

Maciej DUTKIEWICZ¹

SELECTED ASPECTS OF INTERNATIONAL PROJECT MANAGEMENT

Managing of the international project is a complex process that brings into play objective as well as subjective factors, referring to ethnic differences. People differ in their perception and evaluation processes. In the article the investment process related to the implementation of construction works by an international team served as an example of a process in which the clash of different concepts, which in turn can be complementary.

The investment project is typically carried out under conditions of strong turbulence, which is linked to external and internal factors creating these conditions.

WYBRANE ASPEKTY ZARZĄDZANIA PROJEKTAMI MIĘDZYNARODOWYMI

Zarządzanie międzynarodowym projektem jest procesem złożonym, uwzględniającym obok czynników gospodarczych i wykonawczych, także czynniki obiektywne jak i subiektywne wynikające z różnic kulturowych, w związku z faktem, iż w naturze człowieka jest różne postrzeganie i ocenianie rzeczywistości. W artykule proces inwestycyjny związany z realizacją obiektu budowlanego przez międzynarodowy zespół posłużył jako przykład procesu, w którym ścierają się różne koncepcje, które w konsekwencji mogą się uzupełniać. Projekt inwestycyjny zwykle realizowany jest w warunkach silnej turbulencji, która jest powiązana z czynnikami zewnętrznymi oraz wewnętrznymi kreującymi te warunki.

1. INTRODUCTION

The success of construction companies carrying out projects in international markets significantly depends on how the risks that stem from the host country conditions are managed as well as the project-specific risk factors [1]. Successful management of risks requires identification of risks, construction of a risk model which can be used to assess the magnitude of risks and implementation of response strategies so that an acceptable risk-return balance can be achieved [2]. International project management requires a multi-

¹ University of Technology and Life Science, Faculty of Civil and Environmental Engineering, Kaliskiego 9, 85-796 Bydgoszcz, e-mail: macdut@utp.edu.pl

faceted approach (Fig.1.) in the scope of external and internal factors creating the market [3].

External factors include the changing legal and tax rules, unstable market, which is reflected by the changing demand for goods and services, having their source in changing consumers' financial capabilities, still shaping the competition market with changing supply of goods and services, fluctuations in exchange rates and interest rates, the rapid development of technology, political events, shortening product life, economy based on new technologies. Investors are becoming more demanding about the quality of the subject of their order, performance and reliability, such as various types of installations included in the investment. The dynamics of the projects and the associated turbulence also results from changes in work organization and production [4].

