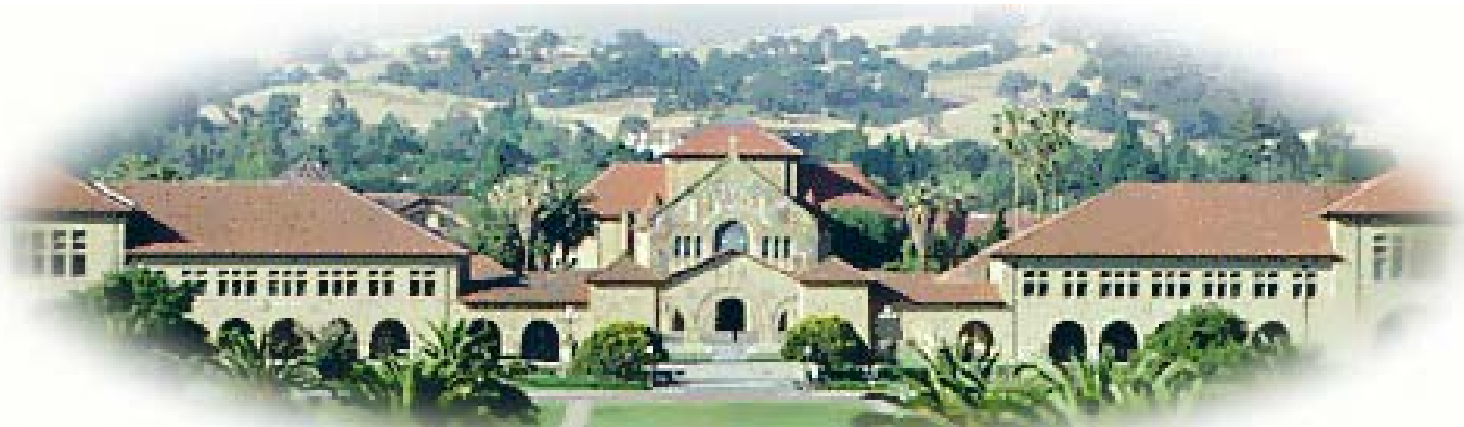


# VDT-I

## *Predicting and Mitigating Institutional Costs in Global Projects*

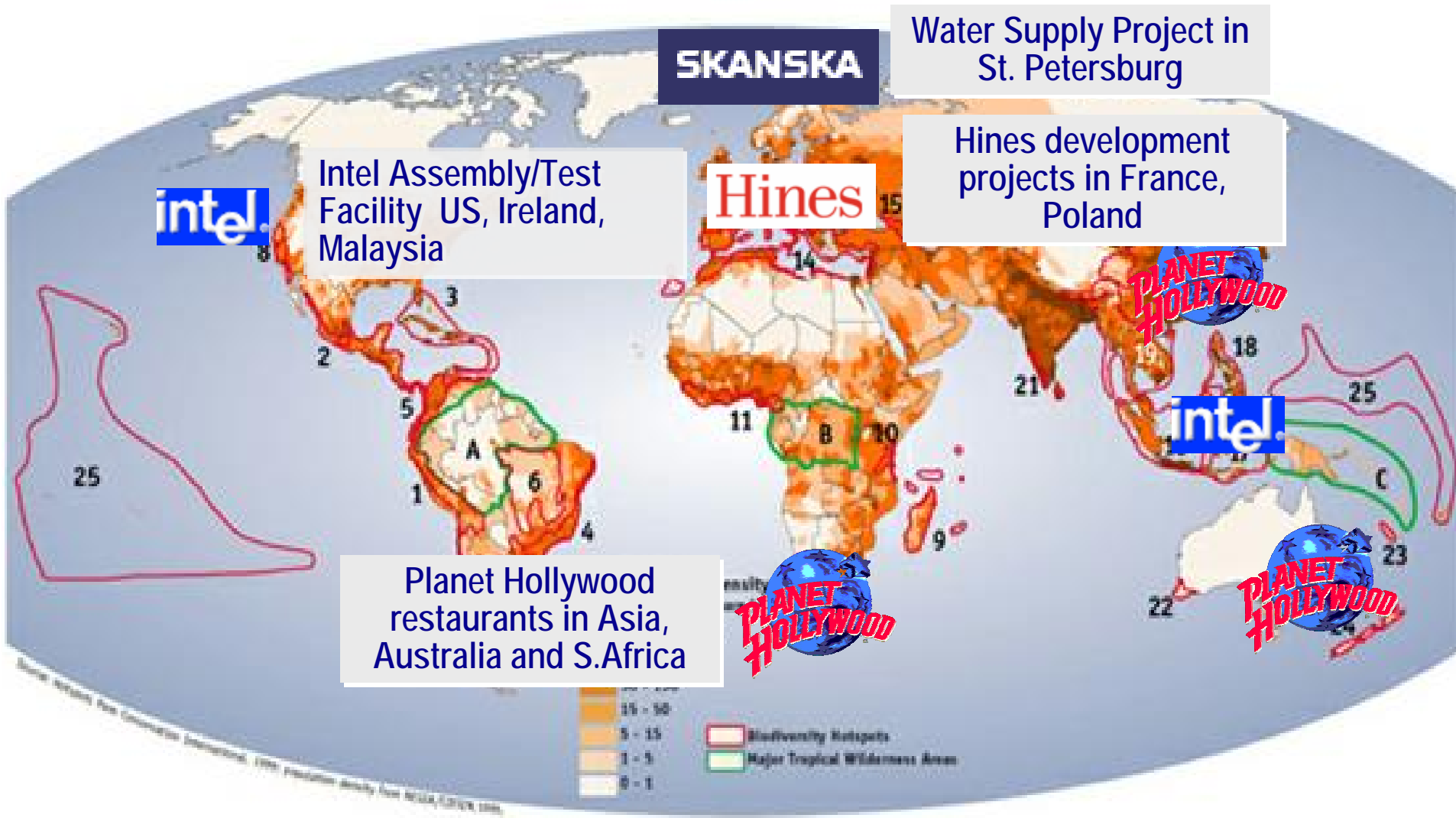


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Department of Civil and Environmental Engineering  
Stanford University*

# Presentation Outline

- Motivating problems
- Kattadam Inc. – A case study
- Potentially helpful theories
- Institutionalization Theory
- Whats missing from Inst. Theory?
- Hypotheses
- P.E.S.T framework
- Research Question
- Research Methodologies and Experimental Design

