically, managers must learn to appreciate the differences in cultural perspectives between each other (or in the case of an IJV, between partner organizations). As Gudykunst and Kim (1992) stated in their definition of inter-cultural communication an attribution of meaning occurs. This implies that a negotiation process occurs between persons or groups of different cultures to find a common ground on which communications can occur. Globalization requires that firms capitalize on their differences instead of the stronger firm imposing its organizational culture on the weaker firm. The goal should be to create an environment where 2+2=5. Moran and Harris (1982) offer a three step process for achieving synergy: (1) understand the host cultures attitudes toward management, (2) learn what can be adapted from this approach to one's learned style of management, and (3) synergize the cross-cultural dimensions into a more global approach.

According to Smircich (1983), culturally synergistic approaches are generally based on systems theory, where research is concerned with creating models that illustrate the contingent relationships of an organization to it's environment. Once again culture is the research variable, but opportunities for synergy exist. The researchers reviewed in this section attempt to make this link between culture and joint venturing. Research points to the need to manage diversity for success in strategic alliances. Parkhe (1991) developed a basic framework for developing methods of coping with the tensions of diversity. He offers solutions for the dimensions of societal culture, national context, corporate culture, strategic direction, and management practices and organization (see Figure 3). He finds that management of these dimensions will increase longevity of alliances by increasing the overall performance of the organization and maintaining the

Conceptual Level	Phenomenological Level	Dimension of Diversity	Sources of Tension	Coping Mechanisms	Proposition
Meta	Supranational	Societal culture	Differences in perception and interpretation of phenomena, analytical processes	Promote formal training programs, informal contact, behavior transparency	1a, 1b
Macro	National	National context	Differences in home government policies, national industry structure and institutions	Emphasize "rational" (i.e., technological and economic) factors	2
Meso	Top management	Corporate culture	Differences in ideologies and values guiding companies	Encourage organizational learning to facilitate "intermediate" corporate culture	3
Meso	Policy group	Strategic direction	Differences in strategic interests of partners from dynamic external and internal environments	Devise flexible partnership structure	4
Micro	Functional management	Management practices and organization	Differences in management styles, organizational structures of parent firms	Set up unitary management processes and structures	5

Figure 3: Framework of Interfirm Diversity (Parkhe, 1991)

balance of power between the partners. This framework stresses the importance of cross-cultural learning in achieving a cohesive strategic plan. However it provides only general solutions for the management of intercultural differences in strategic alliances across cultures.

In JV research conducted by Lane and Beamish (1990), they merge the process of developing a joint venture with behavioral issues to emphasize organizational need for cross-cultural training. In this study, the impacts of culture are described in each step of the joint venture process. In the first step, deciding to form the venture, the goals of the venture and timing of the implementation process must be decided upon. The cultural influences on these decisions by potential partners is crucial. It is essential to find a partner with the same long-term needs and who will bring value (knowledge, capital, market entry, ect...). They note the importance of

[a]Cultur

remembering that cultural learning is a continuous process and to allow for multicultural team management in the final venture design. Finally, commitment must be expressed by all partners.

Both of these studies (Parkhe, and Lane & Beamish), while beginning to provide for cultural synergisms in IJVs, do not provide a systematic framework for analysis of intercultural partnerships. They offer helpful hints, but do not measure the culture and power issues that must be considered in inter-cultural management. David's Model of Intercultural Project Management (1993) integrates the dimensions of business school strategy with social science cultural analysis. An illustration of this model appears in Figure 4.

The goal of David's model is to analyze the sources of project culture risk[8], understand its impacts, and the role of organizational routines for learning and sharing. The anticipated result is a synergistic activity between all involved cultures. For example, in an IJV the first step is determine the sources of risk. Those risks must then be interpreted so that they can be managed. The ultimate goal of these processes is to improve the external performance of the venture. Below is a brief summary of the model, which includes the sources and process of project culture risk, and the project regime designed to reduce the anticipated risks.

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[8]Culture risk is the potential for misunderstandings due to cultural differences (David, 1993).

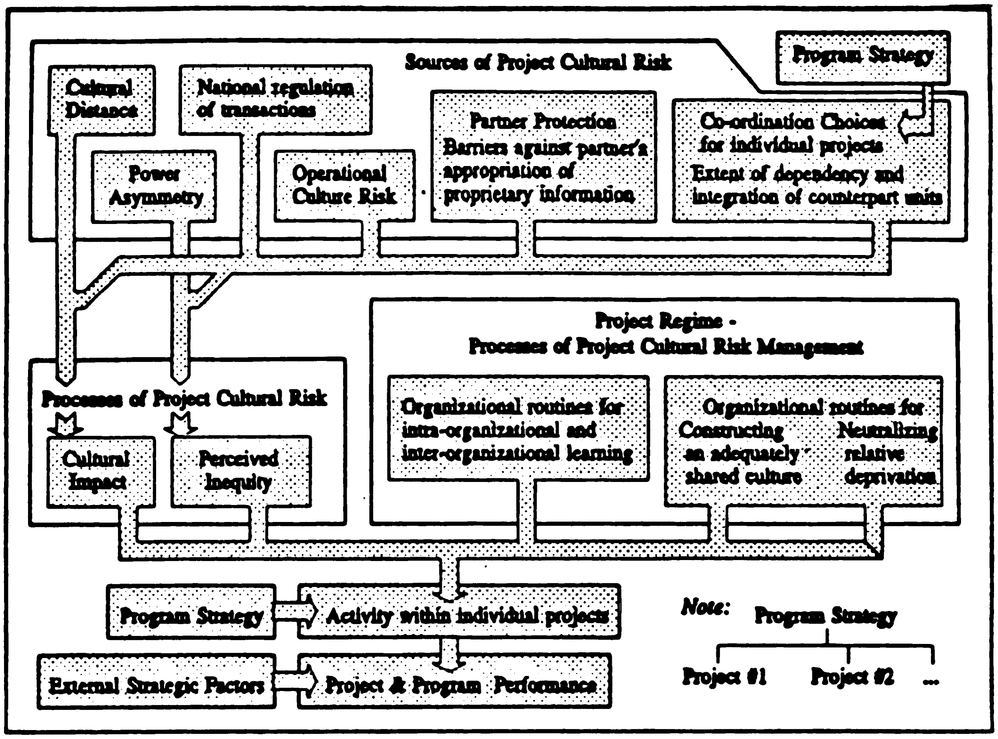

Figure 4: Summary of Intercultural Management (David, 1993)

<u>Sources and processes of project culture risk.</u>

*<u>Cultural distance[9] and impact</u>: a combination of the impact of differences in national and business cultures on the IJV. Greater cultural distance does not in itself imply increased risk. Understanding the potential for misunderstandings due to cultural distance is crucial to effective management of the IJV.

*<u>Power asymmetry and perceived inequity</u>: in an IJV this refers to the differences in power each partner accepts based on their level of involvement, where involvement and power are relative to the value of

[9]Cultural distance is the extent to which cultures differ due to differing socializations into national, professional, and organizational cultures (David, 1993). Cultural distance is a potential (not guaranteed) source of culture risk.

inputs such as capital and knowledge. Problems arise when partners feel they are not participating at a level representative of their investment. This perceived inequity can have a significant impact on the success of the IJV.

*National regulation of transactions: specific guidelines set by the host government and in some instances includes the influence of international agencies.

*Coordinated choices: the linking of organizational strategy with the culture and power issues.

*Operational culture risk: the relationship between the IJV organization and its chosen environment[10].

*Partner protection of information: in any alliance there is always the risk of divulging information to the venture partners without a guarantee of benefiting from this transaction. Remember, in an IJV, information is a commodity which influences the balance of power.

Project regime-processes of project culture risk

*Routines for learning are established to construct a shared culture and reduce culture risk.

One important note about the model. David's definition of inter-cultural management includes the culture and power issues that effect relationships between different organizations or even different departments

[10]See Appendix A, Enviroments of a Firm (David, 1993)

of the same organization. Thus the applications of this model are valuable beyond the scope of strictly international relationships. This model is synergistic and flexible. And it takes into consideration all realms of cultural influence. It does not illustrate the specific sources of and processes for neutralizing project culture risk for a specific industry. In the television industry this information is needed, because of the strong influence of culture in all parts of the industry.

CONCLUSIONS

Future research is still needed to develop a synergistic framework for analysis specific to IJVs in television. The information gathered from this review of joint venture research, cross-cultural management issues, and intercultural management frameworks is the foundation for development of guidelines for intercultural management of IJVs in television. These guidelines must be sensitive to the cultural issues of globalization. Culture is ever-present and ever-changing, thus guidelines must be dynamic and respond to the changing environment. Synergism, as covered by Moran and Harris (1982), creates a comparative advantage for a firm by reducing the culture and power issues raised by David (1993). The advantages of a firm becoming more in tune with the impacts of culture on the organization, both internally and externally, feed the synergistic process. We also know that cultural differences can lead to misunderstandings (Adler et al,1986). In a joint venture, misunderstandings are detrimental to the success of the strategic goals and objectives of the partners and thus can be perceived as a risk of joint venturing. The ultimate goal of this new model must be, as in David's intercultural project management model (1993), to neutralize and reduce the occurrence of these conflicts. Overall, adding cultural theory to the business school perspective will improve the chances of forming a successful joint venture (Lane and Beamish, 1990).

In the formation of IJVs in television, cultural issues offer a more heated arena for study because the end product is linked so deeply to the culture of the host country. Through the use of a case study of a specific IJV in television distribution, this study explores the extent of the conflicts related to culture which arise in the formation and management of the venture. The following issues regarding IJVs in television distribution will be raised during the case study:

*How do two or more organizations with specific values and goals based on their established organizational cultures, create a new organization able to function as a cohesive unit?

*What adjustments are made for the project culture risk inherent in doing business in a multi-cultural environment?

*What is the impact of cultural distance on the negotiations and the resulting structure of the IJV?

*How is the control of the venture defined and perceived amongst the partners?

*How is this process unique for IJVs in television based on the strong relationship between the television industry and social issues?

Cultural differences will be analyzed both nationally and organizationally. Questionnaires, addressed to key managers at each of the partner firms, will be used to produce qualitative responses to each firm's perspectives on where cultural differences exist between themselves and the other partners. Questions will also reveal the methods of neutralization used to decrease the risk due to cultural differences.

