

# INTERCULTURAL MANAGEMENT FOR INTERNATIONAL CONSTRUCTION PROJECTS – A COMPARISON OF AUSTRIA AND GERMANY WITH AUSTRALIA

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The construction industry is international with many of its major corporations operating globally. Cultural differences can affect the conduct of daily business and, besides many general practical books, little has been published on how differing cultural backgrounds affect the operating environment in an industry. This research gives an overview of cultural differences between organisations within the construction sector in Australia and in Austria and Germany. The first method used was an assessment of organisational culture based on the Competing Values Framework (Cameron and Quinn, 1999) with responses from enterprises in Austria and Australia. The intention was to identify differences in cultural orientation between construction organisations in Australia and Austria. This should have an influence on projects. The second method consisted of semi-structured interviews with mainly Austrian and German managers and engineers, who were working on construction projects in Australia at the time of research in early 2003. These interviews revealed that there were a number of significant differences in the operating environment of the sector. These have arisen as a result of a range of different cultural, governmental and historical factors in areas such as organizational culture, safety management on site, the influence of trade unions and of public stakeholders as well as the importance placed on environmental issues.

Keywords: competing values framework, leadership, international comparison, organizational culture, safety management.

## INTRODUCTION

In this research the use of the term “culture” is based on Geert Hofstede’s definition, according to which culture is “the collective programming of the mind that distinguishes the members of one group or category of people from another” (2001: 9). “Intercultural” in this context means nothing other than “between cultures”. Cultural differences are known by scientists all over the world to affect every area of our life and almost every manager who is working internationally has found that some behaviours, which are accepted or even valued in one culture, attract a negative reaction in another. Engineers in particular have a reputation for overlooking the “softer” facets of project management. This research is not intended to explore whether this stereotype is true or not, but rather to identify the differences that people should know about. In particular, what managers and engineers in construction

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enterprises with Austrian or German origins should be aware of, when working on a project in Australia. Therefore it gives an overview of the topic from the native German speaking European's point of view.

Many of the big Austrian and German based companies in the construction industry are – often through joint ventures with local companies which provide local contacts and specific know-how – involved in major construction projects in Australia. They often send some of their own managers and engineers overseas to fill key roles within senior management teams of such projects. Besides the general cultural differences in day-to-day life, which are not part of this thesis, those managers face cultural and procedural differences connected to their work and to the local organizations they work with closely.

This research is restricted to construction in Austria, Germany and Australia and it does not include detailed comparisons with other countries or with or within other industries. It is intended to identify the cultural differences found between projects in the German speaking European countries and Australia, thus providing a useful background for companies, which plan to or are already expanding their businesses overseas. Two different research methods were implemented in this work: a written questionnaire based on the Competing Values Framework (Cameron and Quinn, 1999) to assess the differences in organizational culture, and a set of seventeen semi-structured interviews with mainly Austrian and German managers and engineers working in Australia to identify further differences.

The growing importance of cultural awareness is not only a result of internationalisation, but it is also influenced by cultural developments within former colonies, such as Australia. Two hundred years ago Australians were fighting for their political independence, then during the 19th and beginning of the 20th century they sought economical independence. Since the Second World War, Australians have been eager to define their own culture. However, at the time of this awakening cultural independence, the world economy is globalising at an unprecedented rate. In spite of the fact that economically, countries are moving closer together and travel times decrease within world markets, the relative differences in national cultures are stable (Hofstede, 2001).

Though every attempt has been made to avoid subjectivity or bias arising from the researchers' cultural backgrounds, it has to be recognised that it is hard to completely avoid this in studies of this kind.

