

Developing managers in the construction industry for the Asian Century

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Abstract

The inexorable shift in economic power from west to east presents managers in the construction sector with unprecedented opportunities and challenges which are not well understood. In particular, there is little understanding of the new knowledge, skills and competencies which construction project managers need to work effectively in overseas locations. International management capabilities will move to the forefront of business concerns as firms seek to expand into overseas markets. Through case studies of Australian construction multinationals who are experienced in working overseas, the practices of developing global managers in the construction sector are explored. It is concluded that although most multinational construction companies do have procedures in place to manage overseas assignments, global leadership development programs do not reflect research and are not yet fully developed.

Keywords: globalisation, human resource development, leadership, education, training.

1. Introduction

The 2012, the annual meetings of the International Monetary Fund (IMF) and the World Bank provided insights into a profound change taking place in global politics and economics. This change is the political and economic power-shift from a world dominated by Western Europe and the United States to an Asian Century and a world with many regional powers and no obvious global leadership. Hawksworth and Cookson (2008) project that over the next twenty years the emerging E7 countries (China, India, Brazil, Russia, Mexico, Indonesia and Turkey) will grow by 50% more than the current G7 countries (US, Japan, German, UK, France, Italy and Canada). By 2050 the Brazilian economy will be larger than Japan, the Russian, Mexican and Indonesian economies will be bigger than Germany, France and the UK and the Turkish economy will be larger than Italy's. Other countries with high growth potential include South Africa, Nigeria, Philippines, Bangladesh, Saudi Arabia, Malaysia, Thailand, Pakistan and Iran (assuming political problems do not pose a barrier to growth in the future). The growth in these developing countries is reflected in the rapid increase in international jet travel which Boeing forecasts to grow from 4,621 billion Kilometres in 2008 to 12,090 KI in 2028. The sectors with the greatest annual grow rates are Africa to South East Asia (9.2%), within China (8.6%), within South West Asia (8,7%) and within South East

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Asia (8.1%). This will fuel the process of globalisation and lead to a more interconnected world with greater flows of people, ideas and cultures.

The scale and pace of Asia's transformation has prompted the Australian Government to commission a White Paper on Australia in the Asian Century to consider the likely economic and strategic changes in the region and what more can be done to position Australia for the Asian Century (COA 2012). Dr. Ken Henry AC, a prominent Australian economist, public servant and special Advisor to the Prime Minister, who chaired the working group who produced this paper argues that Australian business must get over their suspicion of Asia and must see themselves as regional rather than nationalistic and see Asia as a source of productivity growth rather than threat. It is clear that to capitalise on the economic shift of power we are seeing companies will need to be more adaptable, flexible, resilient and creative in their thinking.

While the potential returns from working overseas in new emerging markets like Asia are enormous, so are the risks. Many of these risks are well known and documented and include: political sovereign risks associated with unstable governments; economic risks associated with fluctuating exchange rates, poorly managed economies and asset repatriations; legal risks associated with inadequacies in international law; security risks associated with unstable governments; logistical risks associated with sourcing and moving raw materials and; cultural risks associated with doing business in different value-systems etc. However, one category of risk which has received less attention and is not well understood is the risk of managing human resources in an international context. As Pinnington (2011) points out, many firms underestimate the complexities of managing human resources across borders and there is a serious shortage of international management talent for them to draw from. This in turn has highlighted the importance of implementing effective HR practices to properly select, train, manage, compensate, support and develop employees to work in overseas environments. As Farndale et al (2010) argues, many firms adopt an ad-hoc rather than strategic approach to the management of global talent. To address this potential problem, the aim of this paper is to explore the issue of how firms develop their human resources to work effectively in these overseas environments.

2. Developing an international human resource management strategy

From the perspective of international human resource management, Evans et al (2011) argue that there are three basic levels of consistency that should be considered in effectively managing an international operation. The first is '*employee consistency*' which reflects whether employees (individually) perceive HRM processes such as performance appraisal, promotion and compensation as being fair and consistent across regions. The second is "*temporal consistency*" which refers to whether employees in similar roles but of different genders, ethnic origins or backgrounds are treated equally. While some research indicates that consistency is important for effective international operations, other research indicates that there is also a risk of taking consistency too far. For example, according to Rowley et al (2011), practices developed in one context and transplanted to other regions without consideration of regional context will inevitably fail.