Chapter Four

THE ENVIRONMENT OF SKY NETWORK TELEVISION

In Chapter Two the environment of a firm was used to isolate the key motivations for a firm to go overseas. These motivators shape the basic strategies the newly created firm adopts to successsfully respond to its environment. The environment of a firm (refer to Appendix A) includes the external task and societal environments and the internal corporate environment (David, 1993). The external environment of a firm impacts the internal structure of the firm. An understanding of these factors will set the tone for analysis of the influence of culture on the IJV relationship. The first part of this chapter reviews the external environment within which Sky Network Television (SKY) operates. The second half of the chapter reviews the effect of the external environment on the structure of SKY. The second section will also include descriptions of each of the partner organizations and their role in shaping the venture. The intention is to provide a descriptive and somewhat historical perspective of SKY's environment.

THE EXTERNAL ENVIRONMENT OF SKY NETWORK TELEVISION

The external environment is comprised of the elements of the societal and task environments. The task environment includes the regulatory framework of the industry; the structure of the business community including suppliers, bankers and competitors; and the role of the consumer. The task environment is constrained by the national culture, in this case the national culture of New Zealand. Four key areas of the external environment influenced the structure of SKY: national culture, regulation of the television industry, competition in the market, and the television viewer (customer). The following sections expand on each of these factors.

National Culture

New Zealand is comprised of the two main islands (North and South) and a variety of smaller islands. Located in the South Pacific Ocean (reference map is in Appendix D), New Zealand is a former British Colony which achieved it's independence in 1947. There are 3.5 million inhabitants of which 1.5 million have television sets (Europa world yearbook, 1993). English is the official national language. However the Maoris (the original inhabitants of the islands) also speak their own lanquage. The average per capita income is $11, 800 (TBI yearbook, 1992). Education is cumpulsory, representing 15.8% of the national expense budget (Europa world yearbook, 1993). As of 1986, 66.7 per cent of the population professed to being Christian. The capital of New Zealand is Wellington on North Island.

In Culture and Identity in New Zealand, Bill Wilmott (1990) states that culture is more than just art, music and literature. It represents how individuals think and feel about their nation. In this light, the citizens of New Zealand are often described as liberal, relaxed, friendly and outgoing. New Zealand is based on very egalitarian priciples stemming from the settlement days when pioneers realized that historical class standing meant nothing in a new world. This has created a community without a class structure. Citizens pride themselves on a community approach to problem solving, often coined "kiwi-ingenuity" (About New Zealand, 1991). In the New Zealand community, violence is rare when compared with world standards (Novitz et al, 1990).

Often thought of as naturalists, citizens strive to protect the natural beauty of New Zealand. Primary pastimes involve the outdoors and include rugby, hiking, skiing and water sports. The average New Zealander is less than 110 km from the sea. A belief in protecting the environment has led to New Zealand being established as a nuclear free zone (About New Zealand, 1991).

The indigenous population of New Zealand, the Maoris, represented 9.6 % of the population in 1991. Though they are far from a majority, their influence on the national culture is highly visible. For example, in the early days of English settlement in New Zealand treaties were made with the local tribes. These treaties protected their right to maintain their culture. Disagreements over the cultural and economic rights of the Maoris continue today. Recent disagreements over fishing rights led to the advancement of $NZ150m to a Maori group to enable them to purchase a 50 percent stake in New Zealand's largest fishing company (Europa world yearbook, 1993).

The business culture of New Zealand is often described as westernized. However, some key differences do exist. While conducting the case study (full results of the case study are located in Chapter 5), many commments were made by the US firms regarding negotiation syle, the relationships with suppliers and selling style. According to one respondent (personal interview, October 4), New Zealanders tend to be more open and honest in negotiation than their American counterparts. He said that many US trained MBA's find it difficult to adapt to the New Zealand style because their background has trained them to be more agressive and secretive. The relationship between investors and suppliers is also affected by these differences. For example switching banks or printing companies is not considered negative in the US business community, rather it is thought to be part of running a successful business. However in New Zealand, relationships in the business community are valued. Breaking a relationship by switching suppliers can make it difficult to do business in New Zealand. Due to its small size, New Zealanders have created a business climate that is noted for its openess and honesty (personal interview, October 4).

The influence of American ideals is visible in New Zealand. Wilmott (1990) describes Americanization as an unavoidable world-wide phenomenon. He sees the American way of life as portrayed in the media as a threat to the culture of New Zealand. According to Willmott (1990), the seduction of the American way of life include the acceptance of the "heaviest exploitation of energy and other resources the world has ever known." He continues to theorize that Americanization requires "the exploitation of other societies, for without the cheap food and raw materials extracted from the poorer societies, Americans could not enjoy such a high standard of living." For this very reason he feels Americanization is unattainable for the vast majority of the world, no matter how they might fancy it.

Often the opinion of New Zealanders towards the US is issue based. During the 1987 America's Cup Challenge, the New Zealanders initially were routing for the Americans vs. the Austrailians. In the end however, it came to resemble an age old battle. Imagining poor David against the mighty American Goliath, the New Zealanders began to cheer for Australia's KZ7 (Willmott, 1990). Another recent conflict between the US and New Zealand involved the ANZUS defense treaty between Australia, New Zealand, and the US. In 1985 the US suspended all ministerial contacts with New Zealand in response to a ban of all vessels believed to be carrying nuclear weapons from New Zealand's ports. These contacts were restored in February of 1990, even though the nuclear ban remained. US naval ships were not welcomed into New Zealand's ports until the 1992 announcement that it's ships would no longer carry tactical nuclear weapons (Europa world yearbook, 1993). Thus, it appears that as much as they may adopt some traits of American culture, they are not interested in becoming a miniture version of the US.

Regulation of the Television Industry

The form of government in New Zealand is a parliamentary democracy modeled after the political system of the United Kingdom. There is not a written constitution. Therefore "constitutional practice is an accumulation of convention, precedent and tradition" (Europa world yearbook, 1993). The Prime Minister is appointed by the Governor General who then appoints the ministers of the Cabinet. In 1993, television was regulated by the Minister of Communications, Broadcasting and Statistics, Maurice Wiliamson.

Recently a wave of deregulation has swept through New Zealand. As was discussed in Chapter Two, regulations are designed to protect the values of a nation such as national sovereignty and universal access. The recent deregulation however, has led to complete abolition of limits on cross-ownership, foreign ownership, and foreign programming. This philosophy is much more liberal than the positions adopted in many other countries. One of the respondents found that this was due to the lack of investment capital available in New Zealand. Outside capital was needed to create a more competitive environment (personal interview, October, 1993). Mr. Williamson has even been quoted as saying that the state has no place in broadcasting ("TVNZ", 1993).

Despite the trend towards a very open market for television, the matter is far from closed in New Zealand. According to an article in Variety, Steven Mahrey, the opposition spokesperson and former media studies lecturer at Massey University, is attempting to introduce a content bill limiting the amount of foreign programs to 30 percent (to increase to 40 percent over three years). Currently only 24 percent of the programs are produced locally and all other attempts to impose regulations on foreign content have failed ("TV Content Quota," 1992). Mahrey also has vocalized his concerns regarding foreign ownership regulation, stating that "all other OECD countries place limits on foreign ownership of broadcasting because they believe it has cultural significance (Smith, 1991). Paul Smith (1991), contends "it's no profit to gain the world and lose our culture." Regardless of current objections, deregulation is expected to continue if the current cabinet remains. Mr. Williamson has expressed his intentions to sell or privatize TVNZ after the election this fall ("TVNZ," 1991)

Market Competition

Historically broadcasting in New Zealand was administered by a public corporation, the Broadcasting Corporation of New Zealand. Television New Zealand (TVNZ) was founded in 1960 as a monopoly television broadcaster. TVNZ operates two channels, Television One and Channel 2, broadcasting morning, afternoon, and evening, seven days a week. In 1988 the process of deregulation began as the Corporation was disolved and replaced by Television New Zealand, Ltd., a State-Owned Enterprise (SOE). Then in 1989, competition was introduced when the first private channel went on the air - TV3 (Europa world yearbook, 1993). Further deregulation led to the sale of four UHF spectrum licenses in 1990 (Smith, 1991). One of these licenses went to SKY; one to Canturbury Television, a regional operator in Christchurch; and one to the government agency which is in charge of horse racing and gambling (personal interview, October 11). The remaining licensee has not yet entered the market.

So who are the players in the market? TVNZ, due to its predominant role in shaping the market, still attracts the majority of viewers. The top ten programs for the week ended April 17, 1993 were all on TV-1 and Channel 2 ("TVNZ," 1993). Funding comes from a mix of advertising (80%), and receiver license fees. TVNZ is also a minority shareholder in SKY. As a state owned enterprise (SOE), TVNZ operates as a business separated from the State. The state is its shareholder and can determine the dividend which must be paid to the state. These funds are not reinvested in the SOE, but are kept by the state for other budgetary requirements (personal interview, October 11,1993) In December 1991, TVNZ reported a net profit of $28.13 million (<u>Economic and financial overview</u>, 1992).

TV-3 has gone through its share of trials in its attempts to change the viewing patterns of New Zealand's television households. The decision to change foreign ownership restrictions fron 15 to 100 percent was partially due to the government's belief that a competitive television market could not be allowed without the influx of foreign investment (Woolliams, 1991). The relaxed ownership restricitons allowed the sale of TV-3 to take place.

Currently TV-3 is owned by Westpack Banking Corp (40%), TV-3 Network Ltd (40%), and CanWest Global of Canada (20%) (Europa world yearbook, 1993). The future seems more promising for TV-3. An executive of TV-3 stated in article by Paul Smith (1991) that advertising revenues are increasing for the station as viewers habits change to include TV-3.

Other minor players are also important to note. Canturbury Television, a regional broadcaster out of Christchurch (South Island), also purchased a UHF license at the same time as SKY. Their impact on SKY is negligible, as they only broadcast 42 hours per week. The venture is controlled 100% by Foggerty McMenamin Trust (Europa world yearbook, 1993). An even smaller competitor, KIWI Cable is a very recent attempt to enter the market. Owned by US cable operator, Todd Communications, KIWI Cable is located outside of Wellington on the North Island. The sysem turned on to 75 paying subscribers in early May ("KIWI TV," 1993). Another new competitior may be on the horizon. It appears that Rupert Murdoch is interested in entering the New Zealand television market. Rumor has it that Mr. Murdoch may make a bid for the licenses currently used for TAB. This channel is run by the New Zealand government-owned booking agent. Currently TAB broadcasts horse racing. What the future will hold for the channel is uncertain (personal interviews, October 1993).

