Intercultural Challenges in Joint Venture Management

A Practical Guide for SMEs in the Construction Sector

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Creating an environment that reduces the risk of joint venture failure between SMEs from Europe and Africa in the construction sector

Region: Guinea, Liberia, Sierra Leone

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Submitted by

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Abbreviations

AfDB	African Development Bank
AICD	Africa Infrastructure Country Diagnostic
EU	European Union
GAIC	German Association for International Construction
IO	Intermediary Organization (Chamber, Association)
JV	Joint venture
KfW	Kreditanstalt für Wiederaufbau
MoU	Memorandum of Understanding
SME	Small- and medium-sized enterprise
SWOT	Strength-Weakness-Opportunity-Threat

1. Introduction

Inadequate infrastructure is holding back Africa's economic growth per capita by 2 percent each year, and reducing firms' productivity by as much as 40 percent. The economic integration process in Africa is hampered by a lack of sound infrastructure. Poor infrastructure has blocked the quick movement of goods and people in the continent and increased transport costs. Africa's transport costs – local, national and international – are around twice as high as those for a typical Asian country.

Good infrastructure has always played a leading role in economic development and is a precondition for, and an enabler of, growth for private sector development and trade:

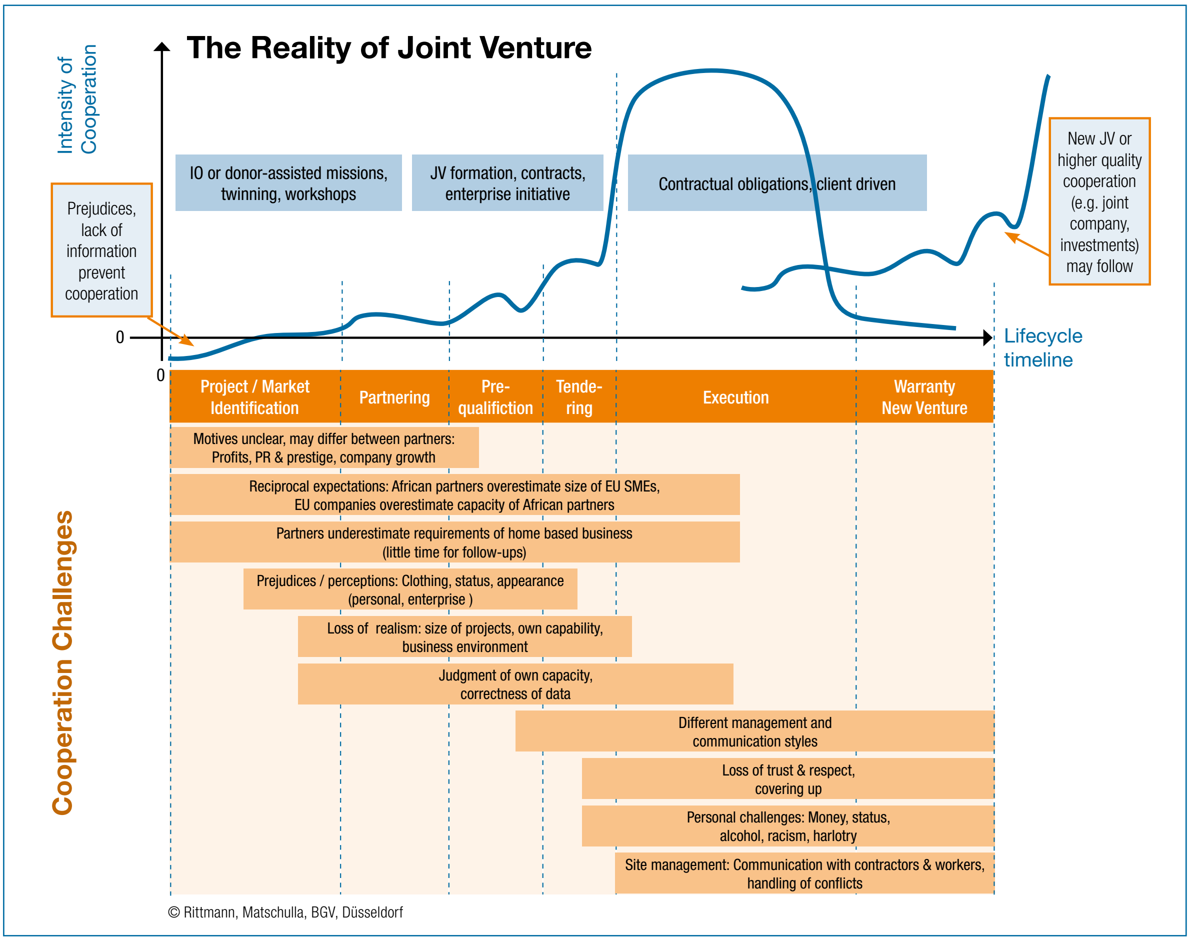
- Building and maintaining roads and railways boosts output and jobs;
- Countries with reliable energy and electricity services and low transport costs find it easier to trade and therefore achieve faster growth;
- Clean water and sanitation are essential for health, which in turn is needed for labor productivity.

Therefore, in order for Africa to become competitive and realize its productive potential, massive improvements in physical infrastructure are needed. There have been many recent estimates of Africa's infrastructure financing needs. The report of the Commission for Africa in 2005, for instance, estimated the continent's needs at $20 billion a year. The more recent Africa Infrastructure Country Diagnostic (AICD) study, carried out by the World Bank on behalf of the Infrastructure Consortium for Africa, shows annual infrastructure investment needs alone in Africa to be in the region of as much as $40 billion per year, with maintenance and operating costs of the same magnitude – twice the Commission for Africa estimate.

The construction sector as a whole, the local entrepreneurs and their employees are of immense significance under such conditions. Timely and qualitative execution of the works is required. The framework conditions under which African entrepreneurs have to face the construction challenge are often not as conducive as required. Technical know-how, access to finance and public procurement conditions are often testing. Joint ventures are often seen and considered a fruitful business model under such trying conditions. For one, they help to ensure the quality and timely execution of the works, they help to negotiate and set examples for better business framework conditions, they include know-how transfer and, last but not least, they allow local stakeholders – and the economy at large – to economically benefit from internationally funded construction projects.

2. The Joint Venture Lifecycle Model

Based on numerous years supporting joint ventures in the construction sector, the team of experts developed a lifecycle model for joint ventures (see graph below) which forms the underlying rationale of the project approach. It has since become the basis for JV facilitation of the German Association for International Construction (GAIC)



As can be seen from the model, many of the serious challenges for sustainable cooperation relate to communication and behavioral aspects throughout all phases of a JV, from facilitation to the partnering stage and on to formation and project execution. Especially the JV formation stage is critical, since this is the phase where the enterprises and their actors have to drive the initiative. Earlier, it is often the IO or a donor who assists and keeps the process rolling. The execution phase of a JV, i.e. implementing the construction works, is largely client and project driven. At this stage, a resilient relationship between the partners is vital. It must be tried and tested and withhold potential challenges that might have considerable financial consequences.

WHAT IS A JOINT VENTURE?

A joint venture takes place when two or more parties come together to take on a joint task (project, works). It can be for a specific job only or become a continuing business relationship.

- It is a temporary partnership between two or more parties for the purpose of carrying out a particular project (or works). (Consortium)
- It is a business agreement in which two or more parties agree to develop a ew entity and new assets by contributing equity.

3. Cultural Dimensions

Intercultural communication is prone to a wide range of communication problems that naturally appear within global collaboration, especially among small- and medium-sized companies, often family owned and managed, where individuals have little exposure to other cultural backgrounds. It is important to understand how people from different countries and cultures act, communicate, manage and perceive the world around them. Many people in intercultural business communication argue that culture determines how individuals encode messages, what mediums they choose for transmitting them, and the way messages are interpreted.

When soliciting for joint ventures in the construction sector, many such international collaborations are the first of its kind for the European and African entrepreneur. They do not know each other yet, are engulfed in their own perceptions and prejudices, but are expected to make far-reaching business decisions of considerable commercial risk involving this unknown partner. Avoiding risks arising from intercultural differences becomes imperative and is key to establishing the required trust and respect for such a partnership.

Based on Geert Hofstede's[1] theory of cultural dimensions, the team undertook a simple survey among about 150 construction contractors in four countries (Guinea, Sierra Leone, Liberia and Germany). While the survey results are not meant to be statistically or academically proven, they nevertheless provide an excellent instrument to portray and deliberate on cultural differences and their potential consequences (positive or negative) for European-African joint ventures.