## **LITERATURE REVIEW**

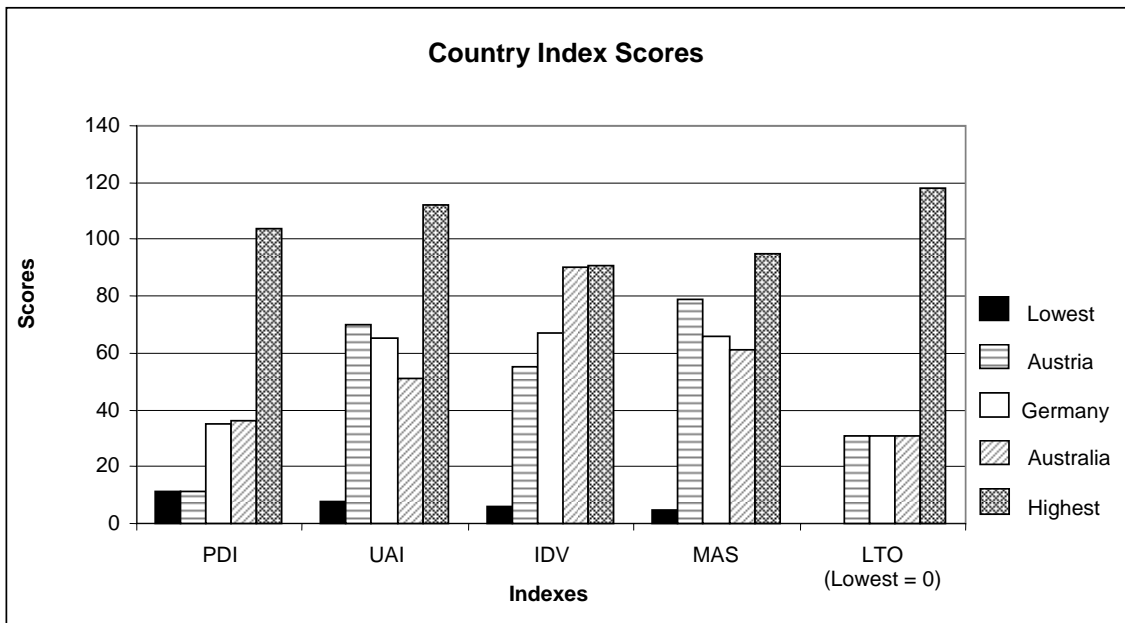
Most available literature on international business practices is intended to be a practical guide, giving tips on how to behave in different cultures without offending clients and partners.

The majority of surveys and studies dealing with the theory of cultural difference puts a relatively rough classification on the world, placing Austria, Germany and Australia into the same group of “western” countries and therefore not distinguishing between the German speaking ones and the land “down under” (e.g. Huntington, 1997).

However, some more detailed studies (e.g. Hofstede, 2001; Trompenaars and Hampden-Turner, 1997) reveal that cultural differences among these three countries exist and that they should not be ignored.

One of the broadest and most accurate studies to date, the one undertaken by Geert Hofstede in the 1960's and 70's, which was based on more than 116.000 responses, gives the following indexes for Austria, Germany and Australia:

**Table 1<sup>2</sup>:** Hofstede’s Indexes for Austria, Germany, and Australia



The abbreviations in the chart refer to the five dimensions used by the researchers:

1. Power Distance Index (PDI): to which extent the less powerful members of society accept that power is unequally distributed;
2. Uncertainty Avoidance Index (UAI): to which extent people feel threatened by unknown or uncertain situations; expressed in a need for rules, predictability and normality;
3. Individualism Index (IDV): the extent to which persons act as individuals (in collectivist societies strong in-groups exist);
4. Masculinity Index (MAS): to which degree the values of men and women in the same job differ;
5. Long Term Orientation Index (LTO): to which extent people favour long term over short term thinking; same values for all three countries under discussion;

All five dimensions have some impact on managing and working on international construction projects. However, their values for the construction industry, especially MAS, will differ from the typical national values. Though the authors believe that the bias is likely to be similar in each country.

