

# **MANAGEMENT OF MULTICULTURAL PROJECTS: HOW DOES CULTURE INFLUENCE PROJECT MANAGEMENT?**

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## **SUMMARY<sup>1</sup>:**

The presentation will share the experience of a training program created for European companies engaged in international and therefore multicultural projects. Among users have been companies within telecommunications, consulting engineering, pharmaceuticals, construction, banking, the automobile industry, energy and power. The Management of Multicultural Projects program helps participants utilize tools for assessing how culture influences project start-up, organizational structures, methods for coordination and communication and conflict management, among others.

The paper discusses the impact that culture has on projects and project management, specifically highlighting seven areas. Based on the experience of the program, examples are given of ways to manage cultural differences during the project phases. Lastly, the paper discusses the lessons we have learned from carrying out the program over several years.

International projects are increasingly a common form for managing in international business. Examples proliferate: major construction projects (of buildings, transport or communication infrastructure), Third World projects, joint ventures, joint international R&D or product development projects, EU programs, to name but a few. It is not exceptional to find companies from four, five or even more countries working together in a single project. Employees may represent even other nationalities.

Years of experience with such transnational projects has shown that complex projects with many players from diverse cultural backgrounds (Fig.1) often encounter major obstacles. Plans turn out to be unrealistic, schedules are hard to meet, cost overruns are not unusual, results end up differing from the expected. Perhaps part of the difficulty arises from the fact that traditional project management techniques, developed in mono-cultural contexts, have been uncritically applied to the international environment. Managing complexity and cultural diversity in a project format is a major project management challenge requiring new thinking.

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Why are new perspectives on project management needed as transnational projects proliferate?

- (i) Cultural differences will be dysfunctional, if they are not treated seriously throughout the project phases.
- (ii) Cultural diversity represents an opportunity, since the content and process of projects can be viewed from perspectives initially unknown, thereby adding dimensions which may be beneficial to the project's outcome. (Fig. 2)

A study carried out in Denmark a few years ago illustrated the hidden dimension of culture in international projects. In the study project managers highly experienced in international projects cited the areas in which they experienced difficulties in project implementation. Those examples cited most frequently related to relationships with the client, with local suppliers and with local employees. In other words, the relationship to those interested parties with a cultural background which was different from the project manager seemed to create the most difficulty!

In 1992 Interlink started offering a program **Management of Multicultural Projects** which trains experienced project managers in recognizing and handling cultural diversity in international projects. Participants, of mixed nationalities, have come from sectors so diverse as telecommunications, consulting engineering, pharmaceuticals, construction, banking, health services, energy and power, among others. The program is implemented increasingly as an internal company program, because some industries are totally geared to international projects. Other industries, like telecommunications, are using the program to reorient traditionally domestically oriented employees to the international market, sharpening their skills as project managers for managing *transnational* projects.

The 3-4 day program helps participants utilize tools for assessing how culture influences project start-up, organisational structures, methods for coordination and communication and conflict management, among others. The basic structure of the program is an alternation between plenary sessions with instructor input, and group work, which takes place under the guidance of an experienced facilitator, where the participants apply the tools and approaches to selected real life case projects. The case projects are chosen from those presented by the participants themselves. Case projects selected so far have covered projects in Asia, Europe, Africa, the Middle East and Latin America. Among them have been implementation of a water supply system in Mexico, establishment of a production subsidiary in China, establishment of a health services scheme in Rumania, development of telecommunications systems in Indonesia and Botswana, a product development project between two European companies and an information technology implementation project in ten subsidiaries of a multinational company. An outside case is also presented during the program to give insight into how others are experiencing or dealing with these difficult issues.

## **CULTURE IS NOT A PROBLEM – UNLESS IT'S A PROBLEM!**

Let us make one thing clear. Culture is not a problem – unless it is a problem!

Many international projects have undoubtedly been carried through without anyone ever noticing that cultural differences may have caused unanticipated frustrations or hurdles. This

should not be belittled. However, quite a number of projects never reach optimal levels of operation, successful turnover to the local authorities or indeed customer satisfaction because cultural differences have amplified other difficulties that may have been encountered.

One company which presented a case story in one of the “Management of Multicultural Projects” programs described a project in North Africa which involved interested parties from 3 continents – Korea, Libya, the UK and Denmark. For the experienced Danish company alone, the project was to be finished within 2 years with a profit of 2 million US dollars. After 6 years the project was finally completed, but at a loss of 1 million US dollars. Even the start-up meeting, which was to have been the energetic start of the project attended by all the key interested parties, turned out to be a preview of the problems that were yet to come. The parties were never present that start-up week all at the same time. It was nearly impossible to draw up project plans and agreements to everyone’s satisfaction. Organisational relationships were never quite clear. Language and cultural differences made communication difficult.

Preparing for their presentation at the “Management of Multicultural Projects” program, the Danish company realized with the wisdom of hindsight that many of the problems throughout the project, even after the start-up phase, could have been foreseen and at least partially resolved, if there had been a careful cultural analysis of the interested parties at the start.

## **WHAT IMPACT DOES CULTURE HAVE?**

The cultural ballast that each partner brings to a project is more often than not unconscious. Part of our culture may be conscious and explainable to others. We know and can express what is considered polite behavior or polite language. However, few of us are completely aware of how our actions – and ways of thinking – are dictated by more hidden or in fact unconscious values. For example, patterns of interpersonal relationships, attitudes towards authority, approaches to carrying out a task, concern for efficiency, communication patterns, work and learning styles.

Cultural norms and values are passed on from generation to generation. No one culture is right, and another wrong, but within each cultural grouping, whether national, ethnic or organisational, there is a shared perception of what is considered right or wrong, logical and illogical, normal and abnormal, fair and unfair. These norms affect the ways people communicate and behave and the organisational structures which they create. Applied to projects, when project players come from the same or similar cultural backgrounds, for example a project concerning product development within one company, or a construction project involving companies within the same local region, there will be little perception of cultural differences.

But when the players bring different norm expectations to the project – this is usually an unconscious process – then cultural clashes can disturb the smooth functioning of the project. Cultural clashes simmer often just underneath the surface. We know something is wrong, but we can’t put our finger on it.

This matter is augmented in projects because the timeframe is short, work intense, and project partners often meet infrequently.

## KEY ISSUES IN INTERNATIONAL PROJECTS

What then are the key issues which affect international projects much more than projects between people and organizations of the same nationality?

### **Authority – Responsibility – Power**

The concentration or delegation of authority, responsibility and power is central to any organization. Since multicultural projects involve building up a new project organization from parties of diverse cultural backgrounds, how and to what extent authority, responsibility and power will be delegated and documented is perhaps the one most critical bone of contention.

Establishing a hierarchy and lines of communication and control which are not accepted by project partners can have serious impact on the motivation of project staff. Imposing in southern European countries, for example, the flat hierarchies and delegation of authority common in Scandinavia only confuses Latin employees, who expect another behavior of their leaders.

These issues are also illustrated by a Saudi Arabian-Danish project in which the Danish consulting engineers had major difficulty reconciling to the fact that Saudi organisations function differently than in Scandinavia. Where-as a Danish hierarchy is flat with wide, formal delegation of responsibility and authority (and therefore information), the Arabian manager works more closely in a tight network of family relatives and personal contacts. The Danes had particular difficulty accepting that information, which they considered project-relevant, “belonged” to a Saudi official, and that access to information was not a given human “right” or privilege as it is considered in Scandinavia. A real sense of distrust developed.

### **Time**

When project partners have different cultural backgrounds, they are likely to have different perceptions of nearly all the fundamentals of project management. Take planning, budgets and quality assurance for instance. Reaching agreement on definitions and expectations becomes a very time-consuming process, which in itself needs to be adequately planned for.

More fundamentally there can be very different perceptions of time itself. In some societies such as in Scandinavia or Germany, activities are scheduled to be done one at a time, sequentially. In other societies, for example France, time is not a commodity which can be scheduled. Everything takes its own time by nature. Therefore things can happen simultaneously. Unforeseen events and needs can interfere with plans. North American and Northern European project personnel can be deeply frustrated when they experience their Middle Eastern counter-parts dividing their attention between multiple activities.

Differing perceptions of time are often the cause of deep frustration on the part of project participants.

### **Conflict**

Projects have inherently a built-in potential for conflicts. Project groups are created across line-functions. Budgets, timeframes and resources are tight. Goals are high. However, not all peoples agree about what in fact constitutes conflict, nor how best to deal with it. For example, how integral is the individual in the conflict, or can conflict only be confined to the task at dispute?

Conflicts of interests in international projects are more pronounced than in projects within one nation, and it is infinitely more difficult to uncover hidden interests, values and standpoints. In addition, conflicts can more easily develop over issues which are grounded in differences in values. Behavioral reactions are deeply rooted in every culture. Even though the implicated parties may be intellectually aware of their differences, when one party trespasses the other party's threshold to intolerance, the seed to conflict is sown. It takes little to trigger a sense of antipathy and repulsiveness, then conflict, if one's values are challenged and misunderstandings escalate into conflict.

## **Risk**

Most people prefer secure, stable job conditions. Projects, however, are grounded in temporary structures, where pressure on project staff is high to reach a goal which may not even yet be clearly described. Since risk-taking is an integral part of project management, how risk is perceived and managed has far-reaching consequences.

Some societies, for example in Eastern Europe, which prefer structure and clearly defined roles, find the stress of flexible, risky project work not very motivating. They would encourage use of structures and procedures to reduce risk.

In other societies where work-related risk is taken personally, risk-taking needs to be limited to calculated risks associated only with the task at hand, in order to be more palatable for persons fearful of being put 'on trial'.

## **Communication**

When communication is focused on the task at hand and the content of the message (facts and information being considered important), communication style tends to a lesser or greater degree to be confrontational. Communication which is geared to building and maintaining relationships is more harmonious in nature. That can mean that expressing one's own opinion, expected in one culture, may be considered inappropriate if not rude behavior in another.

Cultural norms are reflected in language. Therefore choice of the main language of communication in the project will automatically imply certain cultural values. These may or may not be consciously understood or acceptable to all project partners.

When communication modes cross, miscommunication, unintentional messages, misunderstanding and frustration often result.

## Organisation

Project management aims to set-up flexible, temporary systems in order to achieve a well-defined goal. People are expected to be motivated by their role in achieving the goal. Task therefore comes before relationships, which are considered of secondary importance and fluctuating.

Problems arise when individuals try to implement task-driven project management style in relationship-oriented cultures, since they are more concerned with schedules and results than creating time and opportunity for building personal relationships with other project participants. Scandinavians experience these problems in working in projects with Italians and other southern Europeans. Or vice versa, unproductive friction arises, as the French will recognize when working in projects in Germany, when a more relationship-oriented project management is implemented in task-driven societies.

A correlary to this is the emphasis in projects to work in teams. Team performance is expected and rewarded as a whole. These expectations to group results are even more pronounced in collectivist societies. Persons coming from societies that encourage individual achievement may experience deep-rooted impatience with the team approach.

## Agreements and Contracts

Project management is built on a series of agreements between project partners – agreements which demarcate roles, responsibilities, authority, milestones, etc. The challenge of multicultural projects is reaching consensus on the degree of formalization needed to finalize an agreement. Variances range from cultures which find gentleman's agreement sufficient, to those which only feel secure with detailed written contracts, formulated and finalized, in the extreme case by lawyers.

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*And lastly, as the builder's inspector sat with the company stamp in the one hand and a pen in the other to sign each page of the contract documents, the contractor appeared with some form of cover letter which named all the conditions which we in the tender documents had tried to make impossible. And even the highly experienced builder thought it should be that way. It was as if all accepted that only Allah could confirm something as being 'final'. Until then any detail could be challenged.*

*Author's translation from: "Management by Crisis – projektledelse på persisk" by Carl-Heinz Wendorff, Projektøren 1/79.*

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These 7 elements point out areas where disagreements often occur in multicultural projects. The root cause is differing perceptions of what is considered right and wrong, logical and illogical.

The problems arise because we believe that our interpretation of a project partner's behavior is correct. We may have experienced this interpretation to be true in many similar situations

at home in the past. Yet this interpretation is based on our own cultural background. We often do not realize that in a foreign country the same behavior may have a completely different meaning. Mutual suspicion and conflict between partners easily follow such a misunderstanding. The result is a downward spiral of irritation, demotivation and distrust.

The impact of these perceptual differences can be very far-reaching. There may be significant consequences for both the individuals as well as the organizations involved. Both individuals and organizations have identity, reputation and money at stake – none of which is easily recovered (either emotionally or financially) if major mistakes are made.

Therefore the need to uncover and deal with these differences during the project start-up process and to continuously or periodically take account of these matters during project implementation. If we do this in the right way, an upward moving spiral of motivation and trust will lead the project to personal and economic success.

## MANAGING CULTURAL DIFFERENCES DURING THE PROJECT PHASES

To summarize, the earlier parties involved in a project realize the risks and opportunities cultural differences bring to their project, the better they can deal with them. They need to take time for looking at possible differences and their consequences during the **Start-up** phase. Typical activities could be:

- Developing an understanding of each other's cultural perspectives,
- Finding out risks to avoid and opportunities to exploit,
- Jointly defining project goals and schedule,
- Defining an organizational structure for the project that takes cultural differences into account.

Often there is not enough awareness about the necessity of such activities. To build this awareness is one of the tasks of the project manager.

Even if there is awareness, no start-up process, not even the most long and intensive one, can predict every possible aspect of potential disagreement or conflict. Therefore in the process of **project implementation**, mechanisms are needed to

- Coordinate information exchange and work progress,
- Deepen mutual understanding between the parties involved,
- Deal with conflicts that might arise.

In addition, committed individuals can help bridge seemingly impossible impasses.

## WHAT HAVE WE LEARNED FROM THE “MANAGEMENT OF MULTICULTURAL PROJECTS” PROGRAM?

1. Despite the wide variety of case projects which have been used as testbeds during the program for applying multicultural project management tools and approaches, the underlying issues are similar. But how these issues are expressed and how they can be dealt with differ considerably from region to region and country to country.
2. Since culture is so intangible, it takes the time of several days for participants to begin to realize how cultural differences manifest themselves in projects.
3. Learning takes place at several levels: at the organisational, project level and on a personal level. However, while comprehending how culture impacts the project is difficult, it is nonetheless easier than comprehending and dealing with one's own cultural biases as an individual participant and understanding how these cultural biases impact one's own behavior as project manager in a transnational project. Learnings at both levels are enhanced when the group of participants is itself multicultural.
4. Understanding that culture impacts projects is a prerequisite, but not a guarantee, that this understanding can be translated into creative project management that takes these issues into consideration. Translating comprehension into action, even within the "classroom" setting, is a process that participants find challenging. It becomes easier, however, with reflective experience.
5. The program is not only for the project manager who is about to engage in transnational projects for the first time. Even internationally experienced project managers have found it valuable to reflect on their own experiences. A common reflection from experienced project managers has been "Now I understand why things went as they did!" Experienced and lesser experienced project managers can provide valuable encouragement and support to each other.

## CONCLUSION

The challenge for persons designing, negotiating and managing multicultural projects is to learn to be conscious of the roots of cultural differences, to assess their impact, and to build structures, procedures and a working environment which promotes cultural synergy. This process is potentially costly and time consuming, but conversely, not dealing consciously with similarities and differences delays, and sometimes thwarts, a creative and effective project implementation. This is the challenge of Managing Multicultural Projects.

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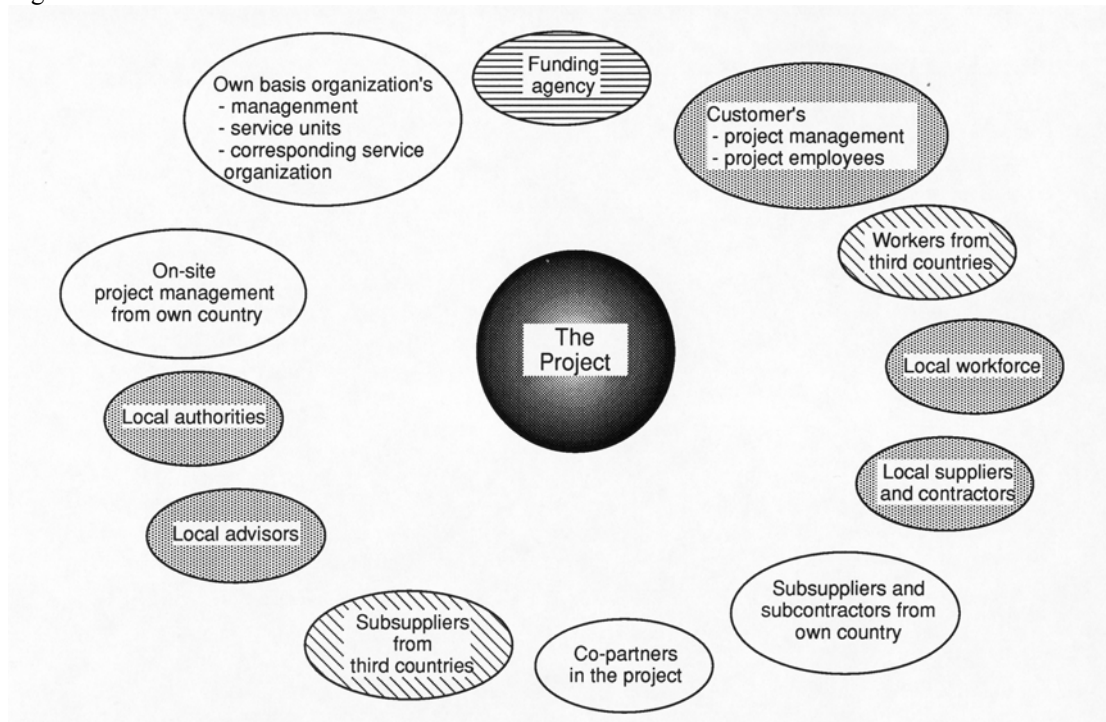
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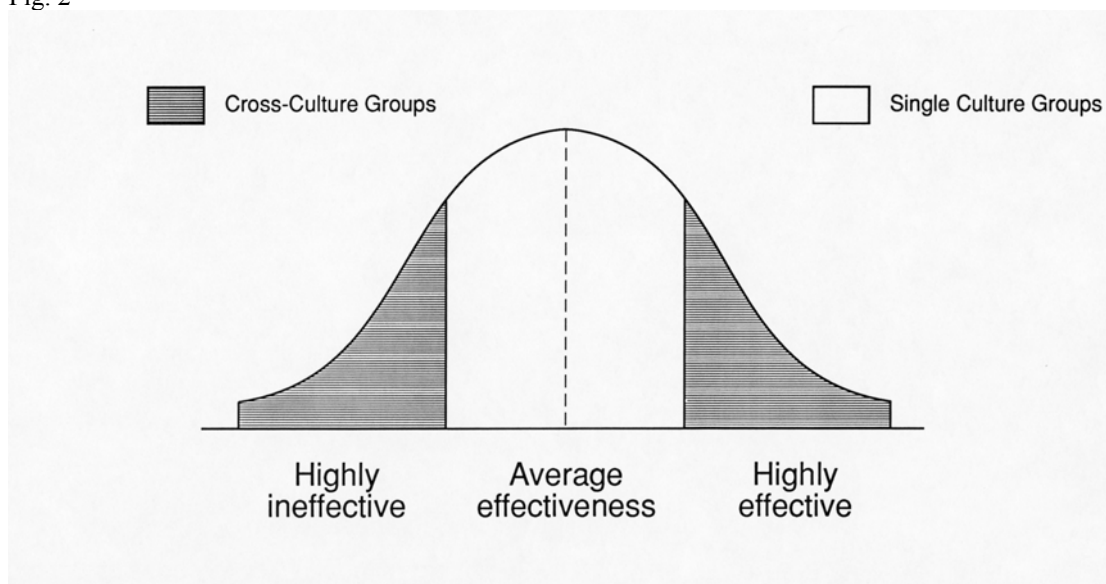
Fig. 1



**Diagram of Interested Parties in an Export Project**  
Shading Illustrate Cultural Complexity

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Fig. 2



**Group Effectiveness**

Source: Based on Dr. Carol Kovach's research at Graduate School of Management, University of California at Los Angeles (UCLA)