The Cultural Implications of Global Projects

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Abstract

Chrysler and Daimler Benz are companies with rich histories in the automotive world. Each comes from a unique country with diverse cultural backgrounds. By 1998 both companies had returned from dismal financial performances and were poised for success when talks of a merger came to fruition. Each company had strengths at opposite ends of the spectrum, which, if melded together could form one ‘super’ company. Cultural integration was top priority and it proved to be the most challenging issue facing the newly created company. It was also a major factor in the demise of the unification. This paper will examine how international projects such as the Daimler Chrysler merge are different from other projects and why they can be so complex. The paper will study factors that lead to failure and success of international projects, identifying why the merger failed and what could have been done differently to ensure it was a success.

## The Cultural Implications of Global Projects

In May 1998, Daimler-Benz merged with Chrysler creating the DaimlerChrysler AG Corporation, the largest industrial merger of its kind ever. Jurgen Schrempp, CEO of Daimler-Benz, stated it was a “merger of equals” (Finkelstein 2002). The Chrysler CEO declared that the new company would be among the top three automotive companies within five years. Vice-Chairman of Chrysler Robert Lutz maintained that bringing the two companies separated by the Atlantic Ocean was not considered a hurdle and there was “definitely no culture clash here”(Finkelstein 2002). The DaimlerChrysler Post Merger Integration Team spent millions of dollars on cultural sensitivity workshops for employees, yet there remained a disparity in the corporate culture.

This paper will identify the different aspects and complexities of international projects and how they are different from domestic ones. Next, conclusions will be drawn revealing reasons for the failure, what can be done to prevent failure, and factors for successful international projects. The evaluation will link to the issues with the DaimlerChrysler merger case study and alternate courses of action hypothesize. The context related to project management will primarily be in the framework of mergers and acquisitions.

## How International Projects are Different and More Complex from Other Projects

Projects are temporary endeavors that are unique in nature with a defined goal. They have a defined timescale, budget and limited resources. Projects involve an element of risk and should achieve a beneficial change. Projects typically require integration of multi-skilled resources.

Global projects add complexities introduced by physical distance. Additionally there are differences between cultural norms, languages, values, business processes, and political institutions from multiple national origins.

Global projects typically involve several organizations, each with a culture of their own. Even when divisions belong to the same group of companies, there can be differences between them.

To better understand and evaluate these complexities, we will categorize them. The primary categories that best describe how international projects are different and more complex are Geographical, Cultural, and Organizational. These were suggested by Mikael Eriksson in his article, ‘How to Manage Complex, Multinational R & D Projects Successfully’ (Eriksson, 2002).

## Geographical Challenges

Geographic challenges may seem obvious with distance between sites and time zone differences being the most obvious. Logistics for face-to-face communications and teleconference meeting coordination are examples of these challenges. Work hour accommodation may be necessary to make real-time communications. For instance, email dialogs that span vast time zone differences lack an instant communication – feedback loop and can make a short conversation into a weeklong endeavor with questions and answers bantering back and forth. Additionally, there can be psychic distance as well. In an article entitled ‘Why Study Global Projects & Global Project Management?’ by the Collaboratory for Research on Global Projects (CRPG) at Stanford University, psychic distance is described as the phenomenon that results in misjudgments, misunderstandings, and conflicts between participants who do not share the same “thought worlds” ("Why Study Global," n.d.). This segment of differences would include time of day issues. Someone freshly beginning their morning is typically in a different mindset than someone ready to conclude their day.

## Cultural Issues

While some of the geographical problems with international projects are readily apparent, less apparent are regional cultural issues, yet cultural concerns may pose a greater challenge. Cultures are further sub-categorized suggested again by Mikael Eriksson. The cultural sub-categories are professional or functional culture, country of origin or region culture, and corporate cultures.