The Television Audience

Television viewers in New Zealand are accustomed to advertising on television. The average amount spent on advertising per capita is 63.6% just over half of the amount spent in the US (TBI yearbook, 1992). There are 1,025,000 television households in New Zealand, of which 63.6% have VCR's. Up until very recently viewers only had two choices, TV-1 and Channel 2, both of which are state-owned. It is difficult for them to comprehend access to even 10 channels, while in the US the debate revolves around the viability of more than 500. Currently favorite programs of New Zealand viewers inlcude news and sports, with the demand for locally produced programs increasing ("Indies staying afloat," 1992).

Overall the average household in New Zealand has many of the same comforts as in the US, including TVs, VCRs, radios, telephones, cars and microwaves. Most residents are employed in social and community services, wholesale and retail trade, agriculture, or manufacturing. New Zealanders are guaranteed access to health care, social welfare, and education (About New Zealand, 1991).

Understanding these external evironmental factors: national culture, regulation of the television industry, market competition, and television viewers, helps establish a framework for better understanding the structure of SKY. Interpreting the external environment can be difficult for any firm. For IJVs this process is further complicated by cultural differences. The next half of the chapter introduces a historical view into the internal environment of SKY.

THE INTERNAL ENVIRONMENT OF SKY NETWORK TELEVISION

SKY was started in 1987 by Terry Jarvis and Craig Heatly, two New Zealand businessmen. Their original intention was to utilize small (12 ft) experimental satellite reception equipment. Even though chances appeared slim, they felt there was a select group of customers interested in specialized programming, especialy sports (Newman, 1991). The big break for Heatly and Jarvis came when SKY successfully bid for a UHF license in the government sale of spectrum which took place in 1990.

Heatly and Jarvis have been categorized as entrepreneurs by those interviewed for the case study. Craig Heatly however, is not interested in being catagorized in this way. He emphasized that they are not interested in just starting businesses to sell them. They enter businesses for their long term potential (personal interview, October 1993).

TVNZ joined the venture in 1988 when they purchased a 35% stake. According to an article in MG Editorial (Newman, 1991), this relationship was described as complementary not competitive. In this article, Julian Mounter, past chairman of SKY, was quoted as saying "Rather than see external pay service dominate our market, we decided to assist the best of the new intending groups." This "if ya can't beat 'em, join 'em" attitude was also visible when the government was considering abolishing the foreign ownership regulations. Mounter was quoted in an article in NBR Weekly (Smith, 1991) as stating "I know of no other english speaking country that has allowed control of a local broadcaster to go to foreign ownership. We are not talking baked beans or tin cans, we are talking heritage, national identity and national culture." Another executive of TVNZ also stressed the need for legislation regarding cross-ownership of television and media firms (Smith, 1991). TVNZ is in a precarious position. On one hand they are enjoying their freedom in the state-owned enterprise structure. On the other hand they support regulation which maintains their historical advantage.

Within the same year other investors, Tappenden Industries and Todd Communications, also purchased stakes in SKY. Tappenden Industries and Todd Corporation are both large New Zealand investment firms. Tappenden's other investments include freight and shipping. The principles are Alan Gibbs and Trevor Farmer. Todd Corporation is a family owned business known for holding the New Zealand Boeing engine contract and investments in railroads (personal interviews, 1993). Todd Corporation is also a shareholder in Clear Communications, a consortium including TVNZ, MCI, and Bell Canada. Clear Communications is attempting to enter the market as a competitor to New Zealand Telecom (Davies, 1991).

Initially, management of the venture was recruited from the United States and Canada. The idea was to bring pay television experience to the venture. In 1990 Rich Anderson from Times-Mirror was appointed Chief Executive and Gray Syms from a large multi-system operator in Canada was appointed head of commercial development (Newman, 1991). At one point TVNZ lent its assistant Chief Executive, Micheal Dunlop, to help coordinate the expansion of SKY beyond Aukland, Waikato, and the Bay of Plenty (Barrett, 1991).

The purchase of 51 percent of SKY by the American consortium of Bell Atlantic, Ameritech, TCI, and Time Warner occurred in May 1991. Originally the consortium was interested in only 25 percent. When the regulations on foreign ownership were relaxed to 100 percent, the consortium became interested in increasing their stake (Smith, 1991, May 8). Their combined stake cost over $100 million. Their share was created from a purchase of 94.19 million shares of existing stock from the previous partnership and 62.5 million newly issued shares ("Sky owners," 1991). The current ownership ratios are:

Bell Atlantic	12.5%
Ameritech	12.5%
Time Warner	13%
Telecommunications, Inc	13%
Heatly-Jarvis Investments	10%
Television New Zealand	18%
Tappenden Industries	8%
Todd Corporation	12%

Management of the venture was determined by the entire board.

Candidates from partner firms and the industry were interviewed. The candidate selected for the position of Chief Executive Officer was Nate Smith from Time Warner. John Fellet from TCI was selected to act as Chief Operating Officer. The Business Manager, who assists Mr. Smith and Mr. Fellet, is Rob Hellreigle, a New Zealand native. Mr. Hellreigle also worked for the previous management. Mr. Rossetti of Time Warner (personal interview, October 4, 1993) stressed that choosing these executives was a group decision and that it doesn't necessarily give Time Warner increased power in the venture. He stated that overall strategic goals are formulated by the board and executed by the management as they see fit. This of course does not mean Mr Smith and Mr. Fellet are not influenced by their parent organizations.

One of the most interesting factors surrounding the American consortium is the diversity of the partners. Time Warner is the world's largest multimedia conglomerate. Their interests include programming, cable, film, music, and publishing. As a corporation, they are intent in being a major force in the globalization of mass media (Hoovers Handbook, 1992). Another media giant with pay television experience is TCI. The Chief Executive Officer, John Malone, has earned himself a reputation as somewhat of a maverick. He has built TCI into more than just a multisystem operator. TCI also holds interests in the Discovery Channel and Turner Broadcasting. In 1991, to avoid government actions that would force divestiture, TCI spun off The Family Channel, QVC Network (shopping), Black Entertainment Television, and American Movie Classics to shareholders as Liberty Media (Hoovers Handbook, 1993). Liberty Media's principle shareholder is John Malone. An announcement on October 13, 1993 could make these relationships even more complicated. Bell Atlantic will purchase TCI and Liberty Media (Kneale et al,1993). How these new relationships will effect SKY is yet to be determined.

Bell Atlantic and Ameritech, the other half of the American consortium, were already doing business in New Zealand before they became involved in SKY. They purchased Telecom New Zealand in 1990 for $2.5 billion. In conjuction with the agreement, both firms sold half of their investment. The two companies maintain a majority position. Ameritech is the second most profitable RBOC in the US. Besides their investments in telephony, their other major interests include voice mail, publishing, and cellular in Europe, the Carribean, and the Americas. They are focusing on privatizations and in cellular ventures around the world (Datapro Reports, 1992). Bell Atlantic is pushing hard to move into the video delivery business. This is shown by the case Bell Atlantic won in a federal appeals court in Alexandria, Virginia. The courts decision allows Bell Atlantic to deliver video services through its phone lines (Keller, 1993). Their latest announcement to purchase TCI and Liberty Media (Kneale, 1993) also improves their position as a leader in the multimedia environment. Other investments by Bell Atlantic include equipment leasing, directory publishing, and world wide communications (Hoovers Handbook, 1993).

Diversity among the partners is largely rooted in their distinct histories. Where Time Warner and TCI have a history of participating in competitive industries, Bell Atlantic and Ameritech are rather new to this environment. As part of the original Bell System, they became separate entities with the divestiture of AT&T in 1983. Many facets of the bureaucratic structure still exist at the RBOCs. Despite attempts by managers, such as Bell Atlantic's Ray Smith, to "break out of its bureaucratic culture and promote independent thinking" the transformation is a slow and laborious process (Sloan, 1993). Even with the intentions to adapt to their new cultural environment in place, Bell Atlantic and Ameritech aren't waiting for the changes to take hold.

SKY currently operates on a daily basis under the direction of the local management team. A majority of the employees are New Zealand natives. One American executive (personal interview, October 1993) sees the shift to 100% local management possible as the venture moves from developmental to operational. Subscriptions total over 110,000 up from only 30,000 in 1991. Sky is available in Auckland, Hamilton, Tauranga, Wellington, and Christchurch with further plans to expand on the agenda. After the expansion their signal will be available to over 750,000 households. They broadcast three channels dedicated to news, sports and movies (personal correspondance, September 1993).

Overall, the merger with the American partners has been without incident although, one disagreement was publicized in the press. Paul Smith (1992) reported that TVNZ was ready to take SKY to court when they won the bid for the live television rights to the New Zealand vs. South Africa rugby match. They settled the conflict out of court. Smith attributes the scuttle to the increasing confidence of SKY in the New Zealand television market.

Taking a look at the historical perspective of the internal environment at SKY helps illustrate the choices made by the partner firms in regards to their external environment. It is important to remember that the goal of this thesis is not to quantify the differences between the cultures of New Zealand, the US, and the partner organizations. Instead emphasis is placed on discovering how differences in cultures can be a source of misunderstandings if not dealt with properly.

Chapter Five

THE INFLUENCE OF CULTURE: ANALYSIS OF THE PERSPECTIVES DRAWN FROM THE CASE OF SKY NETWORK TELEVISION

As Chapter One outlined, this thesis studies how intercultural differences, due to the globalization of the television industry, effect the formation and management of IJVs in television. The research presented in Chapter Three makes many connections between culture and joint venture strategy. This case study was designed to identify the sources of potential culture risk encountered by partner firms when forming an IJV in television distribution. The case study also investigates the procedures used by these firms to decrease the risks associated with intercultural misunderstandings in business relationships. The goal is to define testable hypotheses for future research. This chapter analyzes the data collected from the questionnaires and personal interviews and summarizes the overall implications of the case study.

RESULTS OF THE CASE STUDY

Analysis of the results for an exploratory study does not include the statistical analysis of an experimental study. In an exploratory study, all of the responses have significance. The goal is to explore the full range of responses, detect any patterns and note any unanticipated responses. All comments on the questionnaires were considered for their relevance. Including this comment which was penned at the top of one questionnaire:

"SKY is a boring choice as a JV to study-the natives speak a vague approximation of American English and are not that removed from the general trend or Western culture."

