

Internationalization Process Model for Construction Firms: Stages and Strategies

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Abstract : The global economy has drastically changed how firms operate and compete. Although the construction industry is 'local' by its nature, the internationalization of the construction industry has become an inevitable reality. As a result of global competition, staying domestic is no longer safe from competition and, on the contrary, to grow and become an MNE (multi-national enterprise) becomes one of the important strategies for a firm to survive in the global competition. For the successful entrance into competing markets, the firms need to re-define their competitive advantages and re-identify the sources of the competitive advantages. A firm's initiation of internationalization is not necessarily a result of strategic planning but also involves certain idiosyncratic events that pave the path leading to a firm's internationalization. For example, a local firm's incidental or unintentional collaboration with an MNE can become the initiating point of its internationalization process. However, because of the intensive competition in today's global movement, many firms were compelled to initiate their internationalization as a strategic response to the competition. Understandingly stepping in in the process of internationalization and appropriately implementing the strategies (in the process) at different stages lead the construction firms to a successful internationalization journey. This study is carried out to develop a model of the internationalization process, which derives appropriate strategies that the construction firms can implement at each stage. The proposed model integrates two major and complementary views of internationalization and expresses the dynamic process of internationalization in three stages, which are the pre-international (PRE) stage, the foreign direct investment (FDI) stage, and the multi-national enterprise (MNE) stage. The strategies implied in the proposed model are derived, focusing on capability building, market locations, and entry modes based on the resource-based views: value, rareness, imitability, and substitutability (VRIN). With the proposed dynamic process model the potential construction firms which are willing to expand their business market area can be benefitted. Strategies for internationalization, such as core competence strategy, market selection, partner selection, and entry mode strategy, can be derived from the proposed model. The internationalization process is expressed in two different forms. First, we discuss the construction internationalization process, identify the driving factor/s of the process, and explain the strategy formation in the process. Second, we define the stages of internationalization along the process and the corresponding strategies in each stage. The strategies may include how to exploit existing advantages for the competition at the current stage and develop or explore additional advantages appropriate for the next stage. Particularly, the additionally developed advantages will then be accumulated and drive forward the firm's stage of internationalization, which will further determine the subsequent strategies, and so on and so forth, spiraling up the stages of a higher degree of internationalization. However, the formation of additional strategies for the next stage does not happen automatically, and the strategy evolution is based on the firm's dynamic capabilities.

Keywords : construction industry, dynamic capabilities, internationalization process, internationalization strategies, strategic management

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