

Foreign Construction Companies Development Strategy in China Construction Market

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Abstract

The extensive opportunities in China's construction market attract many foreign construction enterprises, according to the National Bureau of Statistics of China 2021^[1]. Foreign construction companies in this market do not exceed one percent of the total operating companies. This illustrates the amount of competition faced by these companies are very fierce. Foreign construction enterprises to seize the opportunities in this market, it is important to understand how to develop effective strategies in order to meet the competitiveness, they must understand how to adapt to China's legal, social, cultural, economic and technological environment along with changes brought about by competitors' advances and new needs of customers; they need to develop their capability to assess the opportunities, to secure their healthy growth, to survive, and achieve profits. This paper studied the current situation and the way for foreign construction enterprises to enter this market, the internal environment of Chinese construction market (PEST), and main types of foreign construction enterprise development strategy in this market, then find out the strengths in developing foreign firms businesses in this market, which are useful to understand the critical factors that are required to succeed, to develop strategic management guidelines for similar entities.

Keywords: *Chinese Construction Market, Development Strategy, Foreign Construction Enterprises, PEST*

I. Introduction

After China's entry into the WTO came many opportunities to the construction industry, which increased foreign investment in the construction market due to improved legal and policy environment for foreign investment. These opportunities are expected to attract many foreign construction firms to this market. In the meantime, the Chinese government encourages foreign firms to enter the construction market in order to promote the development of the construction industry. According to the National Bureau of Statistics of China, at the end of 2019 there were over 82,000 construction enterprises work in China Among them were 567 foreign construction enterprises^[2]. It is clear that foreign companies in this market do not exceed one percent of the total operating companies, so it is clear the amount of competition faced by these companies is very fierce.

It is important to understand how to develop effective strategies in order to meet the competitiveness and dynamic change in this market, understand type of product or service to be provided, and recruit, develop and retain the right people for running the business in China. Moreover, they must understand how to adapt to China's legal, social, cultural, economic and technological environment along with changes brought about by competitors' advances and new needs of customers; they need to develop their capability to assess the opportunities, analyze the risks, and make informed decisions concerning market entry mode and strategies best prepared for future construction business, to secure their healthy growth, to survive, and achieve profits. Based on the description above, the purpose of the study are to understand how good are foreign construction enterprises to implement strategic management in this market , opportunities for foreign construction business operating in China and, how do foreign construction enterprises respond to the environment and competitive situation, what is the source of competitive advantage for foreign construction enterprises which will be used to develop strategic management guidelines for similar entities.

II. The Foreign Construction Companies Current Situation in China

The Chinese construction industry is one of the largest and fastest expanding construction markets in the world; it is booming accounting for 45 percent of the Asia Pacific total construction spent in 2019. This makes it almost three times the size of the Japanese construction market, according to the National Bureau of Statistics of China (2020)^[2]. The contribution of the construction industry to

the GDP of China increased from 3.4% in 1978 to 8.9 % in 2018, the number of construction enterprises grew from 6,604 in 1980 to 82,688 in 2020. In fact, the average annual growth rate of the industry has been sustaining at around 18 % since 1998.

According to the National Bureau of Statistics of China 2020^[2], at the end of 2018 there were over 568 foreign construction enterprises work in China, among 405 funded from Hongkong , Tiwan , Macao, employing over 210,000 employers. Foreign investors and contractors now have much broader access to the Chinese construction market than before, and many private and foreign constructors are rapidly developing in Chinese certain provinces, special economic zones that have been initiated to attract foreign investment, where the net overseas direct investment in construction sector in 2012 was 1830.3 million RMB^[2], and the overseas direct investment stock reached 6682.12 million. The following are some examples of foreign investment projects in China, Anhui comprehensive traffic infrastructure project , new rural construction in Huangshan, industrial base infrastructure construction in Xuancheng , second and third phase of city environment improvement project in Wuhan , Magna manufacturing center in Tianjin , Bridgestone added investment in Tianjin , GM technique research institute in Shanghai , TOYOTA auto study institute, in Changshu, Jiangsu .

