Internationalization strategies and methods of construction firms – a comparative study between Hong Kong - Chinese and Portuguese – European approaches

Dissertação para obtenção do Grau Mestre em Engenharia Civil – Perfil de Construção

Orientador: Nuno Cachadinha, Professor Doutor, FCT-UNL

Júri:

Presidente: Prof. Doutor Carlos Manuel Chastre Rodrigues
Arguente: Prof. Doutor Pedro Manuel Gameiro Henriques
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ABSTRACT

The topic about internationalization in construction industry is often discussed and debated. In a context of internationalization success, it is significant to evaluate the process of the international experience by exploring the underlying reasons and factors.

This master thesis is a descriptive and qualitative study about the internationalization strategies and methods of construction firms. Based on the value and contribution to the research regarding the topic, it sets out to explore the similarities and differences of the internationalization decision-making behavior between by eastern and western construction firms.

To fulfill the objective stated above, in-depth, individual, face-to-face, research interviews were conducted involving six top-level management executives of Hong Kong construction firms in Macau, towards gathering all the relevant information regarding their perception of strengths, weaknesses, opportunities and threats, risks and entry strategies related to international expansion. Based on the analysis for the information collected, a comparison with the western behavior was conducted regarding the mentioned factors, based on recent similar studies conducted for Portuguese-European firms.

The findings suggested that (1) the generalization of Hong Kong construction firms internationalization behavior is valid to a wider context of typical Chinese construction firms behavior, (2) significant parities and disparities were found between Portuguese – European construction firms and Hong Kong – Chinese construction firms, (3) both western and eastern construction firms follow basically the same logic and framework for the internationalization decision-making behavior.

Based on these findings, a specific internationalization method is proposed towards addressing the specific characteristics and needs of Asian construction companies.

Keywords: Macau, Internationalization, Risk Management, Entry Strategies, Portugal, European firms, Chinese firms, China
RESUMO

O tópico sobre internacionalização no sector da construção é frequentemente discutido e debatido. Num contexto de sucesso de internacionalização, é importante avaliar o processo da experiência de internacionalização, de modo a explorar as razões e fatores subjacentes.

Esta dissertação é um estudo descritivo e qualitativo sobre as estratégias e métodos de internacionalização das empresas de construção. Com base no valor e contribuição da pesquisa sobre o tema, são exploradas as suas semelhanças e diferenças no comportamento de tomada de decisão relativo à abordagem de internacionalização optada por empresas de construção orientais e ocidentais.

Para cumprir o objectivo acima enunciado foram realizadas entrevistas em profundidade e individuais a seis executivos de gestão de topo de empresas de construção de Hong Kong com presença em Macau. Foi reunida a informação relevante sobre a percepção de pontos fortes, pontos fracos, oportunidades e ameaças, riscos, estratégias de entrada relacionados com a expansão internacional. Com base na análise desta informação foi feita a comparação com o comportamento ocidental sobre os factores mencionados.

Os resultados obtidos permitiram concluir que (1) a generalização do comportamento de internacionalização pelas empresas de construção de Hong Kong é válida até certo nível para as empresas típicas de construção chinesas (2) existem significativas semelhanças e diferenças específicas entre empresas de construção Portuguesas - Europeias e empresas de construção de Hong Kong - Chinesas, (3) tanto as empresas de construção ocidentais como orientais seguem basicamente a mesma lógica e estrutura no processo de tomada de decisão de internacionalização.

Por fim, no sentido de abordar as especificidades identificadas das empresas orientais, foi proposto um método de internacionalização específico para empresas orientais de construção.

Palavras-chave: Macau, Internacionalização, Gestão de Risco, Estratégias de Entrada, Portugal, Empresas Europeias, Empresas Chinesas, China
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1. INTRODUCTION

1.1. Context

International construction provides a win-win situation for the developing countries and industrialized countries. As globalization provides an open gate for new opportunities by lowering the entry barriers from the industrialized countries, the developing countries benefit for the expertise and know-how for the construction of new infrastructure and buildings. (Gunhan & Arditi 2005).

However, international ventures are subjected to the risk exposure, which increases for the complex construction business. Thus, the identification of potential risks in the new environment and the creation of an efficient management method are vital to the construction firms in the international markets.

In this thesis, two main construction markets are tapped, the European construction market and the Asian construction market.

In the European construction market, Portugal experiences a recession period in the construction industry due to the Eurozone crisis. Many Portuguese companies of the sector have redirected their strategies towards internationalization and activities’ diversification, and started venture by themselves, acquisitions or joint venture (Vaz 2009). One of their main targets for foreign investment is the Portuguese-speaking countries, including Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe (European Comission 2009), which carry the Portuguese acronym of PALOP (Portuguese speaking African countries).

Besides sharing a common language and cultural background, similar political system and a long-term relationship (EEAS 2010) are the reasons of selection for internationalization.

In the Asian construction market, the rapid expansion of the construction in industry in mainland China has actually raised up the Hong Kong construction professionals to work in mainland China as expatriates (Chan, Leung & Yu 2012). Besides all the developing cities in mainland China, Macau is the one of the best chosen cities for the study of the topic, and the comparative analysis between the Chinese construction firms and European construction firms, given the similarities of the characteristics between the Hong Kong firms/Macau city and Portugal firms/PALOP countries, such as identical historical, cultural and linguistic factors between the investor firm and the target country.

From the perspective of the target territory Macau, after handover in 1999 the city has been experiencing an exceptional economic growth, with the liberalization of gaming industry to foreign investors since 2002. With this broader opening, huge amounts of foreign investment have been flowing into the territory (Sheng 2012), leading to the demand of higher standards in terms of construction resources and technical skills for the large scale project of casinos and related facilities, and as a consequence, it opened up the gates for the opportunities of the internationalization for the construction
environment in Macau. By having great prospects for future development and business opportunities, Macau attracted Hong Kong specialized construction firms, which enjoy competitive advantages in terms of geographical and technological resources to invest in Macau.

Therefore, in order to ensure a successful internationalization and to minimize the risk encountered, it is crucial to evaluate the process of the internationalization by conducting an in-depth survey in order to explore possible underlying reasons and factors such as firm capabilities, strengths, weakness, opportunities, challenges, entry strategies and risk considerations for their decision-making behavior.
1.2. Objectives

The general purpose of this thesis is to compare the internationalization strategies and methods followed by western and eastern construction firms, and propose a multi-layer internationalization method that can be applied to both western and eastern firms, which differentiates the layers of commonalities and those of specific ones.

The first aim of this thesis is to provide a qualitative study to the internationalization of Hong Kong-Chinese construction firms in Macau after the handover and overall internationalization decision making process. The particular case study focuses on the significance of the observations, and helps to gather, comprehensive information for an in-depth understanding of the behavior and the reasons that govern such behavior.

The second aim of this study is to explore the viability of the expansion of our region sample, Hong Kong construction firms in Macau, as the typical internationalization of Chinese construction firms in foreign countries in the development. It is believed to provide ground facts and truths for the similarities of attributes and features to the Chinese construction firm’s behavior among the foreign market study and consideration so as to enlarge the future scope of study.

The third aim of this study is to explore the similarities and differences of internationalization concept in terms of Portuguese-Europeans construction firms and Hong Kong-Chinese construction firms. This comparative study allows to draw out the parities and disparities between the countries and to identify the reasons and causes in a wide range of perspectives.

The fourth aim of this study is to evaluate the adequacy of the process of internationalization proposed by (Gama 2011), in order to seek the boundary of the expansion and limitation of this model. It will contribute for a better understanding of the topic and provide valuable information and reference for future study and works abroad the range limit here suggested.
1.3. Justification and Motivation

Based on the past findings, internationalization of the construction firms is studied in western countries. However, no similar detailed study was developed for the Asian market, which is a large and fast-growing construction market, with strong opportunities and the high demand of urbanization need. It is important to investigate if the potentialities and limitations of the internationalization considerations applied also to the regions of Asia.

Furthermore, no recent research has explored the relationship and the validity of the internationalization process between western and eastern countries.

In a context of the mentioned research gap, it aims to adopt the internationalization framework suggested by Gama in western environment content and to compare with the eastern construction market for the sake of a wider context application in accordance to the demographic difference between countries, Portugal and China, and even to a broader region audience as Western and Eastern region.

From the relevance to practitioners such as executives of the construction firms, the findings are important considerations that may be included in the process of internationalization so that an appropriate measures and contingency plan can be prepared and developed against the impact of obstacles from the intrinsic and extrinsic factors in Asian Cross-Border construction.

From the relevance to researchers the current study fills the void by attempting to enlarge the study universe to China, the most dynamic new Asia tiger by taking the example of Hong Kong construction firms investing in an developing region, Macau. It aims to explore not only the considerations and reasons for the internationalization process in the region but also to the expansion of the worldwide foreign market. The comparative analysis allows to compare different perspectives from different countries, by understanding how different cultures react upon internationalization and how they perceive impacts caused by international market modes, in order to look room for the validation of the process of internationalization proposed by (Gama 2011) in a wider context that may contribute to further academicals and scientific investigation of the topic.
1.4. Research Question

Taken into consideration the value and the contribution to the research regarding internationalization across Europe and Asia, the research questions of this study would be:

What are the similarities and differences between the internationalization strategies and methods followed by eastern construction firms when compared with western construction firms?

1.5. Research Hypotheses

With the previous research information showing ground to a possible clear prediction, the directional hypothesis is selected with the following:

1. There is a common body in the preliminary analysis process of existing conditions for the decision making for the internationalization between western construction firms and eastern construction firms

2. There is a main common pillar for the risk management consideration between western construction firms and eastern construction firms

3. There is a main common pillar for the entry mode consideration between western construction firms and eastern construction firms

4. There is a main common pillar for the internationalization behavior between Hong Kong construction firms and typical Chinese construction firms
1.6. Conceptual Model of the Research

For a better visualization about the cause and effects, such as the moderators (Portuguese-European construction firms and Hong Kong–Chinese construction firms) and their relationship, it is presented the following conceptual model of the research:
1.7. **Structure of the Thesis**

The following flow chart of study represents the structure of the thesis for better understanding the problem situation and its dynamics.

![Figure 1 - Structure of thesis](image)

1. **Research Question**

   What are the similarities and differences between the internationalization strategies followed by eastern construction firms when compared with western construction firms? What are the major similarities and differences in their decision-making behavior?

   The research question is the statement that identifies the phenomenon to be studied.

2. **Literature Review**

   Secondary sources to assist for identifying existing information regarding the internationalization behavior and its relevant considerations for the decision-making.
3. Survey and Field Work

Method: Qualitative Research for a in depth evaluation and understanding of the major factors for internationalization of the Hong-Kong - Chinese construction firms.

4. Data Analysis

Collection and treatment for the data collected from interviews, and further analysis of the undermining reasons of their decision-making behavior for each step of internationalization process

5. Results and Discussion

Comparison and analysis the findings from the survey with the results of (Gama 2011) by identifying the major similarities and differences between eastern construction firms and western construction firms:

5.1. Verification of the common body for the preliminary analysis process of existing conditions for the decision making for the internationalization

5.2. Verification of the main common pillars for the risk management consideration

5.3. Verification of the main common pillars for the entry mode consideration

5.4. Verification of the main common pillar for internationalization behavior between Hong Kong construction firms and typical Chinese construction firms

5.5. Generalization of proposed method of internationalization for Chinese construction firms

6. Conclusions

The summary of all the findings, results and discussions in accordance to the objective defined in the initial chapter.

The recognition and identification of limitations and further response and suggestions of combating these limitations in future research.
2. LITERATURE REVIEW

This chapter attempts to drive a literature review to what has been published and the related knowledge regarding the internationalization strategies and methods of construction firms. It aims to summarize and synthesize the existing arguments and ideas as a foundation and as a support for the proposed insight investigation that the present master thesis is contributing.

2.1. Internationalization of Construction Firms

“Internationalization” has been widely used to describe the outward movement in a firm’s international operations (Turnbull & Valla 1986). A much broader definition is described by (Calof & Beamish 1995) as “the process of adapting firms’ operations (strategy, structure, resource, etc) to international environments”. It is commonly refer to the increase importance of international trade, international trade, international relations, treaties, alliances (Daly 1999).

As the increase of the global construction market opportunities, the construction firms become more interested into the internationalization business venture (Jin et al. 2013).

Often, there is a misconception between internationalization and globalization of the construction companies. The differentiation between international construction companies and global construction companies is made by ENR, where the first are those who gain their revenue from projects outside each company’s respective home country, and the second generate their construction contracting revenue regardless of where the projects were located. Therefore, the concept of international construction companies assist to investigate the performance in the overseas activities from an international perspective (Lu et al. 2009).

Despite intensive research on internationalization and globalization of companies over the past decades, the determination of the degree of internationalization of a firm appears to remain an evolving one. ENR ranks international contractors according to the absolute amount of international revenue, which is one of the most acceptable and basic ways to measure the degree of international performance of a firm (Sui Pheng & Hongbin 2003). According to ENR Top 250 International Contractors, large international contractors are scrambling for work amid stagnant markets in Europe and the U.S., while other fertile markets in the developing world, such as North Africa, are mired in political upheaval. However, contractors are finding opportunities in other regions, and most are holding their own even in depressed markets (ENR 2013).
China is of the region that encourage and emphasize the foreign investment into their huge construction industry (Chen & Orr 2009). It is one of the most essential pillars in China’s economy.

According to (Gunhan & Arditi 2005), the reasons for the construction firms to expand their business to international markets include stagnant domestic markets, spreading risk through diversification into new markets, competitive use of resources, and taking advantage of the opportunities provided by the global economy.

The benefits of undertaking construction works in a foreign country are the following:

- Prestige: Recognition in the international arena
- Business Expansion: Creation of new markets for business
- Geographical Expansion: Diversification that reduces risks
- Tapping New and Booming Markets: Taking advantage of the profitable markets
- Protecting the Company Against Cycles: Expanding the business horizons through developing markets
- Competitive Use of Resources: Effective use of resources
- Competitive Advantage: Results from specialist expertise or technology lead

The internationalization brings important benefits to the enterprises, as well as all kind of risks. Overseas’ construction projects do not certainly produce a high level of profit due to its high-risk international attempts (Han et al. 2007). The complex international environment generates diverse risks that differ from those encountered in the domestic markets such as risks specific to international transactions (Han & Diekmann 2001). Thence, the importance of a well study plan and strategy is required in order to achieve the internationalization success.