## Professional or functional cultures

Professional or functional cultures are where various groups are either alike in their profession or have professions that are completely different. For instance, doctors in geographically dispersed locations will still speak and have a common language of medicine. In the Chrysler-Daimler merge, the various disciplines required for automotive manufacture would each have some common ground. Engineers of both organizations would speak a similar language of engineering. It should be noted that even with this similarity there could be technical differences. In the case of the Chrysler-Daimler merge, there was the European use of metric versus the American use of the English system of measure. Even with a common professional ground, country of origin or region issues can introduce an entirely different set of complexities.

## Country of origin or region cultures

Country of origin or region issues may require the project manager to adapt a completely new perspective for project dynamics. Many studies have identified the idiosyncrasies of various regional cultures. It is safe to say though, that ‘one size does not fit all’ when evaluating a culture. Type casting a person or group into pre-defined definitions is limiting the horizon of human potential. Ignoring these regional differences however can be catastrophic.

Regional culture assessment can be very complex as it envelopes a multitude of variations as to how a culture thinks and acts. Examples of regional cultural attributes range from how a society interprets contract negotiations to how a group in society perceives their status in life. Are they are dependent, or do they prefer to act interdependent? Are they a society that accepts risk, do they typically strive for long term or short term goals? Even time perception has to be a consideration. Do they prefer one task after another or will they multitask?

Answers to these regional questions may not define a specific group. It can however shape the manner in which you will conduct business in a particular region. Related to regional cultures are corporate cultures.

## Corporate Cultures

Corporate culture variances differ from regional cultural differences in that they are not hereditary. Corporate cultures can be influence by regional cultures. Corporate culture can vary even between two comparable organizations in the same country. Every business organization has a culture of its own that is usually deeply rooted in the internal social structure of the organization and its principles and way of life.

Chrysler had a culture of its own. Chrysler was dynamic, freewheeling, lean, committed to teamwork, and open. Daimler on the other hand was rooted as a bureaucratic structure with a strong centralized staff. Chrysler had a matrix management with platform teams operating in a single strategic business unit. Daimler was traditional structure with direct lines of authority and business unit autonomy.

Even compensation differences between Chrysler and Daimler became an issue. The corporate culture clash between these two companies was about as high as it could get.

## Organizational Challenges

Organizational challenges reflect the differences in size, dispersion, and complexity of a project. Organizational issues also include questions such as; what are the current process control measures used by the various sites? Do they use the same methodology? If the same or similar measures have been established, there will be common ground for moving forward. Larger variation in any of the above organizational issues will result in greater complexity of the project.

## Factors That Lead To Failure and Success in International Projects.

Inadequate attention to the factors identified will increase the likelihood of project failure. Global projects include a dimension of complexity requiring specific strategies to mitigate the dimension of these concerns.

Project management will ‘level the playing field’. Standards such as A Guide to the Project Management Body of Knowledge (PMBOK) bring a common language to the process. A Project Management Office will establish standard forms and procedures within the PMBOK framework, giving all parties a consistent understanding of project goals and objectives. This not only clears the way for cultural issues, it establishes a common ground for many organizational issues as well.

Project management methodologies give a common language and a common culture and all the ancillary elements of well-structured projects will be in place. Additional considerations necessary for global projects will be moderated by a project with a project management discipline in place.

Physical distance issues are reconciled by pro-active approaches. Initial face-to-face meetings are preferred prior to electronic messaging. Providing the opportunity to have human contact at the onset will reap benefits throughout the project. Meeting schedules should also be coordinated such that everyone has an opportunity to participate without undue penalty. Lunch times, late hours, and early mornings should be identified as ‘avoid if possible times’ for meetings throughout the various project site time zones. Not everyone can be accommodated, but when there has to be concessions, it should be on an equitable basis.

As identified by cultural theorist Geert Hofstede “we have an instinct that all people deep inside are the same, yet we are not. If you go to another country and make decisions based on how you operate in your own country, chances are you will make some very bad decisions” ("Geert Hofstede," n.d.). Cultural empathy must have top priority in bringing multi-cultural teams together. With regional cultural differences being at the forefront of our consideration, we will utilize it with the professional and corporate culture to derive a composite picture of the cultural landscape.