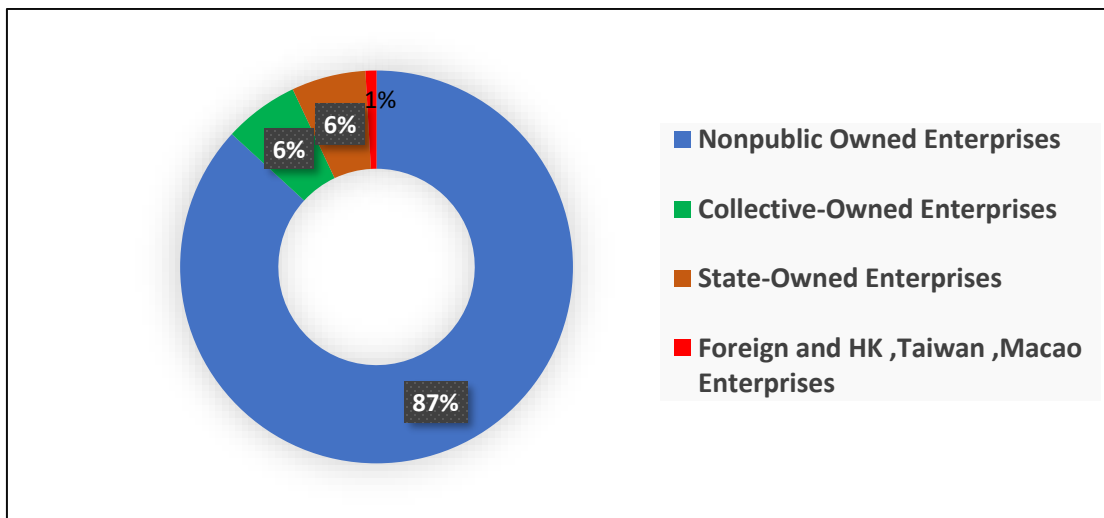


Figure 1 : Percentage of construction enterprises in China market 2021^[1]
(National bureau of statistics of china)

From Figure 1, it is clear that foreign companies in the Chinese market do not exceed one percent of the total operating companies in the construction market, so it is clear that the amount of competition faced by these companies in the construction market of China is very fierce.

III. China's Macro Environment Analysis

3.1 Political and Legal environment

The construction law of the People's Republic of China came into force on 1 March 1998. This Law prescribes that the MOC^[7], under the State Council, supervises the nation's construction practice and regulates the market behavior of the construction industry. The Chinese construction administration hierarchy consists of three layers: The central government of construction and related ministries, the provincial committee of construction, and the local committee of construction. At the central government level, the Ministry of Construction (MOC) is authorized to determine general construction policies, such as the issuance of national design codes and standards, and the grant of approval licenses for construction companies and design institutes, the provincial committee of construction supervises construction activities in accordance with policies set by the MOC, issuing provincial construction design codes, and granting approval licenses lower than Grade C. Any construction project has to be approved and registered by the local committee of construction before it can be commenced. The local committee of construction works together with the planning bureau, the firefighting bureau, the land bureau, the municipal engineering administration bureau, and the local public security bureau to supervise the design and construction activities. In recent years, government departments are exerting effort to improve the performance effectiveness of the Chinese construction industry by formulating laws, regulations, policies and guidelines to modernize the construction market. For instance, some guidelines focus on analyzing the environment to formulate business strategies, furthermore, Chinese government developed a series of auxiliary Construction Laws, for example: "Construction Quality Management Regulations", "Construction Survey and Design Management Regulations", "Construction safety regulations" as well as relevant local, departmental regulations, and also to build the basic framework of the construction of the legal system.

The national people's Congress NPC modified "Construction law" related to the project contracting, project payment arrears, project risk protection and other aspects of the legal responsibility. After that China has continued to improve and introduce laws relating to "Contract Law", "Labor Law", "Anti-Unfair Competition Law," "Bidding" and other relevant laws; in order to improve

construction framework of laws and regulations, to improve the core competitiveness, and establish modern enterprise system. As a result of China's accession to the WTO, the two regulations promulgated: The Foreign Investment Design Enterprises Regulations and The Foreign Investment Construction Enterprises Regulations, help to open up market access to foreign enterprises^[6].

3.2 Economic environment

The socialist market economy of China is the world's second largest economy by notional GDP and by purchasing power parity after the United States. It is the world's fastest-growing major economy, with growth rates averaging 10% over the past 30 years. Since the economic reform started in 1978, China has become the world's fastest growing economy at an average annual rate of 9% in real terms for the past 15 years^[3]; the rapid economic expansion has resulted in many construction activities and has created one of the largest construction market in the world. The increase in economic activity has generated, and will continue to do a heavy demand for construction for at least the next 10 years. Furthermore, construction typically contributes 5% to 9% to the GDP in developing countries and provides critical backward and forward linkages to the rest of the economy, and very large construction material and service industries, also generates large "forward linkages" to the economic activities which use the constructed facilities. Since construction in China is a labor-intensive industry, economic growth not only has a profound effect on the total construction volume, but also influences a large number of other factors that contribute to transform the industry: land prices, labor costs, the rapidly growing number of middle-class incomes, energy consumption, environmental pollution. Each of these can impact regulations, social trends and building needs.

3.3 Social and Cultural environment

China has the biggest population in the whole world with an estimated 1,413,000,000 people taken from a census in 2020. (2021, World population review)^[4]. It has been expanding approximately by 15 million each year, which is an increase that is equal to the total population of Australia. This increase is due to the fact that death rate has dropped dramatically. Even though death rate has dropped, providing for everyone in the society is a major concern for China.

There are many cultural factors that affect in business in China : Ethnic & Language Groups , Cultural Values , Religion , for foreigners the first difficult thing when they doing construction business in China is the Chinese language, the Chinese characters are pictographs and Chinese also differs from Western

languages in that it is a monosyllable language. Even after foreigners have stayed for a long time in this country and have mastered Chinese sufficiently to be able to communicate without a translator, however, they are still likely to meet obstacles when talking with Chinese people. This cultural obstacle stems from a lack of unvoiced understanding of the different culture and is by no means a phenomenon unique to China. Foreign contractors may not know how to manage Chinese consultants, contractors, sub-contractors and workers, due to different cultural backgrounds between citizens of China (the Chinese).

Next review some Differences between foreign and Chinese cultures: Team-spirit in construction projects, Communication with Chinese staff. Communication is the ability to interact effectively with others at all levels within and outside. Initiative, initiative is volunteering to carry out tasks that are not formally part of one's own job. Chinese staff lacked initiative in solving problems and mid-level managers were unwilling to take additional responsibilities. Another difference is culture of ignoring written contracts. Chinese firms did not always read all the contract. Many foreign required contractors to read and stamp on every page of the contract documentation because some Chinese sign contracts without paying attention to all their legal duties and liabilities. Claims culture, because some Chinese contractors submitted bids that they thought would help them win the job without studying the tender documents in detail, add more on that networking culture foreign firms need to form "guanxi" (relationships) with the right Chinese^[5]. When two independent parties form guanxi, they establish a connection to enable a bilateral flow of personal or social transactions from which both parties derive benefit.

3.4 Technological environment

China's construction technology has been continuously improving, after 1990 year China completed many construction projects in different areas including agriculture, energy, traffic lights various projects, Daya bay and qinshan nuclear power station, shenzhen diwang building, guangzhou zhongtian tower and jinmao tower in Shanghai. The Gorges Dam project, xiaolangdi project also was one of the world's rare large engineering construction projects. After that the scale of China's key project became a higher level which can hold 91,000 people, National swimming center which was the first one in the world had no experience cloud learn from it. From all these projects, we can see China construction current level of technology has reached a considerable height and difficulty level. But in spite of these achievements, these large-scale projects, sometimes still use the manual mechanical equipment and the low level of

advanced tools, machinery and tools are less so. In this sense given a greater opportunity to foreign companies to compete in the Chinese construction market.

IV. Government Regulatory Policies in China Construction Industry

With its development over the years, China has established a legal system for governing construction activities. Until 2001, the construction legal system in China mainly consisted of the laws and regulations at three levels, the highest governing laws for the Chinese construction industry include two laws promulgated by the National People's Congress of the People's Republic of China: the Construction Law 1997 and the Bidding and Tendering Law 1999, Among all laws and regulations on construction matters, the Construction Law 1997 is the most important one. The Construction Law provides the governing legal framework for construction activities in China. Its legal effect prevails over construction rules and regulations, at the second level are the administrative regulations promulgated by the State Council of PRC. The regulations at this level are fewer. They are mainly concerned with some important issues, such as construction project quality management, registered architects' regulations, etc. Departmental regulations and rules are at the third level. These regulations and rules are promulgated by the Ministry of Construction (MOC), the State Council's administrative department in charge of construction. On April 8, 2003 the Ministry of Construction issued the Relevant Administration of Qualifications in the Administration of Foreign-invested Construction Enterprises Provisions Implemented Procedures (the Implementing Rules). These rules bolster the Administration of Foreign-invested Construction Enterprises Provisions (the Foreign-invested Construction Enterprises Provisions), which became effective on December 1 2002. They also clarify certain issues regarding activities during a transitional period in which foreign-invested enterprises can apply for "qualification certificates"^[7].

