

## **A study on global market expansion strategy of domestic company**

- Revolve around investing overseas construction projects –

Seung Wan Ju<sup>1</sup>, Lee-Sang Jung<sup>2</sup>

{16, Yangjuro, Yangsansi, GyungNam} 9310312@naver.com  
{179, Sinseonno, Namgu, Busan} lsjung@tu.ac.kr

**Abstract.** Korea overseas construction business started in 1965 with Thailand, since then great development in overseas business has been achieved but domestic construction has been down and Nut cracker phenomenon due to profitability, advance foreign construction companies and Chinese companies. Now days construction market flows are resource development in underdeveloped countries, IPP projects, increase of investment development project has been seen. For seeing the overseas construction and resource development projects, there is need to secure the growing overseas construction and resources linking with investment projects.

For that this research studies instead of the core, specialization, profit management, entry strategy, adopt the first countries companies systems and competitiveness for our inner investment projects.

**Key words:** Foreign investment project, IPP projects, Overseas construction

### **1 Introduction**

Our country's overseas constructions began with 1965 Thailand Highway project, which with the government full support the foreign constructions became a core export market and 1970 middle east project help economic growth, but after 1997 IMF dropping Country credit rate forced construction market to lay down worker. By middle of 2000 construction market grew due to the rise of the oil price central Asia plant order rise but 2008 financial crisis halted that growth. Also, Domestic construction worked with a total adjustment turnkey format that had a disadvantage to the contractors, overall it was weaker than the high valued overseas projects. There are many reasons for this but if we pick 2 reasons, one is Overseas Construction Technology difference and investment based overseas projects. For a continuous growth of our country overseas project and resources there is a need to stimulate construction investment and development for a better national image and trust.

---

<sup>1</sup>Dept. of Business Administration, The Master's Course, Tongmyong University.

<sup>2</sup>Dept. of Business Administration, Professor, Tongmyong University, Corresponding Author.

This research analysis academic paper, related books, government statistics, international contractor association, etc. to find the problem and compare with first countries construction policies and system and adopt it for our countries construction growth.

## 2 Definition of Foreign investment construction

Foreign Investment construction is Overseas construction projects during the financial scheme that contractor provide the money to construct or have the rights to sale the project major cases are PPP(Public Private Partnership), BOT(Build Operate Transfer), BTO(Build Transfer Operate), BOO(Build Own Operate), SOC(Social Overhead Capital) [1].

## 3 Foreign Construction orders changes and profit comparison

Foreign investment projects has been a bidding system. But now change in system has been seen, Owner money is not a big factor now. Now is a combination of factors like Ordering resource, condition, competitive method.

**Table 1.** Foreign Construction orders changes [2]

	AS-IS	TO-BE
Ordering resource	The rich domestic and international capital-oriented orders	PF, PPP and BOT
Ordering condition	Exclusive(Price oriented)	Mutual consultation
	Localized	Expansion and diversification of the range required
	Using its own manpower and equipment requirements	Technology transfer, payment in Kind
	Obligations to subcontract Local businesses	Enlarge duty ratio, a joint Induction
Construction type	Civil/ Architecture predominantly infrastructure-related facilities	Predominantly industrial infrastructure, Investment development
Contractor selection	Bidding	Addition negotiation after bidding
Contractor requirements	Emphasis on experience and construction skills	Project creation, Emphasis on comprehensive Management capabilities
Compete	Minor competition	Multiple competition
Market	Developing Countires	Resource Development
Business Activity	Localized	International

Investment projects have a higher profit rate than normal construction projects. Normal construction project have a limited profit rate but investment project can vary due to contractor. [3]