To facilitate the entry decision into non-domestic markets and the evaluation of the risk indicators involved of a specific project in a foreign country, different models of risk assessment are provided, such as International Construction Risk Assessment Model (ICRAM-1) by (Hastak & Shaked 2000), Neural Network analysis (Brouthers et al. 2009), Fuzzy Risk Analysis Model
by (Carr & Tah 2001). They help in building a better picture of whether the company needs to expand into specific international markets and whether it has all the resources potential for such expansion.
2.2. Process of Internationalization

The study for the relevance and importance of the factors for the consideration of expanding into overseas markets were studied, and (Long et al. 2004) emphasizes the importance to develop a track for monitoring and updating purpose. Based on the strengths, weaknesses, opportunities and threats (SWOT) analysis by (Gunhan & Arditi 2005), track record, specialist expertise, project management capability are the most important company strengths; staff turnover, instability of financial support, and inflation and currency fluctuations are the most important threats relative to international markets; and increased long term profitability, the ability to meet the shareholder demand, and the globalization and openness of the markets are the most important opportunities available in international environment. In case of a positive results and feedback from the mentioned analysis, the enterprise is considered as qualified and ready for the foreign venture market expansion.

Therefore, there is a particular emphasize for the study of the process of internationalization and the present master thesis attempts to draw a generic process of internationalization from the contractor’s point of view in overseas market and analyze its tendencies and characteristics. The process of internationalization is based on the model developed by (Gama 2011). by focusing on the firm capacity evaluation, opportunities of the project, risk analysis and entry strategy, originated from the model of internationalization by (Han & Diekmann 2001),and (Gunhan & Arditi 2005). It is illustrated in the below diagram, and consists of the following major phases:
1. Internal readiness and evaluation for the firm’s capacities for the international venture by focusing on the competency in management, technical and financial aspects of the firm.

2. External readiness and exploration of the prosperity of the possible market by analyzing the market growth index, the cultural advantage and its related factors for further selection of the specific target country.
3. Analyze the room for growth in the local country, and the opportunities and challenges of the international markets, by focusing on the incentives and threats for the selection of the specific project that meet all the pre-defined requirements

4. Detailed study of the risk management by focusing the relevant risk factors in terms of invested country, its industry environment, and its mitigation of risk and risk response

5. Define the best entrance strategy by identifying all the objectives and the conditions of the firm and the project of the foreign country

6. Operations consideration that ensure all the necessary conditions for the enterprise to meet all the targets and goals, and also a strategic plan in terms of extrinsic factors that incentive the staff to work abroad

Based on the mentioned model, the present case study aims to establish basic ground for the validation of the mentioned internationalization model with Hong Kong – Chinese construction firms in the host country as Macau. The cultural diversity in international projects cannot be avoided and ignored (Chan & Tse 2003), once different culture pursue their own values, beliefs that would highly influence and justify for their behavior and decision-making.

The followed comparative analysis between the Eastern (Hong Kong - Chinese) and Western (Portuguese – European) construction industry context will provide a better understanding and highlight the influential factors associated with international construction projects.
2.3. **Portuguese – European Construction Industry**

2.3.1. **Portugal Construction History**

In the European construction market, Portugal enjoyed periods of big development at the early year of European Union, however, they experienced a recession period in the construction industry in Portugal at century XXI, mainly due to the disruption of internal investment in local constructions (Vaz 2009).

On a macroeconomic perspective, it was a major global recession characterized by various systemic imbalances, and was sparked by the outbreak of the U.S. subprime mortgage crisis and financial crisis of 2007–08. (UN 2013). In a context of economic crisis at a European and national level, internationalization is important for Portuguese companies to sustain development and even to survive. As a reactive and opportunist to the challenging environments, the developing countries appear as the most profitable in the international market and Portuguese companies involved in this type of markets have long been recognized for their success.
2.3.2. Internationalization of Portuguese Construction Companies

According to (Gama 2011), Portuguese construction firms have a substantial presence all over the world market. However, the most profitable international projects come from the African developing countries such as Angola, Mozambique and Morocco which they enjoy a cultural competitive advantage (historical and linguistic background). Nevertheless, the technical, managerial and financial abilities are highlighted in the context of risk mitigation to the expansion of the international market. The risk taker approach is seen as an advantage to the foreign market once it can consolidate the position as early as possible and also a way to decrease the competition factor.

The major risks factors perceived by the Portuguese companies that may bring considered consequences, are divided in the following categories and related sub-categories:

- Target country: Political situation; economy environment; and social consideration
- Construction industry: Resources; regulations
- Firm/Project: Workers/client; internal management; project itself

The association of companies in emerging markets represents an enormous challenge and it requires appropriate strategies for a successful venture. And, the joint venture and temporary consortium (UTE) are the entry mode preferred by the Portuguese companies, where a relationship with the local firms is established, aiming for risk diversification, investment assistance and to overcome entrance barriers.

In terms of human resource management, the appropriate incentives programs are essential to ensure the full operation and performance of the firm, and the increase of salary (at least 20%) and housing allowance are seen as the basic stimulus to the internationalization.

All the above mentioned points set the basic consideration pattern for internationalization process to the emergent construction market.
2.4. **Chinese – Asian Construction Market**

2.4.1. **Asian Construction Market**

From the end of 2012, new policy incentives in major developed economies have decreased systematic risks, aiming to stabilize and regain the confidence of different stakeholders. However, the potential growth is still lower than before global financial crisis for the developing countries (UN 2013). Asia has maintained strong growth and has been less impact from the financial crisis, sustained by the domestic demand through burgeoning new urbanization development.

2.4.2. **Internationalization of Mainland Chinese Construction Companies**

The Asian construction market is one of the most dynamic construction markets in the world with a vast need for infrastructure investment to meet demand for continuing development (Chua, Wang & Tan 2003).

As of 2013, China has the world's second-largest economy in terms of nominal GDP, totaling approximately US$8.227 trillion according to the International Monetary Fund (IMF 2013), the construction industry is seen as the one of major role in China’s economy. In recent years, China’s construction enterprises were increasingly involved with international engineering projects, manpower services, and other cooperative projects overseas. The internationalization of Chinese construction companies can generally be divided into three stages: Chinese government’s economics and technical before 1979; emergence of Chinese construction companies from the early 1980’s; and development of multinational enterprises since the early 1990’s. (Sui Pheng & Hongbin 2003).

With China’s accession to World Trade Organization (WTO) by 2001, brought even opportunities for China’s contractors to further participate in the international contracting market on a higher level (Chai, Hao & Guo 2005). The internationalization strategy was externally incentivized with growth of globalization popularity, and from the other side, internally is stimulated by China’s government in order to increase the competitiveness by absolving new technical know-how or business process experience from the international market (Lu et al. 2009). According to the main government body for the promotion of the internationalization strategy, Ministry of Commerce People’s Republic China, Chinese investors made direct investment overseas in 2,494 enterprises in 144 countries and regions in the first five months of 2013,. Direct investment overseas amounted to US$ 34.3 billion, up by 20.3% year-on-year, on which
equity investments and other investments were US$ 27.05 billion, accounting for 78.9%, and earnings reinvested were US$ 7.25 billion, accounting for 21.1% (MOFCOM 2013).

From the statistical point of view, there is a significant attention and positive trend for the international investment, especially to Africa and South Asia regions.

In a context of international construction market, there were five Chinese contractors among the Engineering News-Record (2013) top 50 international contractors list, both publicly and privately held, based on general construction contracting export revenue—generated from projects outside each firm's respective home country, totaling a revenue of US$1.298.266.000 (ENR 2013)

<table>
<thead>
<tr>
<th>RANK</th>
<th>FIRM</th>
<th>International revenue in ($ Mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>China Communications Construction Group Ltd., Beijing, China†</td>
<td>11,187.2</td>
</tr>
<tr>
<td>20</td>
<td>Sinohydro Group Ltd., Beijing, China†</td>
<td>5,473.1</td>
</tr>
<tr>
<td>24</td>
<td>China State Construction Eng’g Corp., Beijing, China†</td>
<td>4,987.8</td>
</tr>
<tr>
<td>25</td>
<td>China National Machinery Industry Corp., Beijing, China†</td>
<td>4,947.7</td>
</tr>
<tr>
<td>43</td>
<td>CITIC Construction Co. Ltd., Beijing, China</td>
<td>2,635.8</td>
</tr>
</tbody>
</table>

Table 1 – Top 50 International Chinese Contractors (ENR 2013)

China tends to spearhead its economic overtures to African countries through high-level bilateral negotiations. The state policy bank, the China Export-Import Bank is the only Chinese institution empowered and owned by the Chinese government to provide loans for large-scale infrastructure projects, repaid by resource exports to China (Eximbank 2012).

With more and more Chinese contractors entering Africa, especially those state owned enterprises, based on (Chen & Orr 2009), the opportunities perceived by the Chinese contractors are that Africa is growing on a fast pace and is in dire need of better infrastructure; China requires natural resources that Africa has in abundant quantities; good and healthy relationship between China and Africa government, and is conducive to mutually beneficial business pursuits.

Besides all the African countries, Angola became the hot spot for the Chinese investment due to the bilateral agreement between China and Angola, including the source fund from Eximbank so that enough resources and financial support is ensured to the Chinese investors (Angola Embassy 2012).
This particular African target country is also a destiny of the internationalization for Portuguese contractors firms. As a similarity behavior and decision-making shared by Portugal and China contractors firms, it is given special relevance and importance to perform an update and insight study to the analysis of the behavior and mapping to the internationalization strategies and methods of construction firms.

2.4.3. Internationalization of Hong Kong Chinese Construction Companies

Hong Kong had been governed by Britain over 156 years, and along the time Hong Kong was changed from a small fishing village to today’s trading and financial hub, and also the shopping parade to the worldwide tourists. The transfer of sovereignty of occurred at 1997, which marked a significant historical event in Hong Kong, as it returned to the People’s Republic of China. After handover, under the principle and policy of “one country, two systems”, adopts an independent judiciary, where the legal system is remained basically unchanged through the implementation of the Basic Law of Hong Kong, based on the previous consistency of Sino-British Joint Declaration and English common law. By following the previous education system, English remained unchanged as one of the official language of Hong Kong. The economic system remained also unchanged, by benefiting the reputable, business-friendly, low-tax system, and extending the stability and sustained development of international business, financial center, shipping and aviation center and the adoption of Hong Kong dollar system, linked to the US dollar (HK Gov 2012).

Given to the geographic proximity and unique relationship between Hong Kong, Macau and Mainland China, lots of construction firms in Hong Kong have expanded their business into markets in Mainland China (Leung & Chan 2012) and Macau.
In a micro-level context of Chinese contractor international expansion activities, Hong Kong contractors are experienced and highly skilled in building works. Because of the growing size and complexity of the projects in Asia, the existing industry trend is to award contracts as a one package to multi-disciplinary construction firms (HKTDC 2012). The liberalization of gaming licenses in Macau, after handover, highlight the mentioned demand for the multi-disciplinary construction firms that Hong Kong contractors benefit a lot by their unique competitive advantages in the region.

Besides the strengths advantages in terms of technical and managerial aspects, since some of them own reputable brands in the world, such as (Gammon Construction Limited, Leighton Construction Limited), embodied with the good reputation and specialist skills of the contractors, consequently, promoting a greater trust and confidence to the selection from the clients, especially for the gaming sector in Macau awarded to foreign investors from United States and Australia.
2.4.3.1 Target of Internationalization – Macau

Macau was a small colony governed by Portugal over 442 years, and the initial intention was to use Macau as a stop-over port for commercial trading then gradually developed textiles, electronics industry till today world class tourism industry.

Macau became a Special Administrative Region (SAR) of the People’s Republic of China on 20 December 1999, benefits from the principle of "one country, two systems", and a high degree of autonomy in accordance with the Basic Law by enjoying executive, legislative and independent judicial power and the power of final adjudication.

Today, Macau is a special place with unique mix of Western and Eastern culture (Zheng & Hung 2012) and adopts an open economic policy with flexibility and openness to the global economy and plays a relatively important role in the regional economies and serves as an important gateway and bridge linking mainland China with international markets (Macao Year Book 2012).

In accordance to the “Index of Economic Freedom”, Macau’s economic freedom is ranked 26th freest all over the world in the year 2013 and 7th out of 41 countries in the Asia-Pacific region, with an overall score well above the world and regional averages (Heritage Foundation 2013), and it is seen as an attractive location for foreign direct investment.

After the Handover in 1999, the Macau SAR decided to opened up the gambling market by ending the gambling monopoly in 2002 and granting concessions to three, and later six, gaming operators, including the original concessionaire and a significant number of foreign enterprises. (Macau Government Tourism Office 2011), with an aim of to transform Macau into a center of gaming, cultural events, conference and exhibition (Pao 2004). The following table illustrated the six gaming operators and the related information:

<table>
<thead>
<tr>
<th>Name of Gaming Operator</th>
<th>Chairman</th>
<th>Number of casinos (after handover)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SJM (Sociedade de Jogos de Macau)</td>
<td>Stanley Ho</td>
<td>30</td>
</tr>
<tr>
<td>Venetian Macau Limited</td>
<td>Sheldon Adelson</td>
<td>3</td>
</tr>
<tr>
<td>Galaxy Casino</td>
<td>Lui Chee Woo</td>
<td>5</td>
</tr>
<tr>
<td>Wynn Macau</td>
<td>Steve Wynn</td>
<td>1</td>
</tr>
<tr>
<td>Melco Crown Gaming (Macau)</td>
<td>Lawrence Ho (son of Stanley Ho)</td>
<td>2</td>
</tr>
<tr>
<td>MGM Grand Paradise</td>
<td>Pansy Ho (daughter of Stanley Ho)</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Government of Macao Special Administrative Region Statistics and Census Service (DSEC 2012)

Table 2– Macau’s Gaming Operator Information

21
In terms of GDP growth, has been kept in a positive path along all the after handover years, and for the whole year of 2012, GDP increased by 9.9% in real terms to MOP348.2 billion, supported by the increase of exports of services and domestic demand, including experts of gaming services increased by 6.9% and total spending of visitors rose by 6.4%. The following table shows the growth of GDP from year 1998 to 2012:

![Graph showing Macau's GDP Growth from 1998 to 2012](image)

Source: Government of Macao Special Administrative Region Statistics and Census Service (DSEC 2012)

**Table 3 – Macau’s GDP Growth from 1998–2012**

As a consequence of expansionary policy of the gaming industry, GDP kept a strong growth along the last years due to the high consumption of entertainment services and Macau is seen as a place of opportunities for internationalization, facing to the demand of many mega-construction projects such as hotels, casinos added additional further impetus to the initiative of the first case study of internationalization strategies and methods of construction firms in Macau (DSEC 2012).
2.5. Risk Management

The international contracting industry is a specific risky industry, faced with different kind of uncertainties (Xiang et al. 2012), and it is essential to perform an effective risk management to avoid financial losses from the initial stage of the project (Chai, Hao & Guo 2005). Frequently, the owners are responsible for the risk encountered in a construction project, unless it is hired a third party entity to assumed it, and risk management plays a major role for the decision considerations (Kangari 1995).

