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Impact of Cultural Dynamics on the Process and Outcome of a Global Engineering Project – a Case Managed by the Finns and the Poles

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Abstract

This is a study on the effects of cultural dynamics on the process and outcomes of a global engineering project. The purpose of this research is to specify the ways in which differences in culturally embedded conceptions of managerial behavior and technical mastery mediate to the process and affect the outcome of the studied project. It is argued that the perceived cultural differences are socially constructed through the dynamics of doubt and comparison. These dynamics lead into a constraining or promoting circle of cross-cultural interaction. The consequences are aggravated or diluted through both conscious and unconscious adaptive behavior, which affects the process and outcome of the project.

Keywords: culture-specificity, cultural differences, institutional differences, project management, global projects, engineering projects

1 Introduction

In the era of globalization there exist two striking mega-trends: increasing multiculturalism and the growth of temporary work arrangements. New information technology and developments in transportation, legislation, and governing arrangements have created a new type of global connectedness between people, companies and nations. Domestic work groups are increasingly sent overseas for assignments, and significant proportion of companies' work force are currently employed outside their home countries.

At the same time previously stable and permanent organizational arrangements have become temporary and disposable (March 1999). Projects, as forms of organizing, are becoming an inherent feature of modern life. We are heading towards something that can be called a "projectified society" (Lundin and Söderholm 1998). The project groups are more and more often composed of people representing various nationalities and cultural backgrounds (Chevrier 2003). Thus, management of "diversity" has become one of the most common and demanding challenges in contemporary organizations and global projects.

Scholars diverge strongly on the issue of universality versus culture specificity of the project work and management. Those who propose for a culture–specific perspective argue that projects are embedded in their social context. This affects the outcomes of the projects as well as processes leading to them. On the other hand, those who propose for a universal perspective argue that similarities rather than differences exist between projects and their management. Technological imperatives, common industrial logic or general management principles harmonize project work and management. This study explores further these arguments in global projects.

We define global projects as projects that are organizationally complex with participants from multiple cultures; and that have complex institutional issues and concerns stemming from encounters of different goals, values, cultural norms, work practices, technology, and institutions. Examples of these are major infrastructural projects such as dams, water supply facilities, transportation infrastructure, power plants, telecommunication networks, oil and gas pipelines and sewage/waste/hazardous waste facilities, to name just few. These kind of projects face the same coordination and integration challenges as projects built in, and composing of participants coming from one single country and culture.

However, in addition, global projects must successfully confront and address the challenges posed by conflicting cultural norms and values, unfamiliar institutional conditions, and language-related misunderstandings between people.

This study explores the ways in which Finnish management culture meets that of the Polish and the various ways these encounters affect the progress and outcomes of a global infrastructural project. We concentrate on cultural dynamics between the Finns and the Poles in a recent power plant project executed in Poland. It demonstrates among others how it is possible to smooth down the clashes even between two remote cultures.

We begin with a discussion on universality and culture-specificity in managerial behavior and leadership. In order to specify the impact of dynamics between Finnish and Polish management cultures on outcomes of a global project, we have gathered data on the outcomes, critical events and the process of the project studied. We also provide a view of the culture and value-base of the main participant countries in the project. After that we outline the course of events and some of the critical incidents in the project under scrutiny, and identify the cultural tensions or collaborations involved. This serves as a starting point for specifying the ways in which encounters between Finnish and Polish management cultures and processes tend to affect the actual outcomes of the project.

2 Cultural specificity of managerial behavior

The seminal studies of Hall (1959), Hofstede (1980), and Trompenaars (1993) have indisputably demonstrated that human interaction does not happen in a vacuum or isolation. Instead it takes place in a social environment governed by a complex set of formal and informal values, norms, rules, codes of conduct, laws and regulations, policies and polities as well as a variety of organizations. These governing mechanisms are often shortly referred as culture and institutions (cf. Scott 2001). The primary function of the two is to reduce ambiguity and uncertainty in everyday human behavior, interaction, and decision-making by providing a framework for situational interpretation and limiting options for appropriate behavior and response (Schein 1985).

