

Entrants' Knowledge of the Host Country's Institutional Environments: A Critical Success Factor of International Projects in Emerging Least Developed Countries

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Abstract : Although the demand for infrastructure development forms a promising market opportunity for international firms, the dominance of informal institutions over formal ones, investors are facing extraordinary institutional challenges when investing in emerging Least Developed Countries (LDCs). We believe that, in emerging LDCs, the project performance heavily depends on how well the entrants respond to the challenges exerted by the host institutional environments. Which primarily depends on how much they learn about the host institution and what strategy they apply in response. In Nepal, almost all international or global infrastructure projects are financed by international financiers, so the procurement process of the infrastructure projects financed by foreign agencies is guided by the policies and regulations of the financier. Because of limited resources and the financiers' demand, contractors and consultants are procured internationally. Moreover, the resources, including but not limited to construction material, manpower, and equipment, also need to be imported. Therefore, the involvement of international companies as an entrant in global infrastructure projects of LDCs is obvious. In a global project (GP), participants from different geographical and institutional environments hold different beliefs and have disparate interests. Therefore, the entrants face the challenges exerted by the host institutional environments. The entrants must either adapt to the institutions prevailing in the environment or resist the institutional pressures. It is hypothesized that, in emerging LDCs, the project performance heavily depends on how much the entrants learn about the host institutional knowledge and how well they respond to the institutional environments. While it is impossible to generalize the phenomenon and contextual conditions because of their vast diversity, this study has answered why and how participants' level of institutional knowledge impacts the project's implementation performance. To draw that conclusion, firstly, we explored two typical GPs from Nepal. For this study, the data were collected by conducting interviews and examining the secondary data, such as the project reports published by the financiers, project data provided by interviewees, and news reports. In an event analysis, firstly, we identify the sources, causes, or nature of the institutional challenges; secondly, we analyze the entrant's responses to the exerted challenges and evaluate the impacts of the responses on the overall project performance. In this study, at first, the events occurred during the project implementation process have a causal link with the local institutions that demand the entrants' response are extracted. Secondly, each event is scrutinized as the critical success factor of the case project. Finally, it is crucially examined whether and what institutional knowledge in these events played a critical role in project success or failure. The results also provide insights into the crucial institutional knowledge in LDCs and the subsequent strategy implications for undertaking projects in LDCs.

Keywords : emerging countries, LDC, project management, project performance, institutional knowledge, institutional theory

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