In a construction project, the risks may be originated in two different foundations: environmental impacts as risks encountered from a external readiness aspects; and uncertainties embedded in the own project derived from the internal readiness of the project itself (Zhi 1995). According to (Kapila & Hendrickson 2001), the risks from an international construction project involve different factors such as socioeconomic factors (environmental protection, public safety, economic stability), organizational relationships (contractual relationships, attitudes of participants, communication), and technological factors (design assumptions, site conditions, construction procedures). These findings also echoed with (Gunhan & Arditi 2005), where the considered risks of conducting construction project in a particular country:

- Economic Risks: related to the economy health (constant and stable) that may influence to the degree of profitability
- Political Risks: related to the stability of the target country government that may create impact in the operations of the foreign firms
- Financial Risks: related to the financial losses
- Market Entry barriers: related to the policies of the target country that may influence the entrance for the market
- Taxation: related to the increase of the financial burden to the foreign firms
- Laws and Regulations of Host Country: related to the legislation constraints in the host country
- Security Risks: related to the secureness of the target country to ensure the normal operations of foreign firms

Therefore, risk management is a critical process to identify, analyze, evaluate and response to the mentioned risks in order to mitigate the potential losses, and it demonstrates the need to anticipate the risks before its occurrence. An organized risk actions management technique and approach suggested by (Berkeley, Humphreys & Thomas 1991) (Zhi 1995) (Akintoye & MacLeod 1997) consist of four stages: risk classification; risk identification; risk assessment; and risk response.

2.5.1. Risk Classification

In this initial stage, the forming of the risks in groups is performed for a better visualization and clarification of its relationship. To simplify the complexity of relationship between different risks variables in overseas construction projects, an organized framework is performed so that may classify the elementary sources (Bu-Qammaz 2007). According to into (Zhi 1995) project risks are divided into five main categories as national or regional level; construction industry; company; and project. The details are illustrated in the below figure:

![Figure 3 – Risk Classification Groups (Zhi 1995)](image-url)
2.5.2. Risk Identification

After the grouping process done in the previous stage, “Risk Classification”, the second step is to determine what are the potential risks that may create burdens and losses to the company,

Similar approach was adopted by others scholars, and the Portuguese firms internationalization behavior (which is relevant to our master thesis comparative analysis between the Western and Easter construction companies) identified the following factors in the (Gama 2011) findings perspective:

- In a nation/regional context, the political factors are the most weighted for the internationalization of Portuguese firms and the most distressing risks are the possibility of war and the instability of the government.

- In the construction industry context, the constraint of the resources and the import and export limitation are the major risks perceived.

- In the company and project context, the lack of contract management, human resource management, lack of clarification of the specifications and communication with client are the most affected factors.

Besides general risks description to the construction market performed (Hastak & Shaked 2000) (Long et al. 2004) (Bu-Qammaz 2007), the culture difference is an important aspect to be further studied given to the intense globalization in the international market. In accordance (Chan & Tse 2003), the cultural differences may create substantial negative effect to a foreign project:

“A better understanding of influential cultural factors will help to reduce and manage conflicts in international construction projects.”

“Recognizing and sensibly manipulating cultural differences could allow improvements in the efficiency and profitability of international projects”
2.5.3. Risk Assessment

In a context of international market, the foreign construction firm is subjected to different obstacles in the target country. These obstacles could lead to the financial losses or cost increased in the project, and it is essential to identify the degree of the impacts that may influence the construction firm’s competitiveness and profitability in the host market (Chua, Wang & Tan 2003).

Different criteria and techniques are adopted to classify the degree of risk, whether it is considered high or low, its chance of occurrence, level of impact (Zhi 1995), and according to (Williams 1993) aiming for a better classification of the risk principle, it is separated into two main categories: probability(P) and impacts (I), and described as follows:

\[ R = P \times I, \]  

where the R is the level of risk from a range of 0 to 1. The seriousness of the result increase from 0 to 1, meaning that if the risk is classified as high, the R will be closer to 1.

Further, based on previous research, different risk management techniques and models have been applied such as Fuzzy Risk Assessment Model (Carr & Tah 2001), Project Risk Analysis and Management (PRAM) developed by Association of Project Managers as cribbed by (Chapman 1997), Risk Analysis, Management for Projects (RAMP) developed by Institution of Civil Engineers and the Faculty and Institute of Actuaries, International Construction Risk Assessment Model (ICRAM-1) (Hastak & Shaked 2000), Risk Net analysis (Williams 1993) so as to provide a structured approach to evaluate the risk indicators involved in an international construction operation and specific project.
2.5.4. Risk Response

Following the risk assessment analysis, the next step is to develop responsive actions to the identified risks. According to (Zhi 1995), it is considered the most important stage in the risk management, risks can be mitigated by three alternatives ways: by contract management; by insurance; and by assuming and managing the risk. The first two methods focus on the responsibility transfer to the third party, and the last one by its own risk management to mitigate the risk.

The first method, contract management aims to transfer the risk to the third party, which entity can be client or any other sub-contracted party (Kartam & Kartam 2001).

The second method is used mostly for many firms once they are compatible in different countries for the international construction market, ensuring an additional value to the investments against different kind of risks (Gama 2011).

The last method, is an internal risk management which contains a series of monitoring and follow up actions to be performed, and according to (Williams 1993), a risk management infra-structure is proposed to ensure the following tasks are tackled in an effective and efficient manner:

- Successive monitoring of the risks
- Supporting theory for the top level studies
- Implementation of risk control and reduction
- Clear report system of the risks and its sources floes to the top level management
- Direction on actions and contingencies plans for risk mitigation
- Alert system for issues and potential failure of the construction project as soon as possible.
2.6. Entry strategy

2.6.1. The Importance of Entry Strategy

The accurate selection of entry mode into specific country is crucial for the success of the foreign expansion activities. A wrong selection of entry method can bring lead to significant negative impact (Chen & Orr 2009), and affect the operations and the profitability of the foreign construction firm. Thus, it is emphasized the importance of a comprehensive study of influential factors of entry mode. From the findings of (Li et al. 2013) international environment factors, international strategies, national factors, enterprise and industry factors, and intrinsic properties of entry mode are the critical aspects for a in depth analysis.

In accordance to (Gunhan & Arditi 2005), the considered international expansion modes in a particular country:

- Joint Venture: Establishing a firm that is jointly owned by two or more otherwise independent firms, at least one of which may be based in the foreign country question

- Wholly Owned Subsidiary: Acquisition of an existing firm in the foreign country in question

- Lone Operation: Contractor agrees to handle every detail of the project without an assistance from another company

Another more detailed interpretation is proposed by (Chuan 2005) for the development of the definition of entry modes.

<table>
<thead>
<tr>
<th>Entry Mode</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Alliance</td>
<td>A long-term inter-corporate association without an affiliated organization based on trust and a mutual respect for each participant’s business needs, used to further the common interests of the members (including the entrant).</td>
</tr>
<tr>
<td>Local Agent</td>
<td>A contractual arrangement between the entrant (principle) and a local agent where the agent provides principle information on local market conditions, contacts, and assistance to the entrant.</td>
</tr>
<tr>
<td>Entry Mode</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Licensing</td>
<td>A contractual arrangement between parties in different countries on the licensee's use of limited rights or resources like patents, trademarks, trade marks, trade names, technology, and managerial skills from the entrant (licensor).</td>
</tr>
<tr>
<td>Joint Venture Company</td>
<td>A permanent joint venture in which the entrant and other legally separate parties form a jointly owned entity in which they invest and engage in various decision-making activities.</td>
</tr>
<tr>
<td>Sole Venture Company</td>
<td>A permanent venture in the host country wholly owned by the entrant where profits and responsibilities are assigned exclusively to the entrant.</td>
</tr>
<tr>
<td>Branch Office/Company</td>
<td>A form of presence without a legal person status of the entrant in the host country that can carry out either profit-making or non profit-making business activities.</td>
</tr>
<tr>
<td>Representative Office</td>
<td>An unincorporated formal presence in the host country to carry out non-commercial activities like business communications, product promotion, market research, contract administration, and negotiations on behalf of the entrant's head office.</td>
</tr>
<tr>
<td>Joint Venture Project</td>
<td>A project specific joint venture in which profits and other responsibilities are assigned to the entrant and other parties according to a contract.</td>
</tr>
<tr>
<td>Sole Venture Project</td>
<td>A wholly owned project specific venture where both profits and responsibilities are assigned exclusively to the entrant.</td>
</tr>
<tr>
<td>BOT/Equity Project</td>
<td>A project delivery method where the entrant (sponsor) finances, builds, and operates an economic infrastructure in the host country, and then transfers the ownership back to the government at the end of the project term free of charge or at an agreed price.</td>
</tr>
</tbody>
</table>

Table 4 Definitions of Entry Modes for International Construction Markets
Depending the unique characteristics of the target country, specific entry strategy is developed and decided. The preferred market entry mode used by Chinese contractors in Africa, mostly to Angola emerging market by seizing the opportunity of “Angola mode”, bilateral agreement between two governments, is through the implementation of representative office and branch office, focuses on a long-term presence, consequently there is a bigger commitment in terms of resources investment (Chen & Orr 2009).

It is interesting to notice that even for the same selection of the internationalization target country, the selection of entry mode may vary, such as, joint venture and temporary consortium (UTE) are adopted by the Portuguese companies, where a relationship with the local firms is built, aiming for risk diversification, investment assistance and to overcome entrance barriers (Gama 2011).

2.6.2. Joint Venture

One way to mitigate the risk in the internationalization of construction industry in the developing countries is to establish as international collaboration with the developed countries, known as joint venture mode (Chan & Tse 2003) Joint venture is a special type of strategic alliance, offer a unique opportunity to combine the distinctive competencies and the complementary resources of participating firms (Ozorhon et al. 2007).

In a context of small-scale construction firm’s survival and expansion, it is necessary to operate in their humble domestic market, gain international reputation and develop capable workforce. One of the solutions is by adopting partnering strategy with local and foreign parties in the domestic and foreign projects (Abdul-Aziz et al. 2013).

In East Asia, foreign construction companies are incentivized to build a joint venture relation with a company of local construction market, such as China, Philippines, Singapore, Vietnam (Bing & Tiong 1999). Apart the more logical reason of providing enough financial resources in big scale infrastructure construction projects, the reasons behind this particular entry mode are numerous (Walker & Johannes 2003), such as elimination of market entrance barrier, increase of experience for the recruitment of workers besides the outsourcing from external market, access to different areas without risking too much (Gama 2011).

However, even with all the advantages for the establishment of a joint venture, it is not an easy job to manage, especially for the international joint venture (Boateng & Glaister 2002).
The core values such as commitment and trust are crucial for the success of the joint venture and a hard task to be performed from the project management perspective. However, one of the main obstacles that creates great burden to manage in the international collaborative mode, is the discrepancy between the host country conditions and project-specific factors. According to (Ozorhon et al. 2007) the host country conditions are known as political stability; macroeconomic conditions and strength of legal system; and project-specific factors are the completeness of payments by the client; tolerance of the client; relations wit other project parties; competence of other project participants; completeness project definition; availability of resources; impact of external/environmental factors; completeness of design; completeness of the contract; strictness of the project requirements; penal sanctions regarding time as well as performance of the project management.

2.6.3. Cultural Consideration

The term “culture” is defined as a deep-rooted behavioral aspect that creates impact on the way of thinking, assessment and conducting business opportunities in the international market (Ozorhon et al. 2007). In the international construction, professionals of different countries are joined to work and interact together, and (Chan & Tse 2003) emphasized the importance of culture differences between the participants due to different origins background, differences that may create conflict and decrease in the efficiency and profitability of the project. Yet, (Kogut & Singh 1988) echoed its importance and suggests the cultural distance between host country and target country is related to the entry mode choice.
3. METHODOLOGY

3.1. Science behind the method

The present thesis is an academic and observational research that aims at identifying and comparing the fundamental mechanisms that influence and underlie the internationalization process of eastern and western construction companies. It attempts to advance the existing fundamental knowledge and to build/test theoretical explanation by focusing on what make things happen and why they are in a certain way given to the variation of the region.

The purpose of the research is to gain insights into the internationalization concept for the oriental construction firms and provide basic internationalization fundamentals to compare with the findings for the western construction firms internationalization decision-making behavior.

Therefore, it is not designed to develop precise statistical projections or descriptions, rather than drawing observations and discussing the goals defined in the previous section by adopting a qualitative methodology. As described by (Kvale 1996), “The qualitative research interview seeks to describe and clarify the meanings of central themes in the life world of the subjects. The main task in interviewing is to understand the meaning of what the interviewees say”.

Therefore, the selected approach allows learning the extent of internationalization behavior and why decision makers do think in some particular way by gaining an understanding of their reasons, point of views, motivations rather than to know how many people think in this way or focusing into numerical data.
3.2. Research Method

The data collection method is conducted by primary and secondary data.

For primary data, in order to have better reference and guidance of the qualitative interview, a detailed questionnaire survey was developed based on the identification of the critical factors and values obtained from the previous literature review and especially the findings from (Gama 2011), which is the target for the comparative analysis between the eastern and western construction companies. After gathering all the necessary and relevant information, the interview was conducted individually and face-to-face, aiming to ensure the interaction between interviewer and interviewee and the mitigation of possible discrepancies or misunderstandings through other forms of interview. Furthermore, the arrangement was used to guarantee the reliability of the opinions, which were free from “mutual influence” and the interviewee’s feelings, emotions and facial expressions are addressed accordingly during the interview. The interviews were completed according to what the respondents have said.

