Strategy of Chinese development companies in the Russian market

Of all foreign investors, Chinese financiers are most interested in the Russian market. Chinese companies contribute their management system, machinery and construction materials to development projects. China is a leader in making effective use of BIM technologies. Chinese researchers are developing innovative solutions that can be contributed to projects developed in Russia. The co-authors of the article focus on the case of Park Huamin multifunctional facility, the most ambitious large-scale project in the history of the Russian – Chinese cooperation. Thanks to the project management principles prevailing in China, investors from China successfully implement development projects in Russia for the benefit of both great cultures. They also introduce Chinese management models, designated for investment and construction projects (ICP) in the Russian market, thus, increasing the efficiency of the Russian development industry and the national economy as a whole.

**Keywords:** investment and construction project, real estate development, Chinese management model, innovative technologies, international cooperation

INTRODUCTION

The Russian construction market has reached a new level of development over the last five years. It is one of the fastest growing markets in the world. Despite the negative economic consequences of the pandemic crisis, as well as an increase in the value of real estate, construction demand keeps growing. Due to the growing demand, construction volumes exceeded pre-pandemic levels in the early 2021. The growing investment allure of the Russian realty has played an important role in boosting the real estate demand. The construction industry is increasingly attracting foreign investment. The interest of foreign investors in the Russian real estate market has been growing intensively since Russia became a member of the WTO. According to the information available at that time [1], the share of foreign investment in the Russian construction industry was 15%. The average market profitability of investment and construction projects (ICP) in Russia was 200...300%, while it reached mere 5% in Europe. These figures are associated with the oversaturation of the European market with unique profitable facilities. As of the 3rd quarter of 2021, the share of foreign investors was mere 3.7%. It had been 9% in the beginning of 2020, before the pandemic. However, the construction industry remains the most promising and reliable asset for capital investment. The Russian construction market is not yet oversaturated with attractive investment projects, which means that the interest in and relevance of investing in construction and real estate industries will remain high for a long time. Foreign investors are concerned about the legal regulation of activities in Russia. Investors need guarantees that their ongoing projects will be safe. It is necessary to enhance the legislative framework and improve the investment climate. In Russia, any development activity needs a construction permit as well as numerous related approvals. All these processes can postpone the project implementation and boost financing costs. Therefore, foreign investors doubt the profitability of such projects. Regulatory processes can delay the implementation of large-scale development projects by several years. As a result, the interests of project parties may change, and they may have to relaunch the project.

Once resolved, these issues will make development activities, conducted by foreign investors, more transparent and rise the investment allure of the country.

Foreign investors believe that commercial real estate is the most attractive investment, because the construction of commercial areas is a more comprehensible process for foreign developers. It has no extensive encumbrances inherent in residential real estate in Russia [2–4]. Foreign investors mainly focus on office and retail facility development.

Of all foreign investors, Chinese financiers are most interested in the Russian market. This article discusses some of the features of their activities related to the implementation of ICP, including the evolution of management models of construction companies in China. China W Group Corporation (or “W Group”) was founded in 1950, and now it is the core company supervised by the State Assets Supervision and Management Commission of the State Council. The principal foreign entities, comprising W Group, are located in 34 countries around the world, they include 8 local and foreign companies listed on the stock exchange. W Group has a total of about 200,000 employees. W Group’s operating income reached 414.65 billion yuan in 2016; it is ranked 133rd on the list of the 500 largest companies of the world and the second largest metal producer in the world. W Group created the real estate sector. In 1984, it was among the first Chinese companies, engaged in real estate development. It invested in the construction of the Beijing Shangri-La Hotel, W Plaza, Hong Kong W Building, Dandong International Trade Build...

1 Foreign investment in Russia is breaking records. URL: https://fingazeta.ru/ekonomika/mirovaya_ekonomika/459996/
The “amoeba management” system, implemented by W Group, largely depends on strong leadership and effective implementation of strategies. The company has many employees who are highly skilled in technology and production operations. Nevertheless, W Group is in need of employees who can take responsibility for the overall management of new “amoebas”. W Group has two solutions. Firstly, all new managers and employees are trained, and their new knowledge is consolidated at the daily meetings held by each new “amoeba”. Secondly, W Group promotes its corporate values, which serve as the “decision-making compass”.

