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**Extension ou nouvelle théorie de l' internationalisation?  
Une analyse des stratégies marketing de quatre entreprises  
multinationales chinoises en Europe.**

**Theoretical extensions or path-breaking new theories of  
internationalization? An analysis of the Marketing Management  
strategies of four Chinese multinational enterprises in Europe: Late  
bird catches the worm (too).**



**Université Panthéon-Assas**

**Fanfan ZOU**

Sous la direction de Madame Nathalie GUIBERT, Professeur à Université Panthéon Assas.

Membres du jury

Rapporteurs :

Pierre-Louis DUBOIS, Professeur Université de Montpellier

Ulrike MAYRHOFER, Professeur Université Lyon 3

Suffragants :

Jacques ROJOT, Professeur Université Panthéon Assas

Bernard RAMANANTSOA, Professeur HEC

Leo SUN, Président et CEO LoginChinese



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## **Résumé**

*Aujourd'hui les chercheurs du commerce international ne peuvent pas négliger la croissance significative et soutenue de l'investissement direct étranger (IDE), à la fois entrant et sortant, réalisé par des pays en voie de développement. Parmi ces pays, la Chine est en position de leader, en démontrant un fort élan en tant que récepteur d'IDE et investisseur, pas seulement dans des pays en voie de développement, mais aussi dans des pays développés. Les principaux acteurs derrière cette scène sont des entreprises multinationales (EMN) chinoises. Etant des retardataires en terme de l'internalisation, des EMN chinoises sont en train de concurrencer leurs compétiteurs plus établis, des EMN pionnières, dans le monde entier, y compris dans leurs marchés domestiques. Les études existantes sur l'internalisation de la Chine ne peuvent pas refléter la grandeur et la profondeur du processus d'internalisation de l'empire au milieu. Spécifiquement, des EMN chinoises démontrent des particularités bien distinctes qui méritent des études plus poussées et focalisées. A cet égard, la question souvent posée est si le processus d'internalisation des EMN chinoises peut être expliqué par les théories classiques dérivées des EMN pionnières, ou par les analyses effectuées dans les littératures sur des EMN retardataires. Dans cette thèse, nous répondons cette question en menant une étude sur les stratégies de Marketing des quatre EMN chinoises majeures s'internationalisant dans des marchés développés, notamment l'Europe de l'ouest : Huawei, Haier, Lenovo et Geely, qui sont tous déjà leaders dans le marché domestique. En juxtaposant des propositions dérivées des stratégies des EMN chinoises avec les théories d'internalisation existantes (les théories classiques et alternatives), nous démontrons l'évolution et l'adaptation de ces théories dans le nouveau contexte de la globalisation, qui constitue aussi à une contribution managériale à la fois aux EMN retardataires et aux EMN pionnières.*

*Descripteurs : investissement direct à l'étranger, entreprises multinationales, internationalisation, marketing international, économies émergentes, EMN chinois, avantages nationaux, management interculturel*

***Abstract***

*Nowadays researchers of International Business could not possibly fail to notice the phenomenon that the FDI (Foreign Direct Investment) inflows and outflows of the world's developing countries keep increasing at a steady pace, and within this group, China continues to take the lead, showing great momentum both as a recipient of foreign investments and as an investor itself, not only in fellow developing countries, but in developed ones as well. And the main player and driver behind the scene is the country's MNEs (Multinational Enterprises) - latecomers in terms of internationalization, Chinese MNEs are competing their more established competitors, the MNE early-movers, all over the world, including in the home markets of the latter. Existing studies on China's internationalization fail to reflect its scale and depth; Chinese MNEs as well as the social-economical situation of the country as a whole demonstrate distinct features, which deserve more-focused and case-specific studies. While questions often linger on whether the internationalization process of Chinese MNEs can be explained in terms of mainstream theories derived from early-movers, or in terms of the analyses that have so far been offered for latecomers, we decide to make a contribution to the solution of the question by having a focused examination on the Marketing strategies of four major Chinese MNEs internationalizing into developed country markets, notably West Europe: Huawei, Haier, Lenovo and Geely - all of which are already leaders in the domestic market and actively seeking a global leadership. By juxtaposing propositions derived from the strategic behaviors of Chinese MNEs with existing internationalization theories (both mainstream and alternative), we demonstrate how such theories could evolve in the new context of globalization, and make managerial contributions to both MNE latecomers and early-movers alike.*

*Keywords: Foreign Direct Investment, multinational enterprises, internationalization, international marketing, emerging economies, Chinese MNEs, national advantages, cross-cultural management*

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# **RESUME DETAILLE EN FRANCAIS**

## **INTRODUCTION**

### **Chapitre 1 : Contexte et intérêts de la recherche**

Nous commençons notre thèse en donnant un aperçu synthétique sur le contexte de la thèse et les sujets abordés tout au long de notre étude.

#### **1.1 Pays en voie de développement : une nouvelle source de l'investissement direct étranger**

Notre étude dans cette thèse étant centrée sur l'investissement et l'implantation des entreprises chinoises en Europe, il s'avère important de présenter un panorama des recherches sur le concept de l'investissement direct étranger (IDE) et particulièrement sur la croissance significative de l'IDE venant des pays en voie de développement comme la Chine. Cette revue synthétique nous permet de mettre en avant le besoin de mener une étude systématique et approfondie sur les stratégies des entreprises Chinoises en Europe.

##### **1.1.1 Investissement direct étranger : définition et taxonomie**

L'investissement direct étranger (IDE), tel que défini par l'Organisation de Coopération et de Développement Economique (OCDE), fait référence à un investissement transfrontalier par une entité résidente d'une économie avec l'objectif d'acquérir un intérêt durable dans une entreprise résidente d'une autre économie. Nous soulignons que l'intérêt durable dans la définition de l'IDE signifie l'existence d'une relation à long terme entre l'investisseur et l'entreprise et une implication significative de l'investisseur dans la gestion de l'entreprise. Quantitativement, cet intérêt durable se traduit par une prise de contrôle d'une entreprise étrangère à hauteur d'au moins 10% de son capital.

Selon l'OCDE, l'IDE est un élément clé de l'intégration économique internationale : il crée des liens directs, stables et durables entre les économies ; il encourage le transfert de technologies et de savoir-faire entre les pays, et permet à l'économie d'accueil d'exporter ses produits sur les marchés internationaux ; il est également une source supplémentaire de financement pour les investissements et peut être une locomotive importante du développement. En termes de direction des flux d'investissement, les IDE peuvent être classés en IDE entrants et sortants. Les IDE entrants sont des IDE réalisés par des pays étrangers au sein d'un pays, et les IDE sortants sont réalisés par un pays vers des pays étrangers.

### **1.1.2 IDE venant des pays en voie de développement**

Un phénomène récent qui attire de plus en plus l'attention dans les communautés académiques, politiques, et commerciales est le rôle actif des pays en voie de développement, non seulement en tant que destinataires des IDEs entrants, mais aussi en tant que sources des IDEs sortants, à la fois dans d'autres pays émergents et dans des pays économiquement et socialement plus avancés (dans cette thèse nous adoptons la liste de la Conférence des Nations Unies sur le commerce et le développement (CNUCED) sur les « pays développés » et les « pays en voie de développement »). D'après les statistiques récentes, pour la première fois en 2012, les pays en voie de développement ont dépassé les pays développés en absorbant plus d'IDE, ce qui représente 52% des flux d'IDE mondiaux. Ils ont également généré près d'un tiers des IDE sortants poursuivant ainsi leur croissance. Ces statistiques confirment l'observation suivante : bien que les pays développés demeurent la principale source d'IDE sortants, les pays en voie de développement et les économies en transition ont émergé comme une source importante d'IDE sortants depuis les années 1990.

## **1.2 La Chine et les entreprises multinationales chinoises**

### **1.2.1 La Chine comme investisseur majeur et la montée des EMN chinois**

Parmi les économies émergentes, les BRICS (le Brésil, la Fédération Russe, l'Inde, la République Populaire de Chine et l'Afrique du Sud) sortent naturellement en tête, non

seulement comme principaux bénéficiaires d'IDE, mais aussi comme investisseurs. Parmi ces cinq pays, la Chine (régions administratives spéciales de Hong Kong et de Macao, et province de Taiwan non comprises) est devenue le plus grand investisseur et la source la plus prometteuse d'IDE sortants. Spécifiquement, en 2012, parmi tous les pays du monde, la Chine est arrivée à la deuxième place en termes d'accueil d'IDE après les Etats-Unis, et à la troisième place en tant qu'investisseur après les Etats-Unis et le Japon, ce qui représente une croissance exponentielle de 80 fois par rapport à une somme négligeable de 4 milliards de dollars en 1990. Les investissements chinois sont également sectoriellement et géographiquement diversifiés.

Derrière ce grand élan, les entreprises multinationales (EMN) chinoises ont émergé en tant qu'acteurs et pilotes principaux des investissements étrangers. Dans notre étude, nous adoptons la définition de l'OCDE sur les EMN que une EMN est une entreprise établie dans plusieurs pays par le biais de filiales dont elle détient tout ou une partie du capital avec des activités coordonnées. La propriété des EMN peut être privée, publique ou mixte. Les entreprises ayant réalisé le plus grand nombre d'IDE sont généralement des EMN.

Les EMN et l'IDE sont étroitement liés l'un avec l'autre, tout comme les deux faces d'une pièce de monnaie : l'expansion des EMN est souvent accompagnée par l'expansion de leurs investissements à l'extérieur de la frontière du pays d'origine ; inversement, le développement économique et la croissance d'investissement sont souvent le témoin de la naissance et de la montée EMN, comme démontré par l'interaction entre l'économie de l'empire du milieu et ses EMN ces dernières années. Quantitativement, le nombre d'entreprises chinoises sur la liste Fortune 500 a connu une croissance annuelle significative et soutenue dans les dernières années : de 15 en 2005 à 89 en 2013. Ces entreprises « Fortune 500 » ont toutes une implication, de tailles différentes, dans les pays étrangers et sont donc toutes considérées comme des EMN. Néanmoins, les EMN chinoises sont catégorisées comme « retardataires » (les oiseaux en retard, comme l'indique le sous-titre de la thèse) : les entreprises des pays en voie de développement ont en effet commencé l'internationalisation très tardivement et souffrent ainsi de nombreux désavantages concurrentiels par rapport aux EMN « premières

arrivées » (grandes entreprises traditionnelles des pays développées qui se sont internationalisées depuis longtemps et sont bien établies sur le marché mondial).

### **1.2.2 Les EMN chinoises : Pourquoi sont-elles des oiseaux retardataires ?**

A fin d'étudier les stratégies des EMN chinoises dans leur processus de l'internationalisation, sujet central de cette thèse, il est crucial de comprendre pourquoi les EMN chinoise sont considérées comme des oiseaux retardataires. A cet égard, nous portons une analyse sur la situation économique de la Chine qui nous aide à mieux comprendre comment les EMN chinoises répondent aux critères des retardataires.

- Premièrement, bien que la Chine soit la deuxième puissance économique mondiale, son produit intérieur brut (PIB) par habitant est très faible (rang 83 sur 190 pays dans le monde selon les statistiques disponibles dans le journal « Le Monde »). Elle est très en retard dans des domaines fondamentaux tels que le médical, l'éducatif et l'environnemental.
- Deuxièmement, elle souffre d'une économie fortement déséquilibrée, entre l'Ouest et l'Est du territoire, entre les zones urbaines et rurales, entre l'épargne et l'investissement, et parmi les différents secteurs industriels.
- Troisièmement, par rapport à des entreprises multinationales « pionnières » des pays développés, les EMN chinoises se lancent dans l'internationalisation beaucoup plus tard, principalement par le biais de la simple exportation dans les années 1980, puis par des investissements limités dans les années 1990, et par la suite, d'une présence physique à l'étranger. Toutes les activités de l'internationalisation sont conduites avec un énorme manque d'expérience à l'international tant dans les affaires que dans les ressources humaines.
- Quatrièmement, les EMN chinoise ne sont devenues membres des organisations internationales que récemment. Par conséquent elles ne bénéficient d'aucune participation à l'élaboration de la réglementation et de la standardisation des affaires internationales.

Et pourtant, ces oiseaux en retard, provenant d'un pays en voie de développement qui est économiquement et socialement déséquilibré, avec leurs présumés désavantages compétitifs, se sont envolés dans l'arène mondiale, pour attraper des vers, non seulement en concurrence avec les « lève-tôt » qui sont déjà bien plus grands en taille, mais aussi en plein milieu des forêts d'où proviennent ces derniers, dans leur propre territoire. Il s'avère donc naturel et pertinent de mener une étude systématique sur la question suivante : comment ce succès est-il possible en dépit de tous les facteurs négatifs analysés ci-dessus ?

## **Chapitre 2 Intérêts de la recherche, problématique, objectifs et structure de la thèse**

### **2.1 Intérêts de la recherche**

Comme discuté dans le chapitre d'introduction, les EMN chinoises participent plus que jamais à l'arène économique globale et y jouent un rôle de plus en plus important. Cependant, nous soulignons que les recherches existantes sur l'internationalisation des EMN chinoises ne reflètent pas l'ensemble de ce phénomène.

- La majorité des études existantes dans ce domaine portent sur la Chine comme pays d'accueil des flux d'IDE venant des entreprises multinationales occidentales, ou sur la capacité gigantesque de la Chine en termes d'exportation et en tant que fabricant d'équipement d'origine (FEO). Par conséquent, ces études se focalisent d'avantage sur les étapes relativement primitives de l'internationalisation de la Chine. Le rôle de la Chine et ses EMN en tant qu'investisseur, démontré par l'expansion physique et organisationnelle des EMN chinoises à l'étranger dans ces dernières années, n'a pas été systématiquement traité.
- Plus particulièrement, la question sur la motivation (« pourquoi ») de l'internationalisation des EMN chinoises n'est pas abordée, même dans les littératures sur l'internationalisation des EMN chinoises. Cette question des motifs n'est pourtant pas du tout triviale car les EMN chinoises ont des motivations très différentes tant entre elles que par rapport à leurs concurrents occidentaux.

- Les études sur l'internationalisation des EMN chinoises sont également sporadiques et *ad hoc*, souvent centrées sur les aspects procéduraux (par exemple, deux sujets extensivement explorés sont le processus d'apprentissage et les facteurs institutionnels). Ces études n'intègrent pas cet aspect dans le plan stratégique global, pas plus que sa relation synergique avec d'autres aspects stratégiques.
- En plus, la majorité de ces études traitent des cas isolés, et peu représentatifs de l'internationalisation des EMN chinoises dans sa globalité.

En regard de ces constatations, il est à noter que sur le plan théorique, la théorie sur l'internationalisation est dérivée des études sur les EMN occidentales, c'est-à-dire des « premières arrivées » (early movers). Il s'avère donc intéressant d'étudier si la théorie existante, largement dominée par les outils « occidentaux » peut être adaptée et étendue pour expliquer l'internationalisation des EMN chinoise, ou bien s'il faut concevoir et développer à cette fin de nouveaux composants et outils théoriques. A cet égard, nous soulignons la particularité du système social et économique chinois qui se définit comme un « système social avec des particularités chinoises » et manifeste effectivement une identité idéologique, politique, économique et culturelle très spécifique. Il est également important de remarquer que le marché domestique chinois est significativement différent de celui de ses homologues occidentaux.

Vu de tels constats et questionnements, cette thèse propose une étude systématique de l'internationalisation des EMN chinoises sous l'angle de la gestion des marchés internationaux (International Marketing Management). Plus précisément, en mettant en avant la dimension stratégique de cette question, nous identifions de nouveaux composants théoriques pouvant se combiner avec la théorie existante dans le domaine et nous effectuons une étude empirique détaillée pour évaluer et offrir une première estimation de la validité de notre modèle théorique. Celui-ci nous permet de tirer des conclusions synthétiques et génériques sur l'internationalisation des EMN chinoises.

Cette thèse s'inscrit dans la continuité de notre mémoire de Master Recherche investiguant, d'un point de vue général, les stratégies d'IDE des entreprises des pays émergents dans les

pays développés. C'est ce travail préliminaire qui nous a permis de justifier la focalisation de notre recherche doctorale sur les EMN chinoises afin de porter une étude plus approfondie et extensive. Dans l'espoir d'établir un « modèle de succès chinois » capable de refléter les caractéristiques des EMN chinoises dans leur installation dans les pays développés, nous nous concentrons sur les EMN chinoises qui répondent aux critères suivants :

- les EMN de la Chine continentale ;
- les EMN dans le secteur privé, contrairement aux entreprises d'états (State-owned-Enterprises: SOE) ;
- les EMN qui ont déjà une position dominante sur le marché intérieur et qui cherchent activement un leadership mondial, ce qui signifie que leur principale motivation à l'internationalisation est l'acquisition du marché, et non pas l'acquisition des ressources naturelles ;
- les EMN qui ont déjà une présence physique en Europe de l'Ouest, montrant par là un très haut niveau d'engagement humain, financier et organisationnel dans cette zone.

## **2.2 Objectif et Méthodologie**

Visant à fournir une étude systématique sur l'internationalisation des EMN chinoises, nous articulons la thèse sur les questions fondamentales suivantes :

- Comment les EMN chinoises « retardataires » parviennent-elles à concurrencer avec succès dans les marchés domestiques de leurs concurrents occidentaux, les EMNs « premières arrivées » ? Quels sont les avantages et les stratégies concurrentielles qui les conduisent à ce succès ?
- Par rapport à des EMN « pionnières », quelles sont les caractéristiques de ces EMN chinoises retardataires dans le processus d'internationalisation en termes de gestion du marketing international ? Ont-elles un certain « modèle de réussite » ?
- Comment leur succès peut-il contribuer aux analyses existantes des stratégies marketing des multinationales des pays en développement ? Est-ce que cela implique une extension théorique ?



En répondant à ces questions fondamentales, nous cherchons à :

- mieux comprendre comment les multinationales de pays en voie de développement s'internationalisent et élargissent leurs marchés vers l'étranger, en particulier dans les marchés des pays développés. Nous mettons en avant les caractéristiques de l'internationalisation des EMN chinoises en Europe de l'Ouest et leurs stratégies correspondantes ;
- contribuer aux théories existantes sur l'internationalisation des multinationales venant des pays en voie de développement ou des pays émergents à travers une étude systématique et approfondie de cette question du point de vue du marketing international et du management interculturel.

Notre démarche est de nature exploratoire, et a pour objectif de stimuler des recherches dans un domaine important et relativement nouveau. Elle ouvre des voies de recherche possibles dans ce domaine.

### **2.3 Organisation**

Cette thèse s'articule en quatre parties. Premièrement, nous présentons une revue de la littérature sur l'internationalisation des entreprises, tout en nous focalisant sur les EMN des pays en voie de développement et particulièrement en Chine. Cette partie nous permet de constituer la base théorique de notre étude. Deuxièmement, nous présentons le cadre empirique de notre recherche sur l'internationalisation des EMN chinoises. Troisièmement, nous décrivons les résultats empiriques en mettant en valeur les caractéristiques particulières des EMN chinoises. Enfin, nous discutons les résultats, leurs contributions à la littérature et leurs implications pour la recherche future.

## **PREMIÈRE PARTIE : CADRES THÉORIQUES**

### **Chapitre 3 Concepts et modèles fondamentaux du marketing international**

Nous commençons la partie théorique de la thèse par un résumé des concepts de base et des modèles dans le domaine du commerce international, qui servent de blocs de construction pour notre étude sur les motifs et les stratégies des EMN chinoises. Les principaux champs et modèles pertinents pour notre étude sont les suivants :

- les Stratégies internationales : les moteurs de l'internationalisation, le diamant de Porter, le modèle PESTEL, le modèle 5(+1), la théorie de la « distance » ;
- le Marketing international ou développement marketing : quatre points de vue différents sur l'organisation internationale, trois points de vue sur les stratégies internationales de marketing, trois éléments du marketing mix (produit, prix et de distribution) ;
- la Communication interculturelle : la nationalité des produits, les marques et l'image de marque internationale, les méthodes de communication internationales ;
- le Management interculturel : la mise en œuvre de stratégies internationales, la veille internationale, les stratégies d'organisation de la gestion de la diversité culturelle, le niveau d'échange et le modèle du niveau culturel ;

### **Chapitre 4 Contexte théorique**

Dans ce chapitre, nous procédons à une revue de la littérature sur l'internationalisation des EMN. Plus précisément, nous commençons par les approches traditionnelles, suivies par d'autres travaux connexes utilisant des approches alternatives. Nous effectuons un zoom sur les recherches existantes sur les EMN chinoises.

#### **4.1 Les théories classiques d'internationalisation**

Les théories classiques sur l'internationalisation proviennent principalement du processus d'internationalisation des EMN pionnières des pays développés. Certaines théories sont plus conventionnelles avec une histoire plus longue, résumée comme suit :

- Certains chercheurs comme McManus, Buckley, Casson et Rugman affirment que la réalisation d'IDE dans un marché étranger est motivée par le désir de profiter des imperfections de ce marché pour acquérir des facteurs productifs à prix bas.
- La théorie du cycle de vie de Vernon, qui emprunte le concept de cycle de vie dans le domaine de la microéconomie et l'applique au commerce international pour expliquer les choix d'investissement des entreprises à l'étranger. Selon Vernon, une entreprise qui développe un produit s'internationalise lorsque le produit se banalise sur le marché local. L'entreprise s'oriente naturellement vers l'étranger afin d'avoir un renouvellement de la clientèle. Une implantation « directe » sur le marché visé est une voie d'internationalisation typique pour avoir un déploiement efficace dans les marchés étrangers et une diminution des coûts.
- La théorie de la réaction oligopolistique de Knickerbocker se base sur la relation entre l'IDE et le désir des entreprises à réagir face à ses concurrents. Le postulat de départ de cette théorie réside dans le fait que les entreprises américaines qui s'engagent à l'étranger sont souvent dans des industries oligopolistiques. Ces entreprises deviennent multinationales pour faire face aux actions des autres membres de l'oligopole. Le concept fondamental de cette théorie est l'imitation, dans l'optique de réduire le risque de s'internationaliser et d'être différent de ses concurrents.
- Buckley et Casson développent une autre approche de l'internationalisation des entreprises s'intitulant The Transaction Cost Approach. D'après cette approche, une entreprise décide d'entrer dans un nouveau marché via l'IDE seulement après avoir évalué le niveau de coût de transaction, à savoir, le coût pour l'entreprise d'entrer dans ce nouveau marché.
- Une autre approche traite le processus d'internationalisation comme une évolution, décomposée en plusieurs étages. Le passage d'un étage à l'étage suivant est déterminé par l'intensification du contrôle des ressources et des connaissances du marché. Une entreprise ne peut réaliser l'IDE que dans le dernier étage de son

processus d'internationalisation. Cette approche évolutionnaire souligne que la principale motivation du développement pour une entreprise est la nécessité d'augmenter sa taille et que l'entreprise ne commence à s'internationaliser qu'après avoir atteint l'expansion maximale dans son marché domestique.

En résumé, nous soulignons que les théories d'internationalisation classiques sont basées sur deux hypothèses : (1) l'existence de ressources et d'avantages *ex ante* considérables avant de lancer le processus d'internationalisation, et (2) l'exploitation de ces ressources et de ces avantages à travers l'IDE dans les pays caractérisés par un niveau de développement inférieur ou égal à celui du pays d'origine.

Face aux mutations récentes de la situation économique mondiale, la plupart des théories d'internationalisation classiques ont perdu de leur robustesse. Seules deux d'entre elles montrent encore une grande pertinence pour notre étude :

- Le modèle OLI de Dunning, qui rassemble des éléments des théories précédentes pour identifier la propriété, l'emplacement et les avantages de l'internationalisation ; il est le cadre le plus adapté pour analyser le mouvement des EMN ;
- Le modèle Uppsala de Johanson et Vahlne, qui explique comment les entreprises intensifient progressivement leurs activités sur les marchés étrangers.

Dans le reste de cette section, nous nous focalisons sur le modèle OLI de Dunning et le modèle Uppsala de Johanson et Vahlne.

#### **4.1.1 Le modèle OLI de Dunning**

Selon le modèle OLI (aussi appelé le paradigme éclectique) de Dunning:

- Les avantages de propriété sont des facteurs propres à une entreprise, tels que des ressources de propriété supérieures à celles des concurrents et des capacités de gestion qui peuvent être appliquées d'une manière compétitive à l'étranger ;

- Les avantages géographiques jouent un rôle primordial dans les décisions d'investir dans des pays étrangers qui offrent des opportunités de marché ou de production supérieures à ceux disponibles ailleurs ;
- Les avantages d'internationalisation profitent aux entreprises qui peuvent réduire les coûts de transaction en investissant à l'étranger. L'internationalisation peut offrir des avantages clairs dans l'efficacité de la gestion des interdépendances concernant les savoir-faire, la réputation, la chaîne de valeur, et le marketing, et ces avantages expliquent la montée des EMN.

Tout en étendant le modèle OLI de Dunning, Cuervo-Cazurra et Un, à la suite de Montgomery, ont développé deux classes d'avantages : les avantages spécifiques à l'entreprise (ASE) et les avantages spécifiques aux pays d'implantation (ASP). Le premier est plus lié aux avantages de propriété et le second plus lié aux avantages géographiques (à la fois du pays d'origine et du pays d'accueil). Des ressources avantageuses peuvent conduire à un avantage concurrentiel à long terme pour une entreprise si ses ressources sont uniques et difficiles à reproduire par ses concurrents, et cet avantage spécifique à l'entreprise peut ensuite soutenir l'internationalisation de l'entreprise. Ce type d'avantages contient le savoir-faire technologique, les capacités de marketing, l'image de marque, et le savoir-faire en matière de distribution. Il y a aussi des facteurs liés au pays, uniques à l'entreprise dans chaque pays qui peuvent fournir des ASP. Ils proviennent des ressources naturelles, des caractéristiques de la population active, des facteurs culturels et économiques ainsi que, dans certains cas, d'une marque de pays attrayante. Les stratégies des EMN doivent renforcer les interactions entre les ASE et les ASP afin de créer des opportunités.

Nous soulignons qu'au fil du temps, les avantages spécifiques, qu'ils tiennent à l'entreprise ou aux pays d'implantation, peuvent se transformer en désavantages dus à l'évolution des activités de l'entreprise, à la pression concurrentielle, et au changement institutionnel. Par conséquent, les avantages doivent être considérés comme contingents par nature : c'est-à-dire spécifiques au temps et au contexte.

#### 4.1.1 Le modèle Uppsala

D'autre part, le modèle Uppsala (aussi appelé le Modèle de Processus d'Internationalisation (IP)), explique comment les entreprises intensifient progressivement leurs activités sur les marchés étrangers, dont les principales caractéristiques sont les suivantes :

- Les entreprises gagnent tout d'abord leurs premières expériences sur leur marché domestique avant de se plonger dans les marchés étrangers ;
- Les entreprises commencent leurs activités à l'étranger à partir des pays culturellement et / ou géographiquement proches et s'internationalisent peu à peu vers des pays géographiquement et culturellement plus éloignés ;
- Les entreprises commencent leurs activités à l'étranger en utilisant les exportations traditionnelles et migrent progressivement vers l'utilisation de modes de fonctionnement plus intensifs et plus exigeants (e.g., les filiales de vente), à la fois au niveau de l'entreprise et dans les pays d'implantation.

Le modèle Uppsala suggère que les ventes à l'étranger commencent avec des commandes occasionnelles à l'exportation qui sont suivies par des exportations régulières. Une entreprise ne s'engage avec des ressources significatives dans un marché étranger qu'après avoir acquis suffisamment de connaissances et d'expériences. Pour cette raison, l'internationalisation évolue progressivement à un rythme relativement lent du à la réglementation des marchés étrangers et / ou au processus d'apprentissage organisationnel. Le modèle précise également que le niveau d'engagement peut diminuer ou même cesser si les performances et les perspectives ne sont pas suffisamment atteintes. Par conséquent, le concept central du modèle Uppsala est l'évitement du risque et l'engagement progressif.

Le modèle OLI et le modèle Uppsala sont tous les deux, comme leurs prédécesseurs plus conventionnels, critiqués par les chercheurs à partir de contre-exemples. Par conséquent, les deux modèles ont été révisés.

Plus spécifiquement, le modèle Uppsala a été transformé en une théorie du développement de l'opportunité plutôt qu'une théorie de l'évitement du risque. Le modèle a été repensé et adapté du point de vue des réseaux d'affaires. Dans cette optique, le modèle révisé décrit des processus d'apprentissage dynamiques et cumulatifs, ainsi que le renforcement de la confiance et de l'engagement d'une entreprise. Plus spécifiquement, la connaissance et la reconnaissance des opportunités au sein d'un réseau peuvent avoir un impact sur la relation entre l'entreprise et ses partenaires et sur ses décisions d'engagement ; le processus d'apprentissage et la création de la confiance peuvent avoir un effet positif ou négatif sur le positionnement de l'entreprise au sein du réseau. En résumé, la révision du modèle Uppsala dans ce contexte est le résultat de l'influence d'une vision nouvelle de l'environnement comme un « réseau d'affaires », laquelle est devenue de plus en plus populaire auprès des entreprises en phase d'internationalisation.

Le modèle Uppsala est généralement caractérisé comme comportemental, tandis que le modèle OLI est considéré comme économique. Le concepteur du modèle OLI, Dunning, a révisé le modèle d'origine en intégrant les motifs en recherche de ressources, du mode d'alliance, du contexte institutionnel et des biens relationnels. Il a également proposé un modèle de développement international d'un point de vue beaucoup plus macro-économique, pour analyser l'activité d'IDE d'un pays. Ce modèle met en évidence le lien entre les IDE entrants dans un pays et les IDE sortants du pays à la base du développement des IDE. Ainsi, les IDE et l'internationalisation des entreprises du pays sont directement corrélés avec le développement du pays. En mettant en avant les concepts de « facteurs de poussée » et de « facteur de traction », Dunning a examiné les conditions qui facilitent l'internationalisation aussi bien celles du pays d'origine que celles du pays destinataire.

Ces révisions théoriques, toutefois, sont considérées par certains chercheurs comme provisoires et fragmentaires. Ils proposent que les modèles traditionnels, aussi valables qu'ils puissent être dans l'ensemble, sont plus pertinentes pour des EMN pionnières que pour des EMN retardataires ou des nouveaux arrivants, et surtout plus valables en ce qui concerne les « vieux » problèmes qui visent à minimiser les risques et les coûts que les « nouveaux » enjeux

qui se concentrent sur la maximisation d'opportunité et de valeur. Ils font donc appel à des approches plus disruptives pour explorer les nouvelles espèces des EMN. Des perspectives alternatives ont donc été proposées pour tenter de justifier les motifs et les mouvements des EMN non traditionnelles qui ne peuvent pas être (dé)couverts par les théories et les modèles classiques. Nous examinons ces études dans la section suivante.

## **4.2 Les études des EMN retardataires et les théories alternatives de l'internationalisation**

### **4.2.1 Les études portant sur des EMN retardataires**

Nous présentons d'abord l'histoire des études des EMN retardataires.