The research interview was conducted, from February to June 2013, and one of the major difficulties in sampling on such specific topic is that the survey requires the respondents to have specialized knowledge on the topic and experience in the construction industry as well as all the targeted profiles falling into the top-level management. In order to ensure the interview with the “right people”, multi-layer of local and foreign networking was performed prior to the attributes of patience and perseverance. The time factor investment was tremendous since it was difficult for the interviewees to arrange time availability. The re-scheduling of the interview was a constant due to the busy agenda commonly found on that type of position in the construction firm.

Special attention was given to the quality control of the interview result. Rehearsal and pilot-interviews were performed before the formal interview commencement. It is also important to understand the concept of “Interviewer Bias” which is used to identify the ways that inadvertently bias the outcome and therefore have consequences in the purpose of the study.

For secondary data, Gama’s research data and results are used to compare with the primary data in order to identify similarities and differences aspects for the internationalization concept. In order to ensure the maximum accuracy for the use of data, it was emphasized the importance to become familiar with the data set provided, including the source of data collection, its applicability, relevance for the research.

For the data comparison treatment, it can be grouped into two main categories: agreements, which were listed by seeking expectations and disagreements for which explanation, are sought.

Then, the implications and recommendations could be developed to validate the process of internationalization proposed by Gama (2011).
3.3. **Definition of research universe**

In a context of data collection target, it was selected the experienced executives of top level management of all Hong Kong construction firms responsible for the construction of large scale and complex casinos projects in Macau, in a total of six firms. These are medium to large scale firms characterized to be highly skilled and reputable.

It is important to note that besides both cities geographic locations are within China and known as Special Administrative Region of People's Republic of China, they do have different realities in terms of historical, political, economic and linguistic aspects. Those characteristics and empirical facts are covered in the previous sub-section 2.4.3.

The other relevant fact is that Hong Kong is known to be one of Asia Economy Tigers – the others being Taiwan, Singapore and South Korea - and it surely occupies a dominant position relatively to Macau in terms of country development, which is still a small city under high urbanization process.

With all the mentioned disparities, we have solid ground and arguments to identify the entry of Hong Kong construction firms into Macau as an experience of internationalization from a developed country to a developing country, thence suitable for the data collection process.
4. DATA ANALYSIS

This chapter starts by presenting the data analysis obtained from the in-depth research to the target interviewees. For the preparation of the current section, a table was created and it contains all replies from every question and specific words repeated by the interviewees. It aims to be used as a preliminary interpretation and identification of the similarities and differences of the patterns and constructions for further comparison with the findings of (Gama 2011). It will assist in order to have a better mind mapping and easy understanding of section 5, “Results and Discussion”.

Overall, the data is presented in a simple and concise way with necessary support in tables, charts and graphs, aiming at making the data easy and clear to understand. Yet, occasional citations from the interviewees are used to echo the importance of a specific finding or point of view that may contribute to the exploration study of the internationalization phenomenon.

4.1. Overview for Interviewees and Their Firms

The information was collected by interviewing the top-level management of Hong Kong contractors working in Macau in the construction of casinos and hotels projects. We promised the respondents that their identity will not be divulged and their sharing of valuable and “sensitive” data regarding their firm’s internationalization direction and strategies and even classified information will remain confidential. This way, they were named from C1 to C6 as contractor 1 to contractor 6 to the following presentations of results and findings.

We performed in total six interviews with Hong Kong – Chinese contractors which may seem a small number for the interview pool; however, a full coverage was obtained of the existing Hong Kong construction firms in Macau. Even this scenario seems to reflect a moderate size of foreign construction firm’s participation and investment in the market. In comparison with the neighborhood market, it is creating a great impact to the local construction industry and economy. As (Sheng 2012) emphasized, this phenomenon of foreign investors contribution is bringing a huge impact to local employment and government revenue. In addition, it provides precious knowledge about internationalization values, patterns and practices from eastern countries.
4.1.1. Profile of Interviewees and Their Firms

The profile of the interviewees and their firms are illustrated in following Table 5– Profile of Interviewees and Their Firms

<table>
<thead>
<tr>
<th>Code</th>
<th>Designation</th>
<th>Experience in Industry (years)</th>
<th>Experience in Current Firm (years)</th>
<th>Experience in Current Position (years)</th>
<th>Main Activities of the Firm</th>
<th>Internationalization Experience of the Firm (years)</th>
<th>Ownership of Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Associate Director</td>
<td>&gt;20</td>
<td>&gt;15</td>
<td>&gt;10</td>
<td>Real State &amp; Building Const.</td>
<td>&gt;8</td>
<td>Private</td>
</tr>
<tr>
<td>C2</td>
<td>Senior Project Mgmt</td>
<td>14</td>
<td>7</td>
<td>3</td>
<td>Building &amp; Civil</td>
<td>7</td>
<td>Private</td>
</tr>
<tr>
<td>C3</td>
<td>Associate Director</td>
<td>&gt;20</td>
<td>12</td>
<td>8</td>
<td>E&amp;M Building Constr.</td>
<td>&gt;30</td>
<td>Private</td>
</tr>
<tr>
<td>C4</td>
<td>Senior Project Mgmt</td>
<td>19</td>
<td>5</td>
<td>5</td>
<td>Building Constr.</td>
<td>25</td>
<td>Private</td>
</tr>
<tr>
<td>C5</td>
<td>Director</td>
<td>32</td>
<td>18</td>
<td>8</td>
<td>Real State &amp; Building Constr.</td>
<td>8</td>
<td>Private</td>
</tr>
<tr>
<td>C6</td>
<td>Director</td>
<td>30</td>
<td>17</td>
<td>&gt;10</td>
<td>Building Constr.</td>
<td>&gt;10</td>
<td>Private</td>
</tr>
</tbody>
</table>

Table 5– Profile of Interviewees and Their Firms

In order to gain an in-depth exploration and understanding of the internationalization behavior and decision-making, it is essential and important to find the “right person” of the construction industry to provide all the valuable and useful information of the topic.

From the abovementioned table, the interviewees are from high level management and they consist of 4 directors and 2 senior project managers. They have a minimum of 14 years’ experience in the construction industry, with an average of 22.5 years (assuming, conservatively, only 20 years of experience for C1 and C3).

By confirming that we have a pool of interviewees with considerable experience to pursue knowledge and personal experience about the past and current construction industry, the level of familiarization with the present construction firm was also a spot to be explored.
The respondents are working in their current firm at least 5 years, and can be basically divided into a group of 3 respondents (C1, C5 and C6) with 5 to 10 years of experience, and a group of 4 respondents (C2, C3, C4) who have more than 10 years of experience. From the current position experience perspective, there are 4 respondents (C2, C3, C4, C5) with 5 to 10 years of experience and 2 (C1 and C6) with more than 2 years of experience. All of them participate actively in international projects in their firms.

Overall, the interviewees are characterized and classified with high level of familiarization of the current firm with knowledge of the structure. They have also great responsibility according to their working position and therefore, we have confidence that they are an appropriate and an experienced universe of study for the interview about the internationalization strategies and methods of the firm.

From the context of the firm details, all of them are private, reputable and medium to large scale companies and 3 (C4, C5 and C6) of them are listed companies. These particulars observations are justified by the fact that the demand of high level of technical and managerial expertise were required for the casinos and hotels construction after the liberalization of the gaming industry in Macau in 2002.

They consider that the building construction sector destined to residential, commercial and industrial purposes is their main source of revenues.

Nevertheless, the real state development and mining exploration are viewed as alternative revenues generating source for contractors C1 and C5. The years of internationalization experience is at least 7 years, with an average of 14.6 years. In resume, the firms consist of rich experience and suitableness for the collection data purpose.
4.1.2. Presence of the Construction Firms in the Developing Countries

It was requested to the construction firms to identify the existing emerging markets that they are participating into, so that, we may have a better overview of the global distribution of the involvement from the firms in the developing countries.

![Figure 4 – Number of Presence of Contractors for Global Distribution in Emerging Market](image)

According to the Figure 4 – Number of Presence of Contractors for Global Distribution in Emerging Market, the contractors focus and concentrate their projects primarily in Asia and some in Middle East region merging markets. They have only few projects in Europe due to the presence of big contractors from developed countries (Chai, Hao & Guo 2005) and geographical distance between the host country and target country.

Likewise, it is notable that Macau and China are the ultimate destination for the internationalization expansion with 6 respondents reporting that they have projects running in both countries. Among all of them, there are 2 respondents (C3 and C4) reported that China is the only existing internationalization target country that they are investing on, which is a sign of high concentration and prospect on the country future market. Dubai is the second most selected with 2 respondents (C4 and C5), and Thailand, Nepal, Cambodia and England with 1 respondent running project in each country.
4.2. Preliminary Analysis for Decision-Making for the Internationalization of Countries in Development

This chapter aims to probe the internal readiness of the firm in order to identify the strengths and weaknesses, and the company has the necessary conditions and requirements for the international venture.

4.2.1. From the Context of Internal Capacity of the Firm

4.2.1.1 Specific Department for Internationalization Study

![Chart showing perception to set up a specific department for internationalization study.]

Figure 5 – Perception to Set Up a Specific Department for Internationalization Study

From the findings, the perception of the need to install a specific department for internationalization varies from the contractors interviewed.

There are 3 respondents (C1, C3 and C5) rely on the top level management from the existing structure of the firm to carry the study of internationalization, and those are from commercial and tendering departments and construction and building department. This phenomenon is even emphasized by the contractor C5 comment “The top-level management often uses their networking such as locals professionals and the expatriate entrepreneur’s to explore the opportunities and chances for expansion in foreign market”. Once the top-level management is not
entirely from an overseas focused department, this strategy demonstrates a moderate professionalization and dedication for the viability study to the overseas market.

The respondent C2, C4, selected the internal business development department as the department responsible for the evaluation of internationalization chances and opportunities, which show a better professionalism and investment to the study of the topic. However, it is noted that the department is not completely dedicated international projects.

The respondent C6 is the only construction company that has a specific internationalization department and it demonstrates the seriousness and the full dedication to the benefits that the overseas merging markets can bring. The fact of having the internationalization department is that their investment strategies and direction to the topic are built on long-term and sustainable goals and returns.

Another observation is that the contractor C6 is the biggest multinational private enterprise among all the interviewees companies, with accumulated international experience and solid portfolio; therefore, it owns more supports and resources in terms of finance, human resources, networking.

Overall, it demonstrates a moderate adoption for the specific department of internationalization for the exploration of the international foreign markets.
4.2.1.2 External Resource Services for Internationalization Process Evaluation

It is important to further analyze the internationalization evaluation process in terms of recruitment of external resources services assistance, so that it may have an in depth understanding about their patterns and values for the overseas expansion consideration.

![Graph showing external resource services for internationalization process evaluation](image)

Figure 6 – External Resources Services for Internationalization Process Evaluation

It shows that all the respondents adopted the own networking strategy. One of the critical reasons is the unique characteristic of connection buildings in the Asia, especially in Mainland China where the networking is essential to establish networking and to gather relevant information. The respondent C3 reported cited that “The own networking works as the preliminary analysis and data collection in Mainland China, and it often happens in the informal situation, such as dinner. After that, representative office is planned to establish in the town”.

Only one respondent (C2) requires the service of market consultant and as per his description “We are heavily investing in China and our strategy is to collect parallel information through our networking and professional entity in Mainland China”, it demonstrates the high dedication to the market with positive prospect in the future, and also a risk management strategy.
4.2.1.3 Evaluation of Firm Capacity

Based on the three main categories proposed by (Gama 2011) regarding the internal main factors for the evaluation of the firm facing to an internationalization experience, it as explored the most important characteristic to the firm.

![Diagram showing Main Factor to be Considered for Internationalization]

As the findings show that the financial and management aspects are the most important factors by having 2 respondents (C1 and C4) selected to management capacity; 3 respondents (C2, C3 and C6) to financial capacity; 1 respondent (C5) to technical capacity. Although, it is presented the most influential factor, most of the second choice falls into the management and financial capacity. The respondent C2 and C3 reinforced that the financial and management aspects are essential for a successful business expansion, operations; and risk diversification.

Facing to the growing size and complex international project, management is very important to ensure the expansion and operation period; and financial is a supporting factor that guarantees flexibility and security to the investment. Nevertheless, the technical aspect is perceived as an ability or expertise of Hong Kong construction enterprises renowned, especially in the Asia, therefore it is taken for granted.
4.2.2. From the Context of the Target Project Analysis

4.2.2.1 Main Motivation for the Selection of the Project

With reference to the captioned subject, it was asked two questions to the respondents. One is a free qualitative question about the project driven factors and the other question is a selection of most important aspect in order to deep diving into the motive of the selection.

From the first question findings, the reputation and profit are the main driven elements selected by 4 respondents (C2, C3, C4 and C5). The reputation is an important factor for their increase of portfolio for future expansion, and it is seen as a pro-active action for the internationalization process, rather to reactive response for the survival in the market. The respondent C5 reported “If the project is from a renowned developer, it will helps a lot for the increase of portfolio and reputation. It is a benefit for our expansion”. The profit factor is directly related to the quantity of capital invested in order to have a good return. Yet, the project size was mentioned and related to the return once according to respondent C6, “We prefer big project that involves big investment, once the return is expected to be bigger”.

From the second question findings, the capital and condition of payment are the essential motivation for the overseas experience. It basically echoes with the above question findings, once the capital and condition of payment are directly related to the return and profit. If the condition of payment is good, that means that for the capital invested, can get a fair return and profit.

On a macro perspective, given the interpretation of the driven elements, it shows clear indication that for the most selected country, Mainland China, is in great economy and prospect for investment and profit maximization.
4.2.2.2 Influence of the Type of Project for the Decision-Making

It is aimed to known the perception of the main difference between the private and public project and their preference. These findings are believed to make an impact for the consideration of the target project given to the political direction of the host country.

From the findings, all of them think that there is a big difference for the type of project (private or public), and it affect certainly on their internationalization strategy and approach. It can be concluded that from the government project offers more confidence in terms of conditions of payment but for the same time is too bureaucratic oriented. From the private project perspective, it is perceived as more task oriented and quicker for return; however, the risk is bigger depending on the developer payment history, reputation, expectation of a mutual long term business relationship.

Mainly, the respondents prefer private projects, once it is believed that the risk can be mitigated with proper risk management and based on the Hong Kong private enterprise culture, “time is money”.

