

## **PART 2:**

# **THE DEVELOPMENT OF THE CONCEPTUAL MODEL**

### **Chapter 3:**

## **Literature review on international project management**

### **3.1 Introduction**

After having assessed some key concepts in the last chapter, a further literature review on constraint factors in international projects will be conducted in this chapter. This should then provide the appropriate context for cultural differences in project management that will be specifically addressed. Some results of the existing research will be generalised.

### **3.2 A brief research review on constraint factors in international project management**

Global markets contain both opportunities and risks. Nowadays, most project companies are looking for international projects because of the potential good profits. The differences between the domestic and overseas environment result in some factors related to international projects differing from that of domestic projects. Normally the constraint factors facing international project are related to socio-cultural, economic, technological and political

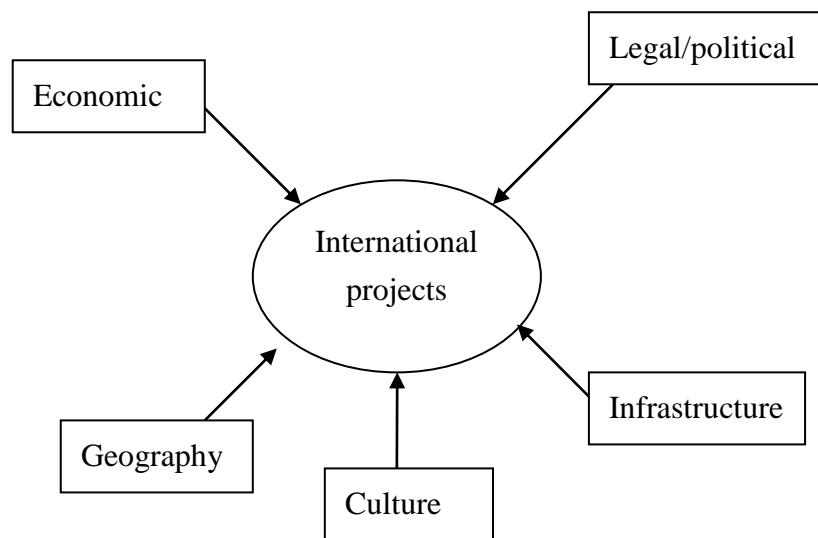
environments. Balio and Price (2003) define these factors as global risk factors that receive the most attention from researchers (Dikmen, Brigonul & Han, 2007).

Some researchers and practitioners have done research on international projects. They have already identified some factors that constrain international project success which will be discussed below.

It is a kind of international business endeavour in itself to implement projects abroad. Miller (1992) states that the uncertainties resulting from the general environment of international business endeavours can be categorised into political uncertainties, government policy uncertainties, macroeconomic uncertainties, social uncertainties and natural uncertainties. Howes and Tah (2003) state that international project management is a business endeavour operating in a foreign market. When making a decision to enter a foreign market, decision-makers must assess all aspects concerning the social, economic and political environment that could affect the company's stability and the trading environment. Each country has a distinct economic, political, legal, cultural and competitive context that organisations operate in. International organisations should respond positively to these differences (Low & Christopher, 1999). International projects are implemented in a foreign environment. Gray and Larson (2003) conclude that "the major challenge international project managers face is the reality that what works at home may not work in a foreign environment". The differences between nations and cultures could change international projects into nightmares. Gray and Larson state that if project managers were aware beforehand of the differences

between the host country environment and the domestic environment, the risks of the international project could be reduced. The factors typically affecting international projects can be interpreted as shown in Figure 3.1.

**Figure 3.1: Environmental factors affecting international projects**



**(Gray & Larson, 2003)**

Murphy (2005) is of the opinion that the main reason why companies step into the international arena are increased profits, growing the company, smoothing out the business cycle and extending the sales potential of existing products. He focuses on cultural issues, business competition, legal issues, currency issues and political issues as the key risks in managing international projects.

The authors mentioned below have the same point of view when discussing international projects. They believe that factors in host counties are the key constraint factors of international projects.

The international construction business environment entails political, financial, cultural and legal risks. An understanding of these risks could be of critical importance for the survival of construction companies (Gunhan & Arditi, 2005).

Han and Diekmann (2001) identify the essential risks associated with international construction projects. They believe that the risks related to conditions in other countries are cultural, legal, political, economic geographic, climate and environmental conditions.

Some salient points were obtained from the literature review. Project managers find it challenging to manage international projects. They are generally familiar with domestic projects. However, the differences are obvious because international projects are implemented in a foreign environment that is typically unfamiliar to the project managers. Most researchers and practitioners (Gray & Larson, 2003; Han & Diekmann, 2001; Gunhan & Arditi, 2005; Murphy, 2005) agree that the main factors that affect the success of an international project stem from the host country environment and not from the risks related to domestic projects.

Cultural, legal, political and economic factors have been identified as the key constraint factors by most authors (Han & Diekmann, 2001; Gunhan & Arditi, 2005; Murphy, 2005; Gray & Larson, 2003; Howes & Tah, 2003). Although some authors added, deleted or changed some factors, the abovementioned four factors are still the core of the context. If international project managers understand and deal with these factors correctly, the chances of failing to manage international projects properly should be reduced.

In this research study, the cultural differences affecting managing of international projects was been chosen as the research topic. The context of culture and international project management will be explored. What the cultural differences are that affect international project management and how they affect it will be addressed. The linkage between cultural differences and international project management will also be established. An international project team is typically a culturally diverse team. Members come from different cultural backgrounds with possibly even different native languages and values, beliefs and customs. If project managers do not understand cultural differences, an international team cannot function as an effective team. A situation of this kind would definitely increase the chance of failure in managing international projects.

