

Managing International and Cross-Cultural Projects

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What, Why and Where?

The fact that most companies do not only obtain growth from their domestic markets is well known among the business community. Moving the focus successfully to an unknown international environment is becoming more and more important in order for a company to keep a competitive advantage and increase shareholder value. Now that operations are brought to an international level, projects have to be executed increasingly across borders and cultures. This setting has a strong impact on the known universe of successful project management.

The theory sounds simple. In order to complete a project successfully, four factors have to be properly managed. These four factors are time, cost, quality, and the project's scope. Although these are not the only factors that effect a project. There are multitudes of additional obstacles to overcome that run parallel to the day-to-day business processes of a project. These obstacles produce further challenges not only for the company, but also for every individual involved. Too little time available for a project is a result of unclear priorities being set, and insufficient project management experience. These two factors lead to a complication in efficient project realization. International projects raise additional problems. Language barriers and geographic obstacles have to be overcome and even if the language does not seem to be a problem, different cross-cultural interpretations of a single word or an attitude might cause enormous misunderstandings and inefficiencies.

The aim of this article is to show, with a real-life business case, the way of efficiently managing international projects. Taken from this business case, the critical success factors of cross-cultural projects and their significance for a successful project realization will be discussed and explained.

What About a Real-Life Business Case?

This business case was developed based on a real-life transformation initiative. The purpose is to demonstrate the multiple steps necessary to implement a large global project. Hence, this business case can be used as a road map for the implementation of similar projects.

Industry and Company Background

This business case from the health care industry is a perfect example for global project management. The industry has in-

creasingly experienced specialization and customization of product services and deliveries. At the same time, pressures to maintain profit margin and increase costs, has required health care product and service delivery organizations to closely examine their own infrastructure and identify areas for enhanced performance. On the other hand, this reorientation of the industry is closely monitored and regulated (for example by the American Food and Drug Administration FDA).

Pressured by these developments, two major global companies decided to combine two units of their health care operations to create a joint venture. This joint venture is headquartered in the U.S. and operates worldwide with several manufacturing and distribution facilities in the U.S. and Europe. Additionally, several sales offices around the globe support the company's operations.

Having the size to leverage economies of large scale, the company still felt the forces of a maturing market. The objective was to increase the company growth prospects above the average industry growth rate of 3% over a ten-year horizon and continuing to penetrate the market. Finally, the increasing cost of raw materials, and increased cost associated with regulatory compliance (e.g., FDA) threatened profitability.