4.2.3. From the Context of the Target Country

4.2.3.1 Prospect of Future for the Target Country

It was asked the target country of internationalization experience where the firm is foreseen to be working on or bidding on projects for the next five years for our further analysis between the existing international engagement and prospect of future of its target country.

All the respondents remain their choice of destination as previous findings 4.1.2. regarding the presence involvement of internationalization in the emerging markets, and China and East Asia are considered their main preference. The respondent C3 pointed out that “China is a big country, full of 3rd cities waiting to be urbanized, such as Heng Qin, Wuhan.”, and respondent C6 enhanced that “We are looking for more expansion possibility into developing countries as Thailand, Nepal, Cambodia, ASEAN countries.”.
4.2.3.2 External Key Factors to Incentive for Internationalization

The external key factors were tackled in order to know about the most essential element that may influence their analysis and decision making behavior for the foreign market expansion. Based on previous findings regarding the most adopted external keys factors, it was grouped into following three categories:

![Figure 8 – Most Critical External Key Factor to Incentive for Internationalization](image)

There are 4 respondents (C1, C3, C4 and C6) selected risk diversification as the main factor, 2 respondents (C2 and C5) to win position factor and none to local market saturation reason. It is concluded that the current local market (Hong Kong) is not saturated and the reason of looking foreign expansion is not due to the survival response.

Further, it is noted a proactive strategy to develop their business and to look for more profit in the developing countries where the opportunities are higher than the developed countries. This finding does not only limit to the construction business investment, but they also prefer to adopt a diversify investment from construction to real estate, mining, etc. It shows that the financial support is enough to diversify their investment in different sectors in order to obtain a safe profit in a long-term point of view.
4.2.3.3 Corruption Impact

In the developing countries, one of the drawbacks is the lack of anti-corruption culture due to the less awareness and high personal interest behavior. Thus, it is substantial to look for the relationship between the negative impact of corruption and decision-making behavior.

From the results, all respondents strongly believe that the degree of corruption does affect their decision-making strategy, since it involves a lot of complexity and unknown factors that may affect their legal investment and commitment. The respondent C1 stated that “No fair game, no business opportunities”.

Still, partial believe that the corruption factor can be mitigated by selecting an appropriate entry mode such as Joint Venture, and establish a relationship with local alliance that can handle this issue. The respondent C5 and C6 emphasized that in case of joint venture, the local firm will deal with the situation so that they can keep clean on the track.
4.3. Risk Analysis in Developing Countries

4.3.1. Reasons to Be First Mover

Being the first mover means more risk, more unknown factors and more possibility to suffer losses in all aspects. However, from the other side perspective it may generate more opportunities and revenues once the first mover has a chance to settle down and enlarge their business sector and influence on the related industry. Thereupon, it is explored the reasons to be the pioneer.

Mainly, the prospects of the market and risk diversification are the essential elements to be considered once being the first mover may generate more revenues and profits. And, for the developing countries, the financial and resources amount to be invested are always lower than the developed countries, so even for a higher risk, with proper risk management strategy, it is still worth to invest in. The respondent C1 enhanced that “China market is a growing market and it is full of business opportunities. We believed that being the expertise in the industry, we have a better competitive advantage and be the first mover”.
4.3.2. From the Context of Political Point of View

4.3.2.1 Critical Political Factors

Political risks are one of the significant non-commercial risks that may affect the foreign direct investment in an internationalization experience. These risks depend a lot from the host country government control and induction such as imposing laws and constraints that may decrease the profits, increase the operations costs, losses of sales and assets. And, that vary considerably between countries.

Based on previous findings regarding the most adopted keys political factors, it was grouped into following three categories:

![Figure 9 – The Keys Political Factors for Risk Management](image)

From the findings, the instability of the policy is the major political factor that is considered to mostly affect for their risk management, by having 5 respondents (C1, C3, C4, C5 and C6). The instability of policy risk can lead to the losses of investment, assets and revenues; and most of the investments take time to profit and that depends a lot of the government policy during the bidding, construction and after building process.
Especially in a place like Mainland China, the risk is even higher once their policy is unstable and unpredictable. The respondent C2 stated “The continuity of the policy is critical once the investment might take time to profit, and we have special attention to the political risk in the Mainland China government market. Extra effort of networking and constant updating news is invested”.

The factor of relationship with government appears to be considered by 1 respondent. It is justified that the fact of this risk can be lightened with specific entry mode strategy like joint venture, by teaming up with local enterprise and delegating the mission to their handling.

Changes in laws and regulations are assumed to be part of the government policy process and control; therefore it is taken for granted.

Besides the factors previously mentioned, an open-ended question was asked about the critical political factors that have the highest weight in the risk consideration in order to provide even more ground facts that support the previous findings and the results were similar. The government instability is the most selected which is highly related to the instability to the policy.

4.3.2.2 Specific Political System Concern

It is pretended to know about the effect of ruling political system to the construction policies and legislation in terms of requirements and applicability. The rules of game are different in different political system and it affects the flexibilities of the laws and regulations.

From the findings, 3 of respondents (C1, C2 and C3) think that the ruling political system does influence the policies and legislation and the other 3 respondents (C4, C5 and C6) didn’t. The respondent C1 emphasized that “Ruling political system like communist or dictatorship system is unpredictable and change from time to time without a reasonable notice, and that affects a lot for the risk planning”, whilst respondent C4 underlined that “The overall economy and the opportunity to grow is more important. With proper networking and relationship the risk can be mitigated”

The political system issue is debatable in accordance to the overall policy effect and confidence to the investor but not from a perspective of instability of the country in terms of war or riot.
4.3.3. From the Context of Economic Point of View

4.3.3.1 Critical Economic Factors

Economic risks are the commercial risks that may affect the investor during the whole process such as bidding, awarding, executing and finalizing in a construction project. The international construction project is even more vulnerable given to the macroeconomic conditions and microeconomic conditions.

Thus, based on previous findings, it was grouped into following four categories:

![Figure 10 – The Keys Economical Factors for Risk Management](image)

From the findings, exchange rate is considered as the most critical factor selected by 3 respondents (C4, C5 and C6), 2 respondents to revenue distribution and 1 respondent to taxes.

The fluctuation exchange rate is seen as the major economic factor that affects the profitability of an international project. Especially, there is a big concern to the strong currency of Mainland China dollar, the Renminbi (RMB) where it has a huge export of materials and products from this country. The respondent C5 emphasized that, “Significant concern is verified to the strong currency of RMB in related to Hong Kong dollar which is linked to US dollar. It gives us an impact to our profit in the international projects”.

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4.3.3.2 Discrepancy for the Currency Fluctuation Between Bid and Award Project Dates

In many developing countries, there are exposure currency fluctuations between bid and award dates due to different bureaucratic reasons. Once the international construction project is awarded and engaged, it does not have the flexibility that exists in other industries to deal with the foreign risks.

Most of the observations show that this is a particular concern, however all agreed that the risk could be controlled by contract terms and conditions. The respondent 5 enhanced that “Usually our bidding price is valid within 3 months period. If there is any discrepancy between the bidding and awarding date, we are entitled for a possible price adjustment in accordance to the contract terms.”. The respondent 6 stated, “There is always financial buffer that we reserve. For others, it is limited by the contract terms and conditions”.
4.3.4.  From the Context of Social-Cultural Point of View

4.3.4.1 Critical Socio-Cultural Factors

The socio-cultural factors is also a concern to be explored for the risk consideration in an international project since in different countries, challenges like different culture, language, level of security are encountered that could increase the cost of operations and decrease of performance if not handled properly.

Based on previous findings, it was grouped into following three categories:

![Figure 11 – The Keys Socio-Cultural Factors for Risk Management](image)

From the findings, the results are well diversified by having 2 respondents (C3 and C6) selected to culture and religion, 2 respondents (C4 and C5) to language barriers and 2 respondents (C1 and C2) to corruption and crime as their critical socio-cultural factors.

The culture and religion refer to the importance of the personal relationship between different cultures and respondent C3 stated “When entering into a new market, it is vital to have a good understanding about the host country population culture, habit and religion, especially in Middle East countries where the culture is completely different from us”.

The language barrier can create big impact into the operations period where it implies a lot more of time resources investment to explain issues in a clear way, and respondent C5 con-
**4.3.4.2 Concern for Specific Language Barrier**

This particular concern is raised out due to the observation in the country where the language of all the submitted written documents to government shall be in accordance to their law requirements and that could be different from the requirement of the clients.

Macau is a typical example where the Hong Kong construction companies produce all the documents in English for easy understanding to the foreign clients, then need to translate them into Chinese or Portuguese for the sake of compliance of Basic Law of Macau. The translation service could be a financial and time burden to the international projects which emphasized a principle of “Time is money”.

However, all the respondents replied that most of their international projects are acceptable in English, rather private or public type, of the target country. Consequently, no special concern was detected to this issue.
4.3.5. From the Overall Risk Consideration

This particular question is more than significant since it will provide an insight of the degree of impact regarding the country/region risks factors previously mentioned (political, economic and socio-cultural) in Asia. Yet, it will also provide ground facts for comparison with the past valuable findings from a western perspective in order to validate the internationalization model proposed by (Gama 2011).

![Figure 12 – Most Important Factor for Risk Management](image)

From the findings, 5 respondents (C1, C3, C4, C5 and C6) stated that the political risk is the most important factor for their risk management, while 1 respondent (C2) selected social risk and none to economic risk.
4.3.6. Limitation of Imported Labor and Management Resources

The limitation of imported labor and management resources often create a burden to the operations stage leading to an increase of costs in different dimensions and the present question attempts to evaluate if this limitation has a great impact in the project and its consequences.

According to the findings, 4 respondents (C1, C2, C3 and C4) stated that it does create a big impact to the operations stage. The respondent C1 emphasized “The limitation creates great difficulties in managing the business and that could affect the construction progress. Contingency measures are taken such as offering higher payments to get local resources or approved resources.” The respondent C3 said that “The expiration of imported labor permit is a headache to our firm because the permit renewal takes a lot of time and this leads to cost and time implication”.

Also, there are 2 respondents (C5 and C6) who mentioned that it depends on the country and how you interpret the laws in order to mitigate the risk. The respondent C5 explained “That is subject of your interpretation of the government regulations and requirements and how your partner can assist you in handling the situation”.

An overall evaluation reveals that there is a considerable concern on the limitation of imported labor that would create higher costs in hiring local employees. Furthermore, the investors demonstrate lack of confidence in the local management level or in any qualified staff from the developing countries.

4.3.7. Preference to Use Own Suppliers, Equipment and Subcontractors

The preference in adopting its own suppliers, equipment and subcontractors reveals the degree of confidence that a contractor has in the local resources of the targeted country and in the risk management. Often, using the host country resources increases the transportation and logistics costs and this question aims to explore the reasons behind their decision-making behavior.

From the results obtained, 4 respondents (C2, C4, C5 and C6) emphasized that they prefer using their own resources to ensure a better quality outcome while at the same time opting a less risky approach. The respondent C2 stated that “It has a directly impact in the quality of the finished building, in the buyer expectation and also in the company reputation”.
Yet, 1 respondent (C1) revealed that it depends on the nature and degree of importance of the works and referred that “It depends on how critical the sub-contractor works are. If this is a critical nature, the own resources are preferred in order to ensure quality and progress in the project. If not, it might use sub-contractors of the targeted country to reduce costs and to maximize the profit”.

The other respondent (C3) preferred to build a good relationship among local suppliers, equipment and subcontractors in order to maximize the profit.

In resume, they believe that using their own suppliers, equipment and subcontractors will decrease the risk consideration because of closer relationship, same culture and previous cooperation experience.

4.3.8. Key Solutions to Mitigate the Risk

Herein before were mentioned all major risks factors that enterprises take into account. So, it is relevant knowing the next step, which contains the key solutions to mitigate the risks.

Although the construction firms may adopt different strategies for different risks and countries, the contractors were asked about the key solutions generally adopted by them in an international experience.

Based on the past research (Gama 2011), it is grouped into 3 categories: contract limitation, markup plan, insurance against risks, etc.

![Figure 13 - Key Solutions to Mitigate the Risk](image_url)
The findings suggest that it is quite debatable the selection of types of solutions adopted to mitigate specific risks. There are 3 respondents (C1, C2 and C6) thinking that the contract limitation is the most effective way to reduce the risks; 3 respondents (C3, C4 and C5) selected markup plan as the right strategy to mitigate risk. However, this is subject to the type of risk.

In terms of political risks, all the respondents stated that the risk is beyond their power of mitigation. The best thing to do is to gather privilege information from the targeted country government so that it would be more efficient to identify the risk and further risk response. The respondent C2 stated, “On a microeconomic point of view, the political risk can only be reduced by enhancing the networking with government and partnership. On a macroeconomic view, it is difficult to manage”.

In terms of economic risks, the markup plan is adopted to tackle issues like revenue distribution, inflation and taxes through a buffer of unpredictable and unknown risks in the economy environment. The respondent C3 emphasized, “The most efficient method to manage the economic risks is to allow a certain buffer to safeguard any possible risk”.

The contract limitation aims to transfer the responsibility to a third party entity and it is used to complete the contract with the client, joint venture partnership and subcontractor materials and labor resources. The respondent C1 echoed “We have a contract department that is responsible for the contract clauses and the liabilities with multiple parties preventing therefore any financial loss if a problem occurs.”
4.3.9. Partner Selection Key Factor

Since joint ventures are one of the most adopted entry strategies, it is significant to verify which key factors are important for construction firms focused on an internationalization entry strategy. Basically, this can be grouped into the following categories:

![Figure 14 – Partner Selection Key Factors](image)

The results demonstrate that the respondent’s choice of the key factor that leads to the selection of the partnership vary. There are 2 respondents (C1 and C2) who selected reputation as main factor while 2 respondents (C3 and C4) stated financial health and the other 2 respondents selected good relationship as main factor.

The reputation factor is the concern of finding some firm with an image, a credit-worthy and a portfolio that match with the one of the investor firm. The respondent C2 emphasized “In order to have a sustainable development, the firm branding is very important.”

The financial health shows that the well-being of the finances of a company that have implications in the commitment and engagement in the supply of resources, can lead to a delay if it is not well handled. The respondent C4 mentioned “It is important to know about the financial health of the company by confirming with the annual report, income statement and cash flow statement to ensure the quality of the cooperation and the project operation.”
The good relationship with the government is seen as a competitive advantage to "facilitate" the connections with the local resources. The respondent C6 underlined that “A partner with good local networking makes things much easier and faster in every level”.

