

Chapter 1

Introduction

Background and Significance of Research Problem

1. Macroeconomic background of the development of the real estate industry

In retrospect of the domestic real estate regulatory policies, it is evident that the business cycle of the domestic real estate industry and the economic cycle have played pivotal roles since the onset of the reform and opening era, which witnessed rapid development in the domestic economy over decades. The real estate sector consistently functioned as both a macroeconomic engine and a stabilizing force, and it is anticipated to retain its significant role in the foreseeable future. The developmental trajectory of the real estate industry can be delineated into three distinct stages of "commencement-expansion-transformation," each characterized by unique developmental features.

Commencing with the inaugural stage in 1980, this period marked the formal categorization of houses as commodities, essentially marking the genesis of the domestic real estate industry. The year 1984 witnessed heightened government attention to the industry's economic impact, offering substantial support for its subsequent rapid development. The pivotal shift towards commercialization initiated in 1987 with the successful auctioning of the first land in Shenzhen. Subsequently, from 1988 onwards, the average residential property prices in Hainan province experienced significant escalation, reaching 7,500 yuan per square meter in 1993. The government responded to the burgeoning commercial housing market by introducing and implementing the nation's inaugural real estate regulation policy. Hainan province encountered challenges in housing sales, with the retention rate of 13,000 real estate enterprises plummeting to a mere 5% (Niu, 2019, pp. 1-6).

The expansion phase commenced amid the 1997 Asian financial crisis and global economic downturn. Recognizing the imperative for robust economic growth, the government identified the real estate industry as a potential contributor. Consequently, a series of development policies were introduced, starting in 1998 when the central government designated the real estate industry as a focal point for economic growth. The sector gradually rebounded under a more lenient regulatory environment, as

exemplified by the 2002 comprehensive measures outlined in "Document No. 217" to enhance land supply, housing structure, and market order. Despite efforts to curb overheating, the outbreak of "SARS" in 2003 inflicted a severe blow to the economy. Nevertheless, the government swiftly intervened with measures such as the issuance of the "No. 18 document" in August, underscoring the real estate industry's pivotal role in promoting the national economy's robust and rapid development. Subsequently, from 2004 onwards, the central government implemented a series of regulatory policies aimed at market stabilization.

Even during the expansion phase, where the real estate industry assumed a crucial role in economic growth, government regulation and supervision exhibited nuanced approaches, addressing various dimensions to ensure the industry's development maintained overall market, financial, and societal stability. For instance, in 2007, measures such as the tightening of commercial real estate credit and stringent restrictions on development loans and housing loans were introduced. The global economic crisis triggered by the U.S. subprime mortgage crisis in 2008 prompted significant monetary easing measures, including the introduction of the "4 trillion yuan" stimulus package. Consequently, the real estate industry once again emerged as a key pillar supporting economic recovery.

The period spanning from 2010 to 2020 marked a decade of rapid economic growth in China, with GDP soaring from 41.21 trillion yuan to 101.6 trillion yuan, and the real estate industry's proportion in the economy rising from 5.7% to 7.3%. Urban households witnessed a substantial increase in average annual income, exceeding 50% (Xin, 2017, pp. 1-5). In response to this growth, the government implemented measures in 2010 to achieve more precise regulation, including raising the reserve ratio, limiting purchases and loans, and regulating land, finance, and demand comprehensively. Subsequent years saw gradual improvements in tax policies and increased scrutiny on second-home down payment ratios and residential land supply (Xin, 2017, pp. 1-5).

The year 2012, influenced by the European debt crisis, saw continued government support for first-time homebuyers amid steadfast regulation policies. Observers noted a shift in the real estate industry from a "golden age" to a "silver age." This transition prompted leading enterprises to adjust their strategies, emphasizing steady and long-term operation over rapid expansion. The latter part of 2016 witnessed a slowdown in the real estate transaction market, prompting government measures to reduce inventory pressure, including the relaxation of purchase and loan restrictions, multiple interest rate cuts, and adjustments to property tax policies (Zhang, 2019, pp. 21-22).