The Transformations Projects Initiated

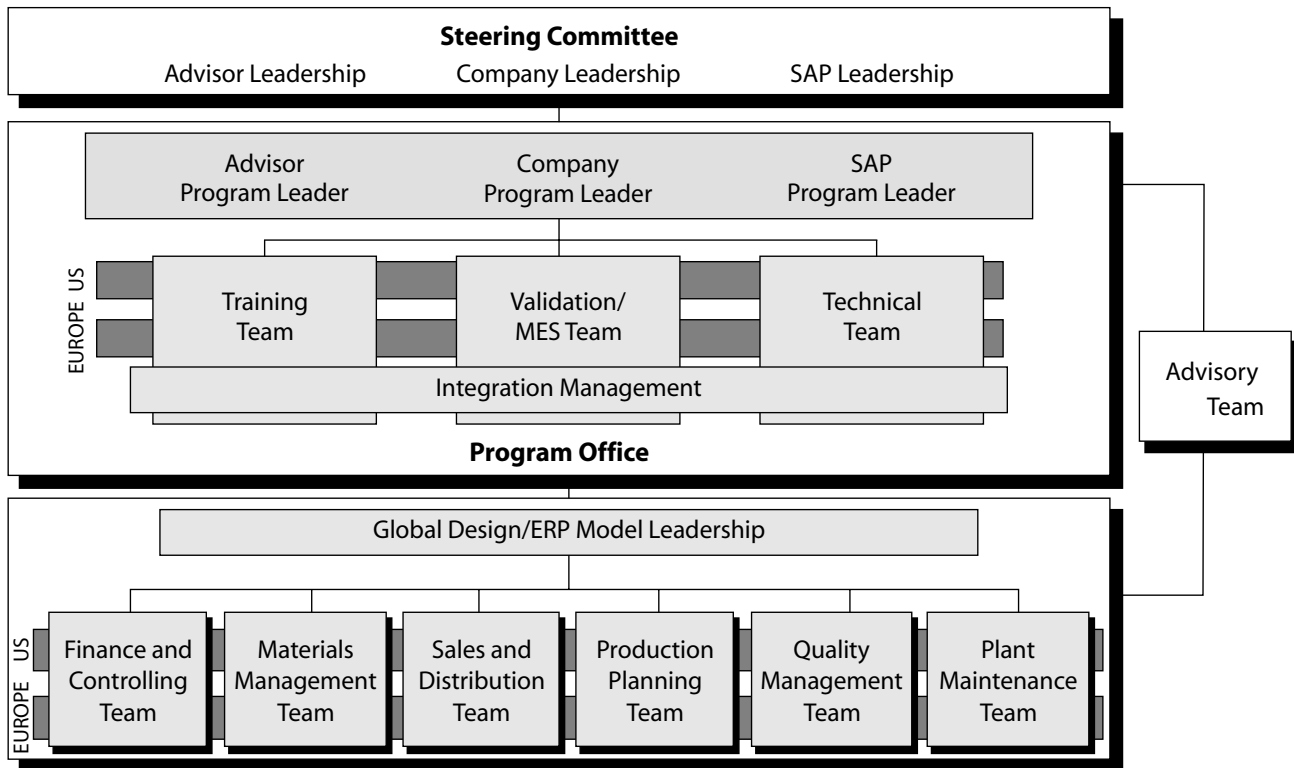
This highly volatile environment and its profitability goals urged the company to move quickly and to start a \$100 million business transformation initiative including both internal costs and external advisor fees. The transformation was aimed to create a single corporate identity with common business processes and systems to take full advantage of the company's global presence. The vision was to form a highly integrated and globally managed company. This resulted in the decision to redesign and globally harmonize business processes and globally implement an Enterprise Resource Planning System (SAP R/3) as the core companywide IT system.

The project was planned to be managed at the company's major sites in the U.S. and Europe. During the two years the project team consisted of some 70 people. Internal staff as well as external advisors were recruited in equal number. The project team consisted of employees from all main company facilities to ensure access to the respective cultural, business, and process expertise.

What Made it so Difficult to Handle This Global Project?

The presented business case shows internationality at its best. Project teams comprising of both international external advisors

Exhibit 1



and employees of the global company created a multicultural team atmosphere. To make things more complicated this apparent culture clash was not the only obstacle to overcome. As mentioned before, the company was just recently created as a joint venture. So, by starting this transformation initiative, different corporate cultures within this company still existed and had to be managed as well. To ensure unconfined acceptance from all sides, the project hierarchy had to be planned extremely carefully.

Support from senior management was ensured through active sponsorship management, which was also used to manage their expectations. During the course of the project, feedback-generating workshops were held to reveal and overcome existing resistance and to create a game plan for the successful continuation of the project.

Summarizing, international mergers and markets create the need for global enterprises, global project teams, and global project management. Being prepared and approaching this setting correctly gives you a competitive advantage and therefore, makes your project, your company, and yourself successful.

Be aware (cautious) of the nine ways to fail a global project:

1. Focus just on hard facts and ignore soft facts
2. Do not focus on processes
3. Spend a lot of time in analyzing the current situation
4. Proceed without strong global executive leadership
5. Be cautious in transformation

6. Move directly from conceptual design to implementation
7. Transform slowly
8. Adopt a conventional, only on one culture-focused, implementation style
9. Ignore the concerns of the project team

Which Methodologies and Approaches Made the Project Successful?