- L'idée d'un retardataire qui transforme les inconvénients en avantages a été clairement formulée par l'historien Alexander Gerschenkron. Il a étudié la montée des pays « en retard d'industrialisation » en Europe au 19<sup>ème</sup> siècle (par exemple l'Allemagne et l'Autriche) et les a considérés comme étant en mesure d'obtenir des avantages, tout en entrant dans le monde de l'industrie et utilisant les technologies les plus avancées, à une plus grande échelle et sans l'entrave des formes institutionnelles (telles que les associations commerciales établies et des systèmes de formation professionnelle) qui se référaient toujours aux périodes antérieures et agissaient comme un frein sur le potentiel d'innovation de pays industrialisés comme la France. Gerschenkron a vu en particulier un rôle important des agences de l'état pour aider les pays retardataires à surmonter leurs désavantages et à rattraper les leaders.
- Ensuite, depuis la deuxième moitié du 20<sup>e</sup> siècle, les chercheurs ont porté leur attention sur la montée des EMN japonaises, qui sont, par rapport aux EMN américaines et européennes, des « retardataires » concernant l'internationalisation.
- Plus récemment, des études ont été menées sur des EMN retardataires venant d'autres parties du monde, tels que les pays de l'Asie du Sud-Est (Corée du Sud, Singapour, Hong Kong, Malaisie, Taiwan, etc.) et les BRICS.



Évidemment, le terme « retardataire » est évolutif, mais les études sur des anciens retardataires qui ne les sont plus (tels que les EMN japonaises et allemandes) s'avèrent encore utiles pour comprendre le processus de rattrapage des retardataires. Il est également important de souligner la différence entre les « retardataires » et les « nouveaux arrivants », qui sont des entreprises « nées internationalisées » venant des pays développés et qui s'engagent à l'exportation et à l'IDE dès la naissance de l'entreprise ou bien très peu de temps après.

Pour les nouveaux joueurs (les retardataires et les nouveaux arrivants), les mêmes questions se posent : Pourquoi les EMN pionnières sont-elles difficiles à dépasser sur le marché international ? Pourquoi y a-t-il toujours plus d'opportunités pour les retardataires et les nouveaux arrivants de se faire concurrencer ? Pour répondre à ces questions, les avantages des pionnières sont étudiés. Les études sur ce sujet peuvent être classées en trois domaines : le marché, la concurrence, et l'entreprise pionnière elle-même.

D'un autre côté, les entreprises pionnières ont aussi des désavantages qui peuvent être source d'opportunités pour les retardataires qui sont appelés des avantages des retardataires. Suivant la même logique, ces avantages proviennent aussi des aspects du marché, de la concurrence et de l'entreprise retardataire elle-même. Ces avantages comprennent le changement du marché et des goûts de la clientèle, l'inertie des EMN pionnières sur le marché et l'organisation, la volonté des nouveaux joueurs de prendre des risques et d'adopter des stratégies agressives, le changement technologique et la compétence, les effets de « free rider » tels que le débordement d'informations et la capacité d'apprendre des erreurs des pionniers, la dynamique concurrentielle de l'industrie, la propagation d'information, l'expérience, les biens partagés, etc.

Puisque ces avantages peuvent être offerts par défaillance des entreprises pionnières aux nouveaux joueurs, dans le cadre de cette thèse, nous les appelons les avantages intrinsèques aux retardataires. Certainement, transformer les avantages intrinsèques en résultats supérieurs (par exemple, en termes de part de marché et de rentabilité) exige une analyse de

l'environnement (y compris des concurrents), des compétences et des ressources spécifiques à l'entreprise.

#### **4.2.2 Les théories alternatives de l'internationalisation des EMN retardataires**

Nous nous concentrons maintenant sur les théories alternatives issues des études de l'internationalisation des EMN retardataires des pays développés, qui, par rapport aux EMN pionnières des pays développés, sont confrontées à un manque de ressources dans presque tous les aspects, matériels ou immatériels, ainsi qu'une concurrence intensive sur le chemin de l'internationalisation.

Sur le plan méthodologique, les études de l'internationalisation des EMN retardataires adoptent souvent la vue institutionnelle, industrielle, de ressources ou un mélange des trois. Les EMN retardataires sont souvent étudiées en groupe géographique (par exemple, la Corée et le Japon), social (par exemple, les pays d'Asie du Sud-Est) et économique (par exemple, les BRICS), ou par secteur malgré leurs pays d'origine (par exemple, l'industrie des semi-conducteurs).

Sur le processus de l'internationalisation des EMN retardataires, différentes approches ont été développées pour interpréter leurs stratégies. Certains chercheurs tentent de décrire la montée des EMNs retardataires en utilisant les méthodes traditionnelles basées sur l'idée que les EMN de pays en voie de développement sont en mesure d'aller à l'étranger parce qu'elles ont des avantages de propriété particuliers qu'elles peuvent exploiter via l'internationalisation. Des produits universels, la spécialisation des équipements et des machines, de faibles coûts de main-d'œuvre, et la capacité d'imiter et d'adapter à la fois le produit et la technologie sont parmi ces avantages de propriété.

Tandis que ces théories peuvent expliquer le succès de certaines EMN des pays en voie de développement, n'étant pas génériques ou systématiques, elles ne reflètent pas l'ampleur et le niveau de l'internationalisation de ces EMN dans l'ensemble. Plus précisément, ces théories

sont appropriées dans le contexte où les EMN investissent dans les pays avec des niveaux de développement identiques ou inférieurs à ceux des pays d'origine. Cependant, elles ne peuvent pas justifier pourquoi les EMN retardataires peuvent se développer et réussir dans les économies plus avancées, face à la concurrence intense des EMN pionnières déjà établies, et même dans certain cas sur le marché domestique de ces concurrentes. Nous rappelons que d'après les théories classiques, une entreprise ne s'internationalise et n'investit à l'étranger qu'après avoir atteint une position concurrentielle forte sur le marché domestique ou après avoir accumulé des ressources abondantes dans les pays géographiquement, socialement, et économiquement proches.

En contradiction avec les théories précédentes, certaines études empiriques montrent que de nombreuses entreprises réalisent des IDE dans les pays ayant un niveau de développement plus élevé que sur leur marché domestique, la principale motivation étant la nécessité d'acquérir de nouvelles connaissances. Ceci est illustré, par exemple, par la stratégie des certaines entreprises européennes et japonaises dans le secteur d'informatique et de la technologie d'information qui délocalisent leurs activités de R&D dans la Silicon Valley aux Etats-Unis. Ces études montrent que la motivation des retardataires à investir à l'étranger n'est pas seulement la possession d'avantages particuliers ou de ressources inutilisées, mais également d'être en position désavantageuse sur leur marché domestique. Ainsi, certaines entreprises décident de réaliser des IDE car elles ne peuvent pas obtenir des avantages concurrentiels dans leur marché intérieur. Dans ce cas, la stratégie d'internationalisation de l'entreprise n'est pas motivée par un objectif d'expansion mais est imposée par la nécessité de survivre à la compétition domestique.

Cependant, le désir d'acquérir des connaissances, ou la nécessité de surmonter des désavantages sur le marché domestique ne garantissent pas le succès de ces EMN retardataires des pays en voie de développement, en particulier de celles qui recherchent un leadership mondial face à leurs concurrents pionniers. Par conséquent, les théories précédentes ne peuvent pas expliquer ce succès de manière satisfaisante.

Motivés par les limites des théories existantes, des chercheurs ont adopté un point de vue plus intégré sur le processus d'internationalisation des EMN retardataires. Aujourd'hui, un consensus s'est établi sur l'idée que le processus d'internationalisation des EMN retardataires des pays en voie de développement contient une triple dualité : l'exploration et l'exploitation simultanées des actifs et des ressources, la recherche simultanée de marché et de connaissance (le processus d'apprentissage), et simultanément l'expansion du marché et le renforcement de la position nationale.

Sur le plan stratégique, certains chercheurs analysent les différents modèles de rattrapage des EMN retardataires. "Rattraper" au niveau macro fait référence à l'aptitude d'un seul pays à réduire l'écart de productivité et de revenu vis-à-vis d'un pays leader. Le rattrapage en innovation (y compris la technologie) et le rattrapage du marché sont les deux principaux types de rattrapage. Différents modèles de rattrapage ont été proposés, tels que les rattrapages en mode « suiveur-de-piste », en mode « sauteur-d'étapes » et en mode « créateur-de-pistes ».

- Les entreprises suiveur-de-pistes regroupent les entreprises des pays en voie de développement qui suivent les étapes des entreprises innovantes mais d'une manière plus efficace.
- Les entreprises sauteur-d'étapes des pays émergents peuvent sauter quelques étapes pour atteindre la suivante de la même manière des entreprises innovantes dans les pays développés.
- Les créateur-de-pistes développent leur propre technologie pour réduire l'écart avec les entreprises leaders. Les sauts-d'étapes et la création-de-pistes appartiennent tout deux au leapfrogging (mode « saute-mouton »).

Le modèle trois-modes est parfois simplifié en deux modes seulement: le suiveur-de-piste et le leapfrogging. Le suiveur-de-piste est une approche plus axée sur le marché, dans une trajectoire de la technologie existante, tandis que le leapfrogging est plus axé sur la technologie elle-même. Les entreprises essaient de sauter quelques étapes et de cibler la technologie de prochaine génération afin de réduire l'écart d'une manière rapide. La connaissance du marché, les possibilités technologiques, le rôle gouvernemental, l'activité

d'apprentissage et la stratégie d'innovation de l'entreprise sont présentés comme étant des facteurs clés du succès du rattrapage. Ces facteurs jouent des rôles importants, mais bien distincts dans le processus de rattrapage, et expliquent pourquoi, dans certain stade de l'industrie, certaines EMN réussissent ou échouent.

Parmi les théories ou modèles de l'internationalisation incorporant les nouveaux types d'EMN, le modèle Linkage-Leverage-Learning (LLL, liaison-levée-apprentissage) proposé par Mathews est considéré comme un modèle émergent et révolutionnaire (il existe aussi le modèle International New Venture (INV) pour les EMN nouveaux arrivants). Le modèle LLL suggère que les EMN retardataires s'engagent dans l'IDE pour atteindre de nouveaux avantages concurrentiels par une liaison externe, levée de ressources externes et l'apprentissage plutôt que d'exploiter des avantages intérieurs existants via le contrôle interne. Il souligne également un processus dynamique de la formation des EMN contrairement à la vision statique du modèle OLI.

Dans cette vue basée sur les ressources :

- La liaison (linkage) se réfère à la mise en réseau stratégique que les entreprises utilisent pour améliorer leur réservoir de ressources ;
- La levée (leverage) se réfère à un moyen d'attirer des ressources provenant de sources externes – les entreprises veillent à se tenir au courant des nouvelles évolutions par des alliances et diverses formes de coentreprises ; elles identifient et sécurisent l'accès aux ressources nécessaires pour maintenir la diversification de leur portefeuille de produits ;
- L'apprentissage, à l'évidence, se réfère à la capacité d'absorber la connaissance, par des applications répétées de liaison et de levée ;

Selon le modèle, les choix stratégiques des retardataires se résument comme suit :

- Etablir les liaisons, à l'étape initiale, qui génèrent des opportunités pour l'entreprise ;
- Etablir la levée des ressources de telle manière que l'entreprise soit en mesure d'exploiter les liaisons établies ;

- Etablir un système d'apprentissage, en répétant les deux étapes précédentes, qui mène à l'acquisition de capacités dynamiques.

Malgré l'originalité du modèle LLL, des critiques ont été formulées. Spécifiquement, le modèle est critiqué sur son ambiguïté concernant les distinctions entre les liaisons, la levée de ressources et l'apprentissage. Il semblerait que les liaisons et la levée de ressources soient les moyens stratégiques à des fins d'apprentissage puisque l'apprentissage est le résultat de l'application répétée de liaisons et de levées. En outre, la liaison et la levée semblent être inséparables aussi inséparables que deux faces d'une même médaille. Pour ces raisons, certains chercheurs considèrent le modèle LLL comme un complément du modèle OLI.

Une autre approche, suivie par certains chercheurs, consiste à établir un modèle mixte en intégrant les éléments dans les théories classiques et les nouveaux modèles proposés récemment. Nous présentons un de ces modèles, développé par Li. Le modèle de Li est basé sur l'apprentissage et intègre les théories classiques sur les EMN pionnières et les théories et les modèles récents sur les EMN retardataires. Selon Li, une telle intégration est possible, parce que les théories classiques et les théories sur les EMN retardataires partagent le même thème central, l'apprentissage transfrontalier. Par conséquent, Li suggère que le thème central de l'apprentissage transfrontalier peut servir comme une plate-forme commune pour intégrer les théories classiques et émergentes avec une vision centrée sur l'apprentissage. Il souligne une trajectoire d'internationalisation accélérée dans l'évolution des EMN, avec une étape de pré-multinationales et celle de multinationales. Dans ces deux étapes d'internationalisation, il propose un tableau de l'apprentissage unilatérale, bilatérale, exploratoire et l'apprentissage de l'exploitation, avec des fonctionnalités de stratégie, y compris le mode d'entrée et le temps d'entrée, comme illustré dans l'exemple suivant.

Two basic dimensions	Exploitative learning [Learning motive]	Exploratory learning [Learning motive]
Unilateral learning [learning capability at the single-firm level]	Unilateral exploitation [Improving/applying internal knowledge] Core features: 1. Moderate ownership knowledge 2. Host location knowledge as irrelevant 3. Less salient to MNE latecomer 4. Less salient to accelerated FDI 5. More salient in less developed markets 6. More salient at the intermediate stage 7. Absorptive capacity as irrelevant 8. Disseminative capacity as irrelevant	Unilateral exploration [Seeking external knowledge] Core features: 1. Moderate ownership knowledge 2. Host location knowledge as relevant 3. More salient to MNE Latecomer 4. More salient to accelerated FDI 5. More salient in more developed markets 6. More salient at the intermediate stage 7. Absorptive capacity as critical 8. Disseminative capacity as irrelevant
Bilateral learning [Learning capability at the inter-firm level]	Bilateral exploitation [Leveraging co-specialized knowledge] Core features: 1. Weak ownership knowledge 2. Host location knowledge as relevant 3. More salient to MNE latecomer 4. More salient to accelerated export 5. More salient to developed markets 6. More salient at the earlier stages 7. Absorptive capacity as relevant 8. Disseminative capacity as relevant	Bilateral exploration [Co-creating novel knowledge] Core features: 1. Strong ownership knowledge 2. All location knowledge as relevant 3. Salient to all species of MNE 4. Salient to all accelerated entry types 5. Salient to all markets as a network 6. More salient at the later stages 7. Absorptive capacity as critical 8. Disseminative capacity as critical

Malgré l'effort de Li dans son modèle, le point de vue intégré basé sur l'apprentissage semble être une autre démonstration de la dualité des EMN retardataires et, comme dans les théories existantes, souligne l'exploration des connaissances (dans le cadre de l'exploration de l'actif) et le processus de l'apprentissage dans l'internationalisation. En plus, le modèle de Li n'a pas abordé l'aspect stratégique (sauf les stratégies dans la phase initiale de l'internationalisation) en profondeur.

Un autre modèle proposé par Li vise à intégrer tous les types d'EMN dans un cadre appelé le cadre de contenu-processus. Nous soulignons que bien que le modèle OLI soit plus centré sur des aspects internes dans son interprétation de la formation des EMN, et que le modèle LLL soit plus centré sur des aspects externes, les deux modèles sont en fait partiels et biaisés. Par conséquent, Li suggère un cadre global de l'évolution des EMN qui intègre à la fois les aspects internes du modèle d'OLI et les aspects externes du modèle LLL. Ce nouveau cadre intègre cinq grands facteurs du contenu « spatial » :

- le motif ultime ;
- le contexte externe ;
- le profil interne ;
- les choix stratégiques ;

- l'effet de marché ;

avec les principaux facteurs de processus temporel :

- la simultanéité / synchronisation ;
- la directionnalité / séquence ;
- le rythme / tempo ;

dans une approche holistique, dynamique et dialectique sur l'évolution des EMN. En intégrant les deux dimensions, Li décompose le processus de l'évolution en six grandes étapes dans son cadre global :

- la pré-exportation,
- l'exportation immature,
- l'exportation mature,
- la multinationale enfantine,
- la multinationale adolescente,
- la multinationale adulte.

Comparativement aux autres modèles pour les EMN retardataires, le cadre contenu-processus de Li intègre le niveau stratégique en soulignant que la formation d'une EMN et son évolution peuvent être mieux expliquées comme un phénomène stratégique avec les dimensions de contenu et de processus. Mais, le modèle de Li se concentre plutôt sur l'expérimentation empirique que sur l'analyse. Nous utilisons également ce modèle et l'adaptions dans nos études empiriques.

En résumé, les théories de l'internationalisation des EMN retardataires sont encore en voie de développement et suscitent de vives discussions. Il manque encore un modèle bien établi et reconnu qui synthétise de manière satisfaisante les caractéristiques et les comportements des EMN retardataires, même si beaucoup de chercheurs sont parvenus à un consensus concernant la dualité de leur motivation.

### **4.3 Littérature sur l'internationalisation des EMN chinoises**



Allant du général au spécifique, nous allons analyser les recherches récentes sur les EMN chinoises retardataires.

En effet, par essence, étude systématique sur les EMN chinoises peut apporter d'importantes contributions aux théories de l'internationalisation des retardataires voire même aux théories générales de l'internationalisation. Dans cette optique, des chercheurs tentent trouver des résultats génériques sur l'internationalisation des EMN chinoises en termes de motivations, de modes d'entrée, de choix de l'emplacement, de modes d'apprentissage, de stratégies à long terme et sur d'autres aspects comme l'environnement et les forces extérieures. Une grande proportion de ces études adopte la méthode des études de cas, plus spécifiquement, sur une seule étude de cas (ou au maximum un petit groupe de deux à cinq cas de la même industrie). Ceci est dû à l'exigence de la méthode d'étude de cas elle-même mais aussi au nombre limité d'EMN chinoises potentiellement candidates.

Dans ces travaux, des voix divergentes s'expriment sur l'internationalisation de la Chine. Pour commencer par les voix négatives, des chercheurs comme Nolan sont pessimistes quant au devenir des EMN chinoises. De son point de vue, la capacité concurrentielle des grandes entreprises chinoises après deux décennies de réforme est encore douloureusement faible par rapport aux géants mondiaux. Il souligne notamment les facteurs tels que leur faiblesse dans la R&D, leur capacité de commercialisation limitée, leur manque de développement des marques, et les contraintes administratives que les organismes gouvernementaux continuent de leur imposer. Bien que l'accent mis par Nolan porte sur les grandes entreprises publiques qui ont été entretenues pour être championnes nationales, il a également exprimé son scepticisme sur la capacité des grandes entreprises privées chinoises. Tout en admettant que certaines entreprises privées ont prouvé leur capacité entrepreneuriale, Nolan attribue leur succès à un marché domestique protégé et au soutien significatif de l'État sous la forme de prêts bonifiés, de marchés publics, et de circuits de commercialisation protégés.

L'étude de cas de Nolan a soulevé la question de savoir si les entreprises chinoises peuvent surmonter la faiblesse qu'il a identifiée. Sur ce point, Nolan, pense que cela est improbable.

Même dans le cas des entreprises chinoises privées qui ont démontré une forte performance, Nolan maintient sa position : sans appui concret de l'état, il est peu probable que ces entreprises continuent à se construire sur la base de leurs réalisations entrepreneuriales et deviennent de sérieux concurrents pour les géants mondiaux dans leur secteurs respectifs.

Alors que Nolan (probablement à juste titre) a souligné certaines des faiblesses importantes des EMN chinoises (entreprises d'Etat et privées confondues), ses arguments sont loin d'être impartiaux. De nombreuses EMN chinoises ont maintenant surmonté les limites de leur situation intérieure et remédié à leurs principales faiblesses compétitives. L'analyse de Nolan est tenue en échec, évidemment, dans une certaine mesure par l'internationalisation croissante des EMN chinoises et leur succès sur les marchés étrangers en face-à-face avec des concurrents occidentaux, alors même que la protection du marché de masse et les achats de gouvernement chinois n'y sont bien évidemment pas en vigueur.

Basé sur les études de Nolan, Boisot a pour sa part mis en avant des arguments plus neutres, mais pas plus optimistes. Il a fait valoir que, contrairement aux hypothèses de la théorie conventionnelle du commerce international, de nombreuses entreprises chinoises ne se sont pas déplacées à l'étranger pour exploiter un avantage concurrentiel qui a été développé dans le marché domestique, mais plutôt pour éviter un certain nombre de désavantages concurrentiels encourus en opérant exclusivement dans le marché domestique. Il a énuméré une série de conditions domestiques désavantageuses :

- le protectionnisme régional qui limite les possibilités offertes par un grand marché domestique pour exploiter les économies à grande échelle ;
- l'accès limité aux capitaux qui empêche les investissements dans les usines d'échelle optimale ;
- l'absence de droits de propriété intellectuelle développés qui limite l'accès aux technologies de pointe ;
- le support insuffisant de formation et d'éducation qui limite l'accès à des ressources humaines qualifiées ;
- une mauvaise infrastructure locale qui augmente les coûts de transport ;

- les marchés régionaux qui sont fragmentés par le protectionnisme provincial et municipal.

En outre, dans des secteurs tels que les téléphones mobiles, l'électronique et l'électroménager, les entreprises chinoises sont maintenant confrontées à la concurrence féroce des grandes marques internationales. Cette compétition, avec la surcapacité globale, réduit leur marge de profit à des proportions très minces. L'intervention du gouvernement continue sous différentes formes et à différents niveaux. En résumé, la présence de ces contraintes internes et des pressions ajoute à l'attrait de la production pour des marchés étrangers. Inversement, une activité importante à l'étranger aide les entreprises chinoises à maintenir une position plus forte face aux EMN étrangères dans leur marché domestique.

Les arguments de Boisot coïncident en fait avec la théorie selon laquelle certains retardataires de pays en voie de développement s'internationalisent principalement en raison des limites de leur marché domestique, et selon laquelle leur principal objectif est de renforcer leur position sur ce marché au lieu de conquérir des marchés étrangers. Bien que nous reconnaissons la pertinence de cet argument, nous ne pouvons pas négliger le fait que, pour certaines EMN (comme les objets de notre thèse), l'expansion du marché à l'échelle mondiale est l'objectif principal, ou du moins l'un des objectifs principaux. Et cela est en réalité un autre exemple de la double motivation des EMN retardataires.

Les modes d'entrée et les choix de localisation des entreprises multinationales chinoises montrent une grande variété quant à leurs motifs, leurs situations et leurs capacités. De manière générale, il existe trois voies suivies par ces entreprises chinoises pour l'internationalisation :

- La voie du partenariat d'OEM ou la coentreprise. Les preuves suggèrent que le partenariat avec une multinationale peut être un moyen efficace de moderniser les entreprises chinoises et de renforcer ainsi ses compétitivités internationales. Cette voie peut être considérée comme un processus de l'internationalisation « intérieure » en Chine, qui permet aux entreprises chinoises à acquérir des compétences et des connaissances nécessaires pour une internationalisation « extérieure » à l'étranger

grâce à l'exportation et / ou l'investissement. L'OEM combine l'avantage de coût d'une entreprise chinoise avec l'avantage de la marque d'une entreprise étrangère. Les autorités chinoises ont constamment favorisé les coentreprises internationales en les considérant comme un moyen de transfert de technologie et d'expertise pour les entreprises chinoises. Des partenariats technologiques, en particulier, ont permis à certaines entreprises chinoises d'acquérir des connaissances d'une valeur concurrentielle considérable.

- La voie de l'acquisition. Le nombre d'acquisitions internationales par des entreprises chinoises a augmenté d'une façon remarquable au cours des dernières années. Le motif dominant parmi les sociétés productrices chinoises non-primaires pour entreprendre des acquisitions à l'étranger est d'accumuler la force sur le marché. Elles ont entrepris des acquisitions pour avoir accès à la technologie, pour sécuriser les compétences de recherche et développement, et acquérir des marques internationales. Les acquisitions fournissent un accès rapide, et parfois exclusif à ces avantages, coupant les accès aux concurrents. Le chemin d'acquisition visant la différenciation internationale et l'avantage de la marque est favorisée par un nombre croissant d'entreprises chinoises. Elle semble offrir une avance rapide vers la réalisation de ces objectifs, bien qu'il soit difficile d'évaluer à quel degré de succès les entreprises chinoises sont parvenues à gérer des problèmes d'intégration et de gestion post-acquisition. Par rapport à l'expansion organique (voir ci-dessous), la fusion-acquisition semble une voie plus « facile » et accessible qui attire l'attention d'un grand nombre de chercheurs.
- La voie de l'expansion organique. Cette voie d'expansion internationale implique la création de filiales dans les marchés ciblés. Elle est d'abord destinée à assurer des avantages de différenciation en termes, par exemple, d'ajustement aux besoins du marché et aux goûts locaux. Elle peut également être le principal composant d'une stratégie visant à obtenir la reconnaissance mondiale d'une marque. Elle est également une voie qui maximise le contrôle de gestion et les possibilités d'intégration au niveau mondial. L'internationalisation par l'expansion organique mobilise des éléments à la fois d'exploitation des actifs et de recherche d'actifs.

Chaque voie offre certains avantages, mais en même temps chacune est accompagnée par ses propres défis ou ses propres risques. La plupart des EMN chinoises que nous avons étudiées poursuivent plusieurs de ces itinéraires en même temps.

En termes de choix de localisation, les EMN chinoises montrent certaines particularités dans le sens où elles sont moins sensibles aux risques politiques et aux distances psychiques du pays d'accueil. Bien sûr, les déterminants de la localisation des IDE chinois diffèrent selon le type de propriété, et les motivations derrière ces investissements peuvent également varier. En général, les EMN chinoises dans le secteur privé sont le plus souvent à la recherche de marchés. Pour la même raison, il semble difficile de distinguer un séquençement clair ou bien des étapes distinctes de l'internationalisation parmi les multinationales chinoises. Bien que la plupart des IDE vers l'extérieur de la Chine soient effectués dans d'autres pays asiatiques, les voies d'internationalisation suivies par les EMN leaders dans le secteur privé ne semblent pas accorder la priorité à l'entrée sur le marché des pays émergents géographiquement proches. En outre, l'attraction des grands marchés des pays développés peut plus que compenser les problèmes de distance psychique, parce que ces entreprises poursuivent en réalité des stratégies à vocation mondiale à long terme.

Adoptant le point de vue de l'ASE et de l'ASP (ASE : avantages spécifiques à l'entreprise ; ASP : avantages spécifiques aux pays d'implantation, cf. Sec. 4.1.1), certains chercheurs soutiennent l'opinion selon laquelle les avantages des EMN chinoises retardataires se trouvent dans la production intensive par la main-d'œuvre, le leadership par les coûts, dans la flexibilité et la rapidité de l'adaptation en termes de processus de production et de produits. D'autres ont également mis en avant l'opinion selon laquelle certaines entreprises retardataires sont imprégnées d'une culture, comme le confucianisme, qui encourage l'apprentissage continu et le développement de soi vis-à-vis de ses pairs.

D'autre part, les EMN chinoises et des pays émergents ont un ensemble de désavantages concurrentiels qu'elles doivent surmonter. Ces désavantages varient du manque de connaissance des marchés étrangers au manque de savoir-faire technologique ou de gestion.

Pour certains, le processus d'internationalisation des EMN chinoises consiste à surmonter des désavantages et à les transformer en avantages par le biais d'IDE.

Concernant l'internationalisation des EMN chinoises, un facteur pivot des réflexions concerne les éléments institutionnels, particulièrement le rôle du gouvernement. Certains chercheurs soulignent que le soutien du gouvernement pour les EMN chinoises leur permet de mieux surmonter les désavantages des EMN retardataires des pays émergents. L'internationalisation des EMN chinoises semble significativement impactée par des facteurs institutionnels telle la relation étroite entre les agences gouvernementales et les entreprises chinoises qu'elles soutiennent. Alors que dans le passé, les agences gouvernementales chinoises avaient tendance à contrôler et à limiter les IDE, plus récemment, elles ont adopté un rôle de sponsor et de fournisseur de fonds pour l'internationalisation des entreprises chinoises.

Cette relation gouvernement-entreprise soulève la question suivante : jusqu'à quel point l'internationalisation des EMN chinoises est-elle liée au contexte institutionnel ? Jusqu'à quel point reflète-elle le choix stratégique des entreprises elles-mêmes ? Cette question reflète également la divergence entre le consensus de Pékin selon lequel la croissance économique de la Chine est due aux facteurs institutionnels y compris par exemple le contrôle financier strict et la propriété étatique des entreprises, et le consensus de Washington, qui considère le développement de la Chine comme un cas normal suite à la libéralisation financière, à l'entrepreneuriat privé et à l'ouverture politique.

Les différentes théories et les modèles des trois catégories - classiques, alternatifs et spécifiques aux EMNs chinoises - seront confrontés aux expériences des EMN chinoises. Celles qui sont pertinentes seront prises en compte dans notre tentative de construction d'un modèle visant à décrire et expliquer le processus de l'internationalisation des EMN chinoises leaders en Europe de l'Ouest. Dans un second temps, nous nous demanderons dans quelle mesure ce modèle consiste dans une nouvelle théorie ou bien dans une extension des théories existantes de l'internationalisation des EMN.

## DEUXIEME PARTIE : ÉTUDES EMPIRIQUES

### Chapitre 5 Sélection du domaine et méthode d'analyse des études

#### 5.1 Critères et sélection du domaine

Au regard du propos de notre recherche, nous avons retenu la méthode des études de cas multiples. En effet, cette méthode est adaptée quand des questions du type « comment » ou « pourquoi » sont posées à propos d'un ensemble contemporain d'événements sur lesquels l'enquêteur n'a que peu ou pas de contrôle.

Ceci est exactement la situation de nos études où nous examinons comment les EMN chinoises d'aujourd'hui réussissent dans les économies plus avancées et acquièrent une position de leader mondial. En plus, pour éviter les limitations des études de cas unique mentionnées dans les chapitres précédents, autant que nos ressources nous permettaient de le faire, nous avons mené une étude de cas multiple exploratoire sur des cas répondant à nos critères.

L'approche par des questions exploratoires, à visées descriptives ou explicatives est extrêmement utile pour générer des idées nouvelles et précises sur un phénomène étudié. La conception de la recherche de cas permet à des cas d'être traités comme une série d'expériences indépendantes pour orienter une construction théorique. Nous avons inclus plusieurs cas de différents secteurs pour former un champ plus complet et représentatif et pour éviter la limitation d'un seul cas ou d'un seul secteur comme relevé dans les chapitres précédents.