Responses such as this provide additional insights into other questions which could have been included or perhaps additional information which should have been included in the questionnaire.

The first part of this section is a comparison of the corporate cultures as provided by each respondent in questions 7, 8, and 9. Second, the results of the questionnaires and personal interviews are reviewed based on the five issues discussed above. Third, patters revealed from the issues studied in this case are reviewed. Finally, a summary of the overall results and the limitations of the study conclude the chapter.

Corporate Cultures

Three questions were devoted to developing insights into each participants corporate cultures and goals for success. As expected, differences do exist. For most of the dimensions of corporate culture included in the survey, answers were similar. General consensus was reached in question 7, for the phrases "as participating in ventures for the short run" (disagree) and "to base decisions on achieving a profit in the long run" (agree). General consensus was not reached on any dimensions in question 9. Those areas of general consensus (tabular results of the questionnaire can be found in Appendix F), signal that some dimensions of corporate culture may be universal. But, if one firm holds a different belief, on even one dimension, a potential area of cultural risk exists. This doesn't mean that conflict is eminent, only that it could provide a glitch in the venture. Thus, understanding where differences exist is relevant to understanding the venture.

Ameritech's responses were different than the general trend more often than any other firm[11]. For example, in question 7 they answered opposite the other firms on 7 of the 10 dimension, and in question number 9 on 8 of the 16 dimensions. They disagreed when the others agreed or strongly agreed on the following statements:

*"an environment that breeds creativity,"

*"flexible organizational structure,"

*"open system of communication," and

*"to have an individualist style of management."

Todd Corporation and Ameritech both disagreed with the others on three issues. They both have environments where decisions are made slowly, they do not find entrepreneurialism to be significant to success, and they both disagree that their firms have a high intensity environment. Todd Corporation was the only respondent to note that they do not have an aggressive negotiating style.

In question number 9, general consensus could be found on most

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[11]Had Bell Atlantic and Television New Zealand responded to the survey this may not have been the case. As is pointed out later in this section, these firms are often described as having bureaucratic structures.

areas except for the descriptors of "secretive" or "harmonious." It is interesting to note that responses from Todd Corporation and Ameritech did not compare with the other firms in the areas of "team-oriented, " entrepreneurial," "conventional," "creative," and "cooperative." Other disparities included: Time Warner, they were the only firm to agree to having a chaotic environment, and Heatly-Jarvis Investments, they were the only firm to strongly disagree that they had a competitive environment and strongly agreed that their firm was relaxed.

The resulting culture at SKY is drawn from the single questionnaire received and the personal interviews conducted with Mr. Hellriegel, Business Manager. Personal contact with Mr. Hellriegel has depicted the organizational culture at SKY to be relatively free of conflict, relaxed, consistent, creative, team-oriented, cooperative, and energetic. They are interested in the success of the venture in the long run. Their system of communication is open with a flexible and individualistic organizational structure. These inferences are supported by the questionnaire received from Mr. Fellet. It is also interesting to note that Mr. Fellet's questionnaire did not exactly correspond with that of TCI (his home corporation). This points to the fact that some cooperation may have occurred in the creation of SKY's organizational culture. In most instances SKY's culture follows the law of majority rule. The comments by both Mr. Hellriegel, Mr. Fellet, and other representatives of the partner firms also point to some adaptation occurring on the part of the American managers to assimilate into the New Zealand business community. One respondent summarizes this concept: "integration of American top management was accomplished positively and has been seen by all employees to be a major plus not a minus."

Question 8 was included to illustrate each firm's definition of success. Achieving profitability, maintaining reasonable growth in the long run, value of corporate stock is increasing, and the value of venture to overall corporate investment portfolio were the most often selected. Two respondents expected success to be achieved within two years, three firms chose within five years, and Heatly-Jarvis said that they believed success had already been achieved. The two TCI respondents disagreed on their firms definition of success, but agreed that success would be achieved within five years.

One dimension of national culture which was not included on the questionnaire, but was offered as a difference in a personal interview was the environmental concerns of the citizens of New Zealand. As was mentioned in Chapter Four, Kiwis are proud of their surroundings and work hard to protect them. For SKY this difference has increased the complexity of certain decisions such as where to place their transmitter towers. In placing a tower consideration of the surroundings must be taken. This is simply a cost of doing business in New Zealand.

Analysis by Issue

Issues 1: "How do to or more organizations, with specific values and goals based on thier established organizational cultures, create a new organization able to function as a cohesive unit?"

Questions in this category asked *"Did you expect that there would be differences between the national culture (corporate culture was inserted in question 3) of New Zealand and the United States? If YES, please check all of the dimesions below where you anticipated the differences to be. Please explain."* Responses to national culture are summarized first.

Differences between the national cultures of New Zealand and the US were expected by all firms except Tappenden Industries. Some respondents, including Todd Corporation, Heatly-Jarvis and one TCI respondent, noted that the differences between the national cultures of the US and New Zealand are minimal. On the other end of the spectrum, another respondent stated that differences in national culture are anticipated in all IJVs they participate in, no matter how different or alike the dimensions of culture appear on the surface.

All of the dimensions of national culture were checked at least once except business ethics. Only one respondent anticipated the national language to be different, however this person also found the actual difference to be less than anticipated. Differences in management style, philosophy towards regulation and attitude towards paying for television

Table 1: Position fo US and New Zealand Respondents on Selected Dimensions of National Culture.

	Dimensions selected most often	Dimensions selected least often
US Respondents: •Ameritech •TCI •Time Warner	•Management Style •Attitude Towards Programming •Philosphy Towards Regulation •Attitude Towards Paying for TV •Attitude Towards TV as Entertainment	•Degree of Flexibility •Time Frame •Negotiation Style •Orientation Towards Consumerism
New Zealand Respondents: •Heatly-Jarvis Invest. •Tappenden & Todd did (not answer this question.)	•Negotiation Style •Philosophy Towards Regulation •Management Style •Attitude Towards Consumerism •Degree of Flexibility	•Time Frame •Attitude Towards Programming •Attitude Towards Paying for TV •Attitude Towards TV as Entertainment

were most often selected. Table 1 organizes this data based on the home culture of each of the respondents.

Additional comments included:

> "Kiwis were not used to choice in television and the stretch from 3 to 6 (3 additional provided by Sky) required education/marketing."
>
> "People had to be educated 1) to desire more of it and 2) to pay for it."
>
> "Potential risk [of Americans] misunderstanding the market both from a programming and pricing point of view."

Overall differences in organizational culture presented only a minor risk to the IJV according all of the respondents.

The responses regarding differences in organizational culture were varied. Comments regarding which dimensions concerned the respondents most included:

> "TCI/TW/Ameritech and BA are much bigger with the consequential bureaucracy that size breeds."
>
> "Heatly-Jarvis are entrepreneurs, TCI/TW and the telephone companies had worked together before and were/are potential competitors."
>
> "Entrepreneurial spirit versus a more bureaucratic approach (Ameritech)."
>
> "Over expectations or quick success [expected] by New Zealand partners."
>
> "Our company has extensive experience in working with US partners and have minimal difficultly with cultural differences."

Respondents were most concerned with organizational differences surrounding the constructs of "time frame for decision making," "degree of flexibility," "management style," "philosophy towards regulation," and "attitude towards programming content." The firms who generated the most concerns were Bell Atlantic, Ameritech, and Television New Zealand (once again this could be due to the fact that questionnaires were not received by Bell Atlantic and TVNZ). This concern is summed up by one respondent as "differences between US experienced cable companies (ie: Time Warner/TCI) and the telcos-and an established traditional broadcaster

[TVNZ]." Because the culture of an organization is tied to its historical structure, concerns were raised regarding the bureaucratic environment and lack of experience with pay television of these three organizations. The overall impact of these differences was ranked between two and three on a scale of one to five.

Issue 2: "What adjustments are made for the project culture risk inherent in doing business in amulti-cultural environment"

All but two of the respondents from the partner firms did not implicitly plan for cultural differences so that any possible detrimental impacts could be effectively handled. Responses to Question 5 (question 4 on the questionnaire for SKY management), *"Did your firm plan for these differences so that any possible detrimental impacts could be effectively handled?"* were not as expected. One of these two firms noted that while they didn't plan anything specific, "the key risk of different financial objectives and decision processes (entrepreneurs versus corporate) has been faced through regular contact and improving dialogue." Time Warner uses numerous planning and organizational meetings, places experienced executives in charge, and requires pre-agreement to the marketing and sales plans as methods of neutralizing risk. Time Warner also found that key to the success of their participation in SKY was the time they spent in advance on location in New Zealand learning the social, political, and legal issues associated with the venture. This executive called it part of the "due diligence" of participating in any venture.

Issue 3: "What is the impact of cultural differences on the negotiations and the resulting structure of the IJV"

When asked if the anticipated differences were greater or less than those experienced the majority of the responses fell in the "same" category. Only in a few instances were the anticipated differences less than those experienced (meaning that the actual difference was greater than the perceived difference). One respondent observed a greater difference than he expected in the national dimensions of business attire, work ethic, and philosophy towards regulation and the dimensions of organizational language, business ethics, and business attire within the organizations. Another firm found greater differences to be found in the national culture dimensions of management style and business ethics and the organizational dimension of business ethics. One firm commented that their extensive experience with joint ventures helped them understand what to expect in advance.

Issue 4: Did your firm expect that achieving cultural compatibility between partners in an IJV in television distribution would be different from participating in an IJV in other service industries? If YES, please explain."

The information regarding control of the IJV was taken from the personal interviews. From various questions including, *"How was the* *managment of the venture selected?"*, regarding control a few concepts for determining control and maintaining an effective balance of power were revealed. First, no one company was in control of who was placed in the CFO and CEO positions. The candidates were chosen by the full Board of Directors. A second concept is to appoint a Chairman of the Board from outside the partner organizations. This person is an established business person in the New Zealand community. The respondents who mentioned this option also pointed out that because of the variety of organizational cultures involved in SKY, this method has not been as successful with SKY as with another IJV they are participating in. Those interviewed attributed the success of the venture to each partners' sense of mutual direction and a "common view." Each of the partner organizations know where the skills lie amongst their partners. Time Warner emphasized that they were not interested in owning 100% of the venture. The knowledge of New Zealand's political, economic, social and legal environments obtained through the New Zealand partners was too valuable.