Program Management

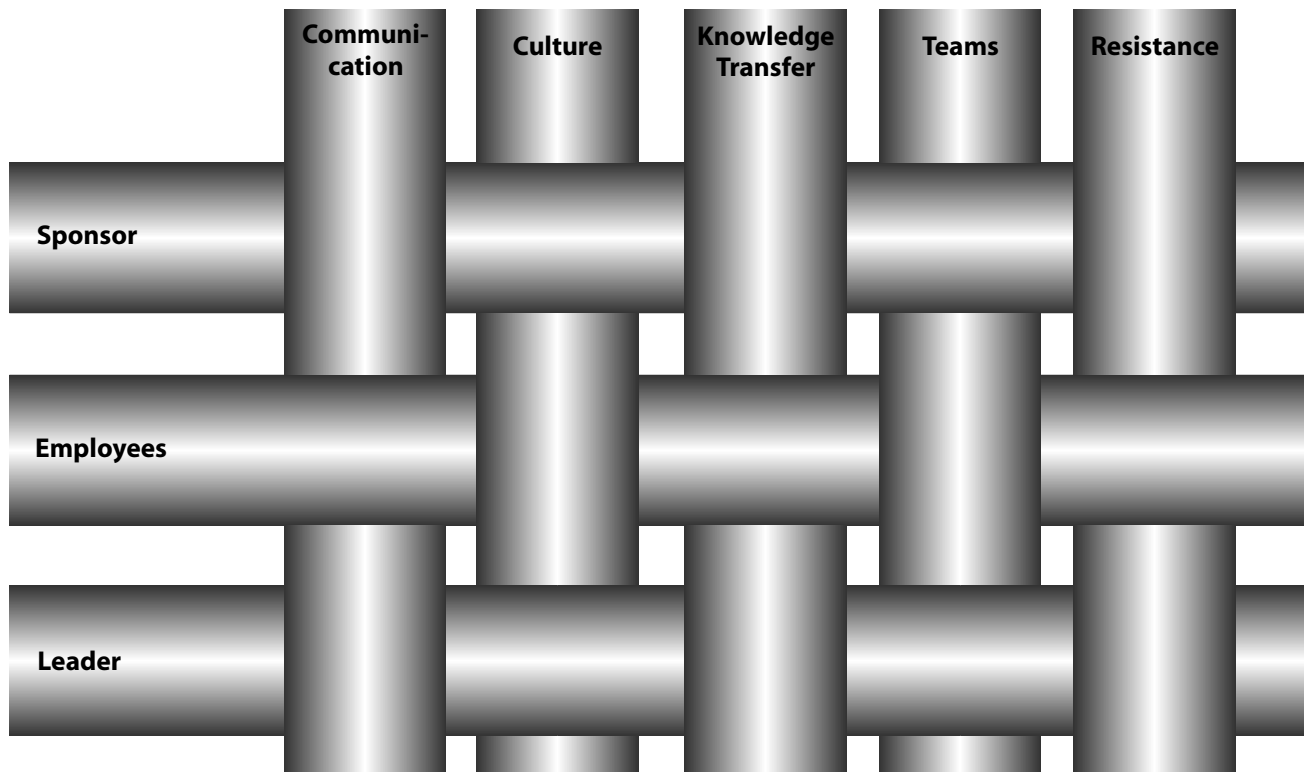
Program Management is the efficient implementation of multiple projects, managed in a coordinated way so that benefits are recognized that otherwise would not be when each project is managed as a separate entity.

Program Organization

The global project organization was divided into seven main areas each of them represented by a team with high-qualified team members:

1. Finance/Controlling
2. Sales and Distribution
3. Material Management and Logistics
4. Production and Production Planning
5. Quality management

Exhibit 2



6. Plant Maintenance

7. Training

Program Office

The program office (see Exhibit 1) was the coordinating element of the business transformation initiative. It managed the program across the projects ensuring a cost effective and timely implementation through its role as communicator and resource manager.

It was developed to deliver mechanisms to manage these critical areas throughout the global design and implementation activities. The approach comprised of four major phases: Initiation and Scope, Organization and Planning, Monitor and Control, and Completion.

The major tasks and work products associated with each phase are described below:

- Initiation and Scope
 - Establish Program Logistics
 - Define Program Scope
 - Determine Change Style
 - Assess Sponsorship
- Organization and Planning
 - Set up Program Office
 - Produce Work Plan and Controls
 - Define Interrelationships
 - Produce Communication Plan

- Develop Deliverable Template
- Monitor and Control
- Program Coordination
- Issue Resolution
- Assess External Events
- Oversee Projects
- Program Communication
- Reassess Sponsorship Completion
- Review Benefits Realization
- Reabsorb/Reallocate Staff
- Review Ongoing Support Mechanism

Integration Management

Next to global Program Management, the other critical success factor for this project was Integration Management. Integration Management reduces confrontational inefficiencies, increases performance, and ensures long-term project success. During a change process, the focus of Integration Management is always on the employee. Therefore, it is most important to involve the people who are affected during all phases of change and to assure the knowledge transfer among the mixed team members. Furthermore, in international projects it is critical to point out possible cultural differences and to prepare the employees for different behaviors and customs.