The third phase, characterized by adjustment and transformation, unfolded in 2017. As housing prices surged, societal discontent emerged, leading the central government to emphasize that "houses are for living in, not speculation." Encouragement was given to local governments to expedite the construction of a housing system with diversified basic supply, multi-path guarantee, and simultaneous rental and purchase options. By 2018, the concentration of the real estate industry exceeded 45% among the top 30 enterprises, marking the conclusion of the expansion phase. The central government initiated explorations into the future transformation of the real estate industry. Despite the disruptive impact of the 2020 champions league pneumonia outbreak, the government remained steadfast in its commitment to the "room live not fry" policy. Rigorous financial supervision and regulation, combined with the implementation of "three lines" and "two red line" policies, aimed to ensure the standardized development of the real estate industry. The aftermath of the epidemic prompted the government to reflect on the real estate industry's role in stable economic development, initiating regulatory efforts aimed at clearing and restructuring the industry. The ensuing period presents an opportunity for transformation for both the real estate industry and the government, albeit with challenges stemming from sluggish sales and weakened industry follow-through.

In alignment with the vision articulated by Yu Liang, Chairman of Vanke Group in early 2022, the real estate industry is poised to enter the "era of black iron." High-quality enterprises have proactively benchmarked the manufacturing industry, enhancing product competitiveness across dimensions such as quality, cost, marketing, and efficiency. Conversely, remaining enterprises face a transitional period requiring strategic decisions and implementation to navigate potential stresses successfully.

2. Industry development of real estate project operation management process

The evolution of real estate planning operation and management is intricately linked to the expansion of enterprise scale. Generally, the growth of real estate enterprises unfolds through distinct stages:

In the single project development stage, during the initial period, enterprises commence operations with the development of a solitary project. At this juncture, the team is small, with blurred role divisions and individuals often holding multiple positions. Decision-making and execution efficiency are high, resulting in manageable management challenges.

The subsequent stage involves parallel development of multiple projects in the same city, building upon the success of a single project. Despite being in the startup

phase, the team's professionalism improves, and familiarity with local procedures, customer needs, and legal requirements grows. Management scope widens, but the organizational structure remains unchanged, contributing to a steady rise in per capita business benefits.

Upon achieving a certain market share, enterprises strive for sustainable scale growth by expanding regionally and nationally. Challenges emerge, including regional policy disparities and diverse management requirements. As a response, the organizational structure evolves into a vertical and cross-matrix management structure. Large-scale enterprises face difficulties such as increased decision-making chains, lack of depth in understanding project-specific situations, and conflicts due to different managerial focuses.

During the industry's rapid development, scale effects mask the negative impacts on efficiency, quality, product, cost, marketing, service, and location. However, as the industry transitions from the "golden age" to the "silver age" and "black iron age," profit margins compress, and challenges multiply. A single project's failure can overturn profitability, and the predicament of a city company can threaten the entire enterprise's survival.

To navigate the industry cycle successfully, a forward-looking, advanced, and scientifically planned operation management mode becomes imperative. This involves serving operation with efficient practices, emphasizing capital and enterprise safety, and prioritizing "cash flow" as the core, aiming for "cash flow with profit" and "profit with cash flow."

The real estate industry's planned operation management, akin to project plan management in state-owned enterprises, necessitates a systematic approach. From 2001 to 2008, functional operation prevailed, emphasizing clear division of labor, functional target management, and annual performance appraisal. While it promoted specialization, it suffered from difficulties in coordination and reduced overall efficiency.

From 2009 to 2014, planned operation management gained prominence, focusing on hierarchical planning, operation decision-making meetings, and result evaluation. This shift aimed to overcome the coordination challenges of functional operation and enhance overall efficiency. By 2015, with the real estate market maturing, "planned operation" gave way to "big operation," prioritizing operation efficiency and financial indicators. This stage emphasized calculating economic benefits, planning in advance, and making timely decisions for maximum benefits, all while aligning with the Group's strategic guidance.