Ayant déjà mentionné les critères de base de la sélection des cas, en termes de "leadership mondial", nous utilisons la liste Fortune 500 comme référence et sélectionnons les sociétés déjà sur cette liste, ou presque, ainsi que d'autres classements internationaux en complément :

- Parmi les 89 entreprises chinoises sur la liste de 2013, 85 sont originaires de la Chine

continentale et 4 de Hong Kong ;

- Parmi ces 85 entreprises, 81 sont détenues par l'État (comme Sinopec Group, China National Petroleum et State Grid dans le Top 10) ou par les gouvernements locaux (tels que Shanxi Coal Transportation & Sales Group, Shanxi cuivre, Bailian Group, etc.), donc seulement 4 entreprises répondent à nos critères de "sociétés privées/collectives de la Chine continentale": Lenovo, Huawei, Geely et Weiqiao Pioneering.
- Nous excluons cependant Weiqiao Pioneering, un fournisseur de produits et de services de la filière textile (textile, teinture, vêtement, ...) et des produits chimiques (aluminium, les produits chimiques de sel, de nouveaux matériaux, ...), de la liste des candidats, car elle n'a pas une présence physique en Europe.
- En outre, nous ajoutons dans nos études la société Haier, dont le chiffre d'affaires a approché le seuil de la liste Fortune 500 et qui est un habitué des classements des plus grandes marques chinoises. En plus, Haier est un exemple typique d'un investissement des EMN Greenfield dans les pays développés.

## 5.2 Présentation du cas

Par conséquent, quatre EMN chinoises sont choisies pour nos études de cas empiriques : Huawei, Haier, Lenovo et Geely.

**Huawei:** Huawei Technologies Co. Ltd est une société chinoise multinationale de réseaux et d'équipements et de services de télécommunications basée à Shenzhen (sud de la Chine). C'est le plus grand fabricant de matériel de télécommunications dans le monde, après avoir dépassé Ericsson en 2012. Elle a été fondée en 1987 par l'ex-officier militaire Ren Zhengfei et a été formée comme une entreprise privée détenue par ses employés. Maintenant, elle a plus de 140 000 employés, environ 46% d'entre eux sont engagés dans la R&D, dispersés dans ses 21 instituts de R&D dans le monde entier. En 2011, Huawei a clairement défini ses trois principaux secteurs d'activités : le Réseau d'Opérateur Télécom, la construction de réseaux et services de télécommunications ; Enterprise Business, la fourniture d'équipements, logiciels et



services à des clients entreprise et de périphériques, ainsi que la fabrication de dispositifs de communications électroniques. Le segment des dispositifs étant en pleine expansion, Huawei est déjà devenu le deuxième plus grand fournisseur de smartphones en Chine. Ayant reçu d'innombrables récompenses technologiques et commerciales, Huawei a été décrite comme « peut-être l'entreprise chinoise la plus réussie à l'échelle mondiale ». D'autre part, elle a été confrontée en permanence à des critiques et des controverses. Les principaux problèmes sont les suivants : les préoccupations de propriété intellectuelle, la non-transparence, les problèmes de sécurité, et le traitement de la main-d'œuvre et des clients.

**Haier** : le Groupe Haier est une société multinationale chinoise d'électronique grand public et d'appareils ménagers dont le siège est à Qingdao, province du Shandong, en Chine. Il conçoit, développe, fabrique et vend des produits, y compris des climatiseurs, des téléphones mobiles, des ordinateurs, des fours à micro-ondes, des machines à laver, des réfrigérateurs et des téléviseurs. En 2013, pour la cinquième année consécutive, la marque Haier a eu la plus grande part de marché mondial (9,7%) dans les produits blancs. Haier a été fondée comme Qingdao Réfrigérateur Co. en 1984. Zhang Ruimin a été nommé directeur général de la société quand elle était proche de la faillite. Il a été le chef de la direction depuis et a changé le nom de la société pour choisir celui de Haier. La société a commencé à investir à l'étranger en 1996, quand elle a ouvert une usine de production en Indonésie, et un an plus tard, aux Philippines et en Malaisie. Presque dans la même année, Haier a commencé à attaquer le marché américain, en concurrence directe avec des entreprises américaines établies telles que GE, Whirlpool, Frigidaire et Maytag. Elle a commencé à pénétrer dans le marché européen en 2001 par l'achat d'une usine de réfrigérateurs italien et en plaçant ses produits dans des enseignes de distribution européennes. Maintenant, la société dispose, dans le monde entier, de 24 parcs industriels, 5 grands centres de R&D, 66 sociétés de négoce, avec des clients dans plus de 100 pays / régions

**Lenovo**: Lenovo Group Ltd est une société de technologie informatique multinationale chinoise dont le siège est à Beijing en Chine et à Morrisville, en Caroline du Nord aux Etats-Unis. Lenovo conçoit, développe, fabrique et vend des ordinateurs personnels, des

ordinateurs tablettes, des smartphones, des postes de travail, des serveurs, des dispositifs de stockage électroniques, des logiciels de gestion IT et des téléviseurs intelligents. En 2013, Lenovo a été le plus grand fournisseur d'ordinateurs personnels dans le monde en termes de volumes et en couverture de marché (plus de 160 pays). Lenovo a été fondée à Beijing en 1984 en tant que Legend et a été localisée à Hong Kong en 1988. Lenovo a acquis l'activité 'ordinateurs personnel' d'IBM en 2005 et son activité de serveur à processeur Intel en 2014. Lenovo est entrée dans le marché des smartphones en 2012 et en Janvier 2014, Lenovo a racheté à Google le fabricant des kits mains libres de téléphone mobile Motorola Mobility. Elle est le principal fournisseur d'ordinateurs en Chine continentale et est devenue le deuxième plus grand fournisseur mondial d'ordinateurs personnels au cours du troisième trimestre de 2011. Le père fondateur de Lenovo est Liu Chuanzhi (avec neuf autres ingénieurs), qui a été président et chef de la direction la société jusqu'en 2001, quand il a passé le siège de directeur général à son successeur Yang Yuanqing, mais est resté président. Une partie de ses actions sont détenues par l'Académie chinoise des sciences.

**Geely:** Zhejiang Geely Holding Group Co., Ltd est une entreprise de fabrication automobile chinoise dont le siège est dans Binjiang District, Hangzhou, Chine. Ses principaux produits sont des automobiles, des motocyclettes, des moteurs et des transmissions. Geely signifie « bon augure » ou « chanceux » en mandarin. Li Shufu a fondé Geely en 1986 comme un fabricant de réfrigérateur avec de l'argent emprunté de la famille. La société n'est devenue un constructeur automobile qu'en 1997. En 2010, Geely a finalisé l'acquisition et est devenue le nouveau propriétaire de Volvo Cars, obtenant 100% des capitaux propres et des actifs connexes (y compris les droits de propriété intellectuelle) de ce prestigieux constructeur automobile suédois. D'autres fusion-acquisitions importantes menées par Geely incluent : l'acquisition de la deuxième plus grande société de transport automatique au monde - DSI (Drivetrain Systems International) de l'Australie en 2009 ; l'acquisition par la filiale Geely Groupe UK de Manganese Bronze Holdings (fabricant de Black Cab emblématique de Londres) en 2014. L'exportation de véhicules Geely a commencé en 2003, principalement pour les pays moins développés. La société a commencé des efforts de vente de voitures chinoises conçues et fabriquées au Royaume-Uni à la fin de 2012 et a également annoncé son

intention de vendre en Italie. Les controverses concernant Geely portent principalement sur la violation de la propriété intellectuelle.

### **5.3 Méthodes d'études empiriques et sources de données**

Dans l'objectif de répondre aux questions fondamentales mises en avant dans l'introduction de la thèse, nous procédons à une méta-analyse du terrain, afin de répondre un ensemble de questions fondamentales à trois niveaux :

- Au premier niveau sur les avantages et les stratégies : Comment les EMN chinoises retardataires parviennent à s'internationaliser avec succès dans les marchés domestiques de leurs concurrents, les EMN pionnières? Quels sont leurs avantages et leurs stratégies concurrentielles pour justifier ce succès ?
- Au deuxième niveau sur les points communs et le modèle de réussite : Par rapport aux EMN pionnières et aux autres EMN retardataires, quelles sont les particularités des EMN chinoises dans le processus d'internationalisation en termes de gestion du marketing international ? Ont-elles des points communs ? Existe-il un "modèle de réussite" pour les EMN chinoises ?
- Au troisième niveau sur la connexion théorique : Dans quelle mesure et de quelle manière l'internationalisation de ces EMN chinoises est conforme aux théories et aux modèles existants du commerce international ? Comment cette conformité ou cette déviance peuvent-elles contribuer aux études existantes sur l'internationalisation ? Est-ce que cela implique une extension théorique ou la conception d'un nouveau cadre théorique non conventionnel ?

Pour répondre à ces questions, nous réalisons *une étude qualitative de cas multiples* en utilisant la procédure suivante :

Tout d'abord, nous utilisons le modèle modifié de Li comme grille pour nos entretiens et pour la collecte de données (comme illustré ci-dessous).

## Grille pour nos études de terrain

<i>Contenu "spatial"</i>	<i>Processus temporel</i>		
	L'EMN enfant	L'EMN adolescent	L'EMN adulte
La motivation ultime			
Le contexte externe			
Le profil interne			
Le choix stratégique			
L'effet du marché			
La marque et la communication			
Les éléments institutionnels			
La gestion des RH internationales			

- Lorsque la collection de données est terminée, nous analysons les données en les distinguant en trois catégories :
  - Les stratégies générales de l'internationalisation,
  - Les stratégies de marketing et de vente,
  - La gestion des ressources humaines multiculturelle.

Les points communs démontrés par les cas (stratégies) sont synthétisés et des propositions correspondantes sont développées sur les caractéristiques et les stratégies des EMN chinoises dans le processus d'internationalisation.

- Les données sont ensuite synthétisées en reliant les avantages/désavantages concurrentiels des EMN chinoises étudiées avec leurs stratégies, du point de vue institutionnel, du marché et des ressources, afin de construire un modèle de réussite sur les stratégies d'internationalisation des EMN chinoises dans les pays développés.
- Dans la dernière étape, les théories classiques et alternatives introduites dans la partie théorique de la thèse sont revisitées. Sur la base des résultats des études empiriques (les propositions et le modèle de réussite), nous analysons la pertinence et la validité de ces théories et proposons notre construction théorique.

Dans nos études, au lieu de tenter d'aboutir à des conclusions définitives, nous avons le souci de demeurer dans une optique exploratoire afin d'ouvrir des discussions et des réflexions utiles pour les recherches futures.

En termes de sources de données, les principales sources sont les entretiens que nous avons menés avec des personnes liées aux quatre EMN chinoises sélectionnées :

- 6 pour Huawei, 3 pour Haier, 2 pour Lenovo et 2 pour Geely,
- plus 3 entretiens avec des experts extérieurs des EMN : le second secrétaire du Bureau Commercial de l'Ambassade de Chine en France, un officier chargé des relations avec des entreprises chinoises en France du Bureau CCPIT (Conseil chinois pour la promotion du commerce international) à Paris, et un journaliste d'International Entrepreneur anciennement en poste au Royaume-Uni.

Quatre de ces entretiens (un avec un employé de Huawei en Allemagne, un avec un employé de Lenovo QG à Beijing et deux avec des employés chinois de Geely) ont été menés à distance (via Skype). Les autres sont des entretiens face-à-face. La durée de chaque entretien est de 20 minutes à 1 heure et 10 minutes, avec une moyenne de 40 minutes.

Une autre source de données importante dans nos études est la documentation. Plus spécifiquement, les documents sont les suivants :

- Les nouvelles de l'entreprise, des annonces et des rapports écrits (tels que les rapports annuels) publiés par l'entreprise elle-même (la plupart du temps sur le site web de l'entreprise).
- Les études ou les évaluations sur les entreprises que nous étudions, y compris les études universitaires, professionnelles, journalistiques et des livres.
- Les coupures de presse et les articles dans les médias de masse. Nous nous intéressons également aux médias (principalement des rapports dans des journaux et des magazines) pour deux raisons :
  - Premièrement, pour une couverture géographique plus large qui complète nos entretiens,
  - Deuxièmement, pour avoir des éléments presque en temps réel car il existe

toujours un retard relativement important entre les études universitaires et les événements qui nous intéressent surtout les actions stratégiques des EMN chinoises. Nous signalons que même au cours de la rédaction de cette thèse, de nouveaux éléments d'information concernant les stratégies des EMN chinoises sont apparus dans les actualités et nous avons tenté de les incorporer. En plus, en nous référant à des coupures et des articles dans la presse, nous avons sélectionné celles avec des sources fiables et peu de biais possibles (presse nationale prestigieuse ou revues industrielles), et nous nous sommes référés uniquement à des faits (comme des actions stratégiques), et non pas à des opinions (comme des critiques ou des commentaires).

## **Chapitre 6 Résultats et synthèse des études sur le terrain**

Les données sont recueillies sur le terrain sous formes primaires et secondaires et à l'aide de la grille établie. Pour chacune des quatre EMN chinoises étudiées, nous examinons son ordre d'entrée et son mode d'entrée, les événements majeurs au cours de chaque phase d'internationalisation (EMN « enfantines », « adolescentes » et « adultes »), ses stratégies d'internationalisation générales et spécifiques, ces stratégies de marketing et de ventes ciblant les marchés européens (à certaines occasions nous abordons également les stratégies ciblant les États-Unis ou le Japon pour une analyse comparative), sa gestion des ressources humaines interculturelles, sa gestion de l'image de l'entreprise et du leadership, les éléments institutionnels qui peuvent influencer la performance de l'entreprise, ainsi que d'autres fonctions et caractéristiques de l'entreprise qui peuvent avoir une influence sur les résultats de nos études.

Parmi les quatre EMN chinoises dans nos études, nous considérons Huawei et Haier comme des EMN « adultes », Lenovo comme une EMN « adolescente » et Geely comme une EMN « enfantine ». Ce classement peut être justifié par leurs performances dans les pays développés, en particulier sur le marché européen, en tenant compte des événements qui ont marqué le point de passage d'une phase à l'autre.

Les résultats sont synthétisés afin d'en tirer des points communs des EMN chinoises qui ont connu des succès, en termes de produit, prix, communication, distribution, R&D, synergie avec les marchés (marchés domestique et ciblé), culture d'entreprise, relations gouvernementales (éléments institutionnels), gestion internationale des ressources humaines, etc. Ces points communs sont systématiquement signalés et expliqués dans les sections suivantes :

- Sec. 6.1 : les stratégies générales de l'internationalisation
- Sec. 6.2 : les stratégies de marketing et de vente (y compris les éléments du Marketing Mixte)
- Sec. 6.3 : La gestion des ressources humaines interculturelles
- Sec. 6.4 : La synthèse analytique des études sur le terrain

Dans chaque section, une ou plusieurs propositions sont développées qui répondent à la question centrale : quels sont les avantages compétitifs des EMN chinoises ? Quelles sont leurs stratégies et comment peuvent-elles réussir dans les marchés étrangers ? Au delà, le cadre de notre synthèse répond à une autre question fondamentale : Les EMN chinoises ont-elles un modèle de réussite ? Dans cette optique, nous détaillons systématiquement les avantages et les désavantages compétitifs des EMN chinoises et leurs stratégies d'internationalisation du point de vue institutionnel et sectoriel, tout en fournissant un panorama stratégique sur le processus d'internationalisation des EMN chinoises sur les marchés des pays développés.

## **6.1 Les stratégies générales de l'internationalisation**

Bien que issues de différents secteurs et installées dans différentes phases d'internationalisation, les quatre EMN chinoises montrent une grande similitude en termes de stratégies d'internationalisation dans les pays développés tels que l'Europe de l'Ouest, les Etats-Unis et le Japon. Nous précisons cette similitude dans le tableau suivant :

L'ordre d'entrée	En principe, des pays moins développés aux pays plus développés ; des pays ayant une distance plus courte à ceux ayant une distance plus longue. Les exceptions, très rares, sont liées à des secteurs très spéciaux.
Les modes d'entrée	Une combinaison de la croissance interne, des fusions et acquisitions, et des partenariats / alliances, avec une préférence pour les deux derniers modes comme des principaux outils du développement, de l'expansion et de l'entrée dans les réseaux.
La R&D	L'accent particulier sur la R&D; le ratio entre l'investissement R&D et le chiffre d'affaires bien au-dessus de la moyenne; toujours une combinaison de la R&D domestique et extérieure (l'exploration et l'exploitation technologique)
L'apprentissage	L'apprentissage à travers des coopérations intenses, des partenariats et des acquisitions, la distance devenant un avantage
	L'apprentissage non seulement technologique, mais aussi structurel et social
La culture d'entreprise (la manière de gérer des affaires)	L'accent sur le renforcement de la Guanxi (relation) à long terme
	La persévérance et le sens du travail comme un reflet de la culture chinoise traditionnelle
Les relations gouvernementales & les éléments institutionnels	La relation proche au gouvernement domestique
	Cette relation n'étant pas toujours un avantage, en particulier dans les secteurs sensibles : un équilibre délicat
	Le lobbying et le renforcement de la relation avec les gouvernements locaux
	La localisation comme l'une des solutions



**L'ordre d'entrée :** Nous constatons qu'en général, la plus part des EMN chinoises suivent les deux ordres de base de l'internationalisation à un rythme accéléré :

- du marché domestique, aux pays culturellement, géographique, et économiquement proches, et puis aux pays plus lointains ;
- des actions internationales moins avancées (par exemple, exportation pure, OEM) à celles plus intenses et exigeantes (par exemple, filiales de vente, branches).

Une analyse plus détaillée sur l'ordre d'entrée exceptionnel de Haier, qui a attaqué en premier les marchés des pays développés, a montré que cet ordre n'est finalement pas exceptionnel car la décision d'adopter un tel ordre est due aux caractéristiques spécifiques du secteur et de l'entreprise elle-même. Nous sommes sur la même ligne que les théories développées par Johanson et Vahlne : la plupart des EMNs « nées globales » sont en réalité « nées régionales », avec des activités internationales peu significatives (comme certaines petites entreprises chinoises mentionnées dans notre mémoire de master). Les EMN chinoises qui sont réellement à la recherche d'un leadership mondial suivent une procédure plus traditionnelle en accumulant leurs ressources et en élargissant progressivement les marchés globaux.

Proposition 1 : Dans le processus d'internationalisation, les principales EMN chinoises font preuve, en tant que retardataires, de motivations similaires à celle des EMN pionnières, dans le sens où elles exploitent des ressources existantes dans les marchés plus larges et s'agrandissent en utilisant de nouvelles ressources disponibles.

Sur ce point, nos résultats sont conformes aux théories classiques en termes **d'ordre d'entrée** et de phases de développement bien que cet ordre ne soit pas aussi facile à distinguer qu'autrefois en raison d'une plus grande flexibilité des EMN, d'une concurrence accrue, d'un processus d'internationalisation accéléré et sur une plus grande échelle.

**Le mode d'entrée :** Nos études montrent une grande variété de modes d'entrée pour les EMN chinoises, généralement une combinaison de croissance interne, d'acquisitions et de partenariats/alliances. Parfois, les EMN chinoises adoptent différents modes dans différents marchés destinataires. Mais plus souvent, elles adoptent plusieurs modes d'entrée sur le

marché d'un seul pays destinataire. C'est particulièrement le cas pour les marchés des pays avancés comme l'Europe de l'Ouest, qui présentent de nombreux obstacles et par conséquent exigent plus d'efforts et de flexibilité. Parmi les différents modes d'entrée, les EMN chinoises leaders montrent une préférence pour la M&A internationale (en particulier avec les entreprises et les marques occidentales établies), ainsi que les partenariats / alliances. Ces deux modes d'entrée sont devenus des outils de se développer à l'international, en particulier dans les pays développés, un objectif auquel la croissance interne à elle seule n'a que peu de possibilité de parvenir dans un temps relativement court. Par rapport aux EMN « premières arrivées », les EMN retardataires utilisent plus souvent et plus fréquemment la M&A et les alliances/partenariats dans leur processus d'internationalisation. Ce choix de mode d'entrée est particulièrement pertinent si l'on adopte le point de vue « réseautage », qui considère un marché comme un réseau de relations dans lequel les entreprises sont liées les unes avec les autres de manières diverses, complexes et, à un certain degré, invisibles. Le réseau des EMN est un système d'activités à valeur ajoutée coordonné. Dans le cadre de nos études, le fait d'être un retardataire est, dans la plupart de cas, synonyme d'être 'en dehors' du réseau dont les règles sont déjà établies par les premières arrivées. Il est évident qu'afin de devenir membre du réseau, une acquisition ou une alliance avec une organisation déjà établie dans le réseau est la manière la plus efficace comparativement à un choix de croissance purement interne.

Proposition 2 : En termes de mode d'entrée, les EMN chinoises leaders adoptent une combinaison stratégique de croissance interne, d'acquisitions et de partenariats/alliances. En tant que retardataires, ils utilisent plus fréquemment les deux derniers modes comme des outils importants pour accélérer leur processus d'internationalisation et pour entrer dans les réseaux d'affaires. Les cibles des acquisitions ou partenariats/alliances sont souvent des EMN locales pionnières.

**La R&D :** La capacité de R&D a une influence déterminante sur le processus de rattrapage pour les EMN chinoises. Toutes les quatre EMN chinoises dans nos études attachent une

grande importance aux activités de R&D et à la construction de leurs capacités de R&D, même celles qui sont dans les industries traditionnellement considérées comme moins pointues en termes de technologies. En R&D, nous nous référons à la fois à la R&D interne (exploitation) et à l'importation de la R&D (exploration) via des fusions et des acquisitions, des alliances / partenariats, ou simplement des rapprochement vers des pôles technologiques spécifiques. Le processus d'innovation des entreprises multinationales chinoises apparaît conforme à la dualité de la motivation des EMN retardataires (exploitation des actifs versus exploration de des actifs; recherche de marchés versus recherche de connaissances). Nous constatons que les EMN chinoises explorent et exploitent simultanément la R&D. Il n'est pas inhabituel pour les EMN chinoises leaders d'importer et d'incorporer des technologies pointues venues des pays avancées avec leurs unités de R&D en Chine avant de développer leur R&D interne autour de ces technologies importées. Parfois ces connaissances plus avancées sont importées dans l'unique but de cibler les marchés des pays développés car le marché domestique n'est pas encore prêt pour cela. En plus, nous observons également une montée en puissance et en niveau des centres de R&D internes des EMN chinoises qui deviennent par la suite des « centres d'idées » au sein de l'entreprise.

Proposition 3 : Les EMN chinoises mettent en place des unités de R&D dans les pays développés qui accomplissent simultanément et conjointement des tâches d'exploration et d'exploitation technologique, motivées à la fois par le marché et par la technologie.

Proposition 4 : Les EMN chinoises mettent l'accent sur la R&D pour acquérir un avantage technologique dans le but de réaliser le rattrapage. Dans leur processus d'internationalisation, la R&D interne est combinée avec l'importation technologique sous diverses formes, et la R&D interne montant en puissance.

**L'apprentissage** : Nous confirmons l'importance de l'apprentissage, particulièrement dans l'internationalisation des EMN chinoises. Elles apprennent à travers des canaux diversifiés et sous des formes diversifiées, non seulement des savoir-faire tangibles, mais aussi des

savoir-faire structurelles qui sont plus élusives, et non seulement des savoir-faire commerciaux, technologiques et organisationnels, mais aussi des savoir-faire sociaux. En tant que retardataires, les EMN chinoises s'internationalisent en apprenant à s'internationaliser. Elles se conçoivent parfois avec des EMN pionnières en apprenant directement de leurs anciens partenaires, désormais concurrents. Le processus d'internationalisation aide donc à remodeler et stimuler la société chinoise dans son ensemble. Dans cette optique, la distance (géographique, sociale et culturelle) prend figure pour elles d'avantage plus que de désavantage, surtout lorsque les marchés ciblés sont des pays développés, car ces derniers offrent une occasion idéale pour apprendre.

**Proposition 5 :** La distance entre la Chine et les pays développés peut être considérée comme un avantage plutôt que comme un désavantage en termes d'**apprentissage**. À travers des canaux et des formes diversifiées, des EMN chinoises acquièrent non seulement des savoir-faire tangibles, mais aussi des savoir-faire structurelles et sociaux, ce qui contribue au développement du pays d'origine dans son ensemble.

**La culture d'entreprise - la façon de faire des affaires :** Deux éléments culturels ont une influence positive sur l'expansion internationale des EMN chinoises : premièrement, la construction de Guanxi (réseau- relations) ; deuxièmement, la persévérance et le travail acharné, caractères reconnus typiques dans et par la culture chinoise.

La construction du célèbre Guanxi, surtout celle du Guanxi à long terme, tellement prononcée dans la culture chinoise, est également imprégné dans la manière de faire des affaires des EMN chinoises, même dans les pays occidentaux. Elles essaient d'ajouter des éléments personnels dans le processus de construction de leur Guanxi, en formant des relations non réductibles à de pures relations d'affaires. Ces comportements ne doivent pas être considérés simplement comme mercenaires ou pragmatiques. La construction du Guanxi affecte les décisions, voire même décide des segments d'affaires, des positionnements et des modes de vente. Elle est souvent planifiée bien en avance dans le cadre d'une stratégie, mais elle est

réalisée plus souvent inconsciemment, sans beaucoup de délibération, vers l'extérieur et l'intérieur - et cela reflète l'influence d'une culture (la culture chinoise dans notre cas).

Quant au deuxième élément culturel, au cours de nos études, nous avons observé une grande persévérance et un esprit travailleur accentué lorsque les EMN chinoises rattrapent leurs concurrents occidentaux plus établis.

Nous allons plus loin en soulignant que ces éléments culturels intrinsèques des EMN chinoises constituent d'énormes avantages dans le contexte de « réseau » de leur processus d'internationalisation. Guanxi est en effet tout simplement un des termes chinois qui signifient réseau et leur insertion dans les réseaux étrangers s'en trouve culturellement facilitée. En plus, leur persévérance et leur esprit travailleur leur permettent de créer des conditions favorables à partir de rien afin d'entrer dans le réseau des multinationales établies et se transformer d'outsider en 'insider'.

Proposition 6 : Comme un reflet de la **culture** chinoise, les EMN chinoises attachent une grande importance au renforcement à long terme du Guanxi comme un **moyen intrinsèque de faire des affaires** ; leur persévérance et leur esprit travailleur renforcés par ce contexte d'internationalisation jouent un rôle important et positif dans leur processus d'internationalisation. Ces éléments culturels sont particulièrement avantageux dans le cadre de « réseau » des entreprises du système actuel.

**Les relations gouvernementales et les éléments institutionnels** : La relation entre les EMN chinoises et le gouvernement s'avère beaucoup plus compliqué que celle analysée dans la plupart des recherches existantes. Tout d'abord, elle dépend de la nature et de la taille de l'entreprise. Deuxièmement, lorsque les recherches existantes se concentrent sur les avantages que les EMN chinoises obtiennent du gouvernement, telles que les aides financières (prêts à faible intérêt), les marchés publics, le gouvernement dans le rôle d'un « grand vendeur » et d'un coordinateur, et des politiques favorables, une relation étroite n'est pas toujours un bon

signe, et peut même être quelque chose que les entreprises essaient d'éviter, surtout quand elles s'internationalisent dans les pays développés. En tant que retardataires venant d'un pays asiatique, avec un bagage culturel bien différent et un régime socialiste, les EMN chinoises rencontrent plus d'obstacles venant des éléments institutionnels par rapport à d'autres EMN retardataires venant d'autres pays pour lesquelles ces éléments n'ont qu'une influence minimale ou négligeable. En de nombreuses occasions, ces éléments institutionnels créent des doutes et de la méfiance, ou même amènent l'entreprise à l'échec dans certains pays. L'influence institutionnelle dans ce contexte reflète une différence idéologique significative entre la Chine et les pays occidentaux, et se comporte comme une caractéristique unique des EMN chinoises en tant que retardataires sur le chemin de l'expansion internationale. Les réactions et les stratégies des EMN chinoises sont les suivantes :

- Des initiatives technologiques pour contrer le souci des clients sur la sécurité ; comme par exemple le centre d'évaluation de la sécurité des réseaux et des cellules sécurisées, établi par Huawei ;
- Une stratégie plus ferme et plus franche de communication ;
- La recherche de soutiens du gouvernement dans la coordination ;
- Diverses manœuvres de dénationalisation ;
- Des relations publiques locales et des activités de lobbying ;
- La localisation et les investissements.

Proposition 7 : En raison d'un contexte idéologique et politique particulier, les EMN chinoises sont confrontées à des obstacles **institutionnels** supplémentaires sur le chemin de l'internationalisation, et ce particulièrement dans les pays développés. Contrairement aux énoncés de la plupart des recherches existantes, **la relation étroite** entre les EMN chinoises et **le gouvernement** n'est pas toujours favorable. Par conséquent, elles cherchent à maintenir un équilibre délicat afin d'en tirer du profit tout en minimisant les effets négatifs.

Proposition 8 : Comme contre-mesures aux effets négatifs du contexte idéologique et politique, les EMN chinoises adoptent des précautions technologiques et procédurales pour

lever les doutes des clients (potentiels). Les relations publiques, les activités de communication et de lobbying, ainsi que la localisation et l'engagement, sont des outils fréquemment utilisés pour renforcer la confiance et maintenir **une bonne relation avec le gouvernement local**.

## 6.2 Les stratégies de marketing et de vente

Les stratégies de marketing et de vente reposent sur des analyses profondes à la fois de l'environnement extérieur et des ressources internes. Au cours de nos études sur le terrain, nous nous intéressons aux particularités des EMN chinoises, en tant que 1) EMN retardataires, 2) EMN d'un pays avec des caractéristiques distinctes et une grande distance (économique, culturelle, géographique et politique) par rapport aux marchés ciblés (les pays développés). Dans le tableau suivant, nous détaillons les points communs sur cet aspect des EMN chinoises leaders :

Le Marketing Mix – Le prix	Toujours un prix compétitif - le tremplin habituel pour entrer sur le marché
	Pas de guerre de prix des produits chinois, plutôt une stratégie basée sur les produits concurrents avec un meilleur rapport qualité/prix
Le Marketing Mix – Le produit	Des produits différenciés (avec de nouveaux éléments technologiques ou conceptuels)
	Le saute-mouton à des technologies ou des concepts de nouvelle génération
	Cibler un marché de niche ou adapter les produits au marché local
	Adapter aux besoins du marché ; une meilleure segmentation même au sein d'une région géographique telle que l'Europe de l'Ouest
	La souplesse et la rapidité en termes de livraison et de services
Le Marketing et les ventes en général	Une structure bien réfléchi et adaptée aux caractères de l'entreprise
	Modes de ventes innovants
	Se concentrer sur un produit ou une ligne de produit avant de se

	diversifier, généralement en raison de ressources limitées ; s'attaquer d'abord au marché industriel et puis au marché de grand public
Le Marketing Mix – la distribution	S'appuyer fortement sur les canaux de distribution traditionnels, avec des nouveaux canaux complémentaires
	L'allocation des ressources optimisée à l'échelle mondiale
Le Marketing Mix – la communication	Un changement d'image : plus d'ouverture, oser s'exprimer et attirer l'attention
	Le département de la communication et de la publicité est la partie la plus localisée et la plus mondialisée de l'entreprise
	Ce que l'on est plus important que ce que l'on dit: cela exerce une influence culturelle sur la stratégie de communication, à la fois sur les produits et sur l'entreprise
	La marque est un engagement, une façon d'établir des relations – préférence pour les relations publiques et pour le renforcement de la relation (à long terme) plutôt que pour la publicité
	L'image du pays devant l'image de l'entreprise
	Faible conscience de la marque ; des stratégies évolutives pour renforcer la marque
La synergie du marché	Marché chinois comme un argument dans les négociations et les coopérations
	Marché domestique en tant que banc d'essai idéal pour la segmentation du marché et la diversification de produit
	L'ouverture du marché conduit à la concurrence mondiale et est plus exigeant sur les capacités
	La structure et les caractéristiques industrielles du marché domestique présentent d'énormes avantages pour l'internationalisation vers les marchés avancés
En résumé	Un processus évolutif de la montée en puissance de la chaîne de valeur sous différentes formes



**Le prix :** Nous constatons que le prix a toujours été un facteur important de la compétitivité de la Chine. En général, les EMN chinoises dans les pays développés fournissent des produits / services à un prix considérablement plus bas que leurs concurrents locaux, en particulier dans la phase initiale de l'internationalisation. Le prix sert comme un tremplin vers le marché ou un moyen de préemption (par exemple la saisie de l'infrastructure par le biais des prix bas dans le secteur des télécommunications). Un prix compétitif est aujourd'hui toujours une caractéristique remarquable des EMN chinoises retardataires. Cependant, le prix bas ne signifie plus la guerre des prix traditionnelle qui perturbent parfois l'équilibre du marché et nuisent aux images des entreprises chinoises impliquées. La stratégie de prix d'aujourd'hui des EMN chinoises est plus raisonnable, en incorporant tous les facteurs qui influent sur les profits des entreprises. Même si une entreprise chinoise pratique un prix inférieur avec un profit négatif, il s'agit généralement une action stratégique qui ne met pas en péril la qualité du produit, l'image de l'entreprise à long terme et le secteur dans son ensemble. Nous notons que le terme « prix bas » ne porte plus uniquement sur le prix, mais consiste plutôt en un élément dans l'ensemble d'un « package ». Le prix bas des EMN chinoises consistent donc dans une stratégie basée sur les produits concurrents en proposant un meilleur rapport qualité/prix sous diverses formes : des produits de même qualité à un prix inférieur, des produits du même prix avec plus de fonctionnalités, un prix plus élevé avec une qualité supérieure ou un service connexe.

