



## Comparative Analysis of Agent Construction System under the Instrumentalism Model

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In the process of government investment system reform, large-sized proportions of the provinces have adopted the centralized agent construction model that was criticized in United States. There is a reasonable explanation for the phenomenon through the public policy instrumentalism model, that is, provinces prefer to choose low-cost and low-risk reform programs while formulating the policy of agent construction system, and then make continuous improvements for the ideal situation. The policy framework of a highly socialized agent construction system can provide benchmark references for the evolution of the policy of agent construction system.

### 1. Introduction

The Decision of the State Council on Reform of Investment System in 2004 not only established the basic idea and direction for China's investment system reform, but also formally incorporated with agent construction system into management system of China's government-invested projects. However, the Decision didn't define the specific ways to operate the agent construction system, so that the local authorities have strong discretionary power in the process of constructing this policy. A number of scholars have conducted comparative studies of two models that exist in this system: the socialized model and the centralized model. Johnson et al. (2007) found that integration of socialization models model is developed and used to explain the types of government and organizational structures, can enable managers and policymakers to face their managers more effectively. Cicekli (2011) pointed that centralization means that decision-making is centralized, and top management at the headquarters intervenes directly in key decisions made for subsidiaries. Centralization can cause organizations overload, and formalization can create inflexibility. Socialization is "the process of learning the rules and behavioral patterns appropriate to one's society". Amos (2007) et al. argued that differentiated models including socialization, formalization and centralization have been linked to a variety of contingencies and have inhibited further advancement and integration of the emerging field. In addition, it should be noted that the vast majority of current studies on agent construction system are based on the socialized agent construction model, suggesting that this model is widely accepted in United States as the direction for the development of agent construction system.

### 2. Analysis of socialization levels of agent construction systems in provinces

Despite unanimous support for the socialized model from theorists, the highly socialized model hasn't been considered as the basic goal of the construction of agent construction system among the provinces. In view of this, the thesis gathered and organized the provincial and municipal policy frameworks in 24 provinces which have already set up the agent construction system for provincial government-invested projects, and then divided the various agent construction systems of the provinces into five categories by the degree of participation of non-governmental construction agents: (1) highly centralized agent construction system; (2) relatively centralized agent construction system; (3) incompletely socialized agent construction system; (4) basically socialized agent construction system; (5) highly socialized agent construction system. The socialization levels reflected in construction agent systems in the provinces are shown in Figure 1. After a comparative analysis of relevant policies of the 24 provinces, it can be seen that many provinces didn't pursue

the socialized model which is theoretically most ideal when building agent construction systems, but was conservative and even established the centralized agent construction system framework. On the other hand, it can be observed from the figure that the regions with less developed construction markets had a lower degree of marketization in agent construction system than those with developed construction markets.

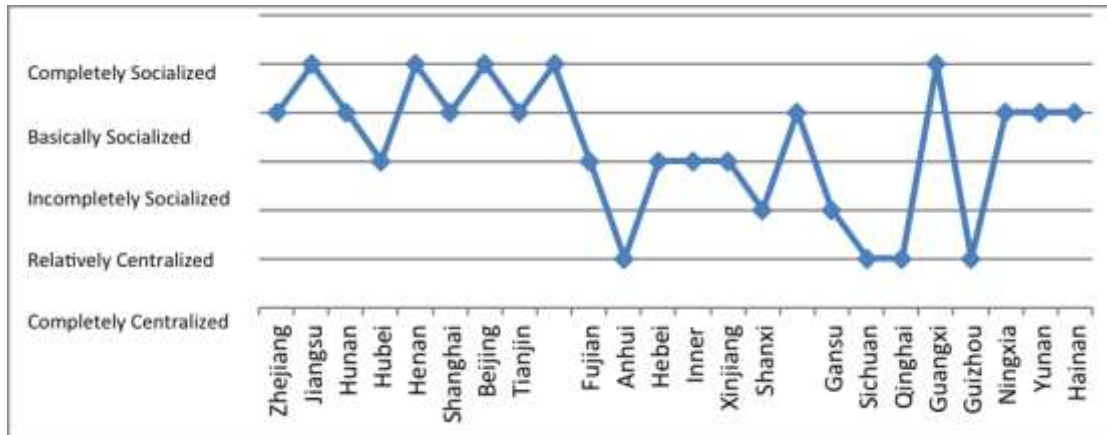


Figure 1: The socialization levels of agent construction systems for Chinese provincial government-invested projects

