

# DISCOURSES OF COMPETITIVENESS IN THE CHINESE CONSTRUCTION SECTOR

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The transition of China to a socialist market economy has transformed the expectations placed on the construction sector and the parameters used to evaluate performance. Terms such as ‘competitiveness’ and ‘enterprise’ increasingly dominate the discourse of construction sector performance in a way which was unthinkable thirty years ago. This paper explores the policy discourses on construction sector improvement since the 1950s. The particular focus lies on the changing ways in which contractors are defined and positioned and techniques suggested within the unfolding policy discourses. This paper identifies four main policy discourses since the 1950s, which are soviet style construction (1950s-1970s), enlivening contractors (1980s) socialist market economy fitness (1990s) market behaviour regulating (2000s-). It further argues that, in the academic literature, the Chinese policy discourses about contractors were hidden by predefined categories drawing from western competitiveness discourses.

Keywords: competitiveness, contractors, discourse analysis, policy

## INTRODUCTION

Since the introduction of the open door strategy in 1978, the Chinese government has tried to introduce elements of competition. During this process, policies emerged that conveyed a changing set of expectations for the contractors. Correspondingly, the academic literature started to focus on the competitiveness of contractors and the practices that might help their development. However, the current literature lacks any systematic analysis of the changing nature of the policy discourses and their implications for practice.

This research aims to explore the policy discourses since the 1980s and their similarities and differences, if any, with those found in the academic literature. Initially, the existing academic literature relating to the competitiveness of Chinese construction firms was reviewed and critiqued. It is argued that the literature is heavily influenced by western competitiveness discourses and policy discourses. This is followed by a consideration of methodology, drawing loosely from Foucault’s (1978/1991) concept of governmentality. The adopted analytic model focused on the expectations and accompanying techniques suggested for the construction sector, with particular focus on contracting firms. This is followed by an indicative analysis of the policy discourse from the 1950s to 2010s. Finally, the discussion and conclusion section focuses on the changing expectations of how contractors should operate.

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Western discourses of competitiveness reflect and reinforce the notion that firms have to compete within the 'marketplace' if they are to survive and prosper. More recently emphasis is increasingly given to the need for firms to adapt to changing circumstances, otherwise construed as a dynamic business environment (Green e.g. 2008). This provides the essential starting point for reviewing the existing literature on the competitiveness of Chinese construction firms. It will be argued that this literature is heavily influenced by Western discourses of competitiveness and the changing policy context within China. These of course are not unrelated, at least in terms of their respective discourses.

Influenced by the national strategy of 'socialist market economy', academic research on the competitiveness of the Chinese contracting firms started to flourish in the early 2000s. The resulting literature was heavily influenced by the discourses of market-based competition. For example, Wang *et al.*, (2006) on the basis of a questionnaire survey argued that the primary aim of the contractors are profit maximization. They also emphasised the importance of construction quality improvement and being competitive in the pricing of bids. These are hardly radical ideas from a Western perspective, but their gradual introduction into the Chinese context is hugely significant. Lu *et al.*, (2008) also adopted the terminology of 'competitive advantage' to set out their expectations of how contractors might operate. They further recommended eight supposed 'techniques' which might bring success. The lexicon of terms was derived directly from Western discourses: project management skills, organization structure, resources, competitive strategy, relationship, bid, marketing, and technology. Precisely what these terms might mean is perhaps less important than the fact that they are now being talked about. Ling *et al.*, (2012, 40) further argue that contractors 'need to be competitive in order to survive and grow'. Their lexicon of recommended techniques is nuanced slightly differently, but is essentially derived from the same Western discourse of competitiveness. Examples of key phrases include: differentiation, focus, cost leadership, a variation of tactics, relationship formation, and relationship cultivation. Phrases such as 'differentiation', 'focus' and 'cost leadership' can be seen to be derived from Porter's (1985) ever-popular contribution.

