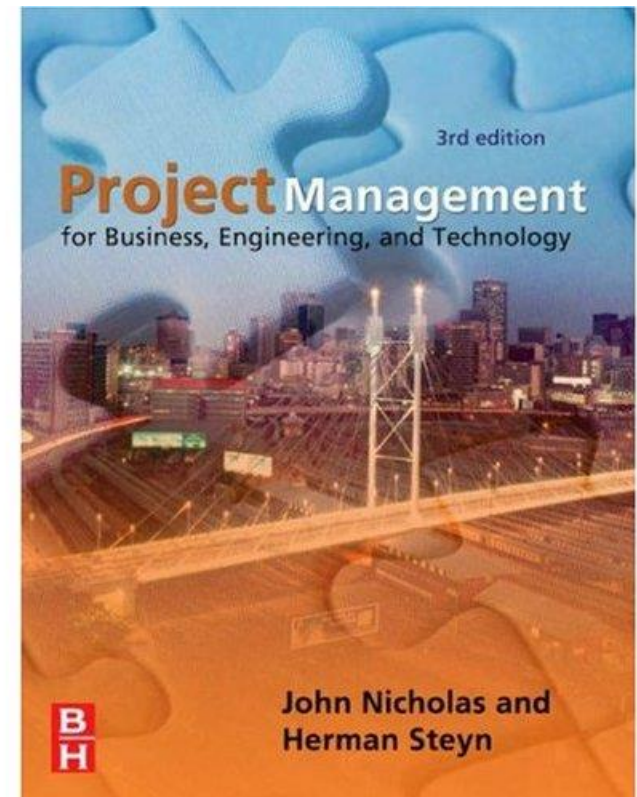


Chapter 18

International Project Management

Project Management for Business,
Engineering, and Technology

Prepared by
John Nicholas, Ph.D.
Loyola University Chicago



International Projects

- Projects called “global,” “international,” “multinational” or “overseas”
 - Have stakeholders located in different countries
 - Have cross-national and cross-cultural project teams and work sites
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International Projects

- Inherit more problems and greater risk than domestic, one-country projects
- Problems and risks touch on most everything
 - leadership
 - interpersonal relations
 - stakeholders
 - communication
 - planning
 - work definition
 - estimating
 - risk management
 - work tracking and control
- Politics, language, communication, local customs and regulations, transportation, and utilities infrastructure are major concerns
- Some of these are easy to identify and account for in plans and estimates (“explicit”); some more difficult (“tacit”)—next slide.

Potential Areas of Problems and Risks

1. Local institutions and culture
 - a. Language (explicit)
 - b. Norms, social customs, attitudes traditions (tacit)
 - c. Laws, rules, rights, sanctions (explicit)
2. Local stakeholders—laborers, managers, consultants, suppliers (tacit)
 - a. Skill, experience, motivation
 - b. Reputation, honesty, integrity,
 - c. Who knows who; who has knowledge, resources, and connections
3. Local natural environment (explicit)
 - a. Site environment—soil, ground slope, vegetation
 - b. Regional environment—climate-weather, geography, seismic activity
4. Local technology (explicit)
 - a. Infrastructure—roads, buildings, communication
 - b. Available tools and systems—GPS, equipment, hardware, software, materials

“Local” refers to people and factors situated *at* the location or region of the project, or that become activated in the local context, including international NGO’s, associations, and other organizations.

International Projects

Examples

- Starting a new business in another country
 - Opening a branch, office, or plant in another country
 - Contracting with customers and/or suppliers in other countries
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Brainstorm

What factors make an international project different from a one-country, domestic project?

Brainstorm

What must you *do* to prepare for an international project?

