

A Study on Subcontractor Management in Indian Project

Jixiang Li

International Affair Division, China Petroleum Pipeline Bureau, Langfang 065000, China

Tel: 86-316-207 1314 E-mail: jixiang_lee@hotmail.com

Abstract

How to improve the efficiency of local subcontractor management in the Indian projects of China Petroleum Pipeline Bureau (CPP) is the center of this thesis. Based on the introduction of background and the analysis of reasons, this thesis puts forward a new management mode that combines “tame elephant”, “huge stick”, and “candies & sweet epithets” based on the “elephant-training artifice”, and advances several suggestions on the project management.

Keywords: CPP, Subcontractor management, Risk management, Elephant-training artifice, Information database

1. The introduction of background

Since the foundation of China Petroleum Pipeline's (CPP) India project division, it has experienced several delays, concerning employees' visas and equipments customs clearance, which postponed the project for five and half months. Even after the project begun in late Feb. 2007, it came across many jamming and natural disasters, such as the lagged transfer of right of use (ROU), the counteraction of local residents, the difficult local subcontractor management, and the coming of rain season. All these factors make CPP face great challenges to complete the main part of the project in late 2007 according to the former contract. Moreover, the difficulty of managing India subcontractors is the commonness of the six spreads of CPP in India. At the very beginning, many experienced spread managers complained: “As far as spreads are concerned, India is far different from China. In China, sub-contractors are crazy for the bid. But in India, even if we provide with people and equipments, they still refuse to work well for us.” The great differences bring about certain initial maladjustment for managers of different levels in CPP. But after several months' coordination, these managers adjust themselves and their tactics, and adopt many effective management measures. This thesis tempts to discuss the issue of how to manage subcontractors in form of researching project, with the hope of attracting jade by laying bricks.

2. The main problems and reasons

2.1 The different humanism, customs, and habits

Similar to China, India has multiple nationalities and religions. It is also a mystery and colorful country with thousands of years' history and culture. Therefore, it is not surprising for us to find that there are not only holy saints but also villains.

Different customs and habits are important factors that cause conflicts in CPP's subcontractor management. For example, India has the most festivals and holidays in the world. The legal holidays are 120 days. Plus different religious, regional, custom, and special memory days, Indian is almost living in festivals. These diversified and separate holidays make it more difficult to arrange the work schedules of tasks completely based on contracts.

At the same time, the different work-and-rest time also serves as a difficulty in the subcontractor management. In most Indian companies, the work time is from 10:00 morning to 5:30 afternoon. Most workers prefer to have a cup of morning tea before going to work and the lunch time is from 1:00 to 3:00. The effective work is less than six hours. The lower work efficiency is out of the expectation and tolerance of CPP managers completely. The Indian subcontractors can not catch up with the work arrangement of CPP. As a result, the cooperation is full of conflicts at the very beginning.

Besides, most Indian subcontractors can not keep to time. In their words, “One minute” means “hours”. And “tomorrow” means lower possibility.

2.2 The insufficient communication and understanding

Language is the most direct and fundamental reason. Because this is the largest international project after the foundation of CPP, CPP sent nearly 2000 workers and more than 2000 large- and small-scale heavy equipments for India (pipeline across four states of India, namely states of Andhra Pradesh, Karnataka, Maharashtra, and Gujarat). Although CPP prepared for this project carefully, the interpreters for each spread could not meet the practical needs in quality and quantity. What's more, as a multiple nation, India has more than 400 languages that belong to four language families, namely Indo-European family, Dravidian family, Sino-Tibetan family, and Austro-Asiatic family (Ou Zhang, 2005). The languages in different families are completely different. But English and Indian are most

popular. During the negotiation between CPP and local subcontractors, there were usually an interpreter for English, an interpreter Indian, and an interpreter for other language. Imagining the terrible final words in a “words-passing game”, it is not hard to understand the effect and quality of communication among many languages is far from satisfaction.

2.3 The lower productivity and poor social environment

Although as one of golden countries (Brazil, Russia, India, and China) India's gross domestic production (GDP) realizes an increase between 6% and 9%, merely inferior to China (Xiaowen Liu, 2006), its production and processing level and construction of fundamental facilities are still poor. However, the pipeline construction is a specialized industry that demands for high technologies, high costs, and amounts of investment on equipments, and technological and service support. Some bid- sections of CPP have to work in wild fields. It is much hard for them to obtain foods, not mention the qualified subcontractors. These facts lead to the shortage of subcontractors and higher costs of transportation. Therefore, the construction can not be guaranteed in a sense.