Through Integration Management, a global communication strategy was developed and possible resistance was already identified and eliminated in the beginning. Integration Management principles were incorporated throughout all phases of the project activities. Adding this capability to the project teams reduced resistance and built commitment and momentum for the process and technology. This way, the changes were adapted and the expected benefits fully recognized.

The matrix of the key success factors of Integration Management is shown in Exhibit 2. These factors include communication, culture, knowledge transfer, teams, and resistance on the three different personnel levels of leaders, sponsors, and employees. For presentation purpose let's focus on three major factors: communication management, culture management, and knowledge transfer.

Key Success Factors of Integration Management

Teams and teambuilding processes are essential to every project. The success of a project this size depends to a large extent on the way the company's employees work together with the advisors as one functioning team. Since it was a project including more than 15 different nationalities, the way teambuilding issues were addressed will be elaborated further in the communication and culture paragraph, respectively.

Communication Management

Communication Management aims for the development of a targeted and suitable communication strategy by using a communication plan as well as different communication channels such as newsletters, training's, interviews, meetings, hotlines, web pages, conference calls, etc. Two-way communication channels (e.g., meetings) were set up to share information and address concerns before, during, and after the implementation of change. These communication channels included those involved in the change commitment.

The assessment began with looking at the driving forces of change. Compelling messages were created and consistently delivered through every communication channel by the best messengers for the particular audience.

During this project, newsletter and bulletins were distributed to inform the company's employees about the upcoming changes and developments. They offered a forum for questions by the affected employees, which were then answered in the next edition. Together with an established hotline this enabled direct contact 24 hours a day, seven days a week. As the project progressed, regular employee information letters replaced the corporatewide newsletters with specific content for each site. Several workshops and interviews were held to discuss goals and expectations, generate feedback, exchange experiences, and problems in order to learn from the gained experiences as well as find problem solving strategies. This enabled us to keep up-to-date with the different teams and ensured commitment and sponsorship on the company's side.

Knowledge Transfer

"Knowledge," by definition, means the knowledge in the business about the processes, customers, products, etc., which can be retained in people's minds or filed on paper or in electronic form. During a transformation process, inefficiencies through unstructured and uncontrolled knowledge transfer can influence the project in a negative way. Wrong training actions may also result in high costs. Knowledge Transfer initiates a target-oriented and structured transition of knowledge to the appropriate recipient, giving him an adequate preparation for his new tasks and roles in a new environment. It therefore increases the acceptance of the new processes, new environment or new culture.

In this business case, Knowledge Transfer includes business process education, SAP user training, and development of SAP core competencies necessary to provide the ongoing support needed to assure self-sufficiency. One-by-one coaching, Knowledge Profiles, Knowledge Transfer Assessments, and Individual Training Plans were applied to achieve the Knowledge Transfer. For the needs of the trainer, available skills within the user community were assessed and individual Knowledge Profiles developed. This tool measures, illustrates, and follows up, the level of existing knowledge and the necessary development of expertise of each employee. Their crucial skills to support Phase I were determined, skill gaps identified, and then an appropriate Individual Training Plan administered. The same held true for the education regarding the business process changes. In this way, a comprehensive overview and control of the knowledge status as well as the motivation of employees was ensured.