In summary, the real estate industry's operational and management strategies have evolved in response to changing enterprise scales and market conditions, necessitating adaptability and strategic foresight.

3. Theoretical Significance

The expansion of China's real estate market has intensified competition among real estate developers to a considerable extent. However, in light of China's national conditions, it is imperative to enhance product quality and effectively manage operations to gain prolonged recognition from consumers in the prevailing market competition. Ensuring that products align with market demands and implementing cost control measures in a judicious manner are essential for real estate developers to meet the aforementioned requirements.

In this context, the present study focuses on the planned operational management of B Company's real estate project during the construction stage. It entails an examination of the current state of real estate development, an analysis of primary challenges faced by the industry, and the proposal of solutions and development plans based on the prevailing circumstances. Throughout the analysis, the paper concentrates on a detailed exploration of domestic project operation and management, delving into operational theories. A comprehensive summary of key aspects of project operation and management is presented, coupled with an analysis of challenges faced by real estate enterprises in our country in executing operational and management tasks.

By identifying issues in project operation and management, this paper seeks to derive rational solutions. Currently, there exist numerous challenges in both the theoretical research of project operation management and the practical application by real estate enterprises. The rapid growth of China's real estate industry is anticipated to give rise to several operational management challenges, ushering project operation management into a new phase. The objective of this paper is to enrich the theory of project operation management and offer valuable insights to facilitate the future seamless operation and management of real estate enterprises.

4. Practical Significance

The planning and operational management of real estate enterprises constitute a systematic approach involving planning, implementation, monitoring, evaluation, and continuous improvement across all aspects of the entire project cycle. Planned operational management serves as the mechanism ensuring enterprises enhance business efficiency and operational effectiveness, thereby facilitating the realization of long-term strategic goals. This entails ensuring scientific resource allocation and simultaneously reducing

costs, expenses, and risks while improving efficiency. The planned operational management framework enables the documentation of managerial activities, contributing to the continuous accumulation of "intangible wealth" through case studies and experiences.

In contrast to other industries, real estate project development necessitates substantial resource input, with each project being unique and irreplicable. Decision-making risks are higher, and the costs of error correction are elevated. Adopting a "Big Operation" approach involves a focused emphasis on financial management, cash flow, and profit considerations. This is achieved through effective planning control and orderly resource distribution across the eight stages of "Storage - Build - Harmony - Sale - Stock - Return - Closure." This efficient integration enhances the achievement of enterprise development goals. The "Storage-Build-Finance-Supply-Sale-Storage-Return-Closure" and "Big Operation" encompass the entire product line, covering all aspects related to cash flow.

"Storage" pertains to land reserve, requiring a balance between scale expansion and capital efficiency. Excessive land backlog should be guarded against to prevent low capital turnover efficiency, while ensuring adequate land reserve to avoid capital idling. "Construction" involves construction management encompassing planning, design, development, and construction post-land acquisition. "Financing" includes financing and pre-capital planning, covering front-end financing before land acquisition and development loans before pre-sale acquisition. "Supply" and "Sale" pertain to supply and marketing management, necessitating the rational control of supply and marketing rhythms to determine production and prevent unnecessary construction and premature investment. "Save" involves asset preservation with a focus on balanced product portfolios to avoid profit losses due to untimely sales. "Return" entails the collection and strengthening of outstanding receivable management through standardized processes, scheduled activities, and incentives. "Closure" involves internal evaluation and review of project closure, identifying and addressing problems in the development and sales process, and proposing improvement measures to prevent similar issues in subsequent projects.

In conclusion, the significance of research on project operational management lies in the implementation of scientific and systematic measures throughout the entire project cycle. This comprehensive approach maximizes overall benefits, promoting the healthy development of enterprises and realizing a win-win situation for both enterprise and social value.

