

Research on Contract's Explicit Incentive and Reputation's Implicit Incentive Mechanism towards Construction Contractors

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Abstract : The quality of construction projects reflects the credit and responsibilities of construction contractors for the owners and the whole society. Because the construction contractors master more relevant information about the entrusted engineering project under construction while the owners are in unfavorable position of gaining information, asymmetric information may lead the contractors act against the owners in order to pursue their own interests. Building a powerful motivation mechanism is the key to guarantee investor economic interests and the life and property of users in construction projects. Based on principal-agent theory and game theory, the authors develop relevant mathematical models to analyze and compare the contractor's utility functions under different combinations of contracts' explicit incentive mechanism and reputation's implicit incentive mechanism aiming at finding out the conditions for incentive validity. The research concludes that the most rational motivation way is to combine the explicit and implicit incentive effects of both contracts and reputation mechanism, and puts forth some measures for problems on account of China's current situation.

Keywords : construction contractors, contract, reputation, incentive mechanism

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