The survey results obtained for the Hofstede's five cultural dimensions are as follows:

1 The theory has been widely used in several fields as a paradigm for research, particularly in cross-cultural psychology, international management, and cross-cultural communication. Hofstede developed his original model based on the results of a worldwide survey of employee values by IBM in the 1960s and 1970s.
The theory was one of the first that could be quantified, and could be used to explain observed differences between cultures along five dimensions: Individualism-collectivism, uncertainty avoidance, power distance (strength of social hierarchy), masculinity-femininity, and long-term orientation

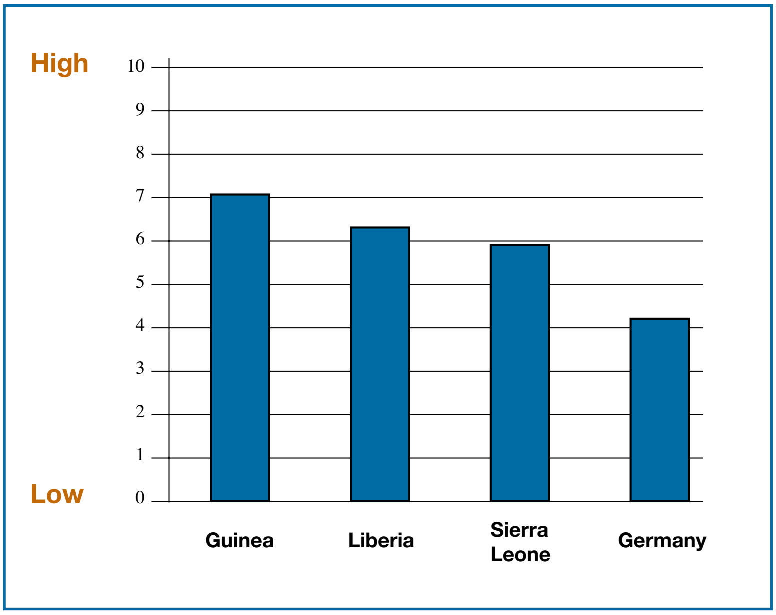
Power Distance

◇ High power distance

- Tendency to accept inequalities and more autocratic and paternalistic relations;
- Subordinates acknowledge the power simply through formal, hierarchical positions;
- Upward mobility in social ranking is limited.

◇ Low power distance

- Power relations are more consultative or democratic and people relate to one another more as equals regardless of formal positions;
- Subordinates demand the right to contribute to and criticize decisions of those in power.



The cultural difference between the West-African countries and German contractors with regard to power distance are substantial and the consequences in joint ventures can be severe: The concept of power and respect being implied by the position only and not by professional – in the case of contractors probably engineering – qualifications or experience and proficiency may pose a problem of acceptance. For an African entrepreneur the European's approach towards authorities – especially those of a traditional nature – may prove to be embarrassing or even unacceptable. A German contractor may also not expect or understand subservient behavior by subordinates. Where he expects to be told proactively about problems arising at the site, the employees will wait to be asked and even then most likely express problems only implicitly.

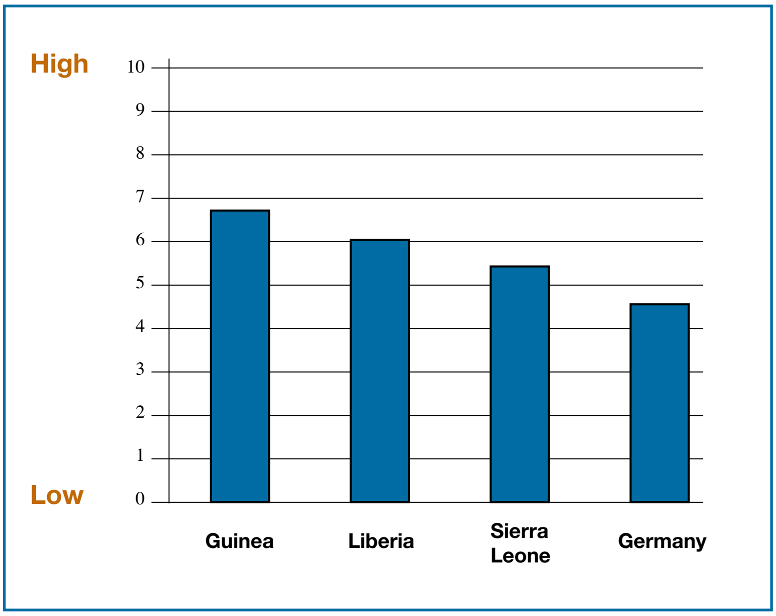
Individualism - Collectivism

◇ Individualistic societies

- Emphasis on personal achievements and individual rights. People are expected to stand up for themselves and their immediate family;
- People are free to choose their affiliations.

◇ Collectivistic societies

- Individuals predominantly members of a life-long and cohesive group or organization;
- Large extended families, used as a protection in exchange for unquestioning loyalty.



African societies are largely collectivistic societies. They stress the integrity of the group (e.g. the family or the tribe), expect individuals to sacrifice their own ambitions for the group if necessary and promote competition between different groups. Despite business principles and requirements also prevailing in Africa, the entrepreneur may very well take issues of relationship much more seriously for his decisions than a European would. The risk of paying allegiance to a social group influencing a decision is generally higher than in Europe. This problem may become even more pronounced if and when dealing with workforce matters. It is not necessarily the best qualified worker who is employed, but the one belonging to a particular family, tribe or region. This may conflict with a European manager's largely fact and success driven approach. It is advisable to discuss these matters – possibly by way of a role play – in smaller groups.

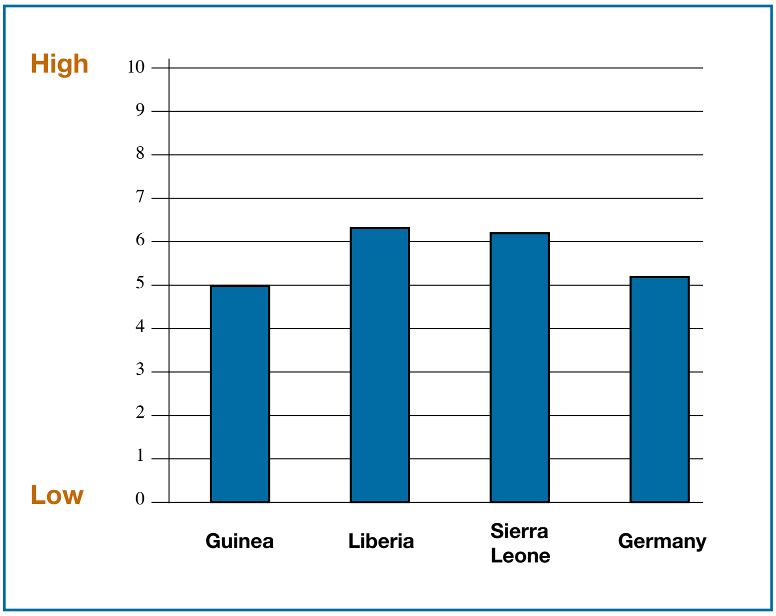
Masculinity - Feminity

◇ High masculinity

- Competitiveness, assertiveness, materialism, ambition and power count;
- Differences between gender roles are more distinct and less fluid;
- Stronger taboos on sexuality.

◇ Low masculinity

- Higher value on relationships and quality of life;
- Men and women share values emphasizing modesty and caring.



The differences among the cultures are less pronounced when it comes to masculinity. This may come as a surprise, since experience (or prejudice) suggests that African cultures are higher on the masculinity scale. However, there are also substantial differences in Europe, where the Nordic countries are extremely low on masculinity, whereas with the countries with a strong German influence (Hungary, Austria, Switzerland) the score is much higher. The relative proximity of the scores at a medium level may also be reflecting the very distinct target group of contractors in construction. Ambition, assertiveness and competitiveness are required entrepreneurial values and people with high scores on this tend to go for such a career. However, despite the close scores, one should expect different views on gender roles or shared values.

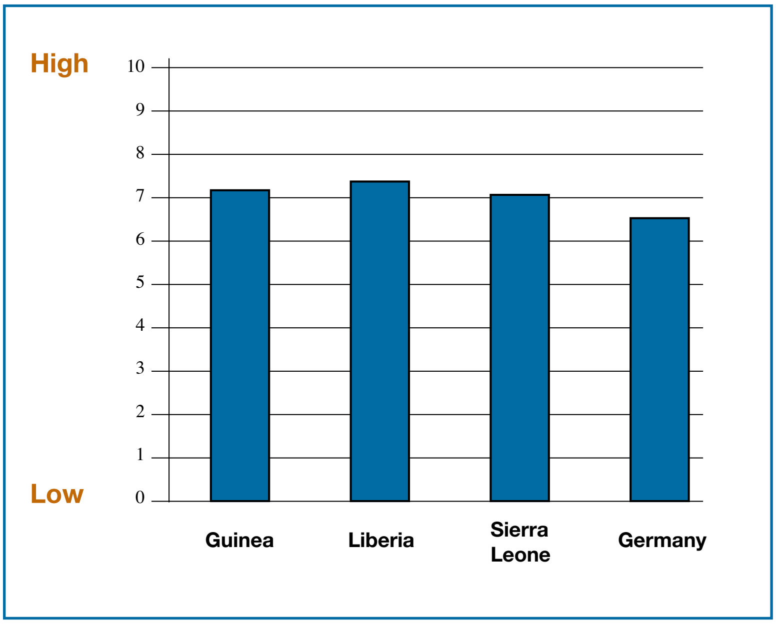
Avoidance of Uncertainty

◇ High uncertainty avoidance

- More emotional;
- Minimization of the unknown and unusual circumstances;
- Step-by-step changes through planning and by implementing rules, laws and regulations.

◇ Low uncertainty avoidance

- More comfortable in unstructured situations or changeable environments;
- Tries to have as few rules as possible;
- More pragmatic, more tolerant of change.



Although entrepreneurs could be considered to be risk-takers, the societies (contractors) measured here have a high tendency to avoid uncertainty. This is one of the key obstacles to mobilizing German companies for joint ventures in Africa in the first place. Most entrepreneurs have very little knowledge about Africa, let alone the business environment. They receive their information through the media, which is dominated by reports on poverty, civil unrest and corruption. Decisions to venture into Africa are difficult under these circumstances. It is estimated that potentially only one out of 50 construction SMEs could be convinced to at least consider visiting Africa with a view to joint ventures. It is important for IOs from central European locations to allow the first steps of their members into Africa to be in a safeguarded environment, e.g. with business missions or accompanied tours. Again, the Nordic countries score much lower and joint ventures with Swedish or Danish firms may be easier. On the other hand, when entering into business negotiations the aim of the African partners to have a sound and detailed contractual basis for the partnership is possibly valued higher and is less stressful with central European companies.