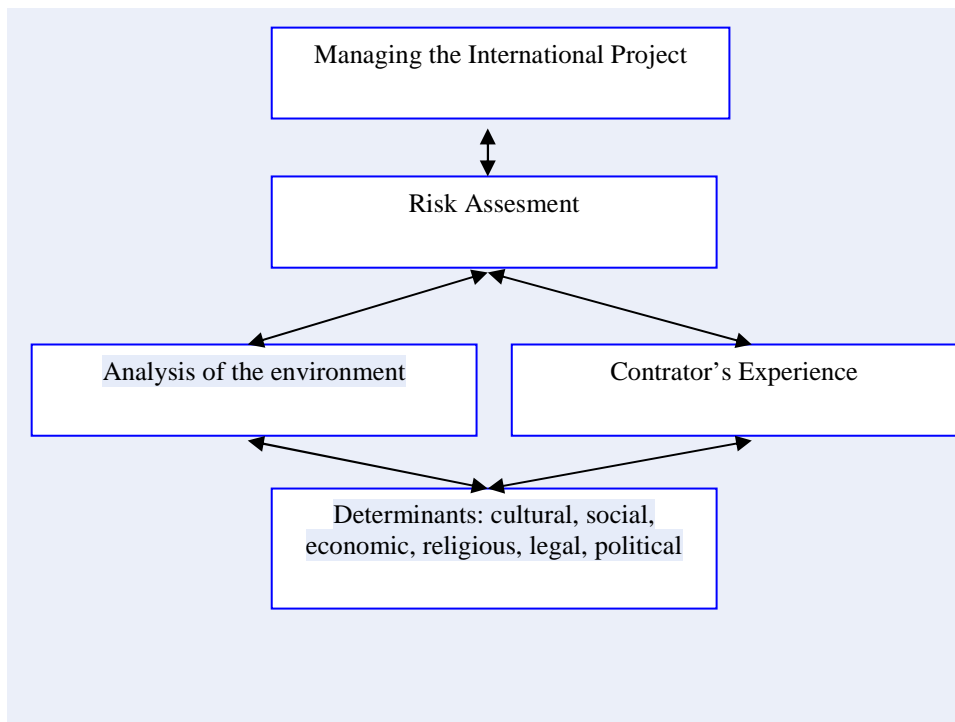


Fig. 1. International project management – connections and determinants

2. CULTURAL DETERMINANTS OF RISK MANAGEMENT

Results of social science researches show that people differ in perception and evaluation of processes. This also applies to assessing the risk associated with the project. Managers from different cultures differently evaluate the risks of major projects.

Large-scale projects, due to a high degree of risk, usually require the involvement of the inspection and approval of many people whose features are different (eg, investors, contractors, financial institutions, trade unions, public authorities). Individual decision makers are interested in different types of risk, because their interests are different. In addition, in the global economy of XXI century, more and more projects have an international character.

Risk assessment of large projects is a complex process involving many factors of objective and subjective nature, related not only to the process itself, but also the choice of data used to justify the decision. To deal with situations with such a high level of complexity managers make choices, rather based on a simplified than the real life situations. Subjective rationality narrows and changes the objective facts. Managers from different cultures perceive the world differently, so their subjective rationalities differ ways of simplifying the complex reality of the narrower framework of the environment in which they become capable of making choices. For example, people living in China or in cultures that are under the influence of China characterized by a holistic (comprehensive) form of the processes of perception, and knowledge and building strategies as opposed to the people of Europe and America, in which these processes are more atomic in nature.

The results of numerous scientific studies prove the existence of cultural differences in human behavior in general and management in particular. In the literature [5] one can find four-pole "dimensions" of national culture: distance of authority, uncertainty avoidance individualism - collectivism, masculinity - femininity. The concept of distance of authority is understood as the extent to which the less significant members of an organization or institution, including the family, accept and respect the uneven distribution of power.

Avoidance of uncertainty means no tolerance for uncertainty and ambiguity. Individualism and collectivism has shown the extent to which individuals come together in groups. Features of masculinity symbolize assertiveness and competence and femininity - modesty and concern. Numerous studies have shown that the "dimension" uncertainty avoidance affects the perception of risk. In societies characterized by low levels of risk-averse people accept uncertainty, resulting in easiness to take personal risks and are more tolerant towards people with different opinions. In communities with a high degree of risk-averse people are instilled the idea that the future is unpredictable, so they should try to reduce this uncertainty by taking control over their destiny. Members of these communities are characterized by higher levels of anxiety, nervousness, are more emotional and aggressive. In addition, communities with a high degree of risk avoidance create institutions whose task is to strengthen security and avoid risk. According to Hofstede [6] there are three ways to ensure security: technology, law and religion or ideology. The literature also meets the fifth "dimension" of national culture based on the perception of time. Differences in the time term represent a recurring topic in multicultural literature. Schwarz and Bilsky [7] distinguished seven dimensions of cultural values - the guiding principles of life: self-sufficiency (ambition, success, courage, competence), harmony with nature (unity with nature, environment), intellectual autonomy (curiosity, broad intellectual horizons,

creativity), conservatism (social order, respect for tradition, family security, wisdom), preference for hierarchy (the power of community, authority, humility, wealth), social commitment (equality, social justice, freedom, responsibility, honesty). Studies show that the three dimensions of cultural values in the form: conservatism, preference for hierarchy and self-sufficiency are more important in traditional societies. In turn, values of the autonomy of intellectual, social involvement and harmony with nature are more prevalent in modern and postmodern societies. Research on issues of motivation revealed differences between Eastern and Western managers. Managers of the Eastern cultures do not recognize independent thinking as the key value as opposed to their western counterparts. For them, the dominant values are those of charity and security (harmony and social stability, relations and individuals).

Another value which differs the representatives of different cultures is referring to the outside environment. Western culture tends to dominate the environment, while Eastern cultures try to live in harmony with it.

3. DEGREE OF ACCEPTABLE RISK

Consistent risk management requires an understanding of the degree of risk the company is able to tolerate, in other words to determine the degree of acceptable risk in the context of cultural determinants. This is a key fact on which possible reactions at risk will be evaluated. The degree of acceptable risk may be modulated by many different factors. Attitudes of shareholders, investors, customers, co-operating companies and managers for the uncertainties and potential consequences of not taking risks are important in the ability of organizations to reap the benefits of uncertain events and potential possibilities. In this regard value of brand and profile of the market as well as past experience in dealing with unexpected events are of great importance. The volatility of the markets in which the company operates, the attitude of the competitors are significant. An important role is played by cultural issues, such as the national perception of risk and attitude towards it. The degree of acceptable risk in the organization could be a factor distinguishing it from competitors, and the adoption of transparent policies of risk management can be a way to demonstrate this difference.

At the strategic level tolerance of risk will usually depend on types of risks. In matters of health and safety risk should be reduced to the lowest possible level. In turn, the financial matters the tolerance of different approaches may be increased, particularly in circumstances where the risks are balanced by creating a broad portfolio of other investments.

An extremely important issue in risk management is the strategy of the organization. The strategy includes establishment of what the organization wants to achieve, planning how to achieve and implement this plan. When drawing up the strategy of the organization many aspects of business and the environment, including potential customers, competitors, their own competence and skills of organization and legal considerations should be taken into account. Depending on the size of the company and its business profile the political and economic issues should also be considered. The creation of the plan addresses only a part of the problem. Usually the most difficult element of the strategy is to implement this plan.

4. APPLICABLE LAW AND COURT

As a result of globalization, the common open market of the European Union the investment processes, from the perspective of a participant or participants of the construction process are increasingly occurring outside the home country. In the situation where the international element in the relations between the contracting parties appear., for example a party is a resident abroad, the contract is concluded or executed abroad, it is necessary to determine the law applicable to the assessment of the legal obligations of the parties. These issues are governed by private international law, whose standards solve the collisions between different law systems. They have been codified in the Act of 12 November 1965 - the private international law, which provisions shall not apply if the international agreement to which Poland is a party addresses these issues differently.

The Act applies to international relations, and personal property in civil law, family and welfare and labor law.

The legal capacity and legal capacity of a natural person are subjected to its country of nationality law. The ability of the legal person is governed by the law of the state in which the person is located. However, if a natural or legal person making legal action in its business, its capacity is governed by the state in which the company is based [8,9].

The form of legal action is under the law applicable to this transaction. Keeping the form provided by the law of the country in which the act is performed is enough.

Barred is under the law applicable to that claim. Property rights shall be governed by the law of the state in which they are subjected. Acquisition and loss of property, as well as the acquisition and loss, and change the content or the primacy of property rights, are subject to state law, which was the subject of those rights when the event occurred involving those legal consequences. These provisions are applicable to the possession.

The parties may submit their relationship to contractual obligations law of their choice, if it remains on the liability in connection with the obligation. However, if the requirement applies to property, it is subject to the law of the country where the property is situated [10].

If the parties have not chosen the law, an obligation is subjected to the law of the state in which the parties have their location or domicile when the agreement is established. This provision does not apply to obligations relating to real estate [11].

If the parties are not established or domiciled in the same country and did not choose the law, shall apply:

- to the obligations of the contract of sale or supply contract, the right of the state in which seller or supplier are located or domiciled when the contract is established;
- to the obligations of the contract work, agency agreements, consignment, contract of carriage, forwarding contract, storage contract, the right of the state in which receiving order, the agent, broker, carrier, forwarder, company, or depository for the constituents are located or domiciled
- to the obligations of the insurance contract, the right of the state in which the insurer is located when the contract is made;
- to the obligations of the contract for the transfer of copyright - the right of the state in which purchaser of those rights is located or domiciled, when the contract is made

If you can not determine the residence or place of residence of the party specified in the above paragraphs, the law of the country where the contract was concluded is applied.

To the obligations of contracts for the company, instead of the state in which the legal person is established or domiciled person, the law of the state of the place of business is applied. To the obligations of exchange-traded contracts, the law in force at the premises of the stock, unless the parties have made the right choice. This provision shall apply *mutatis mutandis* to the obligations of contracts concluded on public fairs.

The obligation not arising from a transaction is subject to the law of the country of the event that was a source of commitment.

However, if the parties are citizens of the same state in which they have their residence, the law of that State is applied.

The law applicable under the provisions of the preceding paragraphs shall decide whether a person limited in its ability will bear responsibility for tort.

Knowledge of issues of private international law as well as knowledge of the legal systems of individual countries, if implemented, could come into play in relations with foreign partners, allows the company to a large extent deliberately steer the course of any disputes arising on the background of non-performance or improper performance of obligations. Differences in legislation in a number of issues such as legal capacity, representation, legal forms or procedures are in fact different in different jurisdictions, and these differences are often significant enough to have an effect on the outcome of the dispute.

5. CONCLUSIONS

The company way of business is in the range of influence of external and internal factors determining a risk of that activity. It is important to identify these factors and their inclusion in activities on the international market. Especially difficult seems to be the situation associated with the implementation of management in international project, because in addition to economic aspects, there are relationships between people, which significantly impinge on the implementation. Based on analysis, the key issue is to identify factors that may affect the implementation of the project, and related to the determinants of local law and economic relations, social, and political characteristic of the project.

The analysis, especially those related to the implementation of large international projects show that the companies have insufficient interest in developing non-technological knowledge, especially that of management, legal regulations of the projects. Efficient implementation of large complex projects require the contractor primarily to improve preparation, planning and legal security of investments and to keep current, temporal analysis of the previously scheduled events. This is not a question of the construction costs of this service, but rather a mental shift and adjustment of thinking and acting of managers in construction companies to the conditions and requirements of the market turbulence.

6. REFERENCES

- [1] Edwards P.J, Bowen P.A. Risk and risk management in construction: a review and future directions for research. *Eng Construct Archit. Manag.* 1998;5(4):339–49.
- [2] Flanagan R, Norman G. Risk management and construction. Oxford: Blackwell Scientific Publications, 1993.

- [3] Tah J.H.M., Carr V.A. A knowledge-based approach to construction project risk management. *ASCE J. Comput. Civil Eng.* 2001;15(3):170–7.
- [4] Kotler P., Caslione J.A., Chaos. Zarządzanie i marketing w erze turbulencji, Warszawa, MT Biznes, 2009
- [5] Hofstede G., Culture's consequences: international differences in work – related values, abridged version, London: Sage, 1984
- [6] Hofstede G., Peterson M. F., National values and organizational practices, W : Ashkanasy N. M., Wilderom C. P., Peterson M. F., editors, *Handbook of organizational culture and climate*, London: Sage, 2000
- [7] Schwarz S.H., Bilsky W., Toward a theory of the universal content and structure of values: Extensions and cross – cultural replications, *Journal of Personality and Social Psychology*, 1990/58/ 878 - 91
- [8] Szydło M., Działalność spółek pozornie zagranicznych w Polsce - uwagi de lege lata i de lege ferenda, PPH 2008/6
- [9] Cichórz R., Jednoosobowa spółka z o.o. a regulacja prawa europejskiego, PUG 2003/12
- [10] Kawecka-Pysz J., Kolizyjnoprawne aspekty nabywania nieruchomości położonych w Polsce przez cudzoziemców, Rejent 1999/2
- [11] Pazdan M., Cudzoziemiec klientem polskiego notariusza, Rejent 2001/7-8