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REPORT



GET YOUR FEET WET- A STUDY OF  
ENTRY STRATEGY OF DUTCH  
ARCHITECTURE FIRMS IN CHINA

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## i. Colophon

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## ii. Preface

*"New information technology that provides fast data exchange at a low cost is bringing about new organization structures. It is no longer necessary to set up extensive local management offices, which significantly reduces overhead expenses."*

*Seung H. Han and James E. Diekmann*

*"To understand Chinese culture, foreigners usually learn Chinese history and Confucius teachings. Unfortunately, these may not be the culture of the man in the street in today's Chinese cities. They may not even agree with the old historical teachings. Therefore it is necessary to "get ones feet wet by being in China physically."*

*Florence Yean Yng Ling; C. William Ibbs; and Wei Yee Hoo*

This report was triggered by these two contradictory statements, an interest to investigate the scope of international expansion decision and how the cultural distance could affect the decision therefore was coming into being. The thesis is written for the Technical University of Delft, more specifically for the graduation department of Real Estate and Housing, and in the Design & Construction Management laboratory of the Faculty of Architecture.

The choice of this subject, namely entry strategy to foreign market, is linked to my personal interest in understanding the business development in an architecture firm. I was wondering what different aspects are taken into account behind the international expansion decision. Hereafter the preference to deepen my knowledge in the entry strategies was rapidly decided. Additionally, what would be more equitable for a foreign student studying in the Netherlands than taking Dutch architecture firms as study target? While selecting a target market, first Taiwan and Singapore were come into my mind because personal connection, however due to there are not enough Dutch firms actively developing in the above locations; and in addition to the language proximity and the market attractiveness, China has been the best choice to explore this subject. This is how the idea was born to include Dutch architecture firms' expansion to China.

There has been considerable research into the patterns and determinants of foreign entry strategies; nevertheless, the entry strategy for overall industries might not be applicable to architecture firm due to its natural is very different from manufacturing firms. Moreover, most existing researches are conducted by Anglo-Saxon countries; therefore their architecture firms have been their study target, which their culture may differ from the Dutch firms' one. Few researches before me have explored the same subject and even the official organization BNA did not provide the relevant assistance to the firms which would like to enter Chinese market until lately. From 2011 while the Netherlands Architectuurinstituut and Dutch Design Fashion Architecture, the quasi-official organizations were exploring the possibilities concerning this adventure almost the same time the first interview conversation was received.

Bearing the same blood of the ancestors, a Taiwanese like me seem to be recognized just as a Chinese, nevertheless, when discover China, realizing it from a Taiwanese point of view seems not that dissimilar from a Western point-of-view. There is always culture shock! While doing this thesis, I have experienced similar difficulties as the most Dutch architecture firms did when they were approaching China, in terms of learning the

cultures, building regulations, and contacting the clients. As the author of “You can’t change China, China changes you”, John van de Water said, “There isn’t a manual or anything like that” for a Westerner’s quest in China for an architecture embedded in Chinese values and developed on the basis of current Chinese conditions. This thesis therefore provides the westerners who are interested in gaining knowledge of this market.

Being able to conduct many interviews, I especially give thanks to Harry den Hartog for his willingness to start the helicopter interview and thereafter brought many more interviews. I also give thanks to Yawen, for her assistance on typing the transcripts as well as encouragements to think critically. The support from the Chinese fellowship and IREF in Delft has provided my empirical provision; moreover, the prayers from you become a strong power to move me on this journey.

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## iv. Abbreviations

### In general

AEC firms	Architectural, engineering and construction firms
FDI	Foreign Direct Investment
WFOE	Wholly Foreign Owned Entity

### In the Netherlands

BNA	De Koninklijke Maatschappij tot bevordering der Bouwkunst Bond van Nederlandse Architecten
DutchDFA	Dutch Design Fashion Architecture
NAi	Nederlands Architectuurinstituut

### In China

LDI	Local Design Institute
DDWS	Dutch Design Workshop Shanghai



# 1. Setting the Stage

## 1.1. Introduction

During the last decades, critical changes have occurred that reduced barriers to international trade and expanded world construction markets. Due to the GATT, all signatory countries are obligatory to open their domestic market, including the construction service. The development of regional Free Trade Blocs has had a profound impact on the construction industry by instituting free trade among member countries. On the other hand, the IT development has made exporting design service possible.

*“The advancement of communications and easiness of travel have allowed the globalization of architectural practice. Not only architects can take commissions far away from their base but owners, seeking international recognition of their projects, invite famous architects to design their buildings regardless of how far away the practice of the design architect is.” (Spiro N. Pollalis 2004)*

Han and Diekmann (Seung H. Han and James E. Diekmann 2001) also pointed out that rapid developments in telecommunications, travel and other related industries have open opportunity to the international construction market. Moreover, the low cost of the new information technology brings the new organization structures. So do the Dutch architecture firms react to such developments? Minister of State for Economic Affairs of the Netherlands declares that architecture, in addition to clogs and tulips, is now a major export article (Marlies Buurman et al. 2005). However, how true is this statement? The Dutch Royal Institutes of Architects (BNA) acknowledges the presence of this development.

*“Steeds meer Nederlandse architectenbureaus werken internationaal. In verre landen als China, Dubai en Brazilië, maar meer nog bij onze buurlanden. Duitsland is de belangrijkste buitenlandse markt voor Nederlandse architecten. Turkije biedt als groeiland goede perspectieven. BNA International richt zich daarom in 2012 op deze twee focuslanden.” (www.bna.nl)*

BNA mentioned that Germany is the most important foreign market to Dutch architecture firms. Meanwhile, Turkey is one of the country offers growing prospects. Except for these two countries, Russia, China, United Kingdom and Poland are the countries which Dutch architects are ambitious for. Figures from the BNA show that about 3% of total foreign sales of architectural projects are achieved. For large firms it is almost 20%. The involvement to foreign markets may keep growing due to the Netherlands was hit by the on-going global financial crisis and the ensuing European debt crisis, construction industry in the Netherlands is still in decline (Dezeen Wire 2012). Searching for an opportunity abroad probably is a good solution during the recession.

In this study the subject is to investigate the business development of Dutch architecture firms in China. Therefore their activities to China need to be discovered in the first place. According to the information given in the book *Dutch Architects in Booming China* (Marlies Buurman, Maarten Kloos, & Arcam 2005), by 2005 there were 20 Dutch architecture firms involved in the Chinese market and 83 projects in total were listed in the book.

Sort of firms	Architecture firms	No. of projects	Total
<b>10+</b>	Kuiper Compagnons	27	39
	KCAP	12	
<b>6-10</b>	MVRDV	7	13
	NEXT architects	6	
<b>1-5</b>	Atelier Dutch	4	31
	Niek Roozen	3	
	DHV	3	
	OMA	3	
	UN Studio	3	
	Verburg Hoogendijk	3	
	NITA Shanghai	2	
	Hulshof Architects	2	
	dS+V Rotterdam	1	
	AMO	1	
	Dirk-Jan Postel	1	
	IBA	1	
	Bedaux de Brouwer Architecten,	1	
	Rapp+Rapp, Architectural office	1	
	Marlies Rohmer	1	
	Zeelenberg Architectuur	1	
Claus en Kaan Architecten	1		
Bert Roos	1		
<b>Total</b>			<b>83</b>

Table 1.1 Firms listed in book *Dutch Architects in Booming China*

Compares the footprints of other foreign firms, the Dutch architect firms are relatively late to the Chinese market. The first foreign architect involved project after economic reform is the “Fragrant Hills Hotel” in Beijing by Pei Partnership Architects (US) in 1982. After this, a few big international recognized firms have stepped into China, such as KPF (US), Foster and Partners (UK), gmp von Gerkan, Marg und Partner (Germany) and Hong Kong based Dennis Lau & Ng Chun Man. In 1999 Paul Andreu (France) designed the National Theater in Beijing opened a new page of the international project in China, which was recognized as a milestone of the foreign architects’ work there; meanwhile its lack of locality concerned attitude aroused a drastic debate between the local architects with a rather conservative views and the new generations who mostly come back to China for practicing after being educated overseas.

Among the Dutch firms, Kuiper Compagnons designed the Chinese Embassy in Den Haag in 1999, and later on they were invited to a competition of Gaoqiao New Town in Shanghai in 2001 together with two other Dutch firms- KCAP and Atelier Dutch. These three firms are the pioneers to the Chinese market.

From the year 2005 till now, in the past few years, some of the firms have a steady growth, such as Kuiper Compagnons, KCAP, OMA, UN Studio and NEXT architects. Some of them seemed involving in this market for several years, however not many projects were following up, such as MVRDV and Atelier Dutch. Some firms were just one time entry and there were no more action after, such as Claus en Jaan and Bert Roos. Why there is such difference of development between firms? What happened to these firms? What makes them involve more actively in this market and why some of them decide to cease their activities in China? These are going to be investigated in this paper.

## 1.2. Motives: Why China?

While the international construction industry is surging, each country of the GATT treaty could be recognized as a target to enter. Then why is China? Why this country is attractive and therefore the foreign architecture firms are ambitious for?

While the advanced construction market<sup>1</sup> is shrinking, an optimistic view of construction market growth prospects in Asia, many foreign architects follow the trends to seek opportunities. Due to the economic reform pushed by a modernization-oriented policy, the past three decades China has changed from a developing country to one of the countries which own an astonishing amount of foreign exchange reserves; its averaging annual economic growth is over 9% in gross domestic product since 1978. According to the National Bureau of Statistics of China (National Bureau of Statistics of China 2011a), the growth rate in real estate investment in 2010 is 33.2%; and the price of real-estate has dropped from the peak of 2009. Even though the GDP growth slows to 9.6% in 2010, China's construction industry is predicted to rise for another few years (Bob Davis 2011). Except for the rise of the GDP growth, in China, the construction industry -- with its long history -- is considered one of the most important industries for national development. This country has witnessed nationwide upsurges in construction volume. Early in 2011, according to published reports, China replaced the United States as the largest construction market in the world. China's share of the total global construction industry is 15 per cent, while the United States' share is 14 per cent. Except for the market potential, due to China's accession to the World Trade Organization in 2001, more foreign contractors have been venturing into the Chinese construction market. With its continued anticipated rapid growth rate, China will still hold its position as a large and high-growth construction market in the world.

Table 1.2 Comparison of global construction market share

country	CHINA	US	INDIA
Percentage of the total global construction market in 2011 (%)	15	14	3
Expected percentage of the total global construction market in 2020 (%)	20	-	9

Source: Garcia (2011), author self-organized

Even though the domestic market in China is regarded as jealously protected from outside intervention (Morledge et al., 2006), the high market potential still attracts many expatriates to put their efforts in this country. Service from programing, design, construction technology (R.Morledge et al. 2006), and even the maintenance, foreign companies were actively involving in the whole life circle of a building project. Numbers shows the reality of the international projects in China. Article indicates that among the world top 200 construction firms and design consultants, more than 140 firms have set up their affiliate offices in China. During the preparation of Beijing 2008 Olympic Games, among the 121 competitors for the "Olympic Projects" (avenues and facilities for the game), 74 are wholly foreign invested firms, which is in a percentage of 61% (M.Zhang 2012). These numbers give an idea of how China has been a conspicuous target market.

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<sup>1</sup> The advanced markets consist of North America (US and Canada), Western Europe, Japan and Australia.

Meanwhile, China has been regarded as a new building experiment lab which becomes a very attractive market for many foreign architects where their dream may come true. Along with the possibilities of the huge amount of floor areas, huge scale, possibilities of realizing new ideas seem to become an impression of the new Chinese architecture.

On the other hand, the speed of development in China is surprising. Projects are being built at a remarkable pace and Chinese architects are used to working on extremely tight schedules. Deng and Poon (2009) mention about the scale and the speed are astonishing in many of the Chinese international projects, especially in the governmental procurement. They continue describing the upsurging phenomenon as below:

*“Among the 90 samples of LSPBP located in 25 Chinese major cities and developed during the past five years (2003-2008), 74% occupied a gross floor area of 50,000 sqm or above. A total number of 16 building prototypes were documented; and more than half (56%) of the projects were mixed-use in nature, ranging from two to four different combinations of the basic types listed in the official definition.”*

Such high speed and amount of a building project would bring more chances for architects but on the other hand, it also challenges foreign architects to scheme the design and details in a very short time; or even more, before they do the design, firms need to decide whether it is a right choice to enter considering their competence.

### 1.3. Why Entry Strategy? Why Cross-Cultural Management?

#### 1.3.1. Entry Strategy

The subject of this study is architectural business development and their corresponding entry strategies. The definition of entry strategy is that strategy selected for entering a market. In this paper, the entry strategy therefore looks into how architect firms to get a project in a foreign market. But why an entry strategy is necessary?

*“Failure to adopt the appropriate strategies may lead to low productivity, low efficiency, inflexible and low technology, which finally ends with low profits and even financial losses.” (Florence Yean Ying Ling et al. 2005)*

Consenting to Ling et al.'s assertion, Coxe et al. state that when a foreign company decides to enter a foreign market, an entry strategy needs to be adopted (Weld Coxe et al. 1987) because besides the typical risks of a domestic project, international projects have a complex and subtle web of political, economic and cultural risks (Seung H.Han & James E.Diekmann 2001). The international market for construction-related services can be described as complex, uncertain and risky.

According to Chang and Rosenzweig's research, Ling et al.'s statement to explain the entry strategy may be sorted as transaction cost theory; another one is explained by cultural and national factors (S.J.Chang and P.M.Rosenzweig 2001). These two types may be used to explain most of industries based on that a firm would choose a less risky way to enter a foreign market; nevertheless while applied it to the architectural practice in China we found it is insufficient to explain the phenomenon there. As the analysis of 1.2 we see that the booming China has been a dream for many foreign architecture firms. They even would like to take a risk to make a landing to China merely for its extraordinary

opportunities, such as new forms and huge scale of buildings. Risk is not their main concern.

The entry strategy may comprise motivation, location choices, market targeting and entry mode. The motivation to China has been explained in 1.2. Location advantages of a market may be seen as one of the important factors that determine the choice of a specific foreign entry mode. Firms interested in servicing foreign markets are expected to use a selective strategy and favor entry into more attractive markets. This is because their chances of obtaining higher returns are better in such markets. Since China has its enormous territory, the location an architecture firm chooses to enter China may have a further meaning and may result a great impact. The influence of a city may vary from its political transparency, geographical and weather differences, cities' characters, dialects, and users' habit and acceptance to the foreign design.

As for the market targeting, an architecture firm needs to consider from three dimensions in order to increase the value of their organization: (1) differentiating the product to add value, (2) lowering the costs of value creation or (3) even to create new markets. In the Chinese context, to compete with the local firms on fee is not feasible therefore finding a niche is essential for each Dutch firms considering enter this market.

The entry mode needs to be carefully chosen because each entry mode offers specific benefits and risks; and it should be chosen with an adequate market targeting that will make the architecture firm more competitive. The entry mode suitable for architecture firms could be (1) exporting idea (competition); (2) strategic alliance and (3) wholly owned foreign subsidiaries. Chen (C.Chen 2008) asserted that the current international construction arena sees the popular mixed use of the two generic market entry modes: permanent entry (by localized subsidiaries and partnership) and mobile entry (project-based). Factors affect the choice of an entry mode might include host market attractiveness, invest risk, entry restriction, trade link, colonial link, cultural distance, language proximity and competitive intensity (C.Chen 2008), how would these factors affect the Dutch architecture firms' decision will be investigated in this paper.

### 1.3.2. Cross-Cultural Management

After the architecture firm entering a foreign market, sooner they have to face a matter of how to sustain their activities in the certain market. The essence of working in an international market requires the organizations' involvement outside their national boundaries.

*"It is generally considered that people from different cultures have different views on the world and hold different assumptions about life and work... there are differences in values, attitudes, perceptions and behaviors norms which affect people working in a cross-cultural environment." (H.Xiao and D.Boyd 2010)*

Working in China the foreign firms inevitably have to contact with the local clients, the local architects, the local suppliers/consultants, and last but not the least, users. These involve the Dutch architecture firms into a cross-cultural setting. Firms which consider setting up a permanent organization such as branch office or representative office must understand local culture very well to establish enduring cooperation with local parties, and internally manage relationships between local employees and expatriates; therefore "cross-cultural management" is introduced in this study. As a result, managers from these

firms need to develop skills to interact with individuals from diversity of cultures- there are differences in values, attitudes, perceptions and behavior norms which affect people working in a cross-cultural environment.

## 1.4. Problem Statement

Entering to Chinese market sounds like a solution under the recession or many Dutch architecture firms taking it as an adventure to explore this uncertain huge land, does not always have a happy-ending. Why not? What makes the entering successful? As the entry strategies have been explained as a necessary take for entering a foreign market, it may be influenced by host market attractiveness, invest risk, entry restriction, trade link, colonial link, cultural distance, language proximity and competitive intensity (C.Chen 2008). We may analyze the problems from these aspects.

### **Market Attractiveness v.s. Invest Risk**

BNA states that the Dutch architecture firms are ambitious to China, and it results from the huge construction amount/scale, chances/possibilities or freedom of design; some may even take it as adventure; on the contrary to the high market attractiveness the competitive intensity is also enormous. Besides the competitive market, how healthy this market is needs to be concerned. Under the pressure of worldly financial crisis, China seems to be able to keep a continuous economic growth, however many have warned that the property bubble in the big cities may be popping. From 2010 the government has introduced some measurements to cool the pace of real-estate price growth. Therefore for the foreign firms to consider their expansion there is a certain risk to bear.

Moreover, as discussed earlier, whether it is profitable or not for Dutch architecture firms in the Chinese context is doubtful because its governmental restriction and market barriers may take extra time and effort to tackle; and requirement of being speedy may cause extra laborer cost or probably have to compromise with design quality. Moreover the long distance takes extra energy, money and time on travelling. Are the Dutch architecture firms profitable in the Chinese market?

*“Although there is no shortage of potential projects, winning one seems somewhat akin to a lucky dip in which you are given many times... architects working in China will find that they are often asked by clients whether they would be interested in working on a project, and at times are also invited to visit a site or attend a meeting, but actually obtaining the commission to build is a different matter. If you were to win one project for every ten you attempted, this would indeed be lucky.” (Xin Lu 2008)*

Uncertainty is another investment risk. Even though firms are eager to initiate business in China, winning a commission is really challenging. Therefore the invest risk is rather high.

### **Competitive intensity**

Time and speed are noticeable when working in China. Rem Koolhaas compares the relative ratios of speed, pay and volume of work between American and Chinese architects and he mentions that:

*“Chinese architects have accomplished a huge amount of design work, with the lowest pay, within the shortest possible time. Although*

*American architects outnumber Chinese architects ten to one, the Chinese have nonetheless accomplished five times as much design work, charging only a tenth of the fee and have done this five times faster than their American counterparts. All in all this adds up to an efficacy rate 2500 times that of an American architect.” (Rem Koolhaas 2003)*

Dutch architecture firms are like most of the Western architecture firms- they are very expensive. They are certainly not competitive with the locals on fee. According to Xu and Greenwood (2006) foreign firms are unlikely to have cost advantages over their local competitors in the Chinese context, but differentiation is feasible. What is the niche market for the Dutch architecture firms in China? Do they differentiate from other foreign competitors?

### **Entry restriction**

Governmental restrictions might include barriers about ownership requirements, permit systems, rating systems and licensing systems that prevent permanent residence of foreign firms. It could even simply refer to application for governmental documents, such as acquiring a visa for each trip to China. Meanwhile, all the Chinese documents are officially in Chinese. This creates difficulties for foreigners to access the necessary information.

### **Trade link- Little knowledge about this country?**

Den Hartog (H.Den Hartog 2009) indicates that most of the Dutch firms may not have the competent knowledge of this country. Their knowledge may be very limited to well-known cities, such as Beijing, Shanghai and Shenzhen. BNA may provide certain link between the ambitious Dutch firms with the potential clients, nevertheless how efficient those links work for the Dutch firms are not clear. On the other hand, we found that the quasi-official organizations still focus providing services in the mentioned areas, such as NAI organizes matchmaking program in Hangzhou and Beijing; DutchDFA organizes Dutch Design Workspace in Shanghai and Dutch Design Desk South China in Hong Kong. And many other exhibitions in the past years took place in Beijing, Shanghai or Shenzhen/Guangzhou. Do the Dutch architecture firms become more competitive through these trade links?

### **“Cross-cultural issues”- language proximity & cultural distance**

Due to the language proximity between Dutch and Chinese is low, and the cultural distance is recognized as high for Dutch architecture firms to work in China, problems seem everywhere. The language is so different therefore the governmental documents are not easily accessible; the communication with clients, local partners and contractors may rely on an interpreter. However, even though the interpreter can translate the language, the philosophy in different cultures can be reflected in all levels of the social life, interpersonal relationship and integrated social behavior. Is it manageable? And what is the relation between the cross-cultural management with the selected entry mode?

## **1.5. Research Question**

To give an overview in this paragraph the primary research question and secondary research questions are derived from the theoretical framework and sub questions are listed and exemplified. Sub questions were formulated in order to further define the research questions and to link the variables with topics for data collection.

The introduction motivated the primary research question in this study:

*What is the appropriate entry strategy for Dutch architect firm to enter current Chinese market?*

The research questions are supported by numerous sub-questions in order to fully comprehend the subject. These particular questions are both divided in background questions and sub-questions that lead towards the central question. Background questions are necessary for full comprehension of the subject and are answered in the literature study for the theoretical framework. The sub-questions are necessary for finding an answer to the central question.

Three secondary research questions were derived from the problems introduced earlier. These research questions listed below were composed to further define the scope of the study. In order to understand the decision making of a Dutch architecture firm's business development, the research questions focus on looking into their entry strategies, which comprise of "motivation", "location choice", "market targeting" and "entry mode"; meanwhile, "how to manage" certain facets. These aspects therefore served as variables to structure the study. To give an overview, these questions are listed below. Subsequently each research question will be addressed and exemplified.

Three secondary questions followed with the central research question are:

1. *What are the **motivations** behind decision for Dutch architect firms to enter into Chinese market?*
2. *What are the barriers/strengths for Dutch architect firms on the **location choices, market targeting and entry mode** to Chinese market? Why they are there?*
3. *How to **manage** the problems of entry strategies of Dutch architect firms in China?*

### 1.5.1. Background questions

To answer the secondary questions to their full potential the following background questions need to be complied with:

- What is business development in an architecture firm?
- What influences business development?
- Why entering Chinese market?
- What is entry strategy?
- What is the comprehension of the entry strategy to China?
- What influences architecture firm's entry strategies to China?

### 1.5.2. Secondary Questions

#### **Research question 1**

*What are the **motivations** behind decision for Dutch architect firms to enter into Chinese market?*

The sub-questions look into the motivations of the Dutch architect firms when considering the international expansion. Variables such as "host market attractiveness", "invest risk", and "entry restriction" served to structure the questions.

Sub-questions are:



- Why do the Dutch architect firms enter China?
- What are the firms' interests/personal interests to this market?

### **Research question 2**

*What are the barriers/strengths for Dutch architect firms on the **location choices, market targeting and entry mode** to Chinese market? Why they are there?*

In order to evaluate the performance of the Dutch architect firms in expansion process, the questions exemplify the knowledge and competence behind the Dutch architect firms' entry decision. It will look into the preference of the Dutch architect firms to get its first contract, and the difference between its expectation and reality. Variable of "trade link" is going to investigate their location choices; "competitive intensity" is going to investigate their market targeting; "entry restriction", "cultural distance" and "language proximity" are going to be investigated their entry mode. Researches show that for foreign contractors entering Chinese market either establishing a wholly owned subsidiary or using design-and-build is the most effective entry mode. Nevertheless the hypothesis derived from the existing studies assumed that the Dutch architecture firms would take a mobile entry mode to Chinese market, due to its loose trade link, language non-proximity, high cultural distance, high competitive intensity and rather high entry restriction/invest risk. The research questions would like to figure out what is the appropriate entry mode for Dutch architecture firms in Chinese context.

Sub-questions are:

- How was the experience of the first contact? How do you feel about it?
- What was the project about, how did it start and where is it?
- How did the firm prepare to compete with other competitors in the Chinese market?
- What is the ideal way to enter this market? Why? How have it been changed after the first contact?

### **Research question 3**

*How to **manage** the problems of entry strategies of Dutch architect firms in China?*

After looking into the motivations and knowing the barriers and strengths of Dutch architect firms in Chinese market, in order to provide a recommendation to current Dutch architect firms' expansion decision, in this part the research question give an insight of the possible management to improve the entry strategies for Dutch architect firms.

The correlation between variables of the cross-cultural factors and the decision of taking a permanent or mobile entry mode is of interest in this regard. After entering the Chinese market, the Dutch firms would turn their interest to sustain their activities in the certain market. Their sequential position of choice to the entry mode is being examined, whether or not the Dutch architecture firms would change their entry strategy? Would setting up a branch office be an appropriate way in the Chinese context?

## **1.6. Research Objectives**

### **Aim**

The objective of the survey is to gain insight in the activity and attitude of the target group (Dutch Architects) towards the international expansion development and to evaluate prior

expansion processes in order to be able to express chances for the development of architectural practice.

### **Result**

By answering the mentioned research questions, the final result of this research would be: to gain knowledge in the question how Dutch architect firms should consider their expansion decision strategy in the real-life context and with what instruments could be implemented to manage the problems. The scientific relevance of this study is found in the improvement of the current status of research on architectural entry strategies in the Dutch practice.

### **Target group**

The result of the study could be regarded as an advice for Dutch architects who consider international expansion under the market pressure in the Netherlands and want to gain knowledge in the advantages and disadvantages going to the booming Chinese construction market as well as the management of huge cultural distance. Recommendations of this study give insights for what entry mode could be an opportunity and what strategies are best aimed for in current Chinese market. The study could also be of interest for Dutch architecture firms who have not considered international expansion as a strategy to their own business or as new opportunity and want to gain insight about the opportunity for expansion to become a way of service delivery for Dutch architects. Otherwise the research could be regarded as a source of information that contributes to the current status of researches on this development for the Dutch practice in general. In the latter perspective the result could be of interest to the entire Dutch profession, represented by BNA, NAI and the quasi-official organization DutchDFA.

## **1.7. Research Design & Methodology**

A review shows that public press and research literature on entry strategies vary from using questionnaire survey with a large amount of AEC firms to gather information such as project type, approximate contract sum, project location and procurement method adopted; using content analyses on the sampled projects' self-reports to investigate this topic or using face-to-face interviews to give the equally instructive stories telling why others fail or to validate and elaborate on the previous survey findings. Due to the objective of this study is an empirical inquiry that investigates the activity and attitude of the Dutch architecture firms' international business development in the Chinese context, a multiple-case study method is adopted. Even though the majority of previous researches on entry strategies were conducted through questionnaire survey method which is good at identifying differences, a case study design relying on multiple sources of evidence can capture the complexity when studying people and organization, which is needed in the cross-cultural interaction in this research.

### **1.7.1. Process & Methods**

This paper therefore aims at explain causal links of **why** the expansion decision originates and **how** it operates, with the specific purposes listed as follows:

- To identify the mainstream entry mode.
- To identify the characteristics and assess the current performance of this mode.
- To explain the inevitability of the emerging model and determine its significance.

- To locate key variables which influence the performance of this mode.

Accordingly, this paper is composed of two parts utilizing literature study and interviews respectively to achieve the objective stated above. The first part forms the context of the comprehension to international expansion decision and entry strategy. Findings from recent researches, magazine articles, books and website resources are analyzed to identify the challenges and problems that have profound implications for the entry strategies to China. The second part reports on an investigation into selected firms to test the literature study.

A sample of 7 key persons from the Dutch firms and organization, 4 Chinese local design institute and 5 Chinese developers was invited to take part in-depth interviews. The snowball approach to sampling was adopted. Each respondent was asked to recommend to the researcher another firm who might be able to articulate their views about their business development to China. The methods of the study employed were face-to-face interviews, Skype interviews and email interviews. The inquiry was quite broad and covered experts from Dutch organization NAI, Dutch architecture and planning firms; a Hong Kong based architecture firm was interviewed to contrast the Dutch views, due to they are a special group of “foreign insiders”. Finally is the Chinese clients and Chinese architecture firms which have experiences collaborated with the Dutch firms. The Chinese counterparts serve as the role of replication in testing or confirming the study’s outcomes.

They were interviewed mainly face-to-face, though due to some of the clients are too busy to having face-to-face interview, it was replaced by either telephone interview or email interview.

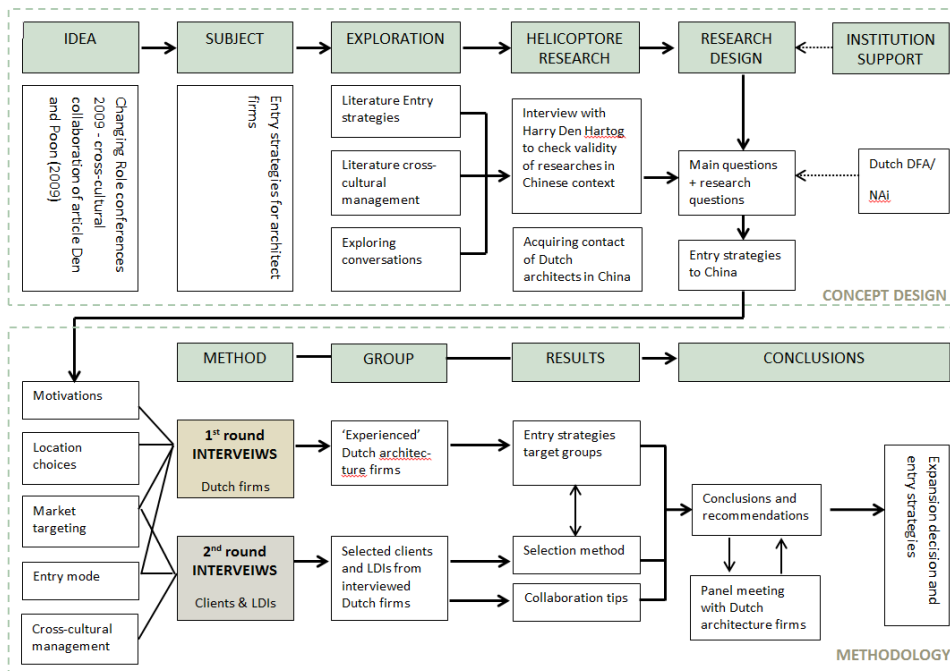


Figure 1.1 Research design

For a visual aid and reference, the conceptual model of the research design is shown in figure 1.2. The different phases were marked with different colors for easier understood.

