Researchreport

How to Successfully Manage Cultural Differences in an IT Project with an International Partner

CROSS-CULTURAL DIFFERENCES CAN BE A STIMULATING FACTOR FOR IT PROJECT SUCCESS

Michael Prifling

Robert Gregory

Need for Cultural Intelligence

In a highly competitive environment like in the global financial service industry, banks conduct large-scale IT projects with international vendors from low cost countries to achieve higher levels of operational efficiency and excellence. At first glance, such a venture offers significant cost saving potentials. However, there are certain obstacles to overcome for being successful in such an international engagement. Cross-cultural differences have to be managed effectively.

Researchers have found out that "Cultural Intelligence", a person's capacity to adapt effectively to new cultural settings, is vital for successful cross-cultural interaction (Earley, 2002; Earley and Ang, 2003). People with high cultural intelligence are better capable to recognize the universal, group- or person-specific and culture-specific elements when observing a person's or group's behavior (Earley and Mosakowski, 2004). A person who is able to identify the culture-specific elements of behavior can advance to the more important step of adapting him- or herself to this behavior – or to sensitively explain to his or her offshore colleague a situation. Most findings in the extant literature state that cross-cultural differences in project teams are the first and foremost hindering circumstances and a barrier to team performance. We argue however – adding to the existent literature –, that curiosity for other cultures can stimulate cross-cultural interaction (at least when the intercultural encounter happens for the first time) and this in turn can positively influence the outcome of international IT projects, as well.

The new approach of this research is the adoption of the Cultural Intelligence concept of Earley (2002) as a theoretical framework in the IT project management context.

The Case Study

We conducted a case study where we investigated a large-scale IT project. A core banking system of European bank had to be reengineered because of three major reasons: high system complexity, dependency on key human resources, and function and data redundancy with other systems. The bank chose to conduct this large and technically complex IT project with the help of an IT vendor from India. The fact that this to be reengineered IT system is enabling the core competency of a retail bank sets this project apart from other IT projects, because commonly supporting business processes are affected. Despite some challenges and significant cultural differences within the team, the IT project was successful in the end.

We chose a qualitative, exploratory case study as our research approach. We conducted 15 expert interviews from the client and the vendor with a total of 22 hours of transcribed interview protocols so far. After this first round of interviews, a second and third round will follow, where we will analyze the most promising results of the first round in detail. The reason for choosing an exploratory rather than an explanatory research design was the lack of an established theory for analyzing cross-cultural dynamics in IT offshore outsourcing.

Findings on Cultural Intelligence

Cultural Intelligence has a motivational, a cognitive, and a behavioral dimension. The motivational factors can be subdivided into negative and positive aspects, which in sum make up the motivation of a person to cooperate with an international colleague. The long term involved project managers from the bank affirmed, that – adding to the theory – the absence of one very strong negative factor is absolutely crucial: an employee must not have fears of losing his or her job when conducting a project. Especially

Cultural Intelligence

Motivational factors

Negative factors:	Positive factors:
■ Resistance to change	■ Curiosity
	Self-Confidence
■ ...	■ ...
■ Fear of job loss	

Skill factors

Knowledge factors

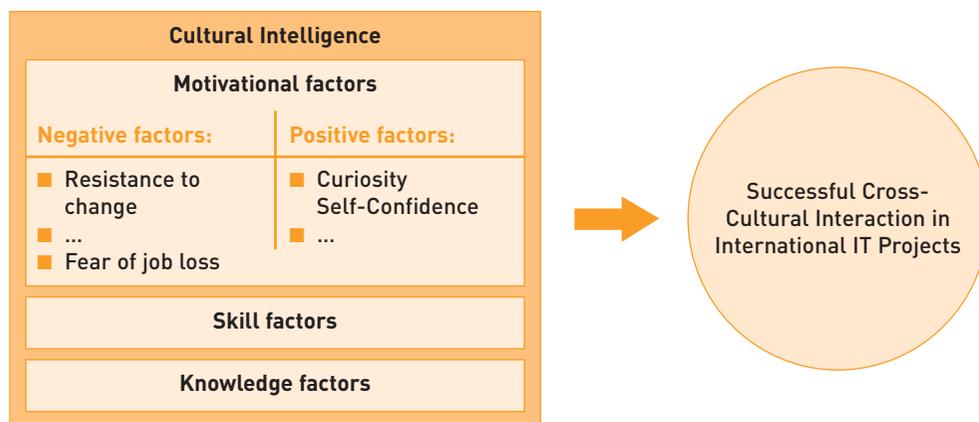Successful Cross-Cultural Interaction in International IT Projects

