



White Paper 2017-11

How to Take Into Account Cultural Differences in Large Complex Projects

Large international Projects are multicultural. They are executed in various countries. Cultural differences need to be taken into account as well within the team as with regards to the client and the local context. This aspect is often underestimated, in particular by international project specialists, under the belief that conventional rule of contract and project management approaches prevail. However it not always so, and Project success requires to be attuned to cultural differences. This White Paper elaborates on some aspects that need to be considered carefully.

Taking into Account Cultural Differences

Cultural differences express themselves at two levels on a Project:

- Large Projects are always global when it comes to the entire value chain (suppliers, contractors) and often at the Project team level as well,
- The Contractual approach and strategy needs to be adapted to the cultural context of the Client.

Large Projects are Global

Large Projects nowadays are always global in nature. Even if they are performed in a single country, the supply chain will be global, and significant parts of the work can be expected to be performed in sometimes far-away countries. In addition, Project teams themselves are increasingly multi-cultural, consistently with the evolution of society and the global nature of specialist manpower. Construction contractors will also often utilize foreign manpower or at least manpower of foreign origin. One immediate issue is to deal with language – while English is often used as a common language in global Projects, all contributors might not master it and misunderstandings are common. This issue is often underestimated but it may significantly impact the effectiveness of a Project team, in particular because people often do not want to confess that they have difficulties to understand. Difficulties in this area must be addressed upfront. Translations of key documents might be needed for the workforce and even for part of the Project team.

In addition, the impact of cultural differences on Project communication and performance should not be underestimated. It will inform the leadership styles that need to be used. It will also require substantially more investment in team members' integration for the team to be fully effective in an atmosphere of trust. Cultural differences also too often lead to general categorization which relates to blame, and this effect needs to be carefully avoided in the Project team in particular in periods of stress.

A good way to address cultural differences upfront is to use one of the available tools mapping cultural differences such as the Hofstede National Culture

Dimensions (available for a set of large countries online at <https://www.hofstede-insights.com/product/compare-countries/>). It is useful to share such a general mapping with the team and play around these differences in a fun manner. Of course country averages do not represent the preferences of individuals, which may be significantly different. However we have found that some dimensions such as the deference to authority (Hofstede's "power distance") or short/long term orientation ((Hofstede's "long term orientation")) are excellent indicators of default modes people of a certain culture tend to retreat under stress.

Certain aspects must be taken into account when setting up the Project team's organization:

- For foreign supplier/ contractor from very different cultures (and language barriers), it is best to assign as 'Scope Manager' a person from the same country or from a close culture,
- The Project Management Team itself should have a good diversity reflecting most cultures in the team,
- At the same time it is very important to try to avoid to have clusters of people from the same origin in certain functions, as this has the potential to increase blame effects,
- When needed, in particular regarding the country where the work will be performed, do not hesitate to provide the team with a cultural difference briefing and orientation.

In summary, it is an illusion to believe that there is nowadays a universal culture. We are all marked by some cultural traits linked to our origin. While diversity is a great asset in any Project, it needs to be carefully managed and nurtured to deliver its promised value.

Why the Contractual Approach Must Fit the Culture

An aspect which is often underestimated by (western) organizations is that the British or American tough and formal contractual approach does not work universally. While it is formally the manner in which most large global contracts are setup nowadays, the way those contracts should be managed varies greatly with the local culture of the Client.

The capability to be attuned to cultural differences and adapt accordingly is a key skill for the successful Project Manager on Large International Projects.

To the contractor's dismay, in many countries, trust, atonement to local culture and adaptability is more important and issues tend to be resolved at the end of the Project in a single wash-out package where both parties aim at not losing face. If the contractor has done great efforts to respond to the Client, he can generally hope to be rewarded at the end. However this creates difficult situations with respect to the formal accounting rules for profit recognition because this generally leads to a substantial degradation of the formally recognized Project bottom-line in the second half of the Project. In these circumstances, writing tough contractual letters during the Project may also not be acceptable to the other party because of face-keeping issues and the expected deference to the Client.

In general, cultural matters should not prevent proper formalization of contractual issues and notifications, as these are important evidence for any future court case or arbitration, which may always happen. However it is important to adapt the tone of the correspondence to the cultural circumstances.

The development of the contractual strategy must also be deeply informed by the cultural context. It is important to note that what will be remembered from the Project after it is closed is its final cost or profit, and not so much the ups and downs that happened during the Project. Therefore, showing a temporary degradation is not so important compared to the longer term aim of a successful Project. We recommend that the long term view should always be the priority of the contractual strategy. In certain cultures it might involve working mostly on the client trustful relationship and living without written agreements to Change Orders and extensions of time until final Project closure. Project sponsors and senior management must understand these aspects to protect the long term interest of the organization and get involved to create an adequate atmosphere of trust.

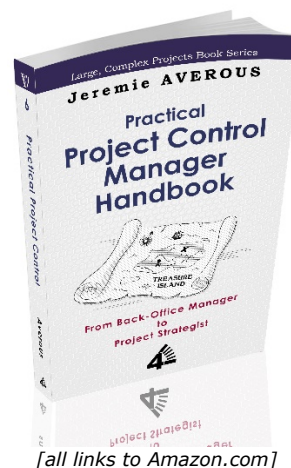
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Conclusion: Understanding and adapting to the culture is a must

We see too often Projects in dire straits because of some cultural misunderstanding – either within the project team itself or with the Client or local communities. The capability to be attuned to cultural differences and adapt accordingly is a key skill for the successful Project Manager on Large International Projects. The availability of a local partner and/or counsel is also an essential success factor that should be taken into consideration when setting up such Projects for execution.

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