Proposition 9: Les produits chinois ont encore un **prix** compétitif par rapport à leurs concurrents occidentaux mais ce n'est plus selon une guerre des prix traditionnelle au détriment de la qualité et menaçant les équilibres sectoriels. Aujourd'hui, les EMN chinoises adoptent une stratégie de prix plus mature en offrant un meilleur rapport qualité/prix et le prix est utilisé comme un élément stratégique dans l'ensemble du « package » des produits et des services. Les produits des EMN chinoises sortent progressivement de la catégorie bas-de-gamme dans les pays développés.

**Le produit :** Le fait que les EMN chinoises sortent du marché bas-de-gamme indique que qu'elles se séparent à la fois des produits bas-de-gamme et de l'image bas-de-gamme du "made in China". Elles combinent les deux modes de rattrapage, le « suiveur-de-chemin » qui est plus axé sur le marché, et le 'saute-mouton' qui est plus centré sur la technologie :

- Le mode « suiveur de chemin » : les EMN chinoises fournissent des produits hautement différenciés des produits classiques fournis par des concurrents traditionnels pionniers, soit avec de nouveaux éléments technologiques ou de conception nouvelle tout en ciblant un marché ou une population de niche, soit en s'adaptant à au marché local. Elles sont plus enclines désormais à se différencier ou à s'adapter dans les pays développés et les pays en voie de développement, par rapport à leurs concurrents occidentaux, qui ont parfois plus d'inertie sociétale (de la production, des études de marché, etc.), ou bien qui sont « trop arrogants » pour s'adapter en particulier sur des marchés plus petits et/ou moins « stratégiques ».
- Le mode « saute-mouton » : les EMN chinoises sautent quelques étapes dans certains cas et ciblent la technologie de prochaine génération comme un moyen de rattrapage accéléré pour réduire l'écart d'une manière plus rapide.

Il est extrêmement important pour les EMN chinoises retardataires de distinguer leurs produits avec les dernières avancées technologiques. En effet, la technologie est devenue l'outil de rattrapage incontournable et le plus efficace. D'une part, les EMN chinoises dans des secteurs traditionnellement moins pointus technologiquement sont obligées aujourd'hui d'intégrer les innovations technologiques les plus avancées dans leurs produits. D'autre part, celles qui sont déjà dans des secteurs fortement technologiques cherchent à réaliser de plus grande part de marché et à prendre un contrôle plus ferme sur les technologies en amont et en aval. Outre les innovations technologiques, les services et la rapidité de livraison sont également des moyens importants, voire cruciaux dans certains secteurs, pour différencier les produits.

Proposition 10 : La différenciation des **produits** est une stratégie largement adoptée par

les EMN chinoises leader comme un outil pour entrer sur le marché, en particulier dans les pays développés. La différenciation peut se traduire sous la forme de suiveur-de-chemin, en fournissant des produits avec une conception ou des fonctionnalités innovantes plus adaptées au marché, ou plus ciblées à un marché de niche, ou sous la forme de « saute-mouton », en fournissant des produits de technologies de prochaine génération. Des services plus soignés et des livraisons plus rapides complètent la stratégie de différenciation.

**Marketing et ventes en général :** Les EMN retardataires chinoises ne suivent pas mécaniquement leurs concurrents mieux établis, mais montrent une grande originalité dans la recherche de la façon la plus appropriée pour structurer l'entreprise et pour vendre des produits sur les marchés étrangers. En plus, elles commencent typiquement en se concentrant sur un produit ou une ligne de produit avant de se diversifier. Cette concentration est cohérente avec leur stratégie de cibler un marché de niche, qu'il s'agisse d'un choix stratégique ou d'une contrainte de ressources.

Proposition 11 : Au lieu de suivre les EMN pionnières, les EMN chinoises adaptent leur **structure et leurs modes de vente** entièrement à la situation de l'entreprise et au marché de vente. Elles choisissent souvent de se concentrer sur un seul produit ou un ensemble de gammes de produit limitées pendant la phase initiale de l'internationalisation, avant de se diversifier.

**La distribution :** En tant que retardataires dans les pays développés, les EMN chinoises comptent beaucoup sur les chaînes de distribution locales déjà établies. Le choix de chaînes correspond parfaitement aux ressources, au positionnement de l'entreprise et aux stratégies de produit, prix et marque. Outre les canaux de distribution traditionnels, les nouveaux moyens de distribution sont également appréciés parce qu'ils se révèlent souvent comme des moyens efficaces pour les entreprises non traditionnelles de percer dans un nouveau marché.

Nous observons également que les EMN chinoises sont parmi les rares cas qui peuvent allouer ces ressources d'une manière optimale à l'échelle mondiale, brisant ainsi l'image stéréotypée du pays. Selon les théories conventionnelles, les EMN réalisent les avantages de localisation et les avantages de l'internationalisation en produisant dans des pays moins développés, puis en transportant des produits aux marchés des pays plus développés pour les vendre. Si ces avantages de localisation existent encore, ils ne se limitent à la frontière des états, particulièrement aux frontières d'un pays aussi diversifié comme la Chine. L'hétérogénéité économique et sociale du pays permet aux EMN de segmenter leur clientèle non pas par pays, mais par la situation économique et sociale des clients à l'échelle mondiale, d'où viennent les phénomènes comme la production de produits dans les pays développés en Europe et aux États-Unis pour des clients chinois, contre l'image habituelle de la production en Chine pour l'Europe et les États-Unis.

Proposition 12 : En tant que retardataires, les EMN chinoises comptent beaucoup sur les chaînes de **distribution** locales pour entrer sur le marché. Outre les chaînes traditionnelles, elles utilisent également des nouveaux canaux.

Proposition 13 : Grâce à la taille et à l'hétérogénéité économique et sociale du marché domestique, les EMN chinoises sont capable d'optimiser l'allocation des ressources (en termes de fabrication, de conception, et de R&D, etc.) à l'échelle mondiale et d'en tirer des avantages de localisation au maximum. Elles sont capables de segmenter leur clientèle dans le monde par leur comportement de consommation plutôt que par leur pays d'origine.

**La communication :** Les éléments culturels joue un rôle significatif dans les différents aspects de la communication internationale. Premièrement, due à la grande distance entre le domicile (Chine) et les marchés ciblés (en Europe de l'Ouest), le département de Marketing Communication est le plus délocalisé de l'entreprise, comparé à ses homologues comme les ventes, la R&D, l'administration, et la conception. La plupart des EMN chinoises ont réalisé une délocalisation totale du département de communication. Par conséquent, tous les

véhicules de communication des EMN chinoises ciblant le marché des pays développés sont localement conçus et mis en oeuvre par le personnel local avec une intégration parfaite de la culture locale.

En revanche, par rapport à leur taille, les EMNs chinoises leader ne mettent pas autant d'accent sur les communications verbales, surtout sur les spots publicitaires physiques et médiatiques, qu'elles le pourraient, particulièrement dans la phases initiale de l'internationalisation. Ceci est le résultat à la fois des circonstances extérieures comme le positionnement des EMN chinoises sur le marché, du manque de ressources en tant que retardataires, de la culture chinoise, qui favorise une approche discrète, surtout au début, et du principe culturel selon lequel « ce qu'on fait est plus important que ce qu'on dit ». L'autopromotion et l'auto-proclamation ne sont pas appréciées. Par conséquent, les EMN chinoises adoptent les stratégies de communications marketing autres que la publicité médias ou hors médias. Elles préfèrent les relations publiques, la construction du réseau, les interactions entre les acheteurs et les vendeurs (y compris les conférences et les forums). Le faible attachement à la publicité est également l'une des raisons qui explique la faiblesse des marques des EMN chinoises. Conscientes de ce point faible, les EMN chinoises font évoluer leurs stratégies de marque, avec des méthodes de communication plus modernes et plus agressives, en conformité avec d'autres éléments comme le prix, la distribution, la qualité, etc. En plus, certaines entreprises adoptent la stratégie de type « l'image de l'entreprise précède l'image du pays » en concentrant leurs efforts pour se débarrasser de l'image négative stéréotypée du « made in China ».

En termes de communication d'entreprise, les EMN chinoises montrent également des caractéristiques enracinées dans la culture Chinoise. Valorisant l'action beaucoup plus que l'élocution, les EMN chinoises ne sont pas habituées aux communications externes intenses qui les mets mal à l'aise pour s'exposer en public. Cette communication externe inefficace est souvent à la source d'attaques concernant leur non-transparence et de nombreux malentendus. Comment communiquer de façon effective et « internationale » consiste à un défi à la fois pour l'entreprise et pour son dirigeant.

Proposition 14 : Dues aux grandes distances géographiques, sociales et culturelles, dans les EMN chinoises, le service responsable de la **communication** est généralement le plus délocalisé et le plus mondialisé de tous.

Proposition 15 : La culture chinoise a une influence considérable sur les stratégies de **communication** des EMN chinoises dans le sens où elles montrent une préférence pour les méthodes de communication non verbales tels que les relations publiques et le renforcement des réseaux, par rapport aux méthodes de communication verbales ou publicitaires, ce qui explique en partie la faiblesse de leur images et de leur marques.

Proposition 16 : La culture chinoise influence également fortement le style de **communication** à la fois de l'entreprise et de ses dirigeants (fondateur / CEO) et ainsi l'image de l'entreprise. Cependant, avec le processus de l'internationalisation vers des pays développés, les EMN chinoises leaders et leurs dirigeants démontrent une claire tendance à l'ouverture et à la communication publique verbale.

Proposition 17 : Outre les éléments culturels, la faiblesse des EMN chinoises en termes de marque est due aussi au manque de ressources à l'échelle mondiale en tant que retardataires, à leur choix stratégique dans les marchés cibles, et à la situation économique chinoise (des produits lourds en main-d'œuvre et centrés sur la fabrication, les phases primitives de l'internationalisation).

Proposition 18 : Les EMN chinoises leaders sont en train de faire évoluer leurs stratégies de **communication** et d'image de marque, en concordance avec les autres éléments de leurs stratégies de marketing mix. Une des stratégies souvent adoptée, dans le but de se débarrasser de l'image négative du « made in China », est "l'image de l'entreprise précède l'image du pays".

**La synergie du marché :** Les EMN chinoises exploitent des caractéristiques particulières du marché domestique en les transformant en des avantages dans leur processus de l'internationalisation, en particulier dans les pays développés. Cette exploitation crée une synergie entre le marché domestique et le marché étranger. Outre les éléments déjà analysés, les trois éléments suivants ont une grande influence quand les EMN chinoises construisent leur avantages concurrentiels :

- Le marché chinois en tant que pouvoir d'argument dans les négociations et les coopérations. En tant que plus grand des pays en voie de développement et plus grand marché émergent dans le monde, avec une population énorme et une grande diversité intérieure, la Chine comme marché se révèle souvent comme un argument efficace dans les négociations, les acquisitions et les partenariats. Dans de nombreux cas, les EMN chinoises sont retenues en tant que partenaires ou gagnent un appel d'offres de fusion/acquisition non pas seulement pour des raisons à court terme comme le prix de l'offre, mais aussi du potentiel du marché chinois.
- La diversité et l'hétérogénéité du marché chinois constituent un champ d'expérimentation idéal pour l'internationalisation des EMN chinoises dans d'autres pays et régions. Les EMN chinoises, bien qu'elles soient des retardataires, sont plus qu'accoutumées à répondre aux besoins de différentes clientèles. Deuxièmement, le marché chinois est totalement ouvert à la concurrence, en particulier par rapport au Japon et à la Corée du Sud à proximité, où il existe parfois des protectionnismes dus non seulement à la protection des marques nationales par les gouvernements, mais aussi à des éléments culturels tels que le patriotisme des populations.
- La structure industrielle de la Chine bénéficie significativement à ses EMN. Etant un camp de fabrication mondial, la Chine a construit une chaîne industrielle complète et puissante. Elle a également développé plusieurs pôles spécialisés et avancés au cours des dernières années. Par conséquent, les EMN chinoises peuvent agir avec une rapidité exceptionnelle et une grande efficacité, ce qui les distingue souvent des EMN pionnières.

Proposition 19 : Les caractéristiques du marché domestique donnent aux EMN chinoises un avantage dans la concurrence mondiale, en particulier dans les pays développés. Ces caractéristiques comprennent :

- la taille et l'importance du marché chinois, qui est un pouvoir d'argument dans les négociations et la coopération ;
- la taille et l'hétérogénéité du marché chinois, qui en fait un champ idéal pour la segmentation du marché et la diversification des produits ;
- l'ouverture du marché domestique oblige les EMN chinoises à concurrencer autant à la « maison » qu'à l'étranger, avec presque la même exigence et la même intensité de compétition ;
- la structure et la capacité de fabrication industrielle de la Chine donnent aux EMN chinoises une efficacité et une souplesse particulières face aux concurrents.

**Résumé :** Toutes les EMN chinoises, à un certain stade de leur expansion, ont soit activement soit passivement choisi de monter en puissance dans la chaîne de valeur. Le processus d'internationalisation des EMN chinoises peut à cet égard être considéré comme un processus de monter en puissance dans la chaîne de valeur. Cette "montée" ou cette "mise à niveau" peut prendre diverses formes :

- À partir de l'étape où les EMN chinoises se concentrent sur une ligne de produits ou sur un produit unique ciblant un marché de niche, jusqu'à la diversification vers un ensemble de produits beaucoup plus large ciblant des segments de marché transnationaux ;
- À partir de l'étape où elles se concentrent sur un secteur particulier dans une industrie jusqu'à l'expansion à d'autres secteurs de la même industrie, même aux industries connexes et périphériques ;
- À partir de l'étape où elles ciblent les clients professionnels jusqu'à celle où elles ciblent le grand public qui se révèle souvent plus difficile et soulève des questions allant au-delà des produits eux-mêmes (par exemple culturelles);



- À partir de la stratégie de prix bas « made-in-China » jusqu'à la stratégie centrée sur le rapport qualité/prix ; à partir des produits bas-de-gamme en allant vers des produits semi haut-de-gamme ; à partir des produits forts en main-d'œuvre en allant vers des produits de haute technologie ;
- À partir d'un stade confiné à des liens limités de la chaîne industrielle (tels que la fabrication), jusqu'à l'expansion à la fois vers l'amont et l'aval et à d'autres liens (tels que la R&D, la conception, la logistique ...) ;
- À partir de produits OME ou "marque blanche" jusqu'aux produits de marque ;
- À partir d'une communication discrète et réservée se limitant à la construction des réseaux et des relations industrielles jusqu'à l'adoption de modes de communications plus orientés public, plus visibles et plus internationaux ;
- À partir des pays / zones les moins développés jusqu'aux plus avancés.

Proposition 20 : L'internationalisation des EMN chinoises est un processus de montée en puissance dans la chaîne de valeur. Cette "montée" peut être réalisée de différentes manières. Les EMN chinoises leaders se rattrapent face à la concurrence des EMN pionnières dans leurs marchés locaux en fournissant des produits / services à forte valeur ajoutée, tout en abandonnant la méthode traditionnelle du « made-in- China ».

### 6.3 La gestion interculturelle des ressources humaines

La gestion des ressources humaines internationale	L'esprit start-up + un fondateur charismatique au cœur de l'entreprise ; l'ambiance familial, humaine et étroitement organisée ; transformation des entrepreneurs en managers professionnels.
	Les employés chinois seniors comme premiers « soldats » sur les marchés étrangers avant l'embauche des cadres locaux au cours de la délocalisation.
	Les propositions compétitives de salaires pour des postes clés, avec des candidats soigneusement sélectionnés.

	L'internationalisation (l'occidentalisation ou l'américanisation) sur le plan communication, le noyau chinois sur le plan culturel : une intégration culturelle et une fusion des styles de gestion.
	Plus de difficultés et plus de compromis afin de surmonter les obstacles liés aux entreprises étrangères et à la longue distance (culturelle, sociale, ...) ; Gestion des ressources humaines étroitement liée à la culture chinoise.

Une des caractéristiques uniques des EMN chinoises retardataires est l'esprit de start-up, qui est souvent considéré comme un avantage spécifique à l'entreprise parce que cet esprit pousse l'entreprise à être créative, courageuse et audacieuse, avec moins d'inertie que les EMN pionnières. Avec un âge moyen d'entreprise d'environ 30 ans, les principaux fondateurs sont toujours actifs et sur la première scène. Ces entrepreneurs sont souvent considérés comme des personnes des plus audacieuses et extraordinaires comparées à leurs compatriotes, surtout compte tenu de la situation politique et économique de la Chine à l'époque (dans les années 80). Ils constituent "un mythe de fondateur" qui est devenu la base de la culture de leurs entreprises. Le fondateur au cœur, l'esprit de start-up de l'équipe fondatrice, et l'influence de la culture chinoise tous ensemble font des EMN chinoises des entreprises presque familiales et étroitement soudées, ce qui leur apporte à la fois des avantages et des désavantages. D'une part, un tel esprit et une telle structure aident les EMN chinoises à remonter le moral et à renforcer le culte du travail et de la persévérance, déjà fortement présent. D'autre part, le style de management de start-up et de la famille ne convient pas souvent à une EMN avec une présence dans des marchés professionnels et matures comme l'Europe ; l'expansion de l'entreprise exige des procédures standardisées. Conscientes de ces problèmes, les EMN chinoises sont dans le processus de transformer leurs entrepreneurs en managers professionnels.

Les EMN chinoises, dans la phase initiale de l'internationalisation dans les pays développés, ont l'habitude d'envoyer des employés chinois seniors à l'étranger au lieu d'embaucher des

Européens locaux ou des chinois travaillant dans des entreprises européennes ou des diplômés chinois en Europe. Ce phénomène reflète à la fois la nature retardataire des EMN chinoises et la culture du pays de ces entreprises. Toutefois, la localisation du personnel s'approfondit avec le développement de l'entreprise en Europe, avec des postes clés, soigneusement pourvus et bien rémunérés. Globalement, la localisation du personnel se montre de plus en plus intéressante aujourd'hui pour les raisons suivantes :

- Le salaire moyen des employés des EMN chinoises, même en Chine, est aujourd'hui comparable au salaire des entreprises européennes similaires ;
- Expatrier des employés chinois en Europe coûte cher avec les frais d'installation ;
- Recruter des employés locaux avec des salaires compétitifs constitue l'un des principaux moyens pour les EMN chinoises de renforcer leurs ressources humaines locales ;
- La localisation des ressources humaines fait partie de l'une des manœuvres pour les EMN chinoises leur permettant de maintenir une bonne relation avec le gouvernement local et d'obtenir son soutien.

Avec la localisation des personnels, les EMN chinoises s'internationalisent (s'occidentalisent ou s'américanisent) rapidement tout en adoptent l'approche occidentale et limitant l'approche chinoise dans la communication et l'échange. En revanche, elles restent chinoises sur le plan culturel. En particulier, concernant les questions et les conflits au sein des ressources humaines, elles ont tendance à les résoudre à la manière chinoise c'est à dire impliquant principalement des communications interpersonnelles.

Par conséquent, les EMN chinoises réalisent une sorte d'exportation culturelle menant à une intégration culturelle, une fusion et même une synergie, en optimisant les solutions à un problème par le respect des différentes cultures et en utilisant la force de chacune. L'internationalisation et la mondialisation sont aujourd'hui souvent des synonymes d'occidentalisation ou d'américanisation. Mais dans le processus d'internationalisation des EMN chinoises, ainsi que dans celui des EMN retardataires d'autres pays en voie de

développement, nous constatons une internationalisation plus proche de son sens original, celui qui mène à la synergie et l’harmonisation des cultures.

Proposition 21 : En tant que retardataires, avec les fondateurs et le noyau de l’équipe fondatrice encore en poste pour les diriger, les EMN chinoises sont soudées et font preuve d’un moral de start-up ! D’autre part, elles évoluent activement la fois dans leur structure d’entreprise et dans leur style de gestion qui correspond de mieux en mieux à leur statut sur la scène internationale.

Proposition 22 : En termes de stratégies de **ressources humaines**, les EMN chinoises commercent par envoyer des employés chinois seniors comme des pionniers dans les marchés des pays développés. Ensuite, elles se ‘localisent’ par l’embauche d’employés locaux avec des rémunérations attractives. Particulièrement, les candidats des postes clefs sont soigneusement sélectionnés et rémunérés.

Proposition 23 : Les EMN chinoises surmontent les obstacles en tant qu’étrangères et outsiders en faisant des compromis culturels. Elles s’occidentalisent ou s’américanisent dans la communication et l’échange, mais gardent leur âme chinoise sur le plan culturel. Le style de gestion de ressources humaines est fortement influencé par la culture chinoise.

#### 6.4 Synthèse analytique des études du terrain

Nous concluons cette partie sur les études du terrain par une synthèse détaillée qui nous permet de répondre aux questions posées dans le début de l’étude, particulièrement sur l’existence éventuelle d’un modèle de réussite des EMN chinoises dans les pays développés.

<b>La vue institutionnelle</b>	
<i><u>Avantages</u></i>	<i><u>Stratégies</u></i>
Les politiques du gouvernement chinois	Profiter de la politique incitative du

	gouvernement chinois qui encourage les EMN chinoises à s'internationaliser ; Essayer d'obtenir l'appui du gouvernement en termes de financement et de régulation.
Les politiques et les règles du pays d'accueil /marché cible : la libéralisation et l'ouverture du marché ; une coopération plus étendue et plus profonde entre l'Europe et la Chine	L'exportation extensive et l'éventuel IDE ; augmenter la quantité et la portée de l'IDE ; établir plus de partenariats sous des formes plus diversifiées
Le changement institutionnel relativement rapide dans le marché domestique et l'instabilité	Utiliser le changement comme une incitation pour l'expansion internationale et pour la prise de décision stratégique
La crise financière en Europe	Un bon moment pour les fusions et les acquisitions ; L'IDE est très apprécié par les gouvernements européens
Les éléments liés à la culture chinoise	La persévérance, le culte du travail , la volonté de faire des compromis, l'accent sur le renforcement de la relation (à long terme) à la fois intérieur et à l'extérieur de l'entreprise.
<i><b>Inconvénients</b></i>	<i><b>Stratégies</b></i>
La grande distance culturelle, sociale, et économique	La communication et des compromis en termes de gestion des ressources humaines et d'autres interactions internationale ; produits adaptés pour différents marchés ; apprentissage constant pour surmonter les désavantages en tant qu'étrangers / outsiders ; localisation du personnel ; occidentalisation sur

	le plan d'échange avec un noyau chinois d'une manière subtile ; salaires très attractifs
Le protectionnisme et les politiques d'antidumping de l'Europe	Localisation de la production ; L'IDE comme un moyen de contourner les droits de douane antidumping ; lobbying et les relations gouvernementales ; localisation des postes clés
Les difficultés liées à l'opposition idéologique	Sacrifier certains marchés afin de concentrer les ressources sur d'autres ; lobbying et des relations gouvernementales ; procédures de sécurité pour rassurer les clients ciblés et le gouvernement du pays d'accueil ; localisation ; garder un équilibre délicat avec le gouvernement chinois.
Les éléments liés à la culture chinoise	Faible dans les communications publiques générales ; la marque est un engagement (le renforcement de conscience de la marque) ; la non-transparence de l'entreprise et de son leader (l'évolution des stratégies de l'image et de la communication : l'ouverture et la montée sur scène)
L'image de "Made-in-China"	L'image du pays avant l'image de l'entreprise ; Pas de guerre de prix ; convaincre les clients avec le produit ; développer la R&D.
Retardataire dans l'internationalisation	L'équipe des fondateurs encore en poste, avec un moral élevé et l'esprit de start-up
<b>Vue industrielle</b>	
<i><u>Avantages</u></i>	<i><u>Stratégies</u></i>

La structure industrielle de la Chine et une forte capacité de fabrication	Décider la stratégie globale et l'ordre d'entrée en fonction des caractéristiques de l'industrie; la rapidité et le prix plus attractif ; les EMN dans le même secteur peuvent suivre l'une après l'autre ; la formation de pôles et de réseaux.
Des pôles à la fois dans le marché domestique et dans le marché cible	Profiter des pôles nationaux pour réaliser une baisse des prix et des activités à valeur ajoutée tout en partageant les ressources et les savoir-faire ; l'apprentissage comme une forte motivation pour entrer dans les pôles sur les marchés étrangers.
L'ouverture du marché domestique	Une forte incitation pour l'internationalisation ; L'encouragement sur l'innovation et l'esprit d'entreprise ; La concurrence à l'échelle mondiale.
La structure et l'hétérogénéité de marché domestique	Banc d'essai idéal pour l'adaptation des produits et la segmentation du marché ; l'allocation des ressources efficace à l'échelle mondiale.
<i><b>Inconvénients</b></i>	<i><b>Stratégies</b></i>
Le retard relatif de l'industrie	L'apprentissage par l'internationalisation, par des partenariats, des coopérations, des fusions et des acquisitions ; ce que les EMN chinoises apprennent contribue au développement industriel et social de la Chine.

<b>Vue basée sur les ressources</b>	
<i><u>Avantages</u></i>	<i><u>Stratégies</u></i>
Les avantages spécifiques à l'entreprise	L'entrepreneuriat ; le déploiement des ressources et des capacités d'internationalisation : l'entrée sur le marché, le développement des capacités subsidiaires, les alliances internationales, la capacité du management, la capacité d'apprentissage, ...
Des ressources humaines abondantes et riches en Chine	Les RH de haut niveau rendent possible la R&D de haut niveau ainsi que des produits riches en technologie ; Les RH de niveau inférieur rendent possibles des prix attractifs ; un énorme réservoir de talents pour les entreprises dans le monde entier.
La taille et l'importance du marché chinois	Utiliser le marché domestique dans les négociations (partenariats, acquisitions ...) ; Le marché domestique comme une base de l'internationalisation (en terme de capital, de ressources, d'étude de marché, de dynamisme et d'idées, ...).
Les avantages des retardataires sur les marchés	Saisir la chance de la nouvelle technologie, profiter de l'inertie et de l'arrogance des concurrents pionniers (en termes d'adaptation de produit) ; établir des nouvelles normes ; utiliser l'effet de « free-rider » et le renversement d'information ; observer le retour de marché initial, faire une



	analyse objective, apprendre des erreurs des EMN pionniers.
Les avantages des retardataires sur les ressources	Profite de l'inertie historique des pionniers, à la fois physique et psychologique.
<i><u>Inconvénients</u></i>	<i><u>Stratégies</u></i>
Les avantages des pionniers sur le marché : la fidélité de la clientèle	La différenciation de produit ; se concentrer sur le marché de niche; des produits plus adaptés au marché ; attirer la jeune génération avec des produits innovants, l'image plus dynamique à travers de nouvelles plateformes de médias.
La préemption des pionniers en termes des ressources, des normes et d'autres éléments ; la protection par brevet	Simplement faire mieux pour entrer sur le marché (en utilisant et assemblant tous les éléments dans ce tableau) ; la R&D domestique intensive complétée par la coopération / partenariat.
Le manque d'expérience	L'apprentissage par la pratique ; Suivre le chemin et innover ; une courbe de développement accéléré.

En juxtaposant le « modèle de réussite » synthétisé ci-dessus avec les études sur l'internationalisation des EMN chinoises dans la littérature discutées dans le Chapitre 4, nous concluons nos études en clarifiant les questions suivantes : quelles théories et quels modèles sont confirmés, quelles théories et quels modèles ont besoin d'être rectifiés, adaptés, étendus ou reformulés en intégrant de nouvelles recherches.

Les théories essentiellement confirmées sont les suivantes :

- Les EMN chinoises profitent des politiques favorables et des incitations à la fois du gouvernement chinois et des marchés cibles.

- Les EMN chinoises s'internationalisent à travers de vastes partenariats et des alliances, et entrent ainsi dans le réseau mondial. Elles apprennent et gagnent des parts de marché à travers le réseau.
- Les EMN chinoises font preuve de flexibilité en termes de modes d'entrée. La voie des fusions/acquisition est l'un des modes d'entrée fréquemment utilisé pour acquérir des avantages stratégiques et des parts de marché.
- Les EMN chinoises mettent l'accent sur la R&D pour être en mesure de fournir des produits différenciés avec des éléments innovants ou en mesure de passer directement à la technologie de la prochaine génération.
- Les EMN chinoises montrent de plus en plus d'entrepreneuriat, ainsi que d'autres capacités de gestion et des initiatives dans leur processus d'internationalisation.

A travers l'étude de ces quatre cas, nous montrons que contrairement à ce qui a pu être déclaré dans des études antérieures appliquant certaines théories existantes, il n'est pas correct d'attribuer le succès des EMN chinoises aux éléments suivants: le faible coût de la main d'œuvre du marché domestique, la simple copie des technologies ou des produits existants des pionniers, le soutien du gouvernement chinois purement dans le contexte du consensus de Pékin.