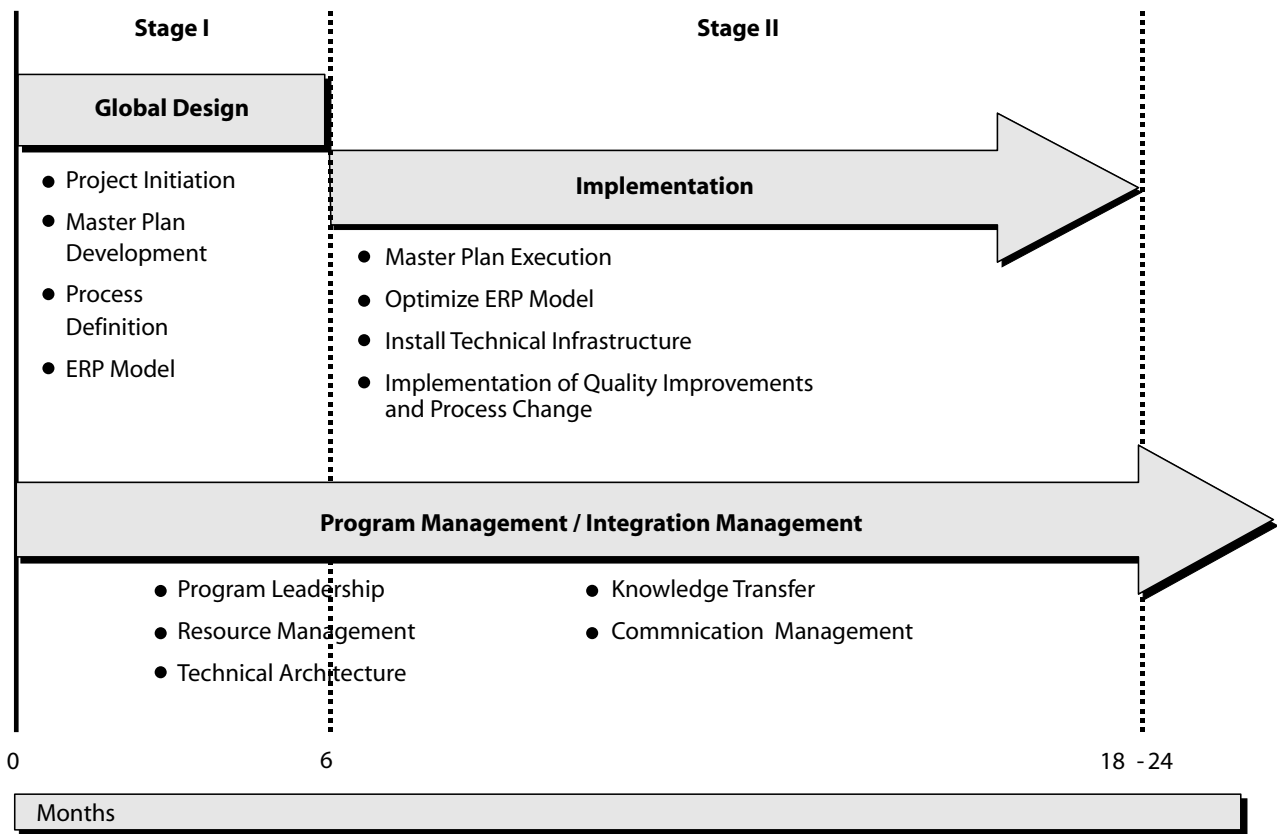
In our real-life case the transfer was conducted not only across borders but also within the project teams from external advisors to employees. These employees were responsible to ensure a further Knowledge Transfer into the company. Therefore, they participated actively in the system development as well as implementation and ensured commitment and sponsorship on both sides.

The Knowledge Transfer was a formalized part of the complete program and contributed enormously to its effectiveness. Knowledge Transfer is essential to effective Integration Management and contributes significantly to the project success, especially when conducting profound changes in the business processes or the affected organization as a whole.

Culture Management

The aim of Culture Management is to utilize cultural diversity in order to open up new synergy potentials and approaches. The effectiveness of an international project is influenced to a large extent by the heterogeneity of the cultures of the team members involved. Lacking awareness and insufficient understanding of cultural differences can lead to poor judgments, which then threatens the success of a project. Culture Management analyzes cultural idiosyncrasies and applies intercultural knowledge in order to recognize synergy potentials. The cultural differences have to be analyzed in a comprehensive and distinguished way.

Exhibit 3



In this project the way people worked, functioned as a team and communicated with each other differed tremendously among the various nationalities. Means had to be undertaken to promote the team spirit and achieve effective and efficient work. The best starting point was to underline and promote similarities. This gave the project members confidence and took away their fear for the unknown other culture. Coaches from the Integration Management team were involved in working with the individual teams. Within this work, they attracted the attention of the team members to how different cultures/nationalities address issues. On a regular basis, feedback questionnaires were distributed among the team members to gain insight into the existing cultural diversity. Hereby, the coaches elaborated similarities as well as differences in work-style, behavior, and communication patterns.