### 3. The interpretation based on the model of incrementalism

Charles (1989), the proposer of the public policy incrementalism model, flows from his insight into the nature of collective, political, rationality. The term “incrementalism”, tended to reify public policy making, representing as a chosen political strategy or analytical action. Based on the above theory, the thesis interprets the causes of the centralized model as follows:

#### 3.1 The restriction of development degree of the local construction market

At the early period of the implementation of agent construction system, local governments need to cultivate social construction agents when promoting the reform, during which time some degree of centralization is an effective way of transition to undertake the reform in the absence of enough social construction agents. Construction market in developed areas with more construction market services. In the emergence of a new era of the construction market, some intermediaries will quickly seek to fill this vacancy. In the construction market less developed areas, the construction market intermediary service agencies is less. These institutions lack the power of transformation, the formation of the market and foster the need government intervention. As shown in Figure 2, the higher levels of socialization of agent construction system in the regions that had more providers of intermediary services in the construction industry, indicating that development degree of local construction market affect the socialization level of agent construction system positively.

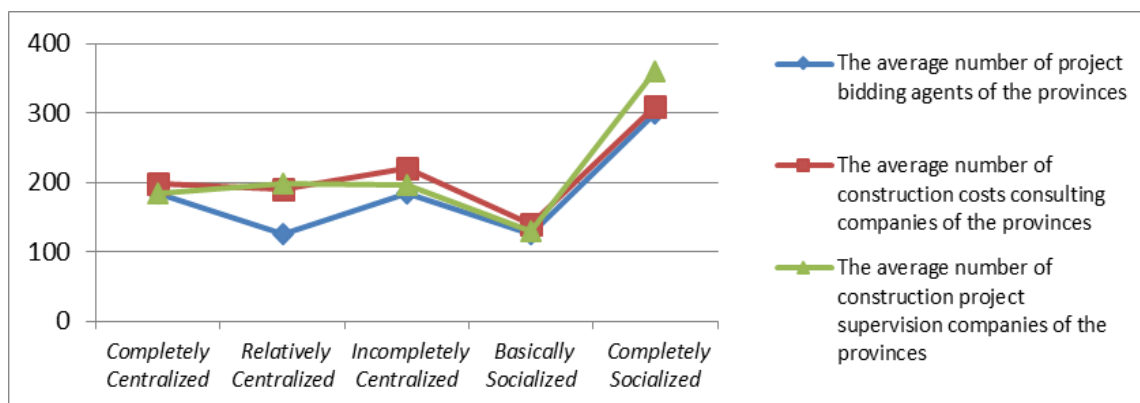


Figure 2: The correlation between the number of construction agents and the degree of marketization of agent construction system

### **3.2 The intention to reduce conflicts and contradictions**

For developed provinces, due to large economic aggregate, the stakeholders of government-invested projects have dispersed influences, which are insufficient to exert influence on the agent construction system at the policy level. In this case, there are relatively fewer conflicts and obstructions in the implementation of this system. On the contrary, less developed western provinces have weak awareness of marketization and thus lack ideological foundation for the building of market-oriented agent construction system. In the recent years, these regions have been mainly depending on governments and large state-owned enterprises for development. Local governments would inevitably face a strong challenge without the market competition-based agent construction system. In this case, they adopted the incremental approach to reduce conflicts and contradictions in the process of socialization.

### **3.3 The Intention to reduce the risks of policymaking mistakes**

The building of highly socialized agent construction system is accompanied by higher risks, and it's hard to make adjustments in the implementation process (Jaman I. Alzahrani (2013); Varun, K. (2011)). Meanwhile, policy makers will take serious consequences once the stakeholders do not accept the agent construction system. In contrast, socialized agent construction model contains small steps of reform and low risks, and can be constantly revised in the evolution of the policy, which is therefore quite favorable for policymakers.

In the view of the past three decades of economic development, China has precisely taken an incremental approach in the economic reform. Government investment system reform was also a transformation process from government control to market competition. Moreover, incrementalism is proved more secure. As an idealized process, incrementalism requires an ideal state by applying highly socialized agent construction system as the benchmark, so as to control the trend of the evolution of this policy.

## **4. Comparative analysis of key policy points in agent construction systems of the provinces**

The thesis organizes and analyzes policy documents about agent construction systems of the provinces, and argues by comparisons that main differences between the various policies of the provinces lie in: sources, selection channels, management styles and business content of construction agents; scope of application, multi-stage approach, contract mode, financial control right, standing body, unit responsible for bidding and selection of supervision companies of agent construction system. These are key policy points about agent construction systems.