In addition to resolving the dilemmas of international control discussed above, issues of recruitment and retention are considered central to an effective international HRM strategy. As Phatak et al (2009) point out, poor selection of human resources for international assignments is a major cause of failure in overseas projects and while there is no established body of theory about the attributes of a successful global manager, many researchers have attempted to identify the distinctive competencies, knowledge and personal behavioural attributes which enable managers to succeed in overseas roles (Evans et al 2011). This research has identified a multitude of competencies and personal traits and values which have been linked to global manager effectiveness. For example, necessary competencies include: relationship building skills across different cultures; cross-cultural communication skills; an ability to emotionally connect with people of different cultures; an ability to motivate and inspire people from different cultures; conflict management skills; negotiation expertise; an ability to empower people and manage cross-cultural ethical issues; social Literacy and; cultural Literacy. The personal traits and values which appear to be important in working overseas include: inquisitiveness and curiosity; continual learner; accountability; integrity; courage; commitment; hardiness; maturity; results-orientation; personal literacy; tenacity and; emotional intelligence.

Despite the wide range of competencies and attributes listed above, research indicates that technical competence remains the primary criteria used by firms in selecting employees for overseas assignments (Phatak et al 2011). Research suggests that this achievement-orientated focus on technical and job-related competence has guided selection processes because they are easier to measure. However, as Briscoe et al (2009) point out, while many western multinational business selection processes are “achievement” oriented, in many Asian and Latin cultures an “ascriptive” approach to selection predominates which takes greater account of the culture, age, gender, family background, and social connections of the candidate.

Positions in overseas locations can be filled using a variety of methods. These include: traditional expatriate assignments, overseas recruitment of host or even third-country nationals, short-term international assignments and even virtual team membership. According to Phatak et al (2009) a firm’s corporate cultures tends to influence the focus of its recruitment strategy in the above three categories. For example, a firm with an *ethnocentric* orientation typically staff important positions with parent company nationals, a firm with a *polycentric* orientation will typically select host country nationals, a firm with a *regiocentric* orientations will staff positions with trans-company nationals and, a firm with a *geocentric* orientation will generally favour the selection of the most suitable person for the job. However, research shows that most companies tend to “set-up” initial operations using their own pool of Parent Company Nationals but over time, as business grows, increasingly rely on host and trans-company nationals, supported by in-patriation into parent company cultures.

Having been selected for an overseas assignment, employees must be “prepared” to successfully negotiate the inevitable culture-shock of unfamiliar working and living environments. Culture Shock is defined by Phatak et al (2009) as a state of anxiety and disorientation caused by exposure to a new culture. Culture shock moves through various phases and is best managed by selecting the right people, by effectively managing the complex logistics of international assignments and by instilling the competencies described

above through an international human resource development (IHRD) program. This program should use a range of pedagogical approaches to learning which might include: self-examination and reflection; formal education about the a country's unique cultures, business procedures, local politics, economics, customs and practices; experience through pilot assignments and; mentoring by people who have worked overseas before, during and an international assignment (Kramer 2005).

Once on an overseas assignment the performance of managers needs to be managed and monitored. As Evans et al (2011) shows, developing a global performance management system is challenging not only because of the large size and geographical spread of the workforce but due to differing expectations, standards and practices across different business regions.

The final stage of an overseas assignment is repatriation and on-going development which if managed badly can not only adversely affect staff retention but can also undermine the integrity and attractiveness of future overseas assignments. The aim of repatriation should be: to give time for returning staff to re-adjust to home (often the culture shock of returning home is worse than shock of arriving in a new country); to ensure the home business captures and disseminates the experiences of returning overseas managers; clarify the return-on-investment from the program and; to ensure continued development and career progression of global managers on return.

3. Method

To investigate how each of the key considerations discussed above are managed in the construction sector we undertook semi structured face-to-face interviews with the human resource managers of five multinational firms in the Australian construction sector. All five firms were members of the Australian Contractor's Association, a body which represents the interests of tier-one contractors in the Australian construction and engineering industry. Sample details are provided in Table 1.

