Globalization Challenges in Project Management

Abdulrazak Abyad

Director, American University of Technology
CEO, Abyad Medical Center
Chairman, Middle-East Academy for Medicine of Aging
President, Middle East Association on Age & Alzheimer's
Coordinator, Middle-East Primary Care Research Network
Coordinator, Middle-East Network on Aging

Correspondence:
Dr Abdulrazak Abyad
Email: *aabyad@cyberia.net.lb*

Introduction

Globalization is the tendency of firms to extend their sales or manufacturing to new markets abroad. For businesses everywhere, the rate of globalization in the past few years has been nothing short of phenomenal. Globalization of markets and manufacturing is important, in part because it has vastly increased international competition. Throughout the world, firms that formerly competed only with local firms - from airlines to car makers to banks - have discovered they must now face an onslaught of new foreign competitors. Porous international boundaries and trans-border flows of capital have precipitated a relentless proliferation of multicultural projects (Ghoshal, 1987).

Globalization has impacted project management profoundly, and has only reinforced the trend toward adoption of the project mode of work organization. Globalization in project management means among other matters more projects executed in the multi-cultural environment. East-West culture mix is an example of such a situation, requiring from the stakeholders quite a different approach. The spectacular globalization of firms in the course of the past decade has been a key challenge for practitioners and researchers alike (Bhide, 2000). Strategy researchers have attempted to pin down the various alternatives for firms to gain competitive advantages in international markets (Ghoshal, 1987). They have also considered the challenge of managing across borders and implementing a global strategic management process. Forming multicultural teams has been one of the organizational responses taken by multinational corporations (MNCs) (Bartlett and Ghoshal, 1989, 1992).

Effect of Globalization on Project Management

With the advent of globalization, project management is no longer a local issue, but an international affair that is risky in nature (White & Fortune, 2002). Changes in the global environment are presenting organizations with both opportunities and challenges (Yong & Javalgi, 2007). However, a review of the results of project monitoring and evaluation on World Bank projects indicates that many of the key problems of implementation lie in the general environment of the project, and are not under the direct control of the project manager. The project management (PM) environment for international development projects is also much more complicated than domestic projects in industrialized countries (Kwak & Ibbs, 2002). Project managers should understand the social, economic, political and cultural factors that affect the project environment.

International projects are more complicated and risky than domestic projects. Some risks encountered in international projects are not the same as those in domestic projects. The cultural differences issue has been recognized as one of the main concerns in international projects management (Parhizgar, 2002). Although there may also be cultural differences in a domestic project team because of the team members' difference in origin, international project teams seem to be more easily influenced by cultural differences (Thomas, 2002). Kwak (2002) states that the culture issue is the least known but the most hazardous in the context of international development projects.

Some Issues in Managing International Projects

Many researchers and practitioners (Murphy, 2005; Youker, 1992; Howes & Tah, 2003) are aware of the challenge of managing international projects, since international projects face uncertainties caused by host country conditions (Ozorhon, Arditi, Dikmen et al, 2007). Researchers have previously identified some key factors that constrain the success of international projects.

Cultural issues

Large-scale international projects are of a global nature. Therefore, a high degree of coordination and communication is needed. Communication in the international environment is complicated by different languages, cultures and etiquette (Loosemore and Muslmani, 1999). The internationalization in project management creates intercultural communication problems that result in significant misunderstanding and conflict. Pheng and Leong (2000) conducted research on international construction in China, and determined that cultural differences are a critical factor that can actually affect the outcome of an international project. For an international project manager, understanding key concepts in cross-cultural management and project management is the basic requirement in the era of globalization. Muriithi and Crawford (2003) also argue that Western management concepts may not be applicable to other cultures that are not so deeply rooted in the Western philosophy. They suggest that appropriate modifications can be made to current management theories by studying cultural differences.

Political factors.