Research Questions

1. What are the specific challenges encountered by B Real Estate Company in the field of project operation management?
2. What is the current status and practices of project operation management within B Real Estate Company?
3. What initiatives can be recommended to enhance project operation management at B Real Estate Company?

Research Objectives

1. To analyze the challenges faced by B Real Estate Company in project operation management.
2. To study the current state of project operation management in B Real Estate Company.
3. To propose initiatives for project operation management at B Real Estate Company.

Scope of the Study

1. Population and sample

This study opted to engage the management of Company B as interview subjects, along with the grass-roots employees of the company, in order to enhance the precision and dependability of the data. The selected key informants comprised experts in project operations management, encompassing top-level executives, project managers, and frontline employees. Additionally, the researcher employed maximum variation sampling, directing the sampling process towards incorporating a heterogeneous array of informants from different departments, functions, and projects within the company, thus facilitating a comprehensive perspective.

2. Scope of content

In examining the challenges encountered by Company B, the analysis revolves around the operation and management of the project plan, encompassing governmental regulations and industry-related policies, macroeconomic conditions confronting the industry, social and cultural influences, technological advancements, market competition, labor market circumstances, and the availability of skills. These elements predominantly

addressed the challenges confronted by Company B's real estate department during the implementation of project planning and operations from a macro-industry standpoint. Regarding the evaluation of Company B's previous project planning and operational system, the focus was on issues pertaining to project planning and scheduling, project resource allocation, budget and cost management, project quality control and assurance, and stakeholder engagement and communication.

3. Timing scope

In order to secure the timeliness, integrity, and reliability of the data, the present study delineated the research timeframe as the year 2023. The entirety of the year 2023 was utilized as the temporal parameter during the interviews, and pertinent data collection procedures were conducted in December 2023. This methodology was implemented with the intention of ensuring the precision of the data scope.

Conceptual Framework

Based on the findings derived from the literature review, this paper has undertaken a preliminary identification of the factors associated with the operational management of B Company. These factors can be categorized into two main components: challenges encountered by B Company, such as Government Regulations and Policies, Economic Conditions, and Social and Cultural Factors; and the existing state of project operation management within B Company, encompassing Project Planning and Scheduling, Resource Allocation, Budget and Cost Management, among others. The influence of these factors extends to the performance of employees, affecting both task performance and relationship performance. Consequently, a conceptual framework, as illustrated in Figure 1.1, has been developed to depict these interrelationships.

