CROSS CULTURAL DIFFERENCES AND THEIR IMPLICATIONS FOR MANAGING INTERNATIONAL PROJECTS

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1. ABSTRACT

Effective use of cross cultural teams can provide a source of experience and innovative thinking to enhance the competitive position of organizations. However, cultural differences can interfere with the successful completion of projects in today’s multicultural global business community. To achieve project goals and avoid cultural misunderstandings, project managers should be culturally sensitive and promote creativity and motivation through flexible leadership. This paper describes the most well known and accepted cross cultural management theories. These theories consider relations between people, motivational orientation, orientation toward risk, definition of self and others, attitudes to time, and attitudes to the environment. We discuss motivation and training of multicultural project teams and relevant implications for project management. We provide examples of success and failure in international, multicultural projects. The paper concludes that global project management can succeed through culturally-aware leadership, cross cultural communication, and mutual respect. Without them, it is destined to fail.

2. CROSS CULTURAL DIFFERENCES

Managers in today’s multicultural global business community frequently encounter cultural differences, which can interfere with the successful completion of projects. This paper describes the most well-known and accepted theories of cultural differences and illustrates them with examples from international project management. Two leading studies of cross-cultural management have been conducted by Geert Hofstede [1] and Fons Trompenaars [2]. Both approaches propose a set of cultural dimensions along which dominant value systems can be ordered. These value systems affect human thinking, feeling, and acting, and the behavior of organizations and institutions in predictable ways. The two sets of dimensions reflect basic problems that any society has to cope with but for which solutions differ. They are similar in some respects and different in others. The dimensions can be grouped into several categories:

1) 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.

2) 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.

3) 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.: **paternalism** and **fatalism** [3]. 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 what follows we provide a brief description of the most relevant dimensions and consider some cultural problems that might arise when managing an international project.

**Power distance** is the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. The basic problem involved is the degree of human inequality that underlies the functioning of each particular society. In Hofstede’s research, power distance is measured in a Power Distance Index (PDI). The values and attitudes found at the national level contrast “low-PDI countries” with “high-PDI countries”, with some countries placed in between. High PDI countries include Malaysia and Mexico. Low PDI countries include Austria and Denmark.

**Uncertainty avoidance** refers to the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and different from usual. The basic problem involved is the degree to which a society tries to control the uncontrollable. The countries from Hofstede’s study were each given a score on Uncertainty Avoidance Index (UAI). UAI was derived from country mean scores on questions dealing with rule orientation, employment stability, and stress. Hofstede’s research has found UAI values for 50 countries and three regions. The countries rank from Greece, Portugal, and Guatemala (highest UAI) to Singapore, Jamaica, and Denmark (lowest UAI).

**Individualism, versus its opposite, collectivism,** is the degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family. Positioning itself between these poles is a very basic problem all societies face. A concise definition is: “Individualism stands for a society in which the ties between individuals are loose: Everyone is expected to look after him/herself and her/his immediate family only. Collectivism stands for a society in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty” [4]. National differences in Individualism are calculated in an Individualism Index (IDV). The highest IDV scores were found in the United States, Australia, and Great Britain. The lowest IDV scores were found in Guatemala, Ecuador, and Panama.

**Masculinity versus its opposite, femininity,** refers to the distribution of emotional roles between the genders, which is another fundamental problem for any society. This distinction opposes “tough” masculine and “tender” feminine societies. The duality of the sexes is a fundamental fact with which different societies cope in different ways. Surveys on the importance of work goals show that almost universally women attach more importance to social goals such as relationships, helping others, and the physical environment, and men attach more importance to ego goals such as careers and money. However, Hofstede’s data revealed that the importance respondents attached to such “feminine” versus “masculine” work varied across countries as well as across occupations. Masculinity stands for a society in which gender roles are clearly distinct. Men are supposed to be assertive, tough, and focused on material success. Women are supposed to be more modest, tender, and concerned with the quality of life. Femininity stands for a society in which gender roles overlap. Both men and women are supposed to be modest, tender, and concerned with the quality of life. Because the respondents were mostly men, Hofstede suggested calling this dimension the Masculinity Index (MAS). The list of countries in order of MAS (high gender roles distinction at work) shows Japan at the top.
German-speaking countries (Austria, Switzerland, and Germany) scored high; so did the Caribbean Latin American countries Venezuela, Mexico, and Colombia, and Italy. The Anglo countries (Ireland, Great Britain, South Africa, the United States, Australia, New Zealand, and Canada) all scored above average. Asian countries, other than Japan, were in the middle. The feminine side (low gender roles distinction at work) includes other Latin countries (France, Spain, Salvador, etc.). At the extreme “feminine” pole were the Nordic countries including Sweden, Norway, and the Netherlands. Low MAS countries are characterized by cooperation at work and a good relationship with the boss, belief in group decisions, promotion by merit, lower job stress, and preference for smaller companies. High MAS countries are characterized by challenge and recognition in jobs, belief in individual decisions, higher job stress, and preference for large corporations.