Nos recherches s'étendent à des domaines suivants qui, jusqu'à présent, n'ont pas assez attiré l'attention des chercheurs en marketing stratégique :

- Les influences de la culture chinoise sur les stratégies de communication des EMN chinoises, la gestion des ressources humaines, l'image de l'entreprise, le style de leadership et la manière de faire des affaires en général.
- Les particularités du marché domestique qui donnent aux EMN chinoises des avantages concurrentiels spéciaux dans l'ensemble du processus de leur internationalisation comme par exemple : des biens et des ressources initiaux, les ressources humaines (autrement que pour des raisons de faible coût de la main d'œuvre !), un terrain d'essai pour la différenciation des produits et la segmentation

des marchés, la capacité de fournir des produits à bas prix mais avec une plus grande rapidité, une position plus avantageuse au cours des négociations ...

- Le contexte politique/idéologique des EMN chinoises comme épée à double tranchant.

## CONCLUSION

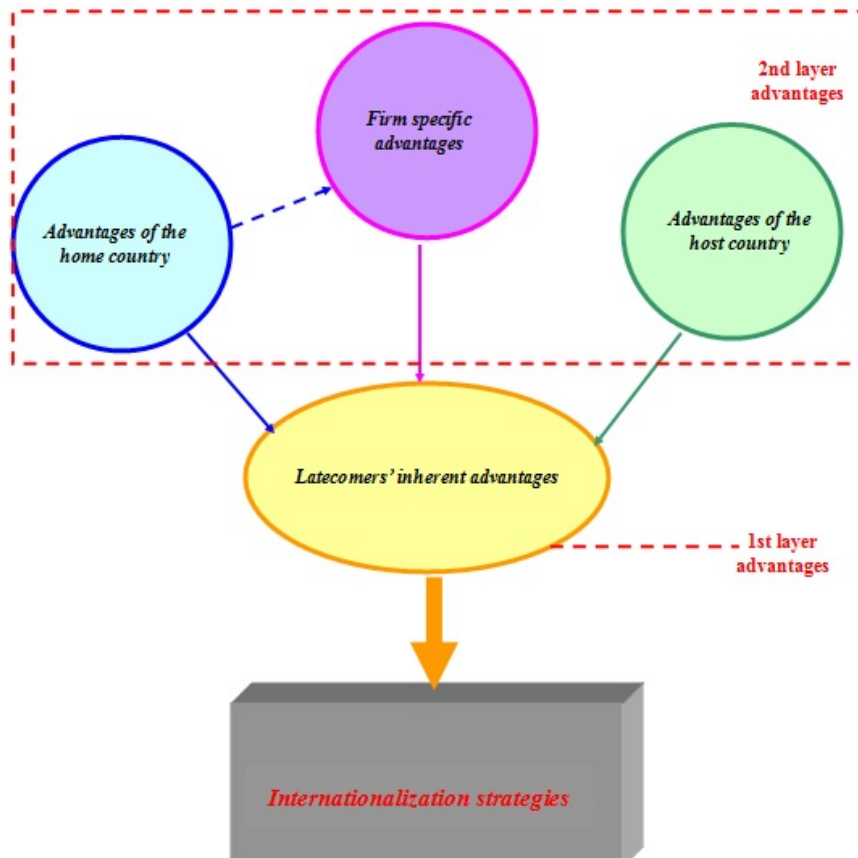
### Chapitre 7 Discussion, limites, et futures recherches

#### 7.1 Les théories de l'internationalisation revisitées

Dans ce chapitre de conclusion, nous nous référons d'abord aux théories et aux modèles classiques et alternatifs dans le but de répondre à la dernière des questions fondamentales de notre recherche doctorale. A partir de notre "modèle de réussite", nous allons un peu plus loin en classifiant les avantages des EMN chinoises en 4 catégories :

- Les avantages intrinsèques de retardataires,
- Les avantages liés au pays d'origine,
- Les avantages propres à l'entreprise,
- Les avantages liés au pays d'accueil.

Nous décrivons les relations entre les avantages dans le schéma suivant :



Nous proposons de considérer que les EMN retardataires de pays moins avancés rattrapent les EMN établies des pays développés :

- en maximisant à la fois les avantages intrinsèques aux retardataires et les désavantages intrinsèques aux pionniers,
- ainsi qu'en minimisant les désavantages intrinsèques aux retardataires et les avantages intrinsèques aux pionniers (les avantages du 1<sup>e</sup> niveau dans le schéma).

Les recherches existantes ont exploré ce point avec une synthèse relativement complète de ces avantages, dont l'origine peut être le marché, l'industrie ou le secteur, ou le simple fait d'être un retardataire. Les EMN retardataires adoptent leurs stratégies d'internationalisation en fonction de ces avantages et désavantages : le positionnement dans une industrie « prometteuse », les produits différenciés ou mieux adaptés, une structure mieux adaptés (en termes de production, de ventes et d'organisation), la saute à la prochaine génération de la technologie ou l'ajout des éléments technologiques pour des produits moins avancés technologiquement, l'apprentissage des pionniers, l'internationalisation par observation, des partenariats et des alliances, une plus grande flexibilité et réactivité, etc.

Cependant, ces avantages du premier niveau sont nécessaires mais pas suffisantes pour le succès des EMN. En réalité, la plupart des EMN retardataires n'arrivent pas à valoriser les avantages du premier niveau car elles ne disposent pas des avantages du deuxième niveau, qui sont des conditions préalables pour transformer les avantages du premier niveau en stratégies concrètes. Ces avantages de deuxième niveau sont les avantages propres à l'entreprise, les avantages du pays d'accueil et les avantages du pays d'origine. Les avantages de ce niveau sont interconnectés les uns avec les autres. Par exemple, un sous ensemble d'avantages propres à l'entreprise (e.g., la forte capacité de R&D) se reposent sur les avantages du pays d'origine (e.g., la riche réserve de ressources humaines) ; certains avantages propres à l'entreprise (e.g., la capacité managériale et la sensibilité au leadership du marché) sont nécessaires pour acquérir d'autres avantages et pour transformer ces derniers en stratégies concrètes.

Le modèle que nous proposons dans cette thèse incorpore les nouveaux éléments des

avantages du premier niveau, mais il est parfaitement cohérent avec les modèles classiques tels que le diamant de Porter des avantages nationaux et internationaux. Notre modèle se reflète dans les théories classiques telles que le modèle OLI sur les avantages d'internationalisation, et le modèle d'Uppsala sur l'ordre de l'internationalisation, ses différents états et les transitions de l'un à l'autre. Nous soulignons qu'en termes de structure de base de l'internationalisation, il n'y a pas de différence essentielle entre les EMN pionnières et les EMN retardataires dans leur processus de mondialisation et d'acquisition de leadership mondiaux.

Discussion 1 : Dans le cas des EMN retardataires qui sont déjà leaders dans le marché domestique et qui sont activement à la recherche d'un leadership mondial en compétition avec des EMN pionnières sur la scène internationale, les théories classiques comme le modèle OLI ou le modèle Uppsala ne perdent pas leur validité essentielle pour ce qui concerne la motivation à l'internationalisation, les modes d'entrée, l'ordre d'entrée, les sources d'avantages concurrentiels au sens général, le processus d'apprentissage et les stratégies correspondantes. Les théories alternatives soi disant « révolutionnaires » ne semblent pas nécessaires.

En termes de certaines particularités démontrées par des EMN retardataires qui ne sont pas suffisamment prises en compte par les modèles d'affaires internationales classiques, nous postulons que ces particularités sont essentiellement superficielles, sans toucher l'essence du processus de l'internationalisation. Le fait que des retardataires multinationales parviennent à s'internationaliser à un rythme plus rapide et dans les pays les plus développés est souvent considéré comme une particularité déviée des théories classiques du commerce international. Cependant, cette « particularité » n'est pas vraiment particulière aux EMN retardataires des pays en voie de développement. En réalité, elle est toute simplement une nouvelle caractéristique de l'internationalisation dans le nouveau contexte de la mondialisation, dans le sens suivant :

- Le développement technologique facilite la communication et la propagation de l'information. Il est donc plus facile pour les EMN retardataires d'initier le processus

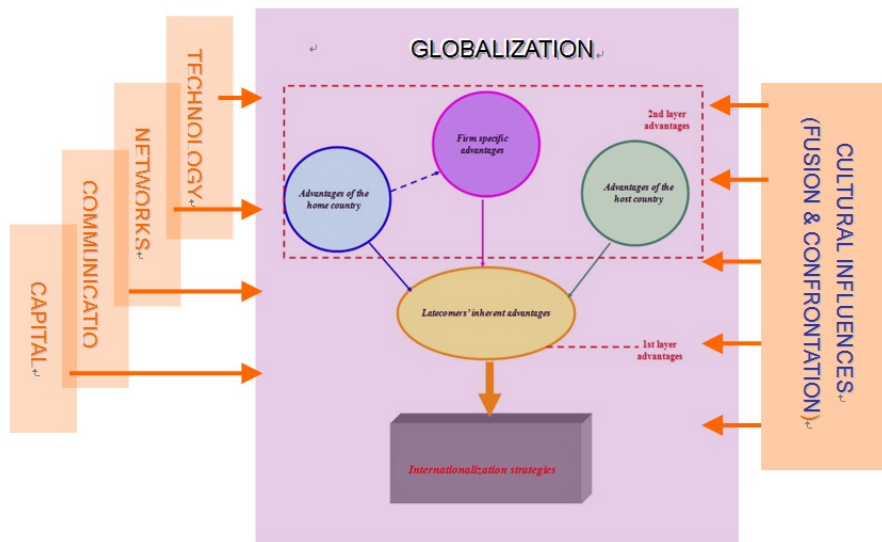
d'apprentissage, d'entrer dans le réseau, et de réaliser l'internationalisation sur une plus grande échelle d'une façon accélérée. Ce n'est pas une particularité pour les EMN retardataires des pays en voie de développement, mais plutôt un mode de l'internationalisation de toutes les EMN retardataires qui ont commencé leur processus d'internationalisation récemment.

- La concurrence étant de plus en plus féroce, non seulement les EMN retardataires des pays en voie de développement, mais aussi celles des pays développés, non seulement les EMN retardataires, mais aussi celles déjà établies, ont démontré ces particularités dans leur processus d'internationalisation. Il n'existe pas d'entreprise qui puisse prétendre à une position sécurisée dans le marché d'aujourd'hui. Au contraire, de nombreux EMN pionnières ont déjà échoué ou même disparu de la scène internationale. Dans ce sens, les positions des EMN pionnières et retardataires dans le marché ne sont pas figées et évoluent en fonction de leur performance.

Discussion 2 : La plupart des particularités traditionnellement attribuées aux EMN retardataires des pays en voie de développement sont en réalité de nouvelles caractéristiques de l'internationalisation dans le contexte de la mondialisation et des nouvelles technologies : d'une part, une internationalisation accélérée de plus grande échelle a émergé ; d'autre part, la compétition plus féroce et plus étendue incite les EMN à s'internationaliser de manière plus stratégique et moins opportuniste ; par conséquent, ces particularités s'appliquent non seulement aux EMN retardataires des pays émergents, mais aussi à celles des pays développés, et même aux EMN pionnières déjà établies sur le marché mondial.

La plupart des modèles d'internationalisation alternatifs dits "révolutionnaires" sont en effet partiels, ne portant que sur certains aspects ou créant des variables non nécessaires. Par conséquent, nous pensons que l'approche la plus efficace pour étudier l'internationalisation des EMN retardataires et des nouveaux phénomènes connexes est d'adapter les modèles classiques (tels que les modèles OLI et Uppsala) dans le nouveau contexte de la mondialisation plus évolutif et d'examiner les influences de différents facteurs. En particulier, le sujet doit

être considéré dans le contexte d'une mondialisation accélérée, avec des éléments tels que l'avancée technologique, les mouvements de capitaux, la communication et des réseaux, comme illustré dans le schéma suivant. En plus, la culture, en faisant partie de l'institution informelle, est également un facteur important qui différencie significativement des EMN d'origines différentes.



Discussion 3 : Les modèles alternatifs de l'internationalisation des EMN retardataires ne sont pas complets et rigoureux. L'approche la plus efficace de notre point de vue consisterait à replacer les modèles d'internationalisation classiques, qui décrivent la motivation et les principaux modes de l'internationalisation, dans le nouveau contexte de la mondialisation, tout en examinant les influences de facteurs dans ce contexte comme la technologie, les capitaux, les réseaux, la communication, ainsi que la confrontation et/ou la fusion des cultures.

## 7.2 Contributions et implications de nos études

### 7.2.1 Contributions théoriques

Nos études sur les stratégies marketing des EMN chinoises en Europe trace la relation entre les théories classiques sur l'internationalisation qui ont été dérivées des EMN pionnières et des théories alternatives sur des EMN retardataires : les théories classiques sont



essentiellement valides en ce qui concerne les motivations et les modes de l'internationalisation, au moins dans le cas des EMN leaders dans leur marché domestique et cherchant un leadership mondial. Dans le contexte de la globalisation, peu d'entreprises peuvent s'échapper aux activités internationales. Dans le processus de l'internationalisation, les EMN leader suivent plus ou moins le chemin traditionnel.

Nous avons également étudié les théories d'internationalisation alternatives sur des EMN retardataires. Nos études de cas tendent à montrer que les théories "révolutionnaires" ne sont pas utiles. La plupart des particularités que ces théories attribuent aux EMN retardataires sont en réalité les nouvelles caractéristiques de l'internationalisation dans ce contexte de mondialisation, d'innovation technologique, de communication et de renforcement de la concurrence et de la compétition. Les EMN des pays développés, tout comme leurs homologues des pays en voie de développement, sont confrontées elles aussi à ces nouveaux défis et la dualité supposée du processus d'internationalisation s'efface progressivement. Ainsi, il s'avère plus justifié de faire évoluer les théories classiques dans ce nouveau contexte que de différencier des EMN retardataires et des EMN pionnières.

### **7.2.2 Contributions managériales**

Sur le plan managérial, les études dans notre thèse sont applicables à la gestion des EMN dans les pays en voie de développement ainsi que des EMN dans les pays développés, et dans n'importe quelles phases de leur processus d'internationalisation. Spécifiquement, notre étude peut les aider à définir leurs stratégies d'internationalisation.

Les éléments culturels dans nos études sont particulièrement intéressants dans la gestion des EMN. Comme nous le suggèrent nos études de cas, la mondialisation n'est pas synonyme d'occidentalisation et/ou d'américanisation, et il est de plus en plus important de comprendre comment les différentes cultures peuvent être à la source de synergies et d'avantages dans la concurrence internationale. La gestion ne doit donc surtout pas négliger l'aspect culturel. En plus, au-delà de la perspective des entreprises, la gestion et les stratégies dans le processus d'internationalisation peuvent contribuer à l'intégration des différentes cultures et ainsi

renforcer des valeurs d'universalité et d'humanisme.

### **7.2.3 Contributions institutionnelles**

Les éléments institutionnels abordés dans nos études ont des implications claires pour les responsables de l'élaboration des politiques. L'Europe et les Etats-Unis étant les régions les plus développées et attirant de plus en plus d'investissements venant de la Chine et d'autres pays émergents, notre recherche peut susciter une attention spécifique de la part des responsables européens et américains de l'élaboration des politiques quand ils se demandent s'il faut encourager des EMN chinoises à maintenir leurs engagements en créant un environnement institutionnel favorable pour elles ? Et dans ce cas, que faire pour construire un environnement d'investissement favorable malgré les différences ou même les désaccords institutionnels et idéologiques ?

### **7.3 Limites et perspectives**

Nous devons aussi reconnaître les limites de nos études qui constituent également des possibilités de recherches futures. Premièrement, le nombre de cas dans nos études est limité. Il pourrait être intéressant de conduire une analyse encore plus poussée de plus d'EMN chinoises pour avoir une vision plus complète. Deuxièmement, les cas étudiés dans nos études sont des entreprises de fabrication fournissant des biens tangibles pour les utilisateurs industriels ou du grand public ; des nouvelles entreprises fournissant purement des services (y compris les sociétés en ligne) ou des produits non tangibles pourraient compléter ces analyses. Troisièmement, la subjectivité dans nos études est inévitable car la plupart des personnes interrogées sont des employées des entreprises étudiées. En plus, l'aspect culturel de l'internationalisation des EMN, qui n'est suffisamment pas abordé dans la littérature constitue une piste de recherche à fort potentiel et méritera une recherche approfondie.

## **INTRODUCTION**

## Chapter 1. Background of the Studies

*We start our thesis by providing an extended overview of the context and background of the topics addressed throughout the studies.*

*First of all, the definition and classifications of the term FDI (Foreign Direct Investment) are given: inward vs. outward; vertical vs. horizontal; and greenfield vs. brownfield. Researchers of International Business could not possibly fail to notice the phenomenon that both FDI inflows and outflows of the world's developing countries keep increasing at a steady pace, and within this group, the BRICS (Brazil, Russia, India, People's Republic of China, and South Africa) countries continue to take the lead, showing great momentum both as recipients of foreign investments and as investors themselves.*

*Among the BRICS, China is the biggest investor not only in fellow developing countries, but in developed ones as well. Following the logical line, after a close examination of the characteristics and compositions of China's FDIs, we go on to look at its main player and driver – the Chinese MNEs (Multinational Enterprises). The world economy has witnessed more and more Chinese MNEs enter the Top MNE Club, as reflected by the Fortune 500 List, and as suggested by the thesis title, they are also selected as the research object of our studies.*

*Then in the last part of the Chapter, we examine in details the characteristics of China's economy, whose imbalance and heterogeneity rightfully put the country in the category of “developing/emerging economies”. In synchronism with the general picture, Chinese MNEs are considered latecomers in terms of internationalization – they are a late bird compared to their eastern (and western such as Japan) competitors; and such is the keynote of our following studies: how does this late bird manage to catch worms in this fiercely-competitive environment, with so many early birds already around it? Even in the home forest of early-birds?*

## 1.1 Developing countries: a new source of Foreign Direct Investment

### 1.1.1 FDI : definitions and taxonomy

*Foreign Direct Investment* (FDI), as defined by the Organization for Economic Cooperation and Development (OECD), refers to a cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise. Ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used. (OECD Factbook 2013)

According to OECD, FDI is “a key element in international economic integration” (OECD Factbook 2013): it creates direct, stable and long-lasting links between economies; it encourages the transfer of technology and know-how between countries, and allows the host economy to promote its products more widely in international markets; it is also an additional source of funding for investment and, under the right policy environment, it can be an important vehicle for development.

The FDI index gauges the restrictiveness of a country’s FDI rules through four types of restrictions: foreign equity limitations; screening or approval mechanisms; restriction on key foreign employment; and operational restrictions. (Davies, 2012)

According to the direction of the investment flow, FDI can be classified as *inward FDI stocks/flows* (or *FDI inflows*), and *outward FDI stocks/flows* (or *FDI outflows*). The OECD distinguishes the two as the following (OECD Factbook 2013):

Inward stocks at a given point in time refer to all direct investments by non-residents in the reporting economy. Outward stocks, as the opposite, are the investments of the reporting economy abroad. Corresponding flows relate to investment during a period of time. Negative

flows generally indicate disinvestments or the impact of substantial reimbursements of inter-company loans.

FDI is also classified as *horizontal* versus *vertical*:

Vertical FDI takes place when the Multinational Enterprise (MNE) fragments the production process internationally, locating each stage of production in the country where it can be done at the least cost; while horizontal FDI occurs when the MNE undertakes the same production activities in multiple countries (Markusen, 1995). However, the difference between horizontal and vertical FDI is not distinct. Often the MNEs adopt strategies of complex integration, which involve vertical integration in some countries and horizontal one in others (Yeaple, 2003).

Still another way of classification that will be involved in our studies is *greenfield investment* and *brownfield investment* (OECD Benchmark Definition of FDI 2008):

Greenfield investment is a form of FDI where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by firing new employees. On the other hand, a brownfield investment occurs when a company or government entity purchases or leases existing production facilities to launch a new production activity. *Mergers and acquisitions* (M&As) belongs to the latter.

### 1.1.2 FDI from developing countries

At the beginning of this section, it is necessary to clarify that, though there is no universal, agreed-upon criterion for what makes a country developing vs. developed and which countries fit these two categories, the United Nations Conference on Trade and Development (UNCTAD) does publish each year lists of developing countries/economies, developed countries/economies, emerging countries/economies and transition countries/economies, which can be found on UNCTAD website ([www.unctad.org](http://www.unctad.org)) and take the role of reference of

our studies – all classification of a certain country/economy follows the above-mentioned lists released by UNCTAD.

Latest statistics from UNCTAD reveal that global FDI amounts to \$1.35 trillion in 2012. Developing countries take the lead in 2012 for the first time ever: they absorb more FDI than developed countries, accounting for 52% of global FDI inflows. Developing economies also generate almost one third of global FDI outflows, continuing a steady upward trend. (UNCTAD, World Investment Report 2013) Such statistics reconfirm the observation that although developed countries remain the leading source of outward FDI, developing and transition economies have emerged as an important source of outward FDI since the 1990s. Many MNEs from developing and transition economies are increasingly undertaking cross-border investment activities through FDI. (Al-Sadig, 2013)

Such tendency is reflected by the following figures:

Figure 1.1 FDI inflows, global and by group of economies, 1995-2012 (Billions of dollars)

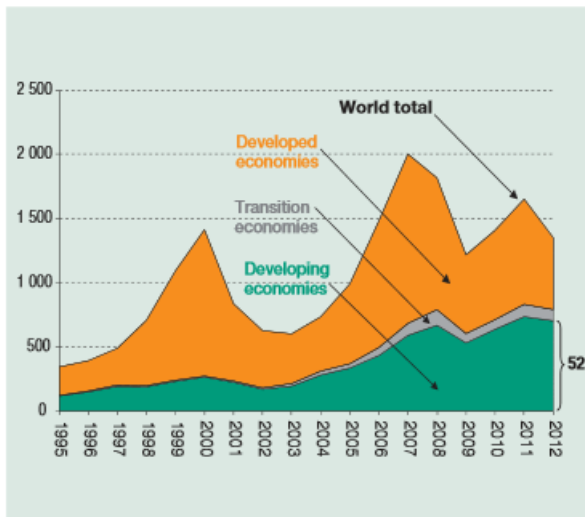


Figure 1.2 Share of major economic groups in FDI outflows, 2000-2012 (Billions of dollars)

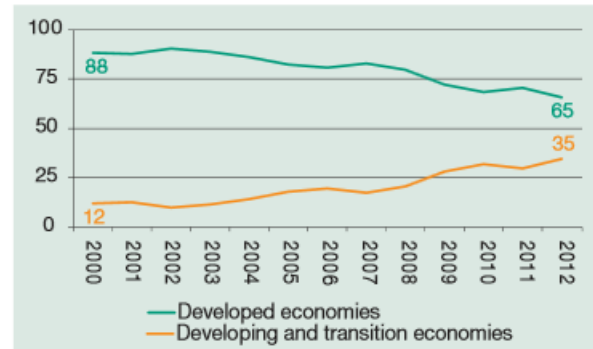
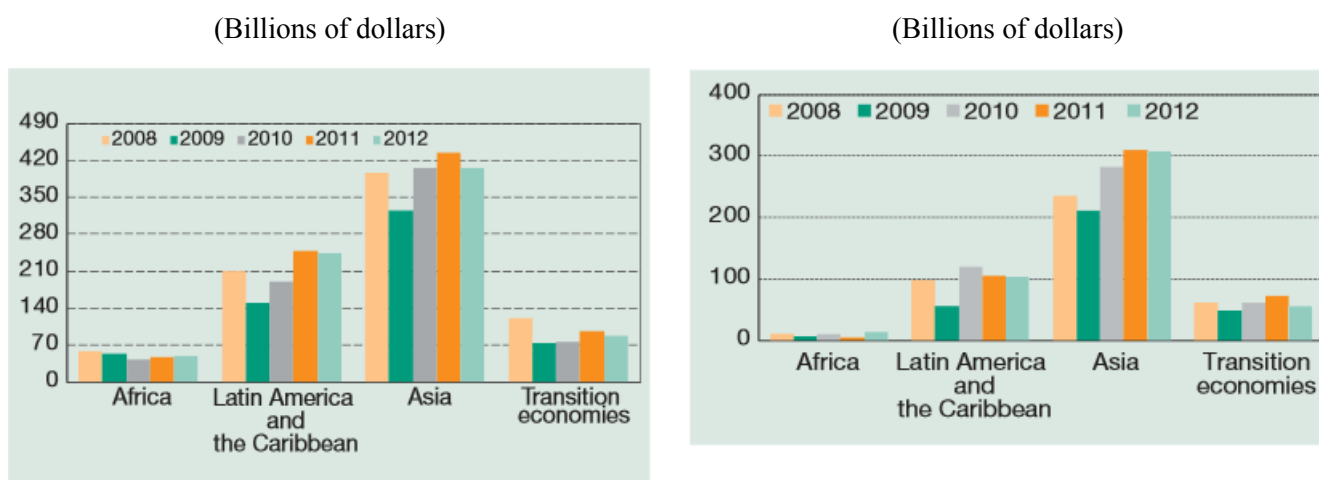


Figure 1.3 FDI inflows, by region, 2008-2012

Figure 1.4 FDI outflows, by region, 2008-2012



Source: UNCTAD FDI-GVC Information System ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

Among developing economies, the BRICS (Brazil, the Russian Federation, India, People’s Republic of China and South Africa) continue to lead, not only as major recipients of FDI but also as important outward investors. Their outward FDI rose from \$7 billion in 2000 to \$145 billion in 2012, 10% of world flows (up from only 1% in 2000), or 70% of outward FDI from developing countries. The destinations of their investments are shown in Figure 1.5 below.

Figure 1.5 Outward FDI stock from BRICS, by destination region, 2011

Partner region/economy	Value	Share
World	1 130 238	100
Developed economies	470 625	42
European Union	385 746	34
United States	31 729	3
Japan	1 769	0
Developing economies	557 055	49
Africa	49 165	4
Latin America and the Caribbean	175 410	16
Asia	331 677	29
Transition economies	31 891	3
Memorandum:		
BRICS	28 599	3

Source: UNCTAD FDI-GVC Information System and data from the IMF

## 1.2 China and its MNEs

### 1.2.1 China as a major global investor and the rising of Chinese MNEs



The largest investor of the BRICS countries, China (the People’s Republic of China, the Special Administrative Region of Hong Kong, of Macao and the Province of Taiwan not included) has become “the most promising source of outward FDI” (UNCTAD Annual Report on Trade and Development 2011). In general, of the year 2012 and of all world countries, China is ranked the second host economy of inward FDI after the United States and the third of investor economy after the United States and Japan. China’s position in the world’s FDI composition is demonstrated by Figure 1.6 and 1.7.

Figure 1.6 Top 20 host economies, 2012 (Billions of dollars)

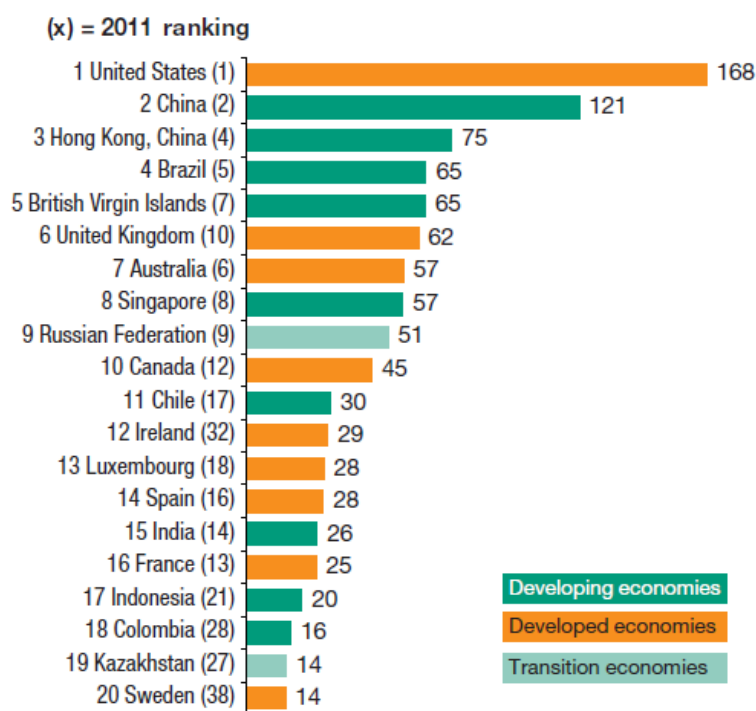
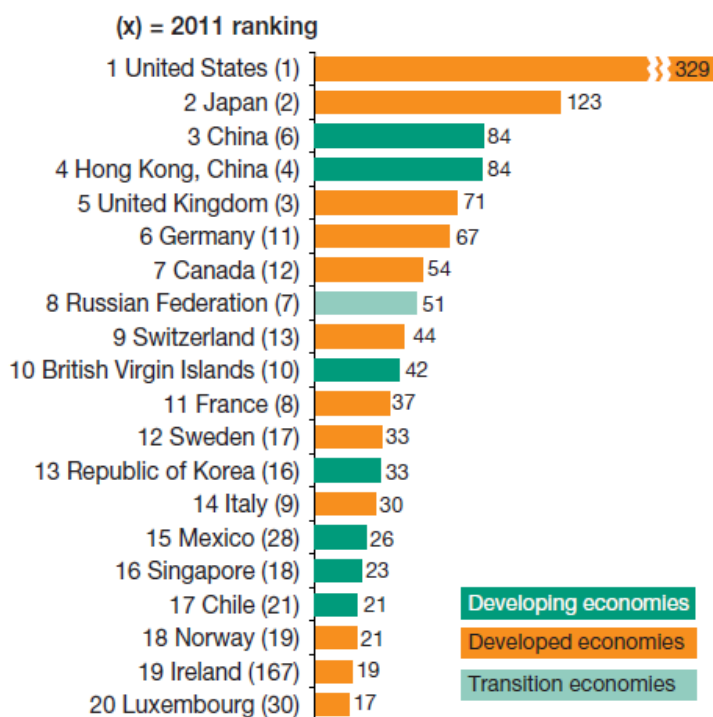


Figure 1.7 Top 20 investor economies, 2012 (Billions of dollars)



Source: UNCTAD FDI-GVC Information System ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

Having a closer look at China's outward FDI stocks over the years, we see that it had reached \$298 billion by the end of 2010, well over ten times the \$28 billion recorded in 2000 and far above the negligible \$4 billion of 1990. Having grown rapidly since the adoption of the "go global" policy at the turn of the century, China's FDI outflows have continued to rise in recent years despite the global financial and economic crises and the worldwide plunge in FDI flows. (Davies, 2012) [Appendix 1](#) gives a summary of China's FDI flows/stocks of selected years, with a comparison of selected countries.

