

SHOULD CONSTRUCTION ENTERPRISES, WORKING INTERNATIONALLY, TAKE ACCOUNT OF CULTURAL DIFFERENCES IN CULTURE?

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In an increasingly competitive global environment, companies operating at an international level in many industries have come to realise that a good awareness and understanding of cultural issues is essential to their business success. This realisation would appear to be lacking among companies involved in the international construction industry. In a survey conducted jointly by the Construction Industry Institute (CII) and American Society of Civil Engineers (ASCE) in the US (Yates, 1994), one of the primary concerns of individuals involved in all aspects of the construction industry was their lack of understanding of foreign cultures, ethics and languages. Academics and business analysts have asserted that the parochial nature of education and training in this area is partly responsible for recent poor economic performance in general terms, and specifically for the decline in the performance of US construction companies, internationally. After endeavouring to explain what we really mean by 'culture', this paper seeks, through a review of the literature, to suggest some of the ways in which cultural differences can impact on various aspects of a construction enterprises' activities. It is suggested that these impacts of cultural differences may have an adverse effect on the competitiveness of those construction enterprises working internationally. It is recommended that adopting a more sensitive approach to cultural diversity in an international construction context would help to overcome the negative effects and enhance the positive aspects of this equivocal concept. Further, it is suggested that, unless such an approach is adopted in the near future, construction enterprises from developed nations will find themselves left with an increasingly diminishing share of the world construction market.

INTRODUCTION

Some of the issues involved in the increasing internationalisation of the Architectural, Engineering and Construction (AEC) industry (Betts & Ofori, 1992) are explored in this paper. In particular, the paper focuses on the importance of a strategic approach for the success of AEC companies working internationally, especially in light of recent changes to the conditions and environment for transnational business.

Like many other industries, the construction industry is on a seemingly inexorable path towards 'globalisation'. This is, in part, a response to various treaties, the effects of which are beginning to be felt throughout the industry. However, these form just part of the "trends and currents" of the overall globalisation process.

This has important implications for construction companies in the developed world who are faced with a declining market for construction services in their domestic markets. In order to survive and flourish into the next millennium, these companies need to take a more 'global approach' to their business by tailoring their company strategy to take advantage of the process of globalisation.

A particular aspect of adopting a more strategic approach, when working internationally, is to take account of the different national cultures encountered. This factor can effect the management of construction activities in many different and complex ways. However, to date, it has received limited attention from the construction management research fraternity.

Drawing on the anecdotal literature available, some examples of the many ways in which cultural differences can impact on construction activities are reviewed, in the context of international strategic theory and our (limited) understanding of cultural differences.

A CASE FOR CONSTRUCTION MANAGEMENT RESEARCH OF A LESS PAROCHIAL NATURE

Many anecdotal sources point to the increasingly global nature of the construction industry. For example, it was recently reported that "...chartered surveyors cannot afford to ignore the globalisation of professional services..." (CSM, 1996) and, elsewhere, that "...the British construction industry is about to follow the British car manufacturing industry. From a one-time thriving motor car industry, not one major British company remains" (Horner, 1996). It could be said that, just as we have seen various other manufacturing and service industries become dominated by a small number of globally oriented organisations operating in all parts of the world, the same is occurring in the construction industry.

This view is supported by reports regarding the signing of the two major trading treaties: the General Agreement on Trade and Tariffs (GATT) and the General Agreement on Trade and Services (GATS), and the establishment of the World Trade Organisation (WTO) to implement these (Yates & Tissier, 1996). Such reports confirm the move towards globalisation of world trade, and the implications it has for all parts of the construction industry.

As the global dimension is increasingly becoming the focus of the construction industry, so construction management research must begin to investigate issues relevant to the industry at this level. This can be seen happening, as many research papers now discuss the implications of their work for the international dimension.

'Globalisation' is a complex concept. Waters (1995) attempted to define it as:

"A social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding."

Earlier, Porter (1986) characterised it as a process that is in a state of continual flux, and which comprises of a number of "currents" and "cross-currents" which give rise to the increasing sense of globalisation.