Khattab, Anchor and Davies (2007) did a study to examine the vulnerability of international projects to political risks. Their study results showed that political risks are ranked first by respondents. Other authors also mention that political interventions can sometimes decide the success of foreign-invested firms (Buckley, Clegg & Hui, 2006). Political risks are the key risks to successful international construction contracting. For international projects, these factors can produce problems that may not be problematic in domestic projects. Dikmen, Birgonul and Han (2007) state that political risk factors receive the most attention from researchers in international projects.

Legal factors.

One of the more difficult aspects of doing business globally is dealing with vast differences in legal and regulatory environments. The United States, for example, has an established set of laws and regulations that provide direction to businesses operating within its borders. But because there is no global legal system, key areas of business law, for example, contract provisions and copyright protection, can be treated in different ways in different countries. Companies doing international business often face many inconsistent laws and regulations (Buckley, Clegg & Hui, 2006).

Economic factors.

If you plan to do business in a foreign country, you need to know its level of economic development. You also should be aware of factors influencing the value of its currency and the impact that changes in that value will have on your profits. If you don't understand a nation's level of economic development, you'll have trouble answering some basic questions, such as; will consumers in this country be able to afford the product I want to sell? How many units can I expect to sell? Will it be possible to make a reasonable profit? Researchers pay a great deal of attention to economic risk factors in international projects (Dikmen, Birgonul & Han, 2007). .

Project management in an Asian context

The big cultural differences between East and West lead also to different approaches in project management, both at high level of thinking and general attitudes, as well as at the level of specific techniques and tools. Contemporary project management, challenged by globalization, is looking for new, more effective methods of managing projects and managing project-based organizations.

Since project management, as a discipline, originated in a Western culture, incompatibilities between project management values / beliefs and those of traditional Asian cultures are to be expected. A recent paper explores these differences in the context of Chinese organizations (Wang & Liu, 2007). Specifically, the authors look at four contrasting value/belief pairs, which cover the major differences between the two cultures:

• Integration management vs. doctrine of the mean: This refers to the contrast between project management practices - which generally emphasize integrating opinions, resolving conflicts and confronting risks - as opposed to traditional Chinese (and dare I say, Asian) practices in which confrontations and risks are avoided as far as possible.

• Horizontal management vs. strong hierarchy: This refers to the incompatibility between project management, which works best in a flat (or project-oriented) hierarchy, and the strong vertical hierarchies prevalent in Chinese organizations. The latter organizational structure tends to emphasize superior-subordinate relationships in which "questioning the boss" is not encouraged.

• Team consciousness vs. family consciousness project teams are generally temporary, and tend to emphasize collaborative work across functions and merit-oriented performance evaluations. On the other hand, Chinese culture values long-term family and kinship relationships. These are not always compatible with cross-functional (or even intra-functional!) collaboration or performance-based recognition.

• Task orientation vs. boss orientation in project management getting the job done is paramount, whereas in Chinese culture the emphasis is on keeping the boss happy.

The authors developed a questionnaire to explore the relative importance of each of the above value/belief pairs. Based on the questionnaire, they conducted a survey involving respondents from a wide variety of industries in Yunnan province. The analysis of the results revealed that the major cultural barriers to project management in Chinese organizations are the last three items: i.e. Strong hierarchy, family consciousness and boss orientation. It is interesting that a majority of the respondents thought that the doctrine of the mean was consistent with the integrative nature of project management. They also find that the barriers tend to be larger in state owned organizations than in private or joint ventures. Further, within state-owned organizations, older ones tended to have larger barriers than younger ones (Wang & Liu, 2007).

The paper noted that project management training has a critical effect on lowering cultural barriers: As more individuals in an organization received relevant training, the organization became more supportive of project management practices. The authors end with the caveat that their conclusions are based on the result of a single (yet representative) survey, and must therefore be treated as a pilot study (Wang & Liu, 2007).

The paper articulates and explores some of the contrasts I have noticed in my own work with organizations in different countries; in my opinion, many of the observations made regarding cultural barriers to PM practices apply to (non-Chinese) Asian cultures as well (Wang & Liu, 2007).