### 4.4. Entry Strategy to Developing Countries

For the expansion to the overseas market, the construction enterprise must evaluate all the risks and determine the best entry strategy as a process of risk response (Gama 2011). Hence, a series of questions were tackled in order to have an in depth reading to their decision-making regarding the entry strategy adopted.

#### 4.4.1. Most Adopted Entry Strategy

The objective is to review the past (last 5 years), present and to foresee the future entry strategy decision trend and the reasons behind the preference, so that is possible to have an idea of the perceived prospect of the market of the related developing country. Furthermore, it may provide a trend and the characteristics of the most adequate market for the internationalization behavior.

![Figure 15 – Most Adopted Entry Strategy](image-url)
The findings illustrate that 3 respondents (C1, C2 and C5) identified joint venture as the most adopted strategy and others 3 respondents (C2, C3 and C4) preferred to do it on their own.

Concerning the adoption of joint ventures, the main reason found results from the culture of “guanxi”, which is required in developing countries and territories such as China and Macau, where the Hong Kong construction firms rely on the local partnership to provide assistance to all bureaucratic administration processes with the government and local sources, including actions towards coordination, negotiation and networking. Respondent C1 stated that “Having a local partnership helps a lot in networking and coordinating works with local entities rather than government aspects or local resources aspects and this way, it makes the investment capital smaller”. The joint venture is seen as a diversification risk and a complement of "unreliable" resources.

From the context of human resources management, the contractors reveal that they prefer adopting the integration of joint ventures management by mixing up the resources in order to have more commitment and engagement from both sides. On the other hand, challenges are also encountered in this type of entry strategy. Especially, the culture differences are barriers that affect the overall performance. The controllability of the ownership in the operations is also very sensitive in order to achieve balance and profit. The respondent C3 emphasized that “It is a headache watching the laid back attitude of local staff, since in Hong Kong, we work really fast and effective. In China, we need to adapt into this reality and find an equilibrium in this culture that has a different mentality and working habits”.

In regard of the establishment of the branch office / company, the respondents reveal that the firm’s resources in terms of financial and technical are sufficient to attempt the internationalization venture on their own, with the advantages of having better control and total ownership of all decision making that can lead to a better maximization of profit. The respondent C3 stated that “We have a wide range of networking which provide us channels to enter into markets like China on our own and this way maximizing the profit”.

4.4.2. Time Span of Investment

The time span for investing in a developing country is subject of many variables and constructs, and the present question attempts to find out the main factors for their decision-making. The time of investment is grouped into short term investment (less or equal than 5 years) and long term investment (more than 5 years).
According to the findings, 1 respondent (C3) stated that the present internationalization experience is entirely dedicated to short term opportunity, 5 (C1, C2, C4, C5 and C6) respondents underlined that the time of investment in terms of long term and short term depend on the invested country. For instance, China is considered to be a fast growing market in the coming decades and consequently, it can be seen as a country appropriate for long term investments, with bigger resources expended. On the other side, regions like Macau are seen as a fast track investment considering the small size of the city. Therefore, it is more adequate for short term investments with relatively minor connections and commitment establishments.

Below are the key constructs for the time of investment planning:

![Figure 16 – Key Constructs for Time of Investment Planning](image)

Multiple times of investment may lead to different entry strategies and methods. Thus, it was requested for each respondent to indicate the most important entry strategy. In general, this question was grouped into a dichotomy: long term entry strategy and short term entry strategy.

According to (Chen 2005), the long term entry strategy is a permanent entry concept in the international construction industry including joint venture company, sole venture company, branch office / company, and representative office; and short term strategy known as mobile entry including (joint venture project, sole venture project, and BOT / equity project.)
Table 6 – Entry Strategy for Long Term and Short Term Investment

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Long Term Entry Strategy</th>
<th>Short Term Entry Strategy</th>
</tr>
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<tbody>
<tr>
<td>C1</td>
<td>Joint venture company</td>
<td>Joint venture project</td>
</tr>
<tr>
<td>C2</td>
<td>Sole venture company</td>
<td>Joint venture project</td>
</tr>
<tr>
<td>C3</td>
<td>Branch office / company</td>
<td>Sole venture project</td>
</tr>
<tr>
<td>C4</td>
<td>-</td>
<td>Joint venture project</td>
</tr>
<tr>
<td>C5</td>
<td>Branch office / company</td>
<td>Sole venture project</td>
</tr>
<tr>
<td>C6</td>
<td>Branch office / company</td>
<td>BOT/equity project</td>
</tr>
</tbody>
</table>

In the context of long term entry strategy behavior, there are 3 respondents (C3, C5 and C6) who have selected branch office / company, 1 respondent (C1) chose joint venture company and 1 respondent (C2) selected sole venture company.

The branch office / company preference illustrates that the investment and commitment from foreign enterprises are high since this type of entry involves more bureaucratic actions and legal liabilities in a way that can operate business transactions in a host country and possible charges against the branch office instead of a legal person. These findings echoed the previous findings where the respondents preferred entering the market by themselves in order to have more flexibility and profit maximization.

The joint venture and sole venture strategies could also be seen as a vehicle for foreign expansion with less investment on capital, equipment, human resources, etc.

In the context of short term entry strategy behavior, there are 3 respondents (C1, C2 and C4) who have selected joint venture project, 2 respondents (C3 and C5) chose sole venture project and 1 respondent (C6) selected BOT/equity project.

The joint venture project is perceived as the most common strategy to entry the market for the short term perspective due to the complement of resources and the risk diversification. At the same time, it reduces costs and the local party can be in charge of the administration process with the local government and entity.

The sole venture project and BOT/equity were also preferred by some because it provides a bigger margin of profit and flexibility in the entrants’ point of view.
4.4.3. Incentive for Human Resources Internationalization

After determining the entry strategy, it is relevant to guarantee the afterwards works in order to ensure the quality of the operations in the foreign country. And, incentive schemes for human resources internationalization was therefore explored to find out the key factors regarding the existing staff that is willing to travel abroad and contribute to the expansion of the construction enterprise. The main target market focuses on the middle level management to top-level management, from engineers to director’s level.

The main factors are grouped in the following categories:

![Figure 17 – Main Driven Factor for Existing Staff Working Abroad](image)

According to the findings, there are 2 respondents who selected career development as the main factor and 4 respondents opted for the overseas allowance incentive.

It is believed that the extrinsic rewards are the motivation for the staff to select the mentioned opportunity. The respondent C1 emphasized, “Considering the personal life and time sacrifices, the monthly subsidies and the year-end project bonus are the major aspects to be considered once. Only then, it is considered the career development”.

The career development is also mentioned in order to be more a long term driven factor and the respondent C3 underlined that “The opportunity for career development is very important, especially for the single middle level management, which the working abroad barrier is lesser than the senior level management. But of course, the financial rewards need to be balance”.

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4.4.4. Turnover for the Expat Staff

By knowing the keys incentives for staff internationalization, it is important to know about the interest in keeping people working abroad because a big turnover can directly affect the overall performance and consequently a decrease in profit.

From the results obtained, it suggests that the average turnover in terms of local staff is 25 to 30% for managerial and technical staff. The respondent C4 stated “The turnover may be justified with the overall good economy in the Southeast Asia region. So that, the people who is willing to work abroad will look for higher salary in others places”.

Only respondent C6 considered that the turnover is real low and explained “In despite of keeping a balanced and constant update of financial rewards, it is critical to have a structured career development with constant possibilities to be promoted. And our firm is proud to say that this is one of our key factors to be successful”. It is believed that the scale and continuity of expansion of the construction firm is important in order to look for constant chances to be promoted according to those who pursue qualities and capabilities.

4.4.5. Key Factors to Avoid Possible Cultural Conflict

Working abroad means the possibility to be in touch with different culture on a daily basis for an international construction project. And that creates a big demand to understanding and the development of the correct attitude so that to mitigate or avoid possible cultural conflict.

From the findings, there are 4 respondents (C1, C2, C4 and C5) selected thought that the cultural conflict is an issue in their organization, while 2 respondents (C3 and C6) shared the opposite opinion.

The respondent C1 stated “In China, the working attitude is different from ours. Hence, the company expectation so as our local staffs need to be adjusted and this message has to be communicated with all staff with continuous monitoring and review”. The respondent C3 stated that “There is also a phase of adaption between the foreign staff and local staff and it takes time and patience. However, in our case with cultural workshops to learn about the differences, the enhancement of communication and respect to each other, the obstacles are overcome.”.

It is concluded that in order to avoid the cultural conflict between local staff and abroad staff, it is substantial to develop a good understanding about the host country culture.
5. RESULTS AND DISCUSSION

5.1. Appropriateness for the Comparison Analysis

In this section a comparative analysis between eastern construction firms and western construction firms is conducted, based on the findings from the qualitative field works carried out in the present study, representing the patterns and values from an eastern perspective; and the past valuable findings from (Gama 2011) on a western perspective.

Before conducting the comparative analysis, it is relevant to measure the level of appropriateness and the limitations of the interviewees of two regions construction firms. That is to sense making and to make sure it is comparing to a similar target base, which can provide data and information at the same degree of confidence and reliability.

From the both findings, the interviewees are from the top-level management, with rich experience in the local industry with more than 10 years of experience and more than 7 years of experience in the international market. Further, they are also very acquainted with organizational structure and abroad development of the current construction firm, and also actively participated in international projects, by having at least 5 years of experience.

With all the mentioned indicators, it is consolidated even more about the rich international experience for the Asian construction companies and the concluded that it has a pool of interviewees suitable for the data collection purpose and further analysis.

5.2. Preliminary Analysis Process

Research Hypothesis 1:

*There is a common body in the preliminary analysis process of existing conditions for the decision making for the internationalization between western construction firms and eastern construction firms*

The purpose is to probe the relationship of the internal readiness of the own firm before the internationalization decision from a perspective on the eastern and western construction companies, and to identify its similarities and differences.

In a context of establishment of a specific internationalization department, it is noted that the Portuguese construction firms present a bigger engagement into the establishment of a department specifically dedicated to internationalization analysis and actions than Hong Kong construction firms.
Mainly, the differences are originated from distinct macroeconomic situation and cultural differences.

The construction industry in Portugal is seen as a limited and saturated market, and with the poor macroeconomic environment, the Portuguese firms are “forced” to go abroad to survive. This is, clearly, a reactive response to the mentioned situation. Another aspect is that the Portuguese culture tends to be more structurally organized and focused on the company branding.

From the Hong Kong firms, their motivation is a pro-active response to their environment. The Hong Kong market is not stagnated and far from saturation, and the risk diversification is the main incentive to justify their actions.

On the other hand, the international expansion culture is more based on a networking basis, especially in China, where the “guanxi” factor plays a major role for the internationalization success. The “guanxi” culture in Chinese society is described as a personalized networks of influence through relationship and connection between people and organizations (Xu 2012). This relationship is often seen as a reciprocal favors, however, when a “guanxi” network violates legislations or norms can lead to corruption. The corruption impact is seen as a heavy factor that affects the decision-making strategy for the internationalization.

For easy understanding, the following analysis table is presented:

<table>
<thead>
<tr>
<th></th>
<th>Portuguese firms</th>
<th>Hong Kong firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Environment</strong></td>
<td>Local market saturated</td>
<td>Local market NOT saturated</td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td>Reactive</td>
<td>Pro-active</td>
</tr>
<tr>
<td><strong>Reason for Internationalization</strong></td>
<td>Survival</td>
<td>Risk Diversification</td>
</tr>
<tr>
<td><strong>Weight for Internationalization</strong></td>
<td>High</td>
<td>Moderate</td>
</tr>
<tr>
<td><strong>Adoption of Department for Internationalization</strong></td>
<td>High</td>
<td>Moderate, focus on “guanxi” factor</td>
</tr>
</tbody>
</table>

Table 7 – Internationalization Analysis

In a context of the key characteristics for a firm’s internationalization experience, the present findings differ from the one (Gama, 2011), once in the observation of subsection 4.2.1.3, the financial factor is the most important for the Hong Kong construction companies, by providing flexibility and adversities mitigation, while the Portuguese construction companies perceived that the technical factor is the main competitive advantage. The fact that the technical aspect is the less relevant, it is interesting to find out that the technical expertise is a renowned competitive advantage, and recognized in the whole South East Asia such as the high rise buildings and mega shopping centers built by Hong Kong firms, thence it is taken for granted.
Nevertheless, they shared also similar pattern for the management ability consideration, considered by both as the second most critical factor. A solid internal management does offer a consistent operation in different phases, especially, in terms of human resources management and quality control point of view.

In a context of target project consideration, both shared different values and understanding for the project evaluation. The duration and project size are the key factors considered by Portuguese firms due to the direct relationship to the quantity of the resources to be allocated and invested.

However, in accordance to sub-section 4.2.2.1., this is not a major concern to Hong Kong firms, and it could be justified with the sufficient financial support and the will for continuous expansion to the developing countries, hence, they can absolve for project in different size and duration as long as it is profitable. On the other side, their main concern is the reputation development and the maximization of the profit. The last concern is related to the capital to be invested and the condition of payment that is subjected to the political and economic factors such as the stability and good relationship with the government and the client, rate fluctuation, and profit distribution.

In terms of the target country consideration, the Portuguese construction firms chose PAL-OP countries as one of their main internationalization destiny, benefiting by the similarities of historical, cultural and linguistics factors.

On the other side, in accordance to the previous section, sub-section 4.2.3.1, the Hong Kong construction firms prefer the most near emerging markets such as China and Asean countries by enjoying the advantage of geographical adjacent, sharing similar culture and boosted by the china-asean free trade agreement that strength the international cooperation consciousness and “guanxi” factor.

The present findings echo to the great expansion of the South East Asia market with the regional growth forecast reported by World Bank’s by predicting a growth of 5.2% for South Asia and 7.3% for East Asia and Pacific (World Bank, 2012).
It is interesting to observe that the Hong Kong construction firms consider their expansion to Mainland China is an action of internationalization decision. Once according to the typical definition of “internationalization” of an enterprise occurs when they gain related revenue from a project outside of their home country (Lu et al. 2009). The main differences between them are due to the political, economic model, where China enjoys a communist political system and unfree economic system, whilst Hong Kong is a capitalist political system (following the same system as British government colonial rule before the handover in 1997) with a free international open trade economic system, by benefiting the principle of “one country, two Systems” as a Special Administrative Region. Another observation is that Hong Kong is considered a developed country and Mainland China is seen as a developing country, with a high demand of urbanization need in various cities. Thereupon, it is valid to say that the Hong Kong construction firms do have an internationalization experience in Mainland China.