In the aforementioned seminal studies distinct and long lasting differences between national cultures have been identified. The underlying argument in these studies is that differences between national cultures exist and also decisively matter. In each national culture sets of partly differing solutions to the universal societal problems have evolved

over time and attained high degree of constancy and resilience (Hofstede 1991). Using a variety of cultural value frameworks the aforementioned scholars and their numerous descendants have demonstrated how differences in national cultural values, and thus differing national cultures, can have a wide-ranging impact on organizations and organizational behavior. They are likely to give organizational actions, processes and outcomes their distinctive characteristics (Hall 1959; Hofstede 1980; Trompenaars 1993). These scholars have also argued that managerial behaviour as one form of organizational practices varies across nations. In fact, it is argued that most managerial and firm conceptions are socially and culturally constructed realities (Bartlett and Ghoshal 1989; Scott 1998; Dickson *et al.* 2003).

In addition to their cultures, nations differ by their institutions. Institutions can be defined as relatively stable collections of practices and rules defining appropriate behavior for specific groups of actors in specific situations (March and Olsen 1998). They consist of informal (sanctions, taboos, customs, traditions, and codes of conduct), and formal constraints (constitutions, laws, property rights) (North 1990, 1991). According to North (1990, 1991), the major role of institutions in a society is to establish a stable (but not necessarily efficient) structure to political, economic and social interaction. Although institutions and culture can be separated from each other as theoretical constructs and scientific traditions, this distinction, however, is not unambiguous. Pervasiveness of informal constraints is stressed and it is particularly from culture that these constraints originate (North, 1990).

The comparative studies suggest, that managerial behavior and leadership styles have particular and distinguishable national characteristics based on local cultural and institutional peculiarities (Smircich 1983). However, despite the explosion of the amount of research on management and leadership in a cross-cultural context, we know relatively little about both the actual processes stemming from encounters between two or more management cultures and their outcomes especially in global project context. In addition, the notion of cultural specificity questions the applicability of management practices particular to one culture in foreign cultures (Tainio and Santalainen, 1984). Therefore one is compelled to analyze particular cases of global projects where two or more different managerial cultures actually encounter each other.

When one tries to manage a project in foreign country (or vice versa execute a project in home country with foreign project management) one must first consider how and in which

respect do the respective cultures differ from each other. As was noted above, in this study we concentrate on a power plant project executed in Poland with a joint project management between the Finns and the Poles. This leads us to specifying the peculiarities and differences of Finnish and Polish management cultures, which also serve as our starting point in analyzing some of the implications of these differences in global project context.

3 Finnish and Polish management cultures

The comparative studies on national cultures have characterized Finnish culture in a nutshell as follows: Finnish people only reluctantly accept wide power distances between people. They are worried about equality in society, and in general, they are sympathetic to the underdogs. In terms of Hofstede, the Finns try to maintain relatively low power distance. They respect good life more than material rewards. Finns have a strong sense of national and individual individualism, but they are still more risk-averse than risk-takers (Lewis and Gates, 2003).

Finnish management culture appears as a strange combination of pragmatism, “action-orientation” and privacy, “introversion”. Finnish managers themselves like to see themselves as flexible, straightforward, and those who get things done. From outside they appear silent, modest and shy.

Typically Finnish managers work with effectiveness and stamina, but they are not socially active. It is often argued that Finnish managers lack social (interpersonal) skills (e.g. Airola et al. 1991; Lewis and Gates 2003). Management by “perkele”, the slogan created by Swedes, emphasizes temper and impatience. Finnish managers, unlike Swedish, are not keen on long discussions, but instead long for action.

This emphasizes the image of Finnish managers as hierarchical with authoritarian leadership style. Finnish managers tend to place themselves between the Swedes and British – more democratic than the latter but more autocratic than the former. With respect to Americans the biggest difference is on extrovert-introvert dimension. Finns are introverts having difficulties in making contacts and keeping up conversations. They lack the art of small talk, compliments and courtesy. Descriptive is that “you are taught not to speak, unless you have something to say” (Bjerke, 1999). This creates problems in

situations where one needs to persuade people to do something. In several studies Finnish managers have themselves recognized their deficiencies in human resource management, especially in interpersonal and leadership skills (Airola et al. 1991).

Many of these characteristics emanate from the Finnish history and its geo-political position between the East and the West. Especially the Second World War against the Soviet Union has left its marks to Finnish management culture. The lesson was that Finns cannot rely upon the help of others. They must manage and survive on their own. Action-orientation and national individualism, even self-sufficiency, can be understood against this background.

Reactive traits, modesty, shyness, and use of silence, and the image of people as reserved and unsociable, are built and accentuated in the Finnish educational system. It favors discipline, orderliness, punctuality, and underlines the significance of factual, not social, skills. Finnish management culture is also firmly rooted in engineering culture and engineering practices (Fellman, 2001). Finnish managers are often seen to treat people as machines. Both are assumed to be obedient, efficient, and humble.

Poland is also a country between the East and the West. As Finland has been described the most eastern stronghold of the west, Poland can be called the most western stronghold of the east. After the Second World War, Poland was one of the major countries in the eastern block. It had the close political and economic ties with the Soviet Union. As a socialist country Poland was a centrally planned, party/state-led society. Its economy was heavy industrial based mainly in coal processing. After the collapse of the communist regime in 1989, Poland experienced a rapid transformation towards the market economy. Most of its social institutions underwent a profound transformation.

The Polish culture appeared, however, more resistant to change. Poles have always been famous for their national pride and dignity. The old corporate culture established during the communist period was widely prevailing despite the new developments. Old corporate culture was strictly hierarchical and bureaucratic. People had well adjusted to a large power distance in the society. It was important to obey those above in the hierarchy and to follow rules and formalities. But at the same time inequalities fed the self-interest of the people. Corruption was wide spread, and the culture of ‘stealing’ prevailed in corporate life. It was acceptable to take out from the companies, since there was in general the lack of commodities in the society. In the planning economy the demand of goods was not the

major managerial problem, but the supply-side was. The major task of the management was to secure the availability of spare-parts, raw materials, and equipment to keep production going. Another managerial task was political. Top managers were members of the communist party. They had a lot of power over personal life of their employees, which could be expressed as “management by terror”. Against that people had created a culture, which can be characterized as ‘resistance to stupidity’.

Unfortunately, socialist countries like Poland have not, in general, been included in the comparative studies of national cultures. The only exception is former Yugoslavia (Hofstede, 1980). We could cautiously generalize from its characteristics to Poland. From that perspective Poland would look overtly feminist, risk avoiding, collectivist rather than individualistic, and especially a country with a wide power distance.

The above stereotyped pictures of the Finnish and Polish cultures provide an appropriate starting point for analyzing their interaction in a joint construction project. It sensitizes to the differences and similarities, and possible clashes or mutual benefits, but they do not provide a straightforward hypotheses on how the interaction actually occurs through the passage of time under different circumstances.

3 The project studied and methodological approach

The power plant project under scrutiny provides an example of a joint execution and project organization model (the project organization was jointly managed by the Finns and the Poles, both employees of the same company) combining engineering and design expertise from Finland with manufacturing and project expertise in Poland. The power plant itself was a turnkey delivery of a 226 MW bituminous coal –fueled plant designed to replace the existing facility originally dating back to 1898. The project was initiated in January 2000 and handed over in October 2003. The power plant is situated in Upper Silesia in Poland. The plant was designed and engineered almost entirely in Finland and the design was based on Finnish expertise on a particular power plant technology. Although the Poles had considerable experience in power plant projects, this technology had not been implemented before in Poland.

The outcome of the project was deemed successful according to the following criteria: The project was delivered according to contract schedule, it was financially successful and the heat rate of the plant was 5 % above guaranteed. In addition there were no major

accidents during construction. All this was accomplished despite a two-month delay caused by the customer in the critical phase of synchronizing the power plant to the national grid. The project also suffered from difficulties with local institutions (railroad authorities and property rights concerning land ownership) during construction of the railroad for fuel handling. In fact it is estimated that the railroad will not be finalized until mid-2004, despite the fact, that the handover and commissioning took place at the end of October 2003. The project showcased also a number of other challenges and difficulties of various degree oftentimes related to projects of this size and complexity. However, the effect of many of these on the project outcome were overcome or smoothed down despite many perceived differences between the Finns and the Poles in conceptions of appropriate project management and execution methods.

In order to specify the dynamics of interaction between Finnish and Polish management cultures as well as some of the effects of those encounters in the case project, we conducted in-depth interviews among the Finnish and Polish project managers. The two Finnish project managers were interviewed altogether four times. The interviews were made in Finnish. After each round the data was discussed and analyzed in the research group and the questions for the next round were decided. Also the stories were discussed, checked and approved by each of the interviewed project managers. We also interviewed once the Polish project manager. That interview was made in English.

The interviews covered both the outcomes and the progress of the project and what happened in various instances, when Finnish project managers and their Polish counterparts and subordinates met each other. Inquiries were started from the very first get-together and the interaction was followed in a chronological order. Critical events and phases in the progress of the project were identified and the interaction between the Finns and the Poles was related to that.

Secondary data from the project was also collected. This consisted of project reports, project outlines, company reports etc. which gave the ‘official’ picture of the progress of the project. Additional information about the Polish culture was also gathered. Previous studies were utilized extensively, and people who had visited or lived in Poland were interviewed.

4 Evidence of the effects of encounters between the Finnish and Polish management cultures on project progress and project outcomes

"The power plant project in Poland was started in practice on one Saturday morning in January 2000. I got a phone call from London. I was told that the contract was signed. Next Monday morning I started to work on the project together with our commercial director responsible for sales. My Finnish colleague joined the project right from the beginning. We knew quite a bit of Poland. We both had worked there in the late 1990s.

In April, we got the first touch with the Polish culture in this project. We hired the Polish project manager, whose major task was to create the Polish project organization. Despite some preventive efforts, in the beginning the whole project was split into two camps, Finnish and Polish. The planning was made in Finland, and the preparations for the construction work in Poland. During the summer, all the major activities were gradually moved to Poland."

(Finnish project manager)

One of the first cultural disagreements, or difference between culturally and institutionally embedded conceptions, in the project occurred when the subcontractors were selected. Finns were used to make these selections on the basis of "hard facts", numbers and references when operating in a foreign market. Poles, however, were thinking more on the local terms. They favored local firms they knew. Poles were also concerned about local image of the project and the regional development subcontractors could provide. Poles emphasized the good-will factors in the selection.

Finns thought that the "Polish way" would be "different from what we usually do, especially in international projects, in foreign markets", but it has its point. The knowledge about local conditions and especially institutions is valuable. It would be reasonable "to think as they do, to understand the implications of subcontractor selection on a larger picture, not just limit ourselves to this particular project". Thus, understanding the nuances related to "whys" and "hows" on operating in the local institutional environment was admitted to be crucial, although at first the conceptions of appropriateness in this particular issue were diverse.

At the end, the subcontractors were selected as the Poles suggested. It did not have an adverse effect on the timetable of the project, although one of the selected companies went bankrupt in a few years. In fact, this approach proved to be worthwhile in terms of project progress, since reliance on local knowledge on local institutional conventions was noticed to smooth down project progress.

Next time when the Finnish and Polish cultures collided was during the procurement phase of the project. The local project organization had already been established. However, disagreement arose regarding the procurement of special pumps needed in the construction of the plant. The Finns acquired these pumps from a German producer themselves, which led to bypassing the Poles. This aggravated the issue of scope and division of responsibilities between the two parties. The Finnish project managers emphasized their good relationships and connections with the German producer, which they used for rationalizing their actions. However they had to admit that the exasperated reaction of the Poles was understandable since the Poles “had their own business unit to run and they wanted to make it as significant as possible, to boost their turnover”.

The issue of scope and division of responsibilities was however related to a wider issue of diverging conceptions of project managerial capabilities and technological skills between the two parties. This was aggravated especially when the question on how to organize the work at the construction site was raised. In this particular project the Finns inclined to favor an extensive use of expatriates, although from the Finnish project managers’ perspective, this was somewhat irregular. A number of previous projects had been managed from the home country, which was the dominant mode of project management in this particular company. However, those projects had been smaller in scale and usually the company had been in a subcontractor status. This power plant, on the other hand, was their first turnkey delivery in Poland, which dramatically expanded the company’s scope of responsibilities towards the customer and various third parties including local institutions. In addition the Finns obviously had their expectations and views on how to implement a power plant regardless of the project location, since it was based on their own technology.