But the arguments offered were not solely imitative of Western sources, they also made specific reference to Chinese government policies. For example, Lu *et al.*, (2008) refer to the Chinese Governments 'lay-off' policy and to their determination in promoting 'modern construction'. Government policies were also mentioned as part of the justification for an increasing focus on 'human resources'. Shen *et al.*, (2004) were especially notable in referring explicitly to mechanisms which had been introduced into the debate through governmental policy documents. These mechanisms included the business license and qualification system, quality monitoring system, project supervision system, tendering system, qualification management system, initial capital system and owner responsibility system. Clearly there is something occurring that is rather more nuanced than Chinese contractors adopted supposedly 'Western' management techniques. There would appear to be an evolving discourse relating to the Chinese construction sector which has yet to receive any degree of systematic analysis.

## METHODOLOGY

The proposed research aims to explore the policy discourses in the Chinese construction sector. Drawing loosely from Foucault (1978/1991)'s concept of governmentality, discourse analysis has been applied to policies issued in the Chinese construction sector from the 1950s to 2010s. The concept of governmentality is argued to be a useful tool to analyse policy discourse. Dean (1999) developed four concepts, 'visibility', 'techniques', 'knowledge', and 'identity' for the purposes of analysing policy discourses. Visibility refers to which problem to solve, while techniques denotes the mechanisms or regimes advocated for the purpose of solving the problem. Knowledge refers to the types of thought that should be brought to bear by the techniques. Finally, 'identity' refers to what forms of self are proposed. Oels (2005) applied these four concepts to demonstrate how the governmentality of 'climate change' was exercised in a series of policy reports. Schweber (2013) similarly applied the four concepts to analyse which kind of governmentality embedded within BREEAM. Given the aim of the research to understand the policy discourses surrounding contractors, particular attention will be given to the expectations of construction sector, contractors and construction professionals and accompanied techniques. Techniques here means the mechanisms recommended for use in guiding the contractors.

## CHINESE POLICY DISCOURSES FOR CONSTRUCTION

This section will use the analytical framework to analyse the policy discourses relating to the Chinese construction sector since the 1950s to 2010s. This section will argue that there are four main policy discourses about contractors, which have been labelled: soviet style construction (1950s-1980s), enlivening contractors (the 1980s), socialist market economy fitness (1990s) and regulated market behaviour (2000s). Each period is characterised by different advocated goals for contracting firms and correspondingly different recommended techniques. To avoid confusion caused by translation, the Chinese words of the key texts of expectations and techniques will also be given.

### *1950s-1980s: Soviet-style construction*

This section analyses the key policies issued from the 1950s to 1980s. These include the Provisional Regulation on Basic Construction (Finance Economy Committee, 1952) and Decision on Strengthen and Develop the Building Industrial Industry (the State Council, 1956). It is argued that soviet style construction is the main policy discourses in this period. In the Provisional Regulation on Basic Construction (Finance Economy Committee, 1952) construction activities were called 'basic construction' (基本建设). They were further defined as 'affiliated works caused by the fix assets enlarge and reproduction, include new construction, rebuild, and recovery.' (Finance Economy Committee, 1952, p 1). No clear concept of the construction sector can be found in these documents.

The goal set for the contractors, which were referred to as 'building installation organizations' (建筑安装组织), was to 'execute the task of industrial construction' (Central People's Government Commission, 1953). Contractors were expected to improve technology, organization and management level. A military style can be observed here. This can be linked to the Decision on Transformation of Armies

(People's Revolutionary Military Committee and Governmental Administration Council, 1952), which made the building installation organizations part of the People's Liberation Army, referred as 'Engineering Troops'.

The Decision on Strengthening and Developing the Building Industrial Industry (the State Council, 1956) identified a number of techniques to help to build installation organizations to improve the technology, organization, and management level. Main mechanisms recommended include 'industrialization' (工业化); duration quota (工期定额) and budget quota (预算定额); mixed labour team (混合工作队); piece-wage system (计件工资) and welfare like school.

These recommended techniques were clearly influenced by the soviet style construction. The term 'industrialization' here conveys a sense that construction activities should be organized in a similar way to the manufacturing industry, with fixed factories and specified roles. 'Construction base' (建筑基地) was required to establish as the 'manufacturing plant', which contains all special organizations. The relations between these special organizations was interestingly described as 'subcontracting' (分包), which was a nominal designation given that 'construction tasks' were designed to be allocated by governmental departments. Duration and budget quota, with no clear definition, were recommended to improve the 'management level', which highlighting the function of 'planning' in the resource coordination. A piece-rate wage system was designed to motivate soldiers to improve productivity also demonstrates that the construction activities were treated similarly to other types of manufacturing.