Cultural and Institutional Issues

- Language
 - Translations
 - Slang
 - Terminology
 - Formality
 - Greetings
 - Introductions
 - Workplace protocol
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Cultural and Institutional Issues

- Gift giving
 - Age and respect
 - Social behavior
 - Importance of social gatherings in business
 - Conduct at social gatherings
 - Dress
 - Food and drink
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Cultural and Institutional Issues

- Punctuality and attitudes about time
 - Holidays, vacations, weekends
 - National public holidays
 - Dates of holidays (e.g., Christmas holiday: Dec. 23—Jan. 2 versus Dec. 31—Jan. 8)
 - Southern Hemisphere: Summer vacation in December
 - Weekend: Saturday/Sunday vs. Thursday/Friday in Middle East
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Cultural and Institutional Issues

■ Labor time

- “Usual” workweek/workweek: 35-hour? Five 8-hour days?
- “Usual” work day: 9 am—5 pm? 6 am—2 pm?

■ Layoffs

- Constrained by local rules and regulations

■ Laws and contracts

- Wording and terminology on contracts
- Usage of “Incoterms”
- Compliance with laws of host country and home country

Cultural and Institutional Issues

- Litigation, payments, meeting contract terms
 - Litigation conducted in a neutral country
 - Specify payment conditions
 - Include penalties for schedule slippage/failure to meet requirements; incentives to exceed them
 - Politics
 - Impact of political reform or strife, overthrow of government, military intervention
 - Labor strikes are often common
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Local Stakeholders

■ Contractors: issues

- Costs for labor and relocation
- Costs for training and supervision
- Worker productivity
- Connections with local officials, knowledge of culture, ability to avoid bureaucracy and red tape
- Knowledge of business practices

■ Supporters and Customers

- Importance of gaining personal familiarity and building trust

■ Managers and Laborers

- Importance of showing project's local benefits in terms of employment, services, product availability, infrastructure, etc.

Geo-National Issues

- Exchange risk and currency

Impact of change in exchange rate, example:

At time of original agreement

Cost estimate Euro 900,000

Project price Euro 1,000,000.

Exchange rate 1.3 \$US per Euro

Price on the contract set in dollars: US \$1,300,000.

At time of project completion

Actual cost Euro 900,000

Price paid \$1,300,000

Exchange rate 1.5 \$US per Euro.

But the payment equates to $\$1,300,000 / 1.5 = \text{Euro } 866,666$.

Hence, contractor suffers a *loss* of $(900,0000 - 866,666) = \text{Euro } 33,334$

Geo-National Issues

- Offset (Counter trade)
 - requirements on contractor spending in the host country (percentage of project cost on local labor, materials, and services)
 - Direct offsets—spending tied directly to project activities
 - Indirect offsets—spending on non-project endeavors (local business enterprises or improvements to local or national infrastructure)
- Import/export restrictions
 - Apply to export/import of US technology, software, and hardware
- Time zones

Manager of an International Project

- Self-sufficient
 - Sensitive to and accepting of local culture/customs
 - Learn what can be applied from past projects/experiences and what cannot
 - Fully engaged, fully in charge
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Local Project Manager

When project manager is *seldom* able to be on site:

- Delegate responsibility to local project manager
 - local manager reports to the global manager
 - Is responsible for detailed planning and day-to-day management
 - Responsibility/authority of local and global project managers are clearly delineated and understood by everyone on the project.
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Local Representative

- Keeps project manager informed about local matters
- Mediates with local laborers, unions, and government officials
- Helps resolve cultural and regulatory issues
- Represents project manager and company to the customer
- Keeps project sold to customers and supporters
- Arranges in-country services (reservations, local communications, interpreters, etc.)

Local Representative

- Arranges meetings with officials, attaches, and consulates
- Educates customer about US government requirements concerning, e.g., the transfer of technology and technical knowledge
- Helps arrange local housing for project personnel
- Assists in locating in-country subcontractors
- Keeps project manager informed about in-country politics and economy.

Steering Committees

■ Executive steering committee

- Role: establish governance framework to coordinate and fund the project.
- For global projects comprised of subprojects:
 - set global goals and coordinates work and resources among the subprojects.