As to the composition of the investment, we observe that China's outward FDI becomes more sectorally diversified. For example, in 2010, FDI outflows into mining, quarrying and petroleum fell by 57% from those in 2009, while those into manufacturing rose by 108%. (Davies, 2012)

Geographically speaking, the largest proportion of this investment – 72% of the total, amounting to \$228 billion as at end-2010 – is reported as going to Asia. The second largest proportion is in Latin America and the Caribbean, but the overwhelming majority of this goes

to just two tax havens, the British Virgin Islands and the Cayman Islands. Only \$30 billion of China's outward FDI stock is located in developed economies, but this is growing rapidly: in 2010, the flow of Chinese outward FDI to Europe doubled over that in 2009, and is 12 times larger than that of 2005. (Davies, 2012)

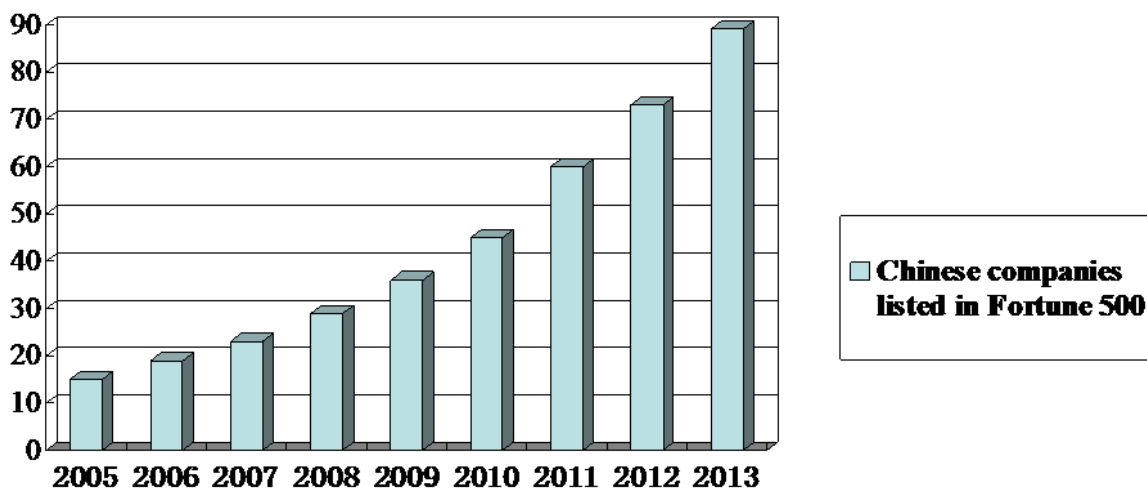
Behind this great momentum, Chinese MNEs have been the primary player and driver of foreign investments; in fact, the expansion of such MNEs goes alongside the expansion of their investments outside the country border (Dicken, 2007). Here we would like to make clear what MNEs are, though a precise definition is neither available nor necessary. According to OECD, MNEs usually comprise companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another. Ownership may be private, state or mixed. Companies that have realized one of more FDI of significance are generally considered as MNEs. (OECD Guidelines for Multinational Enterprises, 2013)

According to official figures, most of China's outward FDIs are generated by State-Owned Enterprises (SOEs), which accounted for, in 2010, 66% of the country's outward FDI stock, a fall of three percentage points compared with 2009 (Davies, 2012). Outward FDI from the private sector is increasing, but still, statistics tend to underestimate its size, since non-state entities may find it easier to evade the approval process by using funds accumulated overseas (Davies, 2012).

The most recent statistics show that in 2010, China International Trading and Investment Corporation (CITIC) became the largest overseas investor. In second place was China Ocean Shipping (Group) Company (COSCO), and the third China State Construction Engineering Corporation. All of the three are well-established SOEs that have built up an international presence over decades as their core business.

The global economy has witnessed the rising of Chinese MNEs. As demonstrated by the Fortune 500 List, a steady increase of Chinese companies are admitted on a yearly basis (including those from Hong Kong and Macao, excluding those from Taiwan), from 15 in 2005 to 89 in 2013, as shown by Figure 1.9. All of these companies have an involvement of different degrees in foreign countries, thus are all considered MNEs.

Figure 1.9 Chinese companies listed in Fortune 500, 2005-2013



Source : Fortune Global 500 (<http://money.cnn.com/magazines/fortune/global500/>)

A full list of the 89 Chinese companies in Fortune 500 of the year 2013 can be found in Appendix 2.

### 1.2.2 Chinese MNEs as latecomers - why late bird?

The term “latecomer” possibly being ambiguous, we would like to, at the beginning of this section, clearly delineate its range: as far as our studies are concerned, MNE latecomers refer to firms from developing economies that have started internationalization very late and suffer from competitive disadvantages relative to MNEs early-movers (traditional large firms from developed economies that have internationalized for a long time and have well established in the global market) (Luo and Tung, 2007).

Therefore, whether Chinese MNEs could well be put in the category of latecomers depends on the following two criteria:

- if they come from a developing country with considerable competitive disadvantages; and
- if they start internationalization considerably later than their competitors the MNE early-movers (the timing).

In terms of the first criterion, as mentioned earlier, China has been categorized by the authoritative UNCTAD as “a developing country” ever since it first created the country category lists. Still, since the bulk of China’s economy might perplex some, we feel it indispensable to provide further statistics for them to better understand the structure of China’s economy and the correctness of putting China in the developing country category.

In 2013, China’s GDP (Gross Domestic Production) amounts to \$9,181,377 million, before Japan’s \$4,901,532 million, but far behind the United States’ \$16,799,700 million. The GDP of the European Union as a whole is \$17,371,618 million, surpassing the United States. (IMF, World Economic Review 2013) However, though the second largest economic body since 2010, China has a pitiable GDP per capita of \$6,747, ranking 83 out of 190 countries worldwide whose statistics are available (IMF, World Economic Review 2013). Besides the low ranking of GDP per capita, a report of the National Bureau of Statistics of China (Report of Economic Situations of Urban and Rural Areas, 2011) also points out that:

- China still lags far behind in such areas as medical, educational and environmental. Take the medical area as an example: according to the 2011 general assessment of the World Health Organization (WHO) with such indices as medical fund raising and the distribution of medical resources, China ranks 188 out of 191 member countries, only the fourth countdown.
- China’s economy is far from balanced. Such imbalance is embodied in 1) the imbalance of the industrial structure, with a considerable low share of the tertiary (service-based)

industry; 2) the imbalance of the West and the East parts of the country: even after 10 years of “the development of the West”, the GDP per capita of the East is 2.5 times more than that of the West; 3) the imbalance of the urban and rural areas: the income ratio of urban and rural population is 3.23: 1, one of the highest of the world; 4) the imbalance of savings and investments: China’s gross savings far exceed its domestic investments.

Let us move to the second criterion of a latecomer: the timing of internationalization. If we define internationalization as “the crossing of national boundaries in the process of growth” (Buckley and Ghauri, 1999), MNEs from this large and imbalanced developing country of China can be undoubtedly considered a latecomer (Li, 2007), considering the facts that:

- Due to historical reasons, internationalization was basically non-existent between 1949 and 1978. Only a handful of SOEs (such as state-owned foreign trade companies) had the privilege and possibility of establishing branches overseas. Things began to change after the Reforms and Opening-up Policy of 1978, at which time companies, especially those of the private sector, faced an enormous lack of experience in all aspects of internationalization including human resources – it was hard to find personnel who spoke English, let alone who knew how to do business overseas. (Zhao, 2009)
- Most large Chinese MNEs, especially in the private sector, not only have a very short history of internationalization; they have a very short history of existence at all. Among the four MNEs that we put under the microscope in the empirical part of the studies, the oldest – Haier and Lenovo– were both founded only in 1984, and Lenovo passed a few fruitless years after that trying to “find out what to sell” ([www.lenovo.com](http://www.lenovo.com)). The other two Huawei and Geely were founded in 1987 and 1986 respectively, with Geely entering the automobile industry only in 1997 ([www.geely.com](http://www.geely.com)). Except for a few SOEs, Chinese MNEs in general began exporting activities only in the second half of the 1980s, the FDI activities in the 1990s and a physical presence overseas in the end of the 1990s or even after 2000 (Zhao, 2009). This is by all means a late start compared to their competitors from developed countries, with decades or even centuries of internationalization history:

IBM was founded in 1911 and expanded abroad in 1924; B&G was founded in 1837 and became international by acquisition in 1930; Toyota Motor was founded in 1933 (a spinoff of Toyota Industries which had begun even earlier) and began to build factories in the United States as early as the 1960s, to name only a few examples. (Data collected from respective corporate website.)

- Even among fellow developing countries, Chinese MNEs are not early in their process of internationalization. Taking the above-mentioned FDI statistics as an example, Brazil had outward FDI stock of \$41 billion in 1990, way ahead of China, but fell behind with only \$181 billion in 2010. In 2000, China's outward FDI flow was far behind Brazil, Russia and the tiny country of Singapore, only ahead of India with a small margin. (Davies, 2012)
  
- Also as pointed out by Zhao in his report of Chinese MNEs, these enterprises are way late in their admission into the world organizations (World Trade Organization, International Organization for Standardization, various international organizations for technological standards such as International Telecommunication Union, etc.), and therefore did not participate in the formulation of international rules, no matter commercial, technological, juridical or industrial. As a consequence, they play a marginal role in world organizations with weak voice, often in passive positions.

In conclusion, Chinese MNEs, who come from a socially and economically imbalanced developing country and who start internationalization late, are a late bird with competitive disadvantages. But now they set out into the global arena, to catch worms, not only in competition with early birds who are already fat, but right in these early birds' home forest.

## Chapter 2. Motivation, Core Questions and Objectives

*In this Chapter, we present the motivation, core questions (la problématique), methodology, objectives and framework of the studies.*

*First of all, we justify the necessity of this thesis by elaborating its motivation: Existing studies on China's internationalization fail to reflect its scale and depth. Questions linger on whether it can be explained in terms of mainstream theories derived from early-movers, or in terms of the analyses that have so far been offered for latecomers. However, Chinese MNEs as well as the social-economical situation of the country as a whole demonstrate distinct features, which deserve more-focused and case-specific studies before deciding which group of theories they should be put into, or if theoretical extensions are necessary. More specifically, the macro perspective frequently adopted in researches over Chinese MNEs, which tends to answer the question of "why" they internationalize instead of how, is hardly desirable. That is why we decide to examine the internationalization patterns of Chinese MNEs by looking deeper onto their International Marketing strategies.*

*The core questions of the studies are then formulated. By answering these questions, we aim at: 1) understanding how Chinese MNEs, as latecomers with initial disadvantages, manage to catch up with their early-mover competitors even in the latter's' home markets (Europe and the US), in terms of internationalization; 2) contributing to the internationalization theories on MNE latecomers from developing/emerging countries, even internationalization theories on the whole, by means of conducting a systematic meta-study from the perspective of International Marketing Management strategies.*

*The thesis is unfolded in the following procedure as indicated by the framework: 1) a comprehensive review of relevant literature; 2) examination of evidence on Chinese MNEs through multiple case-studies; 3) linking of the theoretical and empirical parts by examining in details to what degree and how Chinese MNEs as latecomers conform or not to the existing theories and models of internationalization, and whether this consists of a possible theoretical*



*generalization or extension; 4) closing discussions presenting the results of analysis and tracks for future researches.*

## 2.1 Motivation of the studies

### 2.1.1 Motivation – necessity of the studies

The process of internationalization can be characterized by three levels of engagement of MNEs in cross-border affairs:

The first level, exporting, though by far the most significant aspect of China's international business in terms of economic value, does not necessarily involve any direct investment or active organizational presence abroad (Child and Rodrigues, 2005).

The second level takes the form of Original Equipment Manufacture (OEM) or subcontracting production for foreign companies, and other forms of partnership with them. While much of this activity will be included within the figures for exporting, it is qualitatively different in offering more direct channels for the transfer to Chinese firms of the international standards of management and technical competence necessary for entering higher added-value markets and establishing overseas operations (Child and Rodrigues, 2005).

The third level involves the physical and organizational expansion of Chinese firms into overseas locations funded by outward FDI. Outward investment can be used either to purchase overseas assets or to fund organic expansion outside China (Child and Rodrigues, 2005), which corresponds roughly to brownfield and greenfield investments as defined in Chapter 1 (p.4). This is a more advanced level of internationalization in the sense that it entails a commitment to manage and organize operations located outside China (Chung, 2004). According to a recent poll carried out by Strategy& (formerly Booz & Co) and the World Economic Forum, approximately 60% of leading Chinese companies plan to move their Research and Development (R&D) centers and/or production overseas in the next five years, which roughly doubles the number of Chinese companies that are currently sending these functions abroad; 80% or more of these companies plan to establish or expand sales and marketing and/or service operations overseas. (Hu & Lyu, 2014)

In Chapter 1, we examine the rising of Chinese MNEs that more than ever participate and play an active role in the world economic arena – in fact, the sheer scale of China’s internationalization warrants analysis of its forms, motives and strategies. However, we consider existing studies on China’s internationalization insufficient to reflect the whole picture, having observed that:

- They focus on China as a host country of FDI inflows and of western MNEs, and China’s gigantic capacity of exportation (Child and Rodrigues, 2005). More formally, their study is focused on the relatively primitive stages of internationalization, while leaving largely unaddressed the highest level – the physical and organizational expansion into overseas locations funded by outward FDI.
- As to the studies that do examine the highest level of internationalization of Chinese MNEs, they tend to answer the question of “why” these MNEs internationalize (motives) instead of “how” (strategies of internationalization). While certain Chinese MNEs might indeed present a couple of distinct motives of going international (from their Western competitors), this focus is rapidly losing its appeal in the background of globalization and the question of “why” is actually evolving into “why not?” On the other hand, the simple fact that Chinese MNEs develop so fast internationally leaves some researchers unprepared, who did not consider the topic worthy of attention even five years ago.
- Studies on the internationalization of Chinese MNEs also tend to be sporadic, focusing on one aspect of the procedure (such as the learning process, or government relations, as two of the favorite topics), failing to see neither the position of this aspect in the comprehensive strategic map nor its possible synergic relation with other strategic aspects. Besides, the majority of such studies are singly-case, evidently not quite enough to be representative.

Regarding internationalization theories, the mainstream ones are derived largely from western multinational corporations (MNE early-movers), but there are also analyses offered for latecomers. In the case of the internationalization of China's MNEs, the question arises of whether it can be explained in terms of mainstream theory from the early-movers, or in terms of the analyses that have so far been offered for latecomers (Lecraw, 1993). Such question is also of our concern, especially considering the fact that China's emerging system of capitalism in disguise as "socialism with Chinese characteristics" has its own special ideological, institutional and cultural characteristics, and China's domestic market demonstrates profoundly different features from other emerging economies (Boisot, 1996). It is therefore logical to wonder if latecomer MNEs from this developing country fall indeed into either theoretical group of the two, or some theoretical extensions are needed to better reflect the status-quo.

Given the above argument, the present thesis aims at examining the patterns of internationalization of prominent Chinese MNEs with FDI overseas, from the angle of International Marketing Management. Our work consists of a technical shift from the "motive" level to the "strategy" level, with a wider perspective and more profound analyses. In suggesting areas where theorizing might be usefully extended, our studies compare the factors that appear to influence the international expansion of Chinese firms with those emphasized in existing theories and in previous researches on MNE latecomers.

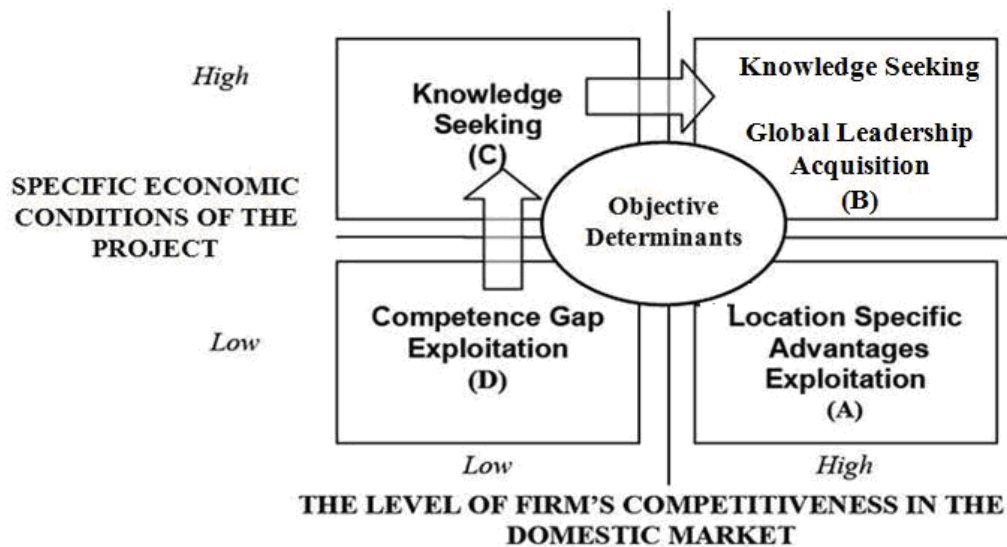
### 2.1.2 Continuity of the studies

Similar to many previous research works, in our Memoire for the Master's Degree entitled: FDI Strategies of Companies from Developing countries in Developed countries – Toward a More Flexible Model of Internationalization (Stratégies IDE des Entreprises des pays émergents dans les Pays développés – vers un modèle d'internationalisation plus flexible), we had a look at the motives of the internationalization of Chinese MNEs.

The Mémoire examined the patterns of companies from developing countries investing in

developed countries, which are in contradiction with the stereotypical view of companies from richer countries investing in poorer ones. Noting that mainstream internationalization theories do not apply to companies from emerging economies with new phenomena and characteristics, we proposed a new model for the analyses of their FDI in developed countries, especially Chinese companies investing in France. In order to evaluate and validate the proposed model, we carried out a detailed empirical field study on Chinese companies investing in France, focusing on three elements: (1) Motives of the investment; (2) Choice of destination; (3) Entry mode. A systematic analysis of the empirical study results was provided.

Figure 2.1 Model of companies from developed countries investing in developed countries



(from Fanfan ZOU's Memoire de Master de Recherche)

Results of the Memoir were summarized as the following:

- Chinese companies are different from their counterparts from developed economies in the fact that their FDI in foreign countries are motivated by more diversified reasons, which by consequence have more influence over their choices of destination and of entry mode.
- In the process of internationalization, Chinese companies need to find equilibrium between the exploitation and exploration of assets; FDIs are often used as a springboard to acquire

strategic resources.

- The proposed model is basically validated. According to the model, companies already in a leading position in the domestic market tend to expand into a solid economic environment to acquire strategic assets as well as to continue their leading position not only in China but also globally – that is to say, to enlarge their markets worldwide. At the same time, they are also capable of taking advantage of a less solid economic environment in both developed countries and fellow emerging economies. On the other hand, Chinese companies in a less favorable situation in the domestic market also see the possibility of self-improvement through active internationalization. They invest in developed countries mainly to get hold of know-how and strategic assets, with the principal aim of reusing such know-how and assets to safeguard or improve their position in the domestic market. In this case, FDI can be a good tool to diversify the product line or move up the value chain without starting from zero all by the companies themselves.
  
- The “strategic package of investment” of Chinese companies demonstrates great flexibility and diversity. Today FDI is no longer a privilege of MNEs from developed countries; therefore there is no need to follow the traditional model based on the size of the company or the theory of investment order (both geographically and in terms of entry mode). Motivations are different; accordingly the sectors and destinations of investment are highly diversified, with a great variety of entry mode in coherence with the motivation and adapted to the targeted sectors and destination.

Based on the Memoire, we continue to look at the internationalization of Chinese MNEs, but in a more focused way. First of all, as mentioned above, current studies are carried out from an International Marketing Management perspective, ignoring other aspects (such as financing) during the process of internationalization.

Secondly, we decide to have a smaller field, focusing only on the first category of Chinese MNEs, that is, MNEs that are already leaders in the domestic market and actively seeking the global leadership (as in Figure 2.2 the circled part of the proposed model). This means we focus on the levels of internationalization beyond exportation or the OEM at which companies are managerially and organizationally engaged with foreign companies and/or environment. We also concentrate on internationalization that is directed toward expansion into foreign markets rather than at securing supplies of raw materials.

Figure 2.2 A more focused perspective of the thesis



(from Fanfan ZOU's Memoire de Master de Recherche)

Other differences between the Memoir and the thesis include:

- The Memoire took into account companies from both mainland China and Hong Kong, while the current thesis considers only the former. This is due to the obvious reason that MNEs from Hong Kong, which was returned by the Great Britain to China only in 1997, can not properly reflect the economic environment and characteristics of the country, and thus can not be regarded as a prototype in country-specific studies.

- The Memoire took into account both SOEs and companies in the private sector, while the current thesis considers only the latter. The more obvious reason is that SOEs enjoy resources that are beyond the reach of private ones, both material and in terms of regulation. In China we even hear the saying that “the more SOEs prosper, the more private ones suffer”. On the other hand however, SOEs that might be expected to internationalize with the advantage of support from national governments could be weakened by the way they remain beholden to administrative approval and bear a legacy of institutional dependence. This legacy can inhibit strategic action either through promoting a conservative attitude or through more direct constraints (Lewin, Long and Carroll, 1999). There have been instances in which Chinese governmental authorities removed leaders of SOEs who demonstrated the kind of entrepreneurial initiative on which internationalization depends (Nolan, 2001) In conclusion, with supreme material support but insufficient strategic freedom, SOEs can not be a prototype of our studies.

With both continuity and differences, we move on from the Memoire to the thesis, with the hope of conducting a more focused and in-depth analysis.

## 2.2 Core questions and objectives

### 2.2.1 Core questions

As mentioned in the previous section, existing studies on Chinese MNEs are barely sufficient, both quantitatively and qualitatively, to well reflect and explain the great momentum of the expansion of Chinese MNEs. By concentrating on private MNEs from mainland China, we establish a systematic framework of a Chinese MNE competing in the “free market” (though impossible to be totally free), depending largely on itself – its own resources and managerial capabilities. By analyzing and synthesizing its International Marketing Management strategies, we contribute to the existing internationalization theories in the field of both Marketing and Multi-cultural Management.



To further develop our analysis, we formulate the core questions as the following:

- How do Chinese MNEs as latecomers manage to successfully internationalize into the home markets of their competitors, the MNE early-movers? What are their competitive advantages and strategies to justify this success?
- Compared to MNE early-movers, what are some of the features of Chinese MNEs as latecomers in the process of internationalization, in terms of International Marketing Management? Do they have a certain “model of success”?
- How can their success contribute to the existing studies of Marketing Management Strategies of MNE latecomers from developing countries? Does this imply a theoretical extension for this kind of internationalization analyses?

### 2.2.2 Objectives

Our studies are exploratory, with the goal to stimulate discussions in a relatively new area of study rather than to provide definitive general conclusions.

By answering the above core questions, we aim at:

- better understanding how MNE latecomers from developing countries internationalize and expand in foreign markets, especially in socially-and-economically-advanced developed country markets, by highlighting the features of the internationalization of Chinese MNEs in West Europe and their corresponding strategies; and
- contributing to the existing internationalization theories on MNEs from developing/emerging economies (even internationalization theories on the whole), by means of a systematic study from the perspective of International Marketing and Cross-Cultural Management.

## 2.3 Methodology and thesis organization

### 2.3.1 Methodology

By carrying out a meta-analysis of the relevant literature and of the field, we examine in details to what degree and how Chinese MNEs as latecomers conform or not to the existing theories and models of internationalization. And if not, how this deviance can be utilized to realize a theoretical extension.

In the Theoretical Part of the thesis, three types of literature are examined and key points presented: literature on MNE early movers from which mainstream theories and models are derived; literature on MNEs latecomers, especially those from developing/emerging economies; and literature concentrated on Chinese MNEs.

In the Empirical Part of the thesis, a multiple case study method is adopted. With the help of the selected table-shell, data are collected and analyzed in a qualitative way. They are then categorized and synthesized in the hope of setting up a basis for identifying the common points of Chinese MNEs' internationalization strategies and features, that is, a possible "model of success" in correspondence with the core questions raised. Finally, such model of success is integrated back into the Theoretical Part of the studies with the ultimate goal of theoretical contribution.

### 2.3.2 Thesis organization

Our thesis is proceeded as the following:

- First, relevant background is presented by summarizing mainstream and alternative explanations for the internationalization of companies. Key points drawn from studies of MNE latecomers are presented, including studies on MNEs from developing/emerging economies, as well as those on other latecomers as in opposition of Western early-movers. Key points drawn from studies concentrated on Chinese MNEs are also summarized.

Thus a comprehensive theoretical basis is built up.

- Evidence on Chinese MNEs is examined through multiple case-studies, principally with qualitative methods. With the help of a well-organized table shell, data from interviews, archives and press reports are collected, categorized, analyzed and synthesized with the aim of setting up a basis for identifying salient common features of Chinese internationalization. Such features mainly concern Chinese MNEs' competitive advantages and corresponding strategies and are put into three inter-related categories: 1) General strategies of internationalization; 2) Marketing and sales strategies (including Marketing Mix elements); and 3) Cross-cultural HR (Human Resources) management.

Based on the above data, a tentative model of success is established and integrated back to the existing internationalization theories, both derived from MNE early-movers and from MNE latecomers, to see if the behavior of Chinese MNEs fall in either group of the theories, and if not, how can such behavior be better described and synthesized to form a more appropriate theoretical extension for the reference of future international business studies.

- In the last part of the studies, closing discussions, including results of our analyses, are presented, with the potential of bringing about broader implications for similar researches.

Bearing clearly in mind the core questions and objectives of the studies, we are now ready to move forward to the Theoretical Part of the thesis, the part that follows.

**PART ONE: THEORETICAL FRAMEWORKS FOR  
UNDERSTANDING THE INTERNATIONALIZATION OF MNE  
LATECOMERS FROM DEVELOPING COUNTRIES**

### Chapter 3: Basic Concepts and Models of International Marketing Management

*In this Chapter, we start the Theoretical Part of the thesis with a synthetic summary of basic concepts and models in the areas of International Business, which serve as theoretical building blocks of our investigation on the motives and strategies of Chinese MNEs.*

*The concepts and models involved are divided into categories of (major concepts and models to be presented are listed in brackets):*

- *International Strategies (Drivers for internationalization, Porter's Diamond, cluster-related theories, the PESTLE model, the 5(+1) model, the "distance" theory)*
- *International Marketing or Marketing Development (4 different perspectives of an international organization, 3 perspectives on international marketing strategies, 3 elements of the Marketing Mix – product, price and distribution)*
- *Cross-Cultural Communication (the product nationality, brands and international branding, international communication methods)*
- *Cross-Cultural Management (implementation of international strategies, international monitoring, organizational strategies of cultural diversity management, the exchange level/cultural level model)*

*All concepts and theories presented have an implication in the following parts of the thesis, both in the literature review and in empirical case studies.*

### 3.1 Concepts and models of International Strategies

#### 3.1.1 Drivers for Internationalization

This subsection presents the Drivers for Internationalization Model, which greatly affect the decisions of internationalization strategies.

Companies are pushed to internationalize by numerous reasons. Barriers that impede international trade are much lower than in the past. International regulations have been improved, making investments abroad less risky. Progress in communication technologies (from aviation to the Internet) facilitates the movement of people and the spread of ideas. Success in emerging markets such as the BRICS offers new opportunities and new challenges for international companies. (Johnson and Scholes, 2008)

However, most of these trends are ambivalent and they do not have the same impact on all industries. To avoid oversimplification, international strategies need to be developed from a careful diagnosis of trends in target markets. The Drivers for Internationalization Model proposed by George Yip (2003) can make this diagnosis (Figure 3.1). According to Yip, there exist four types of internationalization drivers:

- *Market drivers*: The convergence of markets is a key driver of internationalization. Three factors contribute to this phenomenon. First, the convergence of needs and tastes. Second, the emergence of global customers. Third, the emergence of global marketing policies which implies that brands, distribution channels and communication can be developed at the global level.
- *Cost drivers*: Internationalization has the potentials of reducing costs. Again, there are three reasons for this phenomenon. First, the increase of volumes beyond a single national market yields economies of scale, both in terms of production or bargaining power with suppliers. Economies of scale are particularly critical in industries where development

costs are very high (such as the aviation industry). Second, internationalization is encouraged by the existence of localization benefits. Third, the aspect of logistics should also be taken into account, especially the cost of transporting goods/services in proportion with their final prices.

- *Government drivers*: Government intervention can promote or limit the globalization of markets. Authorities use a variety of ways to influence international trade: tariffs, technical standards, subsidies to local businesses, restrictions on foreign investment, local content requirement, control of technological transfer, intellectual property management, and exchange and currency control. No government allows a perfectly open economy, and situations usually different from one industry to another – some industries can be much more protected than others. However, organizations such as the WTO keep on encouraging greater market liberalization and the creation of large areas of free trade, where a great many of local regulations are lifted.
  
- *Competitive drivers*: This kind of drivers is specifically connected to the company's global strategies. Two elements are distinguished: First, the interdependence between operations located in several countries, which encourages a global coordination. The second element is linked to the overall presence of competitors. The more the global competitors, the more that will feel the obligation to go global. Global competitors can use their profits generated in one market to finance their operations in another, therefore less global competitors will be vulnerable and less able to counter the attack.

Such drivers will be reflected in the motivations and strategies of MNEs, and Chinese MNEs are no exceptions. In certain situations, one kind of drivers will bear more importance than others in affecting the decision of strategies (Johnson and Scholes, 2008).

Figure 3.1 Model of Yip: Drivers for Internationalization



(Source: G.Yip, Total Global Strategy II, Prentice Hall, 2003)

### 3.1.2 Sources of national advantages and international advantages – Porter’s Diamond

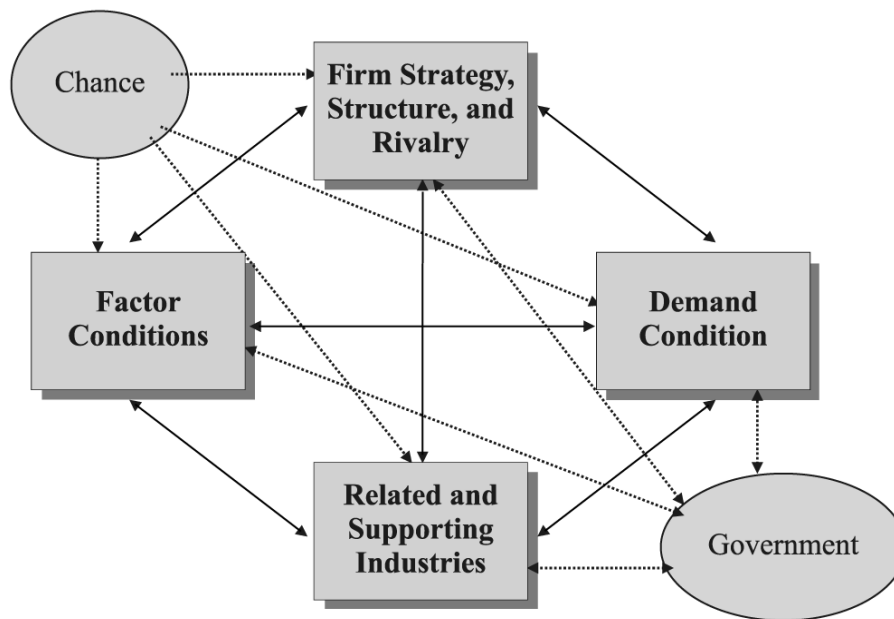
The localization of activities is a major source of competitive advantages and one of the distinctive characteristics of internationalization compared to other diversification strategies. According to Bruce Kogut (1985), a company can improve the configuration of the value chain – even beyond its sector – with the help of nation-specific circumstances. Two types of opportunities are available: the exploitation of specific national benefits, most often in the home country of the company; and the benefits related to the establishment of an international chain.

