

Competitiveness Benchmarking of Overseas Construction through a SWOT analysis of leading construction firms in Spain and France

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Abstract: The aim of this research is to provide a direction to benchmark advanced construction companies from Spain and France by deriving business strategies through SWOT analysis in order to strengthen overseas expansion and competitiveness of domestic construction companies.

Keywords: Overseas Construction, Competitiveness, Business Strategy, SWOT Analysis

I. INTRODUCTION

Despite the recession in the construction industry in Korea, the overseas construction orders amounted to USD 66 billion in 2014, second highest following the record high of USD 71.6 billion in 2010. Nevertheless, there were construction companies that have put effort in coping with the rapid market change, and this study conducts SWOT analysis of major advanced construction companies from Spain and France to extract their business strategy. The fundamental data, or findings, are suggested in order to establish a policy to strengthen competitiveness and overseas advancement of the Korean construction companies.

For this research, Spanish and French construction companies, from ENR's top 250 construction companies list, with higher overseas sales than that of Korean construction companies were selected, which were GRUPO ACS and FCC from Spain, and VINCI and BOUYGUES from France[1]. The research process for this study is as follows.

First, company overview, business performance, etc. for each company was investigated and analyzed. Then, SWOT analysis was conducted based on each company's annual report. Finally, business strategies and major findings were suggested according to the analysis.

II. CURRENT STATE AND SWOT ANALYSIS OF ADVANCED CONSTRUCTION COMPANIES

A. Current state of advanced construction companies

GRUPO ACS was ranked top in ENR's top 250 international contractors (2013), as the company had actively pursued mergers and acquisition (making inroads to 54 countries and holding 790 affiliated companies as of 2011) to expand its business capability, which resulted in taking a 50-percent stake in HOCHTIEF in 2011.

FCC focused on the social infrastructure facilities of the construction sector, such as the environment and urban services. FCC was established through a merger of two

companies (Construcciones Y Contratas established in 1944 and Fomento de Obras y Construcciones established in 1900) in 1992 and it has advanced overseas since 2004.

Vinci is one of France's major global construction companies and specializes in Public-Private Partnership (PPP) projects. Vinci was established in 1899 and has emerged as one of the global leaders in the infrastructure sector through M&A of engineering/construction, geotechnical engineering and energy companies. Furthermore, the company holds concession for majority of the highways in France. As a result, it is evaluated as one of the largest global companies in the infrastructure PPP project development/operation sector.

With a variety of businesses, Bouygues Group, leading French group, has advanced into about 80 countries throughout the world, and is globally acknowledged for its capability in construction, communication, and media sectors.

B. SWOT analysis of advanced construction companies

SWOT analysis results based on the annual reports of the global construction companies are indicated in Table 1.

Table 1. SWOT analysis of advanced construction companies

(1) SWOT analysis of GRUPO ACS[2]	
S	① Winning a number of construction project contracts despite recent economic recession ② Expanding market share and reducing risks by diversifying work types through affiliated companies and winning contract orders in various regions
W	① Operating cost is greater than sales due to lack of effective cost management
O	① Strategic investment to expand new business ② Expanding construction investment in new countries ③ Expanding opportunities for the affiliated companies that have are currently expanding due to the rising demand for new energy sources
T	① Concerns for decreasing sales performance due to excessive competition for infrastructure construction projects

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	②Excess business expense due to changes in the external environment, such as exchange rate, raw materials price, etc.
(2) SWOT analysis of FCC[3]	
S	①Diverse business portfolio including construction, operation and maintenance ②Winning new contracts and gaining high profit by utilizing the brand image of FCC Group
W	①Worsening business performance due to recent profit decrease
O	①Possibility of business expansion due to the Pan-European transportation network development project ②Expansion of civil and infrastructure projects due to the construction market boom in Western Europe
T	①Uncertainty in the price of raw materials ②Risk of winning construction projects with low margins due to fierce competition with other companies ③Lack of technicians in Europe
(3) SWOT analysis of VINCI [4]	
S	① Portfolio diversification, including business diversification, through the operation of affiliated companies ②Providing an integrated project (contract and construction) solution to the owner
W	①Decrease in cashable assets and increase in debt ②Distorted profit structure dependent on the domestic construction market
O	①Pursuit of growth based on the strategy to acquire local firms in diverse markets ②Expecting to win new business project contracts due to the government's economic stimulus package
T	①Reduced supply of skilled engineers and technicians ②Winning a construction bid at a low cost due to the fierce competition
(4) SWOT analysis of BOUYGUES[5]	
S	①Profiting from all fields through the diversification of work types and regions
W	①Continuous decrease in earning rate since 2012
O	①Opportunities to expand into emerging Asian countries due to their rapid economic growth
T	①Adverse effect on business expansion and profit due to the government's budget cuts in the construction sector ② Increase in raw material price
※ S (Strength), W (Weakness), O (Opportunity), T (Threat)	

III. CONCLUSION

This study conducts SWOT analysis of major advanced construction companies from Spain and France to extract their business strategy. The fundamental data, or findings, are suggested in order to establish a policy to strengthen competitiveness and overseas advancement of the Korean construction companies.

The following are the main findings derived from this research.

First, the construction companies analyzed in this study secure original technologies of their specialized products and establish a business strategy based on their flagship products. In the process of advancing into overseas markets in order to maximize the advantages of their competence.

Second, the construction companies that were analyzed promoted growth through strategic M&A rather than establishing a new subsidiary. M&A targets can be categorized as companies related to the core business and those that are not related to the core business (highly related with the construction business).

Third, although construction companies in Korea have advanced mainly into the Middle Eastern region, companies analyzed in this study have business throughout the globe, with high profits in Asia and North America.

Fourth, by diversifying the portfolio, companies in this research have expanded their value chain by providing services from construction planning phase to operation phase.

In this study, the analysis was restricted to a few of the advanced European construction companies. In future research, more companies should be analyzed and sales volume and changes in business structure should also be examined, along with a comparative analysis of major construction companies in Korea.

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