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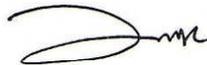
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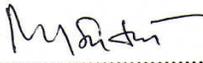
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**THE CHALLENGES IN INTERNATIONAL CONSTRUCTION PROJECTS
WITH REGARD TO SAFETY COMPLIANCE AND
CROSS CULTURAL MANAGEMENT**

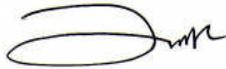
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A project report submitted in partial fulfillment of the
requirements for the award of the degree of
Master of Science (Construction Management)

Faculty of Civil Engineering
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NOVEMBER 2008

"I declare that this project report entitled "The Challenges in international construction projects with regard to safety compliance and cross cultural management" is the result of my own research except as cited in the references. This project report has not been accepted for any degree and is not concurrently submitted in candidature of any degree.



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Date : 27 November 2008

DEDICATION

For my family, who offered me unconditional love and support throughout the completion of this project. To them I give all my love for supporting me all the way.

Hj Mohd Radzuan Hj Mohd Halim

Arba'yah Hassan

Azila Azura Alias

Awatif Najihah

Awatif Nabilah

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ABSTRACT

The globalization of construction markets has allowed local construction company to compete internationally. Malaysian contractor has been able to penetrate overseas market particularly in Middle East countries. Up to date Malaysian contractors have been recognized internationally and given the opportunity to carry out mega project overseas. Participation in overseas project has exposed the contractor to several opportunities and threats. International construction is much riskier and that create risks never encountered in domestic construction. As such this study has been carried out to determine challenges faced by local contractor in venturing overseas project. This study focus only on challenges related to the safety compliance and cross cultural management in international construction projects. The methodology adopted for the study includes distribution of questionnaire survey and interviews conducted with experts who has vast experience particularly for projects in Middle East countries. The finding from the study has indicated that safety compliance is still a challenge to Malaysian contractor in Middle East country. Stringent in safety audit is conducted at every construction site particularly for projects managed by the European companies. Malaysian contractor should prepare themselves to comply with every safety requirements practiced in Middle East countries. In cross cultural management, the study revealed that it is important to familiar with host country's business structure in order to avoid any difficulties in managing project. By understanding the local business structure the company could improve their competitiveness. Therefore there is an urgent need to study the critical factors in doing business in overseas project.

ABSTRAK

Globalisasi didalam pasaran pembinaan telah membolehkan kontraktor tempatan untuk bersaing di peringkat antarabangsa. Kontraktor Malaysia telah berupaya menembusi pasaran luar terutamanya negara-negara timur tengah. Keupayaan kontraktor Malaysia telah diperakui diperingkat antarabangsa dan telah diberikan kepercayaan untuk melaksanakan projek-projek mega di luar negara. Penyertaan di dalam projek luar negara telah mendedahkan pihak kontraktor dengan pelbagai peluang dan cabaran. Secara umumnya penglibatan di dalam projek luar negara adalah lebih berisiko berbanding projek dalam negara. Sehubungan dengan itu adalah amat penting untuk mengetahui potensi cabaran yang bakal dihadapi oleh kontraktor. Metodologi yang diguna pakai untuk kajian ini termasuklah soal kaji selidik dan temubual yang diadakan dengan pihak yang pernah terlibat dengan projek di luar negara terutamanya di Timur Tengah. Hasil kajian menunjukkan, mematuhi kehendak keselamatan yang ketat merupakan satu cabaran kepada kontraktor Malaysia yang beroperasi di negara Timur Tengah. Atas dasar itu pihak kontraktor perlu bersedia untuk mematuhi kehendak keselamatan yang diamalkan di luar negara. Hasil kajian berkaitan kepentingan budaya tempatan menunjukkan perlunya memahami secara terperinci berkenaan struktur dan sistem urusan perniagaan tempatan untuk mengelakkan kesulitan di dalam pengurusan projek. Dengan memahami sistem urusan perniagaan tempatan, pihak kontraktor dapat meningkatkan daya saing syarikat. Sehubungan dengan itu adalah perlu untuk menjalankan kajian ke atas cabaran menjalankan perniagaan di luar negara.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

It seems fashionable these days for local companies to venture into the overseas market. Facing saturated markets at home, they are encouraged to go abroad to explore business opportunities. This has been supported by the number of registered contractors with Construction Industry Development Board (CIDB). As indicated in CIDB Bulletin (2007), there are approximately 63,000 contractors registered with CIDB.