In order to support the work of the Integration Management team, they had outings and celebration days that focused specifically on one culture, with the intentions of getting to know each other better. Also long-term exchange programs of the teams contributed to a better understanding and enabled an efficient working environment. These means created an awareness of the cultures and acknowledged the diversity.

Certainly, it is not a drawback to have a project across borders and/or cultures. The different cultural backgrounds give an op-

portunity for recognizing additional synergy effects since different people think differently. Especially in international settings these potentials are critical for the complete project success.

The Projects Consisted of Two Stages: A Design Phase and an Implementation Phase

The company decided to use a two-stage approach as shown in Exhibit 3. The complexity of the design phase made it necessary to use a five-phase approach, whereas the implementation phase comprised of three phases.

Stage I: Design Phase

Phase 1: Program Initiation

During the program initiation phase the program objectives and its scope were confirmed. To ensure continuous operation, the program logistics were established. Staffs had to be recruited and teams defined. This included the definition of roles and responsibilities for the team itself as well as its members. For specific tasks, subject matter experts were identified. Furthermore, the Program Managers decided on tools as well as documentation standards to be employed throughout the first stage. Most

importantly, current business strategies as well as the objectives of key stake stakeholders were identified to guarantee a proper project alignment.

Phase 2: Performance and Opportunity Assessment

In the performance and opportunity assessment phase a thorough “as-is” assessment was performed on the organization. Then, a further assessment of the company’s current organizational structure and its business culture was conducted. Key business processes and performance metrics were analyzed. Using this data key baseline metrics were identified and compared to industry and best in class benchmark data. To initiate the planned IT system change the current technical architecture was examined. Finally, areas of opportunity for each of the change levers were identified.

Phase 3: Vision Framework

The vision framework phase established global design principles to guide the development of the future organizational, technical, and process environments. During the phase high-level business process were designed and then used to perform a first gap assessment at this level. “To-be” visions were created according to major process functions. The developed framework went as deep as the outlining of a target organizational environment including a business culture, a target technical architecture, and network structure. Additionally, a thorough risk analysis was conducted to determine the potential program risk and to develop contingency plans. The cost/benefit assessment conducted in the previous phase was validated.

Phase 4: Global Design and Standards

In this phase the teams developed the targeted state of the organization, technology, applications, and functional processes. Commonalities in global, regional and local processes and data were identified. Afterwards, the supporting architecture was designed and based on the new process model the organization design was constructed. At this point of the program, the configuration of the SAP application software was initiated as a prototype, which was used to walk through the designed “to-be” business solution. This included an estimate of the technical requirements, e.g., temporary interfaces and conversion strategies. The need for soft factors like knowledge, skills, and ability were assessed along with the cultural change requirements.

Phase 5: Program Planning and ERP Model

In this phase the ERP model and the SAP prototype were finalized so that the master plan and the worldwide rollout strategy could be completed. To ensure functionality, complete hardware and application software tests were conducted. The collective work products from previous phases were integrated into a program workbook defining the future vision of the program and establishing the implementation schedule. Part of that was the review of program organization charts, timelines, anticipated budgets, and the proposed cost and benefits. To ensure a

proper second stage, the strategy for program risk management was finalized. To legitimize the organizational change strategy a go/no go decision was made by the company’s board of directors prior to moving into the implementation phase of the program.

Considering different cultural baselines even quality management had to be conducted globally. International issues were solved via an electronic issue management. The global need for design change was managed through an effective system and facilitated by an EDP supported change request process. The project closeout procedure had to be readjusted to fit into the global program needs.

Stage II: Implementation Phase

In this stage, the implementation was accomplished within three phases. It included a migration to the new business processes, validation as required for regulatory purposes, system installation, and organizational training.

Phase 1: Process Design

With the specifications established in the previous stage, the team developed the required system programs, i.e., an on-site process design and a conception for the necessary site variants. This phase included the system configuration for all major sites as well as the support of material to position the project for implementation. Quick hit opportunities that did not require system enablement were implemented during this phase.

Phase 2: Validation of the System

Full implementation, including validation of all SAP-modules took place at all sites. Objectives were a realignment of the company’s organization to support the redesigned business processes and to minimize business disruption (i.e., minimal temporary interfaces, interim operating procedures, etc.).