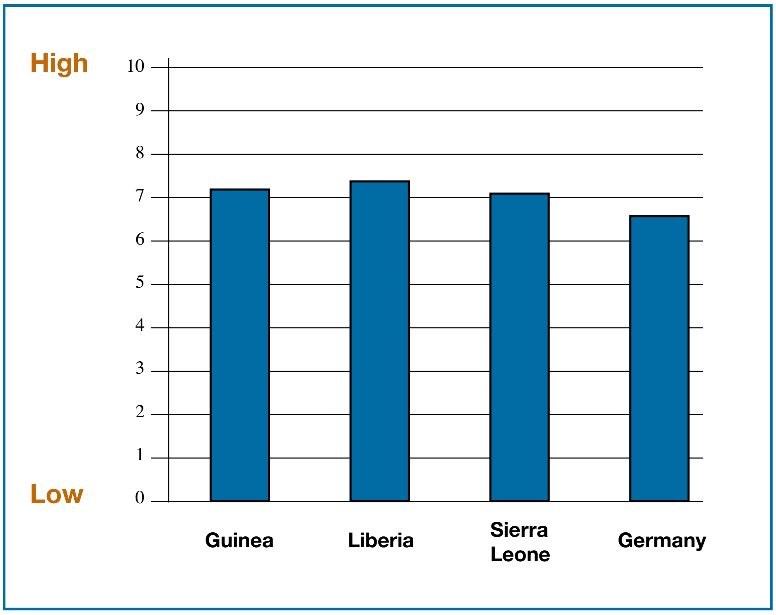
Long-term Orientation

◇ Long-term orientation

- More importance attached to the future;
- Promote pragmatic values such as persistence, saving and capacity for adaptation.

◇ Short-term orientation

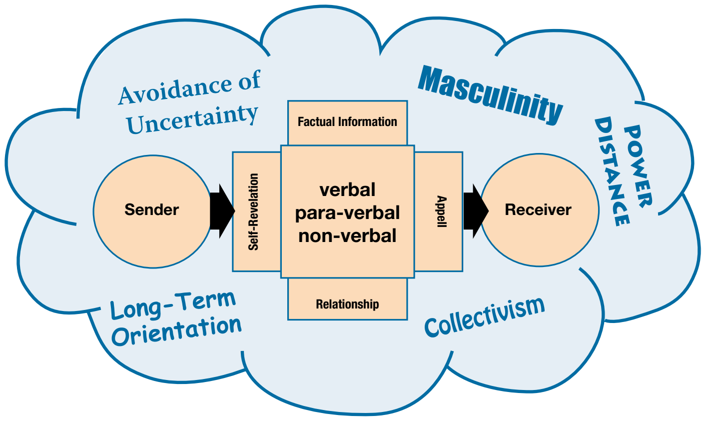
- Promoted values include steadiness, respect for tradition, preservation of one's face;
- Fulfilling social obligations and reciprocation are important.



The scores indicate a stronger long-term orientation for the African contractors, but without a very distinct difference to their European counterparts. Sociological studies usually place African societies in the lower range, i.e. as short-term oriented cultures. Here again, the specific situation of the contractors (higher education, reasonable assets and wealth to protect, exposure to western cultures) may be responsible for the result. The result was received with surprise in all training workshops, but no other explanation could be arrived at. The relative proximity of the German score – and differences amongst European nations are not that pronounced – shows that little danger for conflict exists on the entrepreneurial level. However, the partners may have to deal with different values and behaviors on the workforce level (much more precarious personal situations and less educated workers). Obviously the African entrepreneur is much better equipped to deal with such situations. In essence, this and the observations from other cultural dimensions clearly indicate that human resource relations should be managed by the African partner and the European manager needs a go-between to advise him and to act on his behalf.

4. Intercultural Communication

Intercultural communication principles guide the process of exchanging meaningful and unambiguous information across cultural boundaries, in a way that preserves mutual respect and minimizes antagonism. For these purposes, culture is a shared system of symbols, beliefs, attitudes, values, expectations and norms of behavior. Hence, these principles may have equal relevance when a tourist seeks help, where two SMEs attempt to enter into a joint venture or where politicians attempt to negotiate for peace.



Intercultural Communication Cloud
acc. to Schulz v. Thun, Institut für Kommunikation

Some cultural characteristics will be easy to identify, e.g. whether people are conscious of status or make displays of material wealth. But many rights are assumed, values are implied and needs are unspoken (e.g. for safety, security, love, a sense of belonging to a group, self-esteem and the ability to attain one's goals). Similarly, there may be problems where there is racism, sexism or religious intolerance in play. In such situations, identity is fundamental when disputing the proper role or "place" of the other, about who is in control of their lives and how they present themselves to the outside world. But the reality is more deeply rooted in power relationships: about who is on top of the social, economic and/or political hierarchy.

These are the circumstances in which entrepreneurs have to meet for the first and subsequent times, get to know each other and to build confidence and trust. A number of pitfalls exist. Here are some examples:

EXAMPLES	(WEST) AFRICA	EUROPE (GERMANY)
Bodily contact / Touching	Greeting ritual, displays cordiality, creates a positive atmosphere	More than handshake unusual, perception of diversion / distraction from objectivity
Intensive eye-contact	May represent lack of respect, especially with elders or seniors	Represents openness and truthfulness
Smiling / Laughing	Means to create positive and friendly atmosphere	May be interpreted to divert from the facts and issues ("we are not here to have fun")
Implicit / explicit	Especially subjects of critique or fault are raised implicitly, saving face has priority	Direct and explicit, clarifying or solving the matter has priority

The above are just a few examples. More are contained in the checklist for meetings and negotiations in Annex 1.

In principle it is essential that people research the cultures and communication conventions of those whom they propose to meet. This will minimize the risk of making the elementary mistakes. When meeting with a counterpart from the other continent for the first time it is prudent to:

- Avoid using slang and idioms, choosing words that will convey only the most specific denotative meaning;
- Listen carefully and, if in doubt, ask for confirmation of understanding (particularly important if local accents and pronunciation are a problem);
- Recognize that accenting and intonation can cause meaning to vary significantly
- Respect the local communication formalities and styles, and watch for any changes in body language.

5. Project and Market Identification Phase

It is very rare for small (and medium) European contractors to venture into Africa. So in most cases joint ventures between SMEs from Africa and Europe have to charter new territory. Most entrepreneurs have very little knowledge about Africa, let alone the business environment. They receive their information through the media, which is dominated by reports on poverty, civil unrest and corruption. Avoidance of uncertainty as a cultural characteristic is fairly highly developed and thus makes decisions to venture into Africa difficult under these circumstances. It is estimated that potentially only one out of 50 construction SMEs could be convinced. Before deciding on a JV, the entrepreneur must be convinced that:

- A JV is commercially viable;
- The risks of doing business in Africa are manageable;
- There are trustful and viable partners;

It is rare that SMEs take the first steps of market and project identification on their own. Often, the smaller European companies lack the principal awareness of the potential of the African markets. It is often a role for the intermediary organizations (IOs) (associations, chambers) and international development agencies to help to overcome the existing barriers and to build the necessary confidence and interest amongst the enterprises. Possible instruments for such awareness creation are:

- Presentation of commercial arguments;
  - Possible margins
  - Investment protection options
- Publication of positive examples, e.g. projects or joint ventures ;
- Opportunities to meet and to get first impressions in a protected environment, e.g. through missions, matchmaking events, study tours, individual invitations, etc.;
- Development of diagnostic investigation into the business framework for JVs in the target countries;
- Creation of special departments in the association or individual associations dealing with international construction, such as the German Association for International Construction (GAIC). [2]

While it is important for German (European) contractors to objectify their uniformly negative image of Africa, it would be counterproductive to just praise some positive ethnic African image. Risks, personal and commercial, need to be described realistically. After all, the high profit margins are an expression of the risks involved.

Despite all awareness creation, it will usually be on the back of concrete and promising projects that a decision to go for a joint venture will be made. It is advisable to select

2 The GAIC is open for membership to German and foreign enterprises as well as intermediary organizations.

projects that reduce the risks of construction works in Africa, especially for the first ventures. Such projects should:

- Be internationally financed by credible institutions such as the EU, KfW or other bilateral donors, AfDB, World Bank Group, etc.;
- Not be too big and take cognizance of the existing risk adversity;
- Hold specific advantages for joint ventures, through either the procurement requirements or technical specifications.

Interested enterprises are advised to keep in touch with their IOs in order to hear about such projects in time and to receive procedural advice. It has proved valuable in the past when early information is presented by the African partner or through the partner organizations. Information about such projects would normally be obtained by the local contractors through their own networks, associations with engineering firms or by picking up on newspaper articles. Such early information also equips the local partner with a certain degree of credibility in the eyes of a European partner and will allow enough time to find the right partner and to establish the required relationships.

The checklist on Joint Venture Lifecycle Management in Annex 2 gives detailed assistance for the collaboration in all phases of the joint venture lifecycle.

6. Partnering Phase

African entrepreneurs, desperate to gain access to larger contracts, tend to accept any European company quite quickly as a partner. The opportunity to venture into a JV with potential profits often overrides caution. Equally, the capacity of the European partner, often also a family owned business, to obtain the necessary guarantees and to provide required references or technical equipment may be overestimated. Where the European SME is too reluctant to enter into a JV, the African SME seems to be too keen to do so.