The corporate mission says that the goal of W Group is “to create opportunities for the material and intellectual growth of all employees and the improvement of society in a joint effort”. It helps to simplify the decision-making process and manage the employees’ focus. Since the company’s goal is the “management in which everyone participates”, managers are expected to be fair and attentive to employees [13].
As for the application of the Chinese ICP management experience in the present-day Russian market, initially, Chinese investors were interested in the border territories of Russia, where a major portion of their investments was concentrated. As the time progressed, investors attained a higher level of project implementation efficiency and entered major Russian cities. The projects, implemented by Chinese developers, are the most efficient and economically profitable undertakings.

Development projects, implemented by China in the Russian territory, enjoy the backing of both sides. In the Russian market, Chinese development companies have a number of advantages over other foreign investors. Their strength is the project management technique. China has C-PMBOK, a project management body of knowledge. The life cycle is its backbone; it has several principal areas of activities and knowledge. Flexibility is a distinctive feature of Chinese management. The main feature is the high evaluation of employees. The goal of employees is to implement the project with maximum efficiency, and remuneration depends on the result.

China applies not only its own management system, it also uses its own machinery and construction materials, when implementing development projects. China is a leading user of BIM technologies. Chinese researchers are developing their own innovative solutions that can soon be contributed to projects implemented in Russia. The main advantage of Chinese technologies, materials and machines is their cost, which is significantly lower than the one of European projects. Hence, Chinese investors manage to make their projects maximally effective.

Huamin Park is a spectacular example of an investment project implemented by CSCEC (Chinese State Construction Engineering) LLC, a major Chinese construction company, has an office in Moscow. The flexible Chinese management and business strategy is key to its success. CSCEC LLC demonstrates a successful combination of China’s values and Russia’s peculiar features. The top management of the company are Chinese managers, who successfully implement and control Chinese management approaches. The company draws special attention to the development of employees, evaluation of creative proposals and a rational approach to problem solving. All these features are characteristic of the Chinese management system.

Huamin Park is a spectacular example of an investment project implemented by CSCEC LLC. Moscow Huamin Park has a long history. Russian President Vladimir Putin and Premier of the State Council of the People’s Republic of China Zhu Rongji agreed to construct a business centre back in 2001. They located a site in Wilhelm Peak Street close to the Botanic Garden metro station in 2004. Three years later, the first stone was laid, which was followed by a long pause in the project implementation. The project took shape in 2013, when CPA Reserve presented the first architectural concept of the facility. Its implementation, however, had to be postponed once again, and only at the end of 2016 construction workers finally reached the site. The business centre was ultimately constructed by the Chinese State Construction Engineering Corporation. The project is managed by AECOM.

The shape and composition of the facility was determined by the site. It borders the central part of the botanic garden and the two nearby highways. The facility has an excellent location: it borders the park and the Yauza River. Hence, investors obtained access to a convenient triangular area. The concept of the business centre was developed very quickly because the site is located on a hill. Designers decided to build a business center that would occupy almost the whole land plot, and they also wanted it to face eastwards, where the park borders the Botanic Garden metro station. Sunrise is essential for the Chinese, so this decision is among the most successful ones.

As a result, all of the most important elements of the facility, including 70 % of its hotel rooms, the same number of apartments and the main element — a 21-story office building — face the park, while the backyard is hidden away from the noisy road. To sum up, Huamin embodies the concept of old China and traditional Chinese architecture, on the one hand, and new modern China, focused on the future.

The Chinese party made corrections during the design process. The most important ones dealt with the project architecture. All solutions have preserved their original concept. However, Chinese customers did not like sharp and dynamic corners of the business centre building. The fact is that such accents trigger a negative reaction in the Chinese traditional culture. These details are not typical for the Chinese architecture. Chinese investors asked to smooth the corners. Now the business centre has a smooth and soft facade. Facades also needed some changes. Architects designed several versions of facades that were dynamic, complex, and imaginative. However, Huamin has a certain vision of its brand and position in the Chinese and world markets. The customer wanted facades to be stricter, solemn, and impressive. Designers proposed vertical walls. This idea was accepted. Vertical slats were placed on the facades, which not only emphasized the shape, but also turned ordinary walls into media screens. They will be able to broadcast images.

Having decided upon the facades and shapes, the company addressed the colour pattern typical for the Chinese culture. The main colours are white, red and golden. Designers used these colors in the project. Copper was used instead of gold; it decorated the elements of the entrance space.

Red was used to colour the stylobate. Initially, designers wanted to cover the facades of the stylobate with copper panels, but their Chinese colleagues asked them to think of something more substantial and stable. Therefore, designers substituted metal for red granite. It took a long time to select the material, its colour, and the granite quarry.