Phase 3: Cutover and Support

In the final phase the migration plan was executed and the system activated. Post-implementation support was provided to ensure a smooth transition to the new environment.

Throughout this second stage, documentation and training for the power-users and end-users took place. The documentation comprised of business requirements, functional specifications, and various tests within or across the single modules as well as qualification protocols, including tests for the quality management. Workshops were held, on-site support during the go-life was granted as well as an ongoing training for new users.

Through the activities during this stage, the global design and ERP model was broadened and deepened into a fully operational integrated system. During this stage, intense teamwork with the company’s staff appeared to be affecting the knowledge transfer. Resources were then being utilized efficiently in order to support and maintain the business

Deliverables and Lessons Learned

Program Management

The short time to build the company's program management office was decisive

Accelerating the transformation and integration process as well as facing the FDA's pressure time to kick-off the transformation program and addressing global requirements was crucial. Therefore, for this business case an "out of the box program office" was built within just four weeks to ensure a quick program and project start. The office was set up to manage the overall program throughout the design and implementation phase. To ensure an overall global and cross-functional integration, all design and implementation activity resided under the umbrella of this Program Office. The first step was to agree on operating procedures, control mechanisms, and reporting guidelines for the entire program. Furthermore, the organizational structure was defined and priorities were set. These processes and procedures formed the base upon which the program's success indicators were measured to ensure that the critical success factors were achieved. This also meant the permanent coordination of personnel across all program activities and monitoring the program's progress. One of the program's basic policies was to fill every key position with a manager from the company's internal staff and outside advisors as well. So this resulted in a double occupation of each position. So, from the very beginning the Program Office was actually co-led by two Program Managers. Both were equally in charge and provided together feedback and direction to the Program Steering Committee. Again, the Steering Committee comprised a company senior vice president and an experienced senior outside advisor.

Secondly, a cross-continental project management had to be implemented. In order to address the global project structure a globally accepted and executable project management had to be defined. An intensive cost/benefit analysis at four major sites was conducted to define the projects scope, cost and benefits. Workshops for issue identification and vision finding were held globally. During the course of both the design as well as the implementation stage, project resources were managed across continents including global transfers. Next to planning, budgeting, and controlling the program and its projects, the second focus was on efficiently managed risk issues and change of scope.

The establishment of the global design of program and project activities as well as roles and responsibilities was fundamental for the entire effort toward standardization of communication and deliverable management.

Summary of Program Management Lessons Learned

- Team disbursement around the world makes communication difficult
- Communication with team members needs to be regular and consistent
- Program Office decisions were not effectively communicated to project team

- Project goals and objectives not clearly understood—many new personnel
- Program Office action assignments will be documented and distributed to the program office weekly
- A member to the Program Office has been assigned to each implementation site
- Reinforcement of issues resolution/tracking through Insight—global communication and reporting tool
- Continue to reinforce project goals, objectives through regular meetings with team personnel
- Meet regularly with project teams
- Additional Quality Assurance resources will be added to provide a more proactive approach

Summary of Integration Management Lessons Learned

Communication Management

- Poor communication occurs easily with a disbursed project team impatience, misunderstanding, and lack of commitment
- Inefficient use of communication channels lead to rising costs
- Time, distance and language issues make communication difficult
- Do not rely on single communication channels, multiple channels are required to avoid uncertainty and demotivation
- Regular and consistent communication prevents loss of information and discontent
- All communication tools (e.g., video and telephone conferences) do not prevent from personal contact and discussion (most efficiently to help overcome cultural and other barriers)
- Sponsors and key players need to be kept on board and supportive for the project (ongoing information is necessary)

Knowledge Transfer

- Inefficiency and uncertainty about employee's knowledge through unstructured and uncontrolled knowledge transfer, whereas good basic training can be provided by the functional team members
- Knowledge transfer verification required
- End-users need documentation on system functions and processes
- Help desk procedures need to be established and appropriate training provided
- Sites need to establish a follow-up training program
- Close follow-up on knowledge transfer within the company secures lasting implementation success
- High costs due to wrong training

Culture Management

- Accept cross cultural differences in the way of communicating and acting on issues
- Loss of synergy effects and potentials
- Misunderstandings between the different team members
- Suspicion and unreliability
- Lack of understanding and bad cooperation

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