Furthermore, to go into partnership with a European company requires a certain competence and organizational strength. Partners are not normally accepted on the basis of indefinite "opportunities". European companies wish to know in quite some detail who they are dealing with, and so should the African partner:

- Line of business, time in business, average annual turnover;
- Project information (types, sizes, numbers) and specific references (could be added as short project descriptions);
- Information on the machinery and equipment, the workforce and technical expertise;
- The challenges and difficulties the business has to deal with;
- The motives behind and immediate expectations from a joint venture (types of project, project sizes, desired own roles in the project).

This is all information that should be rightfully available before making any joint venture approach.

In order to minimize the risk, European companies may form their own joint venture (new shareholding companies) to enter into an international JV (consortium at the beginning) in Africa.

It is very unlikely that a European SME would take the risk of venturing into Africa without wanting to have majority shareholding; they need to remain self-determined, especially if they are expected to take the majority share of risk or guarantee/bonds. Only after a few successful ventures would they consider a re-discussion of the shares and responsibilities.

At the beginning of the partnering phase, both sides should be particularly open in respect of their expectations and own competences. Personal contact is needed to create the required knowledge, understanding and finally trust among the partners. It should be arranged as quickly as possible. It is better to arrange for these personal contacts in Africa because that is where the works will eventually be. It also helps to overcome fears and reservations by the European partner. Potential options for such personal interaction are:

- Matchmaking visits or study tours are options to have initial contact, but they are not frequent and timing is out of the enterprises' hands;
- Own, individual visits, possibly with the help of the associations. That could be coupled with visits to trade fairs, equipment dealers or project sites;
- Internships for African staff in European companies;
- Membership in the German Association for International Construction.

Personal contact must not be a one-off exercise. If genuinely interested in building a JV relationship, more continuous interaction is needed. The odd telephone call (even without a specific reason) helps, while SMS, Skype and email are all options known in both worlds. However, it also requires financial input and not every enterprise is willing to provide it. But those not willing or able to spend the amounts necessary for partnering prior to joint project execution should not be considered as credible JV partners in the first place.

7. Prequalification and Tendering

There is a tendency to overestimate the capacity of a joint venture. Especially African entrepreneurs may feel able to go for large projects now that a European company is on board. But there are a few points that warrant remaining realistic:

- The partners do not know each other and even when good contacts and information exists, joint project execution will be stressful enough, without needing the added burden of stretched capacity;
- The partnership does not have a history and clients need to be convinced that capacity is sufficient and the JV will function well;
- The ability to obtain the necessary bonds and guarantees should not be over-estimated. While Europeans may find it easier to get them, they have to convince their guarantors of a safe venture in Africa;
- The willingness to enter into risk is low for the first few times a European company works in Africa;

Practice has shown that internationally funded road projects between five and 20 million US$ will have the right balance of profit expectation and risk. For a first joint venture even smaller project volumes (even if international funding is required) are possible and indeed advisable. Building projects or other infrastructure projects of a smaller size could also be in order, since the capital asset requirements (equipment and machinery) are less.

Partners have to stay realistic as to the share of the turnover/profit they expect. A fifty/fifty sharing of profits will not be acceptable if the financial risk is not the same. As a general rule it is advisable to come to profit sharing agreements that reflect the levels with which the guarantee risks are shared.

Since the African partner is close to the procurement process and in all likelihood prequalification or tender documents have to be obtained through the African procurement agency, they will have to pick them up as soon as possible. Especially in the first prequalifications and tenders, a number of possible hurdles will arise:

- Many EU partners are not fully conversant with prequalification requirements, since they do not form part of their domestic procurement processes. There is a tendency to take prequalification lightly and there have been cases where potentially lucrative contracts are lost during prequalification already;
- Since the procedural language will be English (only sometimes in different languages), a language barrier arises. It is cumbersome to read the whole of the documents, let alone understand them. The European associations can be very instrumental in assisting their SME members in understanding the documents and in highlighting important and potentially difficult hurdles to overcome. The associations should encourage the project partners to work on the documents jointly, even if travel costs are involved;

- Much of the documentation required, such as financial statements, bank documents, business or qualification certificates, works and technical descriptions, and references are not readily available in English. Chambers and associations may help to provide translation services and provide authentication;
- It is important share the documents as quickly as possible (buy two sets!) and to tell the EU partner about possible hazards. This is particularly important for compulsory requirements of the tender or prequalification which may lead to rejection;
- It may be good to copy the documents to the European IO, so that they too can scrutinize them and advise the enterprise(s) adequately. Otherwise the bid may be rejected;
- It is a clear recommendation that the partners should get together to work through the documents and inspect the site jointly.

After successful prequalification, the tender phase carries similar challenges. But the discussion of project content, risk and profit sharing, decision making and control mechanisms, secondment of European staff, preparation of price schedules, etc. becomes even more important. Reality has shown some bones of contention that need to be dealt with. The associations should make themselves available for mediation and advice:

- European companies tend to apply much more machinery and equipment in their approach to the works, mostly because they are used to the very high labor costs in Europe. That often makes projects too expensive, and more labor-intensive approaches would be more suitable. The technical approach to the works has to be clearly and openly addressed by the partners;
- Material prices will in all likelihood differ from those in Europe, often substantially. An added impediment, unknown to European contractors, is the unavailability of certain materials at times and the substantial price hikes this may bring with it. It is imperative to provide sound and reliable information – better too much than too little;
- Obtaining the needed guarantees/bonds is often a requirement of the EU partner. Indeed, the poor financial situation and access to credit for the African partner is one of the key reasons to go for joint ventures in the first place. However, it must be clear that the risks taken must also be reflected in the profit sharing agreement. It is unreasonable to assume that if no personal guarantees are procured by the African partners that profit sharing will be 50%. Of course other value that the African partner brings to the partnership (contacts, informal support, etc.) must also be considered and is part of the negotiations. The associations can mediate.

Again, joint preparation is advisable, and European enterprises should invest in one or two of their staff being around for enough time to do so. The prequalification and tendering stage of a joint venture is the first stage of the JV lifecycle where the partnership has to jointly manage their actions. Annex 3 gives numerous suggestions and information with regard to the challenges that arise between companies from Africa and Europe.

Before or during tendering, the issue of a partnership agreement arises. These agreements, be they called Memorandum of Understanding (MoU) or otherwise, are often required as a legal document setting up the partnership and they need to be formally registered and legally approved. Such a document will determine the boundaries and relationship of the JV. It will accompany the partnership throughout its existence and therefore utmost care is advisable in its drafting and negotiation. In most cases joint and several liability has to be agreed to in order to become eligible to tender as a consortium.

Experience has shown that is sometimes not easy for the African partner to clearly spell out the expectations and demands. Often the language used is implicit, whereas the EU partner expects explicit and clear statements. The more ambiguous the MoU remains, the greater the likelihood of problems and conflicts along the way. It is not uncommon to fight hard for the content of the partnership agreement. It can prove helpful to ask the IOs for standard documents or help in drafting such documents.
Since the African country's legislation prevails, the African partner has to identify the legal requirements for a partnership to bid (or prequalify). This information must be conveyed as soon as possible to the EU partner.

The main content of an MoU or partnership agreement should be:

- The division of the works and the responsibilities going with it; this is in most cases only possible during the tender stage and not before;
- The risk sharing arrangement needs to be clear. Often joint and several liability is required by the client, but that does not mean that the partners may have further internal arrangements;
- Cost and profit & loss sharing arrangements. They go hand in hand with the risk sharing;
- The type and responsibility of personnel, especially expatriate personnel.

8. Execution of the Works and Warranty Period

The local partner would normally be responsible for the site preparation, material and staff procurement and particularly for the necessary building permits (incl. subsequent arrangements with local councils etc.). Also the agreed local component of the guarantee and working capitals need to be secured. The EU partner will have to secure the bonds and guarantees and procure the agreed machinery and equipment. What needs to be kept in mind are the transport and customs procedures for the equipment and the work permit arrangements for the expatriate staff.

A great deal of continuous communication is needed from the outset of the works execution. The partners are strongly encouraged to determine the level of data and information that needs to be exchanged (and collected and collated before that). The necessary levels of control and recordkeeping must be clear and the responsibilities assigned. They have to make sure the required competence exists.

It is suggested to:

- Communicate weekly on the works progress, financial position, quality issues and other pertinent issues arising. The necessary system (instruments as well as procedures) needs to be developed;
- Have a quarterly meeting with the owners, preferably in Africa with site visits. This meeting is meant to synchronize written information with observed reality. It also allows the partners to discuss further issues and to jointly sort out any troubles and difficulties that have accrued.

In essence, the above applies analogously for the period after termination of the project works. Issues arising are obviously:

- The final distribution of the profits made and the division of the finances. An orderly process of such a crucial exercise will substantially benefit from clear initial agreements, the creation and retention of trustful relationships and clear data, information and reporting;
- The clearance of existing bonds. That would be organized by each partner for his own guarantees in close communication with the other partner;
- The repatriation of any existing funds for the European partner. Since the projects will be internationally funded, payments would in principle have been made to the European accounts. But there will definitely be a working capital account that needs to be cleared.

In the last phase of the joint venture lifecycle model, the partners may decide whether they want to work again with the same approach, to stop working or to start a more intensive phase of cooperation. An example would be the foundation of a construction company in the destination country in order to acquire locally funded infrastructure projects. In particular, the information needs of the European partner increase enormously in this case. A proper due diligence is therefore advisable.