Other authors (Trompenaars and Hampden-Turner, 1997; Gesteland, 1999) have introduced other indexes and dimensions to classify and compare national cultures and have derived rules on how to behave correctly in business environments. However, none of them are as detailed as Hofstede’s five dimensions. Comparing the results of different researchers, many similarities can be found even though the various studies are based on different approaches. Hence one cannot compare any one dimension introduced by one author with a single dimension of another. One always has to view results in the context of the theory on which those surveys are based. No two dimensions are identical and every dimension combines certain aspects of normal or work related daily life.

<sup>2</sup> This table is summarizing Hofstede’s indexes. However, it is not presented in this form in his work.

The most surprising result of this literature review was, that for some dimensions used by the authors, Germany was more closely related to Australia than to its southern neighbour Austria. This is contrary to the general held view that there cannot be a lot of variation between the two German speaking countries, who use the same language and whose economies are very closely related.

## **DIFFERENCES IN ORGANIZATIONAL CULTURE**

### **Research Method**

The purpose of this part of the research was to identify differences in organizational culture of Austrian and Australian companies in the construction industry and their possible impacts on project management.

The survey was based on the internationally accepted and widely used Competing Values Framework developed by Cameron and Quinn (1999) to assess organizational culture. About forty Austrian and twenty-five Australian companies in the construction industry (designers, head- and sub contractors) were contacted and asked to have at least six of their employees from different areas of their business to respond to the questionnaire. Thirteen Austrian and ten Australian companies responded. The correctly answered questionnaires were disaggregated by company groups to enable a more detailed interpretation to be made. This proved to be interesting, as the aggregated results did not show any significant differences between Austria and Australia, while the more detailed analyses presented very interesting differences in the organizational cultures of the two sectors.

The Competing Values Framework represents all organizational cultures on the basis of a blend of four basic cultural orientations. The balance between these basic cultural types indicates the cultural bias of an organization.

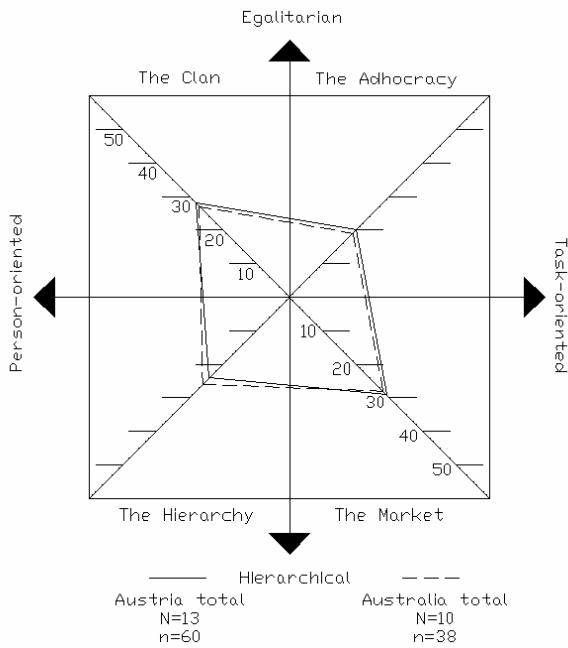
**Table 2** (Cameron and Quinn 1999: 34): The four types of organizational culture