Multinational Strategic Planning and Cultural Environment

Domestic businesses can make do with a single, overarching strategic plan to guide their efforts. International businesses have to make a choice between developing a single, comprehensive strategic plan, different strategic plans for different markets or a combination of both. Cultural considerations can render a strategic plan that is highly effective in one country, virtually useless in another (Hall, 1969, 1976). Even when two people from the same country communicate, there's always a possibility of misunderstanding. When people from different countries get together, that possibility increases substantially. Differences in communication styles reflect differences in culture system of shared beliefs, values, customs, and behaviors that govern the interactions of members of a society. Cultural differences create challenges to successful international business dealings (Cohen, 1997).

Language.

In many countries, only members of the educated classes speak English. The larger population, which is usually the market you want to tap, speaks the local tongue. Advertising messages and sales appeals must take this fact into account. More than one English translation of an advertising slogan has resulted in a humorous (and perhaps serious) blunder. Furthermore, relying on translators and interpreters puts you as an international business person at a disadvantage. You're privy only to interpretations of the messages that you're getting, and this handicap can result in a real competitive problem.

Time and Sociability.

Americans take for granted many of the cultural aspects of our business practices. Most of their meetings, for instance, focus on business issues, and Americans tend to start and end theirr meetings on schedule. These habits stem from a broader cultural preference: no-one likes to waste time. (It was an American, Benjamin Franklin, who coined the phrase "Time is Money.") This preference, however, is by no means universal. The expectation that meetings will start on time and adhere to precise agendas is common in parts of Europe (especially the Germanic countries), as well as in the United States, but elsewhere—say, in Latin America and the Middle East—people are often late to meetings.

High- and Low-Context Cultures.

Likewise, don't expect business people from these regions, or business people from most of Mediterranean Europe, for that matter, to "get down to business" as soon as a meeting has started. They'll probably ask about your health and that of your family, inquire whether you're enjoying your visit to their country, suggest local foods, and generally appear to be avoiding serious discussion at all costs. For Americans, such topics are conducive to nothing but idle chitchat, but in certain cultures, getting started this way is a matter of simple politeness and hospitality.

If you ever find yourself in such a situation, the best advice is to go with the flow and be receptive to cultural nuances. In high-context cultures in which personal and family connections have an effect on most interactions, include those in business. The numerous interlocking (and often unstated) personal and family connections that hold people together have an effect on almost all interactions. Because people's personal lives overlap with their business lives (and vice versa), it's important to get to know your potential business partners as human beings and individuals.

By contrast, in slow-context cultures in which personal and work relationships are compartmentalized, such as those of the United States, Germany, Switzerland, and the Scandinavian countries, personal and work relationships are more compartmentalized; you don't necessarily need to know much about the personal context of a person's life to deal with him or her in the business arena (Hoftstede, 1991).

Intercultural Communication.

Different cultures have different communication styles. For example, degrees of animation in expression can vary from culture to culture. Southern Europeans and Middle Easterners are quite animated, favoring expressive body language along with hand gestures and raised voices. In addition, the distance at which one feels comfortable when talking with someone varies by culture. People from the Middle East like to converse from a distance of a foot or less, while Americans prefer more personal space.

Finally, while people in some cultures prefer to deliver direct, clear messages, others use language that's subtler or more indirect. North Americans and most Northern Europeans fall into the former category and many Asians into the latter. But even within these categories, there are differences. Though typically polite, Chinese and Koreans are extremely direct in expression, while Japanese are indirect. This example brings up two important points. First, avoid lumping loosely related cultures together. We sometimes talk, for example, about "Asian culture," but such broad categories as "Asian" are usually oversimplifications. Japanese culture is different from Korean, which is different from Chinese. Second, never assume that two people from the same culture will always act in a similar manner. Not all Latin Americans are casual about meeting times, not all Italians use animated body language, and not all Germans are formal.

Authority, responsibility and accountability vary by project, culture and company's priorities and preferences. For example, technically and security sensitive projects tend to be more centralized and more tightly controlled. Group decision-making seems to work well in Japan. But it is not prevalent in other societies. French companies show more autocratic behavior while large and experienced companies in the USA and most of the Western Europe exhibit the highest level of management delegation (Saee, 2007).