# Examples of Global Projects

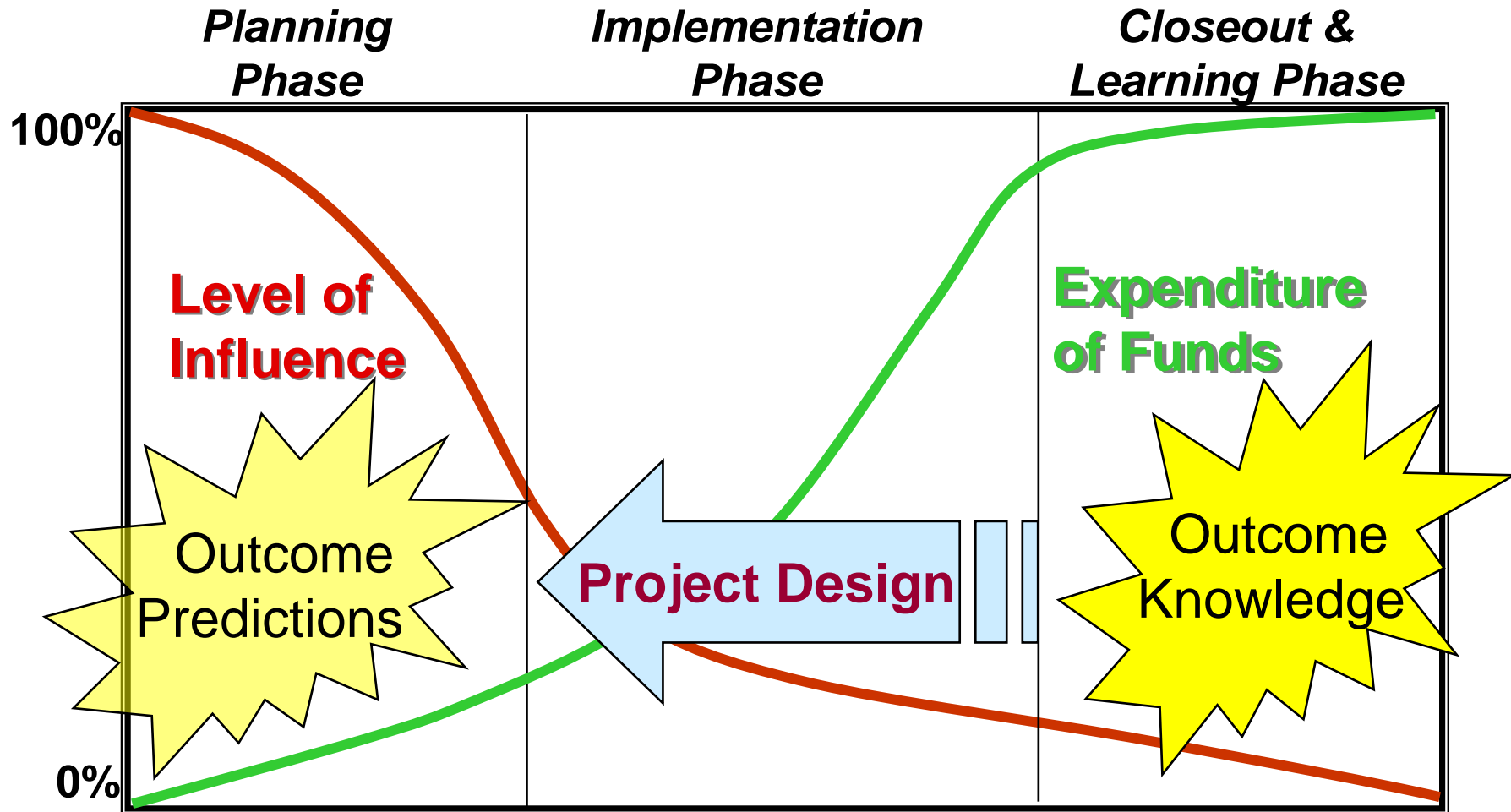


Predicting and Mitigating Institutional Costs in Global Projects

# High-level Research Problems

- How can we analyze and predict the effects of cultural differences on Global Projects?
- How can we design an organization to ensure optimal performance on a Global Project?

# How Project Design can Improve the Outcomes of Global Projects



Predicting and Mitigating Institutional Costs in Global Projects

# Kattadam Inc. – An Overview

- Founded in 1957, Based in Houston
- Controls assets in excess of \$13 Billion
- Has developed more than 700 projects
- Early 90's – decided to take advantage of European markets

# Kattadam Inc in Europe

- Initial projects in France and Germany
- Team Composition
  - Investors - U.S.A
  - High Level leadership - U.S.A
  - Architects - U.K, U.S.A
  - Project Management – Local Employees (French/German)
  - Contractors – Local
  - Labor – Portuguese, Turkish etc

# Architectural Challenges

- Building Code Differences
- Aesthetic Differences
  - Operable Windows
- Building Material Differences

## **Solution:**

- Hire a local architect for detailed design

## **Problems:**

- Responsibility for Drawings

# Pre-Construction Challenges

- Work process and contract type differences
- Local Regulation differences
- Language barriers