■ Local steering committee

- Role: plan and coordinate project at local level to meet goals/funding established by executive steering committee

PMO in an International Project

- Assist top management in selecting international projects
- Collect lessons learned; incorporate into templates, checklists, and training sessions.
- Handle issues that require coordination of multiple international projects
- Manage files and documentation for international projects
- Identify project managers for international projects
- Support and mentor project managers overseas
- Schedule forums for projects managers to share experiences.
- Provides training/education in language, culture, protocol, norms, laws, etc.

Team and Relationship Building

- Hold teambuilding session for key members from the project team, local managers and staff
- Goal:
 - Develop common purpose and shared expectations
 - Identify possible or likely problems
 - Develop guidelines to reduce those problems.
- Guidelines address collaboration, conflict management, assignments, coordination across countries and time zones, and cross-cultural, language, and social factors
- Hold teambuilding session with each local subcontractor
 - Discuss issues that might arise
 - Prepare plan for ways to prevent or resolve issues

Project Definition: Where to Start?

- Look for analogous projects
 - Hire consultant
 - Seek trusted guides, professional, and advisory groups
 - Attend formal training
 - Start small
 - Form a risk management team
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Project Definition: Global Projects

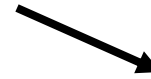
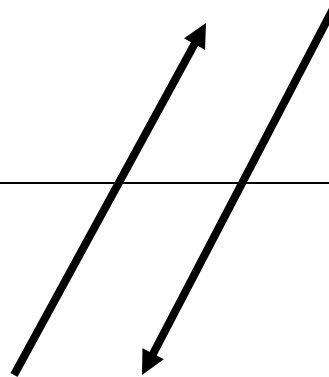
- **Global steering committee**

Prepare preliminary plan

Modify plan based on suggestions

Finalize plan
(point 11, next slide)

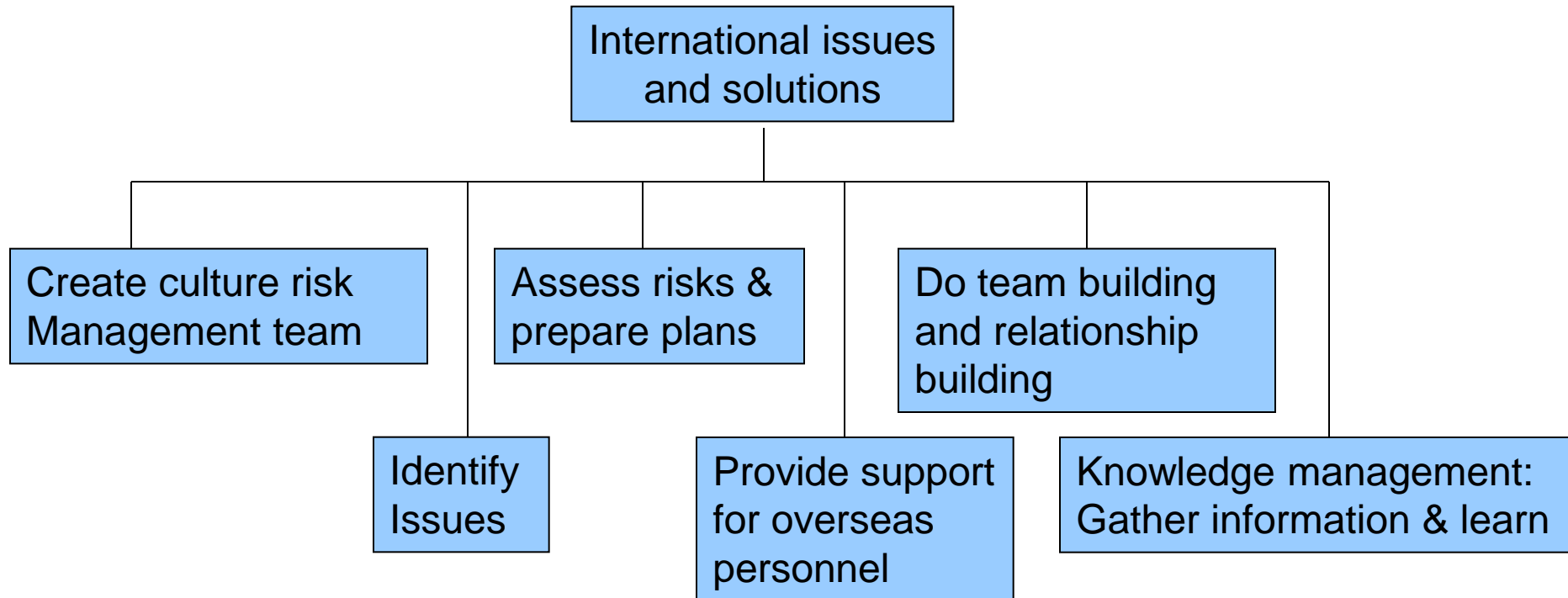
- **Local steering committee and sponsor**
make suggestions regarding estimates,
issues, costs, benefits, adjustments to plan