Issue 5: How is this process different for IJVs in television distribution, based on the strong relationship between television and society?

The views expressed by the partner firms regarding the unique characteristics associated with forming an IJV in television distribution versus other industries are mixed. Only one of the partner firms answered "yes" to question 6, *"Did your firm expect that achieving cultural compatibility between partners in an international joint venture in television distribution would be different from participating in an IJV in other service industries?"* They commented on the questionnaire that one difference was that "TV as entertainment competes all the time for discretionary expenditure." Other ventures the firm participated in, including mining and telecommunications, had "different customer requirements and therefore a different mix of cultural backgrounds." He also stated in a personal interview, that there were differences between the organizational cultures of SKY and another IJV they participate in. The IJV in telecommunications has a more professional and disciplined atmosphere with a much longer term focus. On the other hand, he has noticed SKY to operate on a more day-to-day basis, with a more dynamic and gung-ho attitude. He credits this to the specific needs of the television industry versus the telecommunications sector. As a result, he has found these differences in management style to have created different organizational cultures within the respective organizations.

Emerging Patterns Between Issues

A few patterns emerge from the issue-based analysis of the data drawn from the surveys. First, the partners can be divided into two groups based on their self-defined organizational cultures and various other comments from the respondents. The general opinion regarding Ameritech,

Table 2: How Firms Define Success: Entrepreneurial Firms Compared with Bureaucratic Firms

	Entrepreneurial					Bureacratic	
	TW	TCla	TClb	HJ	Todd	Amer	Tapp
Achieving profitablity	X		X		X	X	
Being able to sell share at a profit							
Longevity of reltionship	X		X				
Maintain reasonable growth in the long-run	X			X	X		
Value of corporate stock is rising	X	X	X	X		X	X
Value to overall corporate investment portfolio	X	X		X	X		
Satisfaction of customer base	X		X	X			
Anticipates success within (----) years	5	5	5	*	5	2	2

*Feel they have already achieved success.
(Notes: TW=Time WArner, BA=Bell Atlantic, HJ=Heatly-Jarvis, Amer=Ameritech, Tapp=Tappenden; Bell Atlantic and TVNZ did not respond to the question)

Bell Atlantic, TVNZ and to some extent Todd Corporation, is that these corporations are more bureaucratic, less entrepreneurial and take longer to make decisions. From the perspective of the more bureaucratic organizations, they were concerned with the "entrepreneurial spirit" of TCI, Time Warner, Heatly-Jarvis Investments and Tappenden Industries. Table 2 illustrates how these groups differed on their definition of success. It is interesting to note that the firms defined as "bureaucratic" expect success within two years, while the "entrepreneurial" firms expect sucess within five years. The anticipation of these differences is not any indication of eminent conflict, only that the partner organizations were ready to deal with any problems which arose.

A second pattern is that even though respondents did not explicitly express finding a differences between forming an IJV in television distribution and other industries by marking YES to question 6, they selected dimensions specific to the industry such as a "philosophy towards regulation" and an "attitude towards TV as entertainment." This provides more evidence that differences between TV and other industries do exist beyond the answers provided in question 6. One comment from a personal interview however, noted that when you get down to the basics, television is a business based on economics. He has observed that once you teach the non-television partners "where the money comes from" the differences are not that apparent. This could be because these firms have not ventured beyond industries where regulation is a major concern. On the other hand one respondent stated differences (as were noted in issue 5) between IJVs in telecommunications and television distribution, both of which are regulated.

SUMMARIES AND LIMITATIONS

Overall, the results of the case study were positive. The response rate was acceptable and the information gathered addressed the initial research issues. From the data collected two basic observations can be drawn: 1) differences do exist on all levels of culture and 2) most firms have some mechanism for neutralizing the impact of those differences even if those methods are implemented unconsciously. Comments made by Time Warner however, lead this researcher to believe that they are more prepared to address cultural risk than the other firms.

One cultural concept which was apparent through the responses of all those surveyed (including SKY management) was the compatibility of the partners. The American partners were chosen for their expertise in pay television and because of the infusion of capital SKY needed. Other firms were also considered for the venture, however the American consortium combined knowledge that aided SKY in the present term and also prepared them for the SKY's future as new opportunities emerge. From the perspective of the American partners the existing New Zealand partners brought the necessary knowledge of the internal and external environment of SKY. These compatible needs have created an operating environment where each partner understands the others' strengths and weaknesses.

Limitations to the study are largely linked to the small sample size. This limits the generalizations which can be drawn from the single case and applied to the industry as a whole. Because the study is exploratory in nature it is helpful in developing hypotheses for future studies. Another concern is that all the surveys were not returned and personal interviews were not possible with all the respondents. This could present a bias in the results of the study. Another source of bias could come from the two surveys returned from TCI. While care was taken to standardize and combine the responses into one TCI survey, this was difficult. This also points to another limitation. Because we have only one opinion per firm, we are making the assumption that each respondent was "speaking" on behalf of the entire organization they represent. Given the level of the executives interviewed, this assumption is not unusual. In most instances these executives are the same ones who have created the culture of their department within each of the partner organizations.

A final limitation of the study regards the type of information collected. Few firms are interested in divulging any negative information to the study. For example, at one point TVNZ was ready to sue SKY over the television results to a rugby match (see Chapter Four). Not one person mentioned this conflict, although one firm did signal that TVNZ was more difficult to work with than the other partners. He also noted that this was due to their historically based bureaucratic culture.

In conclusion, the overall goal in this analysis was to maintain an objective perspective in the analysis. It was difficult sticking to culturally based issues versus getting wrapped up in finding answers to the strategic information, since culture is often the basis for the strategic decisions a firm makes. This is also why understanding culture as the key concept behind how and why decisions are made within organizations is necessary, especially in an IJV.

Chapter Six

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

The goal of this chapter is to merge the theoretical findings from the first part of this thesis with the results of the case study reviewed in Chapter Five. It is important to remember that this thesis is an exploratory study into the influence of culture on the formation and management of joint ventures in television distribution. Chapter One pointed to the need for research into how globalization of industry is impacting traditional models and frameworks. More specifically, what the influence of increased multi-cultural environments in the television distribution industry will be. The key purpose behind a study of this nature is not to measure the size of the cultural differences between partner organizations, but to understand how these differences are uncovered and managed. The belief is that a better understanding of these issues will lead to a more successful venture. This study is specifically designed to gather qualitative information for the development of hypotheses for future research testing. The first part of the chapter covers the relevant issues raised in previous chapters as they relate to the building of each of these hypotheses. While the hypotheses appear commonsensical, the data collected points that futher, more industry specific research is necessary. The chapter will conclude with insights for future research into this topic.

SUGGESTED HYPOTHESIS

<u>Hypothesis One</u>

"The difference between forming an IJV in television distribution and other industries is the influence of cultural ideals and values on the product delivered."

All industries have certain theoretical and practical "laws" of business in common. However, differences also exist which make each industry unique. Regardless of the industrial category, the basic strategies and motivations for forming an IJV are relatively the same for each venture. Yet each industry has specific variables in the equation which set it apart. In the television distribution industry this variable is the relationship of the product--television programming--to the national culture of the host country.

Culture influences all multi-cultural business relationships. This relationship has been tested in different forms by researchers such as David (1993), Hofsteede (1984), Graham (1985), and Hausman (1991), as was reviewed in Chapter Three. These studies have one shortcoming. They study specific aspects of general business frameworks and do not provide insight into the specifics of the telecommunications industry. Given the strong ties of television to the culture of a nation this relationship must be studied further.

The exploratory data collected in this study points to concern by the respondents regarding certain dimensions of culture which are specific to the industry. These dimensions were reviewed in the section entitled "Emerging Patterns Between Issues" in Chapter Five and included "philosophy towards regulation," "attitude towards TV as entertainment," and "attitude for paying for television. Because television is used as a medium of communication and communication is a fundamental function of culture, television is a cultural product. This includes how access is determined, what type and how information is disseminated to consumers, and how these services are funded. Since national culture is the main process of socialization for individuals and organizational culture is constrained by national culture (David, 1993), exportin every aspect of one organizational culture to another organization is not possible. Hofsteede's (1984) research into the transfer of organizational cultures around the world by IBM illustrates this point.

When forming an IJV in an industry where the product is such an integral part of the national culture, the potential partners must be more than just aware of the differences. They must also understand the complications which can arise when assumptions are made that consumers or even partners will become more receptive to the visiting partners point of view. An example of this was illustrated in Chapter One, with the relationship between the Czechoslovakians and the American partner. The Czech partners had been willing to adopt many of the capitalistic ideals of the American partner, but were not willing to accept his values on advertising.

Two examples of this were raised in the SKY data. First, one of the partners was concerned about the more laid back style of management. Second, one SKY manager pointed to how the basic system for selling subscriptions was imported from a partner firm, but adapted to fit the New Zealand environment. In these examples, the partners involved were willing to adjust their beliefs to fit with their new environment. If however a partner firm is unwilling to adapt their beliefs in areas such as management style, advertising, subscription sales techniques, programming theory and program development, potential areas of cultural risk exist.

Hypothesis Two

> *"The complex and constantly changing regulatory environment surrounding the television industry requires that local partners be involved to serve as an interpretor to the environment of their country."*

In Chapters One and Two the necessity of local partners was suggested to better understand the host country's regulatory structure, culture, and other environmental factors (Hausman, 1991 and Barrett 1992). It was also emphasized that despite the current trend towards commercialization and re-regulation of the industry, some form of ownership regulation still exists in many countries (Negrine et al, 1990). Due to this factor, joint ventures are often the most attractive investment alternative.

Currently this is not the case in New Zealand. Chapter Five described the current trend towards complete de-regulation of the television industry. Even with the option to own 100 percent, the consortium of American partners elected to purchase a 51 percent stake. The reality of this decision is they want local partners completely involved in the venture. The statement by Carl Rosetti, that they did not want to attempt to enter New Zealand with out the aid of local partners, supports this point. He believes that the experience and knowledge of the local partners is too valuable.

Another factor should be considered when choosing to include local partners or not. In the television industry it is not unusual for the regulatory climate to change. For example in the US the current re-regulation of the cable industry has caused an important shift in the cable environment. In New Zealand, if the opposition wins the next election re-regulation of television may be on the agenda. Local partners act as a direct link to these changes, especially if partners are well selected and have strong relationships within the local business community. Knowledge of current regulations is easily learned, but building influential relationships takes time. Local partners with strong business relationships and reputations can help to build a positive environment for the growth of a firm. These relationships can open doors and lend integrity to a venture that foreign partners may never accomplish on their own.