Like any strategy, internationalization must be based on a sustainable competitive advantage (Porter, 1993). Such advantage must be significant because the newcomers usually penetrate a foreign market with a number of disadvantages compared to local competitors: less market knowledge, no customer relation from the start, a value chain to be adapted, etc. Indeed, some regions or countries benefit from competitive advantages that are particularly difficult to



imitate. In response to this phenomenon, Michael Porter (1993) proposed a model, Porter's Diamond, trying to explain why certain nations tend to be more competitive in some industries than in others (Figure 3.2).

Figure 3.2 Porter's Diamond – sources of national advantages



(Source: M.Porter, Competitive Advantages of Nations, InterEditions, 1993)

Porter's Diamond suggests that the national advantage, which varies from one industry to another, is based on six independent factors:

- *Factor conditions (specific factors)*: Some countries have specific production factors that benefit local companies when they internationalize, for instance, human resources, physical resources, knowledge resources, capital resources, infrastructure...
- *Demand condition (local demand)*: The characteristics, requirements and sophistication of local customers can become a source of competitive advantages internationally.
- *Related and supporting industries – mutual stimulation*: The existence of “clusters” of

interrelated industries can contribute significantly to building a competitive advantage. Clusters are often regional, which strengthens cooperation.

- *Firm strategy, structure and rivalry*: The characteristics of the competitive interaction in a given country also help to explain some advantages. Then the structure of the local competition can be a powerful stimulant. The existence of a strong local competition can help organizations in their overall development.
- *The role of chance*: We can provide a few examples: breaking-through inventions, major technological changes, upheavals of cost, significant growth of global financial markets and exchange rates, sudden swelling of regional or global demands, political decisions of third country government, wars...
- *The role of the government*: the government can influence (and be influenced by) each of the four determinants in a positive or negative way.

Porter's Diamond illustrates the formation of *clusters* in different countries, the most famous of which is probably that of the Silicon Valley. According to Porter (2000), the cluster is a key concept in economics and global competition, which he defines as, "clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, standards agencies, trade associations) in a particular that compete but also cooperate". Clusters work as a key source of competitive advantages of a country and businesses located within them. Porter has proposed a new vision focused on clusters, in contrast to the traditional method focused on an industry or sector.

It is also with this model that Porter makes the distinction between *comparative advantage* and *competitive advantage*. Classical theories propose that comparative advantage resides in the factor endowments that a country may be fortunate enough to inherit, such as land, natural resources, pools of labor, the size of the local population, etc. Yet Porter suggests that such

traditional comparative advantages have been superseded as sources of prosperity, and that broad macroeconomic accounts of competitiveness are insufficient. In the global competition, nations are supposed to acquire longer-lasting competitive advantages to reinforce its competitive position (Porter, 2000).

Another pair of concepts closely related to the concept of cluster and that will be mentioned in our later studies are *component knowledge* and *architectural knowledge*. According to McGaughey (2002), component knowledge consists of those specific knowledge resources, skills, and technologies that relate to identifiable parts of an organizational system rather than to the whole. It is tied normally to the technology of the industry, is relatively coherent and definable, and is usually acontextual, reflective of underlying exogenous natural or societal phenomena and laws rather than personal or organizational history, and therefore is subject to discovery rather than creation by organizations. While on the other hand, architectural knowledge relates to the organization as an entire system and the structures and routines for organizing its component knowledge to productive use. Not only is architectural knowledge typically complex, intangible, and tacit; but it is also highly organization-specific, causally ambiguous and private due to its path-dependency (historical basis), organizational embeddedness and holistic and evolutionary nature (Matusik and Hill, 1998). According to Tallman et al. (2004), there exists a mechanism of asymmetries within a cluster and among clusters that protect knowledge from being freely flowing – only members of the cluster benefit from such knowledge, and to different extent, depending on the member-specific architectural understanding.

However, sources of advantages are not only national. Some companies gain a competitive advantage through international configuration of the industry (Johnson and Scholes, 2008). A company can systematically exploit different expertise, resources and cost conditions available worldwide, so as to locate each link in the value chain in a country or region where it will be conducted in a manner more effectively and efficiently. This is where FDI will play a maximum role in putting or doing the “right thing” in the “right place”.

### 3.1.3 Criteria of internationalization – PESTLE, 5(+1) and PAGE Models

Having chosen an international strategy depending on internationalization drivers and significant sources of competitive advantages, managers need to decide in which countries to invest. Indeed, all countries do not have the same appeal. Environment analysis tools can be used to compare the appeal of investment destinations, such as the PESTLE model or 5(+1) model of competitive forces.

The PESTLE model divides environmental influences into six main categories: political (P), economical (E), sociological (S), technological (T), ecological (E) and legal (L).

Political influences underline the role of public powers. Economic influences correspond to macro-economic factors such as the exchange rate, rate of growth or business cycles. Sociological influences include cultural and demographic changes such as aging of the population. Technological influences correspond to the impact of innovations such as the Internet, nanotechnology, new materials or genetic engineering. Environmental influences identify environmental concerns: pollution, recycling, global warming, etc. Finally, legal influences synthesize legal/regulatory changes, safety standards or still operations of M&A. (Johnson and Scholes, 2008)

It is important for MNEs to analyze how these factors evolve and what the impacts will be. Most of these factors are interrelated. However, to avoid too much detail, it is necessary to adopt a synthetic vision and identify the pivot variables, that is to say, the factor(s) that may significantly affect the structure of an industry or a market. The pivot variables vary from one industry to another. With the identification of pivot variables, managers can focus on the key elements of the PESTLE analysis, those they treat as a priority.

The next model we present is the 5(+1) Model of competitive forces, as defined by M. Porter (1982). The model allows evaluating the attractiveness of an industry in terms of competitive

intensity; it is about identifying the “structure” of an industry. According to Porter, the notion of competition should be extended: anything that may reduce the ability of a company to generate profit, and more broadly, that may prevent a company from creating a competitive advantage by limiting its degree of strategic freedom, should be considered as a competitor.

Porter identified five forces that have the capability of becoming a “competitor”:

- the threat of potential new entrants,
- the threat of substitutes,
- the bargaining power of buyers,
- the bargaining power of suppliers, and
- the intensity of competition among existing players.

To determine the competitive structure of an industry, it requires therefore the measurement and ranking of these five forces, each of which could catch a portion of the profit generated globally and thus destabilize the balance of the sector. The greater the intensity of the forces, the less attractive the industry: there will be too much competition of the industry to achieve acceptable profits.

Porter then added a sixth force to the model: the role of government. By their regulatory authority, subsidy and taxation, governments are able to reduce or increase the competitive advantages of companies, especially the ability of companies to generate profit. This addition is particularly important in countries where the weight of the public sphere is crucial. The five forces model therefore became the 5(+1) model (Figure 3.3).

Figure 3.3 M. Porter’s 5(+1) Model



(Source: M. Porter, Choice of strategies and competition, Economica, 1982 )

It is important to note that the Model of 5(+1) forces must be used at a strategic business level rather than the level of the company as a whole, because for each strategic business, the impact of the forces of competition can be totally different. The objective of the model is not to simply make a list of 5 (+ 1) strengths, but their hierarchy to identify what are the key factors of success, that is to say, the strategic elements that need to be controlled to obtain a competitive advantage. This focus on the prioritization of forces can be demonstrated by a sectorial hexagon, where each of the force is represented on an axis graduated from 1 to 10. This graphical representation, which complements the work of Porter, can easily show the characteristics of a competitive industry and therefore help to deduce what the key factors of success are to obtain a competitive advantage (Johnson and Scholes, 2008).

After analyzing the situation with the PESTLE Model or the 5(+1) Model, managers can rank the countries according to these criteria and see whose scores are higher. However, Pankaj Ghemawat (2001) noted that the major issue is not only the relative attractiveness of countries, but more importantly, the compatibility of each with the company itself. For those that wish to internationalize, there are countries more distant, or “incompatible”, than others. In other words, companies of different nationalities will not get the same results in the highest ranked

countries. Beyond the ranking of countries, each company must add its own assessment based on its proximity to each.

Stressing that “the distance is always important”, Ghemawat presented his CAGE model, an acronym with each letter corresponds to a distance criteria:

- *The cultural distance.* This is to measure the differences in terms of language, ethnicity, religion and social norms. Cultural proximity is not only about the similarities between the tastes of consumers, but also extends to management practices.
- *The administrative and political distance.* This is to estimate the distance in terms of administrative, political or legal traditions. Colonial legacies can reduce such differences, while institutional weaknesses increase the distance.
- *The geographical distance.* It is not only to measure the number of miles between the two countries, but also other geographical features such as size, maritime access and quality of communication infrastructure.
- *The economic distance.* The final element of the CAGE Model is about the distance of wealth. Rather than simply assuming that it is better to enter a rich market than a poor one, the model emphasizes that MNEs from rich nations generally find it difficult to intervene in poor countries. In developing economies, companies from rich countries usually end up focusing on the more affluent classes. Conversely, companies from emerging countries often struggle to understand the expectations of the middle class in rich countries.

After the above analyses, companies can then decide the amount of resources involved and the degree of operational engagement, from pure export to FDI, as indicated in earlier sections. Companies will also have to decide the procedures of internationalization: progressive internationalization or internationalization parallel to domestic development, adopted by some Chinese MNEs as indicated in the Memoire.

## 3.2 Concepts and models of International Marketing (the market development)

### 3.2.1 International and intercultural Marketing

In the 1980s M. Porter (1986) identified a widely accepted and applied distinction between multi-domestic and global markets. According to Porter, competition becomes global when “a company’s competitive position is significantly affected by its position in other countries and vice-versa”. Conversely, when an industry is multi-domestic, separate strategies are pursued in different national markets, and the competitive scene remains essentially domestic.

According to Usunier and Lee (2013), there are some fundamental reasons for industries to remain multi-domestic, including wide differences in consumer needs and attitudes across markets, legal barriers resulting from domestic regulations, and non-tariff barriers, which artificially maintain competition between purely national competitors. Further, the trend towards global markets differs across product categories, due to difference in:

- national regulations and non-tariff barriers;
- potential for experience effects;
- international transportability
- cultural connectedness

Once a company has achieved a certain level of development in foreign markets, the “export” view and the “international development” view can no longer coexist effectively (Usunier and Lee, 2013). The direction within an organization depends on four different perspectives: *ethnocentrism*, *polycentrism*, *regiocentrism* and *geocentrism*, which permeate the way in which a company organizes its international activities, including the nationalities of top executives, choice of language spoken, etc. (Perlmutter, 1969)

As pointed out by Perlmutter, two of these, ethnocentrism and geocentrism are the most



irreconcilable. Ethnocentric companies view international operations as secondary to their domestic operations. Conversely, a geocentric company, which considers its domestic market as belonging to the world market in the same way as any other domestic market, will make the opposite choice of the former in terms of working language, top executives, market priority, etc.

Regiocentrism and polycentrism are more moderate perspectives. A regiocentric company is more open to global marketing than an ethnocentric one. However, this perspective also recognizes that regional marketing strategies may be necessary to better meet customer needs. Cultural factors still strongly inhibit the development of a homogeneous market. It is important to acknowledge differences within the bloc. Finally, a polycentric company recognizes that differences occur in overseas markets. Each country is accepted as one of many ethnocentric places which may have their own marketing policies and programs.

Faced with fierce world competition, as well as consumer resistance to the globalization, how can products and marketing strategies become globalized? Basically there are three major perspectives on international marketing strategy (Usunier and Lee, 2013):

- *Standardization-adaptation* of market offerings (marketing mix elements): The standardization perspective views global marketing strategy as being the same or standardized across countries, including all elements of the marketing mix. Consumer wants in various national markets are not really considered, as differences are either denied or treated as an external constraint. Subhash Jain (2007) examined the academic papers on standardization over the last 40 years, concluding that: 1) across the board standardization is inconceivable; 2) the decision on standardization is not a dichotomous one between complete standardization and customization; rather there can be degrees of standardization; 3) standardization is most feasible in settings where the marketing infrastructure is well developed.
- *Geographical concentration-dispersion* of the structural or organizational aspects of the

value chain: The reasons for globalizing marketing activities are largely organizational. The concentration-dispersion characterization of international marketing can be traced to Porter's "design" framework, which argued that MNEs should configure the optimal value chain, so that scale and national comparative advantages are exploited, while still being responsive to local needs. The focus is on the geographic "concentration" vs. "dispersion" of the value chain activities, such as R&D (research and development), logistics, distribution and after sales service (Porter, 1986). Concentration of value-creating activities can increase economies of scale and accumulations of specialized knowledge. In contrast, geographically dispersed value-creating activities provide greater contact with both customers and competitors.

- *Integration-independence* of the competitive processes (planning, implementation and control): The integration-independence characterization of international marketing is concerned with the extent to which competitive moves are planned, implemented and controlled in a global manner (Craig and Douglas, 2000). At one end, a firm treats its subsidiaries as an integrated network, and, as such, may decide to cross-subsidize its competitive position across countries. At the other end, a firm treats its subsidiaries as independent profit centers, responsible for their own markets. However, the relationship between headquarters and subsidiaries in the defining of any marketing strategy is complex. Too much autonomy results in purely local solutions with few economies of scale and an absence of worldwide coordination.

In this section, we have brought to your attention some of the basic concepts in the area of International and Intercultural Marketing, which are the basis of later strategic analysis. We now proceed to look at the Marketing Mix in an international setting.

### 3.2.2 The Marketing Mix – product, price and place (distribution)

Of the four basic elements of the Marketing Mix – the 4ps: product, price, place (distribution) and promotion (communication), we examine the first three in this subsection while leaving the fourth for the next one in more details.

The product element of the Marketing Mix is often cited as the most standardized element, but within the product element there are various attributes that have more or less need for adaptation (Usunier and Lee, 2013). According to studies carried out in UK, the most important reason for adaptation included culture, followed by market development, competition, laws and economic differences (Vrontis, 2003). There are three layers of product attributes that are more or less applicable to standardization:

- *The physical attributes* (e.g. size, weight, color). Standardization of these attributes provides the greatest potential for cost benefits, since economies of scale are mostly gained at the manufacturing stage. Therefore, any customization of physical attributes must be carefully weighed against the lost efficiencies (Powers and Jeffrey, 2010).
- *Service attributes* (e.g. maintenance, after-sales service, spare parts availability). These attributes are fairly difficult to standardize, as expectations and circumstances for service delivery differ widely from one country to another. Furthermore, most services are performed in direct relation to local customers, so service attributes are more dependent on cultures.
- *Symbolic attributes*. These often comprise the interpretive element of the physical attributes. Symbolic attributes affect the choice to adapt and/or standardize in a fairly ambiguous manner. Therefore when adapting or standardizing symbolic attributes, the requirements for national identity symbols will sometimes intermingle with those for symbols of exoticism (Usunier and Lee, 2013).

The next element of the Marketing Mix – price – is a decisive element of social interaction between buyer and seller; a way of evaluating offerings, it endorses their agreement and shapes their relationship, whether short or long term (Usunier and Lee, 2013).

In a competitive market, it is to be expected that price and quality strongly correlate. However,

many empirical studies show that the actual relationship between price and objective quality is fairly low, probably because consumers are imperfectly informed about the price and quality of competing products (Fauld et al., 1994). Quality is often revealed through product use: that is through post-purchase rather than pre-purchase information cues. Obviously, there are differences in the price-quality relationship across product categories, as some products are more difficult to assess prior to purchase than others. There are also differences between countries, as shown by recent meta-analysis (Hofmann, 2007).

Price is a tactical tool in local markets and a strategic tool in face of global competition. Keegan (1984) described three possible positions for international strategic pricing:

- *The extension/ethnocentric position:* a single global price based on the factory price of the goods, with the customer being charged for insurance, freight and customs costs.
- *The polycentric adaptation position:* local subsidiaries fix their own prices according to local market conditions.
- *The intermediate geocentric inventive position:* the subsidiary takes into account local competition and seeks to maximize the firm's total income through international coordination of tactical pricing.

During the process of internationalization, many pricing tactics are adopted with the aim to gain market share, such as price slashing – slashing prices in the short term may appear to be an attractive strategy for obtaining new clients, building customer loyalty, and increasing market share. Slashing prices is a price tactic when viewed from the perspective of a single market. Across markets, however, it is the implementation of a global strategy (Usunier and Lee, 2013).

Another phenomenon related to pricing is dumping. Dumping is, as defined by WTO, a situation of international price discrimination, where the price of a product when sold in the importing country is less than the price of that product in the market of the exporting country. Thus, in the simplest of cases, one identifies dumping simply by comparing prices in two

markets. However, the situation is rarely, if ever, that simple, and in most cases it is necessary to undertake a series of complex analytical steps in order to determine the appropriate price in the market of the exporting country (known as the “normal value”) and the appropriate price in the market of the importing country (known as the “export price”) so as to be able to undertake an appropriate comparison ([www.wto.org](http://www.wto.org)). Article VI of the General Agreement on Tariffs and Trade (GATT) prohibits dumping where it prejudices the production of one of the contracting parties. Dumping is also one of the frequently-debated issues for Chinese MNEs during the course of their internationalization.

The last element of the Marketing Mix we examine in this subsection is the place – distribution, which helps “push” the product towards the consumer.

The decision to choose one distribution mechanism over another when entering a foreign market comes down to finding an acceptable balance of control versus risk. Dawson (1994) outlined five basic ways in which a retailer can enter a foreign market:

- *Internal expansion.* This involves the firm opening their own store/s within the foreign markets. This has the advantage of high control and a relatively low risk; however, it requires a very strong understanding of the market, and can take a long time to build a presence. This strategy is most vividly demonstrated by the flagship method.
- *Merger or takeover of a host country firm.* This strategy is essentially buying existing retailers in the host country and rebranding them, which allows quick and substantial access to the market with a structure already in place.
- *Franchising.* This strategy involves granting local groups or entrepreneurs the right to market a company’s products within a certain location.
- *Joint ventures.* This strategy can take a wide variety of forms, but always involves some aspect of joint operations, be it retailing, promotions or technology sharing. Ideally the

choice of joint venture partner is a strategic one, taking into account the firms strategic goals, resources and capabilities.

- *Non-controlling interest in a host country firm.* This strategy is a relatively passive entry into a market that is a way of gaining the in-depth knowledge and experience necessary to be successful in a market without taking on direct responsibility.

One method for strategically selecting channels abroad is based on a checklist of issues that have to be dealt with, prior to the choice of foreign distribution channels (Cateora, 1993). For instance, the 9-Cs criteria provide a holistic framework from which to assess foreign channel viability. The 9-Cs are: *Consumers and their characteristics; Culture; Character; Capital; Cost; Competition; Coverage; Continuity; and Control.*

The interface between producers and clients, distribution also has the role of a “cultural filter”; it is affected by the prevailing cultural patterns a country or culture context (Usunier and Lee, 2013).

Not enough reflected in the literature of International Marketing strategies of MNE latecomers, the policies of the Marketing Mix elements will be examined in the Empirical Part of the thesis.

### 3.3 Marketing Mix: concepts and models of Multi-cultural Communications

#### 3.3.1 National images and branding

In this subsection, we go through concepts linked to brands and national images, which are significant for companies planning to establish a brand on the international market.

As pointed out by Keller (1998), there is an important relationship between images of products and the symbols based on by their nationality. The following elements all contribute to consumer perception of product nationality:

- image of national products versus imported or international products;
- national images of generic products (e.g. , yoghurt calls to mind the Balkans, perfume evokes France, a pair of jeans the United States);
- image diffused by brand name;
- image of “made in” or “designed in” label depicting manufacturing origin; origin labeling is mandatory in international trade; and
- national image of manufacturing company.

Consumers use the manufacturer’s Country of Origin (COO) symbolically. In other words, they use it as an associative link (Lerlect, 1994). By the early 2000s, several integrative reviews provided some important insights regarding the transfer of influence to the real world. In the real world, consumers are likely to be influenced by multiple intrinsic and extrinsic cues, only one of which is COO, and the influence of COO is lower when other cues, such as brand name, product, price and warranty information are included in the information presented to consumers, and this holds true for both luxury and utilitarian products (Verlegh, 1999). Some key COO influences have been established as a result of these reviews:

- COO has a stronger influence at the earlier stages of the decision-making process.
- COO is more often used as a reliable cue of brand quality than to infer quality.
- COO also functions as a symbolic cue, with emotional value; it can be seen as the right or normative way to do things.

Many factors may moderate the influence of COO on consumer evaluation, including customer awareness of COO, their knowledge of and familiarity with the product, their consumer ethnocentric tendencies and the product category and risk perceptions. As a result of the expansion of MNEs and the increase in the use of international supply chains, the actually COO of products has become increasingly difficult to define, owing to the number of countries involved in the manufacture of many products, which has led to substantial market ambiguity.

Moving from national images to branding, we say branding is an important tool used to differentiate products. The majority of brands throughout the world were originally conceived on a national level and not as international brands. MNEs face three situations in terms of international brand names (Usunier and Lee, 2013):

- Ex nihilo creation of an international brand name for new products with high global potential.
- Selection of potential international brand names from a large brand portfolio, resulting from both external growth by acquisitions of local players and multiple layers of branding.
- Assessment of the potential for an international extension of regional brands, developed by a subsidiary based in the lead country for a region.

As pointed out by Usunier and Lee, brand name has a number of functions for the consumer such as *identity* (it guides consumers when making their choice), *practicality* (it works as a summary of information about product characteristics), *guarantee* (signature of the manufacturer), *personalization* (brand name allows consumers to express their individuality through their purchases) and an *entertainment* function because the brand allows the exercise of free choice and enables consumers to satisfy their needs for freshness, arousal and surprise. For the producer, the brand fulfils two essential functions: *positioning* within the competitive scene and *capitalization* of image and advertising expenditure over the long term. These functions, too, are very differently valued across countries, to the extent that some functions of the brand can be almost non-existent in certain national contexts (Contensou, 1989).

### 3.3.2 Marketing Communication methods

To realize effective intercultural marketing communication, MNEs adopt various communication methods: advertising, personal selling, networking, sales promotion and public relations, all of which are culture-bound and can be the source of misunderstanding if not properly manipulated (Kashani, 1989).



Advertising is usually considered the most culture-bound element of the Marketing Mix. An advertising strategy relates to the types of appeals used, the themes developed and the overall communication style, whether 1) direct or indirect, 2) explicit or implicit or 3) rational or emotional (Agrawal, 1995). Advertising style in communicating with the audiences of viewers, readers or listeners can be roughly divided into three basic categories: 1) persuasive 2) informative and 3) oneiric, that is dream oriented. Once the advertising strategy is defined, execution remains a quite significant cross-cultural filter, since meaning transfer is fine-tuned through executional details, most of which are strongly culture-bound. The execution team need to take into account elements including language, humor, characters and roles represented, the influence of mores and religion, and visual elements of advertising.

Another communication method we examine in details is Public Relations (PR). PR consists of a set of coordinated communication programs between an organization and its publics, designed to improve, maintain or protect a company product or image (Usunier and Lee, 2013). The “publics” can be internal, such as employees, or external to the firm, such as the general public, customers, suppliers, distributors or the media. Other PR targets include the government (such as lobbying activities), or stockholders and the financial community.

PR is very different from advertising, in that it is focused on communications intended to build trust and relationships with key publics. PR people, whether employed by the firm or as outside consultants, have nothing to sell. They use publicity as a means of conveying messages to the public, as well as the organization of events, meetings, conferences, sponsorship. Cultural variance may occur in the following aspects of the PR process:

- making contact;
- managing relationships;
- disclosing information, especially in the case of private, secret or sensitive information;
- developing arguments, some of which cannot be understood locally; and
- dealing with nationalistic feelings.

### 3.4 Concepts and models of Multicultural Management

#### 3.4.1 Organization and monitoring

When reach a certain level of international development, MNEs will have to manage the complexity: the largest MNEs are present in more than 100 countries where they sell dozens even hundreds of different products/services to much diversified clients. How to organize and control such a big entity is a daunting task.

No doubt MNEs need to establish a structure well adapted both to the strategies they wish to follow in the future and to their history, to their products and to their markets. Facing international development, MNEs' core concern turns around the theme of *centralization vs. decentralization*: the principal role of an international structure, especially of a global structure, is to reconcile to the maximum extent the requirements of central coordination and local responsiveness (Prahalad and Doz, 1988). Johansson (1997) has pointed out that three tasks are essential to guarantee the implementation of strategies:

- a global information system which allows strategic orientations and directions to pass from the centre to the local markets, and information to flow back to the headquarters and to other subsidiaries;
- a motivation system for local managers to implement the strategies, especially when the strategies will bring along a reduction of local autonomy or local resources;
- an organization structure flexible enough to adapt to the changing conditions of the environment.

It is logical that companies have a simple structure during the first phase of internationalization, then when they reach a certain level and the simple structure no longer fulfill the needs, more complicated organizational structures are adopted, such as:

- the functional structure by international divisions,

- the geographic/regional structure,
- the structure by product,
- the matrix structure, and
- the network structure.

The network structure is the newest. It is about dividing different elements of the value chain of the company in different countries or areas. It has its origin from integrating in the strategy not only the production and marketing, but also the R&D, the conception and the design in the process of globalization. It is possible also because of the global communication offered by the information and communication technologies, as well as the desire to lighten and flatten global organizations (Bartlett and Ghoshal, 1989). According to Davidow and Malone (1992), companies that adopt this structure are transnational organizations which emphasize the network of independent, coordinated companies on an international scale to create a competitive advantage of multiple relations in a global network: not only between headquarters and branches, but also between company and its suppliers, marketing and its distribution channels, company and its clients.

It is obvious that each organizational structure has its pros and cons; it is up to the management to choose the most appropriate.

Once the organizational structure established, it is essential to take into account the possibilities and difficulties of implementing the international marketing strategy right from the beginning, that is, from the design phase. Therefore it is important to have a monitoring system that guarantees correct actions in order to realize objectives. Compared with the marketing monitoring within one country, the international marketing monitoring is much more complicated, especially considering the fact that the concept “monitoring” itself is culture-bounded; the tools needed and the meanings of these tools are difficult to understand and apply in different contexts (Nurdin, 2002).

The concept of monitoring is inherent in management; however, it covers different objectives

(Ollivier, 1991):

- monitoring of results by comparing the results to objectives or pre-established standards;
- monitoring of budgets by comparing the realized expenditure to planned expenditure;
- monitoring of the pertinence of the decisions and the efficiency of methods by comparing the results to realized expenditure
- monitoring of the procedures and operating rules (or audit marketing)

Therefore a monitoring system calls for methods to measure and evaluate performances, as well as an international marketing information system assuring continuous control of the performance. When setting up such a monitoring system in branches abroad, it is important to make clear the objectives, pre-requisites and standards of the system, as well as the characteristics the reporting system should have between branches and headquarters. Normally, a reporting system should be quick and reliable in transferring the data; should adapt to different recipients; and should allow the consolidation of accounts between group entities (Nurdin, 2002).

#### 3.4.2 Multicultural management strategies

With the right structure and an effective monitoring system, MNEs could still fail with their subsidiaries in foreign countries due to mal-communication. Communication in an international context is the core of a lot of activities carried daily by managers, such as make decisions, motivate colleagues and lead the team (Hofstede, 2000). And these activities together, make up the contents of international and multicultural management. Adele (1999) proposed contracting the cultural behaviors in each of the major steps in any management procedure, because here the management of cultural diversity impact is not so much about the impact of external cultural diversity (with clients, suppliers, distributors and various partners of international operations), but more about the impact of internal cultural diversity (related to the multiplication of cultures of the organization's employees): not only national cultures, but also more often, in the case of big groups, trade cultures and corporate cultures of different subsidiaries.

Working within this multi-cultural team has both advantages and inconveniences. Among the principal advantages, according to Usunier (2004), cultural diversity promotes a better quality in the resolution of problems, especially complicated problems. It makes it possible, by the multiplicity of visions, to better define the problems; and by the multiplicity of skills, to provide more creative solutions. Internal cultural diversity also implies that organization and employees have the chance of developing their capability of adaptation to environments – there is a strong need to learn from different, more complex and more implicating situations. Finally, one of the main potential benefits of cultural diversity is the synergy created by the combination of different cultural approaches in solving given problems.

On the other side, the inconveniences related to the multicultural situation include, first of all, problems of intercultural perception and communication. The existence of stereotypes (usually negative and always stand out in difficult situations or during conflicts), difficulties associated to shocks of identities, increased stress levels...are all negative factors. From the point of view of decision making, it is more difficult to reach a shared agreement; the diversity of practices and values is a source of suspicion and can be detrimental to the creation of team spirit. There is also the risk that one dominant culture tries to impose upon others.

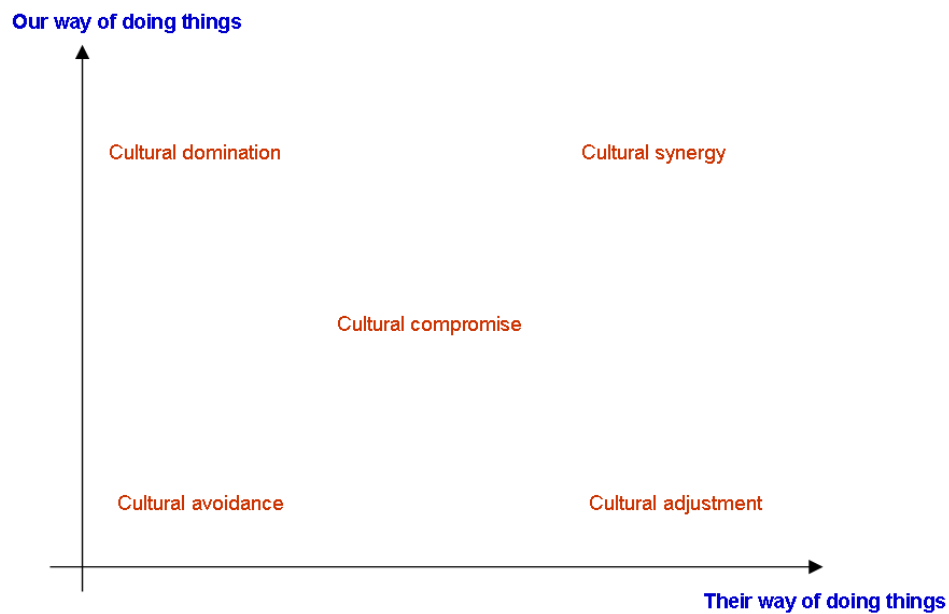
Therefore, as a general rule, a multicultural group can be more effective, or less effective. When the sources of potential problems are taken into account very upstream (intercultural training, cultural preparations...), it is possible to aim at maximizing the benefits of cultural diversity (Usunier, 2004).

From a more personal point of view, working within such a group calls for various adjustment. The first level of such individual adjustment is related to the consideration of the impact of *self shock* rather than *cultural shock*. Self shock refers to the psychological process of intruding images that are in conflict with the ego when one's own behaviors and what in others' eyes no longer guarantee the stability of the initial image of oneself acquired in one's original culture (Zaharna, 1990). Self shock may have serious consequences, such as loss of

self confidence and a feeling of doubt of one's own identity, loss of communication competence with others, the proliferation of ambiguities over time...to name only a few.