Position, rank, authority and respect are supported in many foreign countries by informal and formal codes of dress, behavior and attitudes. While delegation and participative management are practiced and supported in the Scandinavian countries, this is not the case in many other countries. Clearly these organizational and operational patterns significantly affect project management (Saee, 2005).

Bridging Cultural Barriers in Bicultural Projects

Managers directly responsible for intercultural enterprises, while usually well versed in the technical aspects of their responsibilities, often lack the required intercultural expertise, including foreign language skills. This situation is not surprising, since such managers usually earn these positions as successful technical specialists who have been rewarded with ever-increasing responsibilities over their careers until, ultimately, those responsibilities cross international boundaries. Once assigned, they seldom, if ever, have the time necessary for the specific cross-cultural training needed.

All of those involved in these projects face not only technical challenges, which are significant in and of themselves, but also serious complicating factors of language, culture, individual differences, and others' situational complexities. (Victor, 1992; Scollon and Scollon, 1994; Parhizgar, 2002; Thomas, 2002). These additional challenges must be met in order to overcome the technical ones of more direct interest.

Bridging Cultural Barriers in Bicultural Projects

Managers in today's multicultural global business community frequently encounter cultural differences, which can interfere with the successful completion of projects. Two leading studies of cross-cultural management have been conducted by Geert Hofstede (1991) and Fons Trompenaars (1998). Both approaches propose a set of cultural dimensions along which dominant value systems can be ordered. The dimensions can be grouped into several categories:

• Relations between people. Two main cultural differences have been identified. Hofstede distinguishes between individualism and collectivism. Trompenaars breaks down this distinction into two dimensions: universalism versus particularism and individualism versus communitarianism.

• Motivational orientation. Societies choose ways to cope with the inherent uncertainty of living. In this category Hofstede identifies three dimensions: masculinity versus femininity, amount of uncertainty avoidance, and power distance.

• Attitudes toward time. Hofstede distinguishes between a long-term versus a short-term orientation. Trompenaars identifies two dimensions: sequential versus synchronic and inner versus outer time.

Two additional categories called socio-cultural dimensions were proposed by Aycan et al. (2007) paternalism and fatalism. In a paternalistic relationship, the role of the superior is to provide guidance, protection, nurturing and care to the subordinate, and the role of the subordinate, in return, is to be loyal and deferential to the superior. Fatalism is the belief that it is not possible to fully control the outcomes of one's actions and, therefore, trying too hard to achieve something and making long-term plans are not worthwhile exercises.

In modern business the teams are constructed from different people from all over the World. This kind of team is often referred to as a global team. Barczak, et al's (2006), article discussed the four key challenges, which global team leaders have faced. These key challenges are following:

1. Team members speaking different native languages

2. Team members come from different cultures

3. Team members live and work in multiple countries.

4. Team members coming from different companies

This article and its findings are based on research with over 300 global teams in 230 companies. Barczak et al (2006) further discuss these challenges and how a team leader can meet these challenges.

Team members speaking different native languages.

When team members are native speakers of different languages, communicating and understanding in a team's common language (usually English) is a challenge. The level of understanding in English differs dramatically among the team members. Thus it is very important that the team leader emphasizes communication and ensures that language doesn't hinder the team. To meet these challenges when team members are speaking different native language the team leader must:

• Send critical documents and material to all team members

• Give time as time need is different among the team members

• Challenge team members to discuss between each other

• Communicate (written and verbal) information until all parties understand one another

Team members from different cultural backgrounds.

The global team consists of team members with different cultural backgrounds with more and more different ethics, values, norms and other cultural aspects. This sets a challenge on team leaders' soft skills. These soft skills revolve around relational issues rather than technical issues. The relational issues are affected by the values and norms that underlie each national culture. To meet these challenges when team members are speaking a different native language the team leader must:

• Be aware of, and sensitive to, cultural diversity

• Communicate and discuss with members to motivate them

• Offer cultural diversity by using face-to-face meetings and discussions

Team members working and living in multiple countries.

