

IMPACTS OF CULTURAL DIFFERENCES ON PROJECT SUCCESS IN CONSTRUCTION

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In today's constantly changing global business environment, understanding cultures have become essential and a prerequisite for business success. Understanding and successfully managing cultural differences can provide several advantages for project as well as company success. These concepts become more critical in construction due to the increase in strategic alliances in this industry. In this study, a part of the research that was conducted among 11 UK senior managers who have some years' of experience in international construction projects has been presented. One of the specific objectives of this study was to find out the opinions of managers about the relationship between management of cultural differences and project success. Within this context, semi-structured interviews were carried out with these managers. The interviews took place over a 3-month period between November 2007 and January 2008. Analysis of the qualitative data was performed using content analysis. Based on the findings, successfully managing cultural differences were seen as one of the key elements in project success. On the other hand, ignoring and mismanaging cultural differences were considered as one of the important causes for project failure.

Keywords: culture, diversity, project management, project success.

INTRODUCTION

Culture has the potential to impact on business activities. The importance of culture and national cultural differences has become more critical especially for companies operating in international markets or having employees from different cultures. Thus, companies have to consider the cultural concepts in their daily businesses to operate successfully in the global marketplace.

Culture and cultural differences are important issues for every organisation in every industry. As Ankrah and Proverbs (2004) stated, these concepts become more critical in construction due to the nature of contracting, internationalisation of procurement, joint venturing, and partnering in this industry. Like in other industries, the increase in strategic alliances in construction also increases the significance of cultural differences due to the interaction of people from different cultures (Shore and Cross 2005).

Successfully managing cultural differences can enhance organisational effectiveness and give an organisation a strong competitive advantage. On the other hand, failure to manage cultural differences can cause serious problems such as delay of construction

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and decrease in productivity. Therefore, in order for a project to be successful, understanding and managing cultural differences in this industry is becoming an increasingly important topic especially in international construction projects which involve participants from different cultural backgrounds.

CULTURAL DIFFERENCES AND PROJECT SUCCESS

The definition of culture differs greatly according to the research fields. Hofstede's (1984) definition in terms of organisations is "the collective programming of the mind which distinguishes one group from another". Barthorpe *et al.* (2000) presented an overview of the literature published on the subject of culture and defined it simply as "what we are and what we do as a society". Holden (2002) defined culture as varieties of common knowledge. He suggested that cross-cultural management can be viewed as a form of knowledge management, and culture as an organisational knowledge resource which can be managed. Culture has several properties which have also been widely accepted (Barthorpe *et al.* 2000, Loosemore 1999). It is shared, learned, symbolic, tradition, shapes behaviour and can change over time.

In researching national cultures, Hofstede (1984) identified four dimensions of culture. These extensively used and well known dimensions are; power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity. The four dimensions provide a framework for considering the effects of cultural differences on management and organisation. Another study of how cultures differ has been developed by Trompenaars (1993) who identified seven dimensions of culture which are universalism-particularism, collectivism-individualism, neutral-emotional, diffuse-specific, achievement-aspiration, attitudes to time, and attitudes to the environment.

Project success has been extensively examined in the project management literature. Time, cost and quality have been traditionally used as the basic criteria to measure project success. However, these criteria have also been criticised for being inadequate (Yu *et al.* 2005, Atkinson 1999). There have been many studies that examined project success including various criteria such as client satisfaction and customer's benefit (Wang and Huang 2006). Success criteria can also differ from one project to another. Hyvari (2006) indicated that in the project management literature it is still somewhat unclear what makes a successful project in general.

There is a growing interest in the studies on the culture of the construction industry, the relationship between culture and project success, and the effects of culture and national cultural differences on construction. Previous studies and experiences in the construction industry showed that cultural differences have an impact on daily businesses, either negative or positive, of construction enterprises working nationally or internationally. However, there are also studies that showed no impact on projects even if the differences existed (Nummelin 2005). Murray-Webster and Simon (2004) examined the relevance of cultural differences to project success in a study carried out on a Russian/British joint venture company. They found that cultural differences between partner organisations had a real effect on project success. Tukiainen *et al.* (2003) investigated the effects of cultural dynamics on the process and outcomes of a global engineering project. Based on their findings, many of the perceived differences that were related to cultural diversity are to a large extent socially constructed, as they need a catalyst to emerge.

Hall (1999) investigated the links between cultural diversity and international construction activity from a British perspective. He found that British construction companies adopted an ethnocentric response to the cultural differences that they encountered when working overseas. Mahalingam *et al.* (2005) investigated which institutional or cultural differences had the most significant impacts on global projects. Liu and Fellows (1999) investigated the impact of culture on construction project goals. Shore and Cross (2005) explored the role of national culture in the management of large-scale science projects. Several researchers conducted studies on the impact of cultural differences on management practices such as quality management (Pheng and Alfelor 2000), dispute resolution (Chan and Suen 2005), and communication (Loosemore and Al Muslmani 1999).