Figure 1: Cultural Intelligence as a driving factor for successful cross-cultural interaction

in outsourcing scenarios, often staffs from the client company are afraid that by completing their work, they make themselves dispensable. As a consequence, their motivation is negatively affected. One of the key success factors in the case we investigated was the fact that the bank offered all of its employees new positions with in the company or release into early retirement with financially attractive packages. With such a socially responsible procedure, the employer avoided having people on board who could impede the progress of the project. On the other hand, the positive motivational forces that should be supported by the project management are clear objectives, curiosity, and self-efficacy. Curiosity and self-efficacy can be enhanced with intercultural workshops, where essential knowledge about cultural particularities and differences is taught to the designated project members. When confronted with his or her own "uncommon" particularities (compared to other cultures), the "ice starts to melt". Moreover, it is mandatory to increase curiosity for other cultures and self-efficacy of project members. This can be achieved by organizing site visits of European project workers to the place where the offshoring partner is located and inviting Indian project workers to Europe. Initial face-to-face meetings are found to be very important in such global teams to function in a smooth manner. The timing of those off-shore site visits is important – they should happen very early in the project. Particular interest of project members for the respective other culture – curiosity within the Cultural Intelligence model – had positive effects on the motivation and cooperation in this project.

The overall motivation of project members consists of several factors, including the career motivation (the degree to which the successful collaboration in a project positively influences one's career perspectives), the content-driven motivation (for example the degree to which a person desires to contribute to a project that can make the daily work life more comfortable), and the above described motivational dimension of Cultural Intelligence (the degree to which one person actually wants to cooperate with people from another culture, out of curiosity, personal interest, and cultural attractiveness). The bank managers conjecture that the latter can positively influence the overall project motivation of a project member. Accordingly, and especially in the case of having such a culturally interested person in a responsible position for a project, cross-cultural differences can also be a success factor, not only a hindering factor for international projects.

Findings on the Advantages of a Mirror Structure

Besides the above illustrated appliance of Cultural Intelligence to explain success in international IT projects, bank managers argue that certain project management techniques stimulate intercultural interaction, as well.

The organizational setting of a "mirror structure" (Willcocks and Lacity, 2006), where the vendor duplicates the hierarchical structure of the client organization specific to one project, is one of them. This leverages clear responsibilities and marks counterparts easily.

According to such a configuration, there are two project managers for both parties. Then, the personal relationship between those two project managers is central for the development of a "project culture" and trust building. Especially in the context of an offshore project with an Indian company, where hierarchy generally plays an important role, having a person in charge that can enforce decisions within the vendor organization helps notably for successful cooperation. This key player can smoothly communicate difficulties and setbacks when trained appropriately.

Further, problems that arise due to cultural differences within an international project can be overcome by a strong controlling and detailed documentation of every work step. Clear personal responsibilities and open communication are key success factors – for example, to avoid violating deadlines. Not meeting time restrictions proved to be one of the major problems that the bank – in our case study –
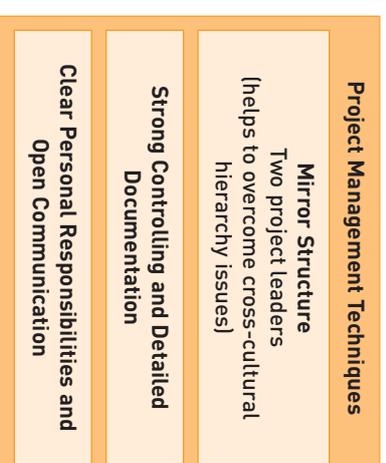
identified as a problem resulting from cultural differences. In India, for example, deadlines are not seen as the point in time when the end product shall be delivered. Rather, initial concepts or ideas are then presented. When compared to a deadline as it is widely defined in the Western World, there are clearly cultural differences. These can lead to problems with the time table of a whole project. To overcome such difficulties, a cascading approach to subdeadlines could be used. The identification and communication of these cross-cultural issues by the Indian – hierarchically powerful – project manager helps significantly. In general, mutual cultural learning eases international IT projects.

References

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Project Management Techniques

Mirror Structure   Two project leaders   (helps to overcome cross-cultural hierarchy issues)
Strong Controlling and Detailed Documentation
Clear Personal Responsibilities and Open Communication

Figure 2: Project Management Techniques for successful international IT project management