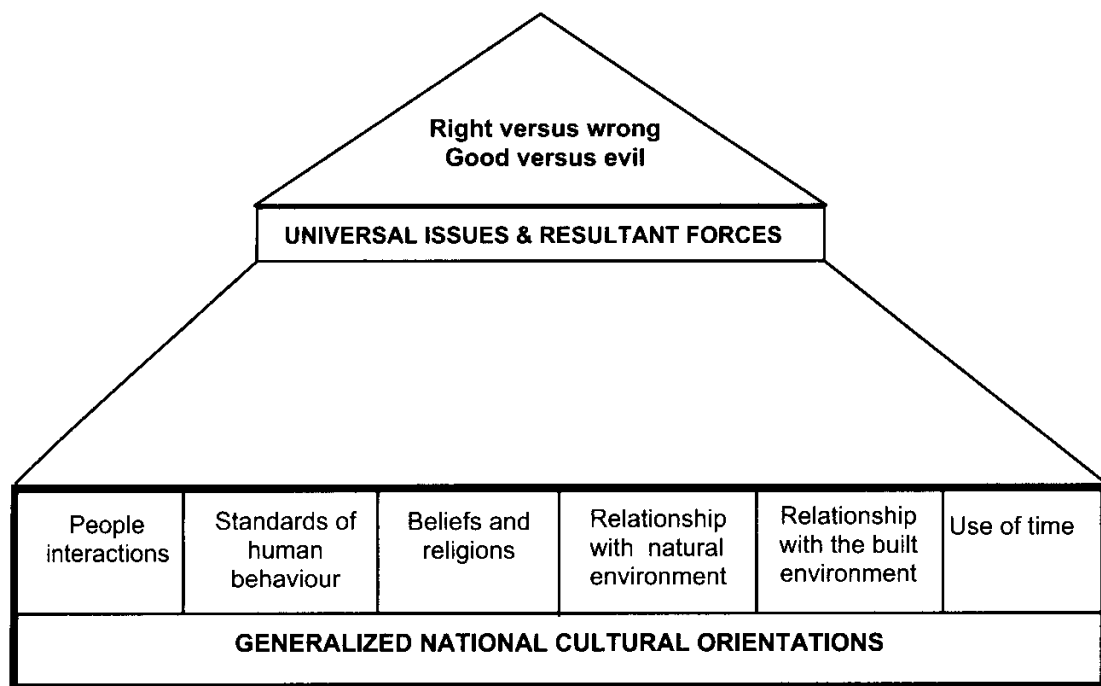
### **3.3 Cultural difference in international project management**

#### **3.3.1 *Assessment of the concept of culture***

It is essential to understand the meaning of the term "culture" before discussing cultural differences in international project management. The project management method is not universal, but culture sensitive (Chen & Partington, 2004; Wang & Liu, 2007). People often talk about cultures such as the Western culture, African culture or Eastern culture. Therefore, what is culture and which elements characterise different cultures? In fact, there is no one single definition that can encapsulate all the context of the term "culture" (Pheng & Leong, 2000). Howes and Tah (2003) define culture as acquired

knowledge based on assumptions and perceptions used to generate social behaviour. They described the characteristics of national culture as shown in Figure 3.2.

**Figure 3.2: Group of generalised national cultural characteristics**



**(Howes & Tah, 2003)**

The heart of culture indicated in Figure 3.2 is the universal issue of “right or wrong”, which is the foundation for morals and ethics. The bottom of the model generalises the nationalistic attitudes and beliefs of national culture.

Another definition by Gray and Larson (2003) implies that culture is “a system of shared norms, beliefs, value, and customs that bind people together, creating shared meaning and a unique identity”.

From an observational point of view, the central elements of any culture can be classified into two groups (Dadfar & Gustavsson, 1992):

- Observable elements that constitute “surface culture”, such as customs, dressing, eating, technology, arts and behaviour.
- Hidden elements, called “deep culture”, such as values, beliefs and systems of thinking.

Fischer (2009) states that “defining culture has remained a formidable challenge”. In the trend of emerging on consensus of defining culture, Fischer (2009) points out that there are two key characteristics: culture is a collective phenomenon and that culture is learned and not transmitted genetically. According to him, "culture is passed on through socialization processes within specific groups, which require communication of key symbols, ideas, knowledge and values between individuals and from one generation to the next”.

From the above-mentioned definitions, we can see that culture consists essentially of people’s deep-held value and beliefs (Chen, et al., 2009). It is a collective phenomenon (Fischer,2009).Some authors (Gray & Larson 2003; Dadfar & Gustavsson,1992) define culture also based on these factors. Some factors may shape a specific culture as follows:

- **Values:** Values refer to the preferences people use to make work-related and communication-related decisions in projects (Horii, Jin & Levitt, 2004).

Cultural values shape people's beliefs and attitudes and guide their behaviour (Fan, 2000).

“Values that are important to one group of people may mean little to another” (Gunhan & Arditi, 2005). The dominant deep-rooted cultural values of people are hard to change (Sheridan, 1999, in Chen & Partington, 2004). Values guide people's actions and the behaviour of administrators (Staudt, 1991, in Kwak, 2002).

- **Religions**

“Religion is a system of beliefs in divine or superhuman powers, and ritual practices directed towards such powers” (Benjamin 2010).

- **Custom:** A practice or habit followed by people of a particular group or region (<http://www.thefreedictionary.com/custom>, 2010-05-28).
- **Languages:** A human language is basically a signalling system, which is something to be spoken (Barber, 2000).
- **Norms:** Cultural norms are influential factors. However, they are very subtle (Yong, Javalgi, 2007).

“Norms are parts of the larger rules that prescribe, mandate, or require that certain actions be performed” (Nissenbaum, 2009).



- **Time conceptions:** The different attitudes to time often present problems when doing business in a cross-cultural environment (Mangaliso, 2001, in Thomas, 2003). The time dimension is very important in project management. Therefore, this element of culture should also be notable in international projects.

However those factors are not independent from each other. Karahanna, et al.(2005) propose that values are moderators of cognitive beliefs, attitudes, and social norms.

Regarding to cultural dimensions, some of the most influential work in cross-cultural dimensions are those of Hofstede (1980), Trompenaars (1993) and Schwartz (1994). Their models are dominated in anthropological and psychological studies (Chen, et al., 2009). Chen, et al. (2009) reviewed the three models as indicated below.

Hofstede (1980) studied the selected sample of workers and managers in IBM Corporation around 53 countries. The sample has similarities in other aspects except nationality. The research results show that there are four dimensions of culture that differentiate one with another. These dimensions are well-known as power distance (PD), individualism versus collectivism (ID), masculinity versus femininity (MA), and uncertainty avoidance (UA). Further research by Hofstede and Bond (1988) was conducted on 23 countries by using a questionnaire based on Chinese Value. A fifth dimension, long-term versus short-term orientation (LT) was added based on the results of the survey suggesting that Chinese have some difference comparing with the United

States and United Kingdom in terms of MA and UA and also more obvious differences on dimensions of PD, ID and LT.