## **Solution:**

- No clear solution

## **Problems:**

- Conflicts during negotiation

# Project Outcomes

- Adaptation to local processes
- U.S Employee view
  - Frustrating negotiation process
- European Employee view
  - A learning process with minimum conflicts
- Long Run – Very little parent influence in non-U.S projects

# Preliminary Hypotheses

- When environmental interdependence is high, adapting to local processes is an optimal solution
- US – not used to cultural conflicts -highly institutionalized process
- Europeans are used to cultural conflicts
- Losers whine, winners are fine
- Consistent institutionalized beliefs are better than competing ones

# Aspects of the problem

- Local Environment-Organization interaction
- Differences in work and management processes
- Latent Linkages in Org structure
- Learning vs Continuity
- Organizational conflict

# A Survey of Org Theories

- Helpful theories
  - Institutionalization theory
  - Organizational Learning theory
  - Power relationships and Adaptation theory
- Not so helpful theories
  - Contingency Theory
  - Population Ecology
  - Transaction Cost, Agency theory

*\*Source – Doz and Prahalad - 1993*

# Institutionalization Theory

- Organizational Strategy is *bounded* – *March and Simon, Powell and Dimaggio, Scott and Meyer*
- Three Pillars of Institutionalization - *Scott*
  - Regulative – Building codes
  - Normative – Work processes
  - Cognitive – Aesthetics
- Institutions persist and are hard to change - *Zucker*

# Institutionalization Theory – Contd.

- Institutions are an equilibria that optimize the strategy of compliance - *Greif*
- Institutional Change happens but it is usually preceded by a disruptive event – *Fligstein, Hoffman*
- Organizational response to institutional pressure
  - Agency within institutional bounds – *Goodrick and Salancik*
  - Depending on Legitimacy, Interdependance etc Orgs can ascribe or rebel against institutions – *Oliver*
  - Highly contextual - *Barley*

# Perceived gaps in Institutionalization Theory

- Projects as a source of data and analysis
- Institutional Conflict
  - Competing institutional frameworks
  - Over a small time period at the start of a project
  - Outcomes, Effects and Cost to primary stakeholders
  - When and why do local institutions persist/change
- Empirical and Descriptive work on multinational, cross-institutional projects

# Refined Hypotheses based on Theory and Observations

- Institutional Conflict occurs when conflicting practices are highly institutionalized
  - Newer processes may lead to more collaboration
- In such cases, if interdependence is high foreign institutions will suffer high costs and loss of face before giving in to local institutions
- The more the differences in regulative institutions, the less the overall cost of finding a solution
- The more the differences in normative, cognitive institutions, the more the cost of finding a solution
- Consistent institutionalized beliefs are better than competing ones

# The PEST framework

**PEST** → Institutional Dimensions

**P** → Legal/Political

**E** → Economic

**S** → Sociocultural

**T** → Technological

# Problems on Projects

## Technical Differences

(differences in work practices, building codes, materials etc)



## Exceptions

(Problems on projects)

## Political, Sociocultural, Economic environment



## Exception Handling

(How problems are dealt with)