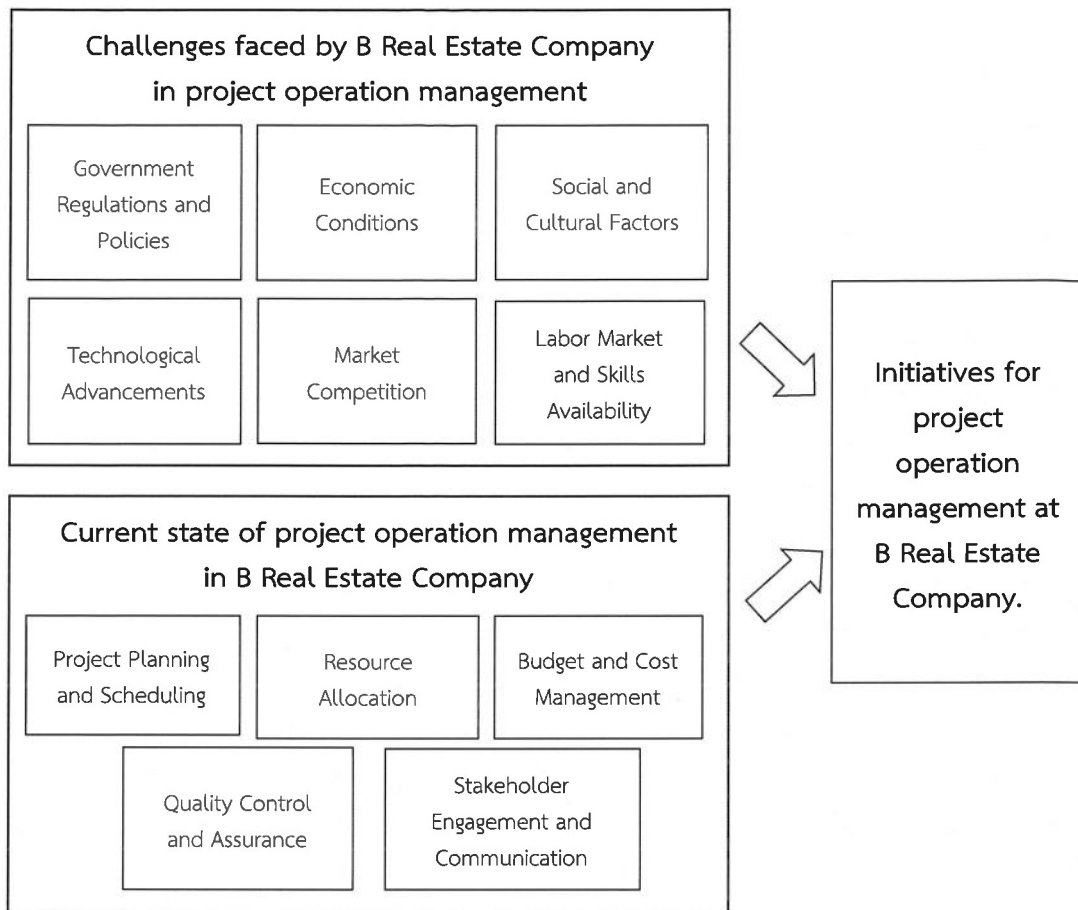


Figure 1.1 Conceptual framework

In the provided conceptual framework, the factors influencing the operational system planned by B Real Estate Company were categorized and elucidated from two perspectives. Firstly, issues and challenges encountered by Company B in the execution and management of the project plan were examined. This encompassed government regulations and industry-related policies, macroeconomic conditions confronting the industry, social and cultural factors, technological advancements, market competition, and the availability of labor market and skills. These factors primarily delineated the challenges faced by B Real Estate Company during the implementation of project planning and operations within the macro industry context.

Secondly, an analysis was conducted to delineate the current state of affairs within Company B's project planning and operational system. This examination encompassed factors such as project planning and scheduling, project resource allocation, budget and cost management, project quality control and assurance, and stakeholder engagement and communication. These factors represented the constraints and influences encountered by Company B from internal, project-specific, and external stakeholders during the

planning and execution of the project. The implications of these factors extend to the optimization of Company B's existing project planning and operational system. A detailed explanation of each factor is provided in Section 1.6.

Definition of Terms

Operations management refer to the management of the functions in an organization that are responsible for producing or selling products or providing services, with respect to operational processes and operating systems.

In academic discourse, operations management pertains to the administration of functions within an organization responsible for the production, sale of products, or provision of services. This encompasses operational processes and operating systems. The operational process serves as the primary focus of operations management, representing a labor process involving input, conversion, and output, or value appreciation. It necessitates thoughtful consideration of planning, organization, and control. Notably, planning emerges as a pivotal aspect directly influencing the handling of subsequent project management tasks. Consequently, ensuring the precision, stability, and adaptability of planning is imperative to optimize efficiency in subsequent project stages.

The operational system, serving as the mechanism guaranteeing the operational process, comprises both a material system and a management system. The overarching objective of enterprise operations management lies in the control of progress, cost, and quality, forming the bedrock of enterprise competitiveness. Challenges such as low system efficiency, an immature experience management mode, and unclear objectives must be averted during the operational process. Consequently, operations management consistently holds a crucial position in enterprise operations.