The geographical dispersion of the team members makes it likely that they have never met, or know each other only little. This might mean that the members don't trust each other, meaning that they are unsure about others' information, support and work effort.

To meet these challenges when team members are speaking different native languages the team leader must:

• Try to keep face-to-face meeting at the beginning and keep often progress meetings

• Try to have social face-to-face happening at the beginning to ensure the collaboration

• Vary timing of meetings to accommodate different time zones

• Engage all team members during the team meetings and emphasise proactive discussion/communication

Team members from different companies.

The global teams usually need the support/tools/employees to participate in the team. This sets challenges as the cultural and organizational differences can vary a lot.

To meet these challenges when team members are speaking different native languages the team leader must:

• Give team members time to get to know each other

• Identify together with the team members mutual interest and needs

• Have team members work together and interact socially by facilitating continual interaction

Middle-East Medical Group

Middle-East Medical Group, which owns and operates a number of hospitals in the Middle East, has recently suffered from profit falls. They have planned to expand and make the business more profitable. They approached me in order to help in devising a strategy for them to expand and to be more profitable. I took the job and I am including initial analysis. The strategy that I will follow includes: increasing the productivity of labor, diversification into new product lines, and searching for new markets abroad.

Hospitals face intense demands to lower costs, improve quality and expand access to a growing uninsured population. While these multifaceted demands can result in critical consequences to millions of people, health care managers often have difficulty tackling these demands due to their lack of familiarity with management best practices. As Fetter (1991) states, "attempts at applying industrial concepts to hospital management date back to the early 1900s. As a result, healthcare managers frequently lack fundamental knowledge relative to healthcare-specific management to call upon as a platform for success when they face critical project decisions (Carden& Egan, 2008). To further complicate matters, hospital organizations are qualitatively different from other business organizations. Changing reimbursement policies, as well as private and public quality and access regulations constantly challenge the ability of hospitals to survive and even thrive competitively (Langabeer, 2008). The hospital industry has many stakeholders, each with a unique agenda (Herzlinger, 2006). Additionally, insurance reimbursement practices (Langabeer, 2008), government regulations (Herzlinger, 2006) and high cost structures hinder the capability of a hospital to compete and prosper.

It is critical that the headquarters of Middle East Medical Group coordinate the transactions undertaken within the group in three key dimensions: capital flow, product flow, and knowledge flow (Gupta & Govindarajan, 1994). The creation and use of knowledge across the MNC units is, according to Gupta and Govindarajan (1994) and Madhok and Phene (2001), the most important flow in an MNC. The management of knowledge is even claimed to be the ultimate source of competitive advantage of the modern MNC, as it has the greatest ability to differentiate advantageously the corporation from other corporations (Grant, 1996; Spender, 1996). Consequently, the most important role of headquarters is to enable, facilitate, and coordinate the corporate-knowledge stocks and flows (Gupta & Govindarajan, 2000).

Given the heterogeneity of countries, every business unit creates knowledge necessary to meet the demands of its local environment. This leads each unit to gradually create and utilize location-specific and unit-distinctive knowledge. (Forsgren, Johanson, & Sharma, 2000). The global competitive advantage of the corporation rests upon the capacity to tap into the location-specific knowledge and assimilate it advantageously into global knowledge available throughout the corporation (Bartlett, Doz, & Hedlund, 1990). The ability to exploit the local knowledge places great demands on adopting organizational forms that support global knowledge creation and sharing (Gupta & Govindarajan, 2001; Snell, Snow, Davison, &Hambrick, 1996). Consequently, we believe that an essential objective for Middle-East Medical Group becomes the use of different organizational forms that allow and promote creation and sharing of knowledge.

It is important that within the MMC setting, specialists from various functional areas across the organizations located in different geographical areas work together jointly and in ad hoc project teams from inception to completion of projects for which they are wholly responsible. These project teams are empowered to act on behalf of their company (Peters, 1994). Meanwhile it is argued that international project teams are where most of the boundary spanning works in international enterprise goes on, making them a key factor in organizational success and an important catalyst for individual and organizational development. In particular, the ability to learn in and through international project teams is seen as a key developer of a more international outlook. Project teams also help the organization share information, knowledge and resources across boundaries, transmit and recreate corporate culture, and provide examples of best practice (Iles & Paromjit, 1997).