9. Way forward

The above guidelines make it clear that joint venturing has to be prepared well in advance and should not be based on the tendered project alone. It will not be successful to approach European or African companies by electronic means only. Personal contact is required to build the relationship that can last through the challenges of a joint venture. Measures to get and stay in contact and to deepen it are:

- Matchmaking events or study tours, often designed by donors or IOs. They are, however, rather rare and may not be to the regions or countries wanted or may not fit into the entrepreneurs' schedule;
- Own, individual visits with the help of the associations can be more advantageous. They need to be planned more carefully though to avoid disappointment and are more costly. If done with one or two specific projects in tow, they are nevertheless considered to be very effective and efficient;
- Visits to trade fairs, equipment dealers and project sites can be factored into the individual visits above and may provide added value for the expense incurred
- Internships for African staff in European companies are an excellent opportunity to build a relationship over a longer period of time. Most likely, this will only succeed with the help of the intermediary organizations in Europe;
- With the project at the heart of the JV, the African IO should begin to scan the market for appropriate projects immediately. The criteria are set out above. As soon as advance knowledge of such a project is gained, the local IO or – if contact exists – a trusted European IO should be informed and asked to assist in evaluating the project opportunity and in matching with a European partner;
- Membership in the German Association for International Construction or any other European IO which is open to foreign membership can be an excellent opportunity to stay in touch with the IO and its members (for example, membership allows access to member databases) as well as with technical, legal or organizational developments in Europe.

Advantages of membership in the German Association for International Construction (GAIC)

- Matchmaking with German construction companies for joint ventures
- Access to BGV purchasing pool (discounts)
- Facilitation of student/staff internships
- Support in visa affairs (for business trips)
- Discounts for participation in used equipment buyers' tours to Europe

Annex 1

MEETINGS AND NEGOTIATIONS			
Topics	**West-African Characteristics**	**Central-European Characteristics**	**Comments/ Suggestions**
PREPARATIONS / BEFORE THE MEETING			
1. Initiative	Initiative should be taken by those who have an interest in it. That is irrespective of where the meeting takes place (Africa or Europe). Practicalities will determine further arrangements. There is not much difference between the cultures.		
2. Formality	Usually a higher degree of formality is desired. Invitations should be in writing, often using a rather formal style. Agendas are prepared, often regarding formal issues, rarely in terms of content issues. Meetings are usually in person; Skype or telephone conferences are not common.	Formality is less important; if an agenda is drafted, it contains the topics to be covered, but rarely formalities (opening speech, etc.). Virtual meetings through Skype or telephone are normal and have the same binding character as meetings or negotiations in person.	
3. Location	When meeting in Africa, especially in the beginning of the collaboration, meetings are arranged in hotels or restaurants. This is partly due to the desire to provide an agreeable environment for the European guest and partly due to a degree of (false?) shame, because of the appearance of company offices and yards. It may be helpful to prepare the European visitor for what he/she is going to see.	The usual locations to meet, even for the very first meetings, are the company offices. This shows that there is nothing to hide and the visitor is invited to make his/her own assumptions as to the business credibility and capacity of the host.	While a first or second meeting with European contractors visiting Africa can be on neutral ground, the expectation exists to visit the offices, yard and site. If this is omitted, the visitors may assume that the host has something to hide.
4. Implicit / explicit	"Europeans own the clock, but Africans own the time." Punctuality is not of great importance. It is also uncommon to call and inform the host of a delay. It is sometimes not clear at all if an invitee will come or not. Late coming is often excused with traffic or other such external factors, even when the guest started out late.	Coming late is seen as a disregard or disrespect. A few minutes are granted, but otherwise the meeting starts and the latecomers are observed with a degree of irritation for disturbing and not honoring an invitation/meeting or other people. It is at least expected to inform the host of any delay, if possible even before the scheduled start.	It is impractical to assume that punctuality can be enforced in Africa; delays of 30 minutes should be accepted. Thereafter a meeting may be cancelled, although the invitee may be surprised. Meetings in Europe should be expected to take some consideration for African participants, but usually not more than 15 minutes. In any case, latecomers should, when meeting with Europeans, advise of their delay as soon as possible.

5. Concept of information sharing	Information is transmitted through regular exchange. The notion of having a responsibility to actively push information to another party is not very prevalent. If the other party does not ask, then it's his fault. Likewise, if information is not delivered, no-one can blame someone for not asking.	The responsibility for information (receiving, issuing) rests with the one who has it or needs it. If the job needs data, the one carrying out the job has to ask for it. Waiting for someone to bring it to him/her is seen as incompetence. The other way round, too, information that others may need must be shared voluntarily, not only when requested.	Since information sharing is very important in co-operations, it might strain the partnership if only the European side was responsible for sharing it. "Fetching" information that is needed by oneself and "bringing" information that is needed by the other one should be actively trained/done. It is necessary to "play with open cards"; otherwise trust and respect might quickly be lost.
IN THE MEETING / NEGOTIATIONS			
6. Dress code	A formal, business-like dress code is common. Wearing sunglasses, gold necklaces or otherwise fancy clothes or attributes is not uncommon. Traditional clothing is also worn.	Usually business type appearance, but especially among construction contractors there may be a tendency to the informal. Generally vain clothing or attributes are viewed with suspicion.	Business type dress is on the safe side for both African and European contractor. Suit and tie is not required, but jeans and polo shirt is a minimum. Africans may wear (semi-) traditional clothing.
7. Greeting	Generally some degree of physical contact (embrace, putting heads together, holding hands longer, etc.) as part of the African culture.	A firm handshake is required, but more considered an infringement of the personal sphere. But that may change later, as one tends to know each other better.	The use of an icebreaker (jest about the greeting procedures, hint on customs, etc.) is advised.
8. Small talk	It's OK and generally an essential part of a meeting. Issues like travel, weather, general family matters and well-being are raised. It helps to set a friendly and positive atmosphere.	Small talk is rather seen as a necessary evil, usually done to the least extent possible (or to bridge time, while waiting). Too much small talk is considered to waste important time.	
9. Implicit/ explicit approaches	Usually very careful, not explicit or categorical style of negotiation. That may change, however, when under pressure or faced with a (actual or perceived) discrimination (loss of face, embarrassment, betrayal, etc.). Then the situation may quickly erupt or a position of inner dismissal might be taken.	Europeans lead their negotiations in a rational way. The subject matter (or issue) takes the focus and must be resolved. Therefore a direct and explicit, sometimes even blunt, approach is used. It is not a sign of disrespect for the other, but a distinction is made between the issues that need to be resolved and the relationship that needs to be built. The latter has less priority. Superiors may be criticized explicitly and take no offense, if done without contempt.	

10. Off-limit topics	Issues of a personal nature are usually inappropriate at first meetings. If addressed at a later stage, they are possible but should be handled with care and respect. Issues of a sexual nature (gay sexuality, FGM) should be avoided. Religion may also be a critical matter, especially if addressed in a disrespectful manner.	Issues of a very personal nature should not be discussed during first meetings and are only acceptable when some form of personal accord is struck. Issues of financial standing and health are usually considered improper for discussion with people one does not know. Religion does not play a big role; sexuality issues may be regarded with some surprise, but are not offensive or embarrassing.	Curiosity or inquisitiveness (particularly into racial or tribal matters) should be avoided. Of course there is a desire to learn more about the others and if done with care and respect should be no problem. When in doubt, it will help to ask if a certain subject may be raised.
11. Hierarchy	The relationship to the discussion partner/guest and the general business relationship are important. Hierarchy is important, displayed and accepted. Usually the person of highest hierarchy in a meeting takes the lead and has the last word. He or she is hardly questioned, if at all then carefully and implicitly.	Hierarchy is not shown openly. It does play a role in formal decision making, but questioning those in power is possible and partly even encouraged.	
12. Relevance of data and facts	Saving face or maintaining the relationship are more important in meetings than facts or data. While always present in the back of the mind, they are not commonly used to make a point or as the main thrust of arguments.	Data and facts are the core of each argument. This is particularly true for Germans. It is difficult to understand why a factual argument should take second place to maintaining good relationships. The need for data and facts also explains the desire to keep records and analyze data so vigorously.	Data and factual information is essential for a functioning partnership. While the European partner may be willing to reduce the expectation as to the depth and timeliness of the information, he will hardly accept inaccuracies. Potential partners should clearly discuss their data requirements and how to obtain it.
13. Hospitality issues/ presents	This is the responsibility of the host and no major differences apply. Both sides agree that hospitality treats should not be overwhelming. Paying for one's own bill in restaurants is normal (unless a formal invitation was extended). Small presents from person to person are not common, but acceptable if the collaboration has progressed ("Small gifts retain friendship").		
14. Mobile telephones	Mobile phone calls are accepted and quite frequent. It is not seen as showing disrespect or disregard. "The boss must remain accessible".	Telephoning in meetings is out. It's considered offensive. If at all, the phones are put in silent mode and if very urgent people leave the meeting to call.	Phones should be set in silent mode and meetings left when an urgent situation requires it.
AFTER THE MEETING / NEGOTIATIONS			
15. Ending	Meeting/negotiations end by mutual consent. Farewell greetings are the same as welcome greetings above. No big differences or challenges.		
16. Transport/ accommo-dation	This is usually everyone's own responsibility. There is no problem asking for transport options or if one can be brought to the hotel etc. When arranging accommodation it is usually good to give two or three options (hotels), so that the other party can choose. No particular intercultural challenges.		