Trompenaars (1993) did a study over 30 companies in 50 different countries. As a result of this study, the author identified seven dimensions of culture under three categories. There are five dimensions regarding the relationships with people, universalism versus particularism, individualism versus communitarianism, neutral versus emotional, specific versus diffuse, and achievement versus ascription. The sixth dimension is about attitudes to time, that is, linear and sequential time versus circular and synchronic time. Trompenaars' model has been described as conceptually related to some of Hofstede's dimensions and can be interpreted as supportive of Hofstede's model (Glatley, et al., 1996).

Schwartz (1994) proposed a continuum of cultural values representing the relationship between personality and cultural factors. His model was based on Hofstede's work and tested by using samples in 38 nations (Chen, et al., 2009). The two basic dimensions of Schwartz's model are conservatism versus autonomy (affective and intellectual) and self-enhancement (Hierarchy and mastery) versus self-transcendence (egalitarian commitment and harmony). Schwartz's model is believed to be a refinement of Hofstede's work because it arranges value types and broad dimensions into a continuum (Chen, et al., 2009). Schwartz's work categorized two types of cultural archetypes as contractual cultures and relationship cultures.

Thorne and Saunders (2002) suggested that the most influential of work identifying cross-cultural dimensions are those of Hofstede (1980,1991) and Hofstede and Boud (1998). Other more comprehensive work is that of Hampden-Turner and Trompenaars (1993) in the study of culture effect on individuals' ethical reasoning process. The authors briefly viewed the cultural dimensions in an integrated framework (Table 3.1) that describes the variety of individuals' value from a cross-cultural point of view.

**Table 3.1 Integrated framework of the dimensions of national culture**

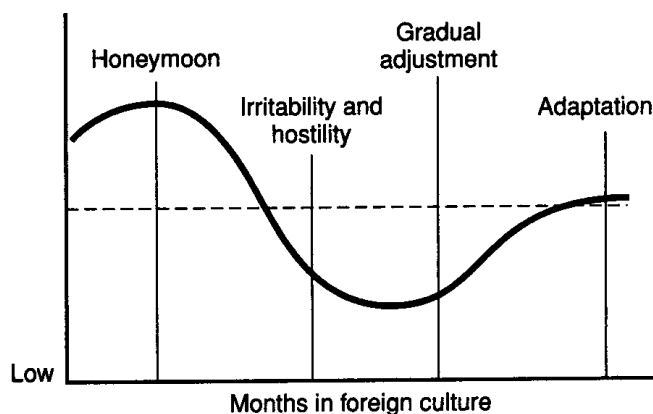
Dimensions & source	Definition	Illustrative example
Individualism/collectivism Hofstede(1980); Hampden-turner & Trompenaars(1993)	The degree of integration between members of society and the relative value of individual over collective needs	Individualists tend to believe that personal interests are more important than group interest are. In contrast, collectivists value group interests, reciprocation of favors, a sense of belonging and respect for tradition.
Power distance, Hofstede(1980); Equality/hierarchy, Hampden-turner & Trompenaars(1993)..	The degree to which an unequal distribution of power is accepted in society.	Individuals with higher power distance perceive that superiors are entitled to special privileges. In contrast, individuals with low power distance are more likely to prefer democratic participation.
Uncertainty avoidance, Hofstede(1980)	The degree to which a society's members tolerate ambiguity or uncertainty.	Individuals with high uncertainty avoidance feel a need for written rules and procedures and are intolerant of deviations from these rules. In contrast, individuals with low uncertainty avoidance are less concerned with codified rules.
Masculinity/femininity, Hofstede(1980)	The relative emphasis in society on achievement and accomplishment vs. overall quality of life.	Masculine individuals are interested in material success whereas feminine individuals are more concerned with human relationships.
Universalism / particularism, Hampden-turner & Trompenaars(1993)	The relative emphasis in society on rules of wide generality vs. consideration of special exceptions.	Universal individuals would tend to apply "the golden rule" to all situation/others whereas particularistic individuals recognize obligations to special relationships and particular circumstances.
Analysis/integration, Hampden-turner & Trompenaars(1993)	The relative emphasis of society members to consider organizations or event in terms of separable parts vs. consideration of the whole.	High-integrated individuals tend to consider factors and implications beyond a specific domain, whereas high analysis individuals tend to focus on a specific domain or realm.

Achievement/ascription, Hampden-turner & Trompenaars(1993)	The relative emphasis in society on achieved status vs. ascribed status (e.g. by role, age, class etc.)	In an achievement culture, your status is based upon what you have accomplished. In contrast, in an ascription culture, your status is a function of your position in society an at birth.
Orientation toward the environment. Hampden-turner & Trompenaars(1993)	The relative emphasis of society's members on sources of motivation and values stemming internally from the individual versus the external environment.	When the source of motivation/values are the external environment, individuals strive to remain in harmony with their environment. In contrast, when the source of motivation/values are " internal," individuals attempt to control their environment.
Confucian dynamism, Hofstede(1980) Oritentation towards time. Hampden-turner & Trompenaars(1993)	The relative emphasis in society on others's perceptions and viewing events along a time continuum(i.e., short-term vs. long-term).	High Confucian dynamism individuals are more concerned with social norms, "saving face" and time along a continuum including the past, present and future(Schwartz, 1992)

**(Thorne & Saunders, 2002)**

In the next paragraph, a cultural phenomenon will be briefly discussed, namely culture shock, which is a natural psychological disorientation that most people experience when they move into a foreign culture (Gray & Larson, 2003). A culture shock has four stages (see Figure 3.3).

**Figure 3.3: Culture shock cycle**



**(Gray & Larson, 2003)**

Culture shock is not a disease, but a natural response to a new environment. It is generally considered a positive sign to immerse oneself in a new culture instead of being isolated in an expatriate environment (Gray & Larson, 2003).

Culture is borderless and there may be several countries that share similar cultural profiles, for example, the USA, UK and Australia (Howes & Tah, 2003) and some countries in eastern Asia. People share similar norms, values and religions, resulting in similar cultures. Culture can be characterised through analysing certain dimensions. When someone steps into a kind of culture he is not familiar with, he needs a process to immerge himself into it. This process is called "culture shock". Culture will, to a large extent, determine what motivates people to work positively or negatively. This is particularly crucial when team players from different nationalities come together to work in another country.

The concept of culture can be defined at organisational, industrial and national level, with all levels being relevant in the context of international project management (Loosemore, 1999).