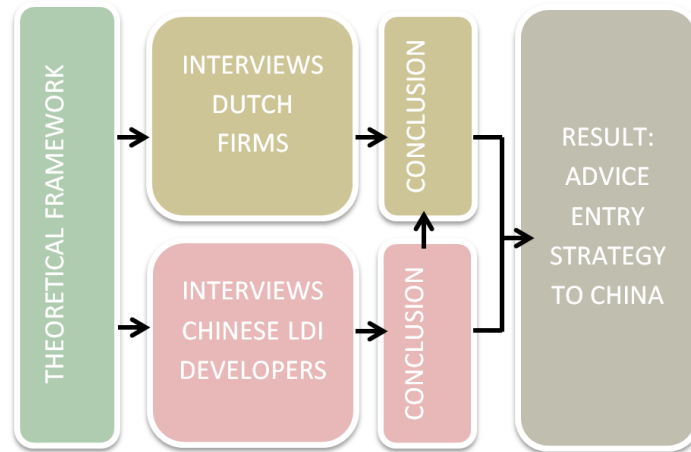


Figure 1.2 Research design

### Phase 1

The first phase of defining the theoretical framework creates the theoretical base for the research. Literature study and exploring conversations in the very beginning of this study led to the development of the central and research questions and key-variables. Summaries of current and previous researches show what researches have been conducted so far. This base is created for support for further research. The aspects related to international business development and entry strategies are explored. Additionally the cross-cultural management in an international organization is also explored.

A helicopter research by interviewing Harry Den Hartog, the author of article “Dutch architects building global architecture in China”, to test the first protocol and also to check the validity of the previous researches under the Chinese market context, especially targeting to the Dutch firms’ experiences; meanwhile, to acquire good connection with the possible interviewee.

### Phase 2

The second phase the interviews with key persons involved in Chinese business from Dutch organization NAI, Dutch architecture and planning firms are conducted. In this stage the interview protocol was structured with the problem analysis from theoretical framework, interviews with these experienced persons were used to validate and elaborate the findings of previous studies. An extensive case study is executed in the form of triangulation study, which comprises quotes, statistical data, and information from firms’ website. Research is done on the following topics: time line of each firm, motivations of international business development, location choice, entry mode and market targeting.

### Phase 3

Parallel to the Dutch architecture firms, their Chinese counterparts provide a complete view to understand the current foreign architecture firms’ situation in the Chinese context. Interviews were conducted with the local developers which have been Dutch architecture firms’ clients and their LDIs. A reflection is made to contrast to the Dutch firms’ experiences.

#### Phase 4

The final phase is the formulation of the final product, to give an advice on entry strategy of a Dutch architecture firms to enter Chinese market. On the basis of the previous phase, final conclusions are made which are related to several scenarios which may occur for international business development in China. The final conclusions are made following the lessons learned in the 2<sup>nd</sup> phase added by the Chinese counterparts' opinion.

#### 1.7.2. Data Collection Methods

How many cases are enough for this study? Due to the limit of time and accessibility, the selection of each case should serve a specific purpose within the overall scope of inquiry.

The interviews were noticed as anonymous in the invitation. All key persons were interviewed by the researcher for between 30 and 60 min. All interviews were recorded, with the permission of the persons being interviewed. The interviews with the Dutch firms are selected with the criteria as below:

- In order to acquire a phenomenon within the real-life context, due to the rapid changes of the Chinese market, the architecture firms/individual to be interviewed has to be involved (whether or not success to acquire contract) in China within the past five years; firms mentioned in the article of Den Hartog will be first invited to the interview, since they certainly have involved in Chinese market;
- Diversity on the firm's size and nature. The scale of the interviewed firms differ from big firms around 100 employees to small firms around 5-10 staff. The first round of interviews focuses on Dutch architecture firms and Dutch official organization; the type of firms covers architecture and urban planning firms. Winch's classification (strong delivery, strong experience, strong ambition and strong idea) is considered and the invited firms were trying to fulfill these categories;
- Firms participated in the program of DutchDFA and NAI will be first considered. The reason of choosing these firms is to study the trade link and network building service provided by the above quasi-official organizations;

The criteria of the selected Chinese counterparts are:

- Those developers which the interviewed Dutch architecture firms have contacted with;
- Those developers which have experiences with projects commissioned to foreign architecture firms;
- To fulfill the categories of the four different types of clients (see table 2.7);
- Those local design institutes which have been collaborated with the Dutch architecture firms.

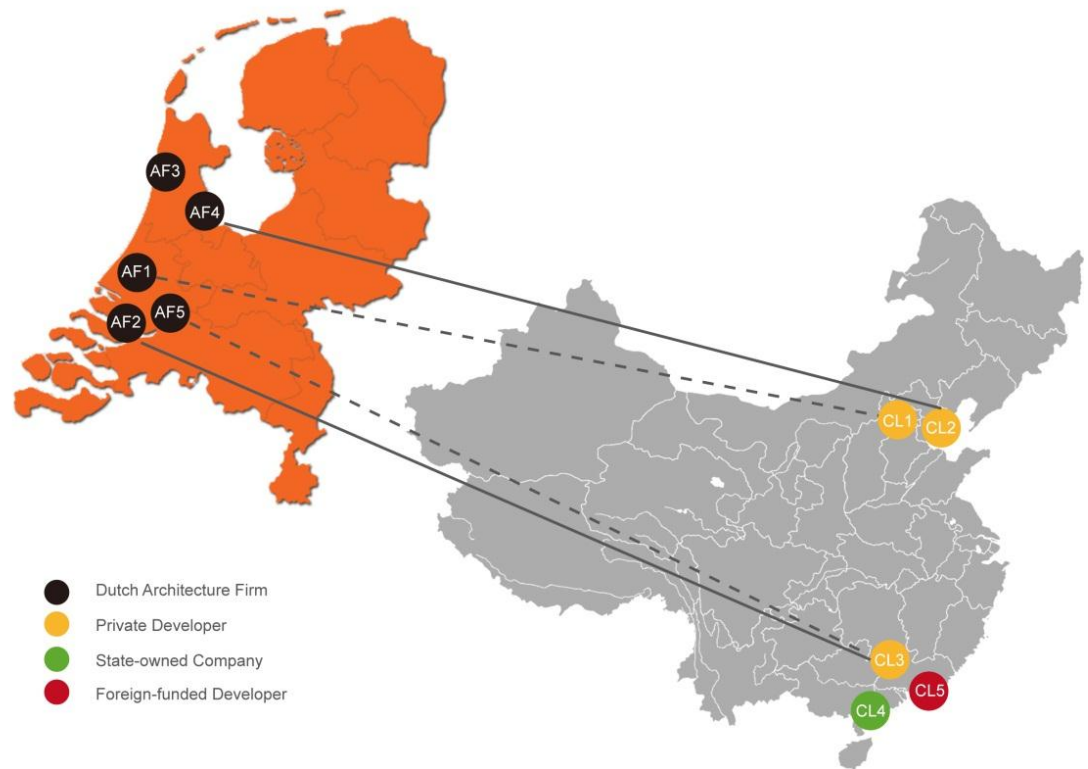


Figure 1.3 Data selection figure (part of the interviewed firms)

It is worthy to note that there is differentiation of “international reputation” between firms. Not every foreign architecture firm is of the same extent of easiness to enter Chinese market due to the firm may be accepted, recognized or known in a very different level among the Chinese clients and professionals. These differences may be resulted from the fame of the star-architects; by winning important international competitions; by receiving international awards, such as Pritzker Architecture Prize; or even by the influences of the media such as architectural forums and magazines. As for the Chinese consumers, it is discovered that most of the Chinese consumers are not yet aware of the development of international architecture; therefore their tastes are influenced by the ideology or manipulated by the developers. The foreign firms could be ranged into five different levels and it is organized in the table 1.3. It is realized that an architecture firm should find its own categorization and adopt the strategy accordingly. It is a separated market, not every firm applies the same strategy as a star-architect does.

Table 1.3 Differentiation of “international reputation” between foreign architecture firms (Self-organized)

Categorization	Characters	Examples
<b>Star-architects</b>	Wining international prize and international competition in China	
<b>Partly well-known in China</b>	Well-known because of the architects has international reputation outside China	AF1/AF5
<b>Well-known in Netherlands</b>	The firms have delivered several important public buildings in Netherlands therefore received national reputation	AF3

<b>Ordinary in Netherlands</b>	The firms delivered several projects in the Netherlands with average standard	AF4
<b>Novice</b>	The firms just start the business without many portfolios	AF2

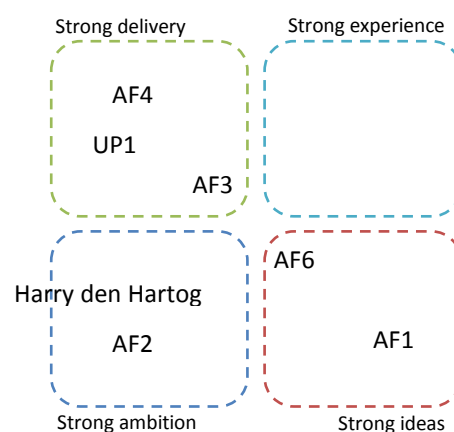
### 1st round interviews

Due to this is an anonymous research, the interviewed Dutch architecture firms are listed and coded as below:

- Two architecture firms are currently participants of Dutch Design Workspace program. The contact of these two firms was acquired through DutchDFA office in Rotterdam. One of the firms, AF1 was scheduled for interview through Skype;
- By a chance a master student who currently studies in TU Delft was interviewed to talk about his experience while doing his internship in the Hong Kong based architecture firm AFC4 to contrast the business development of Dutch firms;
- A small ambitious Dutch based firm AF2 was added to the interview schedule for its founder is a Chinese who is now practicing in the Netherlands;
- From the helicopter interview with Den Hartog, he suggested and gave contact persons of few firms mentioned in his article, and these contacts have been aimed as the key persons to interview with. AF3 and AF4 were interviewed through this connection;
- Finally, the last Dutch architecture firm AF5 was invited to the interview plan, though this firm was not mentioned in the article of Den Hartog, nor participated any of official organization's program, due to their international reputation which is very high among the Dutch architecture firms according to a scanning of *Architectural Review* magazine, draw the attention of the author to dig into their business development plan in Asia/China.
- Urban planning firm UP1 was added to the interview to contrast the result of the architecture firms. Comparing the approach of an architecture firm and an urban planning firm may help to understand the Chinese market better.

As mentioned in sample selection, companies selected should be able to represent the four different types (G.M.Winch et al. 2002), in order to examine the differences of motivations, entry mode and the management of their organization. From the list above, we found that the companies were sorted to strong delivery, strong idea and strong ambition; what we have still missed is the group of strong experience.

Figure 1.3 Selected architect firms to interview



In order to understand the trade link provided by the (quasi-)official organizations, DutchDFA and NAI were included to the interview schedule.

- DutchDFA/G. Groothuis, director of the Dutch Design Workspace in Shanghai
- NAI/J. Konijn, Matchmaking Program organizer

G. Groothuis was contacted through the “Creative Industries Update” event organized by DutchDFA, and he was too busy to schedule for an interview therefore his point of view was gathered through the speech in the event.

NAI has organized the matchmaking program, therefore interview with NAI itself and the architecture firms who have participated in their program will be relevant to check the trade link or the network building provided by NAI.

### **2nd round interviews**

The second round interviews focus on the clients and the local architects. The selected interviewees were first aimed for those clients of the Dutch architecture firms interviewed; and the contacts were acquiring through the Dutch interviewees. However not many of the clients of certain criteria were invited to the interviews. The reasons are probably because: a) among the Dutch interviewees, not many of them have successfully realized projects in China. Many of them won several competitions but very few of the competitions were realized; and it seemed that the Dutch architect firms are reluctant to give the contacts of the clients of projects without realization; b) some of the clients are governmental organization, and normally the Dutch interviewees would not recommend or give the contacts of such clients; c) in terms of some confidential information, the Dutch firms are also reluctant to give the contacts of some approaching potential clients. Moreover, an interesting phenomenon is that among the Dutch interviewees (except UP1) there is a common client, recognized as one of the biggest project developers in China. Almost each of them has experiences either worked/contacted with this private developer or is now working for this company. Therefore it becomes the first target group to interview as a Chinese counterpart. Since this private developer has several branch offices among the big cities in China, CL1, CL2 and CL3 are three of the branch offices which had projects with Dutch architecture firms.

- Interview with CL1 was conducted with face-to-face; CL2 was too busy to have interview meeting therefore it was done by telephone communication; CL3 had done the interview with email.

Local design institutes play an important part in international project collaboration; any foreign architect firms enter Chinese market with joint ventures or as a project based need to work with a local design institute/architect. Since NAI has organized the matchmaking program- a social housing project under a private developer, designed by five Dutch firms and five Chinese firms, the first choice of the local design institutes/architects therefore falls in the list of the invited Chinese firms of matchmaking program.

- At the end, AFC1 and AFC2 were successfully contacted and scheduled for the interviews. AFC1 has been collaborated with several foreign architect firms, including Dutch firms; it has a close contact with NAI and is well-known among Dutch architecture firms. AFC2 also has experiences working with Dutch architecture firms;



- Through AFC1, some more contacts of the big developers in Shenzhen were acquired; CL4 and CL5 therefore were interviewed. These developers range from previously state-owned company to foreign direct investment firms;
- AFC3 was added to supplement the knowledge of how the Chinese perceive western architects' projects in China.

### 1.7.3. Data Analysis Methods

The entire recorded interviews were typed out into transcript. This method is adopted because it avoids the danger of omitting relevant points of the interview; it also preserves all of the audible nonverbal cues, which are helpful in interpreting the meaning and judging the validity of the responses. Moreover, due to the language limitation, with the method of recording interviews allow the interviewer to pay full attention to listening, observing, evaluating, and probing.

All the interview transcripts were read by the researcher and coded in the style of a cross-case study approach to data analysis. Several dimensions including "motivations", "location choice", "market targeting", "ways of acquiring contracts", "clients", "entry mode" and "cross-cultural issues" generated from the theoretical framework were first assigned to investigate the data. In each dimension there are some categories defined. Another category "other" is used for all unanticipated responses.

## 2. Theoretical Framework

### 2.1. Introduction

What is business development in an architecture firm? The term business development in architectural practice have covered from specialized engineers, advanced marketing or key account management activities, and sales and relations development for current and prospective clients. In this paper the topic is about the business development abroad, more specifically to the Chinese market.

According to Gunhan and Arditi (S.Gunhan and D.Arditi 2005b) while a construction firms intend to enter an international market there will be four steps, namely:

- internal readiness;
- external readiness;
- country-specific analysis;
- entry mode

With the competent strengths to conduct international business gives the internal readiness; most of the researches have mentioned that with the globalization has urged the international projects. During the last decades, critical changes have occurred that reduced barriers to international trade and expanded world construction markets. Due to the GATT, all signatory countries are obligatory to open their domestic market, including the construction service. The development of regional Free Trade Blocs has had a profound impact on the construction industry by instituting free trade among member countries. These conditions prepare the external readiness of the international expansion.

*“Telecommunications systems have irrevocably linked the world, and political, social, and economic events have changed how engineers and constructors now interface with the rest of the world.” (J.K.Yates 2007)*

The globalization and the IT development have made exporting design service possible. The information technology development prepared for the easiness of doing projects abroad. Han and Diekmann (Seung H.Han & James E.Diekmann 2001) pointed out that rapid developments in telecommunication, travel, and other related industries have open opportunity to the international construction markets. Moreover, the low cost of the new information technology brings the new organization structures. In the architectural practice, this means it is not necessary to stay long on site. The face-to-face communication can be easily replaced by web-meetings, emails or skype conversation. The design can be done in the office in the origin country and send the digital file to the local partners of the host country.

*“It is no longer necessary to set up extensive local management office.” (Han and Diekmann)*

*“Most of the Dutch architects who work in China still have their head office in the Netherland. The way how they process a Chinese project is by visiting the site for few weeks, then they will finish their design either during the stay in a hotel or on the flight. After they are back to the Netherlands, the relevant documents were communicated either by post or by e-mails.” (Harry den Hartog)*

H. den Hartog seems confirm the statement of Han and Diekmann. The advancement of communications and easiness of travel have allowed the globalization of architectural practice. However, the assertion of Han and Diekmann might not be applicable in China. However, den Hartog<sup>2</sup> further mentioned that the convenience of the new technology may subsequently result in insufficient communication therefore may cause delay of the projects and misunderstanding with their Chinese counterparts. Research shows that exporting service to China, “it is necessary to “get one’s feet wet by being in China physically”(F.Y.Y.Ling et al. 2006) which means to set an office in China or at least stay a longer period in China in order to develop a good understanding of local by-laws; to understand client requirements better; to be more responsive and physically closer to the client; to demonstrate long term commitment; and to establish the firm’s brand name. How true is Han and Diekmann’s statement when apply it to the Dutch architecture firm in the Chinese context? What do the Dutch architecture firms need while considering entering a foreign market, specifically to Chinese market?

For these questions to be answered the entry strategy need to be analyzed. The motivations, location choices, market targeting and entry mode in the general practice and specifically in the Chinese context must be looked at in detail.

## 2.2. Entry Strategy

When a foreign company decides to enter in an international market, an entry strategy needs to be adopted (Coxe et al., 1987, Ling et al., 2005a) because the international market for construction-related services can be described as complex, uncertain and risky. Besides the typical risks of a domestic project, international projects have a complex and subtle web of political, economic and cultural risks. Not surprisingly, there has been considerable research into the patterns and determinants of foreign entry strategies.

The entry strategies may comprise motivation, location choice, market targeting and entry mode. The motivation comprise the internal and external readiness; if these two parts are positive, then a firm would choose a specific country as a target and analyze its market targeting in the certain country. Finally an entry mode will be adopted according to the integrated consideration of the above aspects. Here first gives a review of the relative studies of entry strategy.

### 2.2.1. Entry Strategy in General

The definition of an international market entry mode is to create the possibility by arranging company’s products, technology, human skills, management or other resources to enter into a foreign country. The entry modes help companies to determine goals, resources and policy in order to channel their international activities toward a sustainable international expansion. The entry mode needs to be carefully chosen because each entry mode offers specific benefits and risks; and it should be chosen with an adequate market targeting that will make the architecture firm more competitive.

Chang and Rosenzweig (1987) sorted entry mode into two types:

- Explained by transaction cost theory;

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<sup>2</sup> Harry Den Hartog mentioned that most Dutch architects worked in a special way which they drafted on the plane way back home from the site visiting; subsequently sent the documents/drawing and communicated with their clients by email or fax.

- Explained by cultural and national factors.

In the transaction cost theory it assumes that the confidence and ability to correctly estimate the risks, returns and manage foreign operations will determine the firms to enter in full or partial ownership. The cultural difference is hypothesized to determine a firm to choose a less risky entry mode. Meanwhile, the firm of origin may be associated with preference of a particular entry mode, whether for cultural or institutional reasons.

These two types may be used to explain most industries, nevertheless while applied it to the architectural practice, we found that it is insufficient to explain the phenomenon of the construction industry. As we know that China has been described as an “architecture experiment lab”, many architecture firms would even take a risk to make a landing to China merely for its extraordinary opportunities, such as the freedom on design or huge scale of buildings.

*“In the last 10 years, many foreign architects have designed buildings for China in pursuit only of visual shock, giving preference to such so-called “art” ahead of science and philosophy... “Some foreign architects design ‘special’ architecture for China, in order to express their individual ‘artistic muse’ and build monuments to themselves, which is contrary to professional ethics.”<sup>3</sup>*

The statement of Peng shows the opposite concern to the foreign architects’ design; meanwhile it points out the state of most of foreign architects. Many firms would take it as an adventure to enter China, rather than taking risk as their first concern. Chang and Rosenzweig’s theory seem not fully applicable to the construction industry.

Here we see another decision model provided by Gunhan and Arditi (S.Gunhan & D.Arditi 2005b), which they focus on the construction firms, may better, give the architectural expansion decision an overall view.

Gunhan and Arditi developed a decision model for the construction firms which intend to enter the international markets. In the process there are two steps in the model: in the first, the company decides whether it needs to expand into international markets and whether it has the resources and organization to realize such an expansion. This step involves an internal and an external readiness test. If the outcome in the first step is positive, it allows the company to go for the analysis of the benefit/cost of operating in a specific country. When the outcome is positive, the model recommends the most appropriate entry mode.

When comparing the entry mode of a general industry and the construction industry, there is a similarity. In Gunhan and Arditi’s another paper (S.Gunhan and D.Arditi 2005a), they pointed out that within the external readiness loss of key personnel, shortage of financial resources, and inflation and currency fluctuations are the most important threats relative to international markets. The first factor loss of key personnel can be sorted to cultural and national factors and the last two are related to the transaction cost theory. To what extent these three factors would affect the entry mode in China will be examined later with literature study and the case studies.

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<sup>3</sup> Quote of Peng Peigen, a professor of Tsinghua University, on the internet article *China shouldn't be a lab for foreign architects*, 2009.

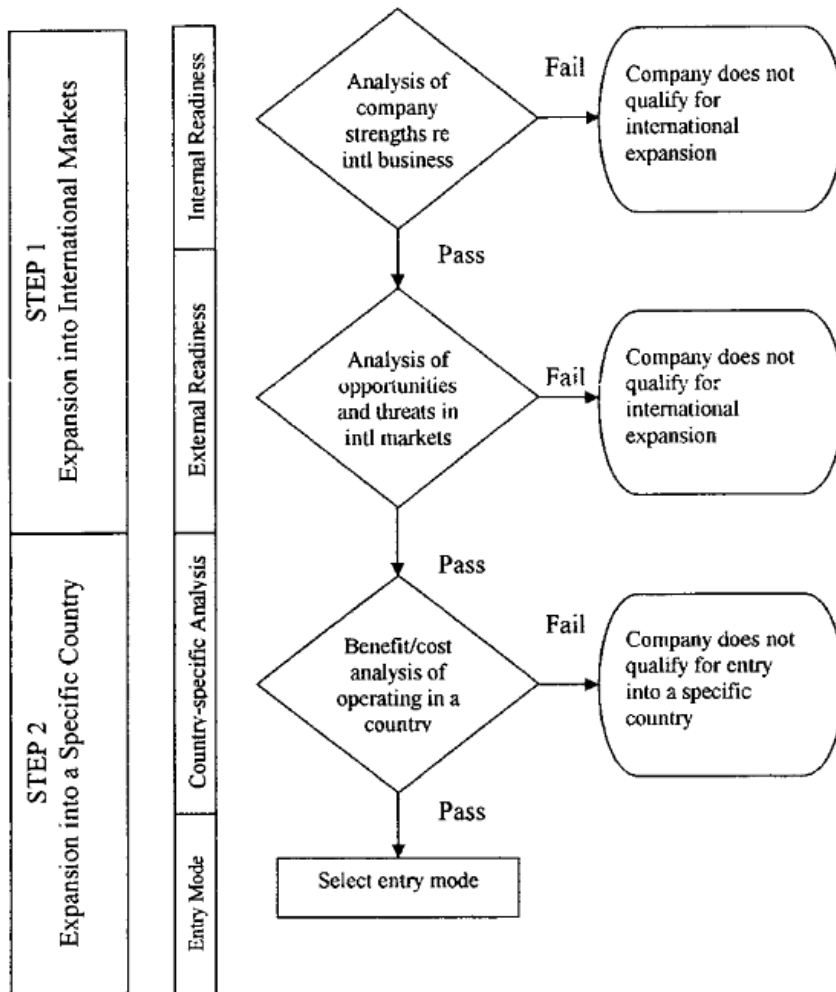


Figure 2.1 Flowchart of the International Expansion Decision Model. Source: (Gunhan and Arditi, 2005b)

### 2.2.2. Location Choice

As in the first beginning it is said that motivation is one of the influential factor to the entry strategy. The motivation is explained in the 2.1 introduction, including the easiness of doing international projects because of globalization and IT development, meanwhile, the booming construction market in China is very attractive. In this part location choice will be discussed.

Location advantages of a market may be seen as one of the important factors that determine the choice of a specific foreign market entry mode. Firms interested in servicing foreign markets are expected to use a selective strategy and favor entry into more attractive markets. This is because their chances of obtaining higher returns are better in such markets. The attractiveness of a market has been characterized in terms of its market potential and investment risk.

Due to the economic reform China has been a market with very high potential and attractiveness for the foreign architecture firms. Nevertheless, location choice to China may have a deeper influence therefore need thoughtful consideration.

Since China has its enormous territory, the location choice to an architecture firm in China results great impact. Travelling around each province is like travelling around the

European countries, cities are so different. Although it is a united country, it is not uniform. Each province has its own unique dialect; has its own identity and its special culture. It varies from the coastal cities to the inner cities or from the first-tier cities, such as Beijing, Shanghai and Guangzhou, to the second-tier or the third-tier ones. The choice of these cities would determine the geographical differences, such as the weather is huge different from the northern and southern cities; it also determine the cities' characters, such as Beijing as a cultural capital and Shanghai represents the entrepreneurship, and Guangzhou is a center with manufacturing satellite cities around. The levels of political and governmental transparency which may affect the process of the decision making also differ greatly from the coastal cities to the inner cities. Their acceptance levels to foreign architect's work are also different. Very often the global cities lead the trend since those locations are the places where first opened to the foreign market, and the second-tier cities normally follow the fashion of design. Therefore while an architecture firm choose a location, knowledge of the local culture and connection building are rather important.

Den Hartog (H.Den Hartog 2009) has pointed out that most of the Dutch firms may not have the competent knowledge of this country. Their knowledge may be very limited to well-known cities, such as Beijing, Shanghai and Shenzhen. To gain the knowledge or connection building to the certain cities, many firms rely on the assistance provided by their home government. According to the information on BNA's webpage, BNA may provide certain links between the ambitious Dutch firms with the potential clients to China, nevertheless how efficient those links work for the Dutch firms are not clear. This may be examined through the interviews with the Dutch experienced firms. On the other hand, we found that the quasi-official organizations also focus on providing services in the mentioned well-known cities, such as NAI organized "matchmaking program" sited in Beijing, and they had exhibition in Hangzhou (near Shanghai); DutchDFA organizes Dutch Design Workspace and Dutch Design Desk South China for the ambitious firms who would like to start their business in China, the former office is in Shanghai and the latter is in Hong Kong. And many other exhibitions in the past years took place in Beijing, Shanghai or Shenzhen/Guangzhou. As for those Dutch architect firms which intend to have a project in China, although there are assistances provided for architecture firms through international trade missions, export firm support networks or information packages by government agencies, evidence suggests that there are still perceived barriers to Dutch architect firms to Chinese market entry, cultural understanding and long term sustainability for firms to export design service. Their barriers would be discussed in 2.3 and further identified with the interviews.

Moreover, from the statistics of China we find a noticeable phenomenon that the chance of real-estate market in China might shift from the big coastal cities to the second-tier cities and the interior provinces. Provinces such as Hebei, Fujian, Hainan, Heilongjiang, Guangxi, Guizhou, Qinghai, Ningxai and Xinjiang have a significant growth rate in its total investment in real estate higher than 40% in 2010 (National Bureau of Statistics of China 2011b). This may indicate that the potential market is shifting from first-tier cities to different areas which may require new awareness of the local culture and connection building. Figure 2.2 gives an imaginary understanding of how small areas of Beijing, Shanghai and Shenzhen compare to the enormous land of the whole country.



Figure 2.2 Distribution of the prominent provinces in National Real Estate Market

However, how much does a foreign architect already dig into these cities? H. den Hartog (2009) pointed out that even though there are many design works done by Dutch architects in China, to most of the Dutch architects China is still a far alien country. People may only hear about or be familiar with big cities such as Beijing and the bay areas, Shanghai and Guangzhou and their surrounding cities; but other than these big cities, the architect firms may be very ignorant about the rest of this country.

We test it with the existing resources. Two books were selected to use as a reference to understand the development of the foreign architecture firms and the Dutch firms. Their information provides the footprints of the foreign firms in China. *China's New Dawn- an architectural transformation* by L. Dawson (L.Dawson 2005) gives an overall view of the architectural development in China. The selected projects were designed both by the foreign architecture firms and the Chinese architecture firms, or the collaboration of these two. Although it is bit dated (it was published in 2005), 48 projects are profiled, this book gives a quick look of the cutting-edge design by internationally renowned architects from late nineties till 2008. The other one is *Dutch architects in Booming China* by Buurman et al. gives a review of the development of Dutch architects in China till 2005. What makes this book special is that in this book there are not only the realized projects listed, but those did not follow up after the competitions are also introduced. Twenty Dutch architect firms, 83 projects were presented in this book; information about the project types, the scales of the projects, the entry mode, the location, and categories of the clients can be acquired from the book.

Table 2.1 Comparison of projects location of European, American, Asian and Dutch firms

Firms	Location	Number of projects	Percentage (%)
<b>European</b>	Beijing & Bay area	12	48
	Shanghai & around	10	40
	Guangzhou/Shenzhen	3	12
	Others	-	0
<b>American</b>	Beijing & Bay area	7	58.3
	Shanghai & around	5	41.7
	Guangzhou/Shenzhen	-	0
	Others	-	0
<b>Asian</b>	Beijing & Bay area	-	0
	Shanghai & around	2	18.2
	Guangzhou/Shenzhen	7	63.6
	Others	2	18.2
<b>Dutch</b>	Beijing & Bay area	31	37.4
	Shanghai & around	27	32.5
	Guangzhou/Shenzhen	5	6
	Others	20	24.1

Source: author self-organized, from *China's New Dawn* and *Dutch architects in Booming China*

Table 2.1 shows the numbers that the European and American firms seem have much higher percentage of projects in Beijing and Shanghai area, or at least the renowned projects locate in these cities. Their projects in Guangzhou and Shenzhen are rather low, and outside these three main cities, there are very few projects.