17. Follow-up	Each party keeps individual notes; there is usually no particular follow-up done. In cases where formal or more important decisions have been taken, written confirmation may happen (MoU, Minutes of Meeting). Such proceedings are normally drafted and disseminated if and when the meeting was a formal one (board meeting, contract negotiation, etc.)	It is uncommon among contractors to write minutes; each one keeps his/her own notes, unless required by statutes or regulations. Special confirmation of results or decisions is done in cases where it seems prudent to have written proof. Usually word of mouth is honored.	The one who has a particular interest in following-up in writing should take the lead and send the draft. The other party should make an effort to comment and/or respond.

Annex 2

JOINT VENTURE LIFECYCLE MANAGEMENT			
Topics	**West-African Characteristics**	**Central-European Characteristics**	**Comments/ Suggestions**
Project and Market Identification			
1. Prejudices/ reluctances	African entrepreneurs are much more exposed to Europeans in their business and possibly private context than the other way round. However, they know relatively little about the business environment of a European construction SME. The general perception is that European partners have the technical and financial capacity to shoulder larger, internationally funded projects. This is a prejudice, because European SMEs may also face the problems of undercapitalization or lack of working capital. They may also have specific work areas they cannot muster because of lack of competence. Africans also tend to underestimate the skepticism and insecurity that European contractors have when coming to Africa for the first time. In consequence, one's own actions and behavior are much more important than expected in approaching potential JV partners.	Most entrepreneurs have very little knowledge about Africa, let alone the business environment. They receive their information through the media, which is dominated by reports on poverty, civil unrest and corruption. Avoidance of uncertainty as a cultural characteristic is fairly highly developed and thus makes decisions to venture into Africa difficult under these circumstances. It is estimated that potentially only one out of 50 construction SMEs could be convinced. Before deciding on a JV, the entrepreneur must be convinced that: • He has trustful and viable partners; • The JV is commercially viable; • The risks of doing business in Africa are manageable.	It is very rare for small (and medium) European contractors to venture into Africa. So in most cases joint ventures between SMEs from Africa and Europe have to charter new territory. It is one of the most important roles for the intermediary organizations (IOs) (associations, chambers) and international developing agencies to help to overcome such barriers. Possible instruments are: • Information on past projects and presen - tation of commercial arguments (investment protection, possible margins, etc.); • Publicize positive examples (projects, JVs); • Create opportunities and a protected environment to meet and get first impressions (missions, matchma-king events, study tours, individual invitations, etc.); • Membership in the German Association for International Construction.
2. Market intelligence	The African partners have the substantial advantage of knowing the local market situation: • Upcoming projects; • Material availability and prices; • Labor availability and costs; • Procedural know-how (procurement, permits, etc.).	European SMEs do not have departments dealing with foreign markets. They have very little idea about the market and business situation in Africa. The Europeans also have no clear picture of the capacity and competences of their Africa counterpart.	The European IOs can begin by developing a business framework analysis to give their members information and a certain peace of mind. It is important that – in principle – the rule of law applies and investments are safe. The onus is on the African partners to explain the situation and give information as freely as possible.

3. Motive	Commercial motives prevail. It is largely the desire to increase profits, but may also include the option of gaining technical know-how and capacity or to expand market share and grow. Africans have a lesser tendency to explain their motives freely (to offer them) than Europeans.	Commercial motives are the sole reason to venture into Africa. It is most likely because of the perceived margins (which are substantially higher than in Europe).	It is a good starting point to know that both parties have primarily commercial motives. It is important, however, to be clear about this and to explain motives to one another.
Partnering			
4. Right partner	Africans tend to accept any European company quite quickly as a partner. The opportunity to venture into a JV with potential profits often overrides a certain caution. To be a right partner for a European company requires a certain competence and organizational strength. It is also not uncommon to overestimate one's own capacities when determining the position (and share) that one wants to have in a partnership	European companies tend to minimize the risks. They want to know as much as possible about their partner before entering into a JV. It is very unlikely that a European SME would take the risk of venturing into Africa without wanting to have majority shareholding; they need to remain self-determined. Only after a few successful ventures would they consider a re-discussion of the shares and responsibilities. In order to minimize the risk, European companies often form their own joint ventures (new shareholding companies) with whom they then enter into a JV (consortium at the beginning) in Africa.	A company profile should be developed for the potential partners. It can be developed as a general profile and can be adapted to any specific partnering request. It should contain at least the following information: • Line of business, time in business, average annual turnover; • Project information (types, sizes, numbers) and specific references (could be added as short project descriptions); • Information on the machinery and equipment, the workforce and technical expertise; • The challenges and difficulties the business has to deal with; • The motives and immediate expectations from a joint venture (types of project, project sizes, desired own roles in the project). At the beginning of the partnering phase, both sides should be particularly open in respect of their expectations and own competences.
5. Personal contact	As much contact as possible (and feasible) is helpful to create knowledge, understanding and finally trust among the partners. Personal contact should be arranged as quickly as possible and it does not matter whether that happens in Europe or in Africa.		

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<tr><td></td><td colspan="3">However, essentially it is better to have some personal visits to Africa, because that is where the works will be. It must be noted that cold-calling, i.e. just calling up a company that looks interesting, will rarely generate positive responses. If an initial contact is wanted it is always better to go through the associations, who can prepare the ground for the contact.

Obviously matchmaking visits or study tours are options to make initial contacts, but they are not frequent and timing is out of the enterprise’s hands. Other options include:
Arrange for own, individual visits with the help of the associations. That could be coupled with visits to trade fairs, equipment dealers, project sites;
Arrange internships for African staff in European companies. The European IOs can assist;
Membership in the German Association for International Construction.
Personal contact must not be a one-off exercise. If genuinely interested, more continuous interaction is needed. The odd telephone call (even without a specific reason) helps; SMS, Skype and emails are all options known in both worlds.

Contacts should also add value to the partnership, e.g. deepen the familiarity with the partner. Site visits, visiting the company’s yard or offices, should not be delayed. The earlier the better, also to avoid disappointments.</td></tr>
<tr><td>6. Project identification</td><td>The African companies usually have a very good knowledge about projects in the pipeline. The project volumes identified below are the guideline.</td><td>The first opportunity for the European company to see about a potential project is the publication of the procurement notice. But most companies do not browse the media for projects in Africa and if they do so, the time of publication is too late.</td><td>It is important for the African partner to identify suitable projects as early as possible. Once the pre-qualification notice is in the papers it is too late to begin the search for a partner. The project opportunity is the biggest sales argument for European SMEs to begin thinking of joint ventures. It is recommended to identify projects with a potential for JVs to the associations (EU and Africa) as early as possible so that they can begin the search for a partner with time for personal contact to develop.</td></tr>
<tr><td colspan="4">Prequalification</td></tr>
<tr><td>7. Loss of realism</td><td colspan="3">There is a tendency to overestimate the capacity of a joint venture. Especially African entrepreneurs may feel able to go for large projects, now that a European company is on board. But there are a few points that warrant remaining realistic:
The partners do not know each other and even when good contacts and information exists, joint project execution will be stressful enough, without needing the added burden of stretched capacity;
The partnership does not have a history and clients need to be convinced that capacity is sufficient and the JV will function well;
The ability to obtain the necessary bonds and guarantees should not be overestimated. While Europeans may find it easier to get them, they have to convince their guarantors of a safe venture in Africa;
The willingness to enter into risk is low for the first few times a European company works in Africa.</td></tr>
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<tr><td>8. Project volume</td><td colspan="3">Practice has shown that project sizes between five and 20 million US$ and internationally funded will have the right balance of profit expectation and risk. For a first joint venture even smaller project volumes (even if international funding is required) are possible and indeed advisable.
Partners have to stay realistic as to the share of the turnover/profit they expect. A fifty/fifty sharing of profits will not be acceptable if the financial risk is not the same. As a general rule it is advisable to come to profit sharing agreements that reflect the levels with which the guarantee risks are shared.</td></tr>
<tr><td>9. Prequalification requirments</td><td>The African partner is close to the procurement process and has all the options to get the documents. He also has more experience in carrying out such prequalifications.</td><td>The EU partner is not fully conversant with prequalification requirements. There is a tendency to take prequalification lightly and there have been cases where potentially lucrative contracts are lost during prequalification already.</td><td>It is important to share the documents as quickly as possible (buy two sets!) and to tell the EU partner about possible hazards. This is particularly important for compulsory requirements of the tender or prequalification which may lead to rejection. It may be good to copy the documents to the European IO, so that they too can scrutinize them and advise the enterprise(s) adequately. Otherwise the bid may be rejected. It is a clear recommendation that the partners should get together to work through the documents and inspect the site jointly.</td></tr>
<tr><td colspan="4">Tendering</td></tr>
<tr><td>10. Tender process</td><td colspan="3">In principle the same applies as for the prequalification process, although joint discussion of content, preparation of price schedules, etc. becomes even more important. Practice has shown some quite common bones of contention:
• Europeans tend to apply much more machinery and equipment in their approach to the works. Because they are often unfamiliar with the employment costs in Africa, that often makes projects too expensive. The approach has to be clearly and openly addressed by the partners;
• The material prices will in all likelihood differ from those in Europe. It is imperative to provide sound and reliable information – better too much than tool little;
• Obtaining the required guarantees/bonds is often a requirement of the EU partner. It should be clearly established which share each party will be able to contribute.
Again, joint preparation is advisable, and the European enterprise should invest in one or two of their staff being around for enough time to do so.</td></tr>
<tr><td>11.MoU/ partnership contract</td><td>MoUs are well known in Africa. It is generally less powerful than contracts and rarely legally binding. Normally, the prevailing legislation requires a legal document setting up the partnership.
It is sometimes not easy for the African partner to clearly spell out the expectations, but without it the purpose of a partnership agreement is defeated.</td><td>MoUs are not known in all parts of Europe (in Germany not, in the UK they are). Normally, partnership agreements are signed and often required by law if more than one legal entity wants to bid for a project jointly. It is not uncommon to fight hard for the content of the partnership as this is seen as the basis on which the partnership and its commercial relationship is founded.</td><td>Since the African country's legislation prevails, the African partner has to identify the legal requirements for a partnership to bid (or prequalify). This information must be conveyed as soon as possible to the EU partner. It is possibly helpful to ask the IOs for standard documents or help in drafting such documents.</td></tr>
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<tr><td></td><td colspan="3">The main content of such an MoU or partnership agreement should be:
The division of the works and the responsibilities going with it; this is in most cases only possible during the tender stage and not before;
The risk sharing arrangement needs to be clear. Often joint and several liability is required by the client, but that does not mean that the partners may have further internal arrangements;
Cost and profit & loss sharing arrangements. They go hand in hand with the risk sharing;
The type and responsibility of personnel, especially expatriate personnel.</td></tr>
<tr><td>12. Mobilization</td><td>The local partner would normally be responsible for the site preparation, material and staff procurement and particularly for the necessary building permits (incl. subsequent arrangements with local councils etc.). Also the agreed local component of the guarantee and working capitals need to be secured.</td><td>The EU partner will have to secure the bonds and guarantees and procure the agreed machinery and equipment.</td><td>What needs to be kept in mind are the transport and customs procedures for the equipment and the work permit arrangements for the expatriate staff.</td></tr>
<tr><td>13. Communica-tion</td><td colspan="3">Continuous and a great deal of communication is needed from the outset of the works execution. The partners are strongly encouraged to determine the level of data and information that needs to be exchanged (and collected and collated before that). The necessary levels of control and recordkeeping must be clear and the responsibilities assigned. Make sure the required competence exists.
It is proposed to:
Communicate weekly on the works progress, financial position, quality issues and other pertinent issues arising. The necessary system (instruments as well as procedures) needs to be developed;
Have a quarterly meeting with the owners, preferably in Africa with site visits. This meeting is meant to synchronize written information with observed reality. It also allows the partners to discuss further issues and to jointly sort out any troubles and difficulties that have accrued.
In case of disputes or conflicts, which are inevitable as experience shows, the early inclusion of the IOs for mediation is helpful. The threat of such disputes leading to serious disruption or JV failure is reduced if communication is early and open.</td></tr>
<tr><td colspan="4">Warranty Period / New Venture</td></tr>
<tr><td>14. Closing Actions</td><td colspan="3">In essence, the above applies analogously for the period after termination of the project works. Issues arising are obviously:
The final distribution of the profits made and the division of the finances. An orderly process of such a crucial exercise will substantially benefit from clear initial agreements, the creation and retention of trustful relationships and clear data, information and reporting;
The clearance of existing bonds. That would be organized by each partner for his own guarantees in close communication with the other partner;
The repatriation of any existing funds for the European partner. Since the projects will be internationally funded, payments would in principle have been made to the European accounts. But there will definitely be a working capital account that needs to be cleared;
Obviously the above will also be influenced if a further project will be tackled by the partnership, if a joint company is envisaged or if the partnership is terminated at this stage.</td></tr>
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Annex 3