In recent years, the continuous expansion of modern enterprise production and operation scales, coupled with increasing technological and knowledge intensity in products, has led to a more diversified and complex market demand. This complexity necessitates a constant iteration and adjustment of the operations management mode to adapt to these changes. The rapid evolution of information technology has resulted in the creation of management tools capable of enhancing the efficiency of operations management. Theoretical research in operations science has consequently entered a new stage, characterized by richer content, broader scope, and a more perfect system. The integration of information technology facilitates the implementation of full-cycle

project management, achieving a more comprehensive approach to project operations management.

Project operations management, distinct in its objectives and content from general operations management, aims to ensure the rational flow of various resources within the enterprise through judicious resource allocation and optimization. This guarantees the rational and orderly development of project operations management within the enterprise.

1. Challenges faced by B Real Estate Company in project operation management

1) Government Regulations and Policies

Government regulation, generally referred to as government regulation or regulation, is the regulation and restriction of microeconomic entities by the government in order to achieve certain public policy objectives under the conditions of market economy. It is mainly achieved through the supervision and management of the entry, exit, qualification and price of specific industries and micro-economic activities, as well as behaviors related to national health, life safety and sustainable development.

2) Economic Conditions

Economic conditions refer to all factors that affect the development of the industry except the natural conditions of agriculture, such as productivity and production relations, economic foundation and superstructure. Specifically, it includes population, labor conditions, science and technology required by the industry, urban, transportation and market conditions, as well as economic and technological conditions and policies promulgated by the State in relation to the industry

3) Social and Cultural Factors

The general situation of the development of the whole society in a certain period mainly includes social moral fashion, cultural tradition, population change trend, cultural education, values, social structure, etc. At the same time, it also includes the general impression of a certain industry and the opinion held by the society.

4) Technological Advancements

Technical progress is the process of continuous development and improvement of technology and the replacement of old technology by new technology. The main contents are: (1) close integration of science, technology and production, so that science and technology, economy and society develop in harmony; (2) Constantly adopt new technologies, new processes, new equipment, new materials, use advanced science and technology to transform the original production technology and means of production, design and manufacture new tools and new products with higher

production efficiency, so that the technological basis of the entire national economy is gradually transferred to the modern material and technological basis; (3) Comprehensively improve the moral and cultural and technical qualities of workers, constantly develop human intelligence, and create a good environment for talents to emerge in large numbers and give full play to their talents; (4) Make comprehensive use of modern scientific and technological achievements and means, improve management level, rationally organize productive forces, and realize the rationalization of national economic structure and enterprise production technology structure.

5) Market Competition

Market competition is the basic feature of market economy. Under the conditions of market economy, enterprises compete for better production and marketing conditions and more market resources from their own interests. Through competition, the survival of the fittest can be realized, and then the optimal allocation of production factors can be realized. Market competition is also the performance of the same economic actors in the market economy to enhance their own economic strength and exclude the same behavior of the same economic actors for their own interests.

6) Labor Market and Skills Availability

Refers to the supply and demand market for human resources with the corresponding skills required by the industry, as well as the collection of labor forces seeking job opportunities in the industry. In this market, participants are usually required to have corresponding work skills, and can well meet the development needs and work requirements of the industry and enterprises.

2. Current state of project operation management in B Real Estate Company

1) Project planning and Scheduling

In order to ensure the successful implementation of the project, the implementation of the preliminary planning must be precisely controlled to ensure that each step is implemented to meet the expected standards. However, due to the less amount of available resources enterprise, therefore, must be every step of the implementation of accurate control, in order to ensure the implementation of each step achieves the desired effect, so as to realize the efficient implementation of the project. Many projects face great challenges due to the inability to utilize the shared resources of the company.