**Exceptions + Exception Handling** → **Project Outcomes**

# Case Studies

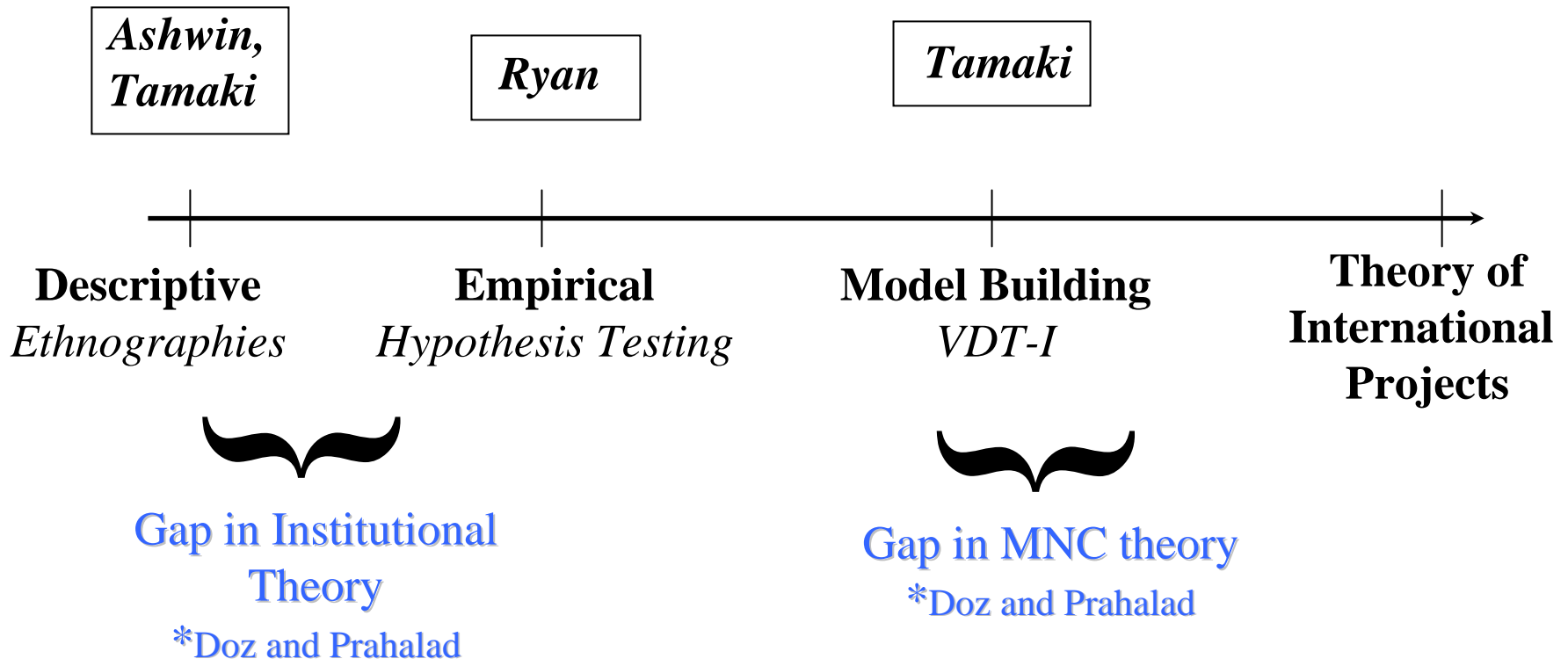
<b>Technological Problems</b>	<b>Political/Legal Problems</b>	<b>Sociocultural Problems</b>	<b>Economic Problems</b>
Gerald Hines - France		Gerald Hines - France	
Gerald Hines - Spain	Gerald Hines - Spain		
Bechtel - Chile		Chile	
Planet Hollywood – Philippines	Planet Hollywood – Philippines		
Planet Hollywood – Singapore		Planet Hollywood – Singapore	
New Chinese Hotel		New Chinese Hotel	
Water Supply plant – Nigeria			Water Supply plant – Nigeria
Factory – Sri Lanka	Factory – Sri Lanka		

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# Research Question

Please Help!!!!

# Research Trajectory

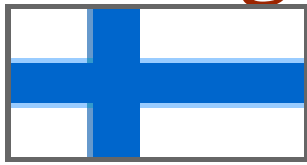
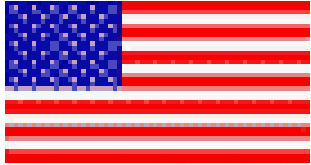


**Predicting and Mitigating Institutional  
Costs in Global Projects**

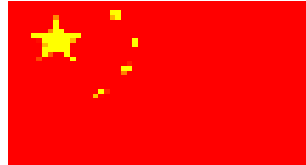
# Research Designs

- Detailed Ethnographic research, case-study building, analysis and comparison of projects
  - Two companies
  - Two new countries as project locations
  - Two projects per company per country
- Structured Interviews to Generate and Test Hypothesis
- Detailed study and computational model building of cultural differences between two countries
  - U.S – Japanese comparisons

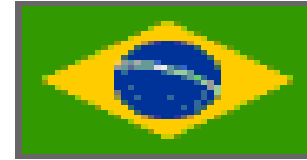
# 1. Ethnographic Research Study



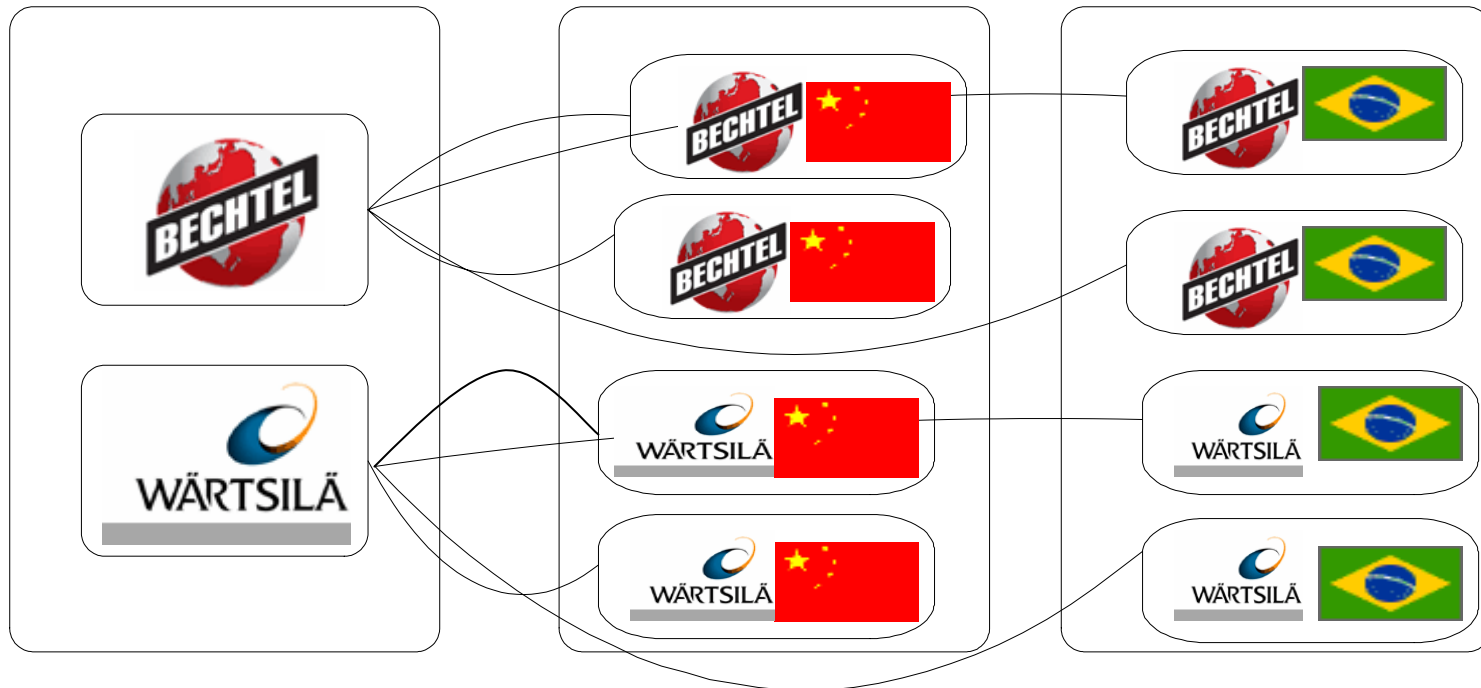
Sponsor (source):  
USA, Finland



Target Project:  
China



Target Project:  
Brazil



**Predicting and Mitigating Institutional  
Costs in Global Projects**



# Questions

**Predicting and Mitigating Institutional  
Costs in Global Projects**