V. The Way of the Foreign Construction Companies Enter China Market

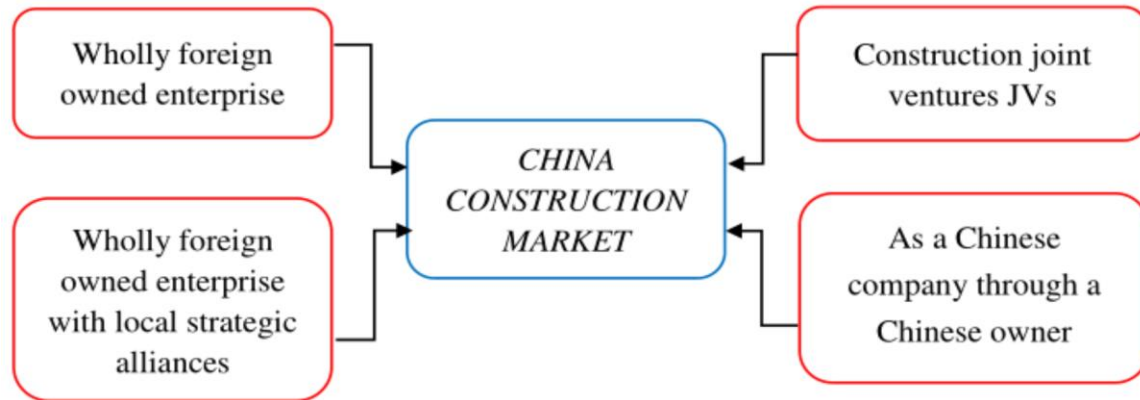


Figure 5.1: The Way of the Foreign Construction Companies Enter China Market

There are a number of ways used by foreign construction firms to enter China construction market: as wholly foreign owned enterprise, foreign contractors enter Chinese market without collaboration (wholly foreign owned enterprise). A wholly foreign-owned enterprise is an enterprise that is a 100 percent owned by a foreign company, it provides the investor with complete control over the business direction and operation, in order to find a new opportunity and seize the benefits and profits in this large market, or in order to follow the company's customers ,in some industries, firms follow their clients who decide to expand oversee. Another type is Wholly foreign owned enterprise with local strategic alliances , enter with collaboration (wholly foreign- owned enterprise with local strategic alliances, project based collaboration), enter with collaboration, Chinese construction enterprises are engaged as subcontractors on foreign contractors projects, but due to their structure and expertise, special construction firms could be more important for foreign contractors at a corporate level for strategic development, Strategic alliances are being formed at a time when the Chinese construction industry is evolving under the impact of the World Trade Organization WTO , Wholly foreign owned enterprise collaborating with local firms proved to be successful strategy. Such collaborations facilitate foreign contractors' adaptation to the local environment, a better adaptation to a construction environment that is itself in flux should enhance the survival chances of foreign contractors in the long run. Among other advantages of such collaborations, local firms are capable of providing access to licenses, human resources, and build technical support for foreign contractors, which other types of partnership might be unable to offer.

The third type is enter as a Chinese company through a Chinese owner , access through the registration of the company as a Chinese company , and this entry

is by finding someone Chinese investor or Chinese general manager who has experience in construction industry, where that the foreign company by this person can register a Chinese company, with foreign expertise. The features for this way that this company is classified as a Chinese company. Benefit from the expertise of local Chinese and foreign expertise at the same time, and it can overcome the problems faced by foreign companies that have been mentioned previously. The last way is Construction joint ventures, foreign direct investment in the construction industry in China is regarded as an important aspect of implementing the modernization programmer. The central government and the ministry of construction (MOC) encourage foreign firms to invest in infrastructure and industrial projects such as energy, transport and power stations construction, in order to cope with the rapidly expanding economy. From the standpoint of Chinese construction industry, it may derive positive benefits from foreign direct investment with foreign partners ,these mainly include: attracting capital investment and making up the shortage of funds in capital construction, transfer of advanced building technology and project management skills, stimulating the development of export-oriented contracting, and improving the existing imperfect mechanism of the construction market and strengthening domestic construction firms competitiveness. Next explain the types of construction JVs: 1) Foreign construction firms enter Chinese market under foreign joint venture construction projects that are funded at least 50% by foreign investment, with two types of JVs firms, first one is Sino Foreign Equity Construction Joint Venture, and second is Sino foreign cooperative construction enterprises. 2) A Sino-foreign cooperative joint venture is a joint venture agreement between a Chinese and foreign company, this type of joint venture gives the foreign company much more flexibility than a Sino-foreign equity joint venture. Chinese law allows a Sino-foreign cooperative joint venture to be structured as either a limited or unlimited enterprise, in a limited-liability cooperative joint venture the foreign investor typically provides the majority of the funds and technology, while the Chinese company provides the land and equipment.

VI. The Main Types of Foreign Construction Companies Development Strategy in China Market:

6.1 Corporate level strategies: Many foreign firms implement two or more forms of growth strategies, in order to speed up the increase in market share or sales. A strategy of an organization forms a comprehensive plan describes how the corporate achieves its objectives. Wheelen & Hunger (2006) consider that corporate strategy is primarily about a company's overall direction of general attitude towards growth as well as its management of business and product lines. Kenneth R. Andrews thinks that corporate strategy defines the business in which a company will compete, preferably in a way that focuses resources to convert

distinctive competence into competitive advantage , through a series of coordinating devices, a company could transfer skills and capabilities developed in one business unit to another. In this way, it attempts to obtain synergy among numerous product lines and business units (Wheelen & Hunger, 2006) ^[8]. Foreign firms in China constructions industry implement two types of corporate level strategy that a business can employ:

6.1.1 Diversification and Concentric Diversification Strategy

The diversification strategy was first proposed by the American scholar Ansoff , who defined diversification dynamically and stressed that diversification was to introduce new products went into new markets or diversification as a developing strategy through which a company manages more than two different kinds of products or services simultaneously. Enterprises implement diversification strategy which takes the advancement of external competition and internal resources as the major considerations, diversification can help the company to balance development and spread risk ^[9]. In general diversification strategies are implemented to expand company's activities by increasing services, markets and products. Where the benefit of diversification when foreign construction firms implement this strategy in Chinese market:

- 1) Diversification can recover the firm from debt capacity and improve the situation.
- 2) Capital and Labor productivity is increased due to diversification because skills and expertise developed in one business field can be transferred to another.
- 3) In markets where taxes exist, diversified foreign firms can enjoy transferring capital from a surplus division to a deficit division unaccompanied by transaction costs.
- 4) Diversification allows a firm to take advantage of the strategic gap that exists in competitive environments

Diversification strategies become one of the good choices for foreign construction firms to increase efficiency, reduce costs and gain better control of its supply chain^[10]. Construction firms have diversified into different industries, some related and others are not. The most common industries were concrete followed by real estate. These are both identified as forms of related vertical integration. The least favored form is Construction machinery and raw materials as it requires intensive capital investments .

Concentric diversification also known as related diversification as occurs when the products or markets added to the current business are related, share

common capabilities and require similar resources (Palepu, 1985)^[11]. Under related diversification, the new business ventures benefit from shared Research and Development (R&D), resources, knowledge and the general brand development.

6.1.2 Vertical Integration and Subcontracting strategy

Vertical Integration is often choice for foreign construction firms. It involves the firm investing in its supply chain activities. Many contractors acquire supplies of raw materials such as aggregates steel and iron markets. This provides the contractors with more control over its environment and increased technological expertise and intelligence, where the successful implementation of vertical integration is determined by how broadly the firm is integrated at one point in time, the percent of each operation to be carried out internally, and finally, the suitability of the venture. Vertical integration have one main notable disadvantage in construction , the motives lead to choosing vertical integration are grouped into four categories; industrial, internal, financial and quality:

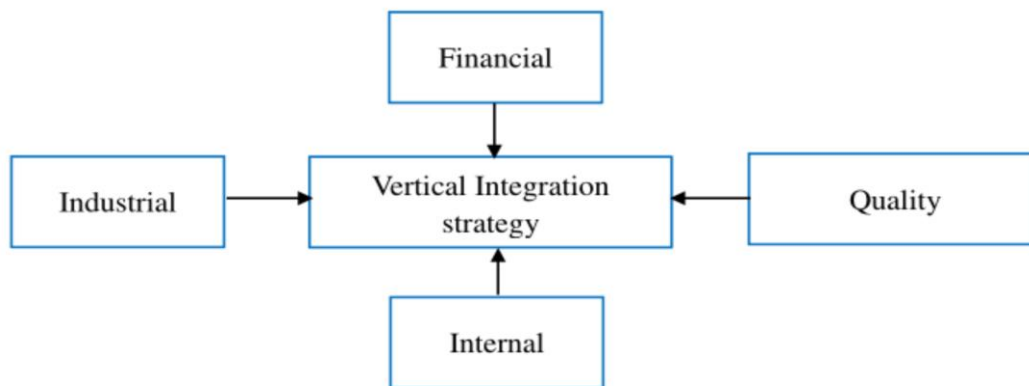


Figure 6.1: Categories of vertical integration strategy

Contracting and subcontractor: a subcontractor is a construction firm that contracts with a general contractor to perform some aspect of the general contractor's work (Arditi & Chotibhongs , 2005)^[12]. This strategy does not require any form of internal integration in the foreign firm. Because suppliers, representatives, manufacturers, fabricators and wholesalers will be performing the activities that could have been conducted in-house, the firm must have superior knowledge of how the operations should be executed.

6.2 Business level strategies

The cost leadership and differentiation strategies can be considered as the mode of competition, which refers to a firm's decision on the methods of developing competitive advantage^[13], where the scope of these strategies can vary in three

dimensions in the context of construction, the dimension of market/product would refer to the different types of projects and market segments, such as the construction of residential and commercial buildings, civil works, environmental engineering, industrial and infrastructure projects.

6.2.1 Differentiation strategy

Differentiation is concerned with creating something that is perceived by the buyers as unique. It implies that a firm offers something unique and unmatched by its competitors and valued by the industry that enables the firm to command higher prices than industry average (Kale, 1999) ^[14]. In order to cope with these unfavorable market conditions, foreign companies in the construction industry should provide something unique as perceived by the clients to avoid competition that is not placed on a level ground, this would require them to pursue a differentiation strategy to distinguish themselves from their competitors. In construction industry, the differentiation strategy is directly supported by the five variables which are: Guanxi resource, project management competencies, technological and innovative capabilities, financial capabilities and reputation.

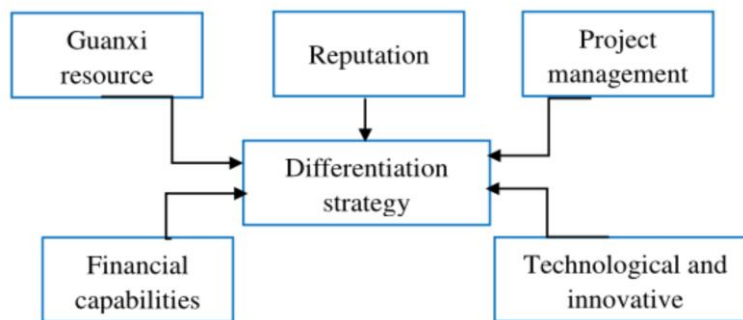


Figure 6.3: Variables of differentiation strategy

6.2.2 Cost leadership strategy

In cost leadership strategy, a firm sets out to become the low cost producer in its industry. A low cost producer must find and exploit all sources of cost advantage, where a foreign firm can achieve and sustain overall cost leadership, than it will be an above average performer in its industry, provided it can command prices at or near the industry average. Customer satisfaction is a key business performance indicator, customers purchase a business's product or services and the business is in retaining its existing customers and increasing the number of its customers. In other words, a cost leadership strategy requires management to focus its attention on competing on cost; this necessitates that systems and procedures are directed totally towards controlling cost , where it is sometimes difficult to

determine whether one company is indeed having a cost advantage over its competitors.

It is also difficult to know whether the bidding price of a company is greater than the project cost, since some Chinese companies intentionally bid at a very low price just to secure the contract. Many foreign firms in Chinese construction market are considered to be pursuing a cost leadership strategy when it possesses a proper system of cost control activities. Also, they emphasize on cost control and try to pursue the cost leadership strategy. The possible reason for foreign companies pursuing a cost leadership strategy, could be explained by their focus on traditional construction projects, particularly building construction. For most traditional projects, design and construction are segmented during the procurement process, and many contracts are awarded on the basis of lowest price. Other types of projects, such as petrochemical plants, nonferrous metal exploration, environment engineering, highways, and power plants usually for these types of projects, price is not the most important factor to be considered when awarding the contracts. Therefore, foreign companies that tender many of their projects in the traditional design-bid-build contracting mode would be inclined to pursue the cost leadership strategy. Moreover most of the cost controlling activities can be categorized into 5 types: Materials and equipment cost control, manpower cost control, cost control during the construction process, subcontracting cost control, and administrative cost control. For that many foreign firms possess a good system in controlling the cost of project management 'objective cost control' method to control these five items.

6.3 Functional –level strategies

A functional strategy is one that dictates the task and activities of a certain business area^[16]. Owners and managers make up certain rules and guidelines for employees to follow, each department operates by these guidelines, with all departments working together to achieve the overarching company goals. Common areas where a company may implement a functional strategy include marketing, finance, or the research and development departments and human resource. An organizational strategy may also be functional ^[17]. Here our research will discuss two types of strategy which foreign firms implement in Chinese construction market.

6.3.1 Human resource strategy

Human resource is one of the most important company assets that can help to form sustainable competitive advantage. Human resources strategy, develop and retain quality staff to work in China many foreign companies believe the Generation Y (1977-1994) years old are wielding more influences on businesses work, staff and

their attitudes are the key to delivering client services. Part of the firm's business strategy is for staff to develop a high level of specialization which involves the firm investing heavily in staff training and development can allow staff to adapt to the changing market environment and allow them to remain leaders in providing specialist services to China market. Part of a firm's or through this relationship may the customer give an opportunity for foreign companies to become one of project investments.

6.3.2 Innovation strategy

Innovation strategy is that part of strategy which deals particularly with the growth of an organization through the development of new products, services, processes or business models. A strategy is a long-term plan for action that defines choices on how to reach certain objectives a strategy is not a goal. Where the types of innovation can be divided into process innovation and product innovation. Process Innovation is an improvement in construction methods designed to accomplish usual construction operations or to improve the efficiency of a standard. On the other hand, Product Innovation is an innovation that produces a qualitatively superior product.

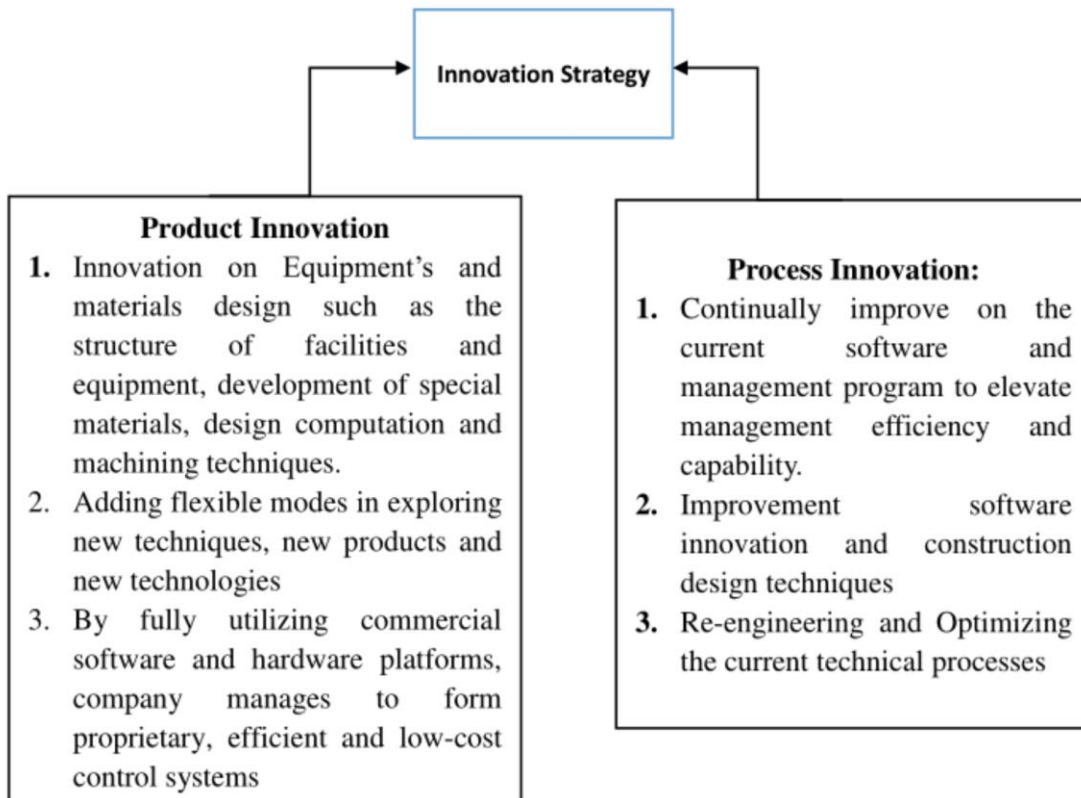


Figure 6.4: The Types of Innovation of Foreign Firms in Chinese market

Other than the types of innovation that a company decides to pursue, the mode of Innovation selected would also affect its innovative capabilities. The modes of innovation may include: Internally exploring new techniques, where would fully take advantage of the core expertise of foreign firms in technology management and also its reputation, External collaboration, in order of this many foreign firms established strong collaborations with research and higher learning institutions. Moreover, many foreign firms expense amount of total revenue for Research and Development.

VII. Analysis of the Competitiveness of Foreign Construction Companies in China:

- Strong project management, and better information management facilities: There are various types of construction project management approaches such as construction\bid\build; design\build; construction management; and others. Many Chinese construction enterprises still have little experience in adopting these approaches of project management, while the foreign firms are generally knowledgeable and have experience in practicing most of these approaches. In China, construction market foreign firms have the advantage of being better equipped with advanced information management facilities the Chinese government launched an official program in 2003 to advance the information technology and management skills (MOC , 2003b). In line with this program, by 2008, those programs with special grade qualifications are expected to catch up with the information management standard owned by the world class construction firms, for example, by having their own intranet systems and getting professionals or managerial staff connected to the internet systems. The program also specifies that by 2008 those Grade A will develop their information management capacities to the level that world-class firms have already built up in 2004.
- Advanced Machine and Equipment, Higher Labor Productivity Compared to the Chinese construction firms, foreign firms have advantages of possessing construction machines and equipment. Comparisons of plant capacity, in terms of the value of machines per laborer, this has been shown previously when was mentioned to innovation strategy. Foreign firms can achieve higher labor productivity throw implementing HR strategy, foreign firms higher productivity is due to multiple factors, including advanced technology and equipment, more capable human resources, and efficient organization structures.

- Good cost control skill and good finance-raising ability: Foreign firms have systems are better established and enforced. Many foreign firms have a foreign and Chinese team in charge of read all the contract, many foreign required contractors to read and stamp on every page of the contract documentation because some Chinese sign contracts without paying attention to all their legal duties and liabilities. By this method and differentiation strategy, cost leader ship strategy foreign firms can control the cost. Sophisticated clients may require financial support from the contractors, as was mentioned earlier, foreign companies are establishing good relationships with various financial companies and with own clients these make them have good finance-raising ability.
- Wide international business connections: This strength has twofold meanings in terms of foreign contractors marketing. First, foreign firms international business contacts might provide business information or even directly recommend them to the potential clients (i.e. foreign investors in China). Second, Chinese clients might prefer foreign contractors if the latter could help the former marketing outside China. For example, a Chinese industry park developer may like to engage a foreign contractor who can provide leads to attract foreign investors.

VIII. Conclusion

Economic growth in China has led to a booming construction market in various sectors. Which attract many foreign construction firms to this market , but the complex , and the intense competition and dynamic nature of the Chinese construction market, especially the differences in culture as well as in administrative and legal systems, the risks associated with these opportunities should not be under minded. Foreign construction firms face significant challenges as well, misunderstandings of differences in business operation in a different environment can lead to foreign construction firms failures in managing projects and in pursuing business ambitions in China; these led to exerted much pressure on foreign construction enterprises. Therefore, it is necessary for foreign companies to understand external environment of China construction industry before entering the Chinese market. Foreign companies in China's construction market implement certain strategies to ensure survival, a competitive advantage, and superior performance. This paper gave a clear picture about the foreign companies in Chinese construction market and the strategies implemented by these companies to face fierce competition from local companies. These strategies give an opportunity for foreign companies to competitive advantage in the Chinese market.

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