When progressing from domestic projects to international ones, it is important to realize that it is not ‘business as usual’. Project managers need to understand various cultural dimensional differences. Respect cultural differences. Realize that generally, an authoritarian method of managing will not be acceptable in cross-cultural projects.

Effective cross-cultural project management will require learning about the cultures in which your project is about to embark. If you are a guest in a different country, remember that and act ‘like a guest’. While you may have the authority to command millions of dollars and dictate jobs, many you will not have respect until you first respect the culture. Understanding the cultures will set a baseline and team building will inject firsthand knowledge of how the cultures interact.

Effective communication is vital in any project. Effective communication in an international project is imperative. Ensure the ‘right’ message is getting across. Enterprise wide communications, such as project goals, should use translators. Check the meaning with local team experts. The right translation of words can still give off the wrong meaning.

Use traffic light reports or other visual type reports in presentation tools such as Power Point. The project status can be obvious to everyone regardless of reporting culture in the different organizations. Visual understanding is a powerful communicator.

Filter the project goal to focus on ‘the right things**’** such as internal deliveries between subprojects, deliveries to the customer, and the time frame. The various groups should know the main goals for the project, but these may not be the same goals for each group. Ancillary priority of goals by different groups is acceptable as long as they support the main goal.

Corporate cultural empathy will require some of the same basic techniques as regional culture empathy. There are no public baselines or cultural theorists to assist you. You will have to take stock of each division and try to understand the dynamics behind the culture. Chrysler Corporation for example was born out of an American spirit, where freedom was the mantra, and everyone had a say. Daimler on the other hand had a history of perfection, maintaining strict standards, and not questioning.

There were other corporate cultural differences between Chrysler and Daimler that could have been anticipated. Corporate pay scales and titles of the members of each company are just a few. Local regulations and unions can mandate some of the structure that institutes the corporate culture. As part of your project risk assessment recognize the potential issues and develop means to mitigate its impact before it happens.

Self-interest is an important aspect of international projects. If people at each location do not feel they are part of the project, they can lose interest. This could be perceived differently at each location due to cultural interpretation of the project objectives. Self-interest can include perceived fairness of the various locations. One location might approve of casual dress where another prefers attire that is more formal. Yet some may feel they are treated ‘unequally’ because of a certain policy.

Corporate cultural integration will mandate support from top management at an enterprise level. Leadership at each site, along with the enterprise, has to be willing to be ‘change agents’ and at times, work through the pain to get to a fair level playing surface.

**The Chrysler Daimler Merger – Success or Failure and Why**

Chrysler was known as ‘the comeback kids’, having comeback from the brink of bankruptcy more than once. Creative styling and rapid product development were some of the advantages Chrysler brought to the table. Daimler-Benz is known for engineering excellence and technical prowess. They also had slow product development times and high development cost, centered on a slow bureaucratic structure. Daimler-Benz only had a one percent market share in the United States before the Chrysler merge.

Combining both companies was supposed to bring brand diversity, financial strength, and new markets to each product line with a global distribution network. It would be a merger of equals. With each company countering the others weakness, it would appear that Daimler Chrysler AG could be the perfect automotive company.

These were many of the goals for the DaimlerChrysler merger and the term ‘synergy’ is used numerous times in various articles about the merge, yet none of the ‘synergies’ ever came to fruition. By any measure, the merger was a disaster.

Behind the scenes, the walls of this ‘marriage made in heaven’ were crumbling down. Robert Eaton, CEO at Chrysler, had recognized the warning sign when in July 1997 he stated that Chrysler was headed into the ‘Perfect Storm’ (Finkelstein, 2002, p. 2). This storm consisted of overcapacity, change in the purchasing public empowerment, and environmental concerns. At the time of the merger, Mr. Eaton announced he would be retiring within three years, making him a lame duck CEO at the onset.