**Long-term versus short-term orientation** refers to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs. Hofstede’s research shows country scores on a Long-term Orientation Index (LTO) for 23 countries. East Asian countries (China, Hong Kong, Taiwan, Japan, and South Korea) scored highest. Western countries were on the low side, and some developing countries (Zimbabwe, Philippines, Nigeria, and Pakistan) scored lowest. So this dimension does not oppose East and West; it divides the world along new lines. Business people in long-term oriented cultures are accustomed to working toward building strong positions in their markets and do not expect immediate results. Managers (often family members) are allowed time and resources to make their own contributions. In short-term oriented cultures the “bottom line” (the results of the past month, quarter, or year) is a major concern; control systems are focused on it and managers are constantly judged by it. This state of affairs is supported by arguments that are assumed to be rational, but the cultural distinction reminds us of the fact that this entire rationality rests on cultural – that is, pre-rational – choices.

Hofstede’s research, which used questionnaires provided to the worldwide employees of IBM, did not include some regions, and countries of Central and Eastern Europe. However, Hofstede hypothesized that Russian managers would be characterized by high power distance, high uncertainty avoidance, medium-range individualism, and low masculinity (low gender roles distinction at work). Bollinger tested Hofstede’s hypothesis in its studies of Russian managers in 1994, and found support for these predictions [5]. More recent studies utilized Hofstede’s dimensional model as a paradigm for new countries. For instance, Elenkov in his comparative study found that US managers are more individualistic than their Russian counterparts and the managerial culture in the United States is also characterized by lower power distance and uncertainty avoidance than the Russian managerial culture [6]. Regarding paternalism and fatalism, Aycan et al. found Russian managers to have high scores on both of these dimensions [7].

From these results, implications for the applicability of project management methods are elaborated.

### 3. MOTIVATION AND TRAINING OF MULTI-CULTURAL PROJECT TEAMS

Traditional projects, as national projects, may be affected by personality conflicts. Cultural differences among project team members may create additional misunderstanding throughout the project life cycle. The impact of cultural factors such as language barriers, time differences, and socio-economic, political, and religious diversity may result in a normative pattern prescribing a range of permissible actions so as to encourage self-interest.

Motivating project team members may encounter significant barriers in multi-cultural project communications. The context of international projects includes cultural diversity, where participants are continuously learning. This fact influences training and educational approaches
and has an impact on attitudes toward the use of technology, the amount of practice, reinforcement, and level of interaction with the instructor to which learners from other educational systems are accustomed.

Frame [9, 10] recognized the cultural aspects of project management in his publications and specifically accommodated the attitudes of Japanese business students attending his lectures. Kohls (1981) listed the differences between Western and non-Western cultures that can be used to clarify the impact of diverse value approaches on the motivation and training aspects of the management of international projects (see figure 1).

The items in Figure 1 identified as having a negative impact on project management clearly portray a clash of cultural values and represent areas in which conflicts may occur in project teams. Team members need to complete project tasks efficiently and make value judgments on courses of action, based on information not applicable in their own cultural environments.

4. IMPLICATIONS FOR PROJECT MANAGEMENT

Cultural patterns at work reflect cultural patterns in the wider society. Project managers share the cultures of their society and of their organization with their project teams. For instance, project management techniques and training packages have been developed almost exclusively in individualist countries, first of all in the USA, and are based on cultural assumptions that may not hold in collectivist cultures. For instance, the ability to communicate “bad news” and to manage performance are considered key skills for a successful project manager. However, in managing international projects involving partners from collectivist societies, one has to bear in mind that discussing a person’s performance or abilities openly with him or her is likely to clash head-on with the society’s harmony norm and may be felt by the subordinate as an unacceptable loss of face. Such societies have more subtle, indirect ways of communicating feedback, such as through the withdrawal of a normal favor or verbally via a mutually trusted intermediary.

In collectivist/particularistic/communitarian cultures greater attention is also given to the obligations of relationships and to unique circumstances. Friendship has special obligations and hence may come first. Accordingly, less attention is given to abstract legal codes. In individualist/universalist cultures, the law and social norms may take precedence over friendships. The key concept of guanxi in Asian business is by now known worldwide. It refers to personal connections; it links the family sphere to the business sphere. Having a personal network of acquaintances is extremely important in these societies. This is an evident consequence of collectivism (relationships before task), but it also contributes to a long-term orientation and paternalism. One’s capital of guanxi lasts a lifetime, and one would not want to destroy it for short-term, bottom-line reasons [8].

<table>
<thead>
<tr>
<th>Western Cultural Values</th>
<th>Non-Western Cultural Values</th>
<th>Impact on Project Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism</td>
<td>Collectivism/Group</td>
<td>+</td>
</tr>
<tr>
<td>Achievement</td>
<td>Modesty</td>
<td>X</td>
</tr>
<tr>
<td>Equality/Egalitarianism</td>
<td>Hierarchy</td>
<td>−</td>
</tr>
<tr>
<td>Winning</td>
<td>Collaboration/Harmony</td>
<td>+</td>
</tr>
<tr>
<td>Guilt (internal self-control)</td>
<td>Shame (external control)</td>
<td>X</td>
</tr>
<tr>
<td>Pride</td>
<td>Saving face</td>
<td>X</td>
</tr>
<tr>
<td>Respect for results</td>
<td>Respect for status/Ascription</td>
<td>+</td>
</tr>
<tr>
<td>Respect for competence</td>
<td>Respect for elders</td>
<td>−</td>
</tr>
<tr>
<td>Time is money</td>
<td>Time is life</td>
<td>−</td>
</tr>
<tr>
<td>Action/Doing</td>
<td>Being/Acceptance</td>
<td>−</td>
</tr>
<tr>
<td>Systematic/Mechanic</td>
<td>Humanistic</td>
<td>−</td>
</tr>
</tbody>
</table>
Similar to this category is Trompenaars’ distinction between *achieved versus ascribed status*. Achievement means that a person is judged on what he or she has recently accomplished and on his or her record. Ascription means that status is attributed to a person based on birth, kinship, gender or age, and on his or her connections and educational record. In an achievement culture, the first question is likely to be “What did you study?” while in an ascription culture the question will more likely be “Where did you study?” Only if it was a poor university or one they do not recognize will ascription people ask what the respondent studied; and that will be to enable the respondent to save face.

5. EXAMPLES OF SUCCESSFUL AND FAILED PROJECTS

**Successful Projects**

There are many examples of successful management of cross-cultural, international projects. As an example, consider the Year 2000 (Y2K) projects conducted by public and private organizations around the globe. Diligent multi-cultural teams cooperated to prepare and remediate computer systems, outdated software code, telecommunications networks, imbedded systems, and other infrastructure for the millennium date change. Countries and organizations throughout the world recognized that while maintaining management of their own Y2K projects, they would gain from sharing information on their project plans, progress, problems and successes. Even organizations in cultures not normally accustomed to collaboration realized the value and importance of sharing information and knowledge. Public and private organizations throughout the world formed networking and information sharing partnerships to respond to Y2K challenges. National, regional, and global organizations shared knowledge about Y2K risks, problems, and strategies. Some countries passed laws and regulatory guidance to allow organizations to share information without legal concerns [12].

The U.S. Department of State, Office of Inspector General published a report entitled: “Year 2000 Lessons Learned: Strategies for Successful Global Project Management” [12]. In that report, the Ambassador, Permanent Mission of the Kingdom of Lesotho to the United Nations is quoted as saying: “Y2K was the first time that the international community all rose to the challenge and worked together to meet a common threat; international cooperative efforts did not compromise anyone’s sovereignty or commercial interests.” A Foreign Service Officer in the U.S. Consulate in Hong Kong is quoted as saying: “It was an impressive mobilization of resources and people and a good demonstration of effective cooperation and communications.” The Chair of the U.S. President’s Council on Year 2000 Conversion is quoted as saying: “Y2K was fascinating in terms of how to get one’s arms around a subtle problem that crossed a wide sweep: 180 countries, 50 states, the entire U.S. economy, and the whole U.S. Government. We will not have to do it again in the near future, however the lessons learned from the exercise will be invaluable in addressing other management issues.”
The enormous success of the huge number of Y2K projects worldwide was very impressive. After the resounding successes, some claimed that the problem may have been initially exaggerated. Others may consider that to be the nature of successful projects: if the problem is solved, no one should notice it! Nonetheless, most agree that very important lessons were learned in successful global project management. The Special Representative for Y2K International Coordination, U.S. Department of State is quoted as saying [12]: “Even though [Y2K] turned into a nonevent with no major problems and relatively minor glitches, for all intents and purposes, it yielded a side benefit in that we skipped a generation in terms of IT and innovative ways of doing business.” A telecommunications official in Hong Kong is quoted as saying [12]: “[Y2K] was not easy, but it was a good experience that can be applied to managing other IT projects.” A Consular Affairs official in the U.S. Department of State is quoted as saying [12]: “In effect, we should not call what happened a Y2K success, but rather a management success.”

A Failed Project

There are also many examples of failures in the management of cross-cultural, international projects. As just one example, consider the Iridium project. This project launched into space 66 low orbiting satellites, to produce a telecommunication network that would cover the entire globe, and allow anywhere to anywhere communications. It was the largest telecommunications project ever undertaken by the human race, costing $5 billion and involving several widely respected high technology organizations and about 6,000 engineers, technicians and business administrators from many parts of the world. The project used some of the highest levels of technology, included the largest commercial software development effort in history, and involved 26 countries.

During its planning, design, and early implementation stages, the project was expected to be a major success [13]. Iridium achieved some of its technical, delivery, and operational objectives. However, the project was a dismal commercial and financial failure, ultimately forcing Iridium LLC to file for bankruptcy in 1999 [14]. Iridium LLC planned to let the 66 satellites disintegrate in space. But, in bankruptcy court, the entire venture was ultimately sold to a new entity, Iridium Satellite LLC for a mere $25 million in 2000 [15]. Iridium Satellite LLC foresees a viable future, focused on new applications for a space-based system including data delivery, low-speed Internet services, and remote location users—primarily “business and organizations that operate beyond the world’s telephone lines” [16].

Iridium used proven project management methods and best practices. However, the project strategy relied heavily on the technical aspects and the schedule milestones. It appears to have insufficiently addressed quality, feasibility, global marketing, team communications, and customer acceptance of the product [14].

“Iridium’s international structure has proved almost impossible to manage: The 28 members of the board speak many languages, turning meetings into mini-U.N. conferences complete with headsets translating the proceedings into five languages [14]. Problems in cross-cultural communications may have played an important role in the demise of Iridium: The Chief Executive Officer of Iridium LLC “set up a chart with red, green and yellow cars to illustrate which consortium partners were on schedule, which were lagging, and which were far behind. According to one person who was there, several partners who had been tagged with red cars refused to talk to him after the meeting” [14].

6. CONCLUSIONS

Global project management can succeed through effective leadership, cross-cultural communication, and mutual respect. Without them, it is destined to fail.
International projects that use effective cross-cultural teams can provide a source of experience and innovative thinking to enhance the competitive position of their companies, and to resolve potential communication barriers. Multi-cultural projects are becoming the norm. More and more projects are being executed successfully using multicultural teams. To achieve project goals and avoid potential risks, project managers should be culturally sensitive and promote creativity and motivation through flexible leadership.

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