#### *The 1980s: Enlivening contractors*

This section focuses on the policies issued since 1978 when the open door strategy was announced. Key policies include the Provisional Regulation on State-operate Construction Enterprises' Operational Rights Expanding (the National Construction Committee *et al.*, 1980), the Provisional Regulations on Reform on the Management Mechanism of Construction Sector and Basic Construction (the Chinese State Council, 1984), and the Guidance on Pilot Reform on Construction Management System (Ministry of Construction, 1991). This section will argue that "enlivening contractors" became the main policy discourse of the 1980s.

In 1978, the Chinese government announced open door strategy and put the economy development as its primary goal. The construction sector was then defined by Xiaoping Deng (1980), the most influential leader at the time, as 'important industry that can increase revenue for the state'. To realize the economic effectiveness, the previous 'building installation organizations' were then designed to different roles. According to the Provisional Regulations on Reform on the Management Mechanism of Construction Sector and Basic Construction (the Chinese State Council, 1984), 'engineering contracting firm' (工程承包公司), 'Construction Bank', 'designer', 'supplier' were listed as main actors in the construction sector. Among them, the engineering contracting firms were given a central role.

How to enliven the engineering contracting firms to improve the economic effectiveness was the main theme of the policy discourse in the 1980s. It should be noted that engineering contracting firms were not firms in the western common sense. In contrast, the newly named engineering contracting firms, (previously referred to as

'building installation organizations') were owned by either the national or local governments. The engineering contracting firms were also referred to as 'construction enterprises' (施工企业) or 'state-operated construction enterprises' (国营施工企业). The word 'operate' correspond to the goal to enliven the construction enterprises. Techniques, like 'operation rights expanding' (扩大经营自主权), 'competition' (竞争), 'separation of management level and labour level' (管理层与劳务层分开), 'responsibility contracting' (责任承包), 'project way construction' (项目法施工), and 'construction method' (工法), were recommended as the means of achieving improved performance.

According to the National Construction Committee (1980), the state operated construction enterprises were given broader operational autonomy. In addition to their allocated construction tasks, the state-operated construction enterprises were allowed to obtain contracts independently. Bidding and tendering practices were recommended, thus introducing the first element of market competition. Enterprises were allowed to keep 2.5 % of the project budget as statutory profit (法定利润) (National Construction Committee *et al.*, 1980). The 'fixed salary percentage of per yuan production value' (百元产值工资含量包干) equated to a stipulation that a fixed proportion of the income which firms should extract according to the production value short be earmarked as wages with the intention of motivating the workforce (Chinese State Council, 1984).

In the late 1980s, two main acclaimed techniques', 'management level and labour level separation' (管理层与劳务层分离) and 'project way construction' (项目法施工) were recommended to improve the construction enterprises' operational efficiency (Ministry of Construction, 1991). The technique of the 'management level and labour level separation' serves to define the distinction between 'general contractor' and 'labour-only contractor'. This idea seemingly came from the observation of the Buluge Project in Yunnan, China, part of which was completed by a management team from a Japan contractor and local Chinese labourers which were hired locally hired (Zhang, 1991). As a result, 'general contracting' was promoted as another important practice focused performance. Qualification grades were introduced to separate the 'management level (as the general contractor)' and the 'labour level' (as the labour-only contractor) (Zhang, 1991).

The 'project way construction' served to emphasise that construction is delivered through projects, which it was maintained should be the central focus of the construction enterprise. From this point onwards phrases such as 'construction site', 'project', 'project manager' started to enter the lexicon of the Chinese construction sector. According to Qinglin Zhang (1992), the main leader for this technique, two main practices, project manager system and project independent calculation (which means accounting), were recommended (Zhang, 1992). 'Responsibility contracts' (责任承包) were then suggested for the purposes of managing the project managers. These might perhaps be understood as service level agreements (SLAs). During this period, the role of soldiers in the building installation organization was transformed. The word 'fixed labour' (固定工) and 'temporary labour' (临时工) were used in the Provisional Regulation on state-operated Construction Enterprises' Operational Rights

Expanding (National Construction Committee *et al.*, 1980). The word ‘hire’ indicates a new relationship between the labour and the construction enterprises.