As with many managerial responsibilities, the management of an international project involves planning, organization and control of a large number of complex factors, activities and their interrelations. Managing them simultaneously and giving them all equal attention is virtually impossible. However by adapting the Pareto rule of separating out the important few from the trivial many helps to focus attention on the key factors which are critical for achieving success (Morris, 1996). For MMG to be successful in expanding and building new hospitals in the region is to follow the advice of Pinto & Slevin (1987) who identified the following factors as being critical to the success of the projects:

1. Project Mission. This involves determination of a clearly defined project's goals and mission by management with clear indications that the project is necessary and why;

2. Competent project manager, a skilled project leader who possesses the essential interpersonal, technical and administrative competencies;

3. Top Management Support. No project is likely to succeed unless it enjoys the full support of the senior management within the organization. Thus acquiring support for the project whilst communicating top management support for the project to every employee within the organization is critical;

4. Project Plan. All activities surrounding the projects have to be meticulously planned for and the necessary resources required to carry out the project have to be fully allocated. As well, there have to be ways of monitoring of its progress in terms of the specific stage deadlines. Managers have to consider: if the plan is workable; if the amount of time and money, and people allocated is sufficient; if the funds are guaranteed; if the organization will carry through the project; and if there is flexibility in the plans allowing for over-running the schedule;

5. Client Consultation. A detailed understanding of your client requirement is a must for a project manager, and thus regular meetings between client and the project manager are deemed necessary at all stages of the project;

6. Competent project team. Recruitment, Selection of competent staff backed by their training is critical in order to ensure the success of the project;

7. Technical Task. Technical skills have to be matched with the right people in terms of qualifications and expertise;

8. Client Acceptance. Gaining acceptance from one's client for any given project is critical. Thus a project manager needs to develop a sound selling strategy at an early phase of the project in order to sell the project to the client. Developing a good interpersonal relationship with client is deemed necessary so that the project manager can negotiate with the client where appropriate (Jackson 1992);

9. Monitoring and Feedback. Obtaining feedback throughout the project from key individuals is necessary to ensure a quality outcome for the project. This obviously involves establishing sound monitoring procedures to capture systematic feedback on all aspects of the project;

10. Communication. The concept of communication in project management refers to the spoken and written documentation, plans, and drawings used in the processes of an international project.

11. Trouble – Shooting Mechanisms. A system or set of procedures capable of tackling problems when they arise, trace them back to the root cause and resolve them. All team members should act as "look-outs" for the project, and all team members should monitor the project, and when a problem is identified by a team member, action needs to be taken at once to remedy the problem (Jackson 1992).

Regional project management plans are subject to the same threats and opportunities as domestic ones. However, there are a number of additional constraints that shape objectives, goals and strategies. Factors such as political instability and risk, currency instability, competition, pressures from national government and nationalism can all interfere with project management planning (Smith & Haar, 1993). Strategy development of MMG therefore requires that the companies:

• Evaluate opportunities, threats, problems and risks;

• Assess the strengths and weaknesses of its personnel to carry out the job;

• Define the scope of its global business involvement;

• Formulate its global corporate objectives;

• Develop specific corporate strategies in the organization as a whole (Saee, 2007).

Overall, the project manager needs to develop a thorough understanding of the environmental factors that will impinge upon the individual project though the countries in the region are similar yet there are major differences which need to be taken care of including:

• Knowledge of geography about the country in question;

• Finance

• Local politics which has a bearing on the successful completion of a project;

• National culture, developing an understanding of the host culture is crucial, which obviously has a major impact on the way a project is conducted.

• Local laws can vary considerably and influence the resources needed for a project. For instance, in Francophone African countries, local labor law allows employees to take three days leave of absence when a close relative dies. With large families this can cause serious disruption to staff availability (Saee, 2007).