<p><b><u>The Clan Culture</u></b>  A very friendly place to work where people share a lot of themselves. It is like an extended family. The leaders, or the heads of the organization, are considered to be mentors and perhaps even parent figures. The organization is held together by loyalty or tradition. Commitment is high. The organization emphasizes the long-term benefit of human resources development and attaches great importance to cohesion and morale. Success is defined in terms of sensitivity to customers and concern for people. The organization places a premium on teamwork, participation, and consensus.</p>	<p><b><u>The Adhocracy Culture</u></b>  A dynamic, entrepreneurial, and creative place to work. People stick their necks out and take risks. The leaders are considered innovators and risk takers. The glue that holds the organization together is commitment to experimentation and innovation. The emphasis is on being on the leading edge. The organization's long-term emphasis is on growth and acquiring new resources. Success means gaining unique and new products or services. Being a product or service leader is important. The organization encourages individual initiative and freedom.</p>
<p><b><u>The Hierarchy Culture</u></b>  A very formalized and structured place to work. Procedures govern what people do. The leaders pride themselves on being good coordinators and organizers who are efficiency-minded. Maintaining a smooth-running organization is most critical. Formal rules and policies hold the organization together. The long term concern is on stability and performance with efficient, smooth operations. Success is defined in terms of dependable delivery, smooth scheduling, and low cost. The management of employees is concerned with secure employment and predictability.</p>	<p><b><u>The Market Culture</u></b>  A results oriented organization whose major concern is with getting the job done. People are competitive and goal-oriented. The leaders are hard drivers, producers, and competitors. They are tough and demanding. The glue that holds the organization together is an emphasis on winning. Reputation and success are common concerns. The long-term focus is on competitive actions and achievement of measurable goals and targets. Success is defined in terms of market share and penetration. Competitive pricing and market leadership are important. The organizational style is hard-driving competitiveness.</p>

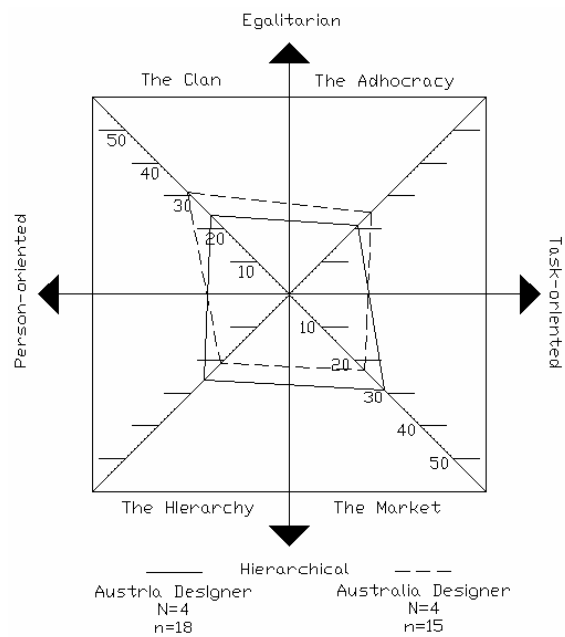
**Results**

The results obtained are shown as plots against two axes in figures 1 to 4 on the following page (N = number of participating companies; n = number of participating employees).

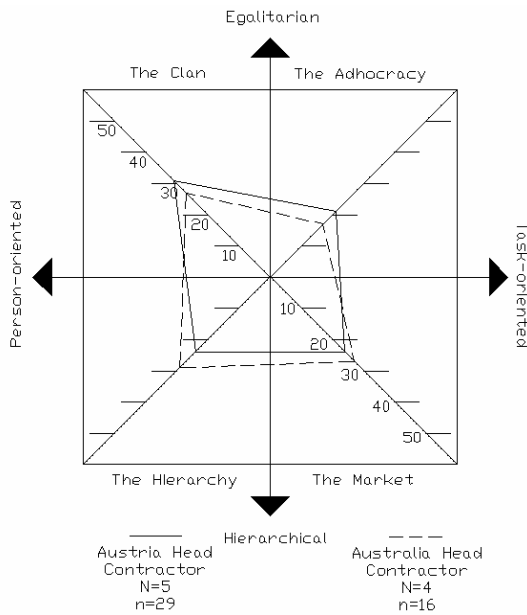
The overall results (Figure 1) show no significant differences between the aggregated cultural orientations of the two sectors. Figures 2, 3, and 4 present the disaggregated results by organisation type. Austrian designers are more hierarchical and less clan oriented than Australian designers (Figure 2). Regarding the results for head and sub contractors, for both groups Australian enterprises are slightly more oriented to hierarchy than their Austrian counterparts and slightly less oriented towards a clan culture (Figures 3 and 4). Furthermore Austrian sub contractors are more oriented towards adhocracy, though in general the smaller number of responses from this group may have exaggerated the differences and reduced their reliability.



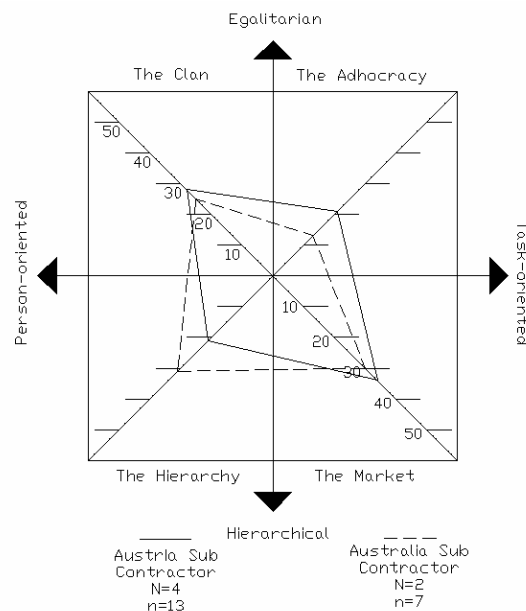
**Figure 1: Aggregated Results**



**Figure 2: Results Designer**



**Figure 3: Results Head Contractors**



**Figure 4: Results Sub Contractors**

The lack of any significant differences in the aggregated results (Figure 1) is due entirely to the contrast of designer and contractor results. The results show an interesting reversal of the cultural orientations of the designers and contractors in the two sectors. The cultural orientations of Austrian designers are more similar to those of Australian contractors than to Australian designers and vice versa. Problems may arise when a company expects its partners to work and behave in the same way as those “back home”. Studies such as this can clarify cultural differences and assist companies to develop realistic expectations of their partners in overseas markets.

## **OTHER DIFFERENCES IN THE CONSTRUCTION INDUSTRY**

### **Research Method**

A second survey was undertaken to identify specific cultural and organisational differences in construction project management between Germany and Austria on the one hand and Australia on the other. The aim was to gather construction industry specific information from managers and engineers working in Australia.

Seventeen semi-structured interviews were held with mainly Austrian and German managers and engineers in the first six months of 2003. Statistically validity is not claimed for this study, the sample size is small.

The interviews were detailed and provide detailed insight into the differences between professional practice in Germany and Austria and in Australia. The majority of questions asked referred to culturally based differences in organizing, planning, managing, conducting and finishing construction projects and were mainly based on Hofstede's five dimensions as well as the authors' own experiences. On the basis of some early pilot interviews, some questions were changed to enable more accurate answers, and others were added to extend the range of topics included in the interviews.

The data obtained in the interviews has been compared against Hofstede's five dimensions. Differences may be due to the unique aspects of the construction industry as well as to the fact, that Hofstede's survey was conducted more than 20 years ago. Though he believes (Hofstede, 2001), that while there might be a global shift in values, there won't be any significant change between countries over time.

### **Results**

Most interviewees on arriving, at first found Australia's business environment similar to the one found in German speaking European countries. However, with time subtle differences were observed which will most likely influence construction projects conducted by European companies in Australia. Hence foreign contractors need to be well aware of those issues and their potential influence on projects.

Unions are much more powerful in Australia than in Austria or Germany. This is particularly important in relation to the way that labour related issues, such as wages, overtime, etc. are negotiated. Whereas in Germany "Tarifverträge" (salary and wage agreements) and in Austria "Kollektivverträge" are agreed upon between the Unions and the representatives of the employers for the entire industry for the whole following year, in Australia, agreements are at the enterprise level and for large projects, site based agreements are reached between the Union and the head contractor. Hence in Australia, a contractor has to allow time to reach an agreement with the Union before the project can start.