Hypothesis Three

"It is possible for competitive firms to become partners in an IJV in television distribution when the needs of the IJV to achieve cultural and strategic synergy are put ahead of the goals of each individual participating organization."

Webster (1989) points out that the main purpose in forming an IJV is to achieve goals that could not have been achieved independently. Finding out each partners goals is necessary for the effective creation and implementation of the goals for the IJV (Rosten, 1991). And overall goals must reflect the value of the partnership to all parties (Lane et al, 1990). These statements all reflect a process which takes the goals of each partner into consideration when the strategic goals of the venture are developed and implemented. Building cultural synergy, the recognition of cultural influences where the differences and similarities are used to create a new organizational structure (Moran et al, 1982), is a three step process. This process was outlined in Chapter Three and includes understanding the culturally based attitudes of partners, learning what can be adapted and merging the compatible approaches into a synergistic, global approach.

In the case study, synergism was evident in the comments by Todd Corporation. Even though they were unfamiliar with SKY's less formal and unstructured adopted culture, they were willing to accept and adapt because the culture worked for SKY. On the other hand, another partner was not willing to put the goals of SKY ahead of their personal goals. TVNZ, as mentioned in Chapter Four, is the historical monopoly provider of television services in New Zealand. When SKY was first formed, management of TVNZ stated that they were interested in joining the SKY venture to ensure they remained a part of the future developments of the television market. This approach became a conflict when SKY, responding to the competitive environment of the "new" television market, encroached upon TVNZ's territory by outbidding them for the first-run television rights to a rugby match. This example serves to strengthen not just the needs for cultural compatibility, but strategic compatibility as well.

For the partners of an IJV in television distribution, building a synergistic relationship is critical to the ventures future success. As was mentioned in Hypothesis One, television is cultural product. Not only must partner organizations be willing to synergize on all levels of management and strategic goals, they must also be willing to understand, accept and synergize the dimensions of culture specific to the television industry.

INSIGHTS INTO FUTURE RESEARCH

Exploration of the culture issues in the implementation and management of joint ventures in television qualify the need for future research in this area. The hypotheses developed for future testing in this area, will create a better understand of the specific needs of the television industry. Due to the cultural nature of the product, further research is needed both in the area of management of IJVs, but also in how IJVs impact the surrounding environment. Testing of these variables in a large sample study will provide theories for the development of industry specific, theoretical models and frameworks which incorporate cultural synergy as the basis for all global relationships.

In conclusion, this thesis has explored the culture issues in the implementation and management of IJVs in television distribution. In Chapter Two, the motivations for forming an IJV were described. Chapter Three summarized the various theoretical perspectives of researchers in the areas of intercultural management and joint venture strategy. This theoretical framework did not provide industry specific insights into the culture issues in television IJVs. Research by David, specifically his Summary for Intercultural Management, does not specify how to apply this model to an industry tied closely to culture. As was pointed out in the case study (Chapters Four and Five), television is a product integrated into the culture of a nation. This relationship complicates the generalized frameworks reviewed in Chapter Three. These frameworks and theoretical perspectives must be improved through the continued study of the industry specific culture issues. In-depth, industry specific research, when combined with the general frameworks for creating cultural synergy will promote a better understanding of the influence of culture on joint venture processes.

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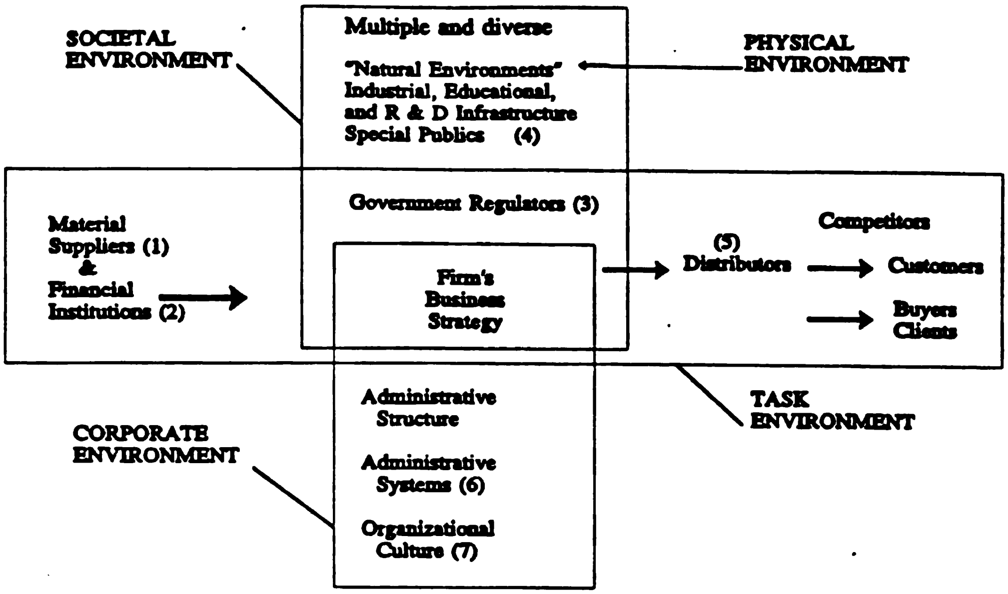
APPENDICES

APPENDIX A

The Environments of a Firm (David, 1993)



Compared with domestic business, international business operations face

(1) Additional regulation of the international trade system by:
General Agreements on Tariffs & Trade

(2) Additional regulation of the international monetary system by:
International Monetary Fund; World Bank

Additional complexity in the international financial system by:
National and regional currencies

(3) Additional regulation in the international politicial system by:
United Nations, World Court, Regional Communities (EC, ASEAN)

(4) Need to acquire knowledge of local economic, social, legal, and cultural conditions.

(5) Adaptation to local requirements concerning material supplies, labor, and distribution.

(6) International communication requirements - planning, directing, controlling, and reporting activities - with miscommunication possible along the international communication circuit.

Need for complex managerial skills: high cost of preparing expatriate managers or training host-country managers.

(7) Cultural communication gaps in both language and non-verbal cues.

Note: Items 4-7 are *costs of doing business at a distance.*

APPENDIX B

Foreign Ownership Restrictions (NTIA, 1993)

Country	Foreign Ownership Permitted		Percentage of Foreign Ownership Permitted	
	Broadcast	Cable	Broadcast	Cable
United States	Yes	Yes	20-25%(a)	100%
Japan	Yes	Yes	20%	20%
Germany, Fed. Rep. of	Yes	No	(b)	N/A
France	Yes	Yes	20%(c)	100%
Italy	Yes	(d)	non-controlling(e)	N/A
United Kingdom	Yes	Yes	30-50%(f)	100%
Canada	Yes	Yes	20%(g)	20%(g)
China	No	No	N/A	N/A
Brazil	Yes	Yes	30%	N/A
Spain	Yes	(d)	25%	N/A
India	No	No	N/A	N/A
Australia	Yes	No(h)	15-20%(i)	N/A
Netherlands	No	No	N/A	N/A
South Korea	No	No	33%	N/A
Switzerland	No	No(j)	N/A	N/A
Mexico	No	No(k)	N/A	N/A
Sweden	Yes(l)	Yes	(m)	(m)

Source: compiled from individual country sources and embassies, where available; otherwise, ITA and the Library of Congress.

(a) <u>See</u> <u>supra</u> at p. 77.
(b) There are no formal restrictions. The 16 German Laender grant licenses independently.
(c) Generally, the foreign ownership rules of France and other EC-member countries apply only to entities of non-EC member countries.
(d) The cable industry is not regulated.
(e) Only non-EC foreign owners are restricted to a non-controlling interest.
(f) Control is defined as an interest of more than 30 to 50%, depending on the circumstances.
(g) No single foreign shareholder may own more than 10% of the stock of a broadcasting or cable company.
(h) Cable has not been introduced in Australia.
(i) No individual foreigner may own more than 15% of the issued capital or voting rights in a broadcast company and aggregate foreign ownership in a broadcast company may not exceed 20%.
(j) Virtually all TV broadcast transmission takes place over a cable system operated by the state monopoly.
(k) A recently passed law that would allow up to a 49% foreign ownership interest of cable facilities has not yet gone into effect.
(l) The first private station went on the air Jan. 1, 1992.
(m) No formal restrictions exist. The license of the only commercial broadcast station, TV4, restricts foreign ownership to 30%.

APPENDIX C

Illustrative List of IJVs in Televsision

Partners	Location of Venture	IJV Name: Type of Venture & Specifics
Ronald Lauder (USA) Local Partners undisclosed.	Czech & Slovak Republics	Over-the-air television channel. Pending.
Cox Cable (USA); ISS A/S, Gutenberghus Egmont Audio Visual, Politiken A/S, Store Nordiske Telegraf-Selskab A/S (Denmark)	Denmark	Cable television system serving 118,000 customers.
Time Warner (USA), Comcast International Holdings (USA), Reflex, SA (France), Cartaillod Group (France)	France (Rhone)	Non-plan cable system passing 263,000 HH. Pending.
Tele-Communicationtions Inc (USA), Lenfest Communications, Inc (USA), Electricite de France (France)	France	Videopole: Cable IJV with TCI and Lenfest holding 29% and Electricite de France-51%.
Bell South (USA), Communication-Developpment SA (France)	France	Cable television system with 265,000 subscribers and 22 franchises.
US WEST (USA); France Telecom, Credit Lyonnaise Caisse Nationale de Credit Agricole Lyonnaise Des Eaux (France)	France	Cable television system serving 182,000 HH.
Ronald Lauder (Estee Lauder family-USA), Time Warner (USA), George Soros (USA)	Germany (Berlin)	Channel 5
Advent International (USA), Ben & LB Bartell (USA), undisclosed german partner	Germany	Kabelfersehen Plauen: an 18,500 subscriber cable system. Advent holds 50% equity & is currently looking into further investment in German cable with TeleKabel another German operator.