### **4.1 Sources, selection channels and management styles of construction agents**

The source of the construction agents is one of the decisive factors in the basic direction of the agent construction systems. In highly centralized provinces, construction agents can only be the centralized ones that governments set up the department which named "Project Construction Management Center" by themselves and thus lack of selection and competition (Yan Ling and Zhou Guodong (2009)). However, in the provinces with highly socialized policies of agent construction system, the situation is completely opposite. And it is an important characteristic of market-oriented agent construction model to select construction agents by competition. However, there are still part of the provinces in the selection of the construction agents on the provision of the bids, so as to leave a back door in the agent construction systems. "A special project is not suitable for the use of the bidding mode selection of construction agents" is the main reason for leaving the back door. Some provinces adopted the short-list management style, which is narrow in selection scope and thus cannot be regarded as a completely socialized management style (Yan Ling and Xing Ran and Zhou Guodong (2009)). This thesis thinks it more reasonable to allow eligible units to apply for agent construction qualification, enter the agent construction market, and then inspect qualifications regularly.

### **4.2 Implementation approach, contract mode and financial control right of agent construction system**

Agent construction system generates the whole-process system and multi-stage system in the implementation process. In the whole process of construction, the construction agents will reduce the cost of the construction phase through the compression budget. In contrast, the two stages of the stage of the construction system are completed by different construction agents. Thus, agent construction system has better adaptability, small deviation estimates. Whether the project can be approved, the previous generation of construction agents will get a fixed management fee. So there is no problem that reduce the cost in order to relieve the pressure in the construction stage. For the multi-stage system, it is feasible to employ the agent construction system on the entire project, the preliminary stage or the construction stage independently (Chen Huahong (2013)). As a result, multi-stage agent construction system is relatively more adaptive and free of evident budget deviation. In terms of contract mode, as the fund contributor, the client and construction agents are all the subjects in the agent construction system, it will be inevitable to ignore the interests of any party if executing a two-party contract in the traditional way (Wang Hongqiang (2008); Yan Ling (2010)). In addition, financial control right is still under the hand of the client in the agent construction system of some provinces. The client continues to impose influences on the project construction through controlling the project fund. In the design of agent

construction system, multi-stage system owns more advantages in spite of its higher costs. Therefore, the thesis conducts that government should enable construction agents to take hold of the financial control right, and adopt multi-stage agent construction system and tripartite contract mode, which lead to better balance the demands between the parties.

#### 4.3 Units responsible for bidding and supervision of agent construction system

In the market-oriented model, construction agents are selected by bidding, so the will of the unit responsible for bidding has an impact on the selection. Bidding by entrusting the building user faces the problem of separated bidding and difficulty in supervision of the bidding process. The tender of the bidding will result in the dispersion bids, and the supervision of the bidding is also a problem. And the pursuit of profits will drive construction agents to reduce costs as much as possible to gain the balance, thus ignoring the demand for construction quality and function and damaging the interests of the construction unit (Xu Xiuping (2006); Qi Anbang (2010); Mao Yali (2014)). Besides, supervision provides a guarantee for construction quality, and the supervision unit represents the interests of the subject of its choice. Therefore, the thesis believes that the project management division should be entrusted to handle the bidding process and the client should choose the supervision company.

### 5. Building of the highly socialized agent construction system

If technological initiatives are a priority, then managers should give greater weight to socialization methods than they might otherwise have done. The highly socialized agent construction system, as a model under the ideal situation, requires local governments to have relatively developed construction markets, robust bidding system and keen market awareness. After analysis of key policy points about agent construction system, the thesis summarizes the framework of highly socialized agent construction as follows:

*Table 1: The framework of highly socialized agent construction system*

Key Points for Establishment of Agent Construction System	Key Policy Points
1. Basic mode	In adherence to the direction of socialization Two stages
2. Multi-stage approach	Scientific decision-making mechanism based on comprehensive investigation of project characteristics
3. Decision-making mechanism	Adhering to the way of public bidding
4. Selection of construction agents	Tripartite contract mode
5. Contract mode	Not necessary
6. Standing body	Project management organization
7. Unit responsible for bidding	From the public
8. Sources of construction agents	Qualification-based management
9. Management style of construction agents	Controlled by the construction agent during the project construction period
10. Financial control right	Responsible for organization and management only; agents with qualifications may participate in the formulation of feasibility reports; agents are not allowed to directly conduct project construction and supervision.
11. Authority of construction agents	
12. Selection of the supervision company	Bidding by construction company

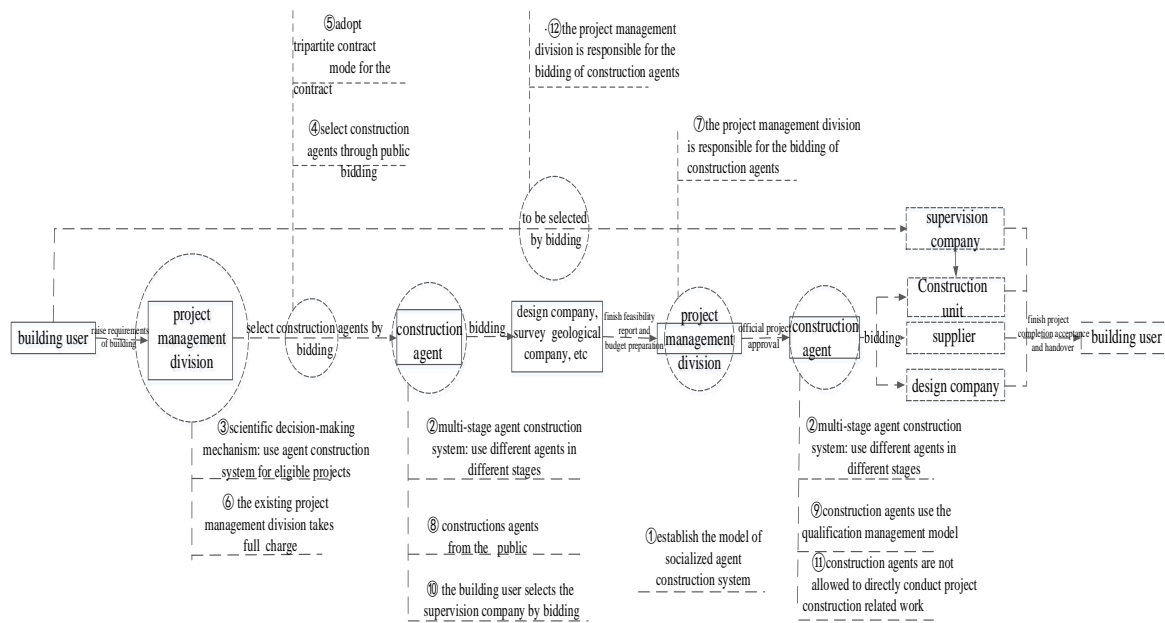


Figure 3: The basic flow of highly socialized agent construction system and its key policy points

## 6. Conclusions

This study reveals that the centralized model (or the incompletely socialized model) serves as an approach to lower the reform risks under the model of public policy incrementalism, and that the highly socialized agent construction system acts as the direction and benchmark of the evolution of the policy of agent construction. The improvement of the management of government-invested projects involves the adherence to the direction of socialization on the one hand, and more importantly on the other hand requires the establishment of a scientific management system for government-invested projects which includes agent construction system.

### 6.1 Adhere to the competition-based socialized agent construction system

The agent construction system decentralizes the originally over-centralized power in the management of government-invested projects, by enabling an irrelevant third party to exercise most of the rights on behalf of the project legal person. The current centralized model failed to achieve the basic purpose, in which governments still control the management of projects. During the period on building of agent construction system, local governments should adhere to the competition-based socialization direction, and select outstanding project management companies through public competition, in order to enhance the project management level and raise the government investment returns.

### 6.2 Accelerate the development of agent construction markets

Under the model of incrementalism, the development degree of the agent construction market is a strong limitation on the marketization of the construction agent system. In this case, local governments should strive to cultivate social construction agents within regions, and improve the quantity and quality of local construction agents through policy support and other patterns. In the regions with less developed construction markets, local governments can develop agent construction markets with the use of “walking on two legs” approach, namely the use of both governmental agent construction and social agent construction, in order to achieve the socialization of agent construction system by gradually downsizing the governmental agent construction.

### 6.3 Build a scientific management system for government-invested projects

In general medium- and large-scale non-profit government-invested projects, the use of agent construction system in place of self-construction system and other traditional models can play an effective role in preventing the “three excesses” and corruption. But agent construction system is not applied in all projects. Only in particular project types can traditional and emerging government-invested project management models bring their separate higher investment returns. The key is to establish a scientific system of management models of government-invested projects. Under this system, governments can select the most appropriate management model for a project through all-round investigation of its characteristics, so as to achieve the maximization of government investment returns.

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