Asian firms listed in the book are of the local Chinese firms and Hong Kong based architecture firms. The Hong Kong based firms especially have a much higher tendency to have projects in the Guangzhou/Shenzhen area, which corresponds with the interview of AFC4. Shenzhen and Guangzhou areas are AFC4's main target market and it is around 50% of their entries; and their branch office also locates in Guangzhou, probably is a decision after they have won a competition of a big public cultural facility in Guangzhou in 2004. The Hong Kong people speak Cantonese give them an advantageous position working in the Pearl Delta area, therefore it is reasonably assumed that this area is their focus market, or at least, from there start to build their national reputation.

Comparing to the numbers of the Dutch firms, it is interesting to see that the number of projects in Guangzhou/Shenzhen is rather low, and in other cities is 24.1%, which is moderate, not as what den Hartog has asserted that the Dutch architecture firms are ignorant to cities other than Beijing, Shanghai and Shenzhen. This development is in accordance with the statistics (National Bureau of Statistics of China 2011b) which show that the construction growths in second-tier cities and the interior provinces are significant. But do the Dutch architecture firms have a location preference in mind? How they perceive this development is not able to understand through these numbers, therefore it will be examined with the interviews.

### 2.2.3. Market Targeting

The term "business development" in architectural practice has defined as from specialized engineers, advanced marketing or key account management activities, and sales and relations development for current and prospective clients ([www.wikipeia.org](http://www.wikipeia.org)). Xu and Greenwood (2006) give a review of market targeting including segmentation, targeting and positioning. Market segmentation is usually defined as the process of dividing potential customers into distinct groups for the purpose of targeting and designing segment-specific marketing strategies. Targeting may be two types: (1) exploit the firm's



competitive advantages with identifying the modest or emerging segments in the target market; (2) entry begins with types of activities for which the firm has the most complete set of resources and with familiar types of projects. Positioning refers to the different delivery methods.

An architecture firm needs to consider from three dimensions in order to increase the value of their organization:

- differentiating the product to add value;
- lowering the costs of value creation;
- creating new markets.

In international construction, differentiation strategy involves providing specialty or superior quality products or services. The low-cost strategy may be achieved if firms establish price competitiveness.

As Rem Koolhaas says, “The Chinese... charging only a tenth of the fee... of their American counterparts” (Rem Koolhaas 2003), this number may be outdated. According to the latest internet resource, the average of the Chinese architects is less than 12,000 euro; while the mean annual wage of the American architects in 2011 is 58,660 euro and the mean annual salary of Dutch architects is 64,236 euro. It is nearly a fifth of the fee. Therefore the Dutch firms are unlikely to have cost advantages over their local competitors in the Chinese market, but differentiation is feasible. Ling et al. pointed out that it is very important to offer niche/specialty product or services in Chinese market. Researches show that the possible strategies may include following the policies of the host country- such as sustainable design initiatives or new towns for higher density (H.Den Hartog 2009;P.X.W.Zou and R.Leslie-Carter 2010); or differentiating themselves by completing projects in shorter times and providing packaged or integrated services (F.Y.Y.Ling et al. 2005).

When we examine the architectural practice with the above theories in the Chinese context, it is found that the position of Dutch architecture firms could be providing design, using design-and-build or specialist subcontracting as their market targeting. Design is not to mention; design-and-build could be achieved by strategic alliance with the local or foreign contractors; furthermore providing specialist subcontracting could be as lighting design or design in special domains. The competitiveness, profitability and entry barriers are compared in the table 2.2.

Table 2.2 Profiles of various project delivery methods using by foreign contractors

Foreign contractors' project delivery methods	Competitiveness	Competitiveness of local rivals	Profitability	Entry barriers
<b>Design</b>	Low to medium	High	Low	High
<b>Design-and-build</b>	High	Low	High	Medium
<b>Specialist subcontracting</b>	High	Medium	Medium to high	Low

Source (T.Xu and D.Greenwood 2006)

Winch et al. (G.M.Winch, D.Grèzes, & D.Carr 2002) specified ways of acquiring a contract in foreign markets of architecture firms as:

- follow the foreign investment activities of a client for whom they have worked in the home country;

- win an architectural competition;
- through selective tender;
- use an introduction from another member of a network.

Selective tender mainly used by client in private sector to invite contractors to submit their bids for specific project. Client short list the contractor and ask them to bid for the specific project. Short list always made by client base on the contractor track record in the construction industry, which includes quality of work, financial stability, manpower etc. Except for selective tender, there is:

- open tender with pre-qualification questionnaire;

Open tenders are open to all vendors or contractors who can guarantee performance.

- Direct commission is also a common seen method to enter Chinese market.

Clients may designate the projects to a certain firm to provide their design service without tender procedure.

Table 2.3 numbers of entry mode of Dutch architecture firms listed in *Dutch Architects in Booming China* (Marlies Buurman, Maarten Kloos, & Arcam 2005)

Entry mode	Number of projects	%
Competition	28	33.7
Commission	23	27.7
Schematic design	15	18.1
Others	2	2.4
Not sure	15	18.1
Total	83	100

Source: self-organized

The information from the book is not good enough to understand fully which methods these firms adopt to enter Chinese market. Among the 83 projects, there were 9 projects following the foreign clients to the Chinese market; most of the case the project was through competitions or direct commission of Chinese private developers or governmental competitions/procurements.

Due to the nature of the architectural practice, each project could be regarded as an individual entry, therefore the entry mode here may not only refer to the one-time entry to the host market, but whenever the architecture firms would approach a new project in the certain market, one of the above ways acquiring a contract is necessary to be adopted.

## 2.2.4. Entry Mode

The entry mode needs to be carefully chosen because each entry mode offers specific benefits and risks; and it should be chosen as an integrated consideration with firms' motivation, location choice an adequate market targeting that will make the architecture firm more competitive.

### 2.2.4.1. Regulations on Foreign Architecture Firms Practicing in China

Before move further, a review of current Chinese regulations helps to understand the realm of foreign design firms practicing in China. Regulations here especially refer to the

latest documents related to foreign architectural firms issued by the Ministry of Construction.

The competent authorities to foreign architecture firms to practice are:

- relevant foreign trade and economic cooperation administration department - obtain the foreign-invested enterprise approval certificate;
- the State Administration of Industry and Commerce or its authorized administration of industry and commerce at local levels -register;

Different from a normal Joint Venture, after acquiring the license for a legal entity, a foreign architect firm which would carry out the full activities in China still needs to acquire the qualification certificate from:

- the State construction administration department or its authorized administration of construction departments at local levels; -obtain the qualification certificate of construction and engineering design enterprise.

### **Grading system**

In China, all the construction and engineering design enterprises are managed by a grading and categorization system (Meeting of the Standing Committee of the Eighth National People's Congress, 1997, Ministry of Construction, 2007). Construction engineering enterprises, prospecting units, design units and project supervisory units are rated into different classes according to their registered capital, professionals and technicians, technical equipment and performance record of completed construction projects, etc. Only when they pass qualification examinations and obtain appropriate qualification certificates may they engage in construction activities commensurate to the scope of their qualification classes.

Foreign firms which would apply for "Grade A" qualifications for construction and engineering design shall be examined and approved by the foreign trade and economic cooperation administration department of the State Council and its qualifications shall be examined and approved by the construction administration department of the State Council. And those who would apply for Grade B will be managed by a lower level of authority. Firms of Grade-A are allowed to undertake the principal part of project and its auxiliary parts; there is no limit for project scale. Firms of Grade B could simply undertake projects of small-medium scale.

In this sense a potential project and its scope to foreign architecture firms are very limited. In many cases huge scale buildings or buildings for sensitive industries are still protected and only commissioned to the "Grade A" local design institute. Foreign architecture firms which would like to involve in certain projects could only be invited as consultant or necessarily cooperate with a local design institute.

### **Collaboration types**

Those foreign companies based outside of China do the design work (including preliminary design and detailed design) in China; "cooperative design" is required. According to the regulations "Administration of Foreign Enterprises Engaging in Construction Work Design Activities in the People's Republic of China Tentative Provisions" (Ministry of Construction, 2004), foreign design firms shall select at least one Chinese design enterprise with construction work design qualification granted by the administrative authority in charge of

construction (Chinese Design Enterprise) to engage in Sino-foreign cooperative design (Cooperative Design), and shall undertake design business within the scope specified in the qualification permit of the selected Chinese Design Enterprise. These Provisions shall not apply to the provision of conceptual designs.

As for foreign-invested construction and engineering design enterprises in China, the Regulations on Administration of Foreign-Invested Construction and Engineering Design Enterprises (Ministry of Construction and Ministry of Foreign Trade and Economic Cooperation, 2002) indicates three types to practice more actively in Chinese market, namely 1) Sino-foreign equity Joint Ventures; 2) Sino-foreign cooperative Joint Ventures (project JVs); and 3) wholly foreign-owned enterprises.

Definition of each type of collaboration and their original regulations will be given in the appendix A.

#### **2.2.4.2. Entry Mode Type**

According to the study of Ling et al. (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005), four basic ways to expand internationally, from the lowest to the highest risk:

- exporting;
- licensing and franchising;
- strategic alliances;
- wholly owned foreign subsidiaries.

The definition of exporting in architectural practice refers to export ideas (conceptual design) or such as conducting research. The strategic alliances include a project joint venture, equity joint venture and a marketing alliance, such as the design-and-build mentioned in 2.2.3; and the wholly owned foreign subsidiaries mainly consist of two ways- set up a new operation in that country; or acquires an established firm. According to Ling et al., the last two modes are more appropriate for the architectural, engineering and constructional companies in China. They conclude that:

*“It can be generalized that firms that are expanding overseas should set up an international division or branch within its organization structure to undertake international work.”*

Is that true? What do other researchers say? Besides Ling et al., Chen (C.Chen 2008) asserted that the current international construction arena sees the popular mixed use of the two generic market entry modes: permanent entry (by localized subsidiaries and partnership) and mobile entry (project-based); and this categorization is similar to the result of Ling et al. As for specific Chinese market condition, Xu and Greenwood (2006) sorted entry modes with different contractual condition. Except for the two entry modes proposed by Ling et al., Xu and Greenwood proposed the third model to Chinese market- using design-and-build strategy. Strategic alliance was chosen as the most promising way to deal with many of the entry barriers, effectively maintaining alliances with Chinese LDI is recommended. The FDI projects are probably the most practical approach in view of present Chinese regulations, however the differentiation should be taken into account. The design-and-build will allow foreign contractors enjoy advantages in securing FDI projects, and the design-and-build route offers them opportunities to be innovative.

Other researches show that taking a long-term vision for Chinese market is necessary (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005; Y.Deng and S.W.Poon 2009). A significant investment, both tangible and intangible, is typical of landing a first job in China, the attitude of a “hunter” or “quick-in-quick-out” will not enhance the success.

While referencing the book *Dutch architects in Booming China*, it is found that competition (project based) is the most common way for most of the Dutch architecture firms to enter the Chinese market, nearly a third. This is different from Ling et al.’s conclusion that it is necessary to set up branch office. The difference may be resulted from the samples of Ling et al.’s research are of some international recognized architectural, engineering and construction firms. The average firm size of their selected firms is of 250 employees; and 46.9% of their samples are of construction and management firms. Therefore it is found that a firm’s size and its nature make the entry mode distinct.

Using competition as the entry way probably is because of most of the Dutch architecture firms are not as well-known as other internationally recognized big firms. Except for OMA, UN Studio, or MVRDV, most other Dutch architecture firms’ international reputations are insignificant. Furthermore, in terms of the firm size, most of the Dutch architecture firms are relatively small comparing to the American firms. The sample selected of Ling et al.’s study, the average number of employees is 250, which is much more than the average size of the Dutch firms. Therefore it is assumed that most Dutch firms first might need to establish their reputation among the Chinese clients by winning competitions. This may be the reason why competition is a very popular entry mode to adopt.

In terms of setting up branch office, among the 20 selected Dutch architecture firms in *Dutch architects in Booming China* there are 9 firms set up a branch office or a representative office in China. Some firms even set up more than one office in China, such as DHV have offices in Beijing and Shanghai; OMA have offices in Hong Kong and Beijing. However this is all after their first entry. How did the branch office/representative office affect their performance and acquiring contracts in China is interesting to figure out through the interviews.

#### *2.2.4.3. Entry’s Sequential Position to the Choice of Entry mode*

In Chang and Rosenzweig’s (S.J.Chang & P.M.Rosenzweig 2001) study, they acknowledged the two types of entry mode (transaction cost theory v.s. national & cultural factors) are important for initial entries; further they asserted that entry mode reflects a desire to find the most efficient way to exploit and explore the knowledge base, therefore it will turn from external factors to the factors internal, such as experience or learning in which they further consider a sequence of foreign entry. It is assumed that the Dutch architecture firms would change their entry mode in order to sustain their activities in China according to their first experience contacting their clients. This will be examined through the interviews with the Dutch architecture firms.

#### *2.2.4.4. Pros and cons of different entry mode*

As mentioned in the previous part, the most common seen entry mode in construction industry are joint ventures and project-based collaboration (mobile entry), with a significant growth of foreign direct investment (permanent entry). The following table provides a comparison between these three modes may serve as a knowledge base for entry mode selection.

Due to the large cultural distances and the language non-proximity between the Dutch and the Chinese, joint ventures seem in favor in Chinese context. As for the advantages from local company, joint ventures or project-based collaboration could help to comply with local regulations, such as acquiring necessary paper work and submitting the building regulations; furthermore, helping the Dutch firms to adapt to and to understand the local cultures and conditions. Meanwhile due to the government restrictions on foreign ownership and due to the difficulties to bring the earning back to the country of origin, joint ventures again seems a better way to enter Chinese market.

However joint venture is not common seen in the architectural practice. Rather, either project-based collaboration or foreign direct investment (set up a branch office) is in favor. Again it is found that the theory for general industries and the architectural practice are distinct. It is assumed that the Dutch architecture firms prefer project-based collaboration due to the necessity of working together with the LDI, and due to the size of the Dutch architecture firm is rather small, they tend to not take the risk of putting asset such as a joint venture or direct investment to set up a branch office. It will be tested through interviews with Dutch architecture firms.

Table 2.4 Comparison of pros and cons of entry mode (Source: self-organized)

Mode		Conditions favoring this mode	Advantages	Disadvantages/risks
Mobile entry	Joint Ventures	Large cultural distances Some political risks Government restrictions on foreign ownership Local company can provide skills, resources, distribution network, brand name, etc.	Overcomes ownership restrictions and cultural distance Combines resource of two companies Potentials for learning Viewed as insider Less investment required	Difficult to manage Dilution of control Knowledge spillovers Partner may become a competitor Client's cash flow problems Financial problems in partner's parent company Inconsistency in government policies, laws, and regulations Economic fluctuation Poor relationship
	Project-based collaboration	No firm registered Local company can provide resources to comply with local regulations Projects which Chinese construction enterprises cannot undertake independently due to technical difficulties Adopted of mega project	Providing sophisticated conceptual design High flexibility	Stability is very low Possible competition between partners is high Knowledge spillovers Uncertainty and speculation
Permanent entry	Foreign Direct Investment	Small cultural distance Assets cannot be fairly priced High market potential	Greater knowledge of local market Can better apply specialized skills Minimize knowledge spillovers Can be viewed as an insider	Higher risk than other mode Requires more resources and commitment May be difficult to manage the local resources

## 2.3. Entry Strategy in Chinese Context

### 2.3.1. Barriers and Strength in Chinese Market

Entry mode could be regarded as an integrated result of the analysis of the motivation, location choice and market targeting, then choose an appropriate plan accordingly. In the previous part what the entry strategy is has been discussed with the existing studies. The comprehension of entry strategy in the Chinese context is required. In the next step their barriers and strengths in the certain market will be identified with the current studies.

*“Many consider the Chinese market a difficult one with its governmental, market and technical barriers to entry.” (Xu and Greenwood, 2006)*

Xu and Greenwood (T.Xu & D.Greenwood 2006) broke down the barriers to Chinese market into three dimensions which are:

- government restrictions;
- market barriers;
- technical barriers.

Even though the policy on foreign firms is more open nowadays, the Chinese construction market and construction enterprises are still under government protection. The economy in China is now neither a planned nor a Western-style market economy, but is in transition towards a “socialist market economy”. Foreign companies may encounter various entry barriers in their expansion into China. The market barriers include low prices from local competitors; network and relationships (Guanxi) with authorities, clients, subcontractors and suppliers; and linguistic proficiency. Deng and Poon (2009) asserted that new comers do not enjoy the same privilege as the well-established who can be more selective in which competition to participate and with whom to collaborate. Technical barriers include differences in technical standards, codes, and practice between China and the home countries of foreign contractors.

Zou and Leslie-Carter (2010) found that lack of regulatory transparency, regional differences and a relationship-based business culture are some of the factors that make China a challenging project environment. Meanwhile, forming an international partnership, managing cultural differences and risks, dealing with intellectual property and ownership of design are recognized as important issues to an international project such as “Water Cube” in Beijing.

Deng and Poon affirm that in Mainland China, language barrier is a key determinant for the cross-cultural collaboration. Not only does Mandarin predominate in business communications, but also Chinese is the sole official language in the documents. Ling et al. also indicate that the projects may be impeded because ideas could not be accurately communicated due to the language issue.

Focusing on cross-cultural problems in international project, Xiao and Boyd (H.Xiao & D.Boyd 2010) indicate that language is just only one of the obvious barriers in any cross-cultural project environment, and there are much deeper and more complicated cultural issues to be tackled. For instance, different faiths, assumptions and behavior norms can cause conflicts. They mentioned that it is worthy to pay attention to informal communications and recognize and deal with emotions explicitly.

*“Language is not the barrier, but the working methods to finalize the projects between the Chinese and the Dutch organizations” .(H.Den Hartog 2009)*

The differences of design approach are further indicated by X. Lu(Xin Lu 2008). Here a comparison of time table of the average work loading of design and construction for an office building with 15,000 sqm in Germany and in China shows the differences.

Table 2.5 Timetable for an office building with 15,000 sqm in Germany

Work Phase	Total Output (%)	Processing Time (days)
Research and data collection	3	21
Preliminary design concept	7	(15)*+30
Schematic architectural program	11	45
Documents for government approval	6	(15)*+15
Construction documents	25	(15)*+75
Request for bids from construction firms	10	(15)*+30
Award of contract	4	(45)**+30
Site supervision	31	420
Documentation	3	15
<b>Sum</b>	<b>100</b>	<b>720</b>

\*Time overlap with the preceding phases

\*\*Calculated time for the tender by the firms

Source: (Xin Lu 2008)

Table 2.6 Timetable for an office building with 15,000 sqm in China

Work Phase	Total Output (%)	Processing Time (days)
Conceptual design	*	15-30
Schematic design (Drawings for government approval)	20-25 **	10-15
Design development	25-30	30
Construction documents	40-45	45-60
Construction	5-10	300-360
<b>Sum</b>	<b>100</b>	<b>400-495</b>

\*design fee for this phase is either calculated individually or included in the second phase

\*\*includes the conceptual design phase

Source: (Xin Lu 2008)

“At the outset, the time allotted for such a project may be even shorter than it is indicated by this table- for instance the conceptual design stage for an office of 15,000 square meters is typically only fifteen days”, said Xin Lu. The very short time allotted to preparing competition entries is also notoriously short in China. Deng and Poon confirmed this phenomenon by saying,



*“In 2007, one high-profile competition for an 800,000 sqm large-scale public building projects in Shanghai gave participators only 20 work days.” (Y.Deng & S.W.Poon 2009)*

Except for speed and time, the uncertainty of the projects is another annoying problem. As X. Lu stated, “If you were to win one project for every ten you attempted, this would indeed be lucky.” The numbers from book *Dutch architects in Booming China* helps us to realize how the situation could be. Among the 83 selected projects, 54 were without follow-up. Many are of 1<sup>st</sup> prize of competition without realization.

*“It happens quite often in China that a prestigious office building may suddenly have to be re-planned as a five-star hotel; the submission date for a scheme might unexpectedly be brought forward or delayed by six months; the site boundaries and/or plot ratio may change; or the whole project could be suspended due to lack of approvals” (Xin Lu 2008)*

To understand the problem, it is necessary to learn about the clients in China. There are four types of clients in China. Knowing who the clients are helps to identify the suitable one which match the firms’ market targeting and therefore might also determine the way acquiring contracts.

Table 2.7 Types of clients in China

Type of clients	Nature of the clients	Their work
State-owned companies	Government or government controlled companies	Important public buildings, government office buildings, urban planning, infrastructure projects
Non-governmental local businesses		Purchase land from the government in order to develop it, usually for residential, also for commercial use
Foreign-funded business	Firms from Singapore, Indonesia, Taiwan and Hong Kong/overseas funds	Commercial, residential/ top quality office buildings, superior hotels
Joint ventures	A real estate company partners with government-controlled commercial interest or a non-governmental business	

Source: (Xin Lu 2008)

There are three main reasons result in the frequent changes: (1) the developers currently lack sufficient experiences of large projects; (2) the attrition among the senior decision-making personnel- the equity is transferred quite often; (3) external factors- such as the shift of the related high-ranking official; buying land, getting planning permission and funding the project in a private developer.

Here the clients of the selected projects in the book *Dutch architects in Booming China* are listed. It is found that the two firms which have more than ten projects listed in the

book tend to cooperate with the state-owned companies. They are KCAP and KuiperCompagnons. Especially the KuiperCompagnons, 22/27 projects are of government or government controlled companies. This may be due to its specialization in urban planning therefore with their focus market, it is more appropriate to participate projects of state-owned companies.

Table 2.8 Clients of the selected projects in China

Dutch Firm	Client	Number of projects
+10	Private developer	13
	Government	25
	Institute/Education	1
	Foreign investors	-
6-10	Private developer	12
	Government	1
	Institute/Education	-
	Foreign investors	-
1-5	Private developer	5
	Government	8
	Institute/Education	8
	Foreign investors	7
<b>Total</b>		<b>83</b>

Source: (Marlies Buurman, Maarten Kloos, & Arcam 2005;Xin Lu 2008)

In order to get a business in China, there are two crucial aspects. One is the firm has an international reputation, and the other is that it has a good relationship with the client. To tackle the uncertainty of doing business in China, firms may set up a branch office. Here the stories of some selected firms listed in the book might provide a view of how Dutch design firms develop their business in China.

In terms of setting up branch office, among the 20 selected Dutch architecture firms there are 9 firms set up a branch office or a representative office in China. The four firms of “+10 projects” and “6-10 projects” have already set up branch office or representative office in China. Some firms even set up more than one office in China, such as DHV have offices in Beijing and Shanghai; OMA have offices in Hong Kong and Beijing. Except OMA chooses to set up an office in Hong Kong, all others either set it up in Shanghai or Beijing. Shanghai is the most popular city for the Dutch architecture firms as a branch office location.

Among the Dutch architecture firms with branch offices in China, only NEXT architects and OMA do not choose Shanghai as their location. NEXT architects started their branch office in Beijing since 2004 and since then they are very much focusing in Beijing area. From 2004 until now, there has been 10 projects realized and 11 projects are in progress. OMA has two offices; one is in Beijing and one in Hong Kong. The Hong Kong office is in charge of the projects in the south, even including projects in Taiwan. There are 21 projects Chinese projects list on their website, and most of them are of competitions; 7 projects have been realized or still under construction. Most of the realized projects are in Beijing area, which are related to the CCTV project, which is also their first realized project in China. The other firms of “1-5 projects group” which have set up branch office are NITA group, UNstudio, Niek Roozen architectuur, and Verburg Hoogendijk. The specialization of NITA group and Niek Roozen are in landscape; Niek Roozen has involved in Chinese market and its development is rapid and until now it has accumulated 57 projects in China. Verburg Hoogendijk’s specialization is the bridge design. There are 5 projects in China

since they involved in this country. UN Studio has branch office in Shanghai and there are 2 projects being realized among 11 projects in China; most of them are competitions.

To what extent setting up a branch office helps to get a project in China? What are the relations between acquiring contracts and having a branch office; market targeting and their location choice of the branch office? This is going to be investigated in the interviews.

### 2.3.2. Factors Determined Entry Mode in Chinese Market

Chen identified factors determine the entry mode selection for international construction market. These include trade link, cultural distance, colonial link, language proximity, host market attractiveness, investment risk, entry restriction and competitive intensity (definition seen in appendix B). The current relevant studies of entry strategies to Chinese market are analyzed and compared by the factors categorized by Chen, and they may help to further identify whether a mobile or a permanent entry mode is more appropriate to enter Chinese market.

#### Trade link

- network and relationships with authorities, clients, subcontractors and suppliers were regarded as market barrier (T.Xu & D.Greenwood 2006);
- networking the right person provides access to people and information of potential value (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005);
- almost being ignorant the cities beyond Beijing, Shanghai and Hong Kong (H.Den Hartog 2009);
- a relationship-based business culture (P.X.W.Zou & R.Leslie-Carter 2010)

Hypothesis- as discussed in 2.2.2, the trade link provided by government or relative organizations are insufficient; meanwhile the trade history between the Netherlands and China is not long enough to lead to a great understanding between companies within the home and host countries, therefore it is assumed that the Dutch architect firms are more likely to take a mobile entry mode accordingly.

#### Cultural distance

- differences in technical standards, codes, and practice between China and the home countries of foreign contractors (T.Xu & D.Greenwood 2006) ;
- ways on the management aspects in all sectors (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005);
- the working methods to finalize the projects between the Chinese and the Dutch organizations are very different (H.Den Hartog 2009);
- people from different cultures behave differently in values, attitudes, perceptions, and behavior norms which affect people working in a cross-cultural environment (H.Xiao & D.Boyd 2010);
- managing cultural understanding and regional differences is important (P.X.W.Zou & R.Leslie-Carter 2010)

Hypothesis- when the cultural distance is significant, it may have difficulty in imposing subjective judgment to determine how people should behave and evaluating hard-to-quantify inputs and results, or more resource commitment is needed; therefore it is assumed that the Dutch architect firms are more likely to take a mobile entry mode accordingly.

#### Language proximity

- linguistic proficiency- especially with Chinese written documents is regarded as a market barrier (T.Xu & D.Greenwood 2006);

- project ideas could not be accurately communicated due to the language issue (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005) ;
- the language barrier might be tackled by teaming up with a domestic firm (Y.Deng & S.W.Poon 2009);
- language is only one of the obvious barriers, there are deeper and more complicated ones (H.Xiao & D.Boyd 2010);
- international firms should control language barrier risk to avoid misunderstanding (P.X.W.Zou & R.Leslie-Carter 2010)

Hypothesis- Communication plays such an important role on international projects where multiple organizations work together that it is a great location advantage for international contractors to know the local language. Chinese is the official language on the daily site communication and of the official documents. Due to there is little language proximity, it is assumed that the Dutch architect firms are more likely to take a mobile entry mode in order to acquire the assistance from the collaboration with the local firms.

#### **Host market attractiveness**

- China's entering WTO in 2001, the trade liberalization (T.Xu & D.Greenwood 2006);
- the world's second largest construction industry after the US in 2000 (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005) ;
- astonishing speed of construction (H.Den Hartog 2009;Xin Lu 2008);
- up until 2004, the annual construction expenditure has reached US\$375 billion, an equivalent of 16% of China's GDP (Y.Deng & S.W.Poon 2009)

Hypothesis- in countries with a large and high-growth market, investment modes are expected to provide greater long-term profitability to a firm, compared to non-investment modes. In a blooming construction market as China, the Dutch architect firms are assumed to take a permanent entry mode.

#### **Invest risk**

- the non-convertibility of Chinese currency (RMB) (T.Xu & D.Greenwood 2006);
- the reliability of local subcontractors and suppliers (T.Xu & D.Greenwood 2006);
- social risk: how to team and with the external stakeholders (P.X.W.Zou & R.Leslie-Carter 2010);
- Uncertainty to win a commission (Xin Lu 2008)

Hypothesis- when investment risk is high, companies would do well to limit their exposure to such risk by restricting their resource commitments; therefore the Dutch firms are assumed to be more likely to take a mobile entry mode.

#### **Entry restriction**

- government protection (T.Xu & D.Greenwood 2006);
- lack of regulatory transparency (P.X.W.Zou & R.Leslie-Carter 2010)

Hypothesis- with the protection by government, the foreign architect firms are limited to foreign direct invest projects; or it is necessary to collaborate with the LDI. It is assumed that the Dutch firms are more likely to take a mobile entry mode in a high entry restriction market like China.

### Competitive intensity

- low price from local competitors (T.Xu & D.Greenwood 2006);
- being “hungry enough”, leading the top management to be committed by sending the best people for its Chinese ventures (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005);
- public projects through competitions- short length, tight budget and schedules (Y.Deng & S.W.Poon 2009)

Hypothesis- because resource commitments limit an architecture firm’s ability to adapt to changing market circumstances without incurring substantial sunk costs, it is assumed that the Dutch firms are more likely to take a mobile entry mode in a high competitive market in China.

Table 2.9 Factors determined entry mode for Chinese construction market (source: self-organized)

Author/year	Chen <sup>4</sup> (2008)	Ling et al. (2005a,b)	Xu and Greenwood (2006)	Den Hartog (2009)	Deng and Poon (2009)	Xiao and Boyd (2010)	Zou and Leslie-Carter (2010)
Trade link	-	-	-	-	-		-
Cultural distance	+	-	-	-		-	-
Colonial link	+						
Language proximity	+	-	-		-	-	-
Host market attractiveness	-	+	+	+	+		
Invest risk	-		-				-
Entry restriction	+		-				-
Competitive intensity	+	-	-		-		

- Indicates the factor which was identified as crucial and is negative to Chinese market
- + indicates the factor which was identified as crucial and is positive to Chinese market

The results of table 2.9 show most of the studies assure the promising construction market in China; entry restriction are less mentioned probably due to the Chinese construction market has been opened for decades, the regulatory transparency is getting higher and overall standard of the suppliers and contractors in the host country is enhancing. The invest risk is not mentioned which is not accord with the problem analysis in 1.4.

There is a correlation between the host market attractiveness and competitive intensity. Since China becomes a potential market to the foreign architecture firms from all over the world, together with the growth of the local design firms, it becomes a very competitive market. There is correlation between market targeting of an architecture firm and its competitiveness in the market (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005;G.M.Winch, D.Grèzes, & D.Carr 2002;H.Den Hartog 2009), therefore the market targeting of the interviewed firms will be examined.