Table 1 Sample details

Firm	Countries/Regions of Operation	Annual Revenue in AU\$ ('000,000)	Employee Workforce	Market specialisation
A	Asia, Australia, New Zealand, Pacific, Middle East	2000	8000	Building, Mining, Oil and Gas, Petro-chem, power, public infrastructure, transport, water
B	Asia, Australia, Pacific, USA	1000	3600	Oil and Gas
C	Asia, Australia, New Zealand, Pacific, Middle	1000	2000	Construction, Mining and Services (energy, water, telecommunications)

D	Asia, Canada, Pacific, Europe and Middle East,	3000	3700	Building, construction, minerals handling, mining, oil and gas, rail and power
E	Asia, Australia, Canada, Europe and Middle East	3000	3500	

We also collected documentary data relating to the company's international human resource management strategies. Our interview questions addressed a range of issues discussed above, including: how the firms staff overseas assignments; how they choose staff; what attributes make a successful global manager; how they sourced potential global management talent; how staff are prepared for an overseas assignment; what competencies employees are expected to acquire whilst on assignment and how is this facilitated; what sort of infrastructure is in place for the expatriate while overseas; expectations when the employee returns from assignment; what on-going development the firm may provide; how to utilize and identify new skills the employee may bring back; how employee performance is assessed and monitored by the company and; how issues of cultural relativity are approached.

4. Discussion of results

Tables 2 compares how our respondent firms source managers for overseas assignments. There appeared to be no one dominant approach within our sample. Our results suggest a highly pragmatic approach which responds to the availability of the best resources at a particular point in time.

Table 2 Sourcing of global managers

Firm A	Recruit internally and regionally. Cross-transfers sometimes happen.
Firm B	Recruit locally by region.
Firm C	Focus on our regional hubs, which like to recruit locally.
Firm D	Selection is based on the talent available.
Firm E	Sourced from wherever the talent is.

Table 3 addresses the issue of Global Training and Development by showing how the firms helped their selected global managers to acquire the necessary competencies and knowledge to do their job effectively. None of the firms interviewed had a formal global competency framework in place to guide their HRD process although one was developing it. Most saw the best way of developing global management competencies and knowledge as

being through overseas work experience itself (throwing managers in at the deep end). Preparation is normally perceived as a logistical rather than a competency challenge. Inductions are normally expected to be carried out at the overseas host location, although this can often not happen due to time pressures. Ethical and cultural differences between working practices in different countries are not specifically addressed as part of the overseas assignment and it is broadly seen as the responsibility of the host country to educate new expatriates about local cultural practices and expectations. Instead, the focus of attention at this stage is very much on employment contract issues, pay and compensation arrangements, tax, pensions, travel arrangements, accommodation, family logistics such as schools and spouse support and, safety and security etc.

Table 3 Preparation

Firm A	We do not have a different training or competency conceptual framework for overseas rotation. Working in a different culture and working with many different nationalities, will develop the employees' technical knowledge, business concepts and personal/interpersonal skills.
Firm B	Preparation depends on the location. We provide access to an online cultural awareness tool. In high-risk locations extra preparation is required. Competencies are linked to the expat's role. Overseas assignments should help develop role based competence regardless of role or level.
Firm C	We don't have a formal program for preparing staff for overseas assignments. New competencies are generally expected around behavioural and personal attributes.
Firm D	We like to use performance profiles for candidates and keep the communication close between the regional-hub. Improvement of technical knowledge is achieved through work experience on site.
Firm E	Selection is based on the talent management software and case notes from their line manager. We are putting in place a global management development program which define these leadership and behavioural competencies.

Tables 4 indicates the attributes our respondents associated with people who tend to perform well overseas. Most of our sample believed that they intuitively knew the attributes of a successful global manager. Only one company had specifically and consciously identified these from research and consultation with its global managers and had begun to use this information to develop a global competency framework to develop these.

Table 4 Attributes of successful global managers

Firm A	Firm B	Firm C	Firm D	Firm E
Technical knowledge	Strong technical skills	Deal with Diverse Cultures	Technical knowledge	Technical knowledge

Leadership	Strong leaders	Manage uncertainty	Business Concepts	Understand different regulations and standards
Behavioural	Client Relations	Personal skills	Health/safety conscious	Business Etiquette
Client Management	Personal Skills	Personal resilience	Personal Skills	Proactive learner
Innovation	Interpersonal Skills	Work as part of team	Management	Tolerance for religion/culture
Networking	Client Management	Leadership	Interpersonal Skills	Leadership
Decisiveness	Independence	Inspiration		Acculturation and Integrity
Intuitiveness	Safety OH&S			Learning Agility and Open-mindedness

Table 5 describes the repatriation expectations of the firms we interviewed and strategies for ongoing development of global managers after return home. None of the firms we interviewed had a formal repatriation strategy in place (although one was in development) and there were no specific strategies to maintain, further develop and capitalize on the skills employees acquired during the overseas assignment experience.

Table 5 Repatriation

Firm A	To transition back into the Company relatively seamlessly. To date they have not had any problems with staff returning and repatriating to Australia.
Firm B	Individual returns to a role that is either the same as prior to their departure or aligned with any changes to their experience, skill set obtained whilst working overseas.
Firm C	No different to other executives, our organisation expects them to seamlessly integrate back into the local environment.
Firm D	That the returned employees would integrate with little to no fuss
Firm E	There usually is little to no difference in employee performance and behaviour. We know that it is important to do repatriation well and are developing a formal program to ensure smooth transition and

	ongoing development.
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5. Conclusion

The aim of this paper was to explore how multinational firms in the construction sector manage their international human resources. This paper is set within the context of profound changes in balances and barriers to international trade. While our sample was admittedly small, there is no reason to believe that the practices of other multinational firms in the Australian construction sector would be different to those we found. Our research indicates that many firms lack the strategic approach to international human resource management as formally described in the human resource management literature. Rather than being strategic, the human resource management function appears to be a highly functional one focused on the contractual logistics of overseas assignments. The majority of the firms we studied adopt a highly pragmatic geocentric approach to recruitment. Most recruit occurs without a formal global manager competency framework although there is quite strong agreement informally on the types of attributes which make an effective global manager. The selection of global managers appears to be mainly on the basis of technical knowledge and the recommendations of line managers regarding skills and personal attributes. None of the firms interviewed had a formal global management training program in place although one was developing a global management competency framework. When acculturation or logistical training was provided to prepare candidates for overseas assignments it was generally outsourced to external consultants and, apart from one firm, there was little sense that human resource management practices were contributing a central set of values being driven through the regional business. In terms of preparing managers for overseas assignments, most of the companies believe financial assistance is the most important factor for success. Only two of the companies offer relocation consultants to help the expats relocate and settle in, and only one offers cultural awareness training. Only two of the companies also supply a mentor either overseas or from the home office. In terms of ensuring the on-going development of global managers when on overseas assignments, regional businesses and indeed projects were highly autonomous and were expected to take responsibility for the development of any overseas managers assigned to them. Overseas managers have to fit into 'normal' staff development programs and their competencies and development are assessed by line managers and in some cases mentors in the host country. All our respondents expect employees to readjust with no major problems.

The implication of these findings is that the international projects of many multinational contractors might be exposed to considerable human resource management risks. To minimise these risks companies should reduce their emphasis on technical competencies in the selection of candidates for overseas assignments. In many Asian and Latin cultures, this approach is unlikely to result in the best candidate where culture, age, gender, family

background, and social connections may be better indicators of success. Furthermore, it is important to consider the personal traits and values candidates. Inquisitiveness and curiosity; continual learner; accountability; integrity; courage; commitment; hardiness; maturity; results-orientation; personal literacy; tenacity and; emotional intelligence appear to be particularly important indicators of success. Having been selected, employees must be prepared to negotiate the inevitable culture-shock of working overseas. Training must be provided to build networking skills across different cultures; cross-cultural communication skills; an ability to emotionally connect with people of different cultures; an ability to motivate and inspire people from different cultures; conflict management skills; negotiation expertise; an ability to empower people and manage cross-cultural ethical issues; social Literacy and; cultural Literacy. Once on an overseas assignment the performance of managers needs to be managed and monitored. Appropriate support needs to be provided whenever it is needed. Finally, repatriation and on-going development should be provided to help returning staff to re-adjust to home and to ensure the home business captures and disseminates the experiences of returning overseas managers.

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