Identify the Indicators that Forecast Construction Market Potential and Contractors' Entry Modes to the Belt and Road Projects

Majority of the projects implemented in the Belt and Road 1.0 period were the infrastructure and construction projects. While a large number of them were successful in construction, many construction projects had different kinds of functional failures. For example, Mecca Railway project organized by China Railway Construction Corporation experienced budget and time over-runs.   According to the main reasons of the failed projects, most of the current researches show that it they are attributed by three aspects: political, cultural and project managerial problems. However, apart from these three aspects, the author put forward an assumption that the analysis of the investment market, the determination of the corresponding entry mode can be the key factors determining the success of the project, for overseas construction companies or investors. Based on this, this paper put forward the research question: what are the key leading indicators that forecast construction market potential? And, accordingly, what entry modes and business models contractors should have in the Belt and Road projects?

For this research topic, firstly, this paper will commence by summarizing the literatures of current international market potential and entry model theories. From the literature reviews of relevant researches, we open up a new perspective to further the research. By systematically combining the quantitative analysis of

construction market potential with the micro-analysis of business entry models as well as business models as a unified and mutually influential compound. Secondly, by collecting the national infrastructure & construction data released by the World Bank in 2014, the important indicators for major infrastructure will be selected and the standard scores model will be established to quantify the level of national infrastructure construction along the Road. By so doing, the paper will classify 64 countries into four types of markets (stars, cash cow, question marks and dogs). Subsequently, this research will use STATA to identify the correlation of key indicators that forecast construction market potential and contractors' entry models, based on the data collected in two countries in two types of market. Thirdly, after identifying the significant indicators, this dissertation will establish corresponding entry models for the markets defined in the second part. What is worth mentioning is that the economic and organizational theories such as TCE (Transaction Cost Economics), MPT (Market Power Theory), PA (Principal-Agent Theory), VM (Value Management) will be referenced to support the arguments. Finally, this paper will use the 'failed' Mecca Railway project to conduct an empirical study. By defining the functional failure and analyzing whether the project has set up a correct entry model according to its market type, the paper can verify the significance of the outcome based on the above analysis. Then, this paper will provide some suggestions to construction projects in the Belt and Road Initiative; meanwhile, value management will also be suggested in strategic briefing stage to these projects.

It is well-known that, for all multinational contractors, political and cultural factors are an inevitable risk. The existence of multiple successful projects shows that the proper execution of project evaluation and project management can largely reduce the risk whilst safeguarding stakeholders' interests. The significance of this research can be concluded into three points: firstly, this research suggests that, in the Belt and Road Initiative, transnational investment contractors must accurately grasp the key indicators that influence construction market potential and facilitate international contractors and investors to accurately select the entry mode as well as business model from a strategic perspective. Secondly, this research will systematically integrate the quantitative analysis of construction market potential with the micro-analysis of business entry models. Thus, it can provide significant information to construction enterprises, such as investors or contractors, to implement projects in the Belt and Road Initiative. Finally, value management will be suggested in the strategic briefing stage as the project management tool for the entire life cycle of project construction.