In this research study, the term "cultural difference" refers to the national cultural differences between international project team members that affect international project management.

### ***3.3.2 Effects of cultural differences on international project management***

Project management is a management theory by nature. “Many cross-studies have shown that different cultures support different sets of management beliefs and practices, particularly when those cultures reflect fundamentally different conceptions of reality” (Chen & Partington, 2004). When a situation is difficult and uncertain, people usually make decisions that rely heavily on their value systems (Child & Tayeb, 1982). Ralston, Gustafson, Cheung and Terpsta (1993) state in their study that “different national cultures will contribute to the unique behaviours of managers in the different industrialized nations”.

A large body of literature (Cox, Lobel & Mcleod, 1991; Hall & Hall, 1997; Harris, Moran & Moran, 2004; Schneider & Meyer, 2006) discusses cultural differences, especially in global business. People often find it difficult to do something in a foreign cultural environment by using a similar approach to one that is effective in their home country. The same phenomenon can be observed in the arena of managing international projects. Consequently, the question of how which cultural differences affect the management of international projects must be answered.

Researchers realise that cultural differences have a negative impact on international project management. “Visiting project managers must accept and respect the customs, values, philosophies and social standards of their host country. Global managers recognise that if the customs and social cultural

dimensions of the host country are not accommodated, projects will not succeed. Too many audits and final reports of international projects reflect challenges and problems linked to cultural differences” (Gray & Larson, 2003). Dadfar and Gustavsson (1992) state that “cultural differences appeared as an important issue in all aspects of project management – from the tendering and negotiation phase to construction operations.”

"Communication problems have emerged as one of the most significant contemporary challenges facing construction project managers in an increasingly international construction market" (Tone, Skitmore & Wong, 2009). Gray and Larson (2003) argue that cultural differences can actually be an obstacle to effective communication because of the language difference. Although a translator can help in such a situation, something is still lost in translation.

Sometimes religions can change the selected site for a project. An example cited by Lane and DiStefano (in Gray & Larson, 2003) indicates that a project manager from a large North American business was responsible for selecting a site for constructing a fish processing plant in a West African country. He chose an optimum position after doing a detailed analysis of all resources. However, no local people wanted to work there because the members of the local religion believed that that site was a place where the gods resided. This shows that cultural differences can change the site selection before the construction phase.

Ling and Hoi (2006) also conclude that cultural risk is one of key risks facing Singapore's architecture, engineering and construction (AEC) firms. It is

important for a new company to understand foreign culture in order to be a success. Ling and Hoi (2006) state that communication still breaks down because of the cultural difference despite the fact that many Indian people can speak English. It is also difficult to change Indian mindsets and their methods of working. The cultural shock is very obvious to the staff of foreign AEC firms who work in India. Ling and Hoi suggest that, to overcome this risk, those staff members should spend time on getting to know more about India and establishing relationships with the locals.

Kwak (2002) states that the “culture issue is the least known but the most hazardous in the context of international development projects”. If the international consultants are not familiar with local culture it often leads to lost opportunities, directing development efforts at the wrong groups, project cost overrun, and schedule delays. If a culture does not fit the project objectives and one does not have enough local knowledge and understanding, it could result in the rejection of the project by the intended client. Kwak (2002) states that if a project manager wants to be successful with international projects, he should consider cultural factors such as traditions, values, customs, and beliefs in the planning stage to ensure that the project objectives are in line with the values and customs of the beneficiaries.

Chen, Partington and Qiang (2009) did a study on cross-cultural understanding of the conceptions of their work by Chinese and UK construction project managers. In their article, they explain that the cross-cultural transfer of management is not always successful. Management should examine “the



extent to which the basic conceptions underlying Western project management theories and practices have been supported by the Chinese culture".

Gunhan and Arditi (2005) researched the factors affecting international construction. They conducted a Delphi study of international companies in the US and used the Analytical Hierarch Process (AHP) to analyse the data. They argue that the difficulties encountered in international projects can often be traced back to cultural differences.

Pheng and Leong (2000) conducted research on cross-cultural project management for international construction in China. They are of the opinion that the key concepts in cross-cultural management are organisational and national culture, cross-cultural communications, cross-cultural dispute resolution and cross-cultural negotiations. They analysed the above four dimensions of Chinese culture by using a construction project case that was implemented by APC (American) and YRTSB (Chinese). They state that the organisational and national culture in China can definitely affect the decision-making process. Another problem that occurred in the case study is that cultural differences caused misunderstanding between foreign firms and Chinese partners. The lack of a proper method for solving cross-culture disputes also contributed to the failure of the APC-YRTBS joint venture. They add that the Chinese culture characterises the negotiation style in China, and conclude that "foreign project managers should recognise the Chinese style of management when dealing with their Chinese counterparts" (Pheng & Leong 2000).

Muriithi and Crawford (2003) did a study aimed at investigating the applicability and relevance of project management approaches, tools and techniques in Africa. The authors suspected that Western management concepts might be inapplicable and irrelevant to other cultures. After researching the African cultural context, a number of modifications or extensions were made to existing project management standards and guides in order to improve their relevance and applicability to projects in Africa.

Chen, et al. (2009) conducted a study to research the cross-cultural understanding of construction project managers' conceptions of their work. The authors use Chinese and U.K construction project management concepts and pointed out that the study is limited to empirical cross-cultural understanding of conception of their work between Chinese and Western practicing managers' in the context of construction project management. There is little knowledge about the extent to which Chinese culture support western project management concepts. The authors revealed that there definitely were differences in terms of conception of their work. The identified differences included a Chinese emphasis on commercial awareness and a U.K. emphasis on health and safety.

Bony (2010) states that "despite the belief that managerial tools and processes can be exported worldwide, a different reality is often experienced at the local workplace" in his study, which explores the impact of national context on the integration of project management." A Dutch/French cooperation project in the field of R&D was studied. The results indicated that, even within Europe, the national culture has a major impact on the transfer of project management

practice, in this case between Dutch and French teams. The PM is interpreted and implemented differently by the Dutch and French partners.

The problem caused by cultural differences is therefore a crucial issue for international project managers to consider. Some authors have already provided useful information on this issue. The effects of all cultures on international projects cannot be discussed in one study because the cultures are too diverse. However we can generalise or extract some common perspectives on the basis of the studies reviewed in this chapter.

- Cultural differences do have some negative effects on international projects management .
- Previous research usually describes the impact of cultural differences on international projects by means of specific cases. This maybe because the cultures in question are too diverse.
- Previous researchers offered some solutions to overcome cultural differences, such as using intermediaries, studying the host country culture and creating common values in the company to which every member can subscribe.
- Previous researchers did not seem to set up a systematic linkage to bridge the gap between cultural differences with international project management.

### **3.4 Conclusions**

International projects are distinct from domestic projects in numerous ways. Differences between countries and cultures are complex. In this chapter, the definition of culture was assessed before discussing the cultural differences' effects on international project management. Project managers need to understand and accept these differences and complete the project within the planned time and budget. To some extent the focus was on international project management in construction although some other relevant cases were also addressed. In the next chapter, some of the shortcomings of the previous research will be discussed.

## **Chapter 4:**

# **Review of gaps in previous research on international projects**

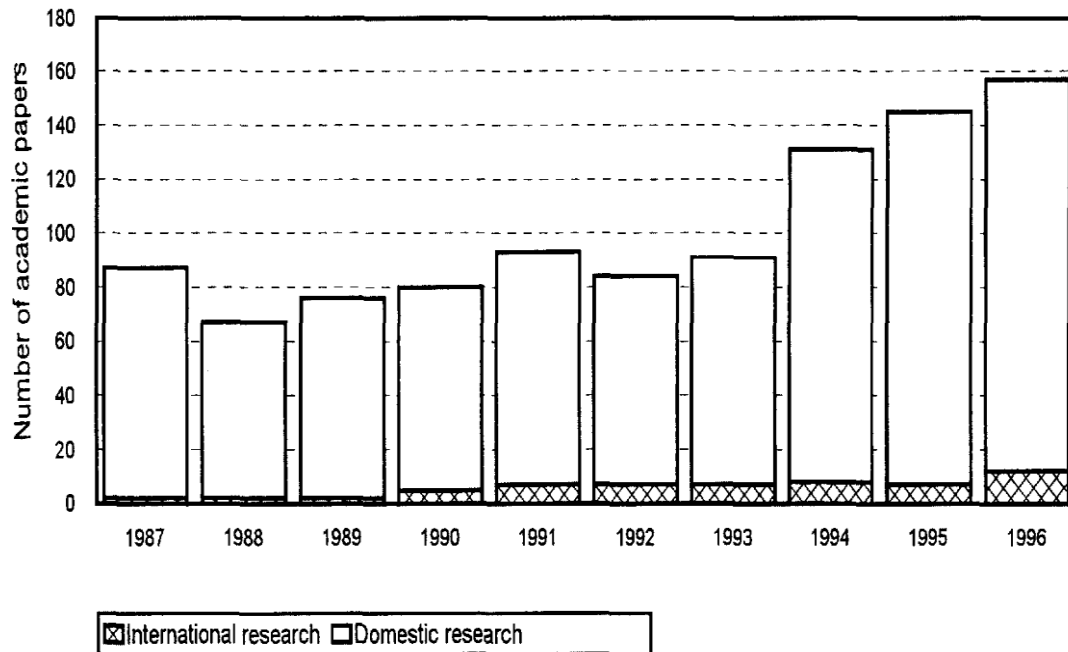
### **4.1 Introduction**

The literature that is deemed relevant to the research topic was addressed in Chapter 3. Some researchers and practitioners have assessed the influence of cultural difference on the success of international projects. In this chapter, some limitations of the previous research will be addressed.

### **4.2 Some conclusions from the literature review**

Conclusion 1: Adequate research has not been done on the influence of cultural differences on the success of international projects and there seems to be a lack of a systematic framework for the modelling, analysis and management of cultural differences in international project management (Shore & Cross, 2005). The evidence presented in Figure 4.1 indicates that research conducted across national boundaries is still relatively rare in the construction projects arena (Loosemore, 1999).

**Figure 4.1: Levels of research in construction management conducted across boundaries**



**(Loosemore, 1999)**

“To our best knowledge, there is still a lack of systematic and scientific studies on management of multicultural groups in construction projects. The earlier researchers on project management, coming mainly from industrial engineering, have concentrated on technical aspects and showed less interest in the social aspects of project management. Therefore, the issue of cultural management has not been seriously tackled in project management studies. The problem becomes more complicated when it concerns international construction projects involving various actors with different cultural backgrounds” (Dadfar & Gustavsson, 1992). Eriksson, Lillieskold, Jonsson and Novosel (2002) and Kruglianskas and Thamhain (2000) concur that although many studies explore the role of culture in management, very few of them

address the role of culture in project management. Shore and Cross (2005) argue that most research on cultural difference is done from a cultural perspective and is not linked to international project success. “While no study has specifically identified and linked cultural dimensions with project management issues, there have been a few studies that have addressed the cultural issue.”

Conclusion 2: There is a need to identify the common characteristics of different cultures that affect international project management. Are there situations or conditions where different cultures may affect international projects but some common characteristics can be generalised? From literature review, many researchers already recognized that cultural issues definitely affected project management project practice using various research methodologies including case study, survey, Delphi study with AHP (Bony 2010; Chen , et al.,2009; Muriithi & Crawford, 2003; Pheng & Leong 2000, Gunhan & Arditi,2005). The results clearly show that cultural differences undoubtedly have some effect on project management activities. However, there is still a question on how cultural differences affect project management activities. In other words, are there any relationships between cultural behaviours and project activities and is it possible to establish relationships between them? From the literature study, there seem to be few studies exploring this issue. This is also a question to be explored.

Conclusion 3: In the literature section, there seems to be a number of studies done to explore cultural differences’ effect on management, such as Chinese vs. UK (Chen, et al.,2009); Singapore vs. India (Ling & Hoi,2006) and Kenya vs. UK (Ochieng & Price,2010), However there is little literature that has

been done to investigate the cultural difference issue between China and South Africa. However trade and economic co-operation between these two countries has developed greatly. From the Chinese government statistics, the volume of trade between these two countries was more than 16 billion USD in 2009. This figure is 10 times more than that of 1998. For instance, there are 65 huge projects being executed on the African continent (including 1.6 billion USD investment in a hydroelectric power station in Botswana) financed by the co-operation between Standard Bank of South Africa and Commercial Bank of China (Internet resource, 2011) . These facts indicate that there should be closer relationships between South Africa and China in terms of project management practice in the future. Nevertheless, there are very limited studies touching this field from the literature review. This is also a gap to be filled.

### **4.3 Summary**

In this chapter, some limitations of the research on the effect of cultural differences on the success of international projects have been discussed. There is not enough research evidence that links the cultural issue with project management (Shore & Cross, 2005). A systemic framework should be developed for an effective study of the influence of cultural differences on international project management. The issue of cultural differences in project teams between China and South Africa can also be explored in more depth. Chapter 5 will focus more on a conceptual model to address some of these research gaps.



## **Chapter 5:**

# **Conceptual model for international project management**

### **5.1 Introduction**

Some gaps in the previous research were summarised in Chapter 4. A conceptual model to address some of the gaps will be developed in this chapter. The variables of cultural differences and the appropriate key activities of international project management will be identified.

### **5.2 The identification of typical Chinese behaviours**

Each culture has its own characteristics that distinguish it from other cultures. Although sufficient research has not been done on the effect of cultural differences on international project management, some key variables in cultural differences that affect international projects can still be identified from the experience of previous researchers and international project managers. Some previous research identified fundamental dimensions in culture, including studies by Hofstede (1980, 1991, 1993 and 2001), Trompenaars (1993), Hampden-Turner & Trompenaars (1993) and Schwartz (1992,1994). The four fundamental dimensions of culture (power distance, individualism versus collectivism, masculinity versus femininity and uncertainty avoidance) identified by Hofstede (1980, 1991, 1993 and 2001), are widely recognised also by academics (e.g. Yan, 2005).

Hofstede did further study with Bond in 1988 and their study suggests that Chinese culture differs with United States and United Kingdom (Western culture) in different dimensions. Trompenaars (1993) also advises that Chinese culture has a synchronous view of time. The Chinese culture typically has longer-term orientation which is different from a short-term orientation (as compared to United States and United Kingdom). Schwartz (1994) points out in his study that cultures similar to China adopt more conservative values and accommodate value tensions between hierarchy and harmony.

Chen, et al. (2009) reviewed different influential models in cross-cultural literature and they have identified some apparent uniqueness in Chinese culture. They proposed an integrated framework to demonstrate the fundamental differences between Chinese and Western cultures based on Hofstede (1980), Trompenaars(1993) and Schwartz (1994) (see Table 5.1).

**Table 5.1: Apparent dimensional differences between Chinese and Western culture**

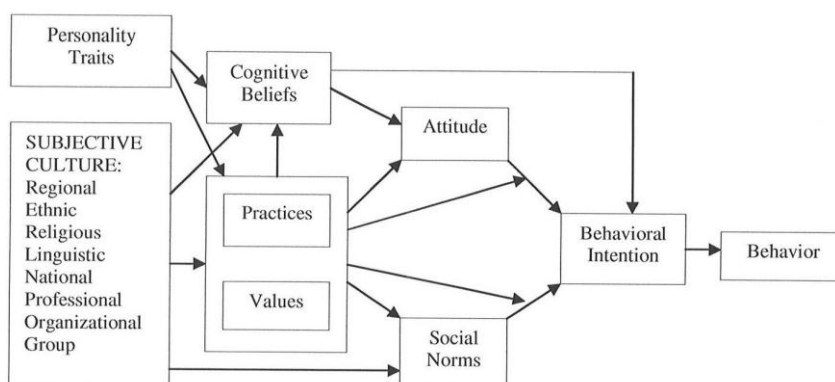
Chinese culture	Western culture (United Kingdom & United States)
Collectivism Large power distance Strong uncertainty avoidance Long-term orientation Outer directed Relationship Conservatism, tension between hierarchy and harmony	Individualism Small power distance Weak uncertainty avoidance Short-term orientation Inner directed Contractual Autonomy, tension between mastery and egalitarian commitment/harmony

**(Chen, et al., 2009)**

The abovementioned studies have pointed out that Chinese culture has its own uniqueness. Chinese culture differences (as compared to other cultures) can be observed from the personal behaviours. This view is supported by the study from Karahanna, et al. (2005).

They developed a theoretical model (see Figure 5.1) to illustrate how cultural factors characterize personal behaviour. The model clearly describes how the different cultural elements such as religious and ethics can eventually shape personal behaviours. That means personal behaviours are a combination of cultural factors. Moreover, they state that in the past two decades, cross-cultural variables have been highlighted in management theories. The effect of cultural differences on work behaviours has become increasingly evident. Such cultural differences can be observed by the differences between personal behaviours. Thus, for the aim of this research study, the Chinese behaviours are to be identified to explore the cultural differences which may affect international project management.

**Figure 5.1: Theoretical model of behaviour theory in social psychology**



**(Karahanna, et al., 2005)**

China has a history of 5 000 years with specific outstanding cultural characteristics. Substantial literature has identified the typical Chinese behaviours. This research study broadly categorizes through exploratory research these literature sources and identifies five main behaviours. B1 to B5 denotes the five behaviours.:

**B1. Philosophy of surviving: Ming Zhe Bao Shen – wise people should be skilled at protecting themselves as a prerequisite to avoid being involved in conflicts or fights (Zeng, 2003; Li, 2004).**

The sub-behaviours of B1 can be generalised as follows from the literature study:

B1.1 As a manager, keep track of your team member to avoid being cheated/undermined by him one day (Zeng, 2003).

B1.2 As a team member, always protect yourself first when doing a job, to avoid risks (Zeng, 2003).

B1.3 Trust can only be established after a series of tests/trials from small events (Zeng, 2003).

B1.4 Act modestly and hide your ability and power to survive (Tao Guang Yang Hui) (Li, 2004).

B1.5 Life is much more important than Ming Li (wealth and fame) and one does not strive for Ming Li (wealth and fame) (Li, 2004).

**B2. “Face/image” is important to the Chinese, as it represents prestige, respect, dignity and social status (Ji, 2000; leung and Chan, 2003; Yao, 2007).**

The sub-behaviours of B2 can be generalised as follows from the literature study:

B2.1 Commenting or rejecting directly on others’ opinions will make them lose “face/image” (leung and Chan, 2003).

B2.2 Saving others’ “face/image” is critical to maintain harmonious Guanxi (personal relationship) (leung and Chan, 2003).

B2.3 “Face/image” is more important than profits in some cases (Yan, Yao, Xie & Ling, 2007).

B2.4 Strive for their own “face/image” to be recognised and save others’ “face” at the same time (Yao, 2007).