With reference to the motive of internationalization, the Portuguese firms consider the factor of “win position” is a priority and it is seen as a survival response to the local market saturation and poor economy. Further, this is a way to establish foreign construction leadership in the emerging market and preempt strategically assets.

Different facts and environments, lead to different motive for internationalization, in accordance to sub-section 4.2.3.2, the Hong Kong firms chose a pro-active response, risk diversification as their main motive by benefiting the demand of high expertise and complexity of the projects.
around the Asia as suggested by Hong Kong Trade Development Council, consequently, provides a bigger exposure and a better brand building for the international construction industry.

Partially, the fact of the selection for risk diversification strategy, before the local market becomes saturated, can be justified from the Chinese culture, where they tend to “prepare for tomorrow’s rainy day” concept, by looking abroad market expansion opportunities.

Another aspect to take into consideration is that besides the risk diversification to their construction investment by country, in accordance to the sub-section 4.1.1., they also prefer to adopt different investment tools such as real estate, and mining exploration which are perceived as the high profit return global business.

Profit maximization is accounted in many times to be the ultimate goal and one of the ways to achieve it is being the first mover to invest in a non-saturated market. However, it also involves the increase of risks. Thereupon, the relationship between pioneer investor and risks were tested. Both findings conclude that the perception of the prospect of the market is highly related to the risk consideration. If the perception of future development is high, the motivation to be the first mover is high. The prospect of the new market such as China and Angola is seen as big opportunity to be invested and profit, and it is worth to be the first mover.

From an investment perspective to Angola, the Portuguese construction firms benefit from the similarities such as historical, linguistic, cultural aspects between two countries and also from the high demand of urbanization of Angola. These observations echo previous findings of (EEAS 2010).

For the Chinese constructions firms, the opportunities are boosted from the bilateral agreement between two countries (Angola Embassy 2012). Further, the high demand of development of infrastructure in Angola and the need of natural resources from China work as a mutual beneficial business relationship that is associated with the previous findings from (Chen & Orr 2009).
5.3. Risk Consideration

Research Hypothesis 2:

There is a main common pillar for the risk management consideration between western construction firms and eastern construction firms

It is aimed to explore the relationship of the perception of risk management consideration between the eastern and western construction companies in an international project, and to identify its similarities and differences.

By following the model proposed by (Gunhan & Arditi 2005), the risks factors are compared in the following categories: country/region related risks; construction industry related risks; and company/project related risks.

In the country/region related risks perspective, it is taken into the consideration of the macro environment of the country/region and is sub-grouped in the political risks; economic risks; and social risks.

In terms of political risks, the major concern for the Hong Kong firms is the instability of the government policy according to sub-section 4.3.2.1. China is a typical example, where the policy is unpredictable and even with big prospect of the market; it creates burden and drawback for a long-term investment. These findings differ from the (Gama, 2011), since Portuguese firms are more concerned about the occurrence of war or riot, and this worry is well reflected in the Africa region where the staff works in a closed area surrounded with security system and protection.

In terms of economic risks, the Hong Kong firms focus on the exchange rate, especially to the China market due to its strong Renminbi currency and devaluation of the Hong Kong dollar, and that creates financial pressure on the materials, labor and resources according to the sub-section 4.3.3. The revenue distribution is also a concern that will affect their profitability, once if the distribution is large; less profit is gained from the company.

Along with the observations, according to sub-section 4.3.3.2, it is interesting to note that the discrepancy of currency fluctuation between project bidding date and award project date is a concerned issue, once that could create losses if the discrepancy of time is high. Macau is one of the typical example where it has a big discrepancy of time between the bidding date and the award date for private and government projects, and lots of time the price of many resources has already in-
creased, since many of the services and products come from China, where it keeps a strong currency growth in the past decade. As a mitigation measurement, contract limitation shall be worked into details in order to decrease any losses for the captioned subject.

Yet, for the Portuguese firms, the revenue distribution is a concern about how much of real profit can gain after the distribution discount process. It reflects a defensive and conservative environment of the target country towards the wave of internationalization. Although, the inconsistent of local currency is manifested as a secondary concern, it brings also a great burden in case of involvement of a big quantity of financial investment.

In terms of social risks, both findings weight differently for the risks factors impact. The Hong Kong firms present well-diversified factors with same weight consideration for culture and religion; language; corruption and crime according to sub-section 4.3.4. It may be justified that the socio-cultural factors do not present any sign of edge problems; thus no major concern is verified.

The Portuguese firms showed relevant concern for crime and lack of security in the target country, and it does affect and account for their internationalization decision-making behavior, including additional extrinsic and intrinsic incentive and rewards to motivate the professional to work abroad.

Among political, economic and social risks, the most critical factor shared by both findings is the political risks.

It can be justified by the fact of the mentioned risk is far beyond of their control, such as the government policy and stability of the government. The political risk such as changes in government policies can create extreme vulnerability to the foreign enterprises, which echoed to the past findings from (Chua, Wang & Tan 2003) The perception of degree of corruption of the target country does make a huge difference for the internationalization decision-making behavior in accordance to the observation of sub-section 4.2.3.3. , once the fairness of the business is essential for profit maximization and the corruption can involve a lot of uncertainties and complexities that may increase the risk consideration.

The socio-cultural distance between locals and foreigners are also seen as a impact but less dominate to the foreign investment, especially in the Asia cultures where the personal relationship are very substantial (Pheng & Leong 2000). In accordance to sub-section 4.3.7., the lack of confidence for the mentioned risk also brings conservative openness in terms of using target country suppliers and subcontractors, especially for the significant works, as they believe the host supplier will decrease the risk consideration due to the past experience, closest relationship, better “know-how” skills and culture similarities, despite the possibility of the increase of cost of transportation.
or laws limitation. The decision of using local resources for lower cost and maximization of profit is likely to happen when the nature of the job is low skilled demanding and would not create big impact to the quality of the construction.

This finding is particular applicable to the countries due to closest distance for easy communication and logistics issues, in places such as Hong Kong and South East Asia, thus it does not reflect on the (Gama 2011) findings.

The economic risk is the less concerned item, once the factors like revenue distribution, exchange rate and taxes are aspects that are depended on the government policy that can be relieved by a stable and constant political environment.

By identifying and assessing the substantial risk, the foreign firms attempt to develop solutions to mitigate the risks. And, both findings shared that the contract limitation and markup plan are critical for the project control and risk response as well as mitigation perspective. The contract limitation is used to transfer the liability to other party and this type of contract management does align with the previous findings of (Kartam & Kartam 2001). The mark-up plan is used to mitigate the economic risks such as revenue distribution, inflation, taxes, etc. Although, the mentioned methods and strategies are important, it should be combining with proper entry mode in order to reduce effectively the encountered risks.
5.4. Entry Strategy

Research Hypothesis 3:

*There is a main common pillar for the entry mode consideration between western construction firms and eastern construction firms*

The objective is to investigate the relationship of the entry mode between the eastern and western construction companies in an international project, and to identify its similarities and differences.

The preference of the entry mode does vary from market to market and also from country to country. From the western point of view, the Portuguese firms tend to adopt joint venture and temporary consortium as mitigation actions against the risks such as capital to be invested, size capability and entry barrier.

From the eastern point of view, in accordance to sub-section 4.4.1. the Chinese firms tend to adopt joint venture and branch/ office company establishment. The joint venture is seen as the most effective for “ice-break” the entry barrier, especially, in South East Asia where the “guanxi” factor is critical. The second one is as an alternative option that benefits from better control and ownership for the maximization of profit.

However, the entry strategy differ with the time of period of the investment, where the long term entry, the contractors tend to choose the establishment of branch office/company in order to invest a higher commitment and involvement by themselves. These findings echo with the typical contractor behavior of Chinese contractors, especially in Angola where it show a good relationship between countries and prospect of the future (Chen & Orr 2009).

Despite the higher risks by choosing the own entry strategy, the need for a local partner depends on the perception of the scale of the firm and the connection that they have with the local entities.

According to the sub-section 4.3.9 it attempts to explore the keys factors for partner selection such as reputation and financial health of the firms, good relationship with the local government.

And, the findings suggests that although the consideration varies in accordance to the characteristics of the target market, such as an overweight to the relationship for country like China or overweight to the cultural difference to Dubai, there is not an unique major factor that is the most important.
The combination of reputation, financial health and good relationship are important factors for partner selection and helps to mitigate the risk of unpleasant and unsuccessful cooperation.

In terms of human resources management, the Portuguese construction companies perceive that the overseas allowance such as increased salary increase and housing allowance are essentials incentives for the consideration of internationalization experience.

Hong Kong construction firms perceive that the sacrifice of internationalization is high given to the need of leaving their hometown and family and there are two major factors are essentials for their consideration.

Firstly, the extrinsic rewards such as overseas allowance are perceived to be the ice-breaker for the incentive barrier in order to encourage professionals to start to think about the possibility for working abroad.

Secondly, the career development is the intrinsic rewards for their abroad contribution, and in order to develop a successful and sustainable human resources management, the balance between extrinsic and intrinsic rewards is critical for the job satisfaction and job performance.

In accordance to sub-section 4.4.5, it is perceived the importance to be aware about the cultural conflict between different cultures, these differences may lower the efficiency and profitability of the project. These observations do align with the previous findings of (Chan & Tse 2003). Thence, it is highly suggested to promote a good understanding of the host country culture.
5.5. Internationalization Behavior Comparison

Research Hypothesis 4:

*There is a main common pillar for internationalization behavior between Hong Kong construction firms and typical Chinese construction firms*

This objective is seen as an intermediate objective that explores the adequacy of the expansion of the Hong Kong construction firms to a wider sample as typical Chinese construction firms, in the internationalization operations to the foreign countries.

With all the hereinbefore observations about the practices and behavior of Hong Kong construction firms, it show parities and disparities between Hong Kong and Mainland China construction industry. Despite their differences in terms of political, economical model, they do have deep Chinese culture, values and beliefs.

One of the evidence is the heavy reliance to the “guanxi” factor for the network relationship in the internationalization venture. This concept consists the establishment of relationships between various parties that cooperate together and mutual support by offering favor voluntarily and it is seen as a mitigation of risks, entry barriers and strategy when doing business in China or abroad. These forms can be interpreted in an informal ways such as simple dinner.

In a context of behavioral observation, the Hong Kong construction firms do prefer deal with people they know and trust. The best illustration is the fact that they do prefer use their own local resources whenever possible so that they can ensure the quality and risk control. This observation is truly observed in the Mainland China culture, where the relationship plays a major role and its development does not take place when they need the favor but it is an ongoing process.

Another aspect is that the entry strategy preferred by the Hong Kong contractors positively aligns with the Chinese contractors in Angola in a long-term presence as suggested by (Chen & Orr 2009). The evidence shows that on a basis of political stability and good relationship between the host and local country, the contractor tend to invest more commitment in terms of resources investment. These resources could be in terms of human resources, time and cost resources due to a higher demand for the bureaucratic operations.

Therefore, with all the referred observations, it is concluded that the Hong Kong construction companies can represent, to a certain extent, overall Chinese construction companies.
5.6. Proposed Method of Internationalization

5.6.1. Variations of Method of Internationalization

The importance and relevance of this section is to find a general framework that may assist for the internationalization planning and development for further strategies and methods, targeted to Asian perspective and partially in the Asia region, which is one of the world largest and prosperous economies, serving, currently, as an engine for world economic development.

The proposed method follows the main framework of internationalization process suggested by (Gama 2011), with the following variations towards suitability for Hong Kong - Chinese construction companies.

Figure 19 – Proposed Method of Internationalization
The summary of the differences to be taken into consideration for the Asian construction companies will now be discussed and presented.

For internal readiness, Hong Kong – Chinese construction companies perceived that the technical factor is a renowned competitive advantage, thus it is taken for granted, and the financial factor is the most important condition for the qualification of an international expansion.

In terms of market research, they tend to use their own networking to approach the target country, which is really different relatively to European contractors, tending to establish an internationalization department as the communication channel and further analysis.

In a context of opportunities and threats of international market, they see internationalization in Asia as a way of risk diversification. Given to the non-saturated local market, their action is pro-active, aiming for sustainable profit maximization.

In terms of risk analysis, they tend to deal with entities they know and trust, by using own resources whenever possible in order to ensure the quality and to increase the controllability of the construction process.

For the entry strategy, they tend to have high commitment in terms of cost and human resources for a long-term investment on the target country, under the condition of good political stability and relationship between two countries.

In terms of incentive for the internationalization and its motivation, extrinsic rewards are seen as a must factor that must be in balance with the intrinsic rewards such as career development, once the perception of the sacrifice is high.

5.6.2. Generalization of Proposed Method to Chinese Construction Firms

From the previous section 5.5, it was suggested that there is a main pillar for internationalization behavior between Hong Kong construction firms and typical Chinese construction firms. By following the same proposed method, there are still similarities and differences that deserve special attention in order to draw a final discussion regarding the adequacy of the proposed method to Chinese construction firms.

Before launching to the internationalization venture, the preferred market research adopted by the Hong Kong construction firms through “guanxi” networking is similar to the typical Chinese construction firms, where it clearly reflect the chinese culture and values by relying in the people that they trust, especially in a unknown, foreign environment. The cooperation and mutual support are the core values perceived by the overall Chinese construction companies for the risk management, elimination of entry barrier and definition of the entry mode strategy.

Another similarity between them is the preferred entry strategy in long term investment of Chinese construction companies to African countries and Hong Kong construction companies to the Asean countries, is by establishment of branch office/company. These findings reflect a considerate
engagement of the resources under a stable political relationship between the countries, once it is believed that the high investment brings high profitability.

The only perceived difference is the rewards factors that drive the Chinese employees and Hong Kong employees for an internationalization experience. Given the liberalization of China’s economy towards the world, the open door and market-oriented policy did provide innumerable opportunities for the foreign direct investment to China and also the internationalization to the developing countries, mainly motivated by Chinese government such as the case bilateral agreement between China and Angola (Angola Embassy 2012).