MANAGEMENT PROCESS			
Topics	**West-African Characteristics**	**Central-European Characteristics**	**Comments/ Suggestions**
Planning			
1. Approach	Formal planning is not very prevalent in construction SMEs. Planning is often ad-hoc and does not involve a bigger group. It is often done by the owner or director. Planning is also rarely documented. A notable exception is work planning, where designs and workflow charts are frequently used. In essence, planning comes about by external requirements and not by the internal need or desire. One contractor put it this way: It is not the exercise of planning that is difficult, but the respecting of its need	Planning is becoming more and more strategic. For one, high competition and low margins require a clear strategic positioning, but more importantly, under new banking rules in Europe, the banks require also a large degree of strategic planning before providing credit lines. Strategic, financial or otherwise more important planning activities are usually performed in cooperation with the senior managers of the company and the tax advisers. Companies often use guidelines and manuals for strategic and operational planning issued by their associations.	It is imperative that both partners plan their individual businesses as well as the joint ventures strategically. Important planning topics are available in the checklist for joint venture lifecycle management.
2. Subjects of planning	Most planning subjects are day-to-day requirements around the site, the works or the equipment and machinery needs. Staffing issues are also planned, although less frequently. Strategic issues, such as financial stability or developments, areas of work or capacity development, are rare.	With regard to strategic planning, the focus is on the positioning of the company in the competitive home market. Medium-term planning looks largely at income and expense issues and at investments in equipment, capacity development or buildings. The core objective is the financial survival of the enterprise at all times. The above planning subjects are in the hands of the owner. Operational planning (works, staff, materials, etc.) are usually done by the managers or engineers.	Joint ventures are strategic decisions for both parties and need careful consideration. The repercussions and consequences are graver for the European SME especially due to the higher financial exposure and long distance to the project (loss of control).
3. Documen-tation	The final decision rests with the “Boss” or the highest in ranking in a meeting. It is possible, but not necessarily the norm, that such a decision is accepted even if some know it is wrong. Final decisions by the “Boss” are rarely questioned, specifically in front of others. Consensus or the lowest common denominator may come into play in a meeting of equals.	The obligatory documentation requirements are constantly increasing in Europe; see also the requirements set by the banks. It also includes documentary evidence requested by the insurance companies (especially with regard to health and safety issues) and tax authorities.	In a joint venture, where the partners are a long distance apart, documentation is important. Authentic and comprehensive documentation is needed for both joint venture partners to keep confidence in the partnership.

Making Decisions			
4. Power vs. consensus vs. majority	The final decision rests with the "Boss" or the highest in ranking in a meeting. It is possible, but not necessarily the norm, that such a decision is accepted even if some know it is wrong. Final decisions by the "Boss" are rarely questioned, specifically in front of others. Consensus or the lowest common denominator may come into play in a meeting of equals.	Obviously, the final decision also in European companies rest with the owners or directors. Depending on the importance and reach of certain decisions, advice will be sought (and adhered to) from tax advisers, consultants or associations. Senior management is also involved, and will often carry the responsibility for technical and organizational decisions. Wrong decisions are often re-discussed to derive any learning from it.	In principle, decision making in Africa rests much more with the owner than in Europe; there is much less delegation of powers. This must be understood in joint ventures, where African entrepreneurs may find themselves negotiating with technical personnel or the second in command.
5. Formality	Technical or day-to-day decisions may be taken informally, e.g. in discussions on site or while travelling together. Decisions of principle or further reaching nature require a certain formality, the level of which will be determined by their nature. In such cases a formal meeting will be called and a follow-up in writing adds weight to the decisions or agreements. For important agreements or those of a strategic nature it is not uncommon to develop a Memorandum of Understanding (MoU) or contractual documents earlier than in Europe.	The level of formality is fairly low. MoUs or Minutes of Meetings are only known in very formal situations (e.g. board meetings), where they are required by law or contract. The ability and confidence of subordinates to take decisions is fairly high and supported by the seniors.	African entrepreneurs are advised to discuss the desire to have commitment in writing (letter of intent, MoU, etc.) with their European counterparts in advance. It may come as a surprise, because this is not known in some parts of Europe. There are definitely differences among European countries; the British, for example, will be much more used to signing MoUs.
6. Influencing factors	The guiding factors are similar to Europe: Adherence to law and contract, commercial success, good relationships, technical soundness; probably even in that priority. The risk of personal factors (embarrassment, paying allegiance, saving face) influencing a decision is generally higher than in Europe.	In general, it is similar to the African situation. The tendency is to have the decision influenced more by factual information. It is not easy for a European owner or manager to take decisions that affect staff or personal relationships, but in essence the requirements of the works or the project supersede.	In cases where difficult decisions need to be taken, a preliminary discussion, possibly one-on-one, may help to overcome any potentially embarrassing situation.
7. Participants	In commercial or company-to-company situations it is rather a smaller group. Usually the formal level of the decision-maker is higher than in Europe, with less delegation. It may be possible that some people are not involved which Europeans might have expected.	Groups are usually small and would be consulted one after the other rather than in meetings. It is normal to think about who will be able to contribute to a solution and then to involve them before making decisions.	A step-by-step inclusion of local foremen, managers and engineers in decision making could help to develop new solutions and a more competent senior workforce. However, this would have to be limited to technical and organizational matters.

8. Critique/ escalation	This is not customary procedure. If at all, discontent is shown outside the decision-making process and to one's equals. Not to those above in hierarchy. If issued, critique is careful and implicit (rather than blunt and direct). This may even lead to building up pressure that results in strong action (strike, violence, whistleblowing)	Factual, objective or target oriented contributions are welcomed, if they are critical. It is irrelevant if it is coming from a subordinate. Subordinates who involve themselves in discussions and make critical comments are seen to be loyal to the company and having the company's interest at heart.	
Enforcement/Implementation			
9. Justifica-tion/ moti-vation	It is rare to justify or motivate a decision to one's subordinates. People are told what to do and are not expected to object. The other way round, substantial justification for action taken is required by a subordinate, especially when the action had a negative consequence.	There is a tendency to explain and justify decisions in Europe, especially when they are difficult or critical. This is done to have a broader basis of support. This is seen vital for successful implementation.	In principle, the hierarchical norms leading to little critique and questioning of decisions and the "doing as one is told" attitude by sub-ordinates may lead to critical issues or situations being detected late. The "early warning system" through feed-back from workers and subordinates is not well developed. Such behavior may be difficult to understand for a European.
10. Verbal instructions	This is the most commonly used procedure, usually by calling the responsible person (or persons) and telling them face to face. Telephone is used in less important issues or when the situation requires it (e.g. urgency).	Personal discussion and words are preferred. As in Africa, mobile telephony is essential these days.	The major difference in verbal communication lies probably in the manner of delivery. Whereas a European would rather try to convince the receiver of such instructions, the African would usually try to simply instruct. Since the works are carried out in Africa, verbal instructions are most probably the common denominator.
11. Written instructions	Not all employees can read or write and usually the workforce receives verbal instructions. Notice boards are also not uncommon and it is expected that those who can read keep their colleagues informed. Where importance requires it, visual aids (graphics, picture books) may be used. In administrative or management levels, memos (memoranda) are written and disseminated. Noticeboards are frequently used for information of general importance to everyone.	Although everyone can read or write, purely written instructions are fairly rare. Plans and drawings are used for technical aspects just like in Africa. Noticeboards are equally common in Europe. Many companies have a system of inviting suggestions for improvements in writing (suggestion box).	Technical drawings and plans are normal for engineers, but not for the workforce. Noticeboards, etc. are known in both worlds.