METHODS

The study was conducted using a qualitative approach to provide enhanced understanding and generate rich descriptions of the concept of cultural differences in construction. Semi-structured interviews were conducted in the UK with 11 senior managers, including directors, project managers, group managers, HR managers and construction managers, who have some years' of experience in international construction projects. It is assumed that these participants have enough knowledge about the organisational structure, culture and strategies. The majority of the participants have more than 20 years of experience in the construction industry.

The interviews were conducted in 10 companies. Each of these companies has more than 20 years of experience in international construction projects. The interviews took place over a 3-month period between November 2007 and January 2008, and each lasted approximately 1 hour. In the interviews, the participants were asked a number of open-ended questions and they were strongly shaped by the probing questions to seek further details.

The interviews with these participants were audio-recorded and transcribed. The data collected were coded and analysed using content analysis, based on guidelines provided by Gillham (2000) and Strauss and Corbin (1998). Content analysis is about organising the substantive content of the interview (Gillham 2000). In content analysis, researchers establish a set of categories and then count the number of instances that fall into each category (Silverman 2001). The content analysis was completed with computer assistance using the software program NVivo 2.0. This program was selected for its powerful data codification and data searching capabilities. Finally, emerged themes from the data were identified which will be discussed in the following section.

STUDY FINDINGS

During the interviews the participants were asked for their opinions about the relationship between cultural differences and project success, the effects of culture on project outcomes, and effects of cultural differences on management practices. Each interview participant was also asked to provide some personal information such as age, educational background, and current position. Table 1 lists the categories that emerged from the study. Sub-categories and the number of interviewees who mentioned each issue are also given in this table.

All interviewees acknowledged the importance of cultural issues in performing business activities in the construction business environment. According to the participants, cultural differences can have an effect on all management practices, but

in different ways and levels. However, some management practices were more highlighted in the interviews. These are human resources management, knowledge management, communication management, safety management, time management, and negotiation. The general findings of this study have been presented elsewhere (Kivrak *et al.* 2008). In this paper, a more detailed discussion of the impacts of cultural differences on project success is presented.

Six themes emerged from the data analysis: cultural awareness, experience in international projects, benchmarking and learning, project location, company strategy, and effective management system.

Cultural awareness

Cultural differences can have major impacts on the outcomes and success of construction projects. One common theme that emerged from this study was the direct relationship between project success and national cultural differences. All of the managers pointed out that understanding, respecting, appreciating and accepting different cultures are highly important issues for performing construction projects successfully. Managing cultural differences successfully were seen by the respondents as one of the key elements in project success. The results are consistent with findings of a previous study of Buckley *et al.* (2002). They found that dealings between partners from different countries are more productive where there is an acceptance of cultural issues.

However, during the interviews the difficulty to measure the impact of cultural differences on the project outcomes was also highlighted. The impacts were considered as both tangible and intangible. These findings are in parallel with the studies of Shore and Cross (2005). They also stated that there is a difficulty to link culture directly to project outcomes since there are many other factors that are involved.

On the other hand, the majority of the managers also considered ignoring and mismanaging cultural differences as one of the important causes for project failure. One manager indicated that utmost importance should be given to understand the business methods in different countries to prevent failure. This manager gave an example from her company that established an office in France. The manager stated that the business in France did not work and one of the main reasons for that was because the company did not enough understand the business methods of that country and how French do business.

There was evidence in the data that companies need to have an understanding of the different cultures for a project to be successful. Proper attention should be given to cultural awareness and it is crucial in achieving a successful project.

Experience in international projects

One of the emerged themes was having experience in international projects and being familiar with the national culture of the countries in which the companies operate. The managers indicated that those companies that have experience in the international market can probably overcome the problems caused by cultural differences more easily. The findings are in accordance with the study of Buckley *et al.* (2002). They stated that international experience tend to make better managers because they would understand the cultural differences better. The managers pointed out that previous international experience can help understanding of how business is conducted in countries in which the companies operate.

One manager reported the significance of having local offices and employing local people in these offices while doing business internationally. Employing local people were considered as important for establishing good relationships with governmental bodies and local people.

Benchmarking and learning

One significant theme that emerged from the analysis of the interviews was benchmarking and learning that can have possible effects on project success. During the interviews, the managers highlighted the importance of benchmarking and knowledge sharing. It is strongly believed that effective knowledge sharing can result in the improvement of productivity and efficiency. Interacting with people having different cultural backgrounds and areas of expertise can give significant advantages for a project to be successful. The results are consistent with findings of a previous study of Michailova and Hutchings (2006). They found that cultural differences have an impact on knowledge sharing in organisations.

During the interviews, communication barriers were highlighted as the major problem in knowledge sharing between cultures. This finding correlates well with the previous studies regarding the impact of culture on knowledge sharing. For instance, the study of Ford and Chan (2003) showed that different languages create an important barrier since knowledge got lost in translation.

Another significant issue in knowledge sharing between cultures was found as trust. Trust is a key factor in effective knowledge sharing between project team members having different cultural backgrounds. Trust is especially important in sharing tacit knowledge which is recognised as the most valuable knowledge in an organisation. Therefore, organisations have to create a trusting environment in which the knowledge sharing process can effectively be performed.

Project location

According to the analysis of the interviews, the location of the project plays also an important role in the success of the projects. The managers especially highlighted the culture of the host country and its legal procedures that can significantly affect the ongoing processes of the projects. The managers also indicated that the companies should pay attention also for the regional cultural differences even in the same country. One manager highlighted the difficulty in working in Middle East countries and the huge cultural impact on business activities and stated that due to these reasons a project might be a failure.

Table 1: Summary of NVivo Analysis

Theme			Number of interviewees who mentioned the issue	
Project success	Cultural awareness	Understanding cultures	11	
		Religion	5	
		Ethnicity	2	
		Cultural identity	3	
		Values	5	
	Experience in international projects	Local offices	4	
		Culture of partners	4	
		Experience in similar projects	5	
		Teamwork	6	
	Benchmarking and learning	Best practices	4	
		Efficiency	3	
	Project location	Regional cultural differences	4	
		Natural events	3	
	Company strategy	Equal opportunities policy	6	
		Staff development strategy	1	
		Training programs	3	
		Employee selection	2	
		Diversification	1	
	Effective management system		1	
Effects of cultural differences	Human resources management	Requirements of staff	8	
		Understanding the culture of staff	7	
		Adaptation to culture	6	
		Flexibility	6	
		Trust	2	
		Capabilities of staff	4	
		Efficiency	4	
		Knowledge management	Knowledge transfer	6
			Knowledge sharing	9
			Innovation	4
	Trust		3	
	Language		8	
	Knowledge capture		5	
	Learning		8	
	Knowledge loss		2	
	New business methods		3	
	Knowledge management team	1		
	Communication management	Experienced staff	3	
		Training	2	
Project databank		2		
Communication management	Language	11		
	Personal relationships	3		
	Regional differences	4		

Safety management	Safety standards	6
	Safety practices	4
	Communication	5
Time management	Working hours	6
	Requirements	4
	Personal characteristics	3
Negotiation	First contact	6
	Language	7
	Communication	7
	Learning the culture	4
	Future projects	3
	Delay	2
Risk management	Profit	1
Quality Management		1
IT management		1

Company strategy

One theme that emerged from this study was the approaches of companies towards cultural differences when working in a culturally diverse environment. The managers pointed out that a synergistic approach can be the most effective way to achieve success. According to Adler (1991), companies could adopt three approaches. These are; the parochial approach (“our way is the only way”), the ethnocentric approach (“our way is the best way”), and the synergistic approach (“our way and their way differ, but neither is inherently superior to the other”). The findings are in accordance with the study of Majidi (2007). He stated that companies should develop a strategy to manage cultural differences.

Effective management system

The success of the project can strongly depend on the availability of an effective management system. The managers indicated that managing cultural differences is also a part of this system and considered it as having a possible effect on the project success. It is obvious that establishing a management system that includes managing people from different cultural backgrounds is highly essential for the success. At this point, top management support plays a vital role. Ignoring cultural differences within the company can seriously lead to inefficiencies and reduce productivity.

CONCLUSIONS

In international construction projects there are many factors that have an effect on the success of the projects. Culture has also the potential to impact on the success of these projects. Therefore, companies have to consider the cultural issues in their daily businesses to operate successfully in the global marketplace.

This study is based on interviews with senior managers from the UK construction industry. In this study, the impacts of cultural differences on project success have been examined. Six themes emerged from the data analysis: cultural awareness, experience in international projects, benchmarking and learning, project location, company strategy, and effective management system.

The analysis of the interviews showed that the managers see a direct relationship between project success and cultural differences. Understanding, respecting and

accepting different cultures are considered as key issues for managing projects successfully when doing business with people from different cultural backgrounds. There was evidence in the data that companies need to have an understanding of the different cultures for a project to be successful.

Having experience in international projects and being familiar with the national culture of the countries in which the companies operate are considered as important issues to overcome the problems caused by cultural differences. Moreover, effective knowledge sharing with people having different cultural backgrounds and areas of expertise was seen as one of the key issues for a project to be successful.

Although the sample size was small and reflect the opinions of 11 senior managers, the results support findings of previous studies. Future studies will be carried out in international construction projects to examine the relationship between project success and national cultural differences.

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