During the mid-1990’s, Jurgen Schrempp took over Daimler-Benz changing German manufacturing to one more in line with an American process. During this period, Schrempp, streamlined the business into 23 strategic business units, incorporated generally accepted accounting principles, (GAAP), procedures to improve financial transparency and took an unprecedented measure for Germany of laying off thousands of workers. But by 1997, Schrempp was looking for more improvements into a company that had its managers confused and not able to keep up with the changes. Much to his agreement, Schrempp was being characterized as a modern day ‘Rambo’ (St. Jean, 2004, p.8).

Was it any wonder this unification of two companies was destined for failure, or was there a means to make it happen? Was this a clash of cultures, or a company driven by individual clashes of initiative and personality? What lessons can be gleaned from the abysmal failure of two companies, jointly worth approximately US$100 billion who became a US$43 billion dollar liability?

Brien Palmer gives two reasons mergers fail. First, “the people focused on the project are skilled in strategy, the industry and finance” (Palmer, n.d., par. 4); with very little focus on ‘people’ issues. Second, according to Mr. Palmer, the people most affected by the action, the employees, (stakeholders), “do not know the project objectives, see change as a threat, have no real influence over the events, and wonder immediately how they will be affected personally” (Palmer, n.d., par. 5).

I think these two factors hold true for the Daimler Chrysler merge. While millions were spent on cultural integration, it was to no avail and did nothing to affect the corporate cultural differences. I don’t think the rank and file knew what to think of the merger and many discussed skirmishes between employees were over corporate cultural issues. After reading the case study and gathering newsworthy information about the merger I came away with the perception that Chrysler President Tom Stallkamp was the perpetual optimist, while Daimlers CEO Jurgen Schrempp, was the conqueror.

Two years after the merger Schrempp makes the statement, “the Merger of Equals statement was necessary in order to earn the support of Chrysler's workers and the American public, but it was never reality”(Finkelstein, 2002, p. 6). Conceding this to be a true statement, one has to hold Schrempp accountable as lead project sponsor for the merger, yet Chrysler was left to languish for years before any proactive attempt to act was made.

Daimler had 23 autonomous divisions before the merger and it seemed that Chrysler was just number 24. I feel that Jurgen Schrempp spent $57 billion dollars US, to prove that the German product was superior to the American cowboy product.

From day one, the Chrysler leadership force folded like pansies on a hot summer day. At the top of the totem pole was the Chrysler CEO who announced he was retiring. Next top managers bail out going to Ford and General Motors.

Today Chrysler is fighting for survival. From November 2008 to November 2009 Daimler Benz percent of total market share increased by four tenths of a percent. Chrysler’s change during the same period slid into negative territory.

If I were in charge of the merger, I would have to have management’s commitment to the project in the form of a signed project charter in the beginning. In the case of Daimler Chrysler the business case, solution, budget resources and project governance should have been in place, if not they would be developed before moving forward.

Next and of utmost importance would be to identify stakeholders. Here all of the regional and corporate cultural variances would become known and integrated with the stakeholders in the communication plan. A risk analysis would be performed acknowledging the issues presented by this paper herein. A key requirement is to obtain a composite picture of the merged geography, cultural, and organizational variances.

A core transition team would be initiated consisting of team members of both sites, but not ‘top management’, to develop the project initiation plan. This would include definition of goals, objectives and success criteria. The project scope, (merger), would be fully defined along with high-level schedules, key deliverables, and milestones. This team would be the cornerstone to filter the company goals, objectives and success criteria to the rank and file employees.

A Human Resources analysis would identify the various skill sets and how everyone ties into the pay-structure. A single corporate policy manual would be required but may have some site appendixes for unique situations.

A Project Management Office would be instituted to maintain consistency of project teams throughout the organization. This would be a start. The project would have to be maintained and monitored throughout as not only scope creep can affect a project, in multi-national, multi-company projects ‘culture creep’ can also develop where stakeholder develop different attitudes than they had before as a result of the merger.

The merge of companies the size of Chrysler and Daimler is not an overnight ordeal. Steps would be incremental. The one element of the process that has to be instantaneous and accomplished beyond what may be thought necessary is communication.

As statistics and the case study have proven is that multi-cultural projects are not easy. What they do not tell you however is that if performed properly they can be richly rewarding.

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