This change does not only impose an impact to the economic environment of China, but also changed the way of seeing life from the Chinese people perspective. The capitalism and materialism began to merge within the culture, and the Chinese employees tend to focus on extrinsic rewards by overlooking the long-term intrinsic rewards. Therefore, if the salary, housing allowance, bonuses are significantly increased, the Chinese employees are willing to work abroad.

On the other side, Hong Kong employees prefer to make a balance between extrinsic and intrinsic rewards. This observation can be justified by the mature development of the internationalization construction industry in Hong Kong, where the employees do focus on tangible and intangible awards.

Thereupon, it is concluded as reliable and valid to a certain extent that the proposed method is generalizable from Hong construction companies’ internationalization behavior to a wider context of Chinese construction companies’ behavior.
6. CONCLUSIONS

6.1. Achievement of Objectives

The study presented in this thesis surveyed the executives of Hong Kong construction firms that are experienced in the construction environment and have been active in the international markets for years and generate necessary information about firm’s strengths, threats, opportunities, risks, entry strategies associated with international expansion in accordance to the proposed model. The extensive structured interview, while sampling only six executives, nevertheless represents a significant canvassing of influential views of internationalization experience in Macau mega-construction projects context. Simultaneously, it provides an insight about the internationalization strategies and methods of Hong Kong – Chinese construction companies to the emerging markets. It is more than difficult and rare to gain access to this level of experience in this project sector, thus the data gathered and presented provides valuable insights into their mindsets, behaviors and decision-making. Thus, the first objective is successfully achieved.

The second objective was to explore the boundary extension for the Hong Kong region internalization behavior sample to a wider context in terms of typical internationalization of Chinese construction firms.

The similarities, such as the heavy reliance on the “guanxi” factor and the preferred entry strategy approach, were observed. Trust, mutual support and cooperation are values appreciated by Hong – Chinese construction companies which echoed to the behavior of a typical Chinese culture. The preferred entry strategy to the target country is by setting up of branch office/company as a result of engagement of resources investment to the target country under the stable political environment. Therefore, the second objective is successfully achieved.
The third objective is to explore the parities and disparities between Portuguese - European construction firms and Hong Kong - Chinese construction firms, where the values, patterns and practices are analyzed from both sides for a better understanding of the topic.

The following table presents the comparison for the similarities and differences:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Hong Kong - Chinese Firms (HK)</th>
<th>Portuguese – European Firms (PT)</th>
<th>Similarities</th>
<th>Differences</th>
<th>Overall Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keys Internal Abilities for Internationalization</td>
<td>1- Financial</td>
<td>1- Technical</td>
<td>X</td>
<td></td>
<td>HK-Financial power provide flexibility and adversities mitigation PT-Technical power is seen as an expertise competitive advantage</td>
</tr>
<tr>
<td></td>
<td>2-Management</td>
<td>2-Management</td>
<td>X</td>
<td></td>
<td>Mgmt power offers consistent operation and prevent losses</td>
</tr>
<tr>
<td>Keys Project Consideration</td>
<td>Profit maximization</td>
<td>Project duration and size</td>
<td>X</td>
<td></td>
<td>HK- Enough capital and size to take up profitable project PT-Limited resources in terms of financial and managerial aspects</td>
</tr>
<tr>
<td>Keys Country Consideration</td>
<td>Risk diversification</td>
<td>Win position</td>
<td>X</td>
<td></td>
<td>HK-Risk diversification is seen as a safe way for investment and market expansion PT-Win position is seen as a survival response and heavy investment to the market due to the local market saturation</td>
</tr>
<tr>
<td>Risk Consideration</td>
<td>Political</td>
<td>Political</td>
<td>X</td>
<td></td>
<td>HK- Stability of gov. and policy is essential for the investment and profit PT- War and government instability can create huge losses to the investment. The risk is higher than the HK consideration</td>
</tr>
<tr>
<td>Risk Mitigation</td>
<td>Contract limitation and mark-up plan</td>
<td>Contract limitation and mark-up plan</td>
<td>X</td>
<td></td>
<td>Contract limitation is seen as a way to transfer the risk to other party Mark-up plan is used to allow buffer for economic risks</td>
</tr>
<tr>
<td>Entry Strategy</td>
<td>Joint venture</td>
<td>Joint venture</td>
<td>X</td>
<td></td>
<td>HK - JV helps a lot for relationship factor and risk repatriation PT- JV is seen as a risk repatriation and resources complement</td>
</tr>
<tr>
<td></td>
<td>Branch office / company</td>
<td>Short term consortium</td>
<td>X</td>
<td></td>
<td>HK-Branch office/company offers better control, ownership and profit PT-Short consortium as alternative solution for risk repatriation and resources complement</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>Salary increase</td>
<td>Salary increase</td>
<td>X</td>
<td></td>
<td>HK – Consider 1st at extrinsic rewards then intrinsic rewards PT – Consider ONLY extrinsic rewards</td>
</tr>
</tbody>
</table>

Table 8 – Similarities and Differences Analysis Table Between Hong Kong Construction Firms and Portuguese Construction Firms
The fourth objective is to evaluate the adequacy of expansion and limitation for the model of internationalization process of western construction firms proposed by (Gama 2011), and, it is successfully achieved.

Basically, the present findings for eastern construction firms follow the same logic and framework for their decision-making behavior, but with light variations in terms of values and opinions.
6.2. Research Hypothesis and Research Question

In general, section 5 provides answers to the research hypotheses and the research question. And, the following conclusions are drawn:

Research Hypothesis 1:
It is confirmed that there is a common body in the preliminary analysis process of existing conditions for the decision making for the internationalization between western construction firms and eastern construction firms.

Research Hypothesis 2:
It is confirmed that there is a main common pillar for the risk management consideration between western construction firms and eastern construction firms.

Research Hypothesis 3:
It is confirmed that there is a main common pillar for the entry mode consideration between western construction firms and eastern construction firms.

Research Hypothesis 4:
It is confirmed that there is a main common pillar for internationalization behavior between Hong Kong construction firms and typical Chinese construction firms.

Research Question:
Significant similarities and differences were found between the internationalization strategies and methods followed by eastern construction firms when compared with western construction firms. Based on the findings obtained, a method of internationalization for eastern countries was proposed, towards accommodating their specific characteristics and needs.
6.3. Recommendations and Contributions

The internationalization experience became a critical activity for the Hong Kong construction companies as a way of profit maximization and risk diversification. Therefore, it is absolutely necessary to improve the enhancement of the abilities such as financial, management and technical, in order to keep the competitiveness and to outperform the competitors given the challenge of globalization, and broader channel and networking to access different parts of the world. The technical ability is seen as an assumed competitive advantage for the Hong Kong – Chinese construction companies in the Mainland China and ASEAN countries. However, this scenario may not happen in others developing countries where there are already competitors with high edge construction technology. Therefore, there is a need of further development for technical expertise in case of expansion beyond Asian countries in order to maintain the competitiveness.

The construction firms should split the focus in the professionalism and increase of resources to the department specifically dedicated to the internationalization activities, so as to provide an effective and efficient analysis of different emergent markets. These could help to better control the possible risks, to best define the entry strategy mode, and to enhance human resources management.

On a macro perspective, this study serves as an open gate for the opportunities to explore in further depth the relationship and adequacy between the Hong Kong - Chinese construction companies and the typical Chinese construction companies under different projects, countries or even industry. The proposed method, which combines specific variations to suit the Chinese internationalization behavior, is only the beginning of a long way, and future study could bring even more clues and information to a wider context of the application of this framework and model.

By tapping all the points mentioned above and extracting the best of every part of the internationalization analysis, the correct application of the framework and process of internationalization of the present thesis can be further developed and completed.
6.4. Limitations

The data for this study were obtained from interviews of six experts from Hong Kong. Although it presents a full coverage of all the Hong Kong construction firms present in Macau, it generalizes the findings to large-scale Hong Kong firms in Macau and confirms the validation of the process of internationalization proposed by Gama (2011). Notwithstanding the small size of the population, this study provides a reference and an indicative trend of the Asian construction companies behavior and the adoption of related methods and internationalization strategies in the Asia construction market, which is more than relevant for those construction firms that are planning to invest in Asia.

All the Hong Kong construction firms interviewed are private owned, and the results are relevant only for the private construction sector. The generalization of the results obtained for the public sector of Mainland China could not be established. In addition, the current findings were derived from processes of internationalization mainly to Asian countries. The internationalization to other target markets remains to be studied. This work opened perspectives and set an approach, research method and comparison benchmark for in-depth studies on Chinese state owned enterprises, and towards the validation of the model in other regions of the world and, ultimately, to gather more valuable information towards better mapping and attaining global perspective about the internationalization strategies and methods of construction firms.
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INTERNATIONALIZATION STRATEGIES AND METHODS OF CONSTRUCTION FIRMS – A COMPARATIVE STUDY BETWEEN HONG KONG - CHINESE AND PORTUGUESE – EUROPEAN APPROACHES


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8. APPENDIX

QUESTIONNAIRE – GUIDANCE TO FACE-TO-FACE INTERVIEW

SECTION 1 – GENERAL CHARACTERISTICS OF THE INTERVIEWEE AND CONSTRUCTION FIRM

1.1 – What is your professional category / role?

1.2 – How long have you worked in the Construction industry?

1.3 – For how long have you worked in this firm?

1.4 – For how long have you worked in your present position in this firm?

1.5 – What is the main activity of the firm?

1.6 – How many years of experience has your firm in international markets?
SECTION 2 – PRELIMINARY ANALYSIS PROCESS FOR THE INTERNATIONALIZATION IN DEVELOPING COUNTRIES

2.1 – FROM THE CONTEXT OF INTERNAL CAPACITY OF THE FIRM

2.1.1 - What department is responsible for the study of viability to invest in a foreign country?

2.1.2 - Any outside resources help the study the internationalization process?

2.1.3 - What are the internal characteristics that are important for your firm to decide to expand for a specific international market? Why?

2.1.4 - Please rank the following aspects by importance for this decision: Financial, Technical and Management capacity

2.2 – FROM THE CONTEXT OF THE TARGET PROJECT ANALYSIS

2.2.1 - What are project incentives that motivate the decision of your firm’s investment?

2.2.2 - Please rank the following aspects by importance for this decision: Project Size; Conditions of Payment; Capital to be invested.

2.2.3. – Does the type of project (private or public) type make a difference in your decision making? Why?

2.3 – FROM THE CONTEXT OF THE TARGET COUNTRY FOR INTERNATIONALIZATION

2.3.1 – What are the international markets where your firm is presently working or biding projects to? What about in the next 5 years?

2.3.2. – What are the external keys factors of a developing country that incentive your firm to enter its market (such as foreign investment relaxing barrier, tax benefits policy, bilateral agreements between gov)?

2.3.3. - Please rank the following aspects by importance for this decision: Win position; Risk diversification; Local market saturated

2.3.4. – Does corruption in the target country have a negative impact in your decision making?
SECTION 3 – RISK ANALYSIS IN DEVELOPING COUNTRIES

3.1. What are the reasons that incentive to be the pioneer to invest in a developing country? Any related experience?

3.2.- POLITICAL IMPACT FOR RISK CONSIDERATION

3.2.1 – What are the critical political factors that have the highest weight in your risk consideration?

3.2.2.- Please rank the following aspects by importance for the consideration of political factors: Instability of policy; relationship with government; import restriction, changes in laws and regulations)

3.2.3 – Do you think that the ruling political systems (such as capitalism, communist, democracies, dictatorships) directly influence in the construction policies and legislation in terms of requirements and applicability? How?

3.2.4 – Does the political system affects your decision making even if the country has great economical prospect in the future, such as China?

3.3.- ECONOMICAL IMPACT FOR RISK CONSIDERATION

3.3.1. - What are the critical economic factors that weight more in your risk consideration?

3.3.2.- Please rank the following aspects by importance for the consideration of economical factors: taxes; capital distribution; revenues distribution; exchange rate

3.3.3. – What do you think about the exposure of currency fluctuations between bid and award dates in the international project?
3.4.- SOCIAL IMPACT FOR RISK CONSIDERATION

3.4.1. - What are the critical socio-cultural factors that weigh more in your risk consideration?

3.4.2.- Please rank the following aspects by importance for the consideration of socio-cultural factors: language; culture and religion; corruption and crime

3.4.3. – Do you think that the language barriers (such as in written documents, drawings and daily communication) create an impact in the bidding and project process?

3.5. – According to the above mentioned impact (political, economical and social), what do you consider the most important to your risk management?

3.6 – Does the limitation of imported labor and management resources play a great impact to your project? What are the consequences of this to your project?

3.7 – Do you prefer to use your own suppliers, equipment’s and subcontractors, despite the cost of transportation and the laws limitation? How important is that?

3.8 - What are the keys solutions (such as markup plan, contract limitation, insurance against exchange rate) to mitigate the possible risks in terms of project itself?

3.9 – For the partner selection (if any), what are the keys factors (such as credit-worthy, financially strong, good connection with the host government) to take in consideration?

3.10 – For the sub-section 3.9, does it make any difference for your consideration between Asia countries such as Macau, China?
SECTION 4 – ENTRY STRATEGIES FOR THE INTERNATIONAL EXPANSION OF CONSTRUCTION FIRMS

4.1 – What is most adopted entry strategy in the past 5 years? Does your firm maintain that strategy in its present expansion efforts to other developing countries? Where?

4.1.1. – What are the advantages and disadvantages for your current most adopted entry mode in terms of risk exposure and return?

4.1.2. – For the adopted entry strategy, please rank the importance in terms of risk diversification; reduction of competition; complement of resources

4.2. – In your firm’s current international activities, where does your firm invest more aiming at a long term and at a short term commitment? Why?

4.2.1 – For the long term entry mode, please rank the three most important for the following entrance strategies: branch office/company; join venture company; represented office; strategic alliance; sole venture company; long term licensing.

4.2.2. - For the short term entry mode, please rank the three most important for the following entrance strategies: BOT/equity project; project based local agent; nonintegrated JV project; sole venture project; project based licensing; integrated JV project

4.3 – What are the extra conditions that your company offers in order to incentive your staff for working abroad in terms of middle (engineers) and high level management staff (project managers or directors)?

4.4. – What is the turnover rate between the staff working abroad and the host country staff? (Please specify their position)

4.5 – In your company’s experience in international projects, did you perceive cultural conflict between staff of different cultures (such as the local labors and your management staff)? Did you adopt strategies to avoid it? Please describe them.