

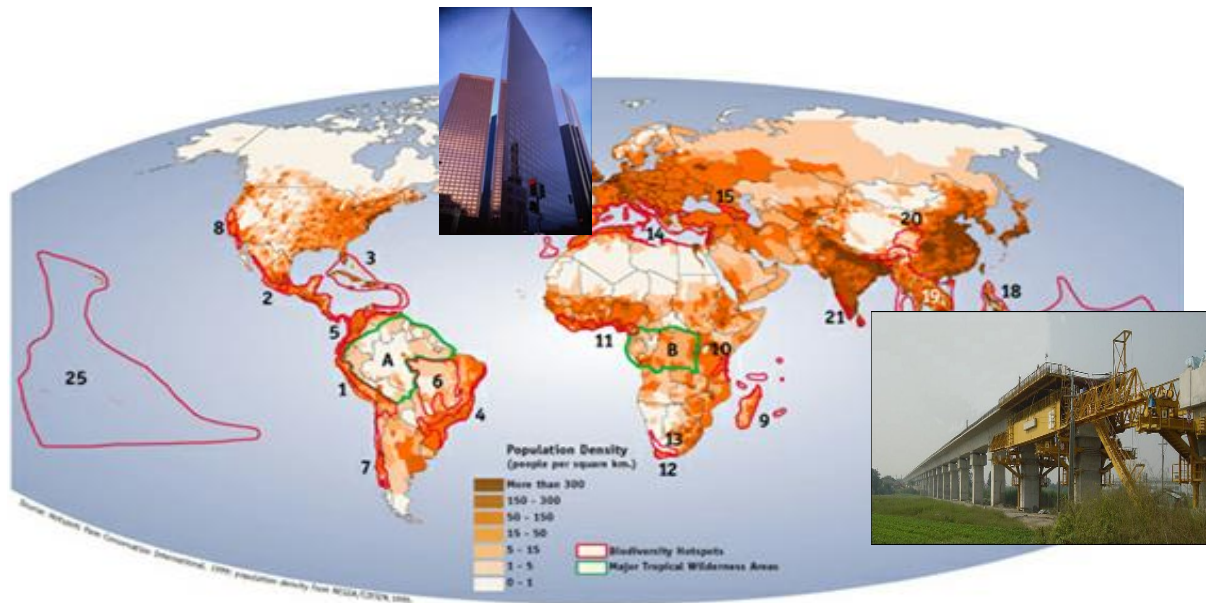
Understanding and Mitigating Institutional Costs on Global Projects

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Global Projects

- EPC Projects involving stakeholders from different national groups



- These Projects often incur significant cost overruns and delays in the **design and construction** phase
- **Agenda:** To understand how these costs originate and to help improve project performance

