RISK ASSESSMENT OF AUSTRALIAN CONSTRUCTION AND ENGINEERING FIRMS IN CHINA

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Abstract
The Chinese economy has not only provided huge opportunities for Australian industries including in construction and engineering, but is also latent with a variety of challenges including regulation, legal systems, local competition, culture differences and so on. This paper summarizes our study of the risks for construction and engineering firms in China through interviews of government agencies, organizations and Australian firms in China. As a result, major risks arising from the involvement of Australian construction and engineering firms in China were identified. IP protection, complex networks of policies, decrees and regulations, and fragmentation or conflicting among them imposed by the state, industry and local governments, were generally considered as three major risks in China, although there were slightly different opinions in different sectors. The outcomes from the study may provide both policy-makers and Australian firms with useful information for governance, management and planning at either the strategic or operational level.

Keywords
Risk assessment, construction and engineering market, investment risks, China

INTRODUCTION
A booming Chinese construction industry, with a market size of more than A$40 billion, offers an excellent opportunity to Australian construction and engineering firms, which have generally concentrated on the near-saturated domestic market. China is one of the largest construction markets in terms of construction spending, together with USA, Japan, and Germany. Rapid urbanisation sustains an enormous demand in the construction market in addition to the significant driving forces for the preparation of the 2008 Beijing Olympic Game. Engagement in such a huge market is a big challenge. However, the market is considerably influenced by the Chinese Government. The appropriateness and effectiveness of the investment in China may largely be affected by current Chinese regulation and practice (Xu et al., 2005). Management and operation in such a market also incur the impacts of the differences in social background, which are largely related to local communities, culture and legal systems. It has been found interaction between cross-culture management and project management may affect the outcome of projects (Pheng and Leong, 2000). Also, there has been a view that the Chinese tradition of ‘guanxi’ may have a considerable influence on the success of investment in China (Yau et al. 2000) and it is considerably different from the context of normally perceived relationships (Wang, 2007). In addition, studies of risks on the aspects of contracting and tendering were also investigated (Fang et al, 2004a; 2004b).

Generally speaking, major strategic goals for foreign firms in China may include successfully