**B3. Personal relationships: Guanxi – is critical for getting favours and conducting business successfully (Davies, Leung, Luk & Wong, 1995; Arias, 1998; Xin & Pearce, 1996; Yeung & Tung, 1996; Tsang, 1998;**

**Buckley, Clegg & Tan, 2006; Chen in Chen & Ma, 2001; Pheng & Leong, 2000).**

The sub-behaviours of B3 can be generalised as follows from the literature study:

B3.1 Developing Guanxi (personal relationships) is an important job for a manager (Xin & Pearce, 1996).

B3.2 Guanxi (personal relationship) is a resource of sustainable competitive advantage (Yeung & Tung, 1996; Tsang, 1998; Clegg & Tan, 2006).

B3.3 Prefer business partners with good Guanxi (personal relationships) (Buckley, Clegg & Tan, 2006).

B3.4 Guanxi (personal relationship) is more stable than contractual relationships (Davies, Leung, Luk & Wong, 1995).

B3.5 Trust and “face/image” saving are the foundations of establishing good Guanxi (personal relationship) (Yeung & Tung, 1996).

B3.6 The ability to build good Guanxi (personal relationships) is a critical criterion for a competitive manager (Buckley, Clegg & Tan, 2006).

B3.7 First make friends and then do business (Yeung & Tung, 1996; Pheng & Leong, 2000).

B2.8 Reciprocity determines whether Guanxi (personal relationship) can be established successfully (Li Shang Wang Lai) (Kirkbride, Tang & Westwood, 1991; Yeung & Tung, 1996; Chen in Chen & Ma, 2001).

**B4. Communication – the purpose is maintaining satisfactory harmony (Zeng, 2003, 2005, 2007; Chen & Ma, 2001; Ma, 1996).**

The sub-behaviours of B4 can be generalised as follows from the literature study:

B4.1 Indirectly communicate with others and try to make nobody lose their “face/image” to pursue a conflict-free interpersonal and social relationship (Chen in Chen & Ma, 2001).

B4.2 Communicating with appropriateness is sometimes more important than revealing the truth (Zeng, 2003).

B4.3 Announce decisions during meetings while discussions should be held upfront and privately (Zeng, 2003).

B4.4 Not delivering all the information by using vague language to protect oneself (Hua Liu San Fen) (Zeng, 2003, 2007; Ma, 1996).

B4.5 Not willing to take initiative in communication with others (Zeng, 2005).

**B5. Conflict-solving: Hua Jie – softening, smoothing, compromising and aligning instead of direct solving to uphold harmonious relationships (Zeng, 2003; Chen in Chen & Ma, 2001; Leung, Koch & Lu, 2002; Hwang, 1997–8; Kirkbride, Tang & Westwood, 1991).**

The sub-behaviours of B5 can be generalised as follows from the literature study:

B5.1 Transform serious problems to small problems and then soften small problems to nothing (Da Shi Hua Xiao, Xiao Shi Hua Liao) (Zeng, 2003).

B5.2 Refusing, delaying, avoiding and aligning as a way of problem-solving (Tui Tuo La) (Zeng, 2003).

B5.3 Indirect way of conflict resolution by giving evasive answers or by saying "no" in a subtle, non-verbal way (Bu Shang He Qi) (Chen in Chen & Ma, 2001; Kirkbride, Tang & Westwood, 1991).

B5.4 Not causing others to "lose face" in the conflict-solving (Liu Mianzi) (Kirkbride, Tang & Westwood, 1991; Chen in Chen & Ma, 2001).

B5.5 Believe personal trust and mutual interests are important to avoid conflicts.

B5.6 Respect people who are older and have a higher status during conflict-solving in order to maintain Guanxi (personal relationship) (Hwang, 1997–8; Chen in Chen & Ma, 2001; Kirkbride, Tang & Westwood, 1991).



B5.7 Agree publicly but disobey privately to avoid conflicts if one disagrees with one's supervisor's opinions (Yang Feng Yin Wei) (Hwang, 1997–8; Zeng, 2003).

B5.8 If one disagrees with the company or government policies, one will behave as follows: “You have your policies, and I have my ways of getting around them” (Shang You Zheng Ce, Xia You Dui Ce) (Zeng, 2003).

The above cultural behaviours could affect certain project management activities in a project-team environment.

### **5.3 The key activities affected by cultural differences in an international project management process**

A review of the existing literature indicated that limited formal research has been done regarding project management activities that could be affected by cultural differences, especially in the arena of international project management with construction projects. Influencing project management activities is a way that cultural differences can impact the project management process. This research identifies the project management activities that can be easily affected by cultural differences. Different researchers may identify different project management activities that can be affected by cultural differences. Some researchers (Chan, Wong and Scott, 1999; Pheng and Leong, 2000; Chen and Partington, 2004) have pointed out some project management activities which can be easily influenced by Chinese culture

when executing projects in China or with a Chinese counterpart. These can briefly be described in five categories with a detailed review as shown below.

**Project communication:** Some authors suggest that cultural differences include the language barrier and language differences are recognised as a critical cause of the obstruction of effective communication (Loosemore & Muslmani, 1999; Pheng & Leong, 2000; Gray & Larson, 2003). “Language differences are recognised as one of the major sources of communication problems” Gray and Larson (2003) also argue that language differences are obstacles in effective communication. Zeng (2003) points out that Chinese communication behaviour has its own characteristics and sometimes confuse foreigners. In project management, project communication is recognized as an important knowledge area (PMBOK 2008).

**Project negotiation:** Differences in culture can affect the negotiation style in some situations. Pheng and Leong (2000) argue that the Chinese culture characterises the negotiation style in China. Their study results show that cultural differences can affect negotiation style. Graham and Lam (2003) also argue that the context of Chinese culture impacts on the Chinese negotiation style. Moreover, deep cultural differences have created seemingly incompatible contrasts between Chinese and Westerners’ approaches to negotiation.

**Project conflict resolution:** Chen and Partington (2004) state that cultural differences result in Chinese and UK project managers who describe different approaches to resolving conflicts. Chan (1997) also maintains that the causes

of disputes and the different methods for resolving disputes are both closely associated with a society's unique culture. "Chinese traditionally depend more on good faith than tightly drafted deals to resolve conflicts and handle post-deal misunderstandings, Westerners, by contrast, tend to emphasize the letter of the law more" (Sebenius,2002).