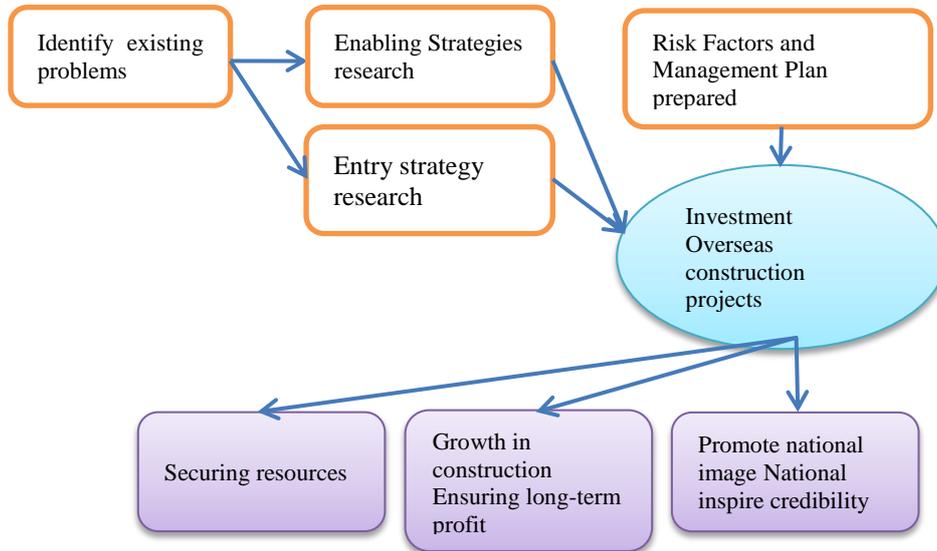


Fig. 1. Concept Frame work

#### 4 Activation of strategy of investing overseas construction projects

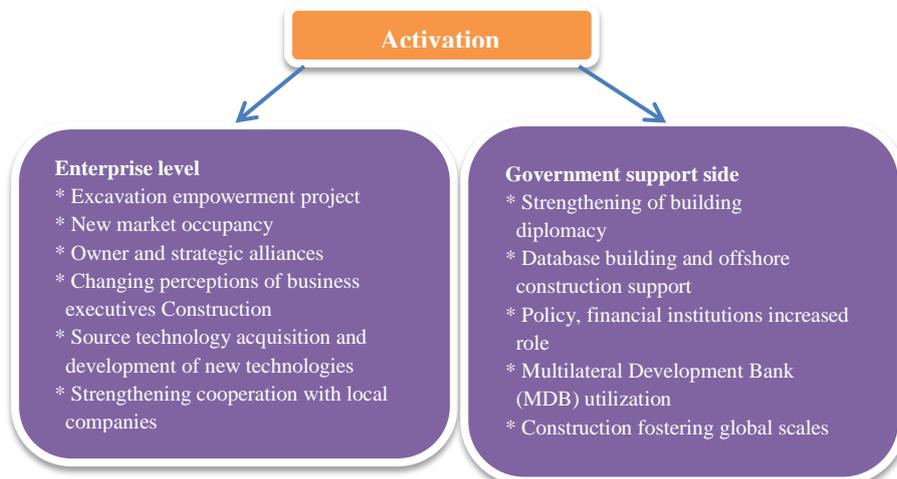


Fig. 2. Activation Strategy

Difficulties in financing, the local market of area preponderance, poor profitability, financial support foreign investment, can be separated due to factors such as difficulty of the lack of specialized personnel. These problems derive the consequent expansion strategy was euroneun local Jewish strategy, financing strategy, new markets and new product development strategy, management rationalization strategy, global marketing activities, strategy.

## 5 Conclusion

This study is the domestic construction companies to grasp the immediate problems and Status and Investment overseas construction markets in order to analyze the trends and status using primarily statistical data which, if necessary practical problems and the country's investment overseas construction projects advance entry strategy, competitiveness plan, risk management plan, research abroad during the consideration of the investment was to activate overseas construction business purposes. investment overseas construction projects from the excavation of the project financing, EPC, construction and operational management to the whole process in a way is true that much of the risk involved with large employers of the project. Therefore, investment overseas construction projects entered upon a thorough analysis of the future cash flows of the projects and contracts, compulsory purchase agreement (Take or Pay) profitability through such, careful review of the contract, the country risk, analysis and mitigation of such exchange rate risk raise sufficient project management capacity to plan and prepare. In addition, construction investment abroad establish an appropriate portfolio of business model will require some effort to become the host country in the long term, this income that can be Win-Win project. If investment overseas construction projects and value-added national strategy to develop projects construction companies and government continued interest and support investment overseas construction business will be able to contend with the advanced foreign construction companies, again as protagonist of the Republic of Korea National Economic Activities it will be born.

## References

1. Jung-Sek Lee, T.: A Study on the Development of Risk Assessment Framework in the International Project,p.16. Architectural Eng.Graduate. Han-Yang University (2013)
2. International Contractors Association of Korea, C.: OverseaConstruction Promotion Plan Public Hearing. (Oct. 2007)
3. Ministry of Land, Infrastructure & Transport, S.: Publicprivate-partnership to activation plan for Investment development of overseas infra. Study Service Report (2008)