The business centre has three buildings with the total area of 100 thousand square meters: a 22-storey five-star hotel that has 340 rooms, a 12-storey 100-room apartment hotel, and a 21-storey Class A office facility. The buildings share a stylobate, that will accommodate conference halls, restaurants, shops, as well as a fitness club with a swimming pool. Two underground floors will have parking lots for 640 cars.

The project is noteworthy for a number of unique design solutions and materials. Indeed, when creating the facade of the main entrance area, double-glazed windows, having the height of 8 and 10 m were used for the first time in the Russian practice; they have glass triplex racks with a cross section of 400 × 45 mm. This design lets the maximum amount of sunlight into the hall.

The blind facades of the buildings are finished with Red Dragon marble, mined in Brazil, processed and sliced in Italy, and delivered to Russia. A giant 12 × 40 m copper panel above the main entrance was brought from Germany. According to AECOM experts, the size, colour and texture of the panel makes it the centrepiece of the facade, that has copper lamellas with built-in elements of the media.
facade installed. The signs of the digital era, however, co-exist in perfect harmony with nature: we will mention the garden with flower beds, lawns and shrubs on the roof of the stylobate. Another spectacular solution was a lantern over the conference hall and the swimming pool, as well as an elevated walkway with panoramic glazing connecting the stylobate and the offices. The buildings of the business centre occupy only three of five hectares allocated to the facility. The remaining two hectares are occupied by the country’s first traditional Chinese park. Being designed in strict conformity with Feng Shui, the park is a unique vehicle capable of “transferring” the architectural traditions of the Celestial Empire to Russia.

To maintain the maximum authenticity, tons of processed stone were delivered from China and the Caucasus. It was carefully sorted and “carelessly” scattered around the park by a specialist who had arrived from China. The most intricate plants, like paper birch, were brought from the German nurseries. However, traditional wooden gazebos, decorated with hand-made figures of mythical creatures, were made from Russian raw materials in Nizhny Novgorod.

Although there were no problems with the imitation of Chinese nature, the use of traditional Chinese finishing materials turned out to be next to impossible. The architectural project entailed the use of roof tiles and facade plinths created by Chinese craftspersons by hand according to an old recipe, but products made of natural materials cannot withstand the harsh Russian climate and would have never achieved the quality certification. The solution turned out to be surprisingly simple: the laboratory developed a new composition for the mixture by adding kaolin, or white clay, to its traditional ingredients.

Plants traditionally grown in Beijing and Shanghai, as well as the eastern regions of Russia, were selected for the park. The total of 430 trees and 1,690 shrubs were planted. The most peculiar of them include pointed yew, hemlock, Nivaki and Watery pines in the front yard of the facility. Amur cork tree, black birch with incredibly beautiful trunks, various types of beautifully blooming apple trees and plums, and indispensable weeping willows over the pond. Trees were complemented with beautifully blooming deciduous and coniferous shrubs, as well as natural flower beds that had peonies, hostas, astilbas and croscuses covering the area of 216 m². The centrepiece of the park is an artificial pond with ornamental fish, surrounded by four buildings with traditional Oriental courtyards that will accommodate a house of tea ceremonies, a souvenir shop, a special hall for exhibitions and a Chinese restaurant. This contrast between cutting-edge features and traditional traits will be characteristic of the area.

The construction of this project was completed in 2021. The total amount of investment made by the Chinese companies and corporations reached $300 million. The concept makes this project unique. Its buildings are styled as the houses in North China. During the whole period of implementation of this investment and construction project, the commissioning deadline was postponed four times because of the examination sessions of the Moscow construction supervision authority: this project was closely monitored by the state in the process of its implementation.

CONCLUSION

Hence, the rhythm of modern life forces development companies to transform frequently and rapidly to adapt to the external conditions. Huamin Park is the most ambitious and large-scale project in the history of cooperation between Russia and China. Thanks to the application of the project management principles prevailing in China, investors from China manage to successfully implement development projects in Russia. These principles benefit both great cultures and contribute to the introduction of Chinese ICP management models in the Russian market, increasing the efficiency of the Russian development industry and the national economy as a whole.

REFERENCES

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инвесторам из Китая удается с успехом реализовывать девелоперские проекты в России. Это взаимно обогащает обе ведущие культуры и способствует внедрению китайских моделей управления инвестиционно-строительными проектами на российском рынке, повышая эффективность российского девелопмента и национальной экономики в целом.

**Ключевые слова:** инвестиционно-строительный проект, девелопмент недвижимости, китайская модель управления, инновационные технологии, международное сотрудничество

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