<sup>4</sup> The paper of Chen (2008) is a study of entry mode selection for international construction market, which data was collected from international projects scattered around the world. It could not be specific to Chinese market, however those factors listed in the first column of table 5 and it may be as a contrast to other researches of Chinese context.

Trade link, cultural distance and language proximity are three major negative factors affect entry strategies to Chinese market mentioned in most of the researches. How the Dutch architecture firms perceive these three factors would be studied.

## 2.4. Cross-cultural management in operation

Once permanent entry mode is adopted by a Dutch architecture firm, they must understand local culture very well to establish enduring cooperation with local parties, and internally manage relationships between local employees and expatriates; therefore “cross-cultural management” is introduced in this study.

Burchell and Gilden (R.Burchell and A.Gilden 2008) stressed that it is not only important to try and understand the local culture, it is also important to identify the differences between that culture and the project manager’s own.

### 2.4.1. Definitions

#### **Culture**

The definition of culture is hardly being defined. Hofstede’s (G.H.Hofstede et al. 2010) definition is perhaps the best known to management scholars and is used here. Culture is

*“the collective programming of the mind which distinguishes the members of one human group from another... Culture, in this sense, includes systems of values; and values are among the building blocks of culture.”*

Hofstede implies that culture (1) is particular to one group and not others; (2) it influences the behavior of group members in uniform and predictable ways; (3) it is learned, and is not innate; (4) includes systems of values. In this paper, cultures are compared within the organizational cultures between the Dutch architecture firms and their Chinese counterparts. Therefore it focuses on differences between national cultures and the term “culture” is used to refer to the values of the architecture firms.

#### **Cultural distance**

The definition of cultural distance means a gap between the culture of two different groups, such as that between the culture of the Dutch and the Chinese. Hofstede developed a model to measure “culture” and rated the countries by five dimensions. Although the result of Hofstede’s research is disputable due to his data were gathered from one single group and may not represent the entire people of a certain country, his research is cited widely among the cultural researchers and is worthy to reference. The five dimensions are as followed:

Power-distance- Hofstede’s Power distance Index measures the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.

Collectivism vs. individualism- Individualism is the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups.

Femininity vs. masculinity- Masculinity versus its opposite, femininity refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found.

Uncertainty avoidance- Uncertainty avoidance deals with a society’s tolerance for uncertainty and ambiguity; it ultimately refers to man’s search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.

Long- vs. short-term orientation- Long-term orientation was added as the fifth dimension to distinguish the difference in thinking between the East and West. This dimension is with an understanding of the influence of the teaching of Confucius on the East.

**Cultural distance between Dutch and Chinese cultures**

The result of Hofstede’s research shows that the cultural distance between the Netherlands and China is comparatively large, especially in great in LTO, significant in IDV and MAS. The LOT and IDV may especially influence the organizational behavior.

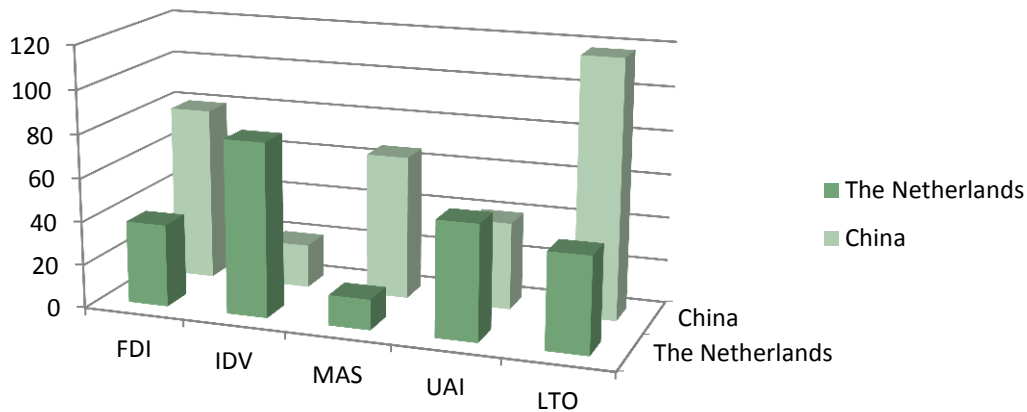


Figure 2.3 Comparison of the cultural distance between the Netherlands and China. Source: <http://www.clearlycultural.com/geert-hofstede-cultural-dimensions>

**International/cross-cultural management**

International management is defined as the process of practicing management techniques within cross-cultural situations. According to Pheng and Leong (L.S.Pheng and C.H.Y.Leong 2000), cross-cultural management refers to the control and organization of two or more cultures. However, due to the problems of cross-cultural working situations are very contextual, and a solution to one particular problem may not be readily applied to another situation, most cultural knowledge is not formally referenced, indexed and filed; rather, it is distributed as experiences of people within society (H.Xiao & D.Boyd 2010)

**2.4.2. Factors influenced cross-cultural collaboration**

Even though many successful examples of international projects are known and many architecture firms have succeeded to export their design services, cross-cultural collaborations are recognized to be complex processes. “Integration can, however, be a daunting task as it involves maintain a balance between global efficiency and being responsive to local cultural difference in the host countries.” (L.S.Pheng & C.H.Y.Leong 2000)

Zou and Leslie-Carter asserted that understanding organizational and national culture, cross-cultural communication, negotiation and dispute resolution are considered to be the most important issues for the project management process in China. Furthermore, network building, competition between partners, trust and performance are also identified as factors influence cross-cultural collaboration.

### **Learning about cultural differences**

The cultural diversity brings opportunities and difficulties to cross-cultural management. The opportunities for synergy, higher creativity, innovative business practices, faster and better learning within the organization, and sustainable sources of competitive advantage (O.Zwikael et al. 2005) are regarded as the advantages of cross-cultural projects. On the contrary, mismanaging cultural differences may lead ineffective and frustrated working. Recognizing and sensibly manipulating cultural differences, could allow improvements in the efficiency and profitability of international projects.

While working in China, managing the cultural differences is a particularly important issue that foreign firms need to face especially for companies with traditional Western culture backgrounds (P.X.W.Zou & R.Leslie-Carter 2010). Cultures related to the architectural practice could be classified into three categories: (1) organizational/national structure; (2) managerial differences; and (3) differences in fundamental concept and philosophy which contracts and laws are based on. The management might involve within the organization (the local colleagues), with the Chinese consultants, and with the Chinese clients.

### **Language and communication**

Language is seen as an important factor affects the performance of cross-cultural collaboration (F.Y.Y.Ling, C.W.Ibbs, & J.C.Cuervo 2005;H.Xiao & D.Boyd 2010;Y.Deng & S.W.Poon 2009). It was also explained in 2.3.1.; language affects the understanding of the governmental documents, and also influences the effectiveness of communication.

Zou and Leslie-Carter pointed out that cross-cultural communication is considered as one the most important issues for the project management in China. "Good communication is a key feature of successful construction projects", as Xiao and Boyd quote Dainty et al. (2006) in their article. Xiao and Boyd also assert that good communication is required in various levels from clients to the users; from discussion of schematic design to day-to-day activities on the site involving many organizations and people.

Language seems not a communication barrier between the Western and Chinese architects, since graphics play a large role in the transmittal of ideas. English is used as a common language to communicate in most of the cases, since most of the Chinese architects speak English, "however the level of English spoken by Chinese architects is generally not sufficient to decipher more complex issues and resolve disputes" (Xin Lu 2008). The problems caused by the insufficient communications- such as the demonstration of complicated conditions, explanation of their own ideas, or in a dispute, when they are not able to be discussed, meanwhile with the time pressure the both sides of architects have to simplify the problem without further exploration of the reason. Misunderstanding occurs.

Except for the competence of using the common language, the essence of the communication is already different between the Dutch and the Chinese culture. Although there are differences between Western nations, it is probably to say that Westerners come more directly to the point, raising questions and considering a statement as it



stands; whereas in the East people are more likely to be indirect and consider the tactfulness of their approach. "Rather than raising a question directly they are inclined to follow a more roundabout path to the intended destination, arriving at the issue as if by chance, or expect you to intuitively understand what they want to say by reading between the lines." (Xin Lu 2008) In a group discussions and meetings the Chinese are usually known for being tactful rather than expressing an honest opinion, especially while the boss is present. Hofstede's model of power distance shows that it is much higher in China than in the Netherlands. The Chinese clients are considered having a greater authority in the project, they used to exercising their power when they want things done. "Some (clients) treat his architect with little respect and regard him merely as a service provider or consultant working for his ends", says Xin Lu.

In China the construction process of a project is not able to be controlled by the architect; on the contrary, the Dutch architects have a say in a project. In the Netherlands, it is very natural to have collaboration on procurement process between Dutch municipality and contractors. Such atmosphere of collaboration is far less antagonistic, opposing, hostile and conflicting than in other countries. This is very different from the status in China. Chinese clients like to have the say and the architect may not be given a chance to explain his position (Xin Lu 2008). The communication barriers with the Chinese clients are not only resulted from the language, but also the Chinese clients normally have greater authority. Changes occur quite often during the process, asking architects to add details or change their concept in a way that is incompatible with the overall design.

### **Conflicts**

*"A better understanding of influential cultural factors will help to reduce and manage conflicts in international construction projects." (A.Mahran 2008)*

Conflicts resulted by misunderstanding, misinterpretation almost occur in all the phases in a cross-cultural collaboration and such opposition may decrease the desire of a foreign company to enter host country. Yates (J.K.Yates 2007) indicates that the majority of engineers and constructors who are released early from overseas work assignment are released because of cultural infractions rather than a lack of technical ability. On the other hand, the conflicts also resulted by different culture background, such as the way of thinking, vision of the project, decision making and custom of practice from their own origin. Conflicts affect the performance of the project.

### **Network building**

*"China could be described as a "we" society as opposed to the West's more individualistic "me" society... Chinese, on the other hand, have a strong sense of society and the need for a feeling of togetherness. They like to diminish personal distance and build up closer relationship in as short a time as possible." (Xin Lu 2008)*

The dimension of "Collectivism v.s. Individualism" by Hofstede affirms the above statement. Interviews conducted by Ling et al. (2005b) indicate that having good connections are essential in China. Without "guanxi", foreign firms may face many problems, especially executing projects for the first time. Furthermore, to find a good local partner, firms are suggested to engage an agent. However, Brennan and Wilson (R.Brennan and J.Wilson 2010) assert that "guanxi" (personal connections), which was considered as an essential part of doing business in China, its importance is declined. This

was due to China's market liberalization, outward investment, "guanxi learning" on the part of foreign companies and online intermediaries. How true this statement is will be examined in the interviews.

### **Competitions between partners**

The huge construction market also means higher competition. Exporting to Chinese market the architectural firm could be very challenging, due to the competitors are not only from the architectural firms all over the world but also the local firms. After decades of collaboration, the local firms are becoming competitive players.

Collaboration and competition co-exist in the construction industry. Xu et al. (T.Xu et al. 2005) indicates that there are horizontal and vertical collaboration. The collaboration between architect firms and their local partners who has similar specialization/providing similar service is regarded as horizontal collaboration. Before the alliance or collaboration form being determined, the local firms could be a competitor for foreign contractors, especially when their specializations are in the same field. Competition may exist in collaboration if the participating partners are in a horizontal collaboration setting. Even after the termination of the collaboration, local firms might be a stronger competitor due to the knowledge/expertise transferred by foreign contractors. In order to maintain the competitive edge, the foreign firms need to be a learning organization and to innovate persistently.

### **Trust**

Trust plays an important role in collaboration; nevertheless, in cross-cultural working among the participants will weaken mutual trust because of cultural distances (H.Xiao & D.Boyd 2010). This may be it is more sensitive due to many of foreign contractors come to Chinese market with experiences of project-based collaboration which is very low stability and high possibility of competition with their local partners. Many others suffer the unpredictable result due to the sudden change of their Chinese clients.

Trust between organizations has been regarded as one factor to influence performance of collaboration. Luo (Y.Luo 2002) indicates that in a cross-cultural collaboration, trust is stronger that when an alliance is younger, risk is more commensurate between parties, market is less volatile, inter-partner dependency in resources is greater, and commitment to the on-going partnership from each party is higher. Even though there is much uncertainty in Chinese market, the respect of local culture and dedication to the project would receive many appreciations.

As a result, managers from firms intend to involve international expansion need to develop skills to interact with individuals from diversity of cultures- there are differences in values, attitudes, perceptions and behavior norms which affect people working in a cross-cultural environment.

## **2.5. What is "being successful" in China?**

To evaluate the business development of the Dutch architecture firms in China, it is necessary to define how to evaluate their performance.

One might evaluate it by being able to involve in this market. Therefore "success" might refer to being invited to a competition, or being invited as a consult for a Chinese project or even to participate in an exhibition in China. On the contrary, to some firms the only

success means finalizing the project, so that they could accumulate their portfolios. The other might evaluate by winning a competition. By this way, they build up their reputations in this market. Others might evaluate it by setting up a branch office or even being localized; finally to some firms the success means being able to be profitable, not only being self-sustaining for the Chinese projects, but also making profits for the parent office.

In this paper the success is identified as being able to sustain in the Chinese market. As it is realized that “if you were to win one project for every ten you attempted, this would indeed be lucky”, winning competition does not guarantee the projects will be finalized, let alone being profitable. However after winning several competitions there might be one time which is going to be built. Once a building is realized, then people can see your work. The success to a firm therefore is able to sustain their activities in certain country by having good relationship with clients, and accumulating their portfolios.

## 2.6. Conclusion

While consider an international business development plan, the architecture firm might adopt an entry strategy to enhance its competitiveness and reduce its risk. The International Expansion Model provides as a good start to consider this complex issue. However it is much more complicated while taking the Chinese context into account. In the figure 2.4 explain the theoretical framework while considering the entry strategy to Chinese market.

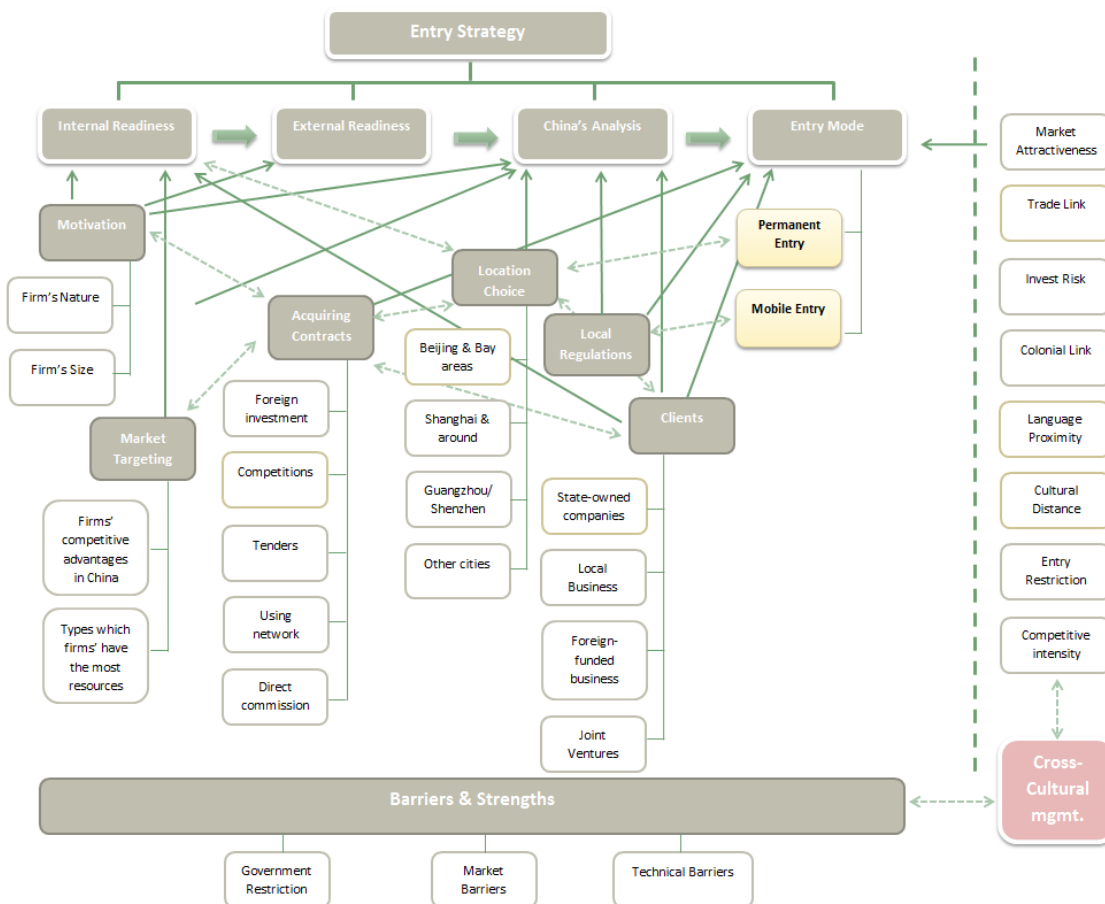


Figure 2.4 Diagram of the theoretical framework

The choice of entry mode is an integrated decision. The motivation might result from the globalization and the IT development, as well as the China's market attractiveness and more possibilities there, in terms of the scale, the types and the speed of the process. The architecture firms are expected to use selective strategies into their targeting market. While considering entering China, the knowledge of each area or cities is necessary to investigate beforehand for this country's territory is enormous, and it is complicated.

An architecture firm should identify their own strength in a foreign market, either on the cost, or on their specialization. The latter is feasible in Chinese market. There are several ways of acquiring a contract in Chinese market of architecture firms, and they: (1) follow the foreign investment activities; (2) win an architectural competition; (3) through an open/selective tender; (4) direct commission; (5) use an introduction from another member of a network. Since the nature of the architectural practice is that each project needs to acquire a new contract, in order to get a business in China, two things are crucial: the firm has an international reputation; has a good relationship with the client.

Competitions seem to be the most common way for Dutch architecture firms to enter Chinese market, probably because they need to build up their reputation in China. According to the statistics in 2005, the numbers indicate that the Dutch architecture firms have the most projects in Beijing & bay areas; meanwhile the Dutch firms seem able to do work outside the three well-known regions without sufficient trade link provided by the governmental organization. The location of the projects might have relations with their firms' nature, for each big city has its own character, which might suit a certain architecture firm. Their choice of location may have a relation with the relationship with the clients. And it is found that firms with branch offices in China may have more projects in the realm where their office locates.

Cross-cultural management may be applied to control the language and communication problem, resolve the conflicts and disputes, strengthen the network building and prevent the uncertainty of the projects, which are identified as the significant barriers to the Chinese market.

#### **Entry Mode- Mobile or Permanent?**

The entry mode could be sorted into mobile or permanent one. There is an opposite attitude whether a project-based project or a branch office is more appropriate for entering China. According to the analysis of factors which influence entry mode, host market attractiveness is the most positive one; and trade link, cultural distance and language proximity are the most negative ones. Hypothesis shows that when the market attractiveness is high, firms are assumed to take a permanent entry mode; on the contrary, the low trade link, high cultural distance and small language proximity would make the Dutch architecture firms more likely to take a mobile entry mode accordingly. To comply with the local regulations, project based collaboration is good for having the assistance from the local design institute; while wholly foreign owned firms are probably the most practical approach in view of present Chinese regulations. In terms of the convenience for communication, the Chinese clients may prefer their foreign counterparts to have a branch office in China. Those ambitious Dutch architecture firms having branch office in China seem have more chance to sustain their activities in China than those ones without branch office. At least, they keep an eye on this market! Whether or not many projects were realized, they keep trying to win contracts in the Chinese market. Cross-cultural management might be easier to apply to tackle the cultural distance, the language differences and the low trade link through a local branch office.

### 3. Case Study Analysis

#### 3.1. Introduction

In the background on the cases, the reasons why these firms were chosen for interview are first given; then the nature and the size of the firm are introduced. Their projects and their statement/specialization of their firm are presented. Following is the experience to China, it may include the approach, the location where it happened, the types of projects, etc. It is an anonymous research; therefore the interviewed Dutch firms will be named with code- the foreign architecture firm will be coded with AF-number; the local architecture firm will be coded with AFC-number; the private developer as clients will be coded with CL-number.

Table 3.1 List of interviewed Dutch firms. (Source: self-organized)

Code	Firm types	Location
AF1	Strong idea, sending international products	Rotterdam
AF2	Involve in architecture, exhibition and food design	Rotterdam
AF3	Receive nation-wide reputation, projects vary from individual houses to large-scale mixed-use projects; except for branch office in China, there is also branch office abroad in Europe	Amsterdam
AF4	Strong delivery, 90% of projects in China, and mostly housing projects	Amsterdam
AF5	Quite international, having many projects abroad; in-between strong delivery and strong idea	Delft

#### 3.2. Result of case study

##### 3.2.1. AF1

This company was selected for interview because its size is rather big among architecture firms in the Netherlands; its type is sorted to “strong idea” because of its outstanding statement on their design. Moreover AF1 has been using the trade link provided by DutchDFA, therefore it is a good example to examine the effect of the service.

##### Profile in the Netherlands

AF1 is one of the Dutch architecture firms which have the international reputation. It was set up in Rotterdam in early nineties. Its nature is on the solutions to architectural and urban issues. Currently the company is of about 70 employees from several countries, and they are very used to collaborate with consultants such as local architects, construction groups and specialists. A research-based and highly collaborative design method is adopted. They have realized projects in many countries and there are more international projects are in progress; as their representative reflected in the interview, AF1 delivers “international products”.

Table 3.2 Profile of AF1 in the Netherlands

No	Size	Building type	Built	No	Size	Building type	Built
1	90 m <sup>2</sup>	Cultural facility	Y	26	6.000 m <sup>2</sup>	Dwelling	Y
2	4.000 m <sup>2</sup>	Office	Y	27	850 m <sup>2</sup>	House	Y
3	4.551 m <sup>2</sup>	Cultural facility	Y	28	60.000 m <sup>2</sup>	Exhibition space	N
4	288 m <sup>2</sup>	Office/house	Y	29	6.000 m <sup>2</sup>	Office/laboratory	Y
5	-	Medical center	Y	30	-	Master plan	N
6	8.300 m <sup>2</sup>	Hotel	Y	31	600 m <sup>2</sup>	House	Y
7	-	Cultural facility	N	32	1.500 m <sup>2</sup>	Office	Y
8	-	Dwelling	N	33	40.397.955 m <sup>2</sup>	Flood plan	N
9	13.000 m <sup>2</sup>	Mixed use	N	34	120 ha	Master plan	N
10	10.500 m <sup>2</sup>	Office	Y	35	4.200 m <sup>2</sup>	Office	Y
11	7.500 m <sup>2</sup>	Housing	Y	36	200.000 m <sup>2</sup>	Transportation	N
12	16 ha	Master plan	Y	37	565 m <sup>2</sup>	Education	Y
13	6 ha	Master plan	Y	38	-	Cultural facility	N
14	(119 houses)	Dwelling	Y	39	160.000 m <sup>2</sup>	Master plan	N
15	(48 houses)	Dwelling	Y	40	60 ha	Master plan	N
16	1.920 m <sup>2</sup>	Dwelling	Y	41	-	Cultural facility	N
17	66 ha	Office/Business park	Y	42	12.000 m <sup>2</sup>	Mix-use	N
18	70.000 m <sup>2</sup>	Office	N	43	8.000 m <sup>2</sup>	Sports facility	N
19	-	Sports facility	N	44	-	Mix-use	Y
20	19.500 m <sup>2</sup>	Housing	Y	45	-	Floriade plan	N
21	-	Housing	Y	46	-	Cultural facility	Y
22	-	Pig farm	N	<b>Ave.</b>	<b>24.353 m<sup>2</sup></b>	<b>(Except for master plans)</b>	
23	165 m <sup>2</sup>	House	Y				
24	9.300 m <sup>2</sup>	Mix-use	Y				
25	-	Mix-use	Y				

(Source: Self-organized)

While sorting AF1's profile in the Netherlands, it is found that the most seen three types of AF1's profile are: residential, offices, and master plan; and this also correspond with their firm's nature- providing the solutions to architectural and urban issues. Those most seen three types cover 58% of their portfolio. Comparing their profile in China, it is interesting to find out that the first two are both residential and offices, and cultural facility replaced master plan as the 3<sup>rd</sup> position.

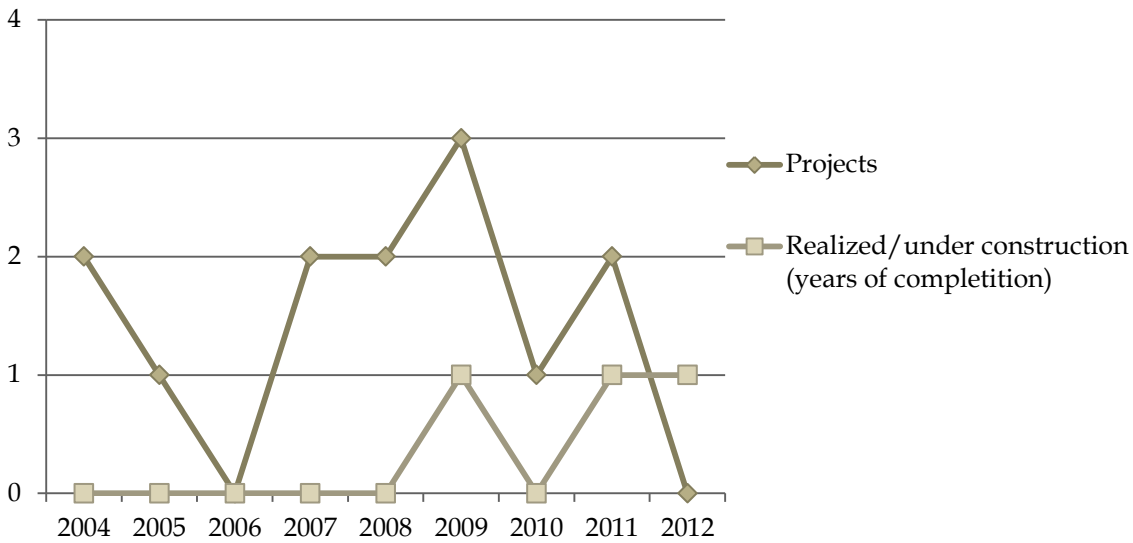


Figure 3.1 Business development of AF1 in China (Source: self-organized)



Figure 3.2 Timeline of AF1's development in China (Source: self-organized)

### Development in China

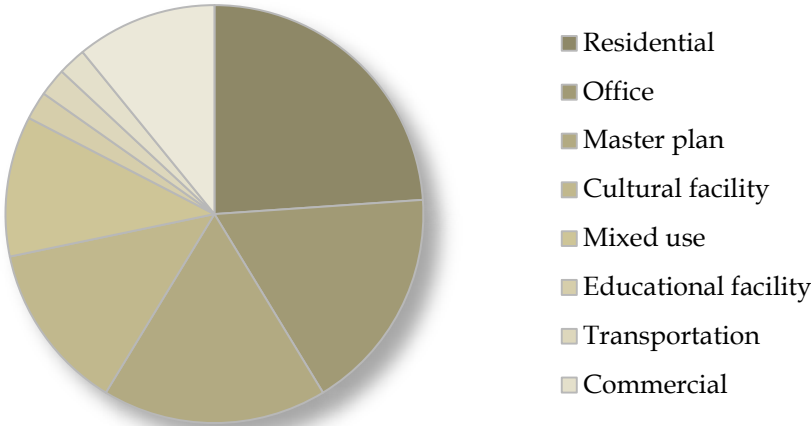
Their attempt to China probably dated back to 2000, a small shop in Shanghai without follow-up; and in the record of Dutch Architects in Booming China their first listed project in China is a competition of a private developer in Beijing, 2003; while on the official website the first project was probably housing projects in Liuzhou or in Tianjin in 2004. Currently AF1 has approximately 30% of turnover from Chinese market but comparing to other countries, the profit from China is less. In 2011 a representative office was set up following the DutchDFA's program "DDWS" in Shanghai and a Dutch representative was sent to Shanghai since 2011. This was because after ten years involved in Chinese market, AF1 did not make a lot of buildings, and they are looking for better quality projects/clients

and also they look for a better profit in China. Their Dutch representative of Asian has worked for AF1 three years before she was delegated to China as the director of Asian market. It was a decision after AF1 involving ten years in China from out Netherlands and which is recognized as insufficient to operate business in Chinese market.

***“I think sometimes I also realize that it's super stupid that now we are in the digital world and why should we actually be there? But it's true. You know, you just have to be face to face, I just have to be... another thing is that I also feel much more responsible for Asia.”***

Another important reason why a representative office in China was important to AF1 was because they have lived in the same time-zone with their clients so that AF1 could communicate with them promptly. It also gives better control with what local design institute is doing. Sooner AF1 found that the representative office is economic inefficient to work in China since a representative office cannot receive design fees directly; recently in September 2012 AF1 has established the wholly foreign owned entity in Shanghai, mostly for having a Chinese bank account and hiring local personnel. The shift of entry mode is in accordance with the theory of Chang and Rosensweig’s study in 2.2.4.3.

### AF1's Profile in the Netherlands



### AF1's Profile in China

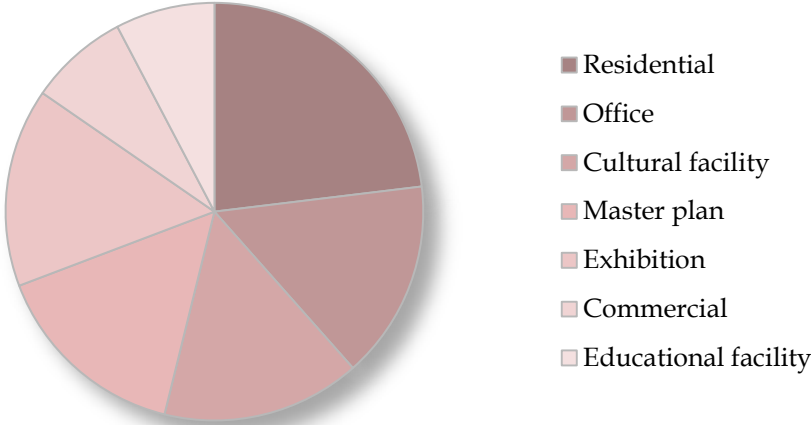


Figure 3.3 Chart of AF1’s profile in the Netherlands and in China (Source: from website of AF1, self-organized)



There seems no certain type of building which AF1 is aiming at. From figure 3.3 it is found that AF1's profiles in the Netherlands and in China are quite similar, but AF1 has a wider range of building type in the Netherlands than in China. In table 3.2 it is found that AF1 involved in many mix-used buildings, as well as many different types of building, such as transportation, sports facility and medical center. Their most seen building type is first residential then is office; either cultural facility or master plan is as the 3<sup>rd</sup> and the 4<sup>th</sup>. From the table 3.3 it is realized that AF1's projects distribution in China is scattered, both in terms of building types and location. Comparing their profile in the Netherlands and their business development in China we may conclude that AF1 does not have a specific specialized product, and they apply the same strategy while they entering Chinese market.