From the perspective of the construction industry, Bon (1990, 1992), in his analysis of secular tendencies, suggests that the developed countries of the world are entering a period of protracted decline in demand for construction services. This contrasts with developing and industrialising countries, where the demand for such services continues to increase such that, in the future, these countries will come to dominate the market for construction services. This, coupled with the globalisation process previously mentioned, is leading to the development of an "international construction system" (Drewer, 1990), where countries from both the developed and developing world will compete globally for a share of that market.

INTERNATIONAL BUSINESS STRATEGY AND CULTURAL DYNAMICS

In competing in the “international construction system”, construction companies need to incorporate the concepts of international strategy in their approach to their business.

It is clear that international business cannot be reduced to foreign trade, currency speculation, accounting or politics, but that the international business enterprise must operate successfully within a foreign environment, where culture, economics, politics and other events interact with the strategic posture and operations of the firm (Ketelhöhn, 1993). The model (figure 1) illustrates this conception, incorporating the key elements of strategic thinking together with the additional variable factors relevant to an international context.

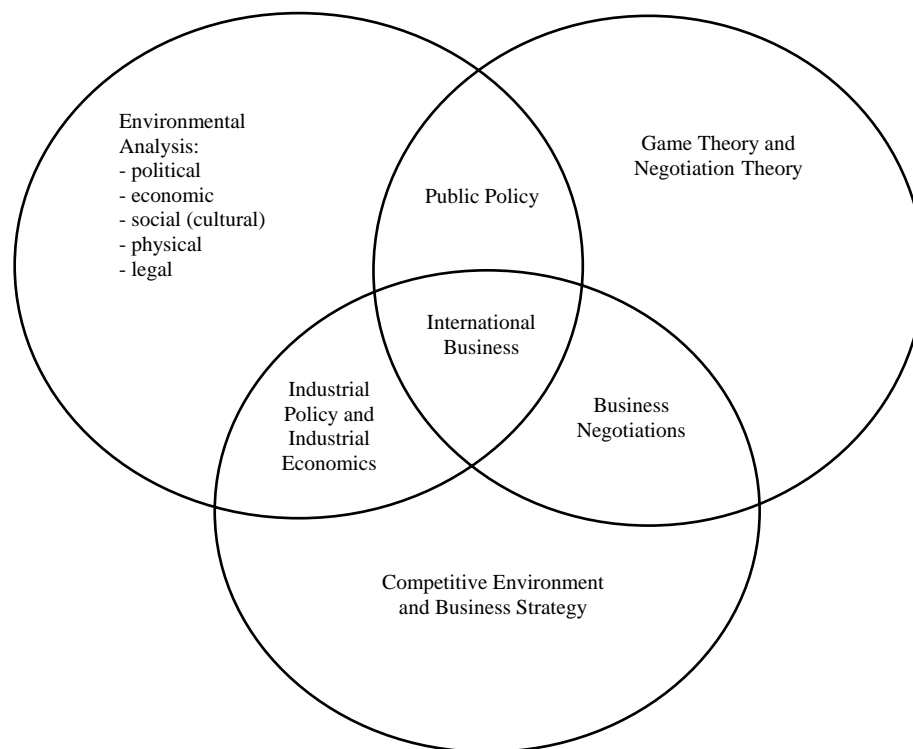


Figure 1. A View of International Business Strategy (Ketelhöhn, 1993).

Strategy must be dynamic because it evolves as environmental conditions evolve. Ketelhöhn & Kubes (1995) cite Aldo Palmeri, chief strategist of the Benetton family who is reported as saying “the nature of an organisation changes in different environments: what works well in Italy may not do so in Japan and vice versa; that is why we must adapt our organisation to local conditions and culture.” Thus, the concept of international business strategy must be adaptable to different cultures.

It has been said that “*culture* is one of the two or three most complicated words in the English language” (Williams, 1976). The idea of culture embraces a range of topics, processes, differences and even paradoxes. The concept is, at least complex and, at most, so divergent in its various applications as to defy the possibility of a singular designation (Jenks, 1993).

However, Hofstede (1984), in his influential theoretical and empirical study, developed what is widely accepted as *the* decisive definition of culture (*inter alia*: Mead, 1994; Deresky, 1994; Trompenaars, 1993):

“the collective programming of the mind that distinguishes the members of one human group from another. . . . Culture, in this sense, includes systems of values; and values are among the building blocks of culture” (Hofstede, *op cit* p.21)

Hofstede developed an approach to ‘mapping’ culture along a number of ‘dimensions’. These are (Hofstede & Bond, 1988):

- Power Distance
- Individualism versus Collectivism
- Masculinity versus Femininity
- Tolerance of Uncertainty
- Long-termism versus Short-termism

These cultural dimensions allowed, for the first time, an objective analysis of the differences between one culture and another and provided a framework for the management of the relationships between different cultures in a working environment. This approach to management of cultural diversity, in a wide variety of circumstances, has been seen to have positive effects on the performance of companies operating internationally and, consequently, is recommended as a key element of any enterprise’s business approach in such situations (*inter alia*: Mead, 1994; Adler, 1991; Cox & Blake, 1991).

It is inappropriate to discuss Hofstede’s full list of cultural indicators beyond this summary. However, it seems evident that a good understanding and appreciation of this type of analysis is essential in the development of a global business strategy.

CULTURAL DYNAMICS IN THE INTERNATIONAL CONSTRUCTION ENVIRONMENT

There is an abundance of literature that addresses the impact of cultural differences on construction companies operating outside their domestic environment. Texts abound which discuss the “people side” (Kliem & Ludin, 1992) of international construction (Baden-Powell, 1993; Lucas, 1986; Stallworthy & Kharbanda, 1985), whilst others mention the many problems that are often encountered in interacting with different nationalities when working overseas (Loraine 1992; Institution of Civil Engineers, 1985).

Another common approach, in discussing international construction practice, is to take a number of countries as case studies to illustrate how procedures vary worldwide (Strassman & Wells, 1988; Bennett, 1991). Whilst culture is rarely mentioned specifically, the implication is that procedures differ partly as a consequence of culture.

Furthermore, the trade literature and journals frequently feature articles which discuss various aspects of working overseas. While these generally relate to market opportunities or logistical considerations, there is occasionally a reference to the difficulties of working with or for people of different nationalities.

However, throughout this literature, little attention is paid to establishing procedures for mitigating the impact of culture on construction activities. Assuming there is a significant effect on the performance of international construction companies as a result of cultural differences, it would be of value to address these areas of concern

with a view to establishing principals and approaches that may be incorporated into the construction firm's overall strategic plan.

Baden-Powell (1993) and Loraine (1992) give an indication of the range of construction activities which can be effected by cultural differences. It is evident that cultural differences permeate every aspect of the construction process when working outside the domestic environment: in and out of the office; on and off site; and at the pre- and post-contract stage. Kliem & Ludin (1992) characterise cultural issues as 'soft' issues - those about which people can learn but require considerable experience in order to master. This is in contrast to 'hard' issues such as planning, structural design and so forth - issues that can be "mastered through learning alone".

A WORD ON METHODOLOGY

This paper does not seek to present empirical findings. Instead, it attempts to elaborate on the contention that cultural differences have a major impact on the activities and performance of international AEC companies by drawing on examples reported in the literature. In doing so, it is acknowledged that, from a traditional methodological viewpoint, this literature is lacking in a number of key aspects:

- Firstly, there is rarely an attempt to relate the anecdotal comments to a theoretical context;
- secondly, the observations are rarely supported by empirical investigations and, where empirical studies have been conducted, their scope is limited and tends to be specific to given circumstances and scenarios;
- and finally, the strategic implications are only superficially explored and there is little attempt to fit those strategic implications into a company's overall strategic framework.

However, from an inductive, theory-building perspective, the second of these points can be seen as a strength. According to Kvale (1996), specificity is an important element of qualitative research as the context of that data is relevant to the understanding of the issues.

EXAMPLES OF CULTURAL DIFFERENCES EFFECTING INTERNATIONAL CONSTRUCTION PRACTICE

The following is a brief synopsis of some of the more apparent effects of cultural differences that make the undertaking of construction internationally both different and more complex when compared with the domestic environment.

Expatriate Personnel

Expatriate personnel are a feature of most transnational company staffing policies. They often hold key positions of responsibility, but are subject to the impacts of stress-related culture shock that can significantly effect their performance and, consequently, the performance of the company. Expatriates are often faced with situations they neither understand nor believe to be ethically correct (Adler, 1991). The expatriate may be appalled by the poverty in many developing countries (especially in relation to their own, often luxurious, living standards) or may feel uncomfortable being provided with servants. Culture shock may take many physical and psychological forms: embarrassment, frustration, impatience, anxiety, sleeplessness, headaches, etc.

Craig (1971) postulates three potential responses to the disorientation arising from stress-related culture shock, that manifest themselves in the form of different behaviour patterns:

- The *encapsulator* - withdraws into a bubble, haunting the expatriate club and having little or no contact with the local people and foreign work force.
- The *absconder* - who goes 'native', becoming totally involved in the local society, possibly forming intimate relations with locals and even taking on citizenship.
- The *cosmopolitan* - who 'keeps a foot in both camps' and adjusts to both the expatriate lifestyle and the local society.

Of these, the *cosmopolitan* is likely to be most successful, both personally and in carrying out their assignment, whilst the others are liable to personal problems which could well effect their performance in carrying out their job.

Foreign Staff and Operatives

Effective interaction with foreign staff and operatives is essential if the quality and standard of work is to be met within financial and programme constraints. The clients of prestigious international contracts tend to have very exacting requirements and work which does not meet this standard will often need to be replaced. Naturally, this can have profound time and cost implications. Particular reference should be made to management and the ways in which this can be affected by culture (Burrill, 1988). Project staff must be able to cope with a myriad of differences in cultural values, standards of quality, religious beliefs, business practices and work ethics, as well as coping with a style of working which is far more labour intensive compared to that with which they may be familiar (Enshassi and Burgess, 1991).

Negotiations

Negotiations are, arguably, one of the single most important international business skills. International negotiations contain all the complexity of domestic negotiations with the added dimension of cultural diversity. According to Adler (1991) international managers can spend more than 50 per cent of their time in negotiations. With its unique procurement arrangements involving many parties to the contract, this could be even more true of the construction industry.

Styles of negotiation can vary markedly across cultures. People differ on such key aspects as:

- the amount of time and type of preparation for negotiation;
- the degree of emphasis placed on the task at hand or on interpersonal relationships;
- the use of general principles as opposed to specific details;
- and the number of people present and the extent of their influence.

Cultural diversity makes effective communication more difficult because foreigners perceive, interpret and evaluate the world differently. Communicating needs and interests in ways that will be understood becomes more difficult, as does fully understanding the other's words and meanings. However, while communication becomes more difficult, creating mutually beneficial solutions can become easier. Differences rather than similarities form the basis of such solutions. The chance of

substantial areas of difference and, therefore, substantial areas of mutual gain, generally increase in multicultural situations (*ibid*).

Professional Standards and Construction Codes

It is not always easy to establish what codes and standards apply in a different country. Its laws can be a guide but they may be silent on points that an international construction company may consider paramount. Quite frequently, there are widespread interpretations of (and departures from) the local laws whilst many countries might have two or more standards in operation simultaneously (Baden-Powell, 1993).

Codes of Conduct and Ethical Standards

The practice of bribery and corruption attracts world-wide attention and condemnation, although this might often be hypocritical. It is so semantically loaded that few would justify the practice in unqualified terms though many would regard it as inevitable in many parts of the world (Livingstone, 1989).

The main superficial loser in a bribery situation is another company, but the costs of bribery go far deeper than this (Johnson, 1985). The economy on whose behalf the recipient of the bribe is supposed to be acting, is potentially the biggest loser, especially if the practice is widespread - the country pays more for construction work of a possibly lower standard than it need (Barco, 1994). Professionals working for international construction companies, who find themselves in such circumstances, are faced with a very difficult moral and ethical dilemmas.

Appropriate Design Approaches

Where a designer from one society (or culture) is designing a building or other architectural feature for a different society, a special understanding of the end users and the implications of their culture is required (Baden-Powell, 1993). Cultural differences can manifest themselves in any number of ways.

For example, in Japan, the preferred floor planning grid is a 0.8 metre module. This is based on the traditional Japanese 'tatami' floor-mat dimensions. Similarly, the term 'tsubo', a uniquely Japanese unit of measurement (approximately equal to 48 square feet) is frequently utilised in lieu of square metres. Another dimensional difference is found in the varying floor-to-floor heights acceptable in Japan, which tend to be lower than in Europe and America and give rise to unexpected additional stories in high-rise construction (Alisse, 1993).

Meanwhile, in Germany material selection is strongly influenced by the requirement to meet stringent German fire safety criteria (*ibid*) while, in the Middle East, typical factors which need to be considered are social status and grouping, the position of women in society, religious observance, dietary restrictions and Koranic symbolism (Baden-Powell, 1993).

DISCUSSION

Adler (1983) outlined three approaches a firm could adopt when working in a culturally diverse environment. These are outlined below and provide a useful working framework for describing a specific organisation's or individual's attitude when confronted with the dynamics of a culturally diverse scenario:

- (1) The *Parochial* approach is the most common response to cultural diversity in which the members of the organisation do not recognise the diversity of their environment or its impact on their organisation. In parochial organisations, members believe that “our way is the only way”. Their strategy is to ignore cultural diversity, which precludes the effective management of diversity and, therefore, the possibility of minimising the negative aspects and maximising the positive aspects.
- (2) The *Ethnocentric* approach is the second most common approach to diversity, wherein the members of the organisation recognise the diversity of their environment, but only as a source of problems. They believe that “our way is the best way”. Their strategy is to minimise the sources of cultural diversity within and upon the organisation, by either attempting to select a culturally homogenous workforce or by socialising all workers into the behaviour patterns of the dominant culture. However, this means they preclude the opportunity of benefiting from the many cultural perspectives present.
- (3) The *Synergistic* approach is the rarest response to a culturally diverse environment, occurring only where the organisation members explicitly recognise the concept of culture, seeing it as leading to both advantages and disadvantages. The members of a synergistic organisation believe that “our way and their way differ, but neither is inherently superior to the other”. Combinations of both ways produce the best approaches. Their strategy is to manage the impacts of cultural diversity rather than the diversity itself, thus minimising the problems and maximising the potential advantages. Synergistic organisations train their staff to recognise cultural differences and to use those differences to create competitive advantages for their organisation.

It is inappropriate to prescribe a series of procedures to allow for cultural differences. Instead, what is required is a more holistic approach to training and education, encompassing the cultural dimension. This would provide construction managers at all levels with an awareness of the issues involved and a collection of cross-cultural management skills which could be developed with experience.

Effective cross-cultural management means working with members of another culture, tolerating differences as far as possible and recognising their priorities when developing shared goals (Mead, 1994). According to Cox and Blake (1991), management of that diversity can bring many economic benefits. Among those benefits, a company’s ability to attract, retain and motivate people from diverse cultural backgrounds gives that company competitive advantages in cost structures, creativity, problem solving and adapting to change.

CONCLUSIONS

New patterns of trade and competition in the global construction industry have meant that, while traditional areas of expertise are still important to the competitiveness of AEC companies, they will have to increasingly focus upon other aspects of business strategy if they are to survive as a world force into the next millennium. This includes a greater understanding and appreciation of different cultures.

If this is integrated into their procurement arrangements, evidence from the literature would suggest that they will experience benefits throughout their organisations. However, if they fail to address this issue, they could find themselves increasingly marginalised and their markets becoming increasingly parochial.

Over and above this general issue, we envisage international AEC enterprises enjoying a number of direct benefits if they adopt cultural management techniques when operating outside their domestic environment. These would include:

- improved partnering and collaborative arrangements, which are of increasing importance in an international context;
- more successful outcomes for major, international Build-Operate-Transfer (BOT) contracts;
- and more effective transfer of management and technical expertise.

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