*The 1990s: Socialist market economy fitness*

In 1992, the Chinese State Council (1992) announced another national strategy, ‘the socialist market economy building’ (社会主义市场经济). This section reviews four key policies. By doing this, it is argued that the main policy discourse is the socialist market economy fitness at both the sector and firm level. Since the announcement of the strategy of the ‘socialist market economy’, socialist market economy fitness has become the main policy discourse. According to the Chinese State Council (1993, 1), the socialist market economy is ‘a system that, under the state’s macro-control, the market works as the main way to allocate the resources’. It was the first time the government stated its intent to delegate more power to the workings of the market. Of particular note is the high emphasis given to the role of firms in the market.

It is clear from the policy discourse that contractors were increasingly expected to behave as the independent business entities in the market. The main technique identified to realize this aim was the ‘modern enterprise system’ (现代企业制度). According to the Ministry of Construction (1995b), construction enterprises should restructure and reorganize to ‘corporations’ (公司制). This new definition positioned construction enterprises as ‘independent business entities’ and the state as the investor of the construction enterprises. In the policy documentation, operational responsibilities were delegated to the appointed managers. However, the entity of ‘party organization’ (党组织) was also cited in the policy documentation seemingly at odds with the other newly defined roles. The party organization was expected to play a core role by ensuring ‘the enterprises follow and carry out the party’s and state’s policies’ (Ministry of Construction, 1995b). Through this organization, the state was depicted as retaining control over construction enterprises. The tension between greater market autonomy and continued political control raises questions as to how this policy was implemented.

Other techniques, including ‘standardization’ (标准化) and ‘project management’ (项目管理), were also recommended (Ministry of Construction, 1995a, Ministry of Construction, 1996). ‘Standardization’ here means that construction enterprises should follow national standards. In addition, construction enterprises were called upon to develop management standards, which were referred to management procedures. ‘Job’ standard was also suggested, which referred to formal role specification. The term ‘project management’ was introduced by the Ministry of Construction (1996), replacing the ‘project way management’. This was explained as involving the creation of ‘temporary project management departments’ to manage projects.

According to the Ministry of Construction (1995b), managers were expected to work as employed operators, replacing their previous role as the ‘state’s cadres’ (国家干部). It was further suggested that the previously mentioned ‘fixed labour and temporary labour’ should transfer to permanent contracts of employment. . The project manager was re-defined as a type of professional, who was now required to obtain a formal qualification. There is of course a difference between ‘requiring’ things to be done and them happening in practice.

*The 2000s: Market behaviour regulating*

Since the turn of the century, the word 'market' started to dominate the policy agenda. Contractors were expected to behave as legal entities in the construction market. This section argues that 'regulated market behaviour' was the main policy discourse in the 2000s, accompanied by recommendations regarding law enforcement and suggestions for contractors.

Since the 2000s, regulated market behaviour became the main policy discourse. 'In order to regulate the behaviours of...' became a common prologue of the policies (Office of the State Council, 2001). Policies focused on two main techniques: law enforcement and suggestions for contractors. The 'administrative punishment' (行政处罚) was suggested by the government as a means of regulating the market behaviour. According to the Ministry of Construction (1999, p 1), administrative punishment is 'the construction administrative legal branches to punish the citizens, legal person and other organizations who break the law, regulation, and rules'. During the 2000s, several announcements about the proposed inspection events occur in the policy documentation, including safety inspection, quality inspection. In 2010, a special inspection office (稽查办公室) was proposed (Ministry of Housing and Urban-rural Development, 2010). Finding an appropriate balance between regulation and market incentives is a challenge of course which is by no means unique to China.

The policy documentation was very clear that contractors were expected to behave legally and honestly. Techniques like contract guarantee (合同担保), legal office (法务办公室) were recommended. Ministry of Construction (2004) recommended a range of measures for guaranteeing contracts. Techniques such as bid guarantee, client payment guarantee, contractor performance guarantee and contractor payment guarantee were all recommended and hence entered the lexicon of the policy discourse. In 2007, it was suggested that contracting firms should establish their own internal legal office for the purposes of providing the firms' management with legal advice (Ministry of Construction, 2007).

Special techniques were also suggested for dealing with concerns such as construction safety and quality. In terms of quality, it was made clear that contractors were expected strictly to adhere to the design specification (State Council, 2000). In terms of the safety management, the managers of the contracting firms were required to take full responsibility (the State Council, 2003). Later, in 2011, it was suggested that managers should conduct inspections not every day, but no less than every four days (Ministry of Housing and Urban-rural Development, 2011). These expectations elevated the hierarchical position of managers. Other techniques included the establishment of special safety office for the provision of safety training, and maintenance of safety standards.

General contracting and project management was also suggested (Ministry of Construction, 2003). Here, general contracting extends to the use new procurement method adaptation; examples mentioned in the documents include EPC, DB and Turnkey. However, contractors cannot choose their procurement methods such responsibilities rest with clients. But what contractors are expected to do is adapt to new procurement arrangements. A range of techniques were recommended for the purpose of improving project management, including restructuring and reorganising, together with the adoption of joint venture with foreign partners. During this period,

various professional identities were established. Construction management staff included roles such as constructors (建造师), cost engineer (造价师), safety officers (安全员); all of these positions were linked to certification through formal qualifications. In 2015, workers were finally referred to as ‘construction worker’, replacing the phraseology of ‘rural migrant workers’.

## DISCUSSION AND CONCLUDING REMARKS

Four main policy discourses had been identified: (i) soviet style construction (1950s-1970s), (ii) enlivening the contractors (1980s), (iii) socialist market economy fitness (the 1990s) and (iv) regulated market behaviour (2000s). In each one, expectations for contracting firms have evolved to fit the main policy aims for the construction sector (see Table 1). Correspondingly, the focus of recommended techniques changed from construction activity to firm.

Table 1 Policy discourses in the Chinese construction sector (1950s-2010s)

	1950s-1970s	1980s	1990s	2000s-
Construction sector	Soviet style construction	Enlivening contractors	Socialist market economy fitness	Regulated market behaviour
Contracting firms	Building installation organizations	State-operate construction enterprises	Construction enterprises	Construction enterprises
Goals	Finish the ‘construction task’	Investment effectiveness;	Independent corporations	Behave legally and honestly;
Techniques	Industrialization; quota; mixed labour team;	Competition; project way construction Construction method	Modern enterprises system; standardization, project management	Contract guarantee; legal office; quality and safety; general contracting; project management
Professionals	soldiers	Fix/ temporary labour	managers; project managers	Constructor cost engineer, safety officer...
Techniques	piece-wage; welfare	fixed salary percentage of per 100 yuan	Employees by contract	Qualification certificate

Interestingly, the academic literature combines the vocabulary of Western discussions of the construction sector with the content of the Chinese policy documents. Thus, while academics present contractors as market actors, the techniques they identify resonate better with the policy discourse ‘socialist market economy fitness’ in the 1990s. Techniques suggested by Lu *et al.*, (2008), like organization structure, organization resource, competitive strategy, marketing can be found in the policy discourses in the 1990s. This is same in Ling *et al.*'s (2012) paper on contractors' competitiveness. Still more terms, such as differentiation, focus, cost leadership, from western discussions were used by Ling *et al.*, (2012). This is because the categories in the questionnaire were predefined according to Porter (1985)'s competitive discourse. In contrast, Li and Ling (2013) includes no vocabulary of western competitiveness discourses because they used Sun Tzu's military strategies to predefine the questionnaire categories. This raises the concern that the predefined categories hidden or missed the language/ terms used by contractors.

Following the introduction of the open door strategy in 1978, various policy discourses were introduced with reference to the Chinese construction sector. This



paper used a very light touch version of Foucault (1978/1991)'s concept of governmentality to analyse the policies in the Chinese construction sector since 1949 to 2010s. Four main policy discourses have been identified found, soviet style construction (1950s-1970s), enlivening contractors (1980s), socialist market economy fitness (the 1990s) and market behaviour regulating (2000s-). The expectations for the contracting firms changed to fit the main policy aim for the construction sector. Corresponding to the expectations, the recommended techniques changed from construction activity to firm.

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