Table 3.3 Basic information projects in China of AF1 (Source: from website of AF1)

Location/ Building types	Beijing & Bay area	Shanghai & around	Shenzhen, Guangzhou, Hong Kong	Other cities
<b>Exhibition</b>	◇		○	
<b>Commercial</b>		■		
<b>Residential</b>	■ *			□ * ◇
<b>Offices</b>			○ ○	
<b>Cultural facility</b>		●		○
<b>Educational</b>			○	
<b>Transportation</b>				
<b>Urban Planning</b>		○	○	

- State-owned company- entry
- State-owned company- built
- Private developer- entry
- Private developer- built
- ◇ Joint-ventures company- entry

\*schematic design phase

AF1 has done several competitions but they did not win many. They only won a competition of a cultural facility near Shanghai and it is now under construction. On their website there are 11 projects and 2 exhibitions listing on their portfolio, but only 3 of them have been realized or started to construction. The realized projects includes one commercial near Shanghai (of private developer); one residential near Beijing (of private developer), but this one AF1 only participated the design phase 1; and one cultural facility near Shanghai (of governmental organization). It is noted that AF1 has 2 exhibitions in China, which demonstrate their strong idea in design, and it is distinctive among the Dutch architecture firms.

As for the location choice, not like other firms may have a tendency of choosing a target location, AF1 seems opportunistic in choosing location among big cities. It seems that

wherever there is a chance, AF1 grabs it! As table 3.3 shows that 10/13 projects were located in the most known first-tier cities. This corresponds with the theory in 2.2.2.

Although their office is located in Shanghai, Shenzhen is the city where AF1 has the most entries (5/13); so far AF1 had entered 5 competitions of State-owned companies in Shenzhen, but none is won and consequently no project in Shenzhen has been realized. However in terms of the number of the realized/under construction projects, Shanghai is an ideal location chosen for their office since most projects are undergoing near Shanghai.

The location choice of the representative office was probably first passively decided by following the governmental connection. Except for the easiness of gaining knowledge of the city as Den Hartog stated, selecting Shanghai as the location of their branch office may be resulted by a careful consideration. "We have a focus on all the nice and rich cities in Asia! Shanghai is a hub in the area..." expressed AF1. The reason may be more than the geographical advantageous position, but also because Shanghai as a city historically interfered by the foreign influence, its special city culture may in favor of the entering of a foreign firm. Although the language (the local dialect of Shanghaies) has been long regarded as a hindrance for outsiders, this phenomenon is diminishing in the recent years by a large number of immigrants, which also demonstrate the tolerance of this city is increasing and it is beneficial to do business in Shanghai. Apart from the subjective conditions of the city, it is possibly AF1 choosing Shanghai as the location for branch office due to AF1 has more personal connections there, or simply because their recent two undergoing projects are nearby.

According to the interview, their first project of the small shop in Shanghai was started from their fame, which confirms the theory in 2.3.1 that to get a business in China, having international reputation is one of the crucial aspects. The client came to them and asked for "something very special", and later on AF1 had developed a concept of wholly building of mirrors- the floors, the ceilings and the walls. However in the end the client took half of the concept- they decided to have mirrors on the walls, but not the ceilings and the floors; and AF1 "could not agree with it" because they think the client could not take half the concept, because "half mirror is not concept". The project ended up with losing contact with the client. AF1 imputed the failure of this project to two reasons: one was being too far away from their client (due to at that time the AF1 took the mobile model, and one of the partners only flew to China to meet clients and visit the sites for few days then went back and worked in the Netherlands); and the other communication with the clients- AF1 was not able to persuade their client to have the whole concept; which is still perceived as a very difficult part, not only because of the geographical distance but because of the language is very different.

***"In architecture communication is one of the most important things; it's underestimated in our study... the big language difference for me is a big barrier. If I speak fluent Mandarin, it could have a lot more contact with my clients, making sure that I am tougher, that I am more critical, also more nicer, I can have more contact."***

Except for the two reasons mentioned above, from the story of their first project in China, the reluctance of AF1 to submit to their Chinese client may be a fatal wound to run their business in China. As a strong idea firm it seems not acceptable if the client do not take the whole concept as AF1 had proposed. But what probably concealed the rejection might be interesting to observe.

- Was it because the design was culturally inadmissible? Imagine a girl with skirt walking on the mirror floor, it could be really embarrassing to walk on it;
- Or was it because the client was short of budget therefore they reject the whole concept and keep part of it; but because of the “mian-zi” (face) issue, they did not tell the real reason why they rejected?
- Or was it simply due to a very bad communication (lack of someone who could be a good bridge to talk to the client at that time)?
- Or was it possible because the client still had the attitude that they paid the money therefore the architects should listen to them?

All the assumptions above are related to the cultural differences as mentioned in 2.4.1. Therefore a company like AF1 who is so tough and unyielding may give an impression to the client that they are not being respected. This is confirmed by AFC3, when he talked about the barriers of foreign architects working in China, “not feeling respected” is a common complaint from the Chinese clients while they work with foreign architects. As AFC3 said,

***“At the end what the clients want probably is not a solution you provide, but a process of providing service, a feeling of being served. It is quite important. The foreign architects may find that what you’ve proposed is not useful, on the other hand if you make the clients feel being served, which a comfortable process is, then you’ll be designated to the project.”***

Although it is difficult to go back to the first client of AF1 to examine the reason which made the project stopped, at least it is found that the respect to the Chinese client was not paid enough attention in AF1’s first project.

From table 3.3 it is interesting to find that AF1 have entered most of their entries of state-owned companies’ projects, but only one project was realized. The chances of entering projects of private developers are less than those of state-owned firms. There were only three private projects listed on their official website and two were realized. There are maybe much more approached private projects but not listed on their website (needs to be check). Why there is such a result? Here we try to analyze this phenomenon.

First we compare the characters of state-owned companies and the private developers. As AFC1 and CL1 mentioned, the state-owned companies are hierarchical and bureaucratic. It also confirms by CL4, a state-owned developer that they have a clear hierarchical system and it reflects on the way they select the architect, which is always through competition. On the contrary, the private developers are viewed as “learning quickly” and “open” to the foreign architecture firms, and normally the private developers are regarded as more proficient as clients.

The reasons why AF1 attends public projects more than the private ones may be:

- according to AF1’s specialty, they are more suitable for large-scale projects, such as museums or other cultural facility as the interviewee expressed; the clients of these projects are often state-own companies in China;
- not of their specialty, but to AF1’s own preference of doing big scale projects;
- the public projects are normally through open/invite competition, the former is easy to enter without a certain “network” requirement; and the latter is rather

easy because it is assumed that AF1's international reputation might bring them more chance to enter such competitions;

- there is probably no such a key person in AF1 who is able to bridge the firm to the Chinese private developers, therefore the AF1 got little projects from private developers.

First we see that entering public projects seems to be the firm's preference, rather than considering firm's specialty. From the result of the table 3.3 shows that AF1 might not be very suitable for the public competitions in China, because AF1 had entered 7 competitions but only won once. Or maybe it is due to the high competitiveness or the uncertainty of the projects mentioned in 2.3.1 that "if you were to win one project for every ten you attempted, this would indeed be lucky".

Then how to explain their tendency of entering competitions of public projects? In the below table 3.4 it lists the size and the building types of the AF1's projects in China, which gives an idea of the scale of their entries. It shows 10 projects they have involved in Chinese market and it is found that except for the urban planning/urban design projects, the average size of building projects is 143.750 m<sup>2</sup>, which is really huge comparing to the average size of their building projects in the Netherlands which is 24.353 m<sup>2</sup> (see table 3.2). Therefore we see that AF1 tends to participate in very big scale projects in China, which is much bigger than their profile in the Netherlands. It is possibly that AF1 are not very capable to manage such huge-sized projects with their avant-garde design, although AF1 declares that "we are pretty special in the way, we are very niche, very avant-garde". Moreover according to AFC1, "it is more difficult to practice experimental thing in the big-scaled project, because of the building cost, easily being out of control and hard to apply local building code". Maybe this explains why AF1 did not win many competitions, because of their design are not buildable. So if AF1 is really avant-garde and experimental, it is crucial to think about whether they should still focus on big-scale public project in the Chinese market?

On the other hand, perhaps the taste and the level of acceptance of the so-called avant-garde architecture of the Chinese clients may not be as what AF1 thinks of. As one of the interviewed Chinese architecture firm comments AF1 and said,

***"Their works seem tentative to me, which are not practical, not buildable; sometimes it is too academic. I think what the definition of avant-garde of AF1 probably is different from it of the Chinese. And the avant-garde building which the Chinese like, the AF1 may disdain to make it."***

If it is true as the Chinese architect said about how Chinese accept the avant-garde buildings, it is crucial for AF1 to learn about the distance between their ideas and the reality in Chinese context. The problem is does AF1 has the ability to discern it? And if so, would AF1 be willing to give in to the Chinese clients?

The second is about the essence of competition. Due to the open competition is rather easy to enter; and it is a good solution while the "network" is not yet strong. But it is very possible that their entries of the open competition are not well selected. In that case if the employees of AF1 who were in charge of business development in China just want to get it over with, they may easily find some entries to enter and report to the firm that they have

done the job. Nevertheless from the official website of AF1 it is not clear how many of the competitions are of open competitions and invited ones.

Table 3.4 Project size in China (Source: from website of AF1)

No	Size	Building type
1	70.000m <sup>2</sup>	Museum
2	80.000 m <sup>2</sup>	Office/retail
3	37.000 m <sup>2</sup>	Campus
4	2.7 km <sup>2</sup>	Urban design
5	320.000-400.000 m <sup>2</sup>	Office
6	43.000 m <sup>2</sup>	Mix-used
7	80.000 m <sup>2</sup>	Museum
8	500 ha	Master plan
9	280.000 m <sup>2</sup>	Housing/retail
10	200.000 m <sup>2</sup>	Housing/facility

The last is about why not looking for more private projects? Since AF1 were only involved in three private projects and two were realized, it seems reasonable that AF1 should develop more relations with the private developers. But why not? Probably it is because the private projects are mostly residential, commercial and offices. As the interviewee said, AF1 do not want to compete with those big international architecture firms who are specialized in commercial and office buildings. Then maybe AF1 could focus on housing market. However as many Chinese clients said in the interviews, normally they commission housing projects to the local design institutes, because the LDIs are faster and cheaper. So where is the market for AF1 in China? Maybe AF1 needs some staff helps them to bridge the potential private developers, who are willing to spend money to hire them for special design, and better they want to give the project as direct commission.

### 3.2.2. AF2

AF2 is a young small Dutch-based architecture firm established by a Chinese founder. The firm was chosen as a contrast to those firms whose founders are Dutch; it is interesting to see the differences how AF2 develops business plan in China.

#### **Profile in the Netherlands**

AF2 was set up in Rotterdam in early 2010, and currently there are 6 employees. Its interests are in architecture design, food design and art exhibition. The founder is from Shanghai and she has stayed in the Netherlands for more than 7 years. Before she moved to the Netherlands, she educated in Shanghai, and like most other bachelors she did internship during vacations in local architecture firms in China. When she first came to the Netherlands, she was an intern for a Dutch architecture firm in Rotterdam. After completing the internship, she was retained as an employee, and her boss encouraged her to take a master degree so that she could be a registered architect in the Netherlands; that was why she went to study in TU Delft later on. The founder expressed that because in the Netherlands the working environment is more relaxing and less complicated comparing with that in China, she decided to stay and start the firm in the Netherlands after five years working for Dutch companies and since she acquired the qualification to establish her own company. In the building where AF2 locates, it shares an open office with small companies of different design domains, and they have together formed an organization called "Collective", including urban planner, graphic designer, game designer and website designer. In this way, these rather small firms could flexibly form a team to work for the projects which need different disciplines. "Collective" is just one of the ways AF2 connects to other professionals; besides "Collective", AF2 actively participates a studio of Chinese designers in the Netherlands, which regularly initiates many exhibitions in the Netherlands; meanwhile AF2 teamed up with other Dutch firms closely, the ways of collaboration including partnering to attend tenders, serving as consultants for Dutch firms which are trying to enter Chinese projects or annually organizing to visit some Chinese clients together. All of these activities reveal AF2's characters- actively building up its personal connections; the founder adopts the same strategy, either in the Netherlands or in China.

***"When I initiate to do something surely I start with my contacts. So if I would like to do something in China, for sure I will start from someone I know, from the firms I have contacts."***

The profile of AF2 in the Netherlands is not clear since their official website is out of date. From the current information it is found that exhibition takes most part of AF2's profile and then is residential projects which are normally of a small scale. Since AF2 is quite small and rather new, it is crucial to build up their reputation. It is assumed that AF2 uses the exhibitions to increase their fame among the design community and also uses those opportunities to sell itself. And this seems prove to be effective for the firm to have enough projects in the Netherlands under the pressure of the economic crisis, as the interviewee said,

***"There are currently many projects ongoing here in Holland; therefore I don't have energy to fully devote to the Chinese projects..."***

#### **Development in China**

AF2 started to involve in Chinese projects very soon after the company was established; comparing with other Dutch firms, it seems very natural to AF2 to have projects back to

her own country. While being asked about the motivation to do projects in China, the interviewee said,

***“I am a Chinese, therefore it is quite normal to go back to China for some projects. Because to me, if there are projects in China so that I could go back there now and then; meanwhile my office is based here in Holland. Isn't it a perfect situation?... I have ambition to do projects in China, but not really ambitious on the practice. So far I just take those chances when conditions are ripe. ”***

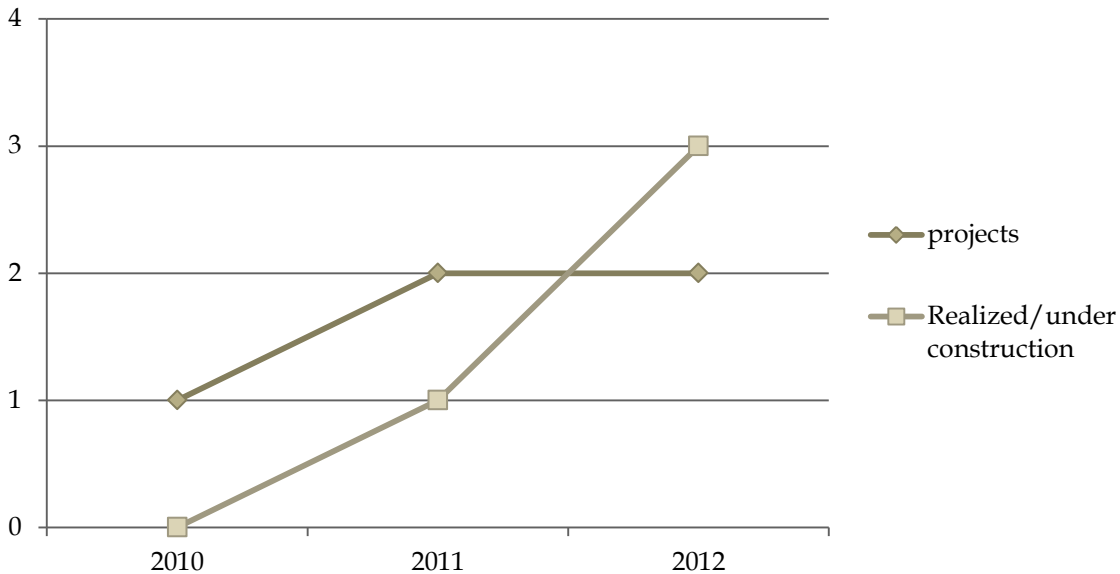


Figure 3.4 Business development in China of AF2 (Source: self-organized)

A small foreign firm like AF2 may not be easy to get a business in China through international reputation; however their location in the Netherlands gave AF2 an exotic character in the eyes of Chinese clients and gave some space for AF2. For instance AF2 was invited to a program in Shenzhen as a “foreign design firm” matchmaking to local developers. In an event like this the organizers introduce foreign design firms to the local developers therefore it serves as a platform for foreign firms which are not internationally well-known to get contact with the local developers. Such a platform is recommended by developers like CL4 and CL5 to be able to talk to the foreign firms face by face and get chance to know more about their work. Therefore these developers appreciate those trade links which help them to connect with Dutch architects provided by NAI and DutchDFA.

According to 2.3.1 the other way to acquire entry in China is to have a good relationship with the client, which is the possible strategy for AF2 as it is actively developing different ways connecting to the design community and reaching out to the potential clients. Although there seems no intended plan to go to develop in China, a firm like AF2 has a totally different starting point from other Dutch firms and AF2 is more advantageous in terms of:

- Networking building
- Culture understanding and communication

First because the firm's principal is Chinese, there are existing connections with the potential Chinese clients. For example, as interviewee said, the firm had been invited by a Chinese organization to participate in a program held in Shenzhen which invited 20-30 foreign design firms to meet the local developers and AF2 is one of the invited "foreign firms" but with a Chinese director. This invitation was through a friend. Though there was no direct commission after that meeting, this kind of meeting brought AF2 more contacts to local developers and they still keep in touch. Furthermore this kind of contacts could have an effect like rolling a snow ball. Not only the being invited to the program show the advantages of AF2's network building, the three realized projects in China shown in figure 3.4 are both from direct commission, which are very much relied on personal connection show how AF2 gets its business.

Second with the Chinese background AF2 could very well communicate with the Chinese clients and this ability is also recognized as the strength of AF2 in the Chinese market. Many Dutch firms have asked AF2 to either serve as their consultants to guide their business development in China or invite them to team up for tenders; moreover, her bilateral understanding of the Chinese and the Dutch helps the collaborations go more smoothly.

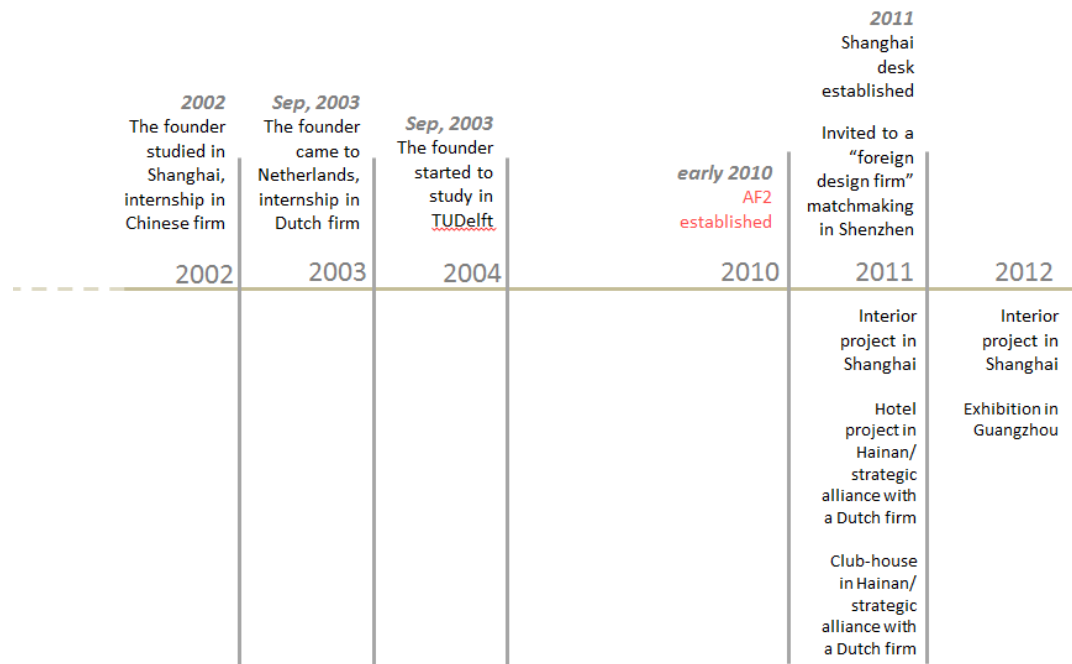


Figure 3.5 Timeline of AF2's development in China (Source: self-organized)

The information of the latest project developments in China is not accessible due to lack of information on their official website. According to the interview, the types of their Chinese projects are mostly residential, and this is in accordance with their profile in the Netherlands. In the table 3.5 it is found that among the list projects, two interior projects are realized and one club house is under construction; another one is a hotel. The former three projects are through direct commission- the invitations were acquired from friends; and the later one is through selected tender. The realized projects are in Shanghai and in Hainan, and the clients are of private users and private developers. AF2 also takes part in exhibition in China. It is involving in an upcoming design exhibition in Guangzhou as a foreign participant.



Table 3.5 Basic information of AF2 in China

	Beijing & Bay area	Shanghai & around	Shenzhen/ Guangzhou /Hong Kong	Other cities
<b>Exhibition</b>			▲	
<b>Commercial</b>				□
<b>Interior</b>		■ ■		
<b>Residential</b>				■
<b>Offices</b>				
<b>Cultural facility</b>				
<b>Educational</b>				
<b>Transportation</b>				
<b>Urban Planning</b>				

□ Private developer- entry  
 □ Private developer- built  
 ▲ Foreign invest- built

(Resource: according to the interview of AF2)

It is worthy to note that the project of the direct commission in Hainan. This project was after the selected tender of the hotel design, which AF3 teamed up with a Dutch firm and there were another two other foreign competitors were selected to propose the design. The reason AF2's collaborative team would be selected among the three foreign firms was because the person who was in charge of the architect selection in the private developer is a friend of the founder of AF2, both of them graduated from TU Delft. Therefore when this person proposed a suggestion list of foreign architecture firms, he thought of AF2 and recommended it to his company which is one of the biggest private developers in China. Although AF2's team did not win the selected tender of the hotel design in Hainan, due to this developer has immense projects ongoing in China, very soon when there is another chance of the club-house project also in Hainan, this person immediately thought of AF2 and gave this project as direct commission to AF2.

In addition to personal networking, AF2 tends to acquire entries in China either through open tender or selected tender. AF2 especially mentioned that pre-selection as a way it has been trying many times. The pre-selection in China is about firm's qualification. Therefore a firm only needs to provide its qualification, financial condition and awards if there is any. Comparing to competitions, pre-selection costs nothing. AF2 is very against the competition and it may explain why AF2 involves in no project of the state-owned companies. This is very different from the theory in 2.2.3 that competition has been

adopted by most of the Dutch firms to acquire contracts in China. AF2 has its reason why it refuses to enter Chinese market through competitions:

***“International competition is something which is time and money consuming; meanwhile it eats up your energy. Therefore I and my colleagues all agree that if we already have some base to do our job, we won’t take this way (competition) to enter the market. Many of my colleagues think that competitions have no respect for human labor, so we don’t do it.”***

Moreover, AF2 has brought up few aspects about the Chinese competitions. According to the interviewee, the competitions in China are generally immature due to there are notorious under-table operations<sup>5</sup> and many fake competitions in China. As a Chinese, with the cultural background the founder of AF2 mentioned that,

***“Some of the projects as you see them, you know which are false. They may deceive the foreigners, but as a Chinese I could distinguish them. As long as you check up the background of those developer firms, you know it is real or not. Even it is a real firm, you know if it is reliable or not. But for those foreign firms it is difficult for them to understand it, therefore they are easily being deceived.”***

AF2 has no strategy for the under-table operation in competitions. The Chinese representative of AF4 has the same attitude to this situation. What they could do is to carefully choose a more trust-worthy client. Maybe this is also explains why AF2 does not positively search for the Chinese projects but relatively passive waiting for the suitable chances to come. They would rather wait until the conditions are ripe, when they meet a better client.

In China competitions have been taken by developers as a way to “play up their business” as the Chinese counterparts said. The CL1 said that many Chinese developers invite international competitions merely for marketing; and it is confirmed by AFC3 that “most Chinese developers invite foreign architects for advertisement, for creativities, or even for impulses”. But firms such as CL4 as a state-own company, it is impossible to select architects by direct commission. Due to its organizational structure is much more hierarchy and structural, those who in charge of the selection process have to report to the higher authorities. In a firm like this, it always adopts competitions as the way to select architects.

However there are developers against competitions. Reasons why CL2 opposes to select architects through competitions but prefer direct commission are because:

- Time saving;
- Cost less;
- Self-confidence with their own proficiency, therefore firms such as CL2 may just designate to one firm to design the building.

Time saving is the reason in common among most interviewed developers to choose direct commission. The last point expressed by CL2 also conforms to the way how AF2

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<sup>5</sup> About the under-table operations of competitions will be further illustrated in AF3’s case study.

acquired the project of club-house in Hainan while it got a direct commission from someone who appreciated their abilities.

As for the location choice, there seems no preference to AF2 while it develops business in China. Since it is more related to the personal connection, it depends on the network the firm has. Such as the project in Hainan which is from a very big private developer and its branch offices distributed in 53 main cities in China; due to their information are shared between the regional headquarters, although a foreign architecture firm might not be suitable for the project A, very soon when there is a project B the regional headquarters will think of you and refer you to that project. This model is seen in AF2 and it is also confirmed by AF4 in their experiences. Therefore the location preference is less crucial as long as the firm could acquire the recognitions from the developers such as AF2 had.

It is noted that there is a representative office in Shanghai and its strategic alliance is interesting to investigate. Indeed the representative office of AF2 is supported by two local business partners, who also devote themselves to architecture industry. The ways how AF2 get acquainted with these two persons were through works, and while they talked about the possibilities to do something together then this collaboration was formed. However comparing to the collaboration Dutch firms used to have, in which the accountability and responsibility are more clear and definite, the collaboration of AF2 and its partners seems unstructured and vague. According to AF2, there is no contract between them, no mentioned contents of work, no clear defined responsibilities, and even no fixed wages. It is interesting to find that while being asked about the form of collaboration, AF2 asked in reply that "How come you ask everything in this definite way? It is very simple, we just work together, and that's it." In this reaction shows that it is possible that AF2 does not want to tell everything in details or the possibility that AF2 does not have strict rules with their partners, which reveals the Chinese business culture. It is found that there is a cultural difference between Dutch and Chinese interviewees; the former tends to share what they know and the latter tends to be implicit in the conversation.

When there is a project ongoing in China, AF2 will designate one of them to represent her in this project, and the main purpose of this person is to communicate with the clients, not to design; and their roles are similar to project managers. The person who is in charge of the projects might be changed along with the alteration of the projects and besides the work of AF2 these two partners have their own business. One of the partners is more active in this collaboration and whenever there is a potential client or a suitable project, he would recommend it to AF2. Therefore these business partners not only serve as their contact to Chinese clients, but also serve as radar for potential projects in China.

The location choice of the office in Shanghai might be a coincidence as it is in AF2's principle's hometown because the connection with these two partners was through previous working experiences. The two partners are Chinese but both of them did not graduate from the same university as the AF2's principle did and these two partners do not study abroad. Therefore it is also confirmed that AF2 has many different ways to extend its networking with other professionals.

### **Learning from AF2**

What we learn from the case of AF2 is about a different story in the Chinese market. To most Chinese studying abroad may try to find chances doing internship after graduating from school. Most people would like to gain few-years experiences in a foreign

architecture firm but seldom would consider staying for long, not to mention establishing a firm in the Netherlands. AF2's principal is quite adventurous, which is similar to the Dutch.

It is found that network building is probably the most important strategy for AF2, either in the Netherlands or in China. Even though AF2 expresses that "we are not very ambitious to enter Chinese market in the practice" and AF2 describes itself as "not endeavor to have projects in China"; probably in AF2's principal's mind there is a certain image of "trying hard in China", which is probably related to participating in many competitions that AF2 is against. Still in the eyes of the author, AF2 is active in Chinese market due to its trying many pre-selection in China, and making an effort to involve in many different communities which enrich its connection. AF2 also spends a lot of time and efforts to build up relations with Dutch architecture firms, Chinese architectural professionals and Chinese clients. This is different from a normal approach most Dutch firms may adopt; it reflects a Chinese's character, also reflects the "relationship-based business culture" in China described by Zou and Leslie-Carter (2010) and it is effective in the Chinese market.

In the eyes of Chinese clients AF2 is a "foreign firm", which gives them an exotic position and it also reflects the odd of the Chinese market. To some local developers, especially in the past years or still in some cities in China, are still very blind to the foreign designers. AFC3 points out the mindset of the ordinary Chinese people which allow the lack of proficiency of the Chinese developers; and he comments,

***"Now there are many developers who invite foreign architects to design their high-end housing projects. There are even some people who are not really architects, but just foreigners. Sometimes I have never heard about those so-called famous architects invited by the developers. They invite foreign architects just for advertisement. Because the common people really have no clue about the architectural industry and it allows the developers use foreign designers as a tool to add value to their products..."***

This phenomenon is confirmed by the Chinese representative of AF4 when she talked that in Chinese market many Chinese clients may develop housing projects of some classic European style, such as English country style, Mediterranean style and art deco but interpretive by their own understandings.

***"These European forms may be forced to exist in the colonial cities. However there is not any place like China would be spontaneously making such a huge scale of buildings after the fashion of European style. No matter which style it is, Italian, German, Dutch or English, it is recognized by the Chinese consumers as a representative as "high-end" in this market."***

Why the foreign faces even not the architects with international reputation and the Western style buildings would add value to the projects in Chinese market? AFC3 and AF4 have similar opinions to explain how ordinary Chinese people think.

***"It is about identification. From their thought the ordinary Chinese think Europe and US as prosperous societies; and things from there***

***must be something good, which represent a higher material civilization.”***

***“The clients try to analyze the reason and it is possibly because China has gone through some turbulent times in 60’s and 70’s. Now finally it is getting wealthier. There is a certain standard of richness or middle-class in ordinary people’s mind, which is the Western life. So now they would like to own something they did not own before. That’s why it is so popular in the market. ”***

Because in Chinese market foreign designs are highly appreciated, therefore comparing to those who first start their business in China, the AF2 may be more competitive than other return architects after studying abroad in terms of the acceptance level in the Chinese market. On the other hand, due to the principal’s Chinese background gives her a great privilege when entering Chinese market in terms of existing personal network, cultural understanding and language, those factors Dutch firms find as obvious barriers in finding suitable projects and partners, learning business cultures and communicating with clients.

However AF2 is not always advantageous in China. From their profile in China it is found that there were no project acquired through pre-selection therefore it is suspected that whether AF2 could successfully win the pre-selection with their current profile in the Netherlands. Consequently it is assumed that AF2 is necessary to team up with other Dutch firms to enrich its competitiveness. In this sense, a Dutch firm may strategic alliance with a firm like AF2, with the help of its strength in networking and the local business knowledge to enter the market.

The way how AF2 operates its representative office in China is also a good example to learn about the cultural difference. In theoretical framework 2.4.2 as Xiao and Boyd (2010) declare that “trust play an important role in collaboration; nevertheless, in a cross-cultural working among the participants will weaken mutual trust because of cultural distances”. Unlike most Dutch firms which take a lot of efforts to search for a good location and to hire the trust-worthy staff, AF2’s very flexible, unstructured collaboration with local business partners seems inconceivable. While being asked how to make sure these personnel are trustworthy, AF2 answers that it is through their working experiences then she could decide whether to trust these persons or not. CL5 also expressed the differences of the attitudes between the expatriates and the local staff.

***“Those foreign managers may have a prejudice that foreign firms are better on concept design and they are more serious on the contract, therefore my colleagues tend to select foreign architects to work with. But I personally it depends on the bilateral managerial process. I have confidence that with some Chinese architecture firms I could manage the project well without signing contracts with them.”***

This kind of confidence and certainty is difficult for foreign managers. Although such a vague collaboration may not be acceptable to a foreign firm, it is realized that for Chinese it is possible to establish collaboration in such way. It is found that when recruit Chinese staff or search for Chinese partners, a sharp and experienced manager with Chinese cultural background seems to be helpful to find the right persons. This confirms the theory in the part about “trust”- managers need to develop skills to interact with individuals from diversity of cultures.

The last part learned from AF2 is that do not underestimate those Chinese friends you meet around you in your country. For example two of the direct commissions AF2 acquired through friends, both are friends became acquaintances while the principal of AF2 studied in the Netherlands. When they were studied in the Netherlands, they might not think of one day they would in a relation of client and architect. In many cases, some friends who study abroad together may become partners in their future career. It is especially important to those who would like to develop in China but without connection, it is crucial to start with someone, either from your Chinese classmates, your Chinese colleagues or even probably marry a Chinese. Of course it is not to encourage a foreigner to marry a Chinese for building network; indeed many foreigners start to involve in Chinese market after getting married with a Chinese and their partner is always the best one to lead them to go deep into this nation and its culture.

### 3.2.3. AF3

AF3 was selected to the interview due to it was mentioned in the article of H. den Hartog. Its firm size is of medium to large in the Netherlands; according to its profile shown in table 3.6, AF3 is sorted as a strong delivery company and has a good reputation in the Netherlands for years; therefore it is good to compare the development in Chinese market between different firm types.

#### Profile in the Netherlands

AF3 was set up in Amsterdam in 1988. Ever since then AF3 has a steady growth in the Netherlands and receive nation-wide reputation, consistently focus on adding value to every assignment and the projects vary from individual houses to large-scale mixed use projects. AF3 is quite international both in terms of their profile and the composite of the employees; it comprises approximately 50 employees from more than 10 countries and it expands its work abroad to Germany, Croatia, Russia, Denmark, Taiwan, South Korea and Canada.

Table 3.6 Profile of AF3 in the Netherlands

No	Size	Building type	Built	No	Size	Building type	Built
1	47.500 m <sup>2</sup>	Office	Y	41	80.000 m <sup>2</sup>	Mixed use	Y
2	36.000 m <sup>2</sup>	Office	Y	42	27.660 m <sup>2</sup>	Housing/office	Y
3	47.000 m <sup>2</sup>	Office/commercial	Y	43	2.320 m <sup>2</sup>	Housing	N
4	12.430 m <sup>2</sup>	Office	Y	44	4.000 m <sup>2</sup>	Residential	Y
5	10.300 m <sup>2</sup>	Mixed use	Y	45	22.000 m <sup>2</sup>	Housing	Y
6	20.000 m <sup>2</sup>	Office	Y	46	156.140 m <sup>2</sup>	Mixed use	Y
7	75.000 m <sup>2</sup>	Office	Y	47	52.000 m <sup>2</sup>	Mixed use	Y
8	19.000 m <sup>2</sup>	Office	Y	48	10.900 m <sup>2</sup>	Cultural facility	Y
9	20.000 m <sup>2</sup>	Office	Y	49	43.000 m <sup>2</sup>	Mixed use	Y
10	26.800 m <sup>2</sup>	Office	Y	50	13.000 m <sup>2</sup>	Cultural facility	Y
11	4.500 m <sup>2</sup>	Office	Y	51	70.000 m <sup>2</sup>	Public	Y
12	46.000 m <sup>2</sup>	Office	Y	52	-	Mixed use	Y
13	20.300 m <sup>2</sup>	Office	Y	53	-	commercial	Y
14	16.700 m <sup>2</sup>	Office	Y	54	96.000 m <sup>2</sup>	Mixed use	N
15	37.500 m <sup>2</sup>	Office	N	55	-	Mixed use	Y
16	8.850 m <sup>2</sup>	Housing/office	Y	56	30.000 m <sup>2</sup>	Mixed use	Y
17	35.800 m <sup>2</sup>	Housing/office	Y	57	28.000 m <sup>2</sup>	Mixed use	Y
18	42.435 m <sup>2</sup>	Housing/commercial	Y	58	48.200 m <sup>2</sup>	Mixed use	Y
19	9.050 m <sup>2</sup>	Housing/commercial	Y	59	75.000 m <sup>2</sup>	Mixed use	N
20	100.000 m <sup>2</sup>	Housing/commercial	Y	60	4.900 m <sup>2</sup>	Housing/commercial	Y
21	400 m <sup>2</sup>	Villa	Y	61	20.000 m <sup>2</sup>	Campus/education	Y
22	57.000 m <sup>2</sup>	Mixed use	Y	62	5.500 m <sup>2</sup>	Public	Y

23	-	Mixed use	Y	63	-	Campus/education	Y
24	25.000 m <sup>2</sup>	Housing	Y	64	10.500 m <sup>2</sup>	Commercial	Y
25	33.000 m <sup>2</sup>	Housing	Y	65	13.000 m <sup>2</sup>	Cultural facility	Y
26	17.500 m <sup>2</sup>	Mixed use	Y	66	16.000 m <sup>2</sup>	Cultural facility	Y
27	21.150 m <sup>2</sup>	Housing	Y	67	23.000 m <sup>2</sup>	Commercial	N
28	37.500 m <sup>2</sup>	Mixed use	Y	68	65.000 m <sup>2</sup>	Hospital	N
29	9.121 m <sup>2</sup>	Residential	Y	69	9.300 m <sup>2</sup>	Cultural facility/commercial	Y
30	230 m <sup>2</sup>	Villa	Y	70	62 ha	Urban planning	Y
31	25.100 m <sup>2</sup>	Mixed use	N	71	-	Urban planning	N
32	3.960 m <sup>2</sup>	Residential	Y	72	2.400.000 m <sup>2</sup>	Urban planning	N
33	10.000 m <sup>2</sup>	Residential/office	Y	73	3.5 ha	Urban planning	Y
34	40.000 m <sup>2</sup>	Residential/office	Y	74	600.000 m <sup>2</sup>	Urban planning	N
35	38.350 m <sup>2</sup>	Residential/commercial	Y	75	508.000 m <sup>2</sup>	Urban planning	N
36	8.300 m <sup>2</sup>	Residential	Y	76	10.000 m <sup>2</sup>	Urban design	N
37	18.300 m <sup>2</sup>	Housing	Y	77	-	Urban block	Y
38	-	Residential	Y	78	26 ha	Urban planning	N
39	27.000 m <sup>2</sup>	Housing	Y	79	80.000 m <sup>2</sup>	Urban planning	N
40	-	Housing/office	Y	<b>Ave.</b>	<b>31.397 m<sup>2</sup></b>	<b>(Except for urban planning)</b>	

(Source: Self-organized)

While sorting the profile of AF3, it is found that many projects are of governmental/municipal buildings, including many national well-known public buildings. It confirms the saying on AF3's website that this firm receives nation-wide reputation. The most seen three types of building are mixed use, residential and office. The mixed use type of building occupies 38% of AF3's profile, and the mixed use type of building normally comprises office and housing. Since then therefore residential and office may be considered as AF3's strength products.

### Developments in China

It is worthy to note that there is a very high percentage of realization of AF3's projects in the Netherlands. Except for the urban planning projects, the realization rate of AF3's 69 listed architectural projects, 62 are realized. The realization rate goes up to 89.9%, which is really high. In figure 3.6 it shows the year when projects were completed, therefore it is found that even during the global economic crisis, the realization of AF3's projects in the Netherlands were still stable. It is found that the development contrasts to the construction industry in China. Although the Chinese construction market is very booming, in theoretical framework 2.3.1 it is learned that the uncertainty of the projects is an annoying problem in China; the low percentage of realization becomes normality. In figure 3.5 shows that AF3 has only 1 project realized in China and the realization rate is 20%, and due to there might be more entries it had tried (according to the interviewee, there were more competitions AF3 had entered in China), therefore the number could be even much lower than 20%. What is the possible reason to make the difference? It is going to be analyzed from the aspects below:



- The construction environment is more stable and less risky in the Netherlands than in China which including the differences of proficiency between Dutch and Chinese developers, which is discovered in other cases as well;
- the character and ability of the main leader to understand the market;
- the way AF3 entering to the market is very different in the Netherlands and in China; the latter is mainly through competitions, which is described as with many fake or notorious under-table operations;
- the niche market developed in China is very different from its profile in the Netherlands;
- without a direct stable networking with the potential Chinese clients.

The first is about the maturity and stability of construction environment in the Netherlands. From the figure 3.6 it is found that the acquisition in the Netherlands has been getting down from 2005; in 2008 was at a low point which might be affected by the global economic crisis. In 2010 the situation was improved; but then it was again getting down probably related to the ongoing European economic crisis. Although the market is influenced by the economic condition, it is found that the realizations are still quite stable.

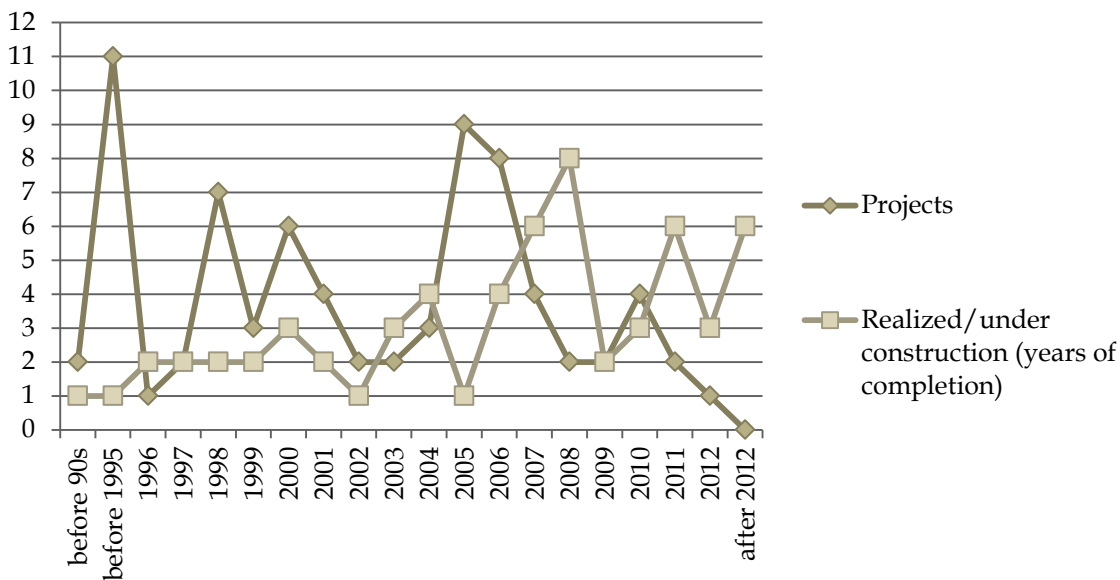


Figure 3.6 Business development of AF3 in the Netherlands (Source: self-organized)

The intention of entering Chinese market seems not relate to the economic crisis, but earlier generated in 2001 to 2003, while AF3 had been a well-established brand in the Netherlands, therefore it was considering to “go to Asia as a kind of extend the rich of company into the international market” since the economy in Asia was on the rise. Referencing the figure 3.6, during 2001-2004 though there was a slight drop of the number of the projects, it is confirmed that the profile of AF3 in the Netherlands was still quite stable as the interviewee said. But maybe AF3 never expected that the Chinese construction market would be so unstable therefore at the end it decided to be passive in a certain market as the interviewee said,

***“We had a lot of very nasty experiences... in terms of payment, and cost effectiveness or profitability, it is not existing in China. So we kind of... after our experience in China... umm, it’s not we said ‘No’ to the***

*entire market, but it's more that we're not going to pursue as a serious joint ventures, you know. So we are not really active in China honestly."*

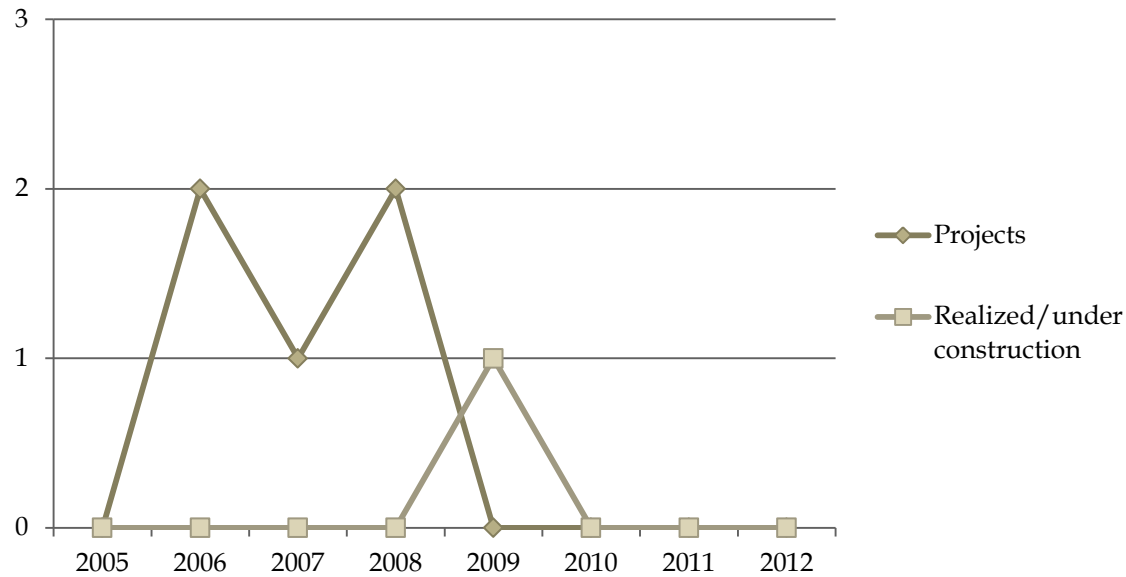


Figure 3.7 Business development of AF3 in China (Source: self-organized)

In figure 3.7 shows that there is only one project being realized in 2009, which is a foreign invest project of a Dutch client. Comparing to the development in the Netherlands the realization rate is much lower and confirms the saying that entering China is not successful in terms of fee.

The second is about the main leader of AF3 in Chinese market. The appearance of the interviewee, who joined AF3 from January 2005 push the firm to take action on its international expansion to China. The interviewee is a Canadian born Chinese, whose parents are from Hong Kong and Taiwan. Due to he was the first AF3's employee who looks like a Chinese and is able to speak Mandarin, the partners of AF3 assumed that this person might be someone who "has the potential to have a cultural bridge" between the Dutch mentality and this unfamiliar eastern market. In the interview it is noticed that the interviewee who later became the director of the AF3's Asian market, when he first joined AF3 he "had no intention at all to go to Asia"; on the contrary it was the partners of AF3 very much wanted him to go for it.

During the interview it is found that AF3 is a typical "banana"<sup>6</sup>, as he described himself "I'm much closer to be Taiwanese than I am to be Chinese. And aside to that, I am not even Taiwanese in my mentality. I am Canadian." Although the interviewee is sharp to analyze the economic and construction industry development in China with his knowledge and he knows well how to organize and run the competitions; it is found that those competence seem not enough for AF3's director in Asian market because the different mentalities restrict him to fully understand Chinese market in terms of cultural aspects, just as most other Dutch directors or representatives might have the same problems as shown in chapter 2.3.2 and 2.4.2. Furthermore there seems no other Chinese employee

<sup>6</sup> The "banana" refers to those who was given birth in Western countries by Chinese parents. They look like Chinese but their mentality is of the ordinary Western people. They might be able to speak Mandarin, but not able to write or read.

recruited to help to understand the culture; therefore this Canadian born Chinese director becomes the only mirror to understand China, which might be limited to reflect the realities.

The third is about the way AF3 entering Chinese market. With the arrival of the Canadian-Chinese staff in 2005, together with an invitation by a famous Dutch engineering firm to serve as their architecture consultant for the projects of Dutch manufacturer in Shanghai and around; therefore AF3 at first beginning went into China to conduct a business research in late 2005. Soon after this visiting trip AF3 was again invited by the same Dutch company to team up for an international competition in Tianjin in 2006 and this was its first project to China. In addition to this project, AF3 had entered another project of foreign invest in Shanghai and it had been realized in 2009, which is also AF3's only one in China.

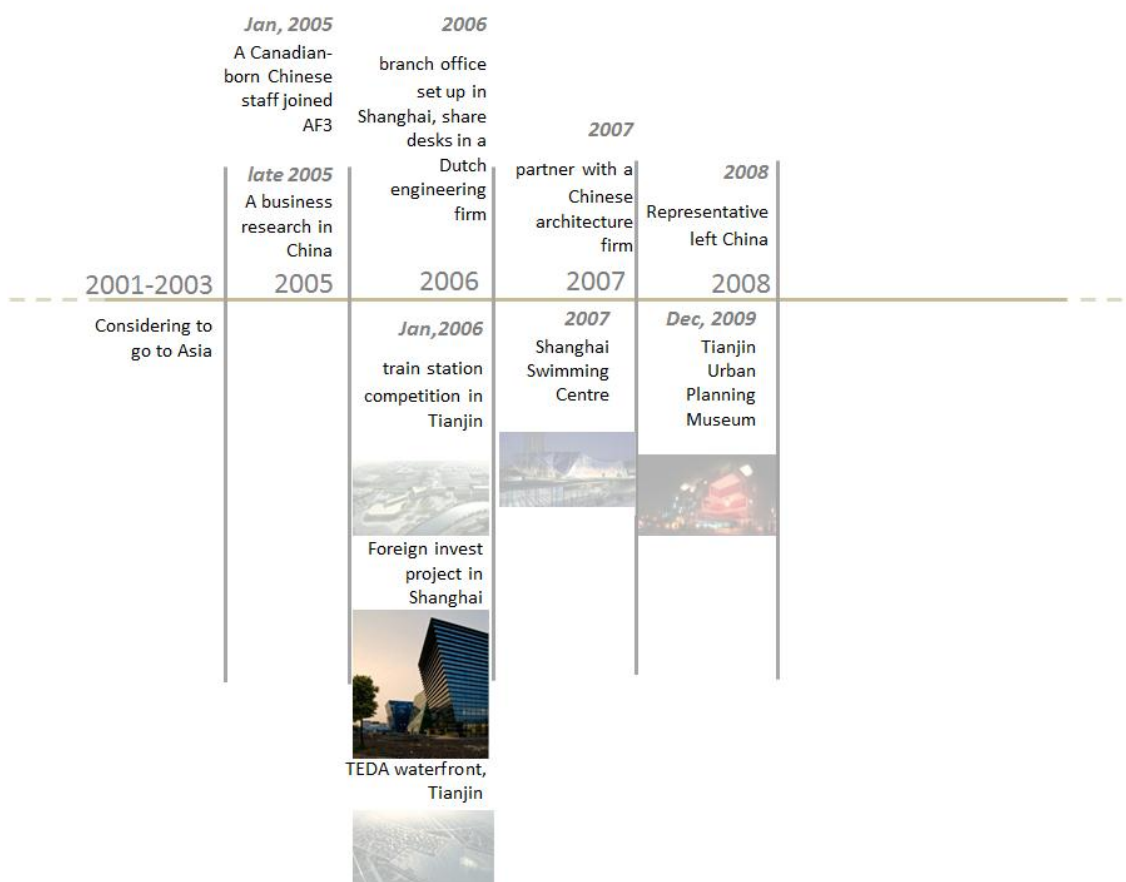


Figure 3.8 Timeline of AF3's development in China (Source: self-organized)

The way AF3 chose to approach the Chinese market first was following the Dutch engineering firm and foreign investment activities of a Dutch client who has worked in China; it seems a less risky way and also a better way when there seem like no close connection between AF3 and the potential Chinese clients which is considered as a crucial factor doing business in 2.3.1. Later AF3 chose to strategic alliance with a local Chinese firm and also turned its ways of entry to competitions.

The reason why AF3 had adopted a different way of entry in a short time might be due to:

- its lack of international reputation in China, therefore open competitions may be the easiest way to build up its fame;
- not as its strong connection to the Dutch clients, its lack of networking to the Chinese clients may force AF3 to take a different way of entry- except for the famous big Dutch engineering firm, there seems no other obvious connection to Chinese market;
- the number of Dutch foreign direct investment projects in China might be limited, therefore AF3 needs to explore other ways to get business.

Table 3.7 Basic information of AF3 in China

Location/ Building types	Beijing & Bay area	Shanghai & around	Shenzhen, Guangzhou, Hong Kong	Other cities
<b>Exhibition</b>				
<b>Commercial</b>				
<b>Residential</b>				
<b>Offices</b>		▲		
<b>Cultural facility</b>	◎			
<b>Educational</b>				
<b>Transportation</b>	◎			
<b>Urban Planning</b>	◻*			
<b>Sports facility</b>		○		

- ◎ State-owned company- winner
- State-owned company- entry
- ◻ Private developer- winner
- Foreign invest- built

\*schematic design phase

(Resource: information from website of AF3)

However it is found that even changing the ways of entry to “win an architectural competition” does not help AF3’s development in China. Here we try to analyze the reasons. The result of AF3’s first competition was declaring two winners and ended up with nothing. This was the first time AF3 won a project in China, meanwhile it started to realize that doing business in China could be very “tricky and difficult” because of such uncertainty of the competitions.

*“Basically it happened quite often in China that if they (the clients) don’t want to give you the contract to do the project, they would declare two winners, or they would declare no first prize. Because if they give up the first price then a) they can stay the prize money in; and b) they don’t have to award you the contract... we call it ‘concept collection competition’... so basically they (clients) knew before the*

***competition and they would award the competition contract to a local design institute, but they didn't like the idea the local design institute has come up with, so they said that 'why don't we have interesting ideas from foreign architects?'***

AF4 and AF5 have also shared their entering many invited competitions just turn out to be nothing without reasons. Although it is nasty to discover how the clients manipulate in the competitions, the experience AF3 had encountered is very much revealing the reality of competitions in China, which is in accordance with AF2 mentioned "under-table operations". According to the interviewee, AF3 had won six competitions during the year 2006 to 2008. It is different from the number shown on table 3.7 and it is maybe because on AF3's official website some projects were omitted.

***"But after those six competitions how many jobs actually became commissions? Two. And of those two commissions, how many projects actually being realized? I don't know, zero I think. The Tianjin urban plan, the Tianjin urban planning museum we were supposed to have contracts, but it was never... it's fell apart at the end."***

The reasons those commissions fell apart one was due to the party changes, therefore the project was cancelled; AF4's Chinese representative has also mentioned the very high possibilities of cancellation or alterations because of the changes of the new leader of this country. The other commission was realized, nevertheless after the concept design phase AF3 was not able to involve any further.

Such "concept collection competition" is very popular in China. As most interviewees from the Chinese counterparts have agreed that the design ability, the creativity, ways of thinking and providing solutions are the strength of foreign architecture firms, indeed the Chinese clients highly value the competence of the foreign designers. For years, the foreign design firms providing concept design and then the LDIs developing the tender drawing have become a paradigm. The limit foreign firms mostly participate in concept design phase is due to the realm of a foreign firm practicing in China but also their unadroitness of the local building codes. Moreover the foreign firms take longer time to develop design and cost much higher limit their work to the schematic design phase. Therefore the clients normally only consider hiring a foreign architect when they want the design to add value to the building.

"Concept design collecting" from foreign architecture firms is still happening but with a different method. As CL1 expressed in the interview, in order to acquire a good concept, "workshop" is a popular way to collect good ideas.

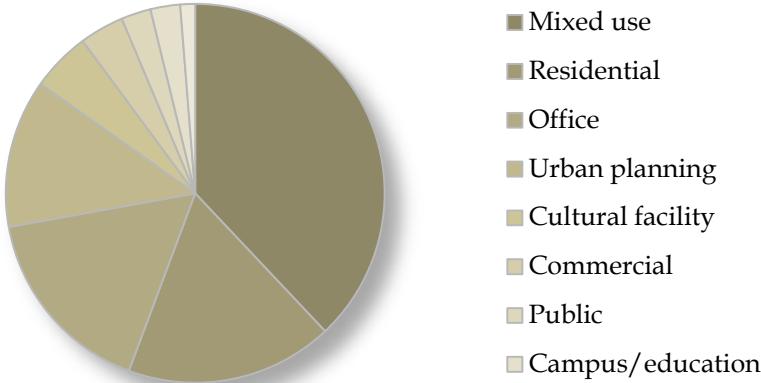
***"Sometimes when we want to have a brainstorm, we'll call for a workshop. The criteria for inviting to the workshop depend on the firms' performance in China, or our previous collaborative experiences, or if we know that this firm's specialization is in a certain type of building which we're going to develop. We'll call for 2-3 firms come for brainstorming. We don't invite competition, because it is time and cost consuming. A competition takes longer and cost much more, therefore we tend not to use it. Since a workshop could be finished in a week, we'll get the initial ideas in a very short time; that's why we like it. The workshop could take place in any phase. As I said, sometimes from the***

*first beginning, sometimes we're on the half way of the project but we think we need new ideas. As long as the conceptual phase finish, the workshop is not necessary anymore... As for the fee, our headquarters has more budgets, but for us, we don't. Therefore the firms come for workshop will gain nothing but they are willing to come for building up the connections with us. Indeed we have experiences finding some good companies through the workshop and when there is a suitable project, we'll consider them. "*

The "workshop" adopted by CL1 and probably many more developers shows the essential of it is to collect ideas for the concept design phase. And the clients seem to take it for granted that the foreign design firms could accept to work for free or a very small fee because they are eager to develop connections with the developers.

The forth is that the niche market developed in China seems very different from its profile in the Netherlands. On the table 3.7 and figure 3.9 it shows that there were only five projects in China, ranging from office, museum, station design, swimming stadium to urban planning. According to their profile in the Netherlands, residential and office are AF3's most strong products to deliver. Except for one office project in Shanghai, AF3 did not really "exploit its competitive advantages in the target market" or "entry begins with types of activities for which the firm has the most complete set of resources and with familiar types of projects" as chapter 2.2.3 mentioned.

### AF3's Profile in the Netherlands



### AF3's Profile in China

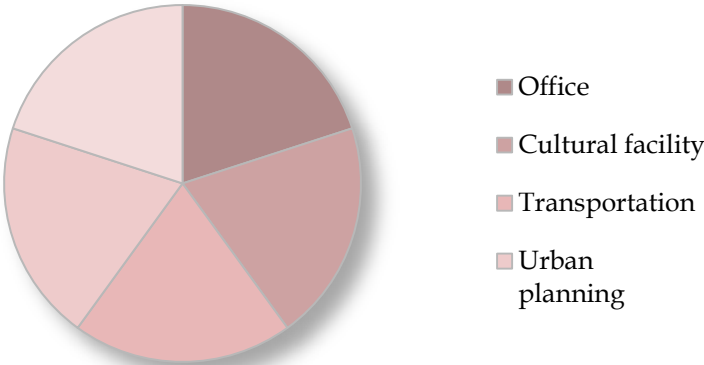


Figure 3.9 Chart of AF3's profile in the Netherlands and in China (Source: from website of AF3, self-organized)

The fifth AF3 seems lack of direct connections to its potential Chinese clients. Its first contact to Chinese market was through a Dutch engineering firm to work for a Dutch manufacturer. Then the next few entries were also through the same Dutch firm; and because of this strong relationship AF3 had first based their representative office in Shanghai, shared a few office desks in the engineering firm's branch office in Shanghai to start their Chinese business for the first few months. It is assumed that the fully rely on this collaborative Dutch firm makes AF3 too dependent to develop its own network building.

Later on AF3 took a form of joint ventures with a local partner to register and share the office space and their staff. Thereafter AF3 had been working closely with this Chinese partner, and somehow this Chinese firm served as AF3's representative in China.

***"When we contacted we usually refer that, you know the contact to them (AF3's Chinese partner) or if we are contacting to China, they will take care of the contact."***

This relationship was established by the Asian director himself. At first beginning one of the partners in this Chinese architecture firm was freelancer architect working for AF3 on its first competition project, and in 2007 this Chinese architect started up his own firm and since after AF3 gave its projects to this firm and worked together for competitions. The action of partnering with this Chinese firm may be an alternative strategy after realizing collaborating with the Dutch engineering firm could not really work out; and it is also possible that AF3 had realized that it is crucial to have some local personnel to assist to read the culture but also for taking care of the governmental documents. However the partnership with the local Chinese firm was not a very successful strategy because there were no projects realized after partnering with this company.

It is interesting to discover that from the website of AF3's Chinese partner, it is realized this small Chinese design firm has partnered another big local design institute in 2009, which is after AF3 was not active in China. It seems that this small young Chinese architecture firm tends to strategic alliance with big firms to enrich its reputation.

It is realized that there are different understandings on collaboration between these AF3 and its Chinese partner. Although the interviewee said that,

***"... We still keep our ears open to the interesting things, you know that we still have friends there that if they find something they think might be interesting to us, we take a look at it."***

On the website, it is found that this Chinese firm does not put AF3's name as its partner working on those projects which AF3 specifically mentioned that it has worked together with this Chinese firm. The cultural project in Tianjin is taken as its dependent work in the eyes of this Chinese firm. It is doubted whether this Chinese architecture firm would be faithful to this far-away partner or just take down those chances. As Xu et al. (2005) indicates that collaboration and competition co-exist in the construction industry in 2.4.2, there are competitions between partners.

It is worthy to be noted that AF3 has pointed out the business culture in China. "If you want to get projects in China, you need agent." The agent here refers to someone who is

the member of the communist party; and by paying this agent service fee, you will get information of the interesting potential projects through such an agent. AF3 acknowledged that its firm's reputation doesn't really extend beyond, so strong like beyond in Netherlands; it is difficult to be invited to some exclusive competitions as those "star architects" have been. However, AF3 decided not to involve in the "agent" system since "it's not part of our business culture, it's not part of our interests." It gives the impression that AF3 imputes the unsuccessful to not willing to compromise to such system; however there are more ways to approach this market according to other cases we have discovered.



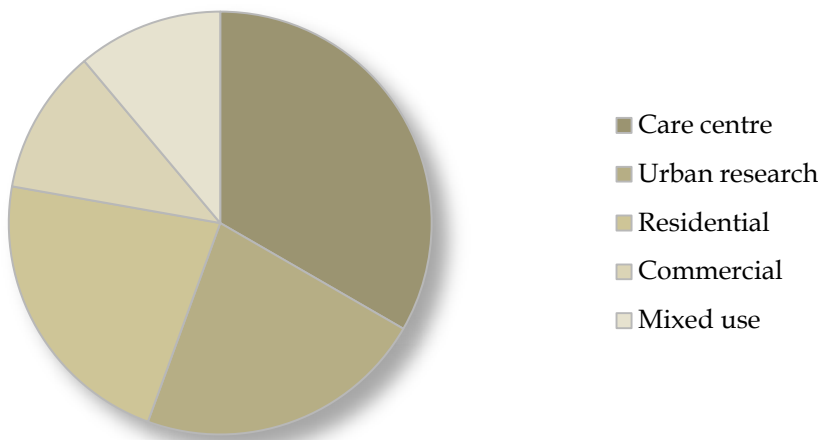
### 3.2.4. AF4

AF4 is a rather new small firm has approximately 90% of projects in China. It is interesting to investigate how this high percentage of profiles in China is approached.

#### Profile in the Netherlands

AF4 is an architecture firm of 5 employees and it is founded in Amsterdam. The two partners first were colleagues working together for another Dutch firm and later established their own firm in December 2008. The information of its profile in the Netherlands is not very clear; nine projects are listed on its website and two of them are urban researches. From the figure 3.7 is it found that care center is AF4's strong product in the Netherlands; and the second largest building type is residential.

### AF4's Profile in the Netherlands



### AF4's Profile in China

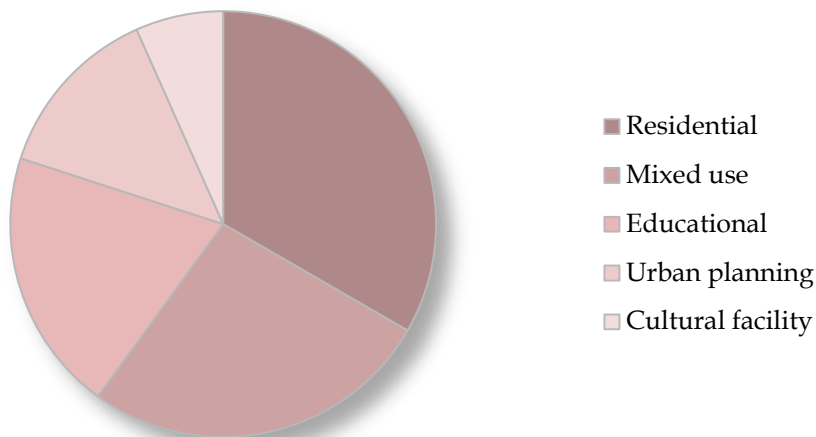


Figure 3.10 Chart of AF4's profile in the Netherlands and in China (Source: from website of AF4, self-organized)

#### Developments in China

When the two partners were in their previous firm, they have started involving in Chinese projects from 2001; and in the same firm in 2004 there was a chance they worked as the chief designers for a big Chinese private developer, which is the CL2 and from the working

experience they have gained the affirmation from the client and this connection is the start of AF4 to have its own projects in China.

AF4's business development in China is different from most other interviewed Dutch firms. Although it is rather small and without international reputation, AF4 simply relies on its good relationship with the client and it is confirmed as a successful strategy to get a business in China as mentioned in 2.3.1.

***“And we started, we’ve thought about really getting into Chinese market, we thought that would be nice maybe we do something.”***

With many years working on Chinese projects, entering into Chinese market seems a natural decision to AF4 while the firm was established and by then it was under economic crisis pressure. There seems no particular strategy for AF4 to enter this market at first beginning but because of the previous collaboration experiences with the client CL2, the connection was provided as a start point.

***“... they (CL2) just called us up to say ‘Hey, we like you to go on for us’... So we were asked to do something in Tianjin and in the mean time we also got a meeting with the highest office of a private developer in Beijing and he gave us a project in Qingdao. So without knowing, we suddenly had two projects in China.”***

While interviewing the Chinese clients, it is found that some developers such as CL2 and CL5 may designate the project as direct commission to one particular architecture firm which is trustworthy or with collaborative experiences. This way of selecting architect is also applied to the project which AF2 was commissioned to the club house in Hainan. To compare these two direct commissions, it is realized that both of them are of projects of the same big private developer but of different branch offices. Direct commission seems a very common method to designate an architecture firm adopted within private developers. The differences of these two direct commissions are that the case of AF2 was simply through personal network, it was given to AF2 more because of friendship rather than ability, based on the developer's understanding on AF2; but the case of AF4 was based on its previous performance in China and collaborative experiences with the same developer. The previous performance in China has been highlighted by CL1 because “the performance demonstrates that a foreign firm has worked together with the Chinese clients and LDIs, so that it understands well how real estate projects operate in China”. CL5 confirms the importance of knowing this design firm and the existing collaborative experience is the most important factor influenced its decision on architect selection. Unless CL5 is developing a new building type which is beyond its profile, otherwise it will always look for architecture firms from its own collaborative partners from previous projects.

Meanwhile there was a specific person, whom AF4 knows very well from CL2 and this person was in charge of the design department in CL2; this good relationship gives an extra trust to each other. From the Chinese counterparts, it is found that such a close personal relationship is a dominant factor to start a collaboration, which is a relationship-based business culture as Zou and Leslie-Carter (2010) stated. As CL4 expresses that among the foreign architecture firms with similar competence, while selecting architect it would give the project to the firm which CL4 knows better because it is more convenient to contact the firm with acquaintances.

However even though the partner of AF4 said it was “CL2 just called them up and asked AF4 to design for them”, according to AF4’s Chinese representative there is a slightly different story. Although the connection has been built since the two partners worked for CL2 since 2004, when they first established the firm in late 2008, there was no further connection with CL2 yet; maybe due to the language barriers, direct communication somehow was difficult between AF4 and CL2. The Chinese representative of AF4 joined this firm in 2009, and while she started the business development, she considered from its own existing resource which is the connection with CL2. Therefore she picked up this connection and contacted the chief manager of CL2. AF4’s first project started after this contact. Why CL2 did not contact AF4 spontaneously but wait for AF4’s Chinese representative to contact it? It seems that language is not only a barrier to the foreign architecture firm to communicate with clients as AF1 mentioned. Although some developers such as CL1 and CL2 the managers are mostly returned experts after studying abroad therefore speaking English to foreign designers is not a problem to them; still to many Chinese developers, inconvenience in communication is an obstacle to foreign architect selection. This obstacle is diminishing and a person like AF4’s Chinese representative could play a key role to improve the communication.

While AF4 was established, the two partners would like to develop its business plan to China and immediately they think of recruiting a Chinese staff to help the firm because this Chinese architect could help with the regulations and interpret the specific things of cultural understanding that they may not know. It is highlighted that an interpreter may not be helpful. In the old model many foreign architects entered China and found a local interpreter when he arrived; this may bring some troubles since these persons normally do not understand about the architecture and the market, and also do not understand the certain professional data. It is also confirmed by AF5 that recruiting local architects is the best way for communication both in terms of language and architectural practice.

AF4’s Chinese representative was the wife of an ex-colleague of AF4’s partners and through this person she was known by the partners of AF4 and therefore while considering recruiting a Chinese representative, AF4 thought of her. The representative is from Chongqing, and she studied and worked in Shanghai for more than five years. Due to she was settled down in Shanghai at that moment therefore at the first beginning the representative office was temporarily set up in Shanghai; and later on the Chinese representative moved to the Netherlands therefore the representative office was closed. It is realized that working experiences in China are very crucial to a representative. According to the Chinese representative of AF4, she mentioned that the five years of working experiences in China helps her to be familiar with the local building codes, about Chinese clients’ requirements and their preferences; and understand how the Chinese projects operates. Those things are essential to work in the Chinese market. Comparing to those Chinese graduates from Dutch universities who probably have a better understanding of the Dutch culture and are hired as intern in Dutch architecture firms, most of them do not have working experiences in China therefore it is challenging for them to contribute on the aspects mentioned above. Relatively they could only do the translation work.

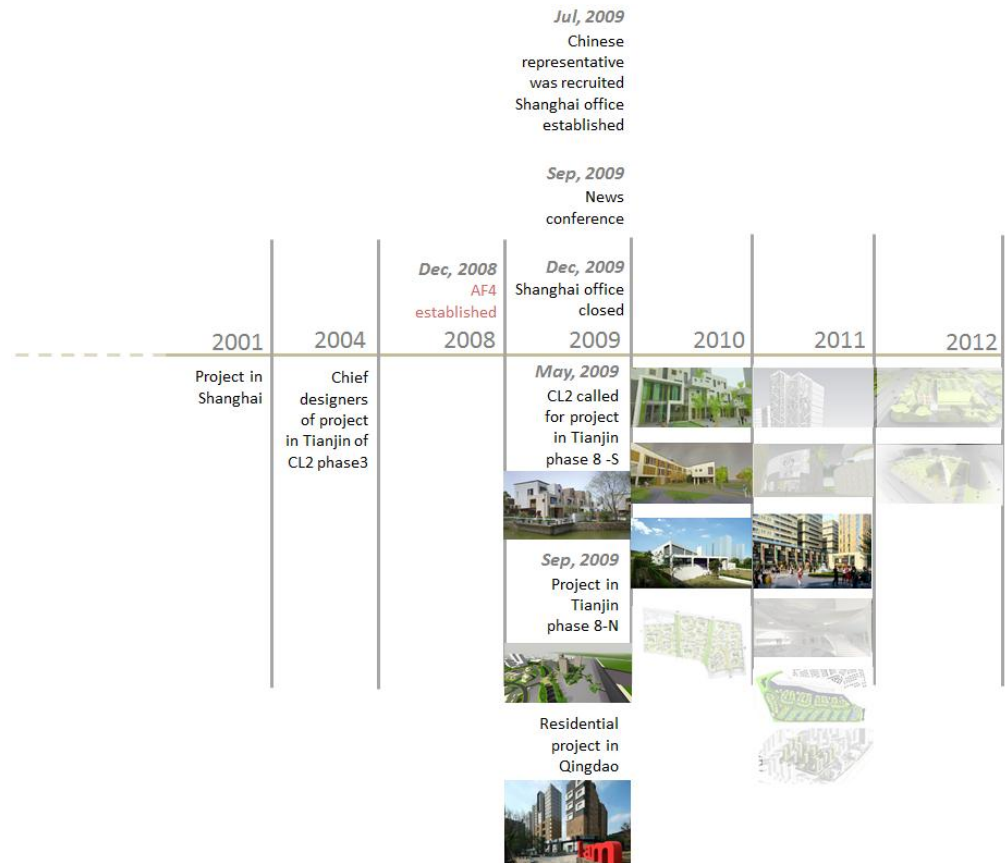


Figure 3.11 Timeline of AF4's development in China (Source: self-organized)

From the figure 3.10 it is found that AF4 basically follows its profile in the Netherlands and begins in China with types of activities which AF4 has the most complete set of resources and with familiar types of projects. Although some interviewed Chinese clients assert that they would only commission certain project types to foreign architecture firm, and housing is normally not within the choice due to it is normally of huge scale and has to be finished within a very short time and also because of the competence, Chinese clients have the impressions that the local design institutes are more suitable for these work. However AF4 has successfully realized many housing projects with the private developers.

AF4 does not involve in care center project in China, it conducts a research of Chinese Elders which shows its strong interest on this topic; and the research is posted on its website seems to remind its potential clients the elders could be a subject to work out. The biggest differences between the profiles in the Netherlands and in China are the scale of projects. Comparing to its projects in the Netherlands, the Chinese projects are much larger and more complicated. Those are the things fascinating to AF4.

***“Well everything was very exotic, because it’s very nice to go to China... They’re more challenging and more ambitious I think than lots of projects we’ve done In Nederland we can do now anyway. There are so many possibilities for new things there (China).”***

In table 3.8 it is found that nearly half of projects locate in the Beijing and Bay area. Except one kindergarten project in Suzhou, the rest of the projects are all located in North China. It is found that there is a very strong tendency of the distribution of AF4's projects. But AF4 expresses that “there is no preference on location choice when it entered the Chinese market” and it is assumed the tendency of developing projects in the North due to:

- AF4 starts its first project in China with CL2 in Tianjin;
- its realized projects attracts clients who might visit the projects and those clients might from the same area;
- its public reputation was spread out among local developers.

Table 3.8 Basic information of AF4. (Resource: website of AF4 and self-organized)

Location/ Building types	Beijing & Bay area	Shanghai & around	Shenzhen, Guangzhou, Hong Kong	Other cities
<b>Exhibition</b>				
<b>Commercial</b>				
<b>Residential</b>	■ ■			■ ■ □
<b>Offices</b>				
<b>Cultural facility</b>				○*
<b>Educational</b>		■		■ ■
<b>Transportation</b>				
<b>Urban Planning</b>				□* □*
<b>Sports facility</b>				
<b>Mixed use</b>	◇ ◇ □			○*

- State-owned company- entry
- Private developer- built
- Private developer- entry
- ◇ Joint-venture company- entry

\*schematic design phase

As the interviewee mentioned that AF4’s first project in China was a housing project in Tianjin, which was a latter phase following a big housing development of CL2 that AF4’s partners had involved in the early phase in 2004. Since it has been years for AF4 to work in that city and with that client, it is conceived as “easy cooperation” for AF4 to work in Tianjin and as it said, “We were already familiar with how CL2 works. And yeah, we know how to work with them.” Furthermore it is found that among the 15 projects, 11 are of the same big developer, but of its five different branch offices. It seems that AF4 has a very strong connection with these different branch offices and AF4 is able to really develop the projects through them. It is confirmed by AF4’s Chinese representative how the connection works among those branches.

***“The project in Tianjin is of developer V and it has several branch offices in China. There are four regional headquarters according to the***

***geographically distribution, namely Beijing, Shanghai, Shenzhen and Chengdu; and branches of each regional headquarters have close connection. Within each region, the general managers of each branch office basically have telephone meeting every week, so in it they exchange information. It is very helpful to us because through this communication, other general managers would know about us. And because of this we got the commission of project in Qingdao later on.”***

Besides the reputation spread-out among the branch offices, there was a very special opportunity for AF4 to publicize itself. In 2009 the developer of project in Qingdao held a news conference to promote this project. AF4 got a free chance to make a presentation in front of reporters from newspapers and television stations, many other developers and public officials. This chance has brought AF4 many potential clients; and later on some projects were indeed through connections acquired in this event.

In the table 3.8 it is learned that most of the realized projects are of private developers and especially from the same developer. And the most realized building type is residential, and then the second largest realized building type is kindergarten which is categorized to educational type. It is found that it seems that projects of state-owned company or governmental organization and projects of joint-venture companies are less likely to be realized. Why? Is there any difference between the private and public clients? Or is there any correlation between the project types and realization?

It is found that there is a correlation between ways of entry and project realization. Most of AF4's realized projects are of direct commission. Comparing with state-own companies who could only adopt competitions or selective tender to select its design service provider due to most of these organizations are more hierarchical therefore direct commission is not allowed; projects of private developers which adopt direct commission almost reach 100% of realization. This is maybe because these private developers already have a certain site and has prepared the budget for the projects; on the other hand, nowadays many private developers learn fast and relatively professional in terms of their working efficiency; therefore the projects are internally and externally ready. On the contrary governmental organizations very often recognized as rather inattentive entities. But it does not mean that private developers are more trustworthy than the public developers<sup>7</sup>. When checking the project types and realization it is found that those projects of bigger scale such as urban planning and mixed use have lower realization rate. Due to most of these projects involves a huge amount of budget and according to most of the “Urban and Rural Planning” policies, projects beyond a certain number of cost have to call for competition or collect design through selective tenders. Moreover, it is found that in many cases the governmental organizations propose a public project for city marketing, sometimes it is just a concept competition for the city's vision; and sometimes because of many state holders involved in the plan, the process is too complicated to be feasible at the end; and even more there are notorious under-table operations as described earlier in many public competitions.

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<sup>7</sup> About the comparison between public and private clients will be further discussed in case study AF5.

## Learning from AF4

In terms of the competence AF4 may not be outstanding among the Dutch firm but why it is the one with the highest percentage of realized projects within the interviewees? What we learn from AF4 can be sorted into six parts:

- Building up good relationship with its clients and trying to maintain a good reputation among them;
- Recruiting an experienced but not ambitious Chinese representative to help the firm in terms of interpreting many things about this country that only Chinese may understand;
- Following its own profile in the Netherlands therefore carefully choose the projects and the clients;
- Knowing what they can do and cannot do; say “no” to clients sometimes is necessary;
- Adopting mobile entry in order to keep its exotic position in the eyes of the Chinese clients;
- Keeping a very open mind to its clients, really making friends with them.

The first part has been explained in the previous paragraphs. Here we try to explain why “an experienced by not ambitious Chinese representative” is important. It is discussed that the working experiences in China helps a representative to be sharp to the market and to know what clients want. But then why not ambitious? Many Chinese would like to have their own business, and in some areas it is even recognized as “not successful” if you do not have your own firm but work for others. Many Chinese who do interns in a foreign firm with international reputation normally just want to acquire the network with those famous architecture firms and accumulate their own portfolio. When they become competent or as long as they acquire the necessary resources, “If I can do it for myself, why do I work for others?” is how most Chinese architects think. AFC3 expresses that more than 80% of representatives would leave the company and establish their own firm. It is heard even worse cases that the Chinese representatives supposed to work for their firm but in fact they work for themselves. As AFC1 said some representative acquire the money from the mother company and use that money to work on their own projects in private. In China it is very common to hear about such stories. Therefore it is really crucial to find the representatives with good personality of faithful and trustful.

The boss of AFC3 used to work as the representative for an Australian architecture firm in China. However the reason he decided to leave this company because when he became more competent the parent company started to distrust him. They sent an Australian colleague to sit beside him and whenever the parent company wanted to make a phone call to him, they would call the Australian guy first; and after they have finished the conversation, the Australian guy would call back to the parent company again. Therefore the boss of AFC3 felt that he was extremely distrusted and felt like being monitored. Therefore a foreign architecture firm should pay attention to balance between trusting and controlling your staff.

As for choosing projects and clients AF4 has provided some good tips. In order to follow its own profile in the Netherlands, it is found that most of the projects AF4 has in China are residential projects. The Chinese representative will filter those problematic clients by considering their reputation in the market, referencing their products and also taking account into their taste. Because some of the clients their recognition and market

positioning may not suit the foreign architecture firm. Some clients might be very market oriented therefore they would bring up projects such as copying a British town or very classic European style. AF4 would keep its own profile as modern Dutch architecture; therefore it would say no and make it quite clear to the developers if it thinks the projects do not fit its profile. In some cases that the clients do not have a clear vision about market targeting beforehand but after few more contacts their vision is revealed and whenever knowing it does not fit the firm, then AF4 would just reject the projects from the first beginning. In this way AF4 keeps its energy and not to waste resources on things unnecessary to spend time with.

It is found that the proficiency of the clients makes difference. AF4 would say no to the clients when it is requested to finish design in a very short time. In order to maintain the quality, AF4 would ask for more time than the clients demand. It is found that its clients normally would allow them a bit longer. But it really depends on which clients you are working with. A client such as CL1 knows about the working process of a foreign architecture firm and it would try to diminish the extra work caused by its own unclear assignment or changing of the programs. AF4 sometimes would say no to the clients when it is requested to propose the designs which it thinks not reasonable. On the other hand, AF4 will not always follow what the clients command and try to insist its own ideas on design. It is recognized as strength in the eyes of CL1 but according to AFC3 it could be impolite to those immature clients who are more traditional and still expect the architects as a service provider should always listen to them. If the architects say no to them makes them feel losing “mian zi”.<sup>8</sup> As for the matter like this, AF4 learns from its Chinese colleagues and knows something is like that and “you cannot change it different, and you shouldn’t change everything”. Therefore a foreign firm should have the wisdom to discern with which clients the outspoken attitude will be appreciate or not and with which points the clients may also want to change.

As for choosing the entry mode, in the discussion in 2.2.4.2 Ling et al. (2005) assert that it is necessary to set up branch office in China. Since it is not a big firm, AF4 provides a different approach by flying to China very often (once a month) rather than setting up an office in China. By this way it avoids problems such as:

- Personnel hiring- who is going to sit there? What do they do? What is their value?
- Decision making- to what extent the persons in the branch office could make decision?
- Location choice- China is so big, where is the right location to have the branch office?
- Clients’ preference- they want to see the chief designer.

AF4 probably had heard about the difficulties to hire the right personnel for the branch office therefore taking mobile entry could get rid of this trouble. AF4 also knows that a small firm like it, it is the partners who make the decisions. Their Chinese representative always discusses problems with them and gives the answers back to their clients according to the partners’ opinions.

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<sup>8</sup> Lu (2008) mentions about “mian zi” that if refused or criticized directly, especially in front of other people, a Chinese person will feel shamed and disgraced.



AF4 knows well that most clients would like to talk directly to the designer. CL2 and CL5 confirms about this attitude. To these two private developers even though a branch office is convenient for communication mainly because living in the same time-zone, however they would only talk to the person who do the design so even there is a branch office in China but the designer is not sitting there, it is not helpful. Another preference of clients is that if the foreign firm directly comes from abroad would give an impression of more fresh and exotic. In some clients' mind the foreign-look designers seem more capable and more professional therefore if they pay the money to ask a foreign firm to design for them; they want it authentic, not through a group of Chinese staffs. In some cities this prejudice still exists therefore in some cases a foreign face would be beneficial, for instance AF4 has been invited by its client to make a presentation for a joint-venture project in front of the public officials; and because of the presentation was given by a western face, the officials seldom raised questions and it was passed smoothly. However AFC3 expresses that this kind of situation is changing and the clients are learning and growing to be more mature. AFC3 admitted that in the past the foreign faces in its company may bring them some advantageous position but now the clients would value more on its service and competence.

Last but not least, AF4 realizes how important to become friends with everybody in China and keep an open mind to the culture.

***“That’s something seem so simple, but I mean if you really become friends with them and it takes time; you know not one time but couple of times and they get to know you. And then they’re really friends. They really want you and they really care when you come back; and that’s with everybody... that’s VERY important! So that’s not like in Holland you just say, “OK, we’ll do business” and then there’s business. No, we go eating and we go dinner, with everything. You know that’s quite different I think.***

***We eat a lot of course, because that’s very important way of communicating also the eating, to get to know. And sometimes Dutch people saw, ‘well, OK, I’m not going to go there because that cost so much money, so...’ But that’s nice, I love Chinese food a lot, better than our lunch like this.”***

Whether making friends with everyone or loving Chinese food is within your discretion, nevertheless in the case of AF4 its mobile entry with very frequent flying to meet clients, having a trustworthy and competent Chinese representative, together with its good collaborative experiences with clients offer a good example to enter into Chinese market.

### 3.3. Chinese counterparts

Among the interviewed Dutch architecture firms it is interesting to find that almost each of them have contacted or worked with one particular private developer but from its different branch offices in China. Therefore it becomes the first target of the Chinese client to conduct interview. Later on while interviewing the Chinese architecture firm more contacts was acquired therefore they were added to the interview list. The last two firms locate in Shenzhen and due to its special location<sup>9</sup> and its characters; it is very common that these developers would invite foreign architects to do design for them. The five selected developers cover three different types of clients- the State-owned company, the private developer, and the foreign-funded business. Their criteria and procedure to select a foreign firm, and their experience working with the Dutch firms will be introduced then compared.

#### 3.3.1. Chinese Clients

CL1, CL2 and CL3 are branch offices under the same parent company which was established in 1984 and began to engage in real estate in 1988, and became the second company listed on the Shenzhen Stock Exchange in 1991. It is well-known as the largest and the leading housing developer in China, whose business covers 53 large and medium-sized cities in the region of the Pearl River Delta, the Yangtze River Delta and the Bohai Economic Rim. Its sustained growth as well as standardized and transparent corporate governance structure has been widely recognized among investors. In 2011, it was selected as one of the world's top 25 employers in the Best Employers in APAC2011 Study organized by Aon Hewitt, a global human resources consulting firm.

The contacts of this developer and its branch offices were given by the interviewed Dutch architecture firms; and these three branch offices have been in charge of many international projects, including the collaboration with Dutch architecture firms.

CL1 is the client of the NAI's matchmaking program. CL2 is one of the most frequent contacted clients of AF4. CL3, which is also the headquarters of above mentioned developer, is in charge of many international projects, and they often organize meetings or workshops to introduce foreign architects to their branch offices. CL3 is the client of AF2 and AF5.

#### **CL1**

The main product of CL1 is the affordable housing, those projects usually they would commission to the LDIs. Due to nowadays while acquiring the land, it is very often a land of mix-used, therefore CL1 is forced to do the commercial real-estate, which is rather new to CL1. It has an impression that foreign architects are more experienced in this area; therefore it would commission this type of buildings to the foreign firms. The other types CL1 would call for foreign architects are such as buildings which could publicize its firm, which needs to be an iconic building; or when CL1 is looking for something more creative and experimental, such as to bring out projects for social housing or for the Biennale. Another type is doing "workshop". 2-3 foreign architecture firms would be invited to a

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<sup>9</sup> Shenzhen is regarded as a city which is friendly and open to the foreign architects. Due to it is the first area of Special Economic Zones and its strong immigrant city character, Shenzhen is less restrained by its original local culture therefore is more open to the outsiders.

workshop to brainstorm for new ideas, normally the projects are still in the conceptual phase, it is expected that the workshop may input new idea to the project.

CL1's selection criteria are:

- First, the specialization of the architecture firms should fit the program. For instance, if CL1 is going to develop a shopping mall, then they will look for the firms with specialty of shopping mall design;
- Second is a firm's reputation in the construction industry. This is different from their fame, whether they are famous or not, but how the firm rates among Chinese clients, the LDIs and the contractors. On the other word, it is important that a foreign architecture firm could fully support the client; this is confirmed as important by AFC3. Because the design may be altered many times during the process because the program might be unclear or need to be modified, the firms should be willing to coordinate with the client.
- The third is time issue. If a project has only very limited time, clients tend to ask a LDI to work for them.
- The fourth is cost; nevertheless it is usually a reference rather than a determined factor.
- Last but not least, CL1 tends to look for those firms which already have realized Chinese projects, and preferably of the building types which CL1 is going to develop. The realized projects of these foreign architecture firms demonstrate that these firms have experiences working with the Chinese clients and the Chinese LDIs; and they know how the Chinese real estate operates.

In CL1 the architect selection is mainly managed by design department; and according to the interview, the design department is initiating to build up a data-base of a list of foreign architecture firms for the reference to selection.

CL1 seldom invites competitions but usually they call for invited-tenders. The reason is simply for time-saving. Usually they select 2-3 architecture firms and ask them to give a proposal with firm introduction, portfolio, a service proposal and quotation. And which firms would they invite for tender? There are mainly two ways to select: (1) by the reputation of the architects through website, magazines or portfolio; (2) through personal connection or acquaintance, mostly rely on the previous collaboration experiences.

## **CL2**

To CL2, the reasons why hire foreign architects are because of their competence and the appreciation of their projects.

The selection criteria can be described as vague or simple in CL2, the only thing can be sure is that it has to be a firm which can provide good design. It seems that CL2 bases on its intuition and the self-reliance as a "professional manager", based on its own understanding of architecture firm and on their performances in China or in their home country. There is a certain person who is in charge of design department and he usually will designate one single architecture firm to design for CL2, judging by the performance which is not necessary in China; and then direct commission the project to this firm.

## **CL3**

Except for the design quality and advanced building technology, the exotic concepts and experienced project management of the foreign architecture firms are highly appreciated;

moreover many foreign firms emphasis on sustainability could help the client achieve a high-profile product. These are the reasons why CL3 would like to collaborate with the foreign architects.

Its criteria of selection are:

- First, CL3 would look for the firm which is specialized in that field according to the program of the intended development;
- Their successful realized projects are an important reference to CL3.

The ways of commissioning projects include invited tender, competitions and tender. But this is an email interview, the condition of how to apply these three methods are not explained in the interview.

#### **CL4**

CL4 is a subsidiary office of a state-owned company. It is established in 1984 with the headquarters in Shenzhen, and has been a “grade A” company of comprehensive exploitation, from residential, offices, mixed-use, recreational to commercial buildings. Residential buildings are their main products. Their projects distribute in many medium-large sized cities.