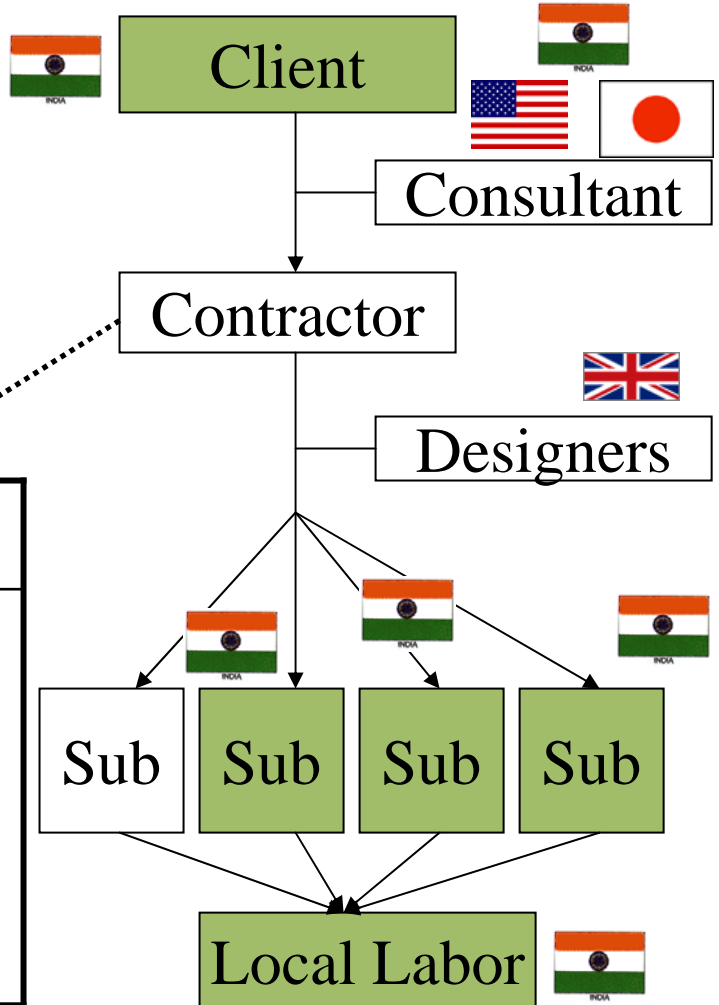
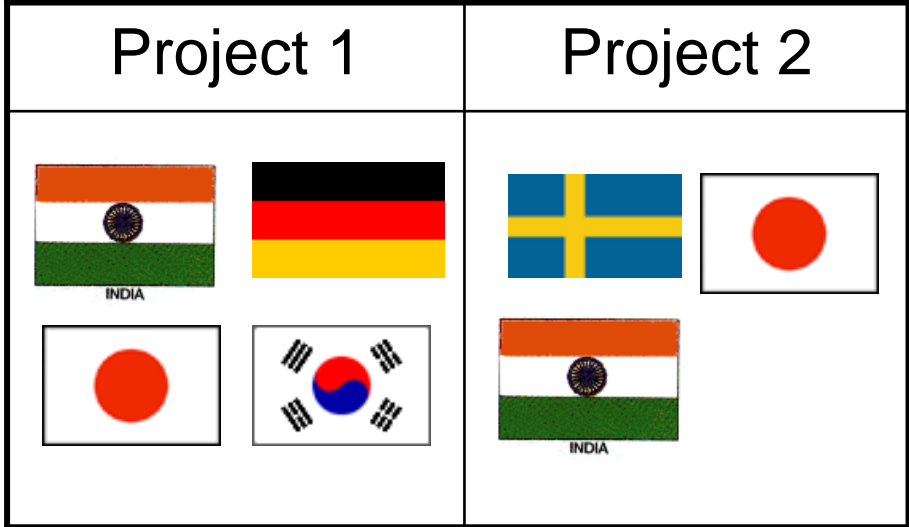
Research Design

Project Sponsor	Project 1	Project 2
 INDIA Indian Govt	 INDIA    	   INDIA 
 Taiwanese Govt	 	 





Project Organization





4 Types of Conflicts

Conflicts 1 and 2

1. Safety and Quality Issues

- Indian's and Taiwanese lacked safety and quality consciousness
- International contractors valued safety highly
- **“Nobody was wearing helmets, no one was wearing safety shoes”**

– Taiwanese Safety Manager

2. Rules vs Results

- Clients wanted to follow the exact letter of the law
- Contractors wanted to advance the works
- **“You need a slight element of engineering judgment and you need to have the confidence to say “that’s not exactly as per the drawings but as an engineer I understand that that’s ok and you can do it”. But these guys would never do that.”** –

– Expatriate Consultant in India



4 Types of Conflicts

Conflicts 3 and 4

3. Bureaucracy vs Professional/Craft administration

- Indian clients wanted to centralize decision making
- International contractors wanted to make their own decisions
- **“What they don’t understand is that it’s a Design Build contract. Responsibility is with the contractor. It’s not with anybody else.”**
 - International Contractor in India

4. Dictatorial vs Partner Orientation

- Clients wanted the contractors to do extra work for free
- Contractors wanted to do the minimum as per the contract
- **“Our Indian colleagues want a Rolls Royce, regardless of what a specification states. They ask for the cake with cream on the top and strawberries on top of that and chocolate sprinkled on top of that – the best of everything – in all aspects of the system. And really, at times its bordering on the insane”**
 - International Consultant in India

Comparing India and Taiwan



Nature of Clients	World's largest, Old, Highly involved	New, not involved much
Clients' Experience	Low in Design-Build Mistrust Subs	Low in Design-Build
Anti corruption schemes	Public and punitive	Less visible
Labor Conditions	Cheap Labor	Cheap Labor

Institutional Conflicts Observed

Safety and Quality issues	Yes	Yes
Rules vs Results issues	Yes	No
Bureaucracy vs Craft issues	Yes	No
Dictatorial vs Partner issues	Yes	No

Presence of Freelance Expatriates

- Itinerant Project Employees
- Network of Loose Ties
- Hired as Tech experts
- Worked for Client and Contractors

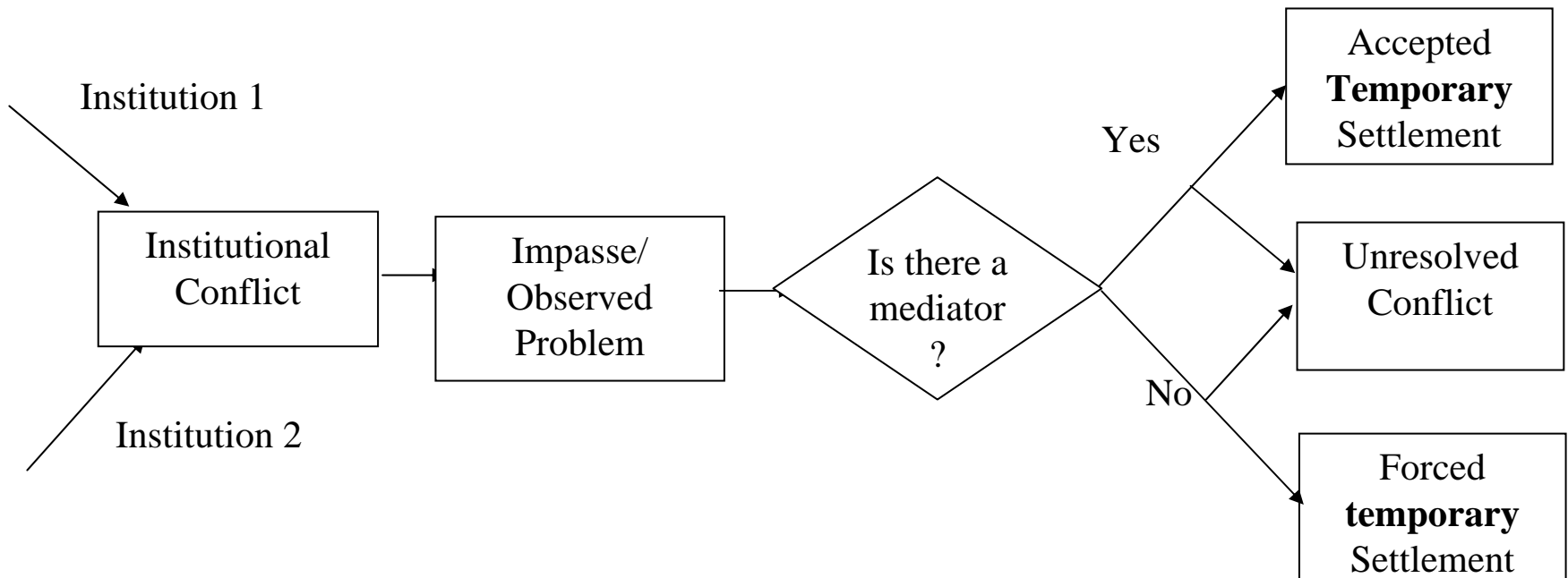




Strategies Used

- Circumvention
 - Take responsibility away from a bureaucratic representative
 - **“So what we did is that they could write on there –“only achieved 47%, milestone not achieved” and it’ll come to me and I’ll write – “this milestone substantially achieved, can issue now”. And I sign it and it goes to Mr X and he issues it. Those guys down below are then happy since they’ve said “don’t pay it” so vigilance cant touch them”**
 - **British Freelancer**
- Escalation
 - Raise issues to the proactive Managing Director (MD)
- Suggestions
 - Convince the clients or educate the contractors on how to meet the clients’ requirements
- Changing Forum
 - Organize meetings without the bureaucrats
 - **“We’ve got to try and mediate and smooth the waters and one way is actually to try and keep people away.”**
 - **British Construction Manager**

Resolution of Institutional Conflicts





Contributions to Practice

<u>Entity</u>	<u>Contribution</u>
Clients and project financiers	Recruiting freelancers as consultants can greatly help mitigate difficulties on global projects
International contractors	Experienced freelancers with large amounts of international experience can be recruited to fill when expertise is needed.
Policy makers	Anti corruption programs that are coercively enforced could lead to negative unintended consequences that cause project delays.
Project managers	An awareness of the problems that might occur on global projects and strategies by which they can be resolved



Theoretical Contributions

- Identifying and understanding the roles of the freelancers
 - Virtually no mention in the literature
 - (except for Richards 1999, Lorraine 1992 that are in the form of memoirs)
- Sheds light on the roles that intermediaries such as freelancers play in resolving institutional conflicts
 - Dominant form does not always prevail
 - Settlements improve project progress