In view of the above figure, the overseas expansion has been considered as a necessary measure in the long run, as the local construction industry is getting flooded with registered contractors. The Government through CIDB has also encouraged local contractors with high capabilities to go global and let the newcomers to fill up the local market. It has been reported in the Star on Sept 2007, the total Malaysian contractors abroad have accumulated to RM61 billion worth of projects covering about 38 countries. This indicates that Malaysia has already shown its capabilities in venturing into international projects.

The government has instructed CIDB to carry out registration and screening process to identify and recommend qualified contractor for overseas project. The initiative has been successful, where the numbers of Malaysian contactors doing overseas projects are hugely increased.

According to CIDB's previous chairman, Tan Sri Jamilus Hussein (2007), Malaysia has been transformed from a nation dependent on foreign experts and service providers to a major construction service exporter in the international market.

As such the reputable Malaysian Contactor has aggressively ventured into overseas project and according to statistic released by CIDB among the popular region or countries are Middle East, India, Asean countries and Africa. The level and sophistication of interest in Malaysia's construction services has been very positive and encouraging. The fact that Malaysian construction companies have already forged for themselves highly reputable credentials in delivering complex and technically challenging projects in the Middle East within set engineering and financial parameters is a testament to their abilities. These companies have earned the capacity and capability to compete in the international market and have brought additional revenue for Malaysian economy.

As of to date many builders are now trying to take advantage of the boom in the world's construction scene but not all would share the same measure of success as the global construction scene has its share of challenges and pitfalls to consider. However working in unfamiliar geographical markets overseas will often bring challenges in terms of cultures and market practices. This places greater pressure on an organization to adapt to their new environment. Many factors can affect the outcome of contractors' performance overseas.

Contractors and builders must be aware of the political stability of the said country, tax policies and employment laws, which would include environmental and industrial safety regulations and act accordingly to safeguard their interest.

By going global and meeting the challenges head-on, Malaysian contractors can further contribute to the GNP growth of the construction sector and the overall economy of the nation. Investment overseas could mobilise Malaysia's man-power and generate foreign exchange, while also developing the domestic economy with profits earned from overseas ventures.

1.2 Problem Statement

A business operations increasingly global, the need for managers to communicate effectively with members of other cultures becomes more important. This is particularly for managers who take up positions overseas, and an area where cross-cultural differences may be apparent is a leader behaviour. The cross-cultural management is one of the challenges in international construction projects. Projects implemented abroad create various challenges for managers in dealing with multiethnic work forces, operating with social, linguistic, political, economic and religious traits of the host country.

The use of migrant workers in construction is a world-wide phenomenon and it is common practice in every parts of the world. The workers bring along their safety culture and at the same time to comply with host country's safety requirement. In general the safety requirements are at same level, however the differences could be found in application and enforcement by the authorities whereby in developed countries the safety compliance is more stringent compare to developing countries.

As such, it is importance to the company in general and particularly project personnel in particular to manage efficiently the cross-cultural differences as well as compliance with safety requirements and to ensure that it will not become a threat to the project.

1.3 Objectives of the Research

This study is aimed to identify the challenges of local contractor to comply with local requirements in overseas project and to recommend the best preparation for contractor before venturing to overseas project. It will mainly focus on the following objectives :

- i. To identify factors, why local contractor needs to venture overseas.
- ii. To identify challenges in international construction projects with regard to safety compliance and cross-cultural management.
- iii. To determine the most critical factor that relate to each challenges.

1.4 Scope and Limitation of the Study

This research is focused on the need of local contractor to venture overseas and identify the challenges with regard to the safety compliance and cross cultural management in international construction projects.

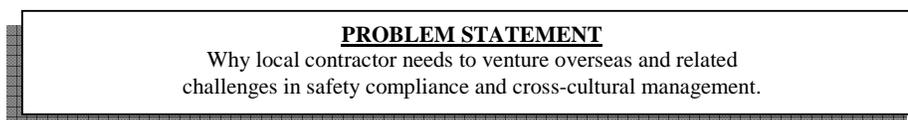
The scope of this study is confined within the following aspects :

- i. It's only focusing on factors why local contractor needs to venture overseas and challenges with regard to the safety compliance and cross-cultural management in international construction projects.
- ii. The respondents comprised of local contractor who currently carry out construction works in overseas especially in gulf projects.
- iii. The data collected from respondents that have experience in overseas project only

1.5 Brief Research Methodology

The flowchart indicate the flow of research work that have been conducted and present in Figure 1.1

Flow Chart of Brief Research Methodology



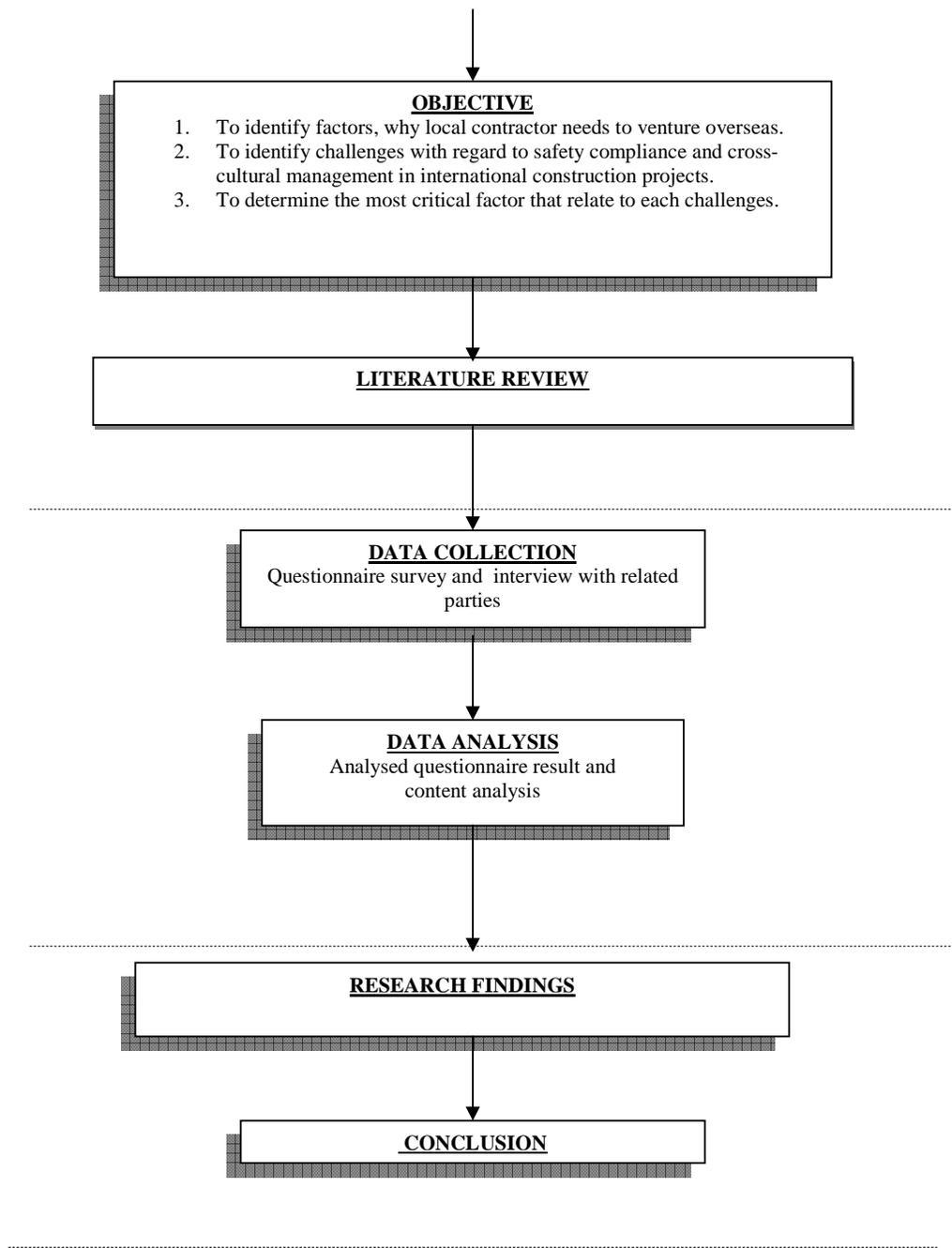


Figure 1.1 Brief Research Methodology Flow Chart

1.6 Structure of Report

Chapter 1, discussed on the problem statement, objectives, scope and limitation of the study and brief methodology to be adopted, in order to achieve the objectives of the study.

Chapter 2, Literature review on international construction projects inclusive of involvement of Malaysian contractors and reasons to ventures in overseas project.

Chapter 3, Literature review on common challenges in international construction projects inclusive of study in safety compliance and cross-cultural management.

Chapter 4, Research methodology used to achieve the objectives of the study. Description on the detail of each methodology adopted which includes questionnaire survey A flowchart of the methodology is presented, which includes the target group, questionnaire design, interviews and analysis method.

Chapter 5, Data analysis from questionnaire survey and interviews.

Chapter 6, Discussion on research findings.

Chapter 7, Conclusion of the study.