12. Motivational approaches	It is not uncommon to threaten people with losing their job, if they do not perform or do as they are told. But threats will only have the desired impact if made by those who have the power to enforce them. It also depends on the national context. In Liberia threats are used less than in Sierra Leone or Guinea, for example. Threats are more forthcoming than the expressing of appreciation or encouragement. Personal incentives play a very important role. The type of incentive, however, differs greatly from European approaches: Apart from additional money, issues like food, transport or social support feature very highly (although they are more likely to be used to build a good relationship with the workforce, rather than enforce a decision).	Threats to fire someone are very rare in Europe, but may occur in heated situations. Social protection legislation and demographic change make it imperative for every enterprise to keep their staff. Qualified staff are very difficult to get and motivational approaches (company car, training, appreciation, sometimes but not too often money) are quite common.	It is not so much the principle of using the motivational approaches where European and African enterprises differ, but the type and content of such instruments. European entrepreneurs coming to Africa are not familiar with the kinds of social support measures and incentives expected/necessary here.
Control			
13. Approach to control	Controls in the company are often not formalized activities (internal audit, data collection, quality control procedures). It is often done by personal observation and spot checks. The main purpose is to see if the works progress and decisions are carried out. There is little capacity in the company to do more than that.	In line with increasing documentary demands by banks and insurances, controlling has become much more important – much to the annoyance of the entrepreneur. Even smaller construction companies begin to formally deal with controlling systems and even employ specific personnel for it. In family owned business one often finds that the wives are charged with dealing with controlling issues or commercial support systems (e.g. bookkeeping).	Must be more pronounced in JVs in order to keep both partners equally informed and reduce the risk of mistrust and confusion.
14. Subjects	Most control subjects are day-to-day requirements around the site (work progress, staffing, equipment). Admin and organizational issues, such as vehicles or transport and office requirements, are also frequent subjects of control. Controls are not applied as a tool to manage the enterprise. Financial controls are largely limited to the bank statements and	Material costs are rather transparent and not much difference exists for individual contractors. The main controlling item therefore is staff productivity, i.e. staff costs in comparison with staff performance (work carried out per time, absenteeism, total cost to company). This is of an operational nature (cost calculation, pricing) and also of a strategic nature	Especially the material pricing difficulties are underestimated by European contractors doing projects for the first time in Africa. Substantial differences (either upwards or downwards) in comparison to Europe are viewed with suspicion. Because of extremely high labor costs in Europe, contractors use equipment and machinery wherever

	checkbook stubs of the owner. Price checks, e.g. for material, are frequently done, but full post-calculation of a project (i.e. the review of the initial costing in the tender vis-à-vis the actual costs) is usually not done.	(staff levels, payment levels, training requirements). There is a substantial degree of sub-contracting and this is also very carefully monitored and controlled.	possible. This may not be the right approach in Africa. The controlling element for joint ventures is clearly the joint works carried out. In order to preserve trust an open and very comprehensive controlling system (works progress, finances) is strongly advised.
15. Record-keeping	The need for recordkeeping is strongly approved, but the reality is different. Records are kept for claims and contract management, but other than that data is not collected regularly and where collected it is not stored and documented properly, let alone collated or analyzed.	European contractors act similarly to their African counterparts. However, the availability of digital networks leads to an increasing use of automatic data collection and analysis (e.g. equipment usage). That requires dependable electronic systems.	As stated above already, intensive recordkeeping as a prerequisite for controlling is essential in a JV. It may make sense to employ a specific person for data management and controls. Electronic controlling on site is desirable, but may not be practical due to connectivity problems.

Annex 4

HUMAN RESOURCE MANAGEMENT			
Topics	**West-African Characteristics**	**Central-European Characteristics**	**Comments/ Suggestions**
Motivation			
1. Role of motivation	Positive motivation and threats go hand in hand. They are frequently used when dealing with the workforce and are done in informal situations. It seems that threats ("you will be fired") are quite common on site and slightly less frequent for senior staff. Positive motivation goes on all levels, but it also depends much on the personality of the entrepreneur.	Threats are usually not made in Europe. If they are made, they are made in a formal way, e.g. by way of written warning notices. Motivational approaches play a very important role and are frequently applied. They are often part of a formal company policy.	In all likelihood there will have to be a learning curve by European staff working in Africa. They should be given the opportunity to learn and observe before becoming directly responsibility for a workforce. It is strongly advisable to have a local counterpart to act as a go-between.
2. Motivators	Chief motivators in the African context are in this priority: 1. Better working conditions; these would differ quite distinctly from European aspects. Housing, transport, medicinal support or special social security (possibly over and above any legal requirements) feature highly 2. The payment (and bonuses) earned. More money is definitely a strong motivator. But it is – equal to Europe – better to have bonus systems in place that are directly linked to work performance, rather than general pay increases 3. Qualifications and training also feature highly as a motivator, especially as a reward for good performance over a longer period of time 4. Ad-hoc support on an individual basis is also important. There are issues, like financial support in the case of bereavement or marriage, which are rather expected and could create irritation if	The priority of motivators is quite different in Europe. Other than in Africa, issues of social security (working conditions) are largely on a level that is good enough and added motivators in this sphere are rare. Company pension schemes may be possible. Of course, bonus payments are well known and very important motivational approaches. There are cases where payments are strongly linked to work performance as part of the contract. Of secondary importance are recognition and appreciation. This is mostly given verbally (individually or in front of other staff). This is usually coupled to options of added training and/or advancement to positions of higher responsibility and pay in the company.	

	not provided, and others which have a genuine stimulating character, such as payment of school fees, additional holidays or days off 5. Providing added responsibility (and probably the added pay going with it) as well as public appreciation of a person or group are also seen as a motivator but on a lesser scale		
Delegation			
3. Delegation vs. instruc-tion	A referral of power and responsibility to subordinates is less pronounced in Africa. In line with high power distance characteristics it is usually expected that much responsibility and power is vested on top of the power chain in an enterprise. This could either be the owner or a senior manager, depending on the company structures. Instead of delegating power/ responsibility to the lowest level possible, it is expected that clear instructions are given.	Delegation is a common HR management principle in Europe. It is used to leave the higher management levels with more strategic questions, but mostly to train younger staff in taking over and dealing with responsibility. Delegation is often coupled with specific performance targets.	European managers in Africa must learn to assume more responsibility for day-to-day activities than they are used to. They will have difficulty finding the local staff that has the experience or the desire to assume more responsible roles.
Appreciation and Critique			
4. Handling	Criticism of subordinates is quite common and much more easily (quickly) applied than appreciation. On the other hand, It is very rare that a superior is criticized by a subordinate, especially in public. This is quite in line with the high power distance characteristic of the African societies. The absence of the opportunity to raise critique or discontent vis-à-vis the superiors in an accepted manner does lead to situations where such discontent adds up and is at some point released in an aggressive manner. It is not uncommon that a crowd gathers and begins to move threateningly towards their superiors. It may also result in the workforce directly approaching higher authorities, such as the police.	European contractors work, in principle, the other way round. Appreciation is openly given, in public but also in private discussion. Critique is not uncommon either; it can be harsh and sometimes embarrassing for the recipient at times of pressure, but would normally be done in a more conciliatory manner. It is also expected from the workforce and the subordinate to raise issues of critique and discontent. It would be seen as negative if such discontent was allowed to swell and burst out.	borders must always be done with the utmost care and respect. It helps if the senior people of the partnership reflect this matter jointly before critical situations arise. It would prove helpful if direct confrontation between European managers and African workforce is avoided. This should be left to compatriots.

5. Accep-tance of res-ponsibility/ guilt	Accepting guilt is quite difficult. Irrespective of the positions it is not common to openly accept to have simply made a mistake. It is much more frequent to search for an excuse or point the blame to someone else. There is a fear of losing face. It is also expected that such face-saving behavior is accepted by the other person.	No-one is happy admitting faults, also not in Europe. But the right to criticize superiors (see above) goes hand in hand with the obligation to accept and own up to faults and failures. It is seen as a prerequisite to strengthening one's character and avoiding similar mistakes in the future.	The different concepts of handling guilt and responsibility can clash. Openly accepting that a mistake was made is considered a strength of character, honesty and reliability (the person has nothing to hide) by many Europeans. They are disappointed if excuses are sought. On the other hand, for Africans any insistence on accepting guilt or responsibility by the European partner may lead to great embarrassment. It is prudent to discuss such potentially damaging situations with third parties or confidants before approaching it.

BizClim

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enabling environment

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