Another major difference is in safety management on site. In New South Wales (one of the Australian states) everyone needs to have a one-day industry safety induction and must carry an industry GREEN card, furthermore on every site, a two-hour site induction is normal before a worker can start on site. It is the contractor's responsibility to organize and provide these inductions. In Austria and Germany these practices are quite different. For every site, one person is in charge of first-aid, and contractors should only employ workers who have sufficient knowledge and skills to complete certain jobs.

Although European insurances and governments are increasingly aware of the weakness of safety practices on site, thus raising the number of site inspections, basic safety rules even as basic as wearing a hardhat on site, are still not the general

practice. This difference is reflected in statistics that show that the incident rate on Australian sites is 50% of the rate in the German speaking European countries. The third main difference between construction projects in Austria/Germany and Australia is in the area environmental management. In Australia environmental management is less structured than in Europe where tight regulations have had the effect of standardising the response of industry to environmental requirements. In Australia environmental management requires more negotiation and exception management rather than routine management. This has the effect of making it appear that in Australia, more is made of environmental management, whereas the reality is that in the absence of a well codified regulatory system, environmental management takes a greater effort in Australia.

It is noteworthy that Austrian and German companies have to deal with a greater level of bureaucracy in Australia both within companies and within regulatory authorities. There is a need to obtain a greater number of approvals, as well as an increase in paper work, both are time consuming and increase the cost of business.

Another important difference is a greater use of formally recorded project management procedures in Australia. The responsibilities of subcontractors are defined in greater detail in relation to safety, quality and environmental management. In most cases as part of the contractual agreement the subcontractor has to provide these procedures and they have to make sure that every employee is familiar with them. These practices are not so common in Austria or Germany.

Finally the stability of employment in the construction sector is much lower in Australia. This results in a lower employee commitment towards the company and vice versa. People tend to be hired for a project and their term of employment is for the project duration.

In summary the survey has indicated the existence of significant differences in relation to culture on construction projects in Austria, Germany and Australia.

Once these are understood, management can deal with differences, however it is important to be aware of these issues, as ignoring them may lead to misleading estimates for time and cost and could result in a delayed completion and budget overruns. They could also lead to non-compliance with regulatory requirements.

## **CONCLUSION**

In a time of globalization, the world's nations are drawn closer together through business and through recreational travel. While globalisation is restructuring the world economy, the cultural aspects of doing business with foreigners are as important as ever. Hence it is logical that while many studies research the "one world market", at the same time cultural differences should increasingly be the subject of investigation. It is essential to understand subtle cultural differences and the problems, which may arise from them, so that international collaborations can be productive, leveraging the strength that the partners bring to each relationship.

The results of the survey based on the Competing Values Framework will help construction companies in Austria and Australia to compare their organizational cultures. While the study highlights that some cultural differences exist between organizations in Austria and Australia, further research is needed to develop an understanding of the meaning of those differences. For example the study of Thomas et al. (2002) compared the culture within project teams to the quality of processes and outcomes on Australian construction projects. They found that those teams showing a



stronger tendency towards Clan Cultures had better quality outcomes (i.e. above average performance) than did those, which showed a reverse tendency.

It is concluded that such detailed research is important to understand the subtle implications of cultural differences between countries as this kind of analysis can help companies to collaborate more effectively.

Furthermore the second survey gives an insight into important differences in industry practice which foreign companies experience on construction projects in Australia, such as a greater focus on safety management issues, more influence of the unions, and less structured processes for the management of environmental issues, to name only three.

This paper provides some guidance for Austrian, German and Australian managers to help them prepare themselves for overseas work and to minimize the “unwanted surprises” they may encounter when working in the other country.

Although most people do not expect major differences between countries of European origin, the results presented in this paper show that in the construction industry there are variations based on cultural, historic and regulatory differences. If these are known in advance, they appear quite simple, but if they are ignored they may lead to problems.

A more detailed description of the results of this survey can be found in the diploma thesis “Intercultural Management for International Construction Projects – a Comparison of Austria and Germany with Australia”.

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