

Capability Evaluation for Improving Competitiveness of the Korean Construction Firms

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Abstract: Recently, Korea has achieved accumulated total value of orders of six hundred billion dollars in international construction market, and it is facing a new turning point by entering the overseas construction market. However, according to the statistics on the current internal construction market, the accumulated value of orders has been mainly obtained by plant projects in the Middle-East area. To improve international competitiveness of Korean construction industry, it is required to expand and diversify the target areas and construction business sectors. To expand markets, each construction firm should establish the expansion strategy and assess the capability which includes the strength and weakness of their firm. Therefore, this research aims to evaluate the capability of the Korean construction firms for overseas expansion. Through the research, Korean construction industry is expected to strengthen competitiveness toward the overseas markets. Furthermore, this research contributes to expanding and diversifying markets for domestic construction firms.

Keywords: Domestic Construction Firms / International Construction Markets / Overseas Expansion Strategy / CM Capability

I. INTRODUCTION

A. Research background and purpose

Recently, Korea has achieved accumulated total value of orders of six hundred billion dollars in international construction market, and it is facing a new turning point by entering the overseas construction market. However, according to the statistics on the current internal construction market, the accumulated value of orders has been mainly obtained by plant projects in the Middle-East area. To improve international competitiveness of Korean construction industry, it is required to expand and diversify the target areas and construction business sectors. To expand markets, each construction firm should establish the expansion strategy and assess the capability which includes the strength and weakness of their firm. Therefore, this research aims to evaluate the capability of the Korean construction firms for overseas expansion. Through the research, Korean construction industry is expected to strengthen competitiveness toward the overseas markets. Furthermore, this research contributes to expanding and diversifying markets for domestic construction firms.

B. Research process

Through various methods including literature review and interviews with specialists, this research has successfully deduced the essential components of domestic construction firms' management technology regarding overseas expansion. Additionally, this research required drafting surveys and evaluating specialists in order to measure the importance and present organization's capability gathered from such components. Using deduced results from evaluation, this research aims to diagnose and investigate the capability of domestic

construction firms' overseas expansion, and proposes plans that could potentially increase its competitiveness as well.

II. LITERATURE REVIEW

A. Korea CM company overseas expansion status

After scrutinizing upon present companies' foreign business contract in CM area provided by KISCON (Affiliated with Ministry of Land, Infrastructure and Transport), it is revealed that domestic CM companies' foreign contracted price has been sextupled from 14 billion won (approx. 12.5 million dollars) in 2008 to 84 billion won (approx. 75 million dollars) in 2012, while overseas cases approximately tripled from 17 cases in 2008 and 47 cases in 2012 (Picture 1). However, in most foreign involvement projects, it is analyzed that ODA business weighs high importance, of which mainly Korean companies who are also ordering bodies.

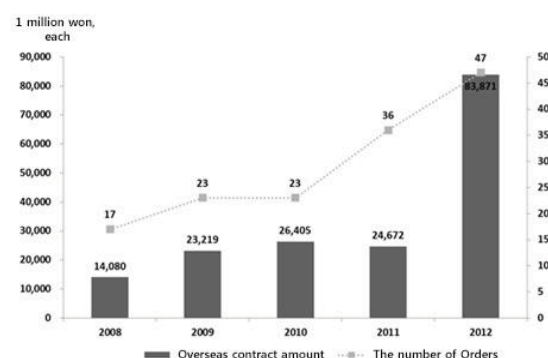


FIGURE 1 THE NUMBER OF OVERSEAS CONTRACT AMOUNT AND PRICES IN DOMESTIC CM COMPANIES

III. EVALUATION OF DOMESTIC CM COMPANIES' OVERSEA EXPANSION CAPABILITY

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A. Deriving factors of domestic cm companies' construction enterprise management

This research successfully gathered twelve factors of management technology that may be needed when domestic CM companies expand overseas, and has implemented surveys of CM companies' executives and staff members who possess foreign business experience.

B. Evaluation of domestic CM companies' construction enterprise management

Results of the survey regarding the twelve management technology factors indicate that companies' organizational management capability levels have been evaluated as of low importance compared to all managed items. In particular, the importance of organization compared to GAP analysis of the current risk management competency level (1.75), expense management (1.38), process management, and contract management (1.13) difference in the order of the competency levels were analyzed as large. On the other hand, for license management and materials management (0.13), safety (0.25), construction management (0.30), the importance compared to the current competency levels were relatively highly appreciated. The following figure shows the results of comparing the capabilities and the importance of organization-specific management technology

division	Contents	Importance	capa bility	Rank
A-1	General Business	3.88	3.00	5
A-2	Design	4.50	4.25	9
A-3	Expense	5.00	3.63	2
A-4	process	5.00	3.88	3
A-5	Materials	4.38	4.25	11
A-6	Contract	5.00	3.88	3
A-7	Quality	5.00	4.13	5
A-8	Safety	4.50	4.25	9
A-9	License	4.63	4.50	11
A-10	Risk	5.13	3.38	1
A-11	Business Information	4.38	3.63	7
A-12	Construction	5.00	4.70	8

Through evaluating competency levels of the organization in relation to management technology factors, it is noted that the importance compared to the current level of technology management capabilities of all items are being underestimated. Therefore, it is noteworthy to increase the overall capabilities of management technology items through reorganization and improvement of individual skills. In particular, management technology factors that have a substantial gap in its competency level needs to be improved upon by strengthening its capacity using organizational plans. Whereas, factors that have less competency level difference of importance and current capacity need to collect dimensional strategies of establishing competitive advantage capability through continual management and education.

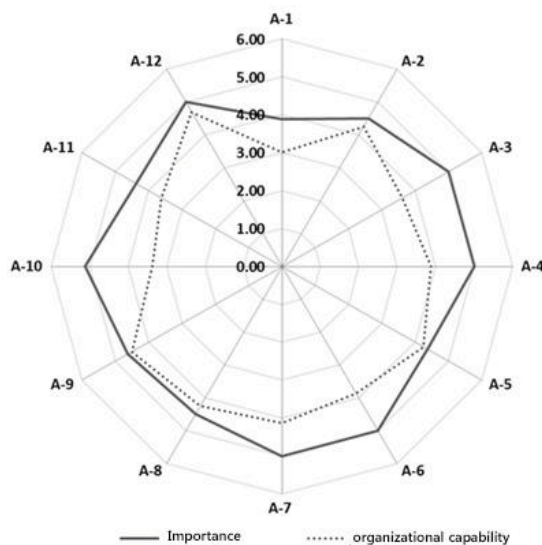


FIGURE 2 RESULT OF GAP ANALYSIS (IMPORTANCE-ORGANIZATIONAL CAPABILITY LEVEL)

In the case of domestic CM companies levels of the construction's planning and contract phase is estimated to be relatively low, while the competency levels of design and construction is highly appreciated.

TABLE I
 EVALUATING COMPETENCY LEVELS OF THE ORGANIZATION IN RELATION TO MANAGEMENT TECHNOLOGY FACTORS

III. CONCLUSION

This research focuses on evaluation of the twelve important factors of management technology regarding overseas expansion, and after evaluating the significance and current capability levels of the company, the importance compared to the current capacity levels were underestimated for almost every item. Hence, in the future measures that increase the organization's capability must be implemented for domestic CM companies' overseas expansion, especially for items that have a bigger gap between importance and capability; they must be prioritized to be managed in the organization.

IV. ACKNOWLEDGMENTS

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