While asked about in what occasion they would choose a foreign architecture firm to provide service, the CL4 answered that due to the foreign architects are highly affirmed by Chinese market and since their development covers many different types, and in the past, they have hired foreign architecture firms for each type. However general speaking, it is more often in public building, and less in residential projects.

The ways how CL4 decides/approaches which firms to call for a competition are:

- Cost, if the building is something any firm could provide similar service, of course they would choose a cheaper one;
- Personal connection and relations with the architecture firms. To CL4, personal relation is important, it rarely hands a project to someone CL4 is not familiar with therefore it seldom invites an unfamiliar architect to provide design service. It prefers to work with acquaintances, because it is easier for communication;
- Networking, such as programs organized by NAI or DutchDFA to promote the Dutch architecture firms and their designs, such programs help CL4 to be familiar with the foreign firms and are considered as useful to enlarge its information about foreign firms;
- A foreign firm comes to recommend itself. In many cases, the foreign firms might contact CL4 and introduce themselves to the clients.

The way of CL4’s selecting an architecture firm is always through competitions. CL4 would not do it through direct commission, due to in its organization it needs to report the whole process to the higher authorities. Competitions are less arguable in CL4’s managerial system.

#### **CL5**

CL5 is a leading foreign real estate developer established in China, and it is a Singaporean-based company. The business covered housing, retail, serviced residence, value housing and financial service. Beginning from Shanghai in 1994 and it is now expanded its presence in China to about 40 cities.

Due to its foreign-funded background, almost 90% of projects are collaborated with the foreign architecture firms. CL5 would check the program of the projects, if the project can be assigned to a foreign architecture firm; CL5 will first and preferably consider a foreign firm. This is because CL5 think that with a foreign firm they could share a common language on the design standard, contract, business management and quality of result. As for its criteria to select a foreign architecture firm:

- First the collaboration experiences are very important. Even though the foreign firms may not work for a certain type of building before, based on CL5's understanding to the architecture firms, it would designate the project to a reliable acquainted firm;
- Second, the proposal of the invited design firms would be compared according to its service ability and reliability, therefore CL5 chooses a firm with less risk rather than the best design.
- Cost is a referenced factor, and normally CL5 would not choose the lowest price.

The way how CL5 assigns a project is through direct commission. Unless the project is extraordinary important and it has plenty of time, CL5 would not consider calling for competitions. But there are some exceptions, such as in a case of urban planning project which the budget would easily exceed hundred millions of RMB, it is necessary to call for competitions according to the regulations.

### 3.3.2. Comparison of interviewed Chinese clients

In order to make it easier to understand the ways of different types of Chinese clients select its foreign architects, in this part the table lists the motivation, criteria and ways of selection of CL1-CL5.

It is learned that even though CL1, CL2 and CL3 are of the same parent company, each branch office would process their projects in a different way which is mainly decided by the managers' working style. The general manager of CL1 adopts a more transparent and systematic method in its branch office; while CL2's manager, who was studied and practiced abroad, is inclined to rely on his own experiences and judgments; meanwhile it is found that he personally has a great power on decision making. And while contacting CL3, it is found that it is probably the most bureaucratic one, maybe it is also in the headquarters. The interview questions first need to be sent to CL3's public relations department to verify then the proper answers will be given accordingly; the answer was given through email, therefore some more details were not able to be clarified. CL4 is a state-owned entity therefore it is also bureaucratic comparing with others. It is interesting to find out that in a foreign-funded organization like CL5 there are certain conflicts between the local managers and the expatriated managers on the selection of architecture firms.

In figure 3.12 and 3.13 it is found that the differences between a private developer and a state-owned company. The structure of CL4 is much hierarchical therefore its managerial way is less flexible. According to the interview, the organizational structure of CL5 is similar with CL1, which is composed with different departments and each of them is in charge of its business. It is found that the "design department" in CL1 is the key department and also the only one department which is involved in the whole building process. During the interview it is realized that the interviewee who is in the team 2 under Design department recognizes themselves as the "professional managers" therefore comparing to other clients, it seems that the works are divided clearly between

Table 3.9 Comparisons of interviewed Chinese clients (Resource: Self-organized)

	CL1	CL2	CL3	CL4	CL5
Types of clients	Private	Private	Private	State-owned	Foreign invest
Motivation	<ul style="list-style-type: none"> <li>Publicize itself</li> <li>Expertise and creativity of foreign firm</li> <li>Brainstorming</li> </ul>	<ul style="list-style-type: none"> <li>Competence of foreign firm</li> </ul>	<ul style="list-style-type: none"> <li>High design quality</li> <li>Advanced building technology</li> <li>Exotic concepts</li> <li>Experienced project management</li> <li>Interest of sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Market affirmation</li> </ul>	<ul style="list-style-type: none"> <li>As a foreign invest firm, the foreign architects share a common language on design standard, contract, business management and quality of result</li> </ul>
Types of building issued to foreign firm	<ul style="list-style-type: none"> <li>Commercial</li> <li>Iconic building</li> <li>Special issue</li> <li>High-end projects</li> <li>Not many residential</li> </ul>	-	<ul style="list-style-type: none"> <li>Iconic building</li> </ul>	<ul style="list-style-type: none"> <li>All different types, but not many residential</li> </ul>	<ul style="list-style-type: none"> <li>All different types</li> </ul>
<b>Criteria</b>					
• Branch office in China	✓	✓	✓		✓
• Cost	✓ *			✓	✓ *
• Performance in China	✓		✓		
• Personal connection to the foreign firm				✓	✓
• Provide good design		✓			
• Reputation in China	✓				
• Specialization	✓		✓		✓
• Time	✓			✓	✓
<b>Ways of selection</b>					
• Competitions	✓		✓	✓	✓
• Direct commission		✓			
• Invited tender	✓		✓		✓
• Pre-selection			✓		
<b>How to know the architects?</b>					
• Architectural magazines	✓				
• Intuition		✓			
• Networking provided by the foreign organization				✓	✓
• Personal connection	✓			✓	✓
• Recommend oneself				✓	
• Website	✓				

departments and the design managers knows better how the architecture firm work therefore it will provide appropriate request and try to avoid the unnecessary labor to the architecture firm.

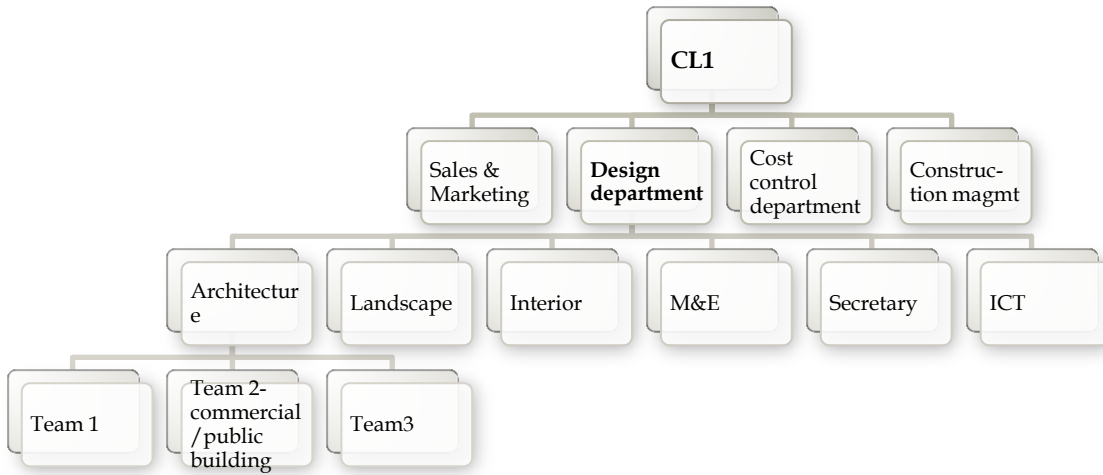


Figure 3.12 Organizational chart of CL1 (Source: self-organized)

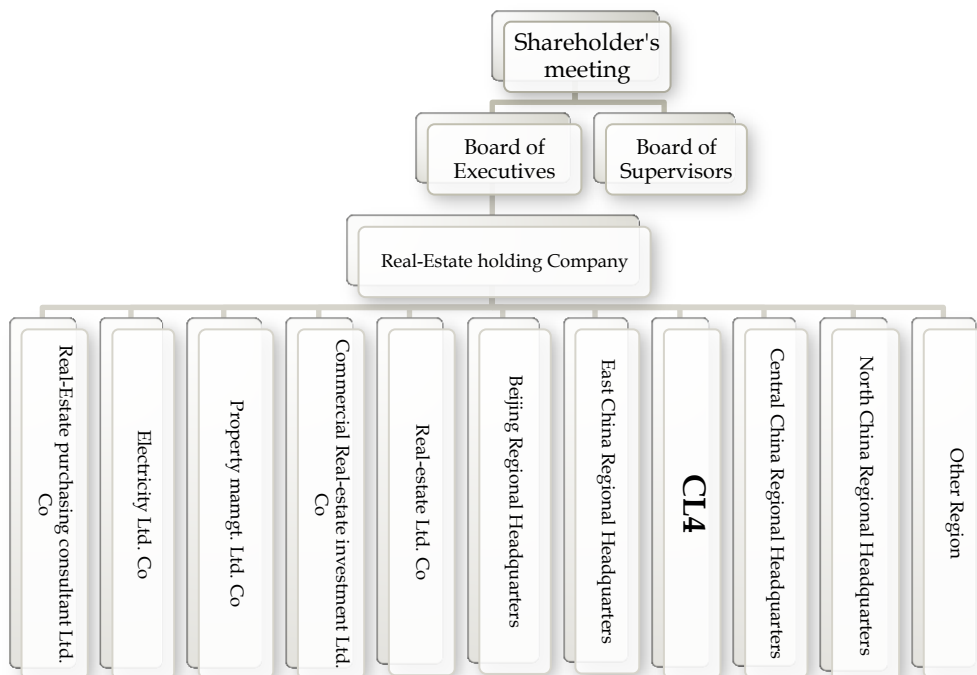


Figure 3.13 Organizational chart of CL4 (Source: self-organized)

As for the motivation of commission projects to a foreign architecture firm, the reason why choose a foreign architect varies from clients. But when investigating the building

types which mostly commissioned to foreign firms it is found that the commercial projects and iconic buildings are more than residential projects.

In terms of criteria, it is found that Chinese clients mostly are in favor of branch office in China. The main reason is for the convenience of communication and time-zone issue. CL1 mentions that it is because if a foreign firm has a branch office it could better support clients, and its Chinese staff could better communicate with clients as well; furthermore due to foreign firm is limited to receive payment according to Chinese regulations, it would be troublesome to pay if there is no branch office. CL2 agrees with the easiness to reach the firm if there is a branch office; however it emphasizes that CL2 only talks to the chief designer directly, therefore if the designer is not in the branch office, it is in vain. CL5 is in favor of a foreign firm with a branch office because if not, the visa issue is problematic to them. And it emphasizes that CL5 tends to look for foreign firm which has branch office in Hong Kong due to the geographical convenience, because CL5 locates in Shenzhen, therefore it prefers to contact a foreign firm based in Hong Kong than a firm based in Shanghai.

The Chinese clients seem value a lot the specialization of a foreign architecture firm and most of them emphasize the importance of the matching between the specialty of the firm and clients' developing products. Time is an issue many developers mention. However it is found that all the developers agree that the foreign firms are not competitive on time with the local LDIs, therefore projects such as huge-scale residential developments normally are commissioned to the local LDIs. Cost is another issue counted. Nevertheless, only CL4 expresses that it will give the projects to the lowest price while CL1 and CL5 express that cost is just a referenced factor.

In terms of ways of selection, competition is the most common way but in terms of the quantity, invited tender probably is in the majority. Competition is the only way CL4 adopts but to CL1 and CL5 it is adopted when it is necessary. CL2 is unique among the interviewed companies. As the interviewee said, "Since at the end there is only one architecture firm is selected, why not I just designate one firm since I already know which one to select?" Therefore CL2 always designate one firm and give the project directly to it. Pre-selection is not common; only CL3 mentions this way. It is assumed that pre-selection is more common in the governmental projects.

At the end, comparing the ways of acquiring a foreign architect and it is found that CL1 and CL2 mostly rely on its own professional knowledge and background, therefore they normally decide who to invite for the projects according to the firms' performance, both in China and in other countries. The portfolio, architectural magazines and official website would be the main source how CL1 and CL2 acquire the name of the foreign firm/architect. It means the international reputation is crucial to the clients such as CL1 and CL2. It is worthy to be noted that CL1 might build up a data base of a list of architecture firms for selection. This is based on its previous working experiences. How to get on the list would be something interesting to investigate. On the contrary, CL4 and CL5 count personal relationship more mainly because of the trust issue and easiness of communication. Therefore a program of network building such as programs organized by NAI and DutchDFA to promote Dutch architects would be appreciated by clients like CL4 and CL5. Because they could meet the foreign architects and they are able to talk to them directly in the events like it. It is perceived as important that having face to face contact.



### 3.3.3. Conclusion

It is learned that the differences of client types makes the differences. To a foreign architecture firm, there seems more chance to find projects of foreign invest developers such as CL5. Its preferences working with foreign architects and there is about 90% of realized projects were designed by foreign architects. On the contrary state-owned companies seem more difficult to the foreign architecture firms because of its organizational structure and competitions is the main method to call for an architect; unless you have a good relationship with the clients, it seems more difficult to get a job from a State-owned developer. Private developers such as CL1, 2 and 3 have very different characters because the style of the leadership of each individual branch office. A firm such as CL1 could be a good potential client to work with since it emphasizes its role as a professional manager. If it is possible to acquire the affirmation of CL2, it might be the easiest way to acquire projects in China directly through the design manager of CL2.

## 4. Cross-case Analysis

In this part the four case studies will be cross-case analyzed with theoretical framework to identify similarities and differences of the cases. By identifying similarities (marked in green box) and differences (marked in red box), we seek to provide further insight into issues concerning entering Chinese market by generalizing the case study result.

### 4.1. Location choice

#### Theoretical framework

#### Findings in empirical cases

- Distribution of projects
  - Dutch firms' knowledge may be very limited to well-known cities only (Den Hartog, 2009)

- Distribution of projects
  - AF1: random choice
  - Others: start with connection with potential clients

- Market is shifting to the inner province (China Statistics, 2010)

- Projects in Hainan, Shenyang shows potential market is shifting

- Location of branch office
  - Well-planned decision

- Location of branch office
  - Not any decide according to its investigation
  - Opportunistic
  - Following its resources
- Dutch firms may have different thoughts about location choice after entering
- Doubt of "whether best location exists"?
- City's culture benefits

There are three different types of location choice. First is about the location of the first project; then is the distribution of projects in China; and the last is about the location choice of representative/branch office.

In terms of the location of the first project, every interviewed Dutch architecture firm was passively followed the chance, either the clients came to them or followed the Dutch investment. As for the distribution of projects in China, except for AF1 which is identified as a firm of "strong idea" and it delivers "international product" therefore it is found that AF1 could be described as random in choosing location among big cities wherever there is a chance. Other firms may have a tendency to develop its Chinese projects and mostly would start with its connection with the potential clients rather than relying on the knowledge of a certain city. Therefore the location of their projects could be out of the 1st tier cities and not as Den Hartog (2009) said that the Dutch firms' knowledge may be very limited to well-known cities only. Meanwhile it is found that some interviewed firms do have projects in the areas such as Hainan and Shenyang, which is correspondent with the

reports of the governmental statistics (China statistics, 2010) that the booming potential real-estate market in the inner provinces.

As for the location choice of setting up representative/branch office, it is founded that not any of the interviewed firm had set up the branch office according to its investigation. This is very different from the theories of other manufacturing industries. While other industries may have a clear location in mind according to its needs then enter the market; it is found that in the architectural practice the selection is more opportunistic rather than carefully planned. The architecture firms followed its resources- either where its Chinese representative is located, where the Dutch direct invest is or where the DutchDFA's connection is placed.

Even though the first location was almost passively decided by external resources, it is realized that some Dutch firms may have different thoughts on the location choice for their business development which means if there were a chance to choose again from the first beginning, they would choose for another location. But firm such as AF4 is still questioning whether the best location exists? Since China is so big, if the projects scattered in all the different regions in the country, it seems not really practical to settle down a branch office anywhere.

Furthermore, it is interesting to find out that a city's culture may be beneficial to foreign architecture firms to set up a representative/branch office. This was discussed in 3.2.1, city such as Shanghai which had a French colonial history not only is more open to the foreign things, but also the ways of working is more law-abiding. It is discovered that each of the interviewed Dutch architecture firm has at least one realized projects in Shanghai area, which is not compatible in other regions. Although some of the interviewed firm such as AF4 has a focused developing area (north China, around Tianjin and Qingdao) due to its resource connection, still it has a chance to realize projects in Shanghai.

## 4.2. Market targeting

### Theoretical framework (Xu and Greenwood, 2006)

### Findings in empirical cases

<ul style="list-style-type: none"> <li>• Segmentation               <ul style="list-style-type: none"> <li>– Process of dividing potential customers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Segmentation               <ul style="list-style-type: none"> <li>– AF2 and AF4 aware of</li> <li>– AF1 and AF3 not acute due to cultural distances</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Targeting               <ul style="list-style-type: none"> <li>– Follow the most complete resources or with familiar types</li> <li>– Exploit firm's competitive advantages</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Targeting               <ul style="list-style-type: none"> <li>– Except for AF3, others do</li> <li>– Confirmed by Chinese clients the specialization is crucial</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Positioning-ways acquiring contracts               <ul style="list-style-type: none"> <li>– Competition is most popular for Dutch firms (Buurman et al., 2005)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Positioning               <ul style="list-style-type: none"> <li>– Firms with international reputation take competition</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>– Relationship-based business culture (Zou and Leslie-Carter, 2010)</li> </ul>	<ul style="list-style-type: none"> <li>– Small firms based on good relationship with clients</li> </ul>

According to Xu and Greenwood (2006) marketing targeting includes segmentation, targeting and positioning. Segmentation is defined as the process of dividing potential customers, which AF2 and AF4 are obviously aware of, and although AF1 and AF3 are conscious of the importance of this issue, due to the cultural distances the foreign representatives may not be as acute as the Chinese representatives.

While comparing the profile of the interviewed firms in the Netherlands and in China, it is found that except for AF3, the others basically began with types which the firms have the most complete resources or with familiar types. This is in accordance with the targeting theory in 2.2.3 and it is proved as an important strategy while entering a foreign market. And it is assumed that AF3 could not develop its business plan with familiar types may related to it is weak in segmentation and positioning. Another type of targeting is to exploit the firm's competitive advantages in the target market and it is confirmed by the Chinese clients that specialization on a certain type of building which they are going to develop is a crucial factor while they select foreign architects.

Positioning refers to the different delivery methods or can be regarded as the ways of acquiring contracts. While in the book *Dutch Architects in Booming China* shows that competitions is the most popular way of acquiring contracts adopted by Dutch firms, there are polarized attitudes among the interviewed Dutch firms. Firms such as AF1 and AF3 which has rather higher international/national reputation enter Chinese market mainly through competitions; however firms such as AF2 and AF4 are both against competition and they tend to use their personal connection or based on their good relationship with the clients to develop its business plan. The strategy of AF2 and AF4 is in accordance to Zou and Leslie-Carter (2010) that there is a relationship-based business culture in China. On the contrary, it is realized from three different types of Chinese developers that selective tender may be the most common ways to select foreign architects. Competitions are only used in certain occasions and mainly by state-owned companies.

### 4.3. Entry mode

Theoretical framework	Findings in empirical cases
<ul style="list-style-type: none"> <li>• Set up branch office is necessary (Ling et al. 2005)</li> </ul>	<ul style="list-style-type: none"> <li>• It is not necessarily have a branch office               <ul style="list-style-type: none"> <li>– AF4 takes mobile entry and earns 90% of business in China                   <ul style="list-style-type: none"> <li>• Previous collaborative experiences</li> <li>• Performances in China</li> <li>• Experienced Chinese representative/staff</li> </ul> </li> <li>– AF2 takes strategic alliances under mutual trust</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Competitions between horizontal partners</li> </ul>	<ul style="list-style-type: none"> <li>– AF3 takes strategic alliance but with competitiveness</li> </ul>

- Strategic alliance with the local LDIs (Xu and Greenwood 2006)
- Not found in interview

- Entry's sequential position to the choice of entry mode (Chang and Rosenzweig, 2001)
- AF1's changes of entry mode
  - Mobile entry 2001-2010
  - Representative office 2011
  - Branch office 2012

In chapter 2.2.4.2 the entry mode has been discussed by comparing previous studies. The interviews with Dutch architecture firms show that in order to develop business plan in China it is not necessary to “set up an international division or branch within its organization structure to undertake international work” as Ling et al. (2005) declare. AF4 takes project-based mobile entry and this way has brought the firm 90% of its business in China. It starts with the previous collaborative experiences and its performances in China, together with a practiced Chinese representative who works together from the Netherlands to maintain a good communication with its Chinese clients. It is found that firms such as AF2 works well by strategic alliance with two local professionals and has an unstructured collaborative form without contract. Due to the partner of AF2 is a Chinese, such an alliance could be formed simply under the mutual trust between the Chinese. Her partners in China are not working full time for her, therefore there is almost no tangible investment in such collaboration.

In the same way AF3 took strategic alliance as entry mode; first with a Dutch engineering firm following Dutch manufacturer and later turned to a young local Chinese architecture firm; however it is less successful than AF2 is. The reason is probably that the Dutch manufacturer or the Dutch engineering firm are not rival enough in the competitive Chinese market, therefore such alliance could not promise the projects to come. However the relationship with the young local Chinese architecture firm is interdependent because it seems the Chinese firm to gain the foreign fame from AF3 in order to develop its business development. According to 2.4.2 it is learned that there are competitions between partners as well, especially among the horizontal partners; therefore the trust between AF3 and its Chinese partner is doubtful especially when AF3 has no longer sent its own representative to China after 2008.

According to Xu and Greenwood (2006) alliances with Chinese LDIs is recommended. It is noted that the Chinese firms and LDIs are different. The LDIs has longer history and more like huge architecture produce machine; though in the recent years the conditions are changing due to privatization but it is recognized that the LDI's creativity and design ability are less competitive than the foreign architecture firms. Therefore collaboration with LDIs could be a good solution since LDIs are lack of ideas and those are the strength of Dutch firms. So far in the interviews there are no examples of taking this way as entry mode.

AF1 takes wholly owned foreign entity as its new entry mode. It first started with project-based mobile entry for the first few years and in 2011 turned to setting up a representative office, which is strategic alliances with DutchDFA and it is found as insufficient due to the regulatory requirements on payment issue, a wholly foreign owned entity therefore established in September 2012. The changes of entry mode are in accordance with the research of Chang and Rosenzweig (2001). Among the interviewed

Dutch firms, AF1 is comparatively big and international. It could be reasonable and ideal to set up a branch office in China since China has been one of its targeting market and a branch office is regarded by Chinese clients as helpful to the communications. But to the client such as CL2 who would only talk to the chief designer, if this person does not sit in the branch office it is insufficient for the client's need. As for the location choice of the branch office could be arguable however due to its firm ritual, its profile and specialty, together taking the city's culture and geographic convenience into account, Shanghai could be a good location for AF1 to establish branch office.

#### 4.4. Cross-cultural issues

Theoretical framework	Findings in empirical cases
<ul style="list-style-type: none"> <li>Cultural distances (Hofstede, 2010)</li> </ul>	<ul style="list-style-type: none"> <li>Many Dutch firms encounter cultural barriers               <ul style="list-style-type: none"> <li>AF4, "You shouldn't change everything!"</li> <li>Being there- responsible!</li> <li>Cumulated experiences help!</li> <li>Experienced Chinese representative matter!</li> </ul> </li> </ul>

Through the interviews it is found that many Dutch firms have encountered barriers to enter into Chinese market due to cultural issues. It confirms Hofstede's research that the cultural distance between Dutch and Chinese is significant and should be taken into account.

The cultural distances are found as AF1's unwillingness to change its concept as client's wishes and at the end the client turned out to disappear; on the contrary the unyieldingness of AF4 was appreciated by its clients. What makes the difference? As AF4 said, "You shouldn't change everything!" But what can be changed and what cannot? Being there is an important issue, as the foreign representatives of AF1 and AF3 said that living in China makes them feel more responsible for the projects. It is important to get your feet wet rather than just staying far away. As the partner of AF4 said, "Working there for long time and you meet something and you finally understand hey, it works like this!" The understanding is cumulated from experiencing in person. An experienced Chinese representative could further help the firm to learn the limit; even though the Dutch firms may not agree with every point-of-views, through the discussion with Chinese colleagues would help to learn more about China and its cultures.

It is found that the representative is crucial to the performance of Dutch firms. A Dutch representative such as AF1 has may be exotic to its Chinese clients and may be helpful in some occasions such as making presentation to certain clients, it is recognized that language is a huge barrier to communicate with clients appropriately. A foreign representative but of Chinese decent is realized as insufficient; due to his appearance looks like Chinese but without Chinese mentality, he is lacking of the exotic status and not able to fully understand Chinese macro-cultures.

It is found that to be competent as a Chinese representative acquires few years working experiences in China. Speaking fluent Mandarin is not enough! It is because the working experiences enhance his/her understanding to the building regulations, which is regarded as a barrier to most foreign architecture firms. Without the knowledge of regulations, a

foreign firm could develop a certain design but later on realized as unacceptable because of the regulations and forced to give up or take more time to modify the design; such process increases workloads. AF1 once worked for CL1 on the facade of a building, and the design had been sent to the authorities to get approval but being denied for more than twenty times, therefore it has been altered accordingly and still not being approved. At the end the client have no option but give up the design of AF1 and give the project to a local architecture firm, and it was passed! Such things do not involve regulatory understanding but is simply concerned with the official's individual esthetics taste, which could be only solved by the locals based on sharing similar background. Another important issue is to understand the market. Without working experiences, the Chinese representative might not understand the real-estate market and the working methods of the Chinese clients; therefore this representative could not play a competent role to the segmentation as 4.2 mentions. Last but not least, the personal integrity of the Chinese representative is crucial to a foreign firm. There are many stories about the embezzlement of those Chinese representatives who sit in the branch office. Many people at the end work for themselves not for the firms. However balance between trust and precaution is a lesson Dutch architecture firms should learn.

## 5. Conclusion/Reflection

### 5.1. Conclusion

The motivation of Dutch architecture firms to enter Chinese market varies. To most firms, China is exotic! Things are so different so it is very fascinating to go there to do something. Some firms showed that Chinese is one of its international market targets, and many of them were attracted to this market due to the firms have acquired a certain percentage of turnovers from this booming construction market. To some firms since it has received nation-wide reputation in the Netherlands, entering Chinese market is to extend the rich of company into the international market. To a firm with a Chinese founder it seems more than natural to go back to China to have some projects.

Through the interviews, it is concluded that there is no single appropriate entry strategy of Dutch architecture firm to enter current Chinese market. It depends on the firms' type, size and profile, which may decide its segmentation, targeting and positioning. As in 1.7.2 has mentioned, it is a separated market, and different categories of firms should apply different strategies.

Categorization	Location choice	Market targeting	Entry mode
<b>Star-architects</b>	Random	International competitions	Permanent entry
<b>Partly well-known in China</b>	Random	Competitions/dividing potential customers/exploiting firms' competitive advantages	Permanent entry
<b>Well-known in Netherlands</b>	Passively decided/following Dutch investment	Exploit the most familiar types/competitive advantages	Permanent entry/mobile entry
<b>Ordinary in Netherlands</b>	Passively decided by projects	Experienced Chinese representative/follow the resources	Mobile entry
<b>Novice</b>	Passively decided by projects	Strategic alliance/start with connection	Mobile entry

Table 5.1 Summaries of strategies of the separated market (Resource: Self-organized)

In the architectural practice the location choice of the first project and branch office are normally passively decided by its resources on hand rather than by careful plan.

A firm with international reputation might have more chances to the invited competitions; therefore its clients could be either governmental organizations or private developers; and its location choices are therefore randomly distributed. Firms of nation-wide reputation in the Netherlands will be rather difficult to acquire contracts through invited competitions, for many of the competitions are of "concept collect" only. Open competitions is possible for firms without international reputation, but then it may take a lot of energy and



resources. And it needs some luck! Firms such as Information Based Architecture won one open international competition and its categories would jump up from novice to partly well-known in China. Except for competitions, due to the relationship-based business culture in China, it is suggested to the firms without reputation to start with its own resources, either the connection to the potential clients or following the Dutch investment. Private Chinese developers tends to designate architecture firm either by invited tenders or direct commission, therefore getting network either through personal connection or network with Chinese clients would be feasible. Events organized by official organization such as NAI and DutchDFA could enhance the network building. Strategic alliances is adopted by many Dutch firms in different ways, either strategic with the Dutch engineering firm, architecture firm or the Chinese architecture firm. There is no interviewed Dutch firm taking strategic alliances with a LDI, and this collaboration may be practicable in Chinese market. And to those firms which would like to long-term involve in Chinese market, setting up branch office would give advantages of easiness of communication in terms of geographical convenience and living in the same time-zone; it also give advantages of easily receiving payment from the Chinese clients. However to small firms or the novice, mobile entry is also effective by flying to China frequently.

In order to manage the cultural differences, hiring experienced Chinese representatives could help to diminish the cultural misunderstanding and help to communicate with the clients. It is strong commanded to the foreign firm to have an open mind to adopt itself to the Chinese culture, knowing what can be changed and what cannot be. Meeting face-to-face and talking to each other are conceived as very important to many Chinese developers; therefore it is necessary to get your feet wet- to go to China and start to do something.

## 5.2. Reflection

There seems no single answer to which strategy would be the most effective to enter Chinese market. It is important to note that it is a separated market; a firm should adopt a strategy based on its own conditions and resources.

This research is based on the case study of the interviewed Dutch architecture firms and the Chinese clients and Chinese architecture firms. Due to the resource and time, the numbers of interviews are to a limited extent. The interviewed Dutch firm types may not be broad enough to represent all different categories therefore the result may be confined.

China is really a complicated market and the city's culture could be also various and determine the success of doing business in China. This part could be investigated more in the future studies.

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