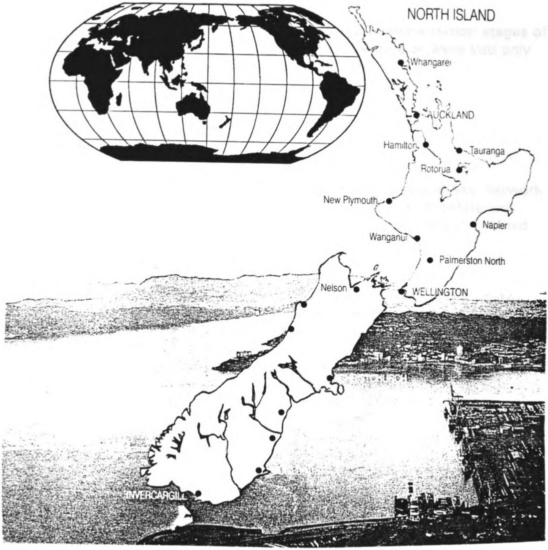
NYNEX (USA), United International Holdings, undisclosed local partners	Hong Kong	Warf Cable Limited
United Communications International (USA), Time Warner (USA), local partners undisclosed	Hungary	Cable television system with 214,000 customers.
United Communications International (US: owned by United International Holdings-10%, USWEST-45%, TCI-45%), local partners undisclosed	Hungary	Launched a premium television service.
Southwestern Bell (USA), Aurec (Isreal)	Isreal (Tel Aviv & Jerusalem)I	Golden Channels Ltd: cable televsion company with 400,000 HH passed
United Communications International (USA), Northcoast Cable (USA), two local Maltese corporations	Malta	UCI will hold 70% and act as managing partner. The system will pass over 100,000 HH. Construction began in 1991 and will be complete in 1994.
Tele-Communications Inc (USA), Groupo Televisa, SA (Mexico)	Mexico & Latin America	Created to develop multichannel business including HDTV, pay-per-view includes 49% interest in Cablevision, SA (Groupo's cable subsidiary).
CapCities ABC (USA), Paramount (USA), Raymundo Gomez Flores (Mexico)	Mexico	Privatization of Mexican television network. Pending.
Ameritech International (USA), Bell Atlantic (USA), TCI (USA), Time Warner (USA), Television New Zealand, Heatly-Jarvis Investments (NZ), Todd Corporation (NZ), & Tappenden Industries (NZ)	New Zealand	Over-the-air, multichannel pay TV.
Can West Global (Canada), Westpack Banking, TV-3 Network Ltd. (New Zealand)	New Zealand	First private broadcast channel.
Chase Communications, Rutter Dunn Communications, Reece Communications and Poltekalb	Poland	First cable venture to be started in Poland
Meyer Broadcasting (USA), undisclosed Polish partners	Poland	Cable venture

Turner Broadcasting (USA), Moscow Independent Broadcasters (Russian Fed.)	Russia (Moscow)	TV6: Over-the air channel delivering some CNN programs. Started January 1993.
United Communications International (USA), Time Warner (USA), Kinnivek (Sweden)	Sweden	Cable television system serving over 250,000 HH.
USWEST (USA), TCI (USA), Local partners??????	United Kingdom	Ownership of 14 cable franchises.
Comcast Corp (USA), TCI (USA), USWEST (USA), Compagnie General des Eaux (France)	United Kingdom	Cable television service with 37,000 customers.
TCI (USA), US WEST (USA), Compagnie General des Eaux (France)	United Kingdom	Cable television system serving 18,800 subscribers.
Southwestern Bell (USA), Cox Cable (USA)	United Kingdom	Cox Cable has purchased a 25% share of Southwestern Bell's cable and telephone operations in the UK.
TCI (USA), Comcast (USA), USWEST (USA), Compagnie General des Eaux (France)	United Kingdom	Cable television system serving 37,000 subscribers.
Comcast Corp (USA), Singapore Telecom.	United Kingdom	Cable television system serving 7,000 subscribers
Jones Intercable (USA), Bell Canada	United Kingdom	Cable television system with 12,000 customers.

Sources: Datapro Reports on International Telecommunications (1992), Cable Ready (Wall Street Journal, March 26, 1993), A Descriptive Compendium of the Interantional Activities of Major US-Based Utility Holding Companies (Cary Wasden, 1993), also from reviews of recent issues of MultiChannel News, Cable World, Broadcasting, and The Wall Street Journal.

APPENDIX D

Map of New Zealand (About New Zealand, 1993)



APPENDIX E

Questionnaires

Questionnaire for Partner Firms

1. Were you involved in both the planning and implementation stages of the New Zealand Sky Network Television venture or were you only involved in one of the development stages?

    __Both planning and implementation
    __Planning only
    __Implementation only

2. A. When deciding to participate in the New Zealand Sky Network Television venture, did your firm expect to find differences between the *national culture* of New Zealand and the United States?

    ____YES ____NO

    B. If YES, please check all of the dimensions of culture below where you anticipated the differences would be between the *national culture* of New Zealand and the United States.

__National Language	__Time Frame for Decision Making
__Business Attire	__Philosophy Towards Regulation
__Degree of Flexibility[12]	__Attitude Towards TV as Entertainment
__Negotiation Style	__Attitude Towards Paying for Television
__National Work Ethic	__Attitude Towards Program Content
__Management Style	__Orientation Towards Consumerism
__Business Ethics	

[12] *Flexibility* is the ability to alter your original position on an issue.

C. When your firm was planning to participate in the venture, were these differences in *national culture* anticipated as a risk to the success of the venture? *(Please circle a number, with three being neutral.)*

YES, a major risk 5 4 3 2 1 NO, a minor risk

D. Which dimensions concerned you most and why?

3. A. Did you expect there would be differences between the *corporate culture* of your firm and that of your potential partners?

___YES ___NO

B. If YES, please check all of the dimensions of *organizational culture* below where you anticipated the differences would be with each of thepartner firms.

(*Note:* Names of each partner were be inserted prior to sending each customized questionnaire.)

Dimensions of Organizational Culture	Partner1	Partner2	Partner3	Partner4	Partner5	Partner6
Organizational Language						
Time Frame for Decision Making						
Degree of Flexibility						
Business Attire						
Work Ethic						
Management Style						
Negotiation Style						
Business Ethics						
Philosophy Towards Regulation						
Marketing/Sales Philosophy						

Dimensions of Organizational Culture	Partner1	Partner2	Partner3	Partner4	Partner5	Partner6
Attitude Towards Programming Content						
Orientation Towards Consumers						

C. When your firm was planning to participate in the venture, were these differences in *organizational culture* seen as a risk to the success of the venture? *(Please circle a number, with three being neutral.)*

YES, a major risk 5 4 3 2 1 No, a minor risk

D. Which dimensions of *organizational culture* concerned you most?

4. Were the cultural differences your firm anticipated greater or less than the actual differences experienced?

Dimensions of National Culture	Greater	Same	Less	Dimensions of Organizational Culture	Greater	Same	Less
National Language				Organizational Language			
Business Attire				Business Ethics			
Degree of Flexibility				Degree of Flexibility			
Negotiation Style				Business Attire			
Work Ethic				Work Ethic			
Management Style				Management Style			
Business Ethics				Negotiation Style			
Time Frame for Decision Making				Time Frame for Decision Making			

Dimensions of National Culture	Greater	Same	Less	Dimensions of Organizational Culture	Greater	Same	Less
Philosophy Towards Regulation				Philosophy Towards Regulation			
Attitude Towards TV as Entertainment				Marketing/ Sales Philosophy			
Orientation Towards Consumerism				Orientation Towards Consumers			
Attitude Towards Programming Content				Attitude Towards Programming Content			
Attitude Towards Paying for TV							

5. Did your firm plan for these differences so that any possible detrimental impacts could be effectively handled? ___YES ___NO

   If YES, what methods did you use (for example: clauses in contract, frequency of meetings, cultural training, etc.)?

6. Did your firm expect that achieving cultural compatibility between partners in an international joint venture in television distribution would be different from participating in an international joint venture in other service or entertainment industries? ____YES ____NO

   If YES, please explain.

7. Please indicate where your firm best fits on the following statements by circling the appropriate number on the scale.

"In my opinion I perceive, _________(firm being surveyed)...

5 = Strongly Agree, 4 = Agree, 3 = Don't Know, 2 = Disagree, 1 = Strongly Disagree

to have an environment that breeds creativity.	5 4 3 2 1
to have a flexible organizational structure.	5 4 3 2 1
to have an open system of communication.	5 4 3 2 1
to have an environment where decisions are made slowly.	5 4 3 2 1
to have an individualistic style of management.	5 4 3 2 1
as participating in ventures for the short-run.	5 4 3 2 1
to base decisions on achieving a profit in the long-run.	5 4 3 2 1
regards entrepreneurialism to be significant to success.	5 4 3 2 1
to have an aggressive negotiating style.	5 4 3 2 1
to have a high intensity environment.	5 4 3 2 1

8. How does your firm define success?

__ Achieving profitability.
__ Being able to sell our share for a profit.
__ Longevity of the relationship.
__ Maintaining reasonable growth in the long-run.
__ Value of corporate stock is increasing.
__ Value of venture to overall corporate investment portfolio.
__ Satisfaction of customer base.
__ Other (please specify)____.

When does your firm expect to achieve success in the venture?

__Within two (2) years. __Within five (5) years.
__Within ten (10) years. __Beyond ten (10) years.

9. How would you classify the environment at your firm? (Please circle the corresponding scale for each adjective.)

5 = Strongly Agree, 4 = Agree, 3 = Don't Know, 2 = Disagree, 1 = Strongly Disagree

Individualistic	5	4	3	2	1
Chaotic	5	4	3	2	1
Consistent	5	4	3	2	1
Stressful	5	4	3	2	1
Cooperative	5	4	3	2	1
Relaxed	5	4	3	2	1
Creative	5	4	3	2	1
Energetic	5	4	3	2	1
Conventional	5	4	3	2	1
Entrepreneurial	5	4	3	2	1
Secretive	5	4	3	2	1
Harmonious	5	4	3	2	1
Competitive	5	4	3	2	1
Relaxed	5	4	3	2	1
Team-Oriented	5	4	3	2	1
Egalitarian	5	4	3	2	1

Questionnaire for SKY Management

Please answer the following questions as completely as possible. Any additional comments or observations you wish to note would be greatly appreciated. Feel free to attach additional sheets. Completed questionnaires can be returned via FAX at 517-355-1854.

1. Were you involved in both the planning and implementation stages of the New Zealand Sky Network Television venture or were you only involved in one of the development stages?