Project Definition: Global Projects

	Subproject in Country A	Subproject in Country B	Subproject in Country C
1. Purposes			
2. Goals			
3. Strategies			
4. Cost			
5. Schedule			
6. Benefits			
7. Issues			
8. Risks			
9. Scope			
10. SOW			
11. Goals, Scope, and SOW of global project			

Work Definition: WBS for Culture Risk Management Team



Work Definition: Issues in a Global Project

Task	Subproject Country A	Subproject Country B	Subproject Country C
Technical Tasks			
Survey		X	X
Site development		X	X
Site construction		X	X
System implementation	X	X	X
System test	X	X	X
Training	X	X	
Tasks Addressing Local Issues			
Labor		X	X
Subcontractors		X	X
Permits	X		X
Customs	X		X
Time zone	X	X	
Language	X		X

Impact on cost, schedule, and resources

Brainstorm:

What are the factors in international projects that potentially influence resources and add to time and cost?

Impact on cost, schedule, and resources

Factors that influence resources and add to time and cost; examples

- Differences in equipment and labor productivity
- Time and costs for communication, travel, local services.
- Fees and costs for insurance, licenses, governmental reviews, housing, work salary incentives, automobile, daycare, schooling, security, medical care
- Expenses and lead times for obtaining passports and visas, and for transporting managers, workers, and replacements
- Time for shipping preparation and transport between countries
- Time for customs inspection and clearance
- Time for transport in the host country
- “transfer of technology” approval and licensing
- Fluctuations in exchange rates

Monitoring Work

- Tracking and updating plans
 - Require local project manager to submit weekly updates
 - Use Internet
 - If work packages are subdivided into 2 or 3 weeks, easy to discern if tasks are on schedule
 - If works falls behind or fails to meet requirements, project manager must directly manage the work or assign local manager to assist subcontractors
 - Site visits
 - Project manager should be onsite, always
 - Otherwise, should make frequent visits—unannounced
-

Communications

■ Plan

- Addresses communication difficulties stemming from differences in languages and time zones.
- Specifies important points of contact (Who's Who) in the host country, home country, and elsewhere
- Specifies required communication, reports and other written documents, content and format.
- Ensures that foreign contractors understand project documents, preparation, and usage.
- Specifies the common “working language” for the project
- Gives tentative schedule for all formal design and management reviews and milestone meetings,
 - describes meeting format, expected content, advance preparations, time limits, attendance policy, and who will lead.

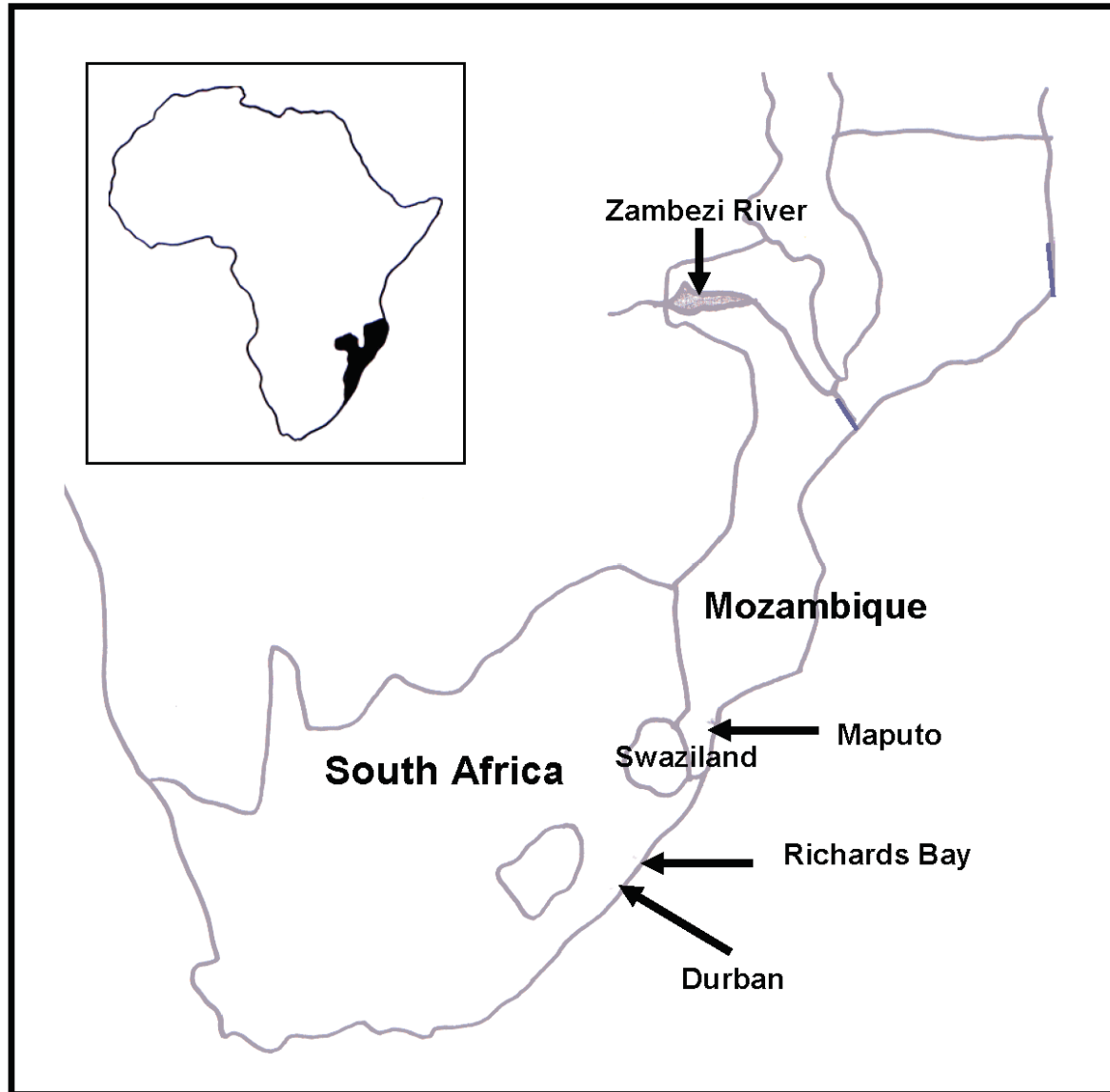
Strategies for Reducing Risks

- Learn as much as possible about local culture, customs, laws, institutions, etc.
 - Reduce the need to deal with local culture, customs, laws, institutions, etc.
 - Outsource to knowledgeable subcontractors
 - Perform the most technology-intensive work at home, then ship it overseas
 - Sign contracts under international law or third-country law
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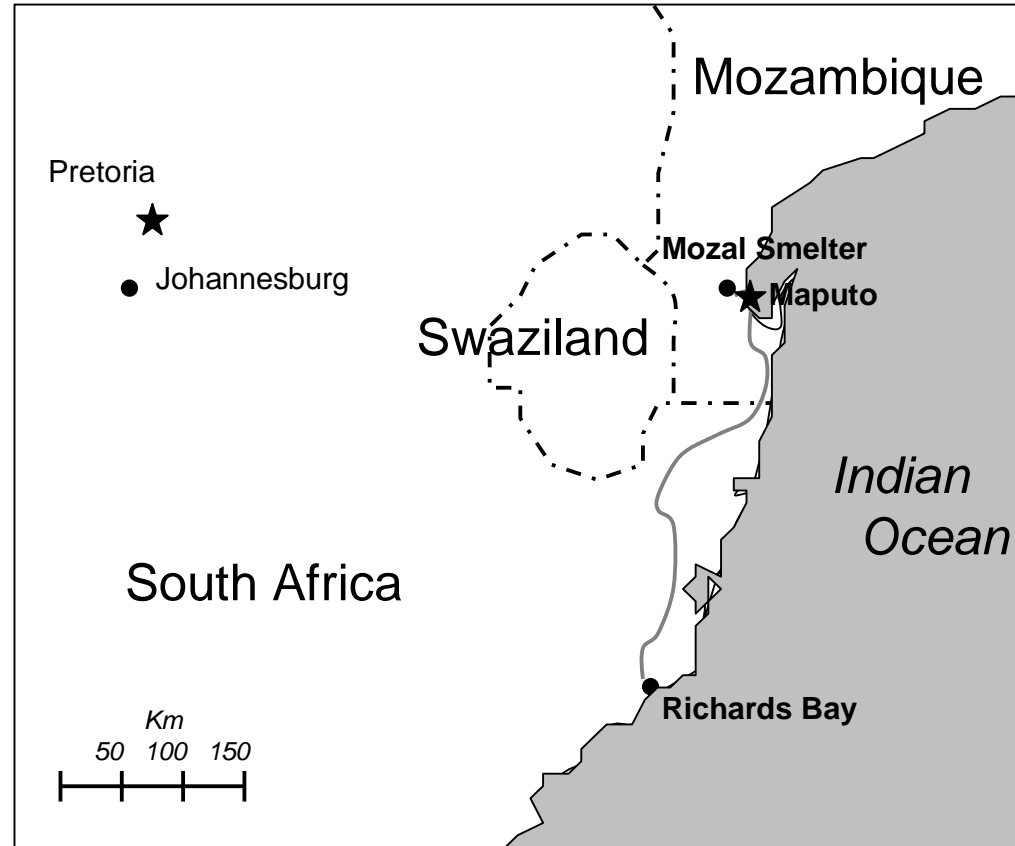
Mozal Smelter Project

- Location: Mozambique
 - Cost: \$1.4 Billion
 - Capacity: 250,000 tons per annum of aluminum
 - Contractor: Gencor (South African mining firm)
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Mozambique and South Africa



Mozal smelter location



Mozal site



Maputo Harbor



Mozal Smelter



Mozal Project

- What are the main issues/risks in this project?
 - What action led to success of the project?
-

Mozal Project

What are the main issues/risks in this project?

- Need to transport materials into the country
- 1000's of laborers needed, but local labor is unskilled and needs training
- Mozambique is poor; infrastructure ruined from recent civil war
- Malaria and HIV
- Danger of flooding and land mines
- Residents must be displaced
- Project financing
- Questionable access to markets
- Language (locals speak Portuguese; everyone else speaks English)

Mozal Project

What are the main issues/risks in this project (cont'd)?

- Cross-border transport of equipment/materials
- The last four issues arise solely from the international character of the project.
- Despite the risks and potential problems, the project offered several benefits:
 - A nearby harbor (though somewhat run down)
 - Low-cost labor (though unskilled)
 - Reliable power source
 - Government support (Industrial Free Zone—supporters get duty exemptions)
 - Low production costs (bottom 5%)
 - Aluminum enters Europe duty free

Mozal Project

What action led to success of the project?

- Mozal stakeholders agreed to finance rebuilding harbor and infrastructure
- All cash transactions in \$ US.
- Mitsubishi signed on as investor
- Basic engineering work was done in Canada and France
- Specialized equipment was produced in Japan
- Project director built good relationship with stakeholders in Mozambique, including its president
- Development trust was created for schooling and community needs
- Low cost financing obtained by IDC and IFC