2.4 The interference from owners

As CPP manages the subcontractors, owners may interfere with the project irrationally or excessively. That is one of the main factors causing the difficulty in the subcontractor management. Because many subcontractors are introduced by owners, they preferred to listen to the owners. Sometimes, owners ordered subcontractors to change construction designs in order to pursue better results, what directly caused the increase of costs and wastes. Subcontractors usually follow the two different directions from CPP and owners or just listen to owners. That makes the CPP's subcontractors management more difficult.

3. The countermeasures

3.1 The elephant-training artifice (Alexander & Qishen He, 1997)

For Indian, elephant is not only a powerful production tool, exerting practical effect on production, but also a spiritual dependence. In India, people usually adopt three artifices to train an elephant, changing it from a wild animal into a helpful worker. The first artifice is to force wild elephant to do things as what people want it to do by using sticks and whips. The advantage is its short training time. But the elephant may be out of control and hurt its owners cruelly. The second artifice is to encourage wild elephant with candies & sweet epithets to do things as what people want it to do. In contrast with the first one, this artifice has a long training period. But it can help to turn wild elephant into a gentle helper. The third artifice is to put wild elephant into old domestic elephants. If the wild elephant follows the words of people as what the tame elephants do, it will get candies or sweet epithets. Otherwise, it will be punished. The third artifice is the most popular and effective method used in elephant-training in India.

Apparently, a successful elephant trainer needs three magic weapons, namely tame elephants, sticks, and candies & sweet epithets.

3.1.1 Tame elephants

Obviously, choosing a successful “tame elephant” is the key for successful subcontractor management.

There is severe disparity between the poor and the rich in India. And India has strict social orders. For example, the special caste strictly determines people's social position and social influence. Therefore, in daily works, CPP managers can pay more attention on the most influential “tame elephant” instead of coping with each member of the subcontractor. By this way, the “tame elephant” can help to supervise and guide other subcontractors. The effect of this method is very evident in practical management.

Here, we have to admit that the owner is qualified “tame elephant”. There is old saying that “It is the man who ties the bell can release it.” Because of the owner, CPP wined the project. Therefore, CPP has to gain the help of the owner in subcontractor management. It is undeniable that the owner is a bilateral tool anytime. Except for the negative effect mentioned above, the owner can exert great positive effects at the same time. If properly used, the positive effect of owner is larger than its negative effect. In this Indian project, the owner is the Reliance Group that has already developed into the largest and influential “giant” in India in fifty years. Therefore, it must have unordinary social background. It is well known that the resources mastered by the owner and its influences on local subcontractors are most valuable resources for CPP's success in India. In practical work, CPP should construct nice cooperative partnership with the owner by timely and efficient communication, which will help to solve problems in projects. More instances can illustrate this point. For example, the fourth spread had to construct a concrete pipe traversing a reservoir. But its long construction period makes it impossible to complete this task before the rain season. After times of communication, the owner advanced a new “silent water pipeline” traversing program, which greatly shorten the work time and guarantee its accomplishment in time. As far as the negative effects of the owner are concerned, such as the irrational and excessive interference of subcontractors, however, CPP must decline their

unreasonable requirement strictly and ask for compensations for relevant results and influences. More cases showed that only if CPP proves the right of decision with its capabilities and final facts can it win the respect and recognition of the owner and subcontractors.

Besides, some subcontractors can also serve as “tame elephants” due to their long-term cooperation with CPP. For instance, the financial division of CPP chose an Indian accounting office to co-operate. This accounting office had provided with great helps in CPP’s account application and company register by its influences in Indian government. To develop and use the cooperative resources can not only benefit CPP’s present project in India, but also will serve as a base for exploring new market in South-East Asia in future.

3.1.2 Sticks

In project, the most effective “stick” is to sign a detailed and perfect contract, and lay stresses on later execution and management.

Therefore, as negotiating with any subcontractor, CPP must ensure that the subcontractor fully understands all the articles in contract, concerning why hire him, what he should do, and what is the punishment result if fail to fulfill the contract. However, in practice, the most perfect and detailed contract can not guarantee that the subcontractor can achieve the proper fulfillment of contract. Therefore, it is necessary to use other “sticks” to restrict subcontractors, such as the strict financial system, the system of signing for finished tasks in time, the bank-guaranteed system, and the system of risks deposits. What’s more, CPP can introduce a competitive system by choosing several back subcontractors

3.1.3 Candies & sweet epithets

In any effective project, clear reward-and-punishment is the insurance for battle effectiveness and the essential requirement for strict disciplines. In the elephant-training artifice, the trainer has to inspire and deepen the positive effect by candies and sweet epithets. As far as the project is concerned, the spreads of CPP can constitute flexible reward system and empower their operational employees to reward subcontractors according to their workloads and behaviors. By this way, it may generate unexpected effects. For example, as CPP managed the material transportation subcontractors in the fourth spread, the two subcontractors transported pipes two times a day and the largest transportation capacity is 30 pipes, which greatly restricted the project requirement for 70 pipes one day. In order to solve this bottle-neck problem, CPP determined to give the driver a reward of 200 rupee for three times of transportation one day, and more 300 rupee for four times. By this way, the “candies” reward directly active the motivation of drivers, in addition reducing the transportation process, the fourth spread even created a highest pipe-transportation record, transporting 201 pipes one day, and then the pipe crisis was solved perfectly.

4. The development and suggestions

In the subcontractor management, managers in CPP’s spreads gradually possess many effective management measures based on constant exploration and rich management experiences. For example, the third spread of CPP had chosen seven subcontractors for a blowing pipe task. Based on fair competition, managers encouraged subcontractors to complete their tasks in time and rewarded them respectively according to each one’s workloads. In order to achieve more effective subcontractor management, it is necessary that CPP could take actions in the following aspects in future.

4.1 Construct a risk management consciousness

Before choosing qualified subcontracts, CPP should make careful risk evaluation on the possibility of success and the potential effects of each subcontract on the whole project. Considering different features of tasks and evaluation results, CPP should choose different subcontractors for the sake of reducing the risks as much as possible. Based on the STWO principle, CPP must analyze subcontractors’ strengths, weaknesses, threats, and opportunities. For example, CPP can take best use of subcontractors’ advantages to solve the difficulties in project, such as the irrational interference of local people. After analyzing the subcontractors carefully, CPP should adjust their ideas and motivate their own advantages to complement subcontractors’ shortages, such as improving the necessary technological direction and facilities. In a word, CPP should serve as a cooperative partner to coordinate with subcontractors to complete their tasks as soon as possible.

4.2 Employ more local labors and empower subcontractors completely

Because of differences in languages, environments, and customs, CPP has to employ more excellent local talents to realize localization of management in order to communicate with subcontractors timely and rightly. To employ more local labors is the most effective way to improve management efficiency and save costs. At the same time, although there are many difficulties in subcontractor management, CPP can not reduce the power of subcontractors. On the contrary, CPP should empower their subcontractors to such a degree that they can control their costs to increase the

margin profits, which will motivate the subcontractors effectively.

4.3 Collect useful information and construct a subcontractor database

“Know the enemy and know yourself, and you can fight a hundred battles with no danger of defeat.” In today’s changeable information times, information is vital. Collecting the latest local information about politics, economy, humanism, religion, owners, and subcontractors, can benefit the timely decision- making and tactic-adjustment for CPP. For example, soon after the start of the project, CPP had changed the focus from spread 6,7and 8 to spread 3,4 and 5 , and collects the optimal strengths to work for these sections based on many influencing factors. This decision was proved to be right and timely. At the same time, based on present information database, CPP can construct a subcontractor database, which can not only strengthen the subcontractor management in resources programming and adjustment, but also serve as a resources base for the exploration of new market in future.

In a sense, the difficulties that CPP faced in India are common for Chinese enterprises entering the international market. How to strengthen the local subcontractor management and improve efficiency is the key of the project. Just as CPP’s logo “fight for transmitting the eastern petroleum to the western, and gain success in Indian project”, only if all CPP workers combine together, can they overcome all difficulties and gain the winning with a fighting spirit.

References

Alexander & He, Qishen. (1997). *New Concept English 4 (New Edition)*. Shanghai: Foreign Language Teaching and Research Press & Longman.

Liu, Xiaowen. (2006). Thoughts on international economy at the end of the year: fourth series. *China Economy Net*. 25th, Dec.

Zhang, Ou. (2005). India has more than 400 languages. *Global Times*. 21st, Mar.