   __Both planning and implementation
   __Planning only
   __Implementation only

2. A. Since the inception of New Zealand Sky Network Television, have you found any differences between the *national culture* of New Zealand and the United States?

   ____YES ____NO

   B. If YES, please check all of the dimensions of culture below where you find the differences to be between the *national culture* of New Zealand and the United States.

   __National Language
   __Business Attire
   __Degree of Flexibility[13]
   __Negotiation Style
   __National Work Ethic
   __Management Style
   __Business Ethics
   __Time Frame for Decision Making
   __Philosophy Towards Regulation
   __Attitude Towards TV as Entertainment
   __Attitude Towards Paying for Television
   __Attitude Towards Program Content
   __Orientation Towards Consumerism

[13] *Flexibility* is the ability to alter your original position on an issue.

C. Are these differences in *national culture* seen as a risk to the success of the venture? *(Please circle a number, with three being neutral.)*

YES, a major risk 5 4 3 2 1 NO, a minor risk

D. Which dimensions concern you most and why?

3. A. Have you noticed any differences between the *corporate culture* adopted by Sky Network Television and that of the partner organizations?

____YES ____NO

B. If YES, please check all of the dimensions of *organizational culture* below where you find the differences to be with each of the partner organizations?

Dimensions of Organizational Culture	TCI	Amer-itech	Time Warner	Bell Atlantic	TV New Zealand	Heatly-Jarvis Invest.	Tapp-enden Indust.	Todd Corp.
Organizational Language								
Time Frame for Decision Making								
Degree of Flexibility								
Business Attire								
Work Ethic								
Management Style								
Negotiation Style								
Business Ethics								
Philosophy Towards Regulation								
Marketing/Sales Philosophy								

Dimensions of Organizational Culture	TCI	Amer-itech	Time Warner	Bell Atlantic	TV New Zealand	Heatly-Jarvis Invest.	Tapp-enden Indust.	Todd Corp.
Attitude Towards Programming Content								
Orientation Towards Consumers								

C. Are these differences in *organizational culture* seen as a risk to the success of the venture? *(Please circle a number, with three being neutral.)*

YES, a major risk 5 4 3 2 1 No, a minor risk

D. Which dimensions of *organizational culture* concern you most?

4. Does Sky Network Television plan for these differences so that any possible detrimental impacts are effectively handled?

___YES ___NO

If YES, what methods do you use (for example: clauses in contract, frequency of meetings, cultural training, etc.)?

5. Please indicate where Sky Network Television best fits on the following statements by circling the appropriate number on the scale.

"In my opinion I perceive, Ameritech International..."

5 = Strongly Agree, 4 = Agree, 3 = Don't Know, 2 = Disagree, 1 = Strongly Disagree

to have an environment that breeds creativity.	5 4 3 2 1
to have a flexible organizational structure.	5 4 3 2 1
to have an open system of communication.	5 4 3 2 1
to have an environment where decisions are made slowly.	5 4 3 2 1
to have an individualistic style of management.	5 4 3 2 1
as participating in ventures for the short-run.	5 4 3 2 1
to base decisions on achieving a profit in the long-run.	5 4 3 2 1
regards entrepreneurialism to be significant to success.	5 4 3 2 1
to have an aggressive negotiating style.	5 4 3 2 1
to have a high intensity environment.	5 4 3 2 1

6. How does your firm define success?

__ Achieving profitability.
__ Being able to sell our share for a profit.
__ Longevity of the relationship.
__ Maintaining reasonable growth in the long-run.
__ Value of corporate stock is increasing.
__ Value of venture to overall corporate investment portfolio.
__ Satisfaction of customer base.
__ Other (please specify)____.

When does your firm expect to achieve success in the venture?

__Within two (2) years. __Within five (5) years.
__Within ten (10) years. __Beyond ten (10) years.

7. How would you classify the environment at your firm? (Please circle the corresponding scale for each adjective.)

5 = Strongly Agree, 4 = Agree, 3 = Don't Know, 2 = Disagree, 1 = Strongly Disagree

Individualistic	5	4	3	2	1
Chaotic	5	4	3	2	1
Consistent	5	4	3	2	1
Stressful	5	4	3	2	1
Cooperative	5	4	3	2	1
Relaxed	5	4	3	2	1
Creative	5	4	3	2	1
Energetic	5	4	3	2	1
Conventional	5	4	3	2	1
Entrepreneurial	5	4	3	2	1
Secretive	5	4	3	2	1
Harmonious	5	4	3	2	1
Competitive	5	4	3	2	1
Relaxed	5	4	3	2	1
Team-Oriented	5	4	3	2	1
Egalitarian	5	4	3	2	1

~ Thank you for your participation! ~

Questions for Personal Interview

1. What were goals of your firm in establishing the venture?

2. What differences have you found in forming an international joint venture in TV vs. other service ventures you have participated in?

3. Did you anticipate any legal or ethical differences in doing business in New Zealand, compared with your home base?

4. What types of problems related to differences in national or organizational culture have you noticed in the venture so far?

5. What has your firm found to be the most effective way to handle these intercultural problems?

6. Did you find the actions your firm took to handle cultural problems to be effective or did they need to be modified?

7. How was it decided who would control the on-site management of the venture?

8. How are the wishes of each partner communicated to the venture management?

9. Can you elaborate on any other unique cultural differences you have experienced in the venture so far?

APPENDIX F

Results of Selected Questions

1. Both Planning and Implementation — 5 Respondents
   Planning Only — 1 Respondent
   Implementaion Only — 0 Respondents
   Other (became involved after implementation — 2 Respondents

2B. (No. of Responses)Dimensions

(1)National Language	(2)Time Frame for Decision Making
(2)Business Attire	(5)Philosophy Towards Regulation
(3)Degree of Flexibility	(3)Attitude Towards TV as Entertainment
(3)Negotiation Style	(4)Attitude Towards Paying for Television
(3)National Work Ethic	(3)Attitude Towards Program Content
(5)Management Style	(2)Orientation Towards Consumerism
(0)Business Ethics	

3. A. All respondents checked "YES"

   B. Composite scores are noted in the table.

Dimensions of Organizational Culture	TCI	Amer-itech	Time Warner	Bell Atlan-tic	TVNZ	Heatly-Jarvis Invest.	Tapp-enden Indust.	Todd Corp.	To-tals
Organizational Language					1			1	2
Time Frame for Decision Making	2	3	3	3	3	1	1	1	17
Degree of Flexibility	1	3	1	3	3	1	1		13
Business Attire						1			1
Work Ethic		1		1	1				3
Management Style	1	1		1	3	2	2	1	11
Negotiation Style	1			1		1	2		5
Business Ethics						2	1		3
Philosophy Towards Regulation	1	1		2	2	1	2		9

Dimensions of Organizational Culture	TCI	Amer-itech	Time Warner	Bell Atlan-tic	TVNZ	Heatly-Jarvis Invest.	Tapp-enden Indust.	Todd Corp.	To-tals
Marketing/Sales Philosophy		1		1	3	1			6
Attitude Towards Programming Content	1	1		2	1	1	1	2	9
Orientation Towards Consumers		1		1	1				3
Totals	7	12	4	15	18	11	10	5	82

4. Anticipated cultural differences were grester, less, or the same as anticipated.

Dimensions of National Culture	Greater	Same	Less	Dimensions of Organizational Culture	Greater	Same	Less
National Language	1	3		Organizational Language		3	1
Business Attire		3	1	Business Ethics		2	2
Degree of Flexibility	1	3		Degree of Flexibility		5	
Negotiation Style	3	2		Business Attire		3	1
Work Ethic	1	2	1	Work Ethic	3	1	
Management Style	1	3	1	Management Style	2	3	
Business Ethics		2	1	Negotiation Style	2	2	
Time Frame for Decision Making	2	2		Time Frame for Decision Making		3	1
Philosophy Towards Regulation		3	1	Philosophy Towards Regulation	1	3	
Attitude Towards TV as Entertainment	1	3		Marketing/ Sales Philosophy	4		

Dimensions of National Culture	Greater	Same	Less	Dimensions of Organizational Culture	Greater	Same	Less
Orientation Towards Consumerism	1	3		Orientation Towards Consumers	2	2	
Attitude Towards Programming Content	2	2		Attitude Towards Programming Content	3	1	
Attitude Towards Paying for TV	2	2					

7. Please indicate where your firm best fits on the following statements by circling the appropriate number on the scale.

"In my opinion I perceive, _________(firm being surveyed)...

5 = Strongly Agree, 4 = Agree, 3 = Don't Know, 2 = Disagree, 1 = Strongly Disagree

	Amer	H-J	TCIa	TCIb	TW	Todd	Tapp	SKY
environment that breeds creativity.	2	5	2	4	4	4	4	5
a flexible organizational structure.	2	5	4	4	4	4	5	4
an open system of communication.	2	5	4	4	4	4	4	4
environment where decisions are made slowly.	5	1	1	2	2	4	1	2
an individualistic style of management.	2	5	4	4	4	4	4	4
as participating in ventures for the short-run.	1	1	1	2	2	1	2	5
to base decisions on achieving a profit in the long-run.	5	5	5	4	4	4	4	5
regards entrepreneurialism to be significant to success.	2	5	5	4	4	2	5	5
an aggressive negotiating style.	4	5	4	4	5	2	4	5
high intensity environment.	2	5	5	4	5	2	4	5

9. How would you classify the environment at your firm? (Please circle the corresponding scale for each adjective.)

5 = Strongly Agree, 4 = Agree, 3 = Don't Know, 2 = Disagree, 1 = Strongly Disagree

	Amer	H-J	TCla	TClb	Tapp	Todd	TW	SKY
Individualistic	2	5	4	4	4	4	4	5
Chaotic	2	1	2	2	2	2	4	4
Consistent	4	5	2	4	4	4	2	3
Stressful	4	1	4	4	3	4		4
Cooperative	2	5	4	4	3	2	4	4
Relaxed	2	5	2	2	2	2	4	5
Creative	2	5		4	4	2	4	4
Energetic	2	5	4	4	5	4	4	5
Conventional	5	2	2	2	2	4	2	1
Entrepreneurial	1	5	4	4	4	2	4	4
Secretive	4	3	2	2	3	2	4	2
Harmonious		5	3	4	3	4		4
Competitive	4	1	4	4	5	4	5	3
Relaxed	2	5	2	2	2	2		4
Team-Oriented	2	5	4	4	3	2	4	5
Egalitarian	2	4	2	4	4	4		4