**Project contract process:** Chan, Wong and Scott (1999) did a study on managing projects in China. They found that some of the difficulties in contract management result from the characteristics of the Chinese culture. Conflicts are easily created in the project contact process because the culture differences cause different attitudes to the contract (Sebenius, 2002). "Because of the deep confucian aversion to law and orientation toward interpersonal relationships, the Chinese believe in people more than contracts" (Ghuri and Fang, 2001).

**Project team building:** Chen and Partington (2004) conducted their empirical research to compare the Western and Chinese project managers' perceptions of their work. The results showed that cultural differences result in a preference for different organisational structures.

The above five identified project management activities are chosen for the primary research survey. "A1" to "A5" will denote "Activity 1" to "Activity 5" in this study.

## **5.4 Project management processes**

In the world of project management, many project managers use the Project Management Body of Knowledge (PMBOK) as a guide in conducting their project management process. PMBOK is a structured approach to project management that was developed by the Project Management Institute.

In this research we use the processes of PMBOK (2008) as the typical project management processes.

- Initiating
- Planning
- Executing
- Monitoring and controlling
- Closing

## **5.5 The proposed solutions for overcoming cultural differences in international project management**

Gray and Larson (2003) suggest that problems with cultural differences when managing international projects can be reduced in two ways:

Use intermediaries: Gray and Larson (2003) argue that the common practice to overcome cultural difference is to rely on intermediaries, who are often natives with a foreign education. This kind of person is usually able to bridge the gap between different cultures. They play different roles, such as translators, culture guides, network builders and local government negotiators.

Learn local culture: Project managers should try to understand the host country culture. “As far as possible, the project should be managed in such a way that local-country norms and customs are honoured.” Project managers should at least understand the following aspects of host countries: religion, dress codes, education system, holidays, daily eating patterns, family life, business protocols, social etiquette and equal opportunity (Gray & Larson, 2003).

Howes and Tah (2003) argue that companies are usually familiar with their own home culture. However, it is difficult to transfer their home cultures to other cultures. Therefore, trans-national companies need to adopt and accommodate a multicultural approach. They believe that “part of the answer is to find a common set of values that represent the company culture to which all employees can subscribe”. Chevrier (2003) points out that, “if leaders of international project teams cannot draw upon shared national cultures, they may resort to other international cultures such as professional or corporate cultures to federate participants”.

Gunhan and Arditi (2005) argued that a number of suggestions on overcoming this issue focus on keeping an open mind and not judging people as being absolutely right or wrong when they do things in different ways.

From the abovementioned literature studies, the following possible solutions for overcoming cultural differences can be listed. These possible solutions will be used in the conceptual model. However, the question of whether or not

these proposed possible solutions are worktable in the project management practice may be answered by means of survey used in this study.

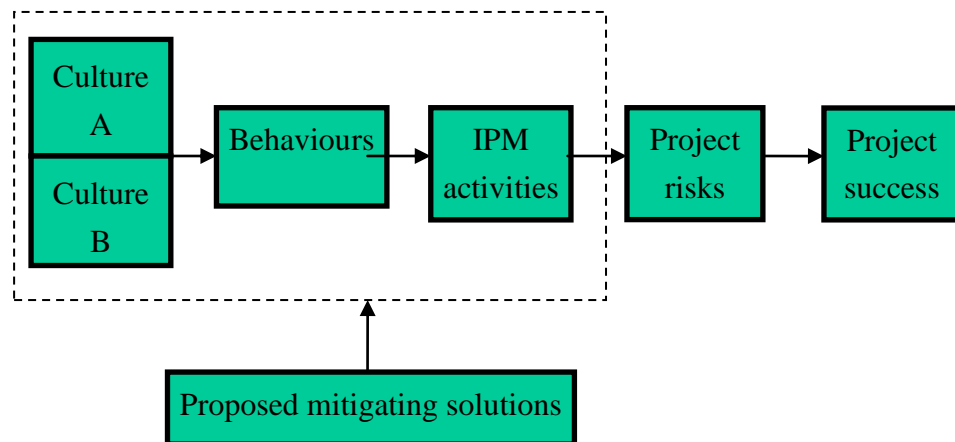
The proposed solutions to be included in the conceptual model are as follows:

- Use intermediaries: such a person normally bridges the gap between different cultures. (Gray & Larson, 2003).
- Learn the host country culture: project managers should spend time and effort to understand the culture of the host country to reduce the risks related to cultural differences (Ling & Hoi, 2006; Gray & Larson, 2003; Pheng & Leong 2000).
- Create an organisational culture: create a common value or culture for the company to which every member can subscribe (Howes & Tab, 2003; Chevrier, 2003).
- Embrace different cultures: keep an open mind and do not simply judge right or wrong in the typical way of your own culture (Gunhan & Arditi 2005).

## **5.6 A proposed conceptual model for managing cultural difference in international project management**

The proposed model shown in Figure 5.2 has been developed using exploratory research, literature review results and deductive reasoning. It illustrates the relationships that are identified in the literature as the key relationships between cultural differences in international project success. The model also shows the relationships between the components and the proposed mitigating solutions that are according to some literature sources able to mitigate the negative effect of cultural differences. The dotted block in the conceptual model will be the focus of this thesis and examined empirically.

**Figure 5.2: The conceptual model for managing cultural differences**



From the conceptual model, it is proposed that the different cultures A and B will lead to difference in behaviours. The cultural behaviour difference may cause project managers to act differently in international project management (IPM) activities. This is proposed to be the possible reasons for the creation of risks due to cultural differences in international project management. This conceptual model gives a clear image of the path along which cultural differences affect project success through changing the risk profile.

There are four attributes in this model (Figure 5.2) that are briefly discussed:

- The model establishes the relationships between cultural differences and project management activities.
- The model indicates how cultural differences affect project management activities.
- The model shows a proposed solution to mitigate the negative effects that stem from cultural differences.

- The model contributes to a systems approach to managing cultural differences in international project management.

## 5.7 Conclusions

In Chapter 5, the five typical Chinese behaviours (philosophy of surviving, “face/image”, personal relationships (Guanxi) and conflict-solving) and five project management activities (project communication, project negotiation, project conflict resolution, project contract process and project team building) have been identified. These cultural and project management variables were used to design a research questionnaire and survey presented in the next chapter. A conceptual model describing relationships between cultural behaviour and project risk has also been designed and presented in this chapter. Some contributions by the proposed model were addressed. Chapter 6 will address the research method followed to evaluate to some extent the proposed model.