Thus, based on their situational judgment and interpretation the Finnish project managers opted for the use of a number of Finnish expatriates in the project organization. The Poles on the other hand, would have preferred to keep the work more in local hands. They considered such a use of Finnish expatriates unnecessary. Poles are described to

possess, in general, a strong self-confidence on mastering things and a reluctance towards outsider influence, and this attitude appeared also in this particular case. The Finns admitted that the Poles possessed skills in constructing power plants, however, these skills “dated back to the practices and conventions of the Poland under the Soviet influence”. According to the Poles, on the other hand, the Finns were described to be somewhat over-confident on their own skills and capabilities. The Finns seemed to adopt a way of thinking that “this is the way it has always been done and it’ll just have to do”.

In sum the Finns had some serious doubts about the Poles’ capabilities and they were worried about the Poles’ ability to actually carry out independently the complex power plant project based on Finnish technology. The problem was, how to express it without antagonizing people with a strong self-pride? Additionally, Finns did not want to discourage Poles’ individual efforts as they were in a process of building an independent business unit out of the Polish subsidiary. However, the Finns also wanted to be prepared if and when problems emerge. The practical solution was that the Finnish project managers themselves moved to Poland, “in order to be at arm’s length, on site, ready to help, if needed”.

This decision also proved to produce some unexpected benefits, as towards the end of the project some major challenges arose. Due to difficulties on behalf of the customer the project progress was slowed down by a two month –delay in awarding the required permit for synchronization of the power plant[1]. In order to incorporate temporal reserves to the project schedule, the Finnish project managers had originally drafted the project process so that it would take two months less to complete than what was stipulated in the contract. However, the Finns did not want the synchronization delay in itself to come over to the finishing of the project. Therefore vigorous catching up of the delay and speeding up of the project progress was initiated.

To succeed in this challenge, tight coordination of activities and applying temporary solutions was called for. Working hours grew longer and the project was pushed forward sometimes quite forcefully. Reorganization of certain project phases as well as parallel execution of phases normally managed sequentially was called for. This also led to a change in the leadership style of the Finns. Although generally the Finns seemed to favor independent decision-making and autonomous behavior by the subordinates, in this particular situation the Finnish project managers were compelled to actively take part in

operative decision-making and sometimes make decisions in not-so-diplomatic manner. In those instances consensus regarding the decisions was not searched for, instead “it was executed the way we believed was the proper one, based on the knowledge of our technology”. The question then is what made this possible, since it was deemed that the Poles generally, although expecting direct supervision and orders from superiors, are regarded to resist orders from outsiders.

It is apparent that one feature of the Polish sense of pride relates to a certain type of collective conception of leadership. The Poles as a group believe firmly, that “we can”. On the other hand they are used to work in a hierarchical organization where customary is that the boss “has always known”. When the boss belongs to the in-group, i.e. to the group of Poles, and he/she is the one who “knows”, then “all of us know and can”. However, this does not apply in a situation where an outsider makes the decisions because then “instead of us, it is someone else who knows and can, although we could have accomplished the issue with our own boss as well”.

In the project under scrutiny, however, the two Finnish project managers had already built up a substantial track record of working in Poland during their previous assignments. This way they had already proven themselves in the eyes of the Poles and they were considered as partially locals. They had proven that “also those foreigners seem to be able to pull this off”. As was described above, the Finnish way of managing projects in this particular project can, to a large extent, be characterized as giving responsibility and encouraging autonomous behavior. However as was seen, in a critical situation the Finns somewhat contrastingly tend to put high emphasis on their own experience and competencies on the technology, rely upon themselves and push forward their views and decision. Thus they assumed more authoritative leadership style reminiscent of crisis management.

Direct supervisor decision-making, however, was exactly what was described that the Poles are accustomed to. This led to attenuating the otherwise relatively significant differences between the Finnish and Polish conceptions of appropriate style of project management and leadership. “We managed unconsciously the project as a Pole would have done”, and since the Finnish project managers were partially accepted as locals they were also able to succeed in it. Thus, contrary to the original plans, being present on site in a critical situation was deemed beneficial for the progress of the project since “you did

[1] Power plant synchronization refers to a process where the electricity produced in the plant is synchronized to

not have to wait and search for decision makers". At the end, the catching up of the two-month delay was successful and the delay did not have an adverse effect on the overall project outcome, which, as was described, turned out to be a success.

5 Concluding remarks

In global engineering projects there are literally hundreds of factors that have an effect on the outcome of the project. In general the outcome and success of a project could be related to e.g. pure luck, managerial competence, general circumstances, environment, timing etc. and the multitude of variations and combinations these factors produce. In this study we have concentrated on the impact of cultural dynamics on the process and outcome of a power plant project in Poland. The project highlights a case where, despite project process related difficulties and significant differences between culturally embedded conceptions of managerial behavior as well as technical mastery, a successful outcome were achieved.

We have outlined episodes from different phases of the project, which provide some observations of cultural dynamics between the Finns and the Poles. The episodes also highlight some of the culture-specificity related to conceptions of managerial behavior and project execution practices as well as on the way in which cultural effects become activated and how these effects are mediated into the progress and outcomes of the project.

In general the Finns and the Poles in this project seemed to have different conceptions in relation to skills and competences needed to carry out the project. The Poles were described to possess a strong self-confidence on mastering things and reluctance towards outsider influence. This was also described to reflect some of the characteristics and sentiments of the Polish society at large. The Finns, on the other hand, were described to possess a strong reliance on knowledge of the technology that they were importing to Poland. History had also taught the Finns as a society to rely upon themselves, to become self-sufficient.

Thus, in this particular case the cultural effects became activated right from the beginning through doubt towards outsider influence as well as a certain degree of over-confidence

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the national electric grid. This process is required in order to begin test drives and start-up of the power plant.

on own skills and competences. This was evident among both the Finns and the Poles. In this case, these sentiments reflected also to division and scope of responsibilities between the two parties. As was described, the Finns doubted the Poles' ability to carry out the project. Thus they inclined to the use of Finnish expatriates in the site organization, whereas the Poles would have preferred to keep the work more in local hands.

Establishing a strong Finnish presence in the site organization surfaced another set of differences in conceptions concerning project management and execution. The Finnish way of project management in this particular project emphasized giving responsibility to subordinates and encouraging autonomous behavior. Empowerment and flat organizational hierarchy was promoted. The Poles on the other hand were used to work in a hierarchical organization. They expected direct supervision and orders from superiors.

Thus, it became evident that cultural effects also activated through comparisons. Firstly, the Finnish managers made regularly comparisons of their own behavior to the behavior of the Polish project managers. They perceived significant differences between the 'self-steering' type of the Finnish culture and the Polish culture with the prevalence of hierarchies, obedience to following rules and regulations, and deeply rooted top-down control style. Secondly, they compared the Finnish and Polish ways of doing things. In many occasions, based on their previous experience in power plant projects and their technology, the Finns perceived differences in the Polish way of working in the local institutional environment and also in the technical issues related to constructing and commissioning a power plant. These became evident e.g. in the subcontractor selections and in local directives stipulating certain technological requirements in the power plant construction.

For the benefit of the project outcome these differences and their aggravation were overcome or diluted mainly in two ways. In relation to the technical issues and in managing the local institutional environment the Finnish project managers described, that "we just had to accept that there exists more than one way of reaching a certain goal" and that "in many discussions with our own supervisors and experts, we had to conclude that our path is not and cannot be the only one". This points out to a certain type of conscious or systematic adaptation to perceived differences.

However, in relation to the differences in leadership styles, another type of adaptive behavior could be observed. As was described above, in the critical situation towards the

end of the project, the Finnish project managers led the projects “as a Pole would have done”. And as described this happened in an unconscious, intuitive manner. Thus, it points out to a type of unconscious adaptation to perceived differences, which in this case was deemed to level off differences in leadership styles.

To summarize, it is concluded that 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. In the studied project that catalyst was the doubt towards each other and the comparisons made between both of the parties. As a response, depending on the intensity and degree of success or failure in adaptive efforts, a vicious circle of building antagonism, accumulating criticism, and raising barriers for further collaboration might be the result. On the other hand, a virtuous circle of raising curiosity, facilitating mutual learning and stimulating fruitful collaboration could also be a consequence. These circles then either aggravate or dilute the magnitude of differences between culture-specific conceptions and their effects. And as our case project suggests, this happens through both conscious and unconscious adaptive behavior.

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