Project priority Operation management is a very important link. In order to better realize the development strategy of the enterprise, the enterprise must define the priority of different projects according to its own actual situation and the

role and value of the project, and put them in the highest position, so as to better improve the management level of internal projects in the real estate, effectively use the resources of the enterprise, and achieve the sustainable development of the enterprise. When allocating, priority should be given to the development of key projects and ensure that their range of changes remains stable. In this way, the operation and management of the projects can be kept stable, and the changes of one or a few projects can not adversely affect the other projects. As the scope of the project changes, the use of resources may be affected, resulting in unclear resource allocation, which affects the priority of the project and the smooth operation and management. Therefore, in order to ensure the effective operation of the project, the scope of the project must be accurately determined.

2) Resource Allocation

Resource allocation refers to the specific allocation of the resources owned by the enterprise according to the principal scheme of resources. In the process of promoting strategy, the strategic transformation of enterprises is often realized through the change of resource allocation. Resource allocation is the core task of strategic planning.

3) Budget and Cost Management

Budget is a kind of plan made by an enterprise to achieve a specific goal, and it is a control tool of the enterprise's production and operation activities. Budget management refers to the supervision, control and planning of economic activities of enterprises in order to achieve expected profits. Cost management refers to the management and control of enterprise costs to optimize resource allocation and maximize enterprise benefits.

4) Quality Control and Insurance

Quality control (QC) is: "operational techniques and activities used to meet quality requirements". In order to achieve this ever-changing "suitability for use", all levels of the enterprise are responsible for maintaining quality and taking responsibility for certain prescribed actions. Top management is responsible for tracking market conditions, customer response, etc. Tracking results should be translated into decisions and translated into new products, or products with additional or changed properties. Middle managers understand the requirements and use work systems to meet them. Managers and staff need to understand the work system and meet the requirements given in the form of standards/specifications. To perform these functions in a coordinated manner, each function must always be in contact with each other and aware of changing circumstances and requirements.

5) Stakeholder Engagement and Communication

A stakeholder is any relevant person in an organization's external environment who is affected by the organization's decisions and actions. Stakeholders can influence an organization, and their opinions must be taken into account when making decisions. However, it is impossible for all stakeholders to agree on all issues, and some groups have more influence than others, so how to balance the interests of all parties becomes a key consideration in strategy formulation. In addition to influencing strategy development, stakeholder analysis is a powerful tool for evaluating strategy. Strategic evaluation can be done by identifying dissenting shareholders and their influence on some controversial issues.

3. Project Performance Appraisal

Performance examine is a link in enterprise performance management. It refers to the process in which the subject of assessment evaluates the completion of work tasks, the degree of performance of work duties and the development of employees by using scientific assessment methods against the work objectives and performance standards, and reports the assessment results to employees. Common performance assessment methods include BSC, KPI and 360-degree assessment. Performance appraisal is a systematic project. Performance appraisal is a means in the process of performance management.

Expected Benefits

Through the analysis of this study, we can sort out the problems in the planned operation management of B company, such as unclear strategy, low matching degree with the company's strategy, weak execution of operation management, and imperfect performance appraisal system. Meanwhile, we can carefully analyze the problems existing in B real estate enterprise, and put forward corresponding optimization plans and safeguard measures. It provides a meaningful reference for B company and its future development.

1. The research will help identify and analyze the specific challenges that B Real Estate Company faces in project operation management. This understanding will enable the company to address these challenges more effectively.

2. Beneficial to improved project operation management by studying the current state of project operation management within the company, the research aims to pinpoint areas for improvement. This will lead to enhanced efficiency, reduced costs, and smoother project workflows.

3. The research will provide actionable project and recommendations for optimizing project operation management at B Real Estate Company. These options will serve as a roadmap for the company to implement changes and improvements.

4. Implementing the proposed optimization options can make B Real Estate Company more competitive in the real estate industry. It can lead to better project outcomes, higher customer satisfaction, and improved market positioning.

5. The research can contribute to the broader knowledge base within the real estate industry by sharing insights into project operation management challenges and optimization strategies.