MANAGEMENT OF EXTERNAL RISKS: CASE STUDY OF A CHINESE CONSTRUCTION FIRM AT INFANCY STAGE IN SINGAPORE

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Abstract
External risk management encompasses many areas such as finance, politics and national cultures. Although external risk management is a critical success factor for many construction firms which have ventured out of their home countries, factors like project risks are often neglected by construction firms. This study in particular adopts the proposition that the practice and knowledge of risk management in Chinese construction firms is low in their home market, and that holistic risk management is not a priority in their management strategies. This also appears to be the case when they venture into the international arena. The objective of this study is to examine how construction firms attempt to manage external risks during the period that they venture into other countries. To achieve this objective, a case study approach is adopted to understand the external risk management practices of a Chinese construction firm venturing into Singapore. The results of the case study support the proposition that the practice of holistic risk management in Chinese firms is indeed low, and that formal risk management is not in place. The empirical findings also suggest that the difficulties in managing external risks lie in the decision that the Chinese construction firm makes on exactly how management wishes to manage such risks. There are myriad solutions to handle each type of external risk but Chinese construction firms need to be cautious and selective in choosing a suitable response that is beneficial for the company.

Keywords
Risk, External risks, Management, Chinese contractors, Singapore, Case study

INTRODUCTION
Rapid political and social changes have led to an increase in global business opportunities for construction companies worldwide. More construction companies are seeing the advantage of expanding operations into the international construction market instead of being constrained within the confines of their geographical national boundary. Construction giants such as Bouygues Construction, Skanska and Bechtel Corporation are stellar examples that reflect this growing phenomenon of construction companies making their presence felt outside their native countries (Low, 1995, 1996; Mawhinney, 2001).

Many reasons may be attributed to why these construction companies move abroad. First of all, the move may be motivated by a “first-mover advantage” – the advantage that is gained by the first occupant of a market segment, especially for companies from developed countries that enter the construction industries of developing countries. These companies see the large volume of potential construction and power to influence change that is available in the developing countries and move quickly to establish a foothold in such foreign construction markets. Secondly, on the starkest level, the move is motivated by the need for survival - the company