To conclude the chapter, we make a summary of the organizational strategies to manage the impact of cultural diversity. There are essentially five generic organizational strategies according to two dimensions (Adler, 1999) (Figure 3.9):

Figure 3.9 Organizational strategies of cultural diversity management



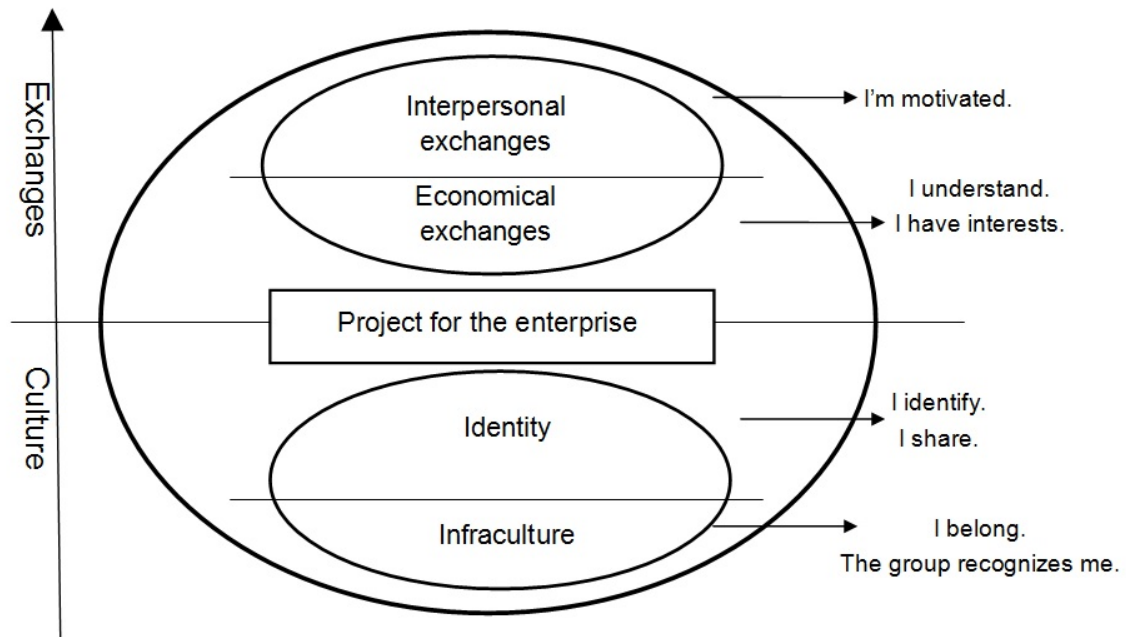
(Source: Adler, 1997)

- *cultural domination* (maximization of “our way” and minimization of “their way”): this is the strategy that has the most power (financial, technological, etc.), that rarely makes concession to its own standards, both technical (for instance in the field of security or quality) and moral (for instance regarding the “occult remunerations” imposed);
- *cultural adjustment* (maximization of “their way” and minimization of “our way”): this is often a strategy adopted by managers who know well the local culture, especially the language; or by managers responsible of transferring technologies in rural areas where innovation from outside should be integrated with local traditions (respect of men-women social roles, respect of religious traditions, etc.)

- *cultural compromise* (a middle-way balance between “my way” and “their way”): each party concedes something to the other, with the aim of increasing the chances of success in current operations, but in general the more powerful party makes less concessions than the other;
- *cultural avoidance* (minimize the impact of the diversity and act as if there is no cultural conflict): the favorite solution when the conflict is minor compared to the whole of the benefits expected from the relation;
- *cultural synergy* (maximize different ways of doing things to develop new solutions to the problem and respect each culture during the course of interaction): this is a process particularly observable when choosing the working language. For instance, when French and Japanese working together choose English as their working language, they are actually playing cultural synergy in this matter.

On studying the company culture, Lebailly and Simon (2004) made an interesting distinction between the *exchange level* and *culture level* of the company’s identity, which we will adopt for later analysis of empirical cases. According to them, company culture is not the synonym of slogan or mission statement, but the infrastructure of all human organizations. While the exchange level concerns interpersonal and economic exchanges, the deeper cultural level deals with infrastructure and identity. Concentrating on different level will give very different results not only in terms of the company performance but also of employee feelings (Figure 3.10).

Figure 3.10 Lebailly and Simon’s Model of Company Identity



(Source: Lebailly and Simon, *Anthropologie de l'entreprise: Gérer la culture comme un actif stratégique*, 2004.)

With the back-up of fundamental concepts and models of internationalization studies, we are ready to move to the next chapter of literature review.



## Chapter 4: Literature Review: the Theoretical Background

*In this Chapter, we present a comprehensive review on the existing literature of MNE internationalization. Specifically, we organize such review in the following way: starting by the mainstream approaches, followed by other related works using alternative approaches, and finally zooming in on the research efforts focusing on Chinese MNEs.*

*In the first category of mainstream approaches, mostly derived from MNE early-movers, two representative models are examined in details: Dunning's OLI Model that draws together elements of previous theories to identify Ownership, Location and Internalization advantages that motivate internationalization, which has become the most adopted framework of MNE movement analysis; and Johanson and Vahlne's Uppsala Model that explains how firms gradually intensify their activities in foreign markets. The revisions of both models, in response to the changing business environments, are also introduced.*

*The second category of alternative perspectives, derived from MNE latecomers or newcomers, is then presented. Within this category, researchers study the behaviors of MNE latecomers from different perspectives: some are more interested in their intrinsic advantages which give them the possibility of competing with early-movers, some are trying to put new phenomena under the cover of classical models, some are determined to integrate more traditional models with new ones into an all-comprehensive framework for all kinds of internationalization activities, while still others put forward more path-breaking alternatives. Each model has its critics and debates; the field of latecomer theories is far from unanimous. But they do provide us with thoughtful insights and useful tools.*

*Since the term "latecomer" is an evolving and relative one, studies on latecomers of different époques are reviewed, from the earliest Japan to the latest BRICS countries for reference and benchmarking purposes. Group researches are a common method in this area, including bundling MNEs of the same industry or of geographically approximate countries/regions.*

*And in the last category of literature focusing on Chinese MNEs, two kinds of researches are reviewed: those examining Chinese MNEs' internationalization as a whole but from different angles (entry modes and location choices, drivers and facilitators, institutional elements, cultural influences...), trying to generalize its features and particularities with the possibility of extending the international business theories; and those concentrating on an individual Chinese MNE for strategic analysis, often from the angle of learning process, technological catching-up, growth phases or follow-up of M&As. Researches of this category are scattered, and as explained before, one of the aims of our studies is to integrate previous analysis to form a relatively comprehensive framework.*

#### 4.1 The mainstream perspective – theories derived from MNE early-movers

The mainstream perspective in international business assumes that enterprises will internationalize on the basis of definable competitive advantage that allows them to secure enough return to cover the additional costs and risks associated with operating abroad (Buckley and Ghauri, 1999; Caves, 1971).

In particular, some authors have affirmed that the realization of FDI in a specific market is driven by the desire to take advantages of foreign market imperfections that allow firms to acquire productive factors at lower prices (McManus, 1972; Buckley and Casson, 1976; Rugman, 1981). On the other hand, Vernon (1966) showed that firms' internationalization is influenced by the conditions of the home market and by the technology gap between home and host market. Knickerbocker (1973) affirmed that a firm carries out FDI in a specific foreign market in order to imitate the strategy of large competitors.

Also, some authors, following the Coase (1937) and Williamson (1975) paradigms, developed a Transaction Cost Approach to internationalization, affirming that a firm decides to enter a specific market through a FDI after evaluating the level of transaction costs (Buckley and Casson, 1976; Hennart, 1982)

From a different perspective, the evolutionary approaches to internationalization underlined that a firm can realize FDI only during the last stage of its internationalization experience. In fact, according to these approaches, internationalization is a process made up by different stages (Andersen, 1992), with the move from one stage to another being determined by increases either in resources control (Cavusgil, 1980) or market knowledge (Johanson and Vahlne, 1977; Reid, 1981).

Some conventional approaches (Vernon, 1966; Chandler, 1977) also suggest that the development strategy of firms follow a well established path and it is motivated by the firms'

necessity to expand their size. As a result, a firm begins to go abroad only after having reached the maximum expansion level in the home country.

As summarized by Parmentola (2011), all these approaches are based on the hypothesis that the internationalization choice is driven by the desire to exploit existing resources in wider markets and to increase them with new available resources. Therefore, only firms that have sufficient resources are able to internationalize in foreign markets. Moreover, a company can realize FDI only in countries characterized by levels of economic development equal to or lower than those present at home because only in these countries is it able to exploit its existing advantages.

The eclectic paradigm developed by Dunning (1981; 2001) draws together elements of previous theories to identify Ownership, Location and Internalization (OLI) advantages that motivate internationalization, and this OLI model has become the most adopted framework of MNE movement analysis. According to Dunning:

- *Ownership advantages* are firm-specific factors such as superior proprietary resources or managerial capabilities that can be applied competitively in a foreign country (Barney, 1991).
- *Location advantages* account for decisions to invest in foreign countries that offer superior market or production opportunities to those available elsewhere and/or opportunities to secure valued inputs.
- *Internalization advantages* accrue to firms that can reduce transaction costs by investing abroad so as to undertake transformation or supporting processes more effectively than can be achieved through market transactions. Internalization may offer clear efficiency advantages in the management of interdependencies concerning know-how, reputation, the value chain, and marketing, and these advantages offer a powerful explanation for the rise of MNEs (Hennert, 2001) The realization of internationalization advantages depends

on ownership capabilities and, in general, the latter have been accorded prominence in mainstream explanations for internationalization, especially through FDI (Buckley and Casson, 1976).

Dunning's OLI model has derived primarily from research on large western enterprises, which can be presumed to enjoy considerable domestic strengths before they internationalize. The predominant assumption has been that internationalization is motivated by a firm's wish to exploit its existing ownership advantages, and therefore the conventional view focuses on the overseas possibilities for asset-exploitation (Child and Rodrigues, 2005).

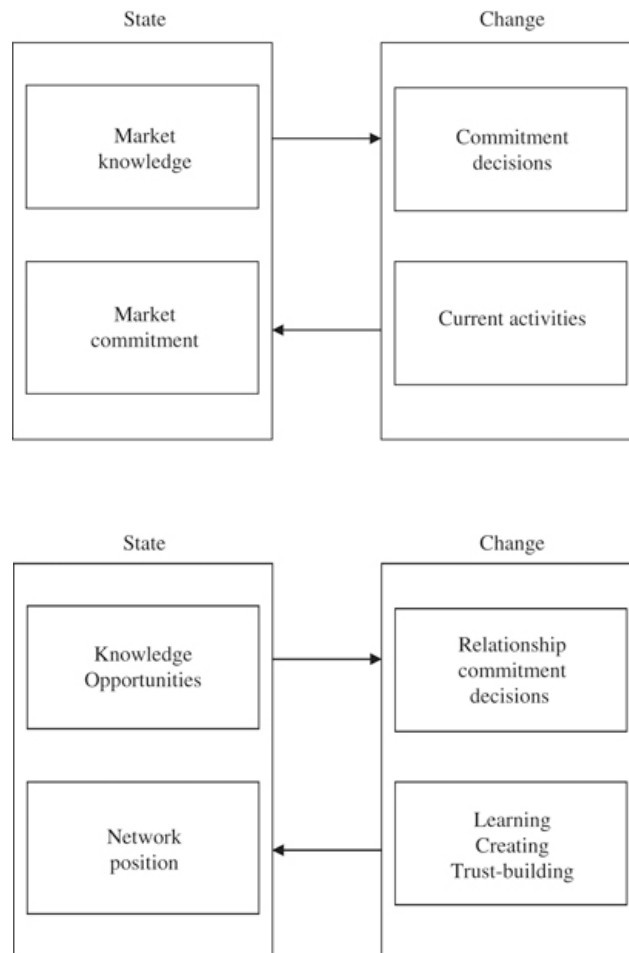
Another influential model of the conventional type was put forward by Johanson and Vahlne (1977), called the Internationalization Process (IP) Model, also the Uppsala Model, based on observations of MNEs from Scandinavian countries.

The Uppsala Model is a theory that explains how firms gradually intensify their activities in foreign markets, whose key features are the following: firms first gain experience from the domestic market before they move to foreign markets; firms start their foreign operations from culturally and/or geographically close countries and move gradually to culturally and geographically more distant countries; firms start their foreign operations by using traditional exports and gradually move to using more intensive and demanding operation modes (sales subsidiaries etc.) both at the company and target country level (Elgar, 2003).

The Uppsala model also proposes that foreign sales begin with occasional export orders that are followed by regular exports. The firm will not commit higher levels of resources to the market until it has acquired increasing levels of experiential knowledge and therefore the internationalization evolves stepwise at a relatively slow pace because of local market regulations and/or organizational learning. It also specifies that level of commitment may decrease or cease if performance and prospect are not sufficiently met (Johanson and Vahlne, 1977).

Lately, due to changing business environment, there are ongoing debates over the relevance of such conventional models for MNE latecomers and MNE newcomers - MNE newcomers refer to those “born-global” firms from the developed economies that engage in export and FDI upon or shortly after birth (Knight and Cavusgil, 2004). The conventional models are even challenged by those who study the emerging strategies of MNE early-movers (e.g., Buckley and Casson, 1998; Forsgren, 2002; Hutzschenreuter et al., 2007). Hence, the originators of the Uppsala Model have revised the model as a theory about opportunity development rather than risk avoidance. Such evolution is reflected by Figure 4.1:

Figure 4.1 The Uppsala Model in 1977 (Uppsala 1, above) and in 2009 (Uppsala 2, below)



(Source: Johanson and Vahlne, 2009)

According to the Uppsala 1 Model proposed in 1977, firms change by learning from their experience of operations, current activities, in foreign markets; and they change through the commitment decisions that they make to strengthen their position in the foreign markets (Johanson and Vahlne, 1977). The concept of *establishment chain* was proposed to describe a somewhat linear progressive pattern of internationalization. As of the Uppsala 2 Model proposed some 30 years later in response to changing economic and regulatory environments, the researchers have adopted a business network view where internationalizing firms are supposed to overcome the *liability of outsidership* (outside of a network) on top of the more traditional *liability of foreignness* (Johanson and Vahlne, 2009). In correspondence, the updated model depicts dynamic, cumulative processes of learning, as well as trust and commitment building: knowledge and recognition of opportunities within a network may well impact the focal firm's relationship with its partners and its decisions of commitment; while learning, creating and trust-building may have a positive or negative effect over the firm's position in the network.

The revision of the Uppsala 1 Model is a result of the influence of the increasingly popular business network view of the environment faced by internationalizing firms, which posits that:

- The markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns, hence insidership in relevant network(s) is necessary for successful internationalization.
- Relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalization (Johanson and Vahlne, 2009). The network MNE is viewed as a coordinated system of value added activities, the structure of which is determined by the hierarchical costs of production, the market costs of exchange, and the interdependence of production and exchange relations and the institutions – both firm and country specific – which control or influence its objectives and behavior (Dunning, 2003).

The Uppsala Model is generally characterized as behavioral, while the OLI Model is seen as economic. In parallel, the builder of the latter (Dunning, 2001, 2006, 2008) has also modified his original model by incorporating the factors of asset-seeking motive, alliance mode, institutional context and relational asset. For instance, in his study mainly based on Asian network MNEs, Dunning makes efforts to incorporate institutions into the OLI paradigm: both formal and informal institutions affect in many ways the Ownership, Location and Internalization advantages of the firm, and exert enforcement mechanisms over all three of them (Dunning, 2008).

Such revisions, however, remain tentative and piecemeal as *path-dependent* rather than *path-breaking* (Barkema and Drogendijk, 2007; Li, 2007; Mathews, 2006). To a large extent, the above problems are also shared by the model of global integration and local responsiveness (Bartlett and Ghoshal, 1998). As concluded by Li (2010), “while the conventional models can remain valid, they are more relevant for MNE early-movers than MNE latecomers or newcomers, especially more valid for the ‘old’ issues of minimizing risk and cost than the ‘new’ issues of maximizing opportunity and value”. Some researchers hold the opinion that it is imperative to adopt a path-breaking approach to exploring the new species of MNE. This approach is especially critical for an interdisciplinary field with few shared roots, including international business (Buckley and Lessard, 2005) and general management (McGrath, 2007).

It is necessary at this point to briefly review some of the critics targeted at the extant internationalization theories derived from MNE early-movers in the current business environment. At the heart of such a reevaluation of the extant MNE theories is the growing concern that the extant MNE theories are incomplete in their coverage of “spatial” content and temporal process, and inconsistent between their internal and external validities (e.g., Andersen, 1993; Dunning, 2006; Tihanyi et al., 2005). For instance, some researchers posit that the OLI Model is incomplete in two major aspects. First, the model primarily focuses on the reduction of transaction cost or exchange risk and the exploitation of *ex ante* advantages



via the mode of internalization, rather than the enhancement of transaction value or exchange opportunity and the exploration of *ex post* new advantages via the mode of alliance (Zhao et al., 2004). Second, the model primarily focuses on the state of equilibrium rather than a dynamic process (Johanson and Vahlne, 1990). Further, the OLI Model is inconsistent in two major aspects. First, the central constructs seem blurred and confusing. The model juxtaposes the three sequential constructs as three independent ones, thus blurring their conceptual distinctions and causal links. The conceptualization of transaction-based ownership advantage is particularly problematic as it blurs the conceptual distinctions and causal links between ownership advantage, location context and internalization mode. Second, the model fails to see the paradoxical features of MNE evolution, such as disadvantage-triggered advantage, exploitation-leveraged exploration, cooperation-based competition, and change-driven equilibrium (Li, 2003).

According to some researchers, the problems of the OLI Model are exacerbated by the trends of globalization and alliance in the sense that the model is losing its external validity in the new era. It has been admitted that the OLI Model is embedded in the traditional “hierarchy capitalism”, so it is less relevant for today’s “alliance capitalism” in terms of the tendency of adopting strategic alliance as the most popular governance mode for coordination and cooperation (Li, 1998; Madhok, 1997; Mathews, 2002). The recent attempt to update the model seems short for a paradigm shift to truly reflect the emerging “alliance capitalism” (Dunning, 2006). In contrast to the efforts to adopt the alliance perspective in the Uppsala Model (see evolution above), the OLI Model still treats the firm as its basic unit of analysis, even when it tries to incorporate the effect of alliance in the recent attempts to update the OLI Model (Dunning, 2006). In this regard, it is imperative to further update the OLI Model, especially in light of MNE latecomers (Li, 2003; Mathews, 2006) as well as MNE newcomers in terms of born-global international new ventures (Coviello, 2006). Since to catch up with MNE early-movers, MNE latecomers and newcomers tend to follow a pattern of accelerated globalization via strategic alliance to leverage available advantages and create new advantages at the network level rather than doing it alone at the firm level (Li, 2007).

That's why alternative perspectives have been proposed in attempt to justify the motives and movements of non-traditional MNEs that cannot be covered by more conventional theories and models, which will be dealt with in the next section of the chapter.

## 4.2 Alternative perspectives – theories derived from MNE latecomers

### 4.2.1 Studies of MNE latecomers

At the beginning of this subsection, it is necessary to have a look at the history of “latecomer studies”, for a better understanding of the term itself and its context.

The idea of a “latecomer” turning disadvantages into sources of advantage was first clearly formulated by the historian Alexander Gerschenkron. It was he who studied the rise of “late industrializing” countries in Europe in the 19<sup>th</sup> century (e.g. Germany, Austria) and saw them as being able to secure advantages by entering industries utilizing the most advanced technologies, at a greater scale of activity and without the hindrance of institutional forms (such as established trade associations and professional training systems) which harked back to earlier periods and acted as a brake on the innovative potential of earlier industrializers (Gerschenkron, 1962). Gerschenkron saw especially an important role for state agencies to play (such as amassing capital and making it available for investment in large-scale plant, or in reducing risks by public sector development) in helping latecomer nations to overcome their disadvantages and catch up with earlier leaders.

Then since the late half of the 20<sup>th</sup> century, researchers have been paying attention to the rise of Japanese MNEs, who are, compared to MNEs from the United States and Western Europe, “latecomers” in internationalization. For instance, in his thesis and later published book *The Economics of the latecomers: Catching-up, Technology Transfer and Institutions in Germany, Japan and South Korea* (1996), the author Jang-Sup Shin took the steel industry as an illustration and examined the catching-up process of the MNEs from these three countries since the second World War, based on above-mentioned Gerschenkron theory. According to Shin, latecomers actually have some advantages in the catching-up process, deriving from the

very fact of their backwardness. Latecomers were able to import and exploit the technologies already developed elsewhere and, in addition, to derive extra scale economies from leapfrogging in plant size. As pointed out by Shin, the success of Japanese MNEs lies in their great capacity of technology transfer, a well-balanced pattern of industrialization and a productive relation between technology and institutions (1996).

Though Japan (as well as Germany) is generally considered a country of advanced and developed economy, studies over Japanese MNEs as latecomers are still relevant in the sense of theoretical background and research methodology, especially witnessing the phenomenon that popular press has debated on the rise of China's outward FDI and even raised the question, "Is China the new Japan?" (Global Finance, 2004)

Then more recently, studies have been carried out on MNE latecomers from other countries ("latecomers" in its true meaning according to our standard compared to Japanese MNEs), such as Southeastern Asian countries/regions (South Korea, Singapore, Hong Kong, Malaysia, Taiwan...) and still later, the BRICS country. Researches on MNEs from these countries have a clear benchmarking and referencing effects for our own studies.

At this point, it might be necessary to repeat our delimitation of the term "latecomer": though the term is evidently an evolving and relative one (thus the objects of latecomer studies keep changing), as far as our studies are concerned, MNE latecomers refer to firms from developing economies that have started internationalization very late and suffer from competitive disadvantages relative to MNE early-movers (traditional large firms from developed economies that have internationalized for a long time and have well established in the global market) (Luo and Tung, 2007).

No matter which countries are the research objects, the same questions linger: Why are MNE early-movers hard to overturn in the international market? And why is there still chance for latecomers to compete them? To answer such questions, researchers have first of all studied the advantages of early-movers, which can be grouped into three areas – market, competition,

and the early-moving firm itself (Cho et al. 1998):

- The *market* (or *consumers*) provides opportunities for firms that come earlier than others. Early-movers begin building their images in the market as they launch new products. As time progresses, they gain reputation in the market, which often leads to consumer loyalty (Ries and Trout, 1986). When the situation involves uncertainty, the consumer's reaction, on average, is likely to be conservative and result in repeat purchase or use of familiar (i.e., early-movers') products (Schmalensee, 1982). A certain prototypical image is built for the product and, in various ways ranging from word of mouth to intensive advertising, the image is reinforced and shared among consumers. Through that process, a nontrivial *cost of switching* among different brands is created (Lieberman and Montgomery, 1988).
- Early-mover advantages stem also from competition. The mechanism for competitive effects in favor of early-movers can be encapsulated by the notion of *preemption*. Early-movers are in the position to preempt the limited opportunities available in diverse aspects of the market. Input factors such as natural resources, real estate, suppliers and employees with necessary skills can be preempted by early entrants (Lieberman and Montgomery, 1988). Further, early-movers can make preemptive or even predatory investments in plant and equipment to deter entry by others (Dixit, 1980), and can preempt key dimensions in the geographic and product characteristics space (Lieberman and Montgomery, 1988).
- Finally, early-moving firms can have a further source of advantage through learning by doing. Moving earlier than others implies more time to experience the process of value-adding activities to produce and sell the product. Advantages may arise from each identifiable value-adding activity and learning rates. Technological leadership reflects the early mover's accumulated experience in research and development and additional related activities. When it is protected by patents, the early mover advantage should be enhanced even further. Learning curve effects have been documented to afford benefits as seen in the cumulative experience in manufacturing (Argote et al. 1990; Kim and Kogut, 1996). A

steep learning curve enables early-movers to gain significant advantages over late entrants (Lieberman, 1987). In addition, accumulated experience in down-stream activities can provide important benefits to early-movers.

Besides all these advantages, in the context of our studies, since MNE early-movers are from economically and socially advanced developed countries while latecomers from less-advanced developing ones, the fact definitely indicates a gap of resources in almost all aspects, material or non-material. With such background deficiencies, MNE latecomers really are facing daunting competitors on their way of internationalization.

However, on the other hand, early-movers do have disadvantages, which, as we put it, can be the sources of opportunities for latecomers, in other words, latecomer advantages. Following the same logic, such advantages also come from the aspects of market, competition and the late-moving itself:

- The market is not static: it changes over time and the direction of change is not entirely predictable. More notably, changes in consumer tastes can disrupt the competitive landscape (Cho, 1998). Often, newcomers are ready to attack the market while an incumbent is overcoming its own inertia, and more willing to take risks. According to D'Aventi (1994), to compete against well-established incumbents, new players can succeed by adopting disruptive strategies. Similarly, technological changes also offer valuable opportunities for latecomers, particularly when the new technologies make obsolete or destroy incumbents' competencies. Late entrants equipped with new technological competence may be able to set new industry standards and eclipse early-movers (Richardson, 1996). Latecomer advantages may also take the form of *free-rider effects* stemming from the evolution of the market and technology (Mansfield et al., 1981), for instance the information spillover (often in such form as significantly reduced R&D costs from diffusion of technologies over time), or learning from the mistakes of early-movers (skipping trial and error).

- Industry competitive dynamics can be another source of latecomer advantages, largely because of the *incumbent inertia* of early-movers (Cho, 1998). Early entrants pioneer the market and their resources will be developed and arranged to meet the (early) market requirement. Hence, two types of inertial forces can emerge within the firm and its operations. One involves the set of resources committed to specific fixed assets. Those resources are likely to increase if there are significant economies of scale and they will eventually act as constraints when the firm must change in response to environmental changes – Porter (1980) refers to them as “exit barriers”. The second type of inertial force resides within the people and organizational processes of the firm. Embedded organizational routines, values and beliefs are likely to persist even when changes are needed. Such inertial forces tend to be particularly strong when the early-moving firm has been successful in the market (Nelson and Winter, 1982).
  
- The final source of latecomer advantages is the late-moving firm itself. By entering late, a firm can view the market response to initial movements of competitors and make judgments with more concrete information and less uncertainty. That enhanced level of information is likely to turn into benefits if the late entrant is qualified with certain characteristics – such as superior resources (D’Aveni, 1994). Also, when the late entrant has previous experience or complementary assets (Teece, 1987) related to the new product, it may catch up with early-movers by relying on those shared experiences or assets, for example, by exploiting economies of scope (Kerin et al., 1992).

Successful MNE latecomers from developing countries play the above-mentioned advantages to the full and evidence will be provided in later studies. Of course, as pointed out by Day and Wensley (1988), turning such opportunities/potential advantages arising from entry order effects into superior outcomes (e.g., market share and profitability) requires an analysis of the environment (including competitors) and of firm-specific skills and resources, which corresponds to the basic concepts and models introduced in the earlier chapter and is reflected in the strategies of Chinese MNEs to be discussed in the Empirical Part of the thesis.

In terms of the research methodology, on studying the internationalization of MNE latecomers, researchers often adopt the institution-based view, the industry-based view, the resource-based view, or a mixture of the above (e.g., Yang and al., 2007):

- The *institution-based view* conceptualizes national institutions as the rules of the game that affect firm strategic choices (North, 1990). Government policies, including regulations targeted at the MNEs and changes in tariff and non-tariff barriers in the host country are formal institutions that affect FDI. Cultural distances, norms and values are informal institutions that affect FDI (Hofstede, 2007). Firms gain country-specific knowledge in order to overcome the liability of foreignness (Hymer, 1976). Although the nature of MNE-host government relations is incrementally shifting from conflictual toward cooperative, non-tariff barriers such as antidumping are still important (Luo, 2001). While companies in the host country can obtain government assistance through antidumping penalties, entering firms may react to antidumping barriers through “tariff jumping” – that is, using FDI to bypass (or “jump over”) antidumping tariffs (Blonigen, 2002). The formal regulations and informal norms in host countries affect companies’ decisions to internationalize and their strategies to enter foreign markets.

Competitive advantages of MNEs are also related to the home country, depending on the national institutions (Dunning, 2000). Governments may have regulations encouraging companies to seek international expansion. Buckley and Casson (1976) view internationalization as a response to the changes in institutional environment and argue that a nation with a comparative advantage in entrepreneurship will be able to renew firm-specific advantages through sustained innovation and international expansion, but a nation without such comparative advantage will not. Witt and Lewin (2007) propose that the extent of outward FDI is associated with the institutional adjustments in the home country. Firms in emerging economies face rapid institutional changes, including changes in levels of government involvement, ownership patterns, and enforcement of business laws (Wright et al., 2005; Yamakawa et al., 2008). These environmental uncertainties may contribute to the explanation of strategic decisions of firms from emerging economies.

- The *industry-based view* holds that firm internationalization is influenced by underlying industry structures. Different industries have different globalization potentials and firms tend to adopt a global strategy consistent with the industry conditions (Yip, 1992). According to the index of transnational integration of Kobrin (1991), the top global industries are: computer equipment, communications equipment, electronic components, and motor vehicle industries. Other studies have also considered these industries global industries (Bartlett, 1986; Flaherty, 1986; Hout, Porter and Rudden, 1982; Johansson and Yip, 1994; Roth and Morrison, 1990; Takeuchi and Porter, 1986). Industries may provide “a repertoire of possible strategic frameworks” for firms, and firms in the same industry thus follow each other in expansion of geographic scope. Each industry’s unique competitive pressure is likely to result in different levels of globalization, which in turn affect the strategies firms utilize in these industries (Yip, 1992). Some firms may standardize their products and globally integrate the value-added activities to lower costs (Barlett and Ghoshal, 1989). Others may customize value-added activities to a foreign environment, which is referred to as local responsiveness (Prahalad and Doz, 1987).
  
- The *resource-based view* (RBV) proposes that firm-specific resources are a source of sustained competitive advantage when they create unique value, when they are rare, when they are imperfectly imitable, and when they reside in an effective organization (Barney, 1991). For firms to operate in a foreign country, they need to utilize resources to overcome inherent disadvantages in the new environment (Hymer, 1976). A firm’s international experience represents firm-specific tacit knowledge that is difficult to imitate (Barney, Wright and Ketchen, 2001). RBV advocated the deployment of resources in new markets, and provides insights to internationalization strategies such as market entry, subsidiary capability development, and international alliances (Peng, 2001). Management capability plays an important role in MNEs since they are both valuable and imperfectly imitable, and can create firm-specific competitive advantages (Barney, 1991). Top management’s experience with international diversification leads to greater knowledge (Calori, Johnson and Samin, 1994). Experience provides path-dependent organizational



capabilities, and firms with more international experience are more likely to enter foreign markets via FDI (Geringer, Tallman and Olsen, 2000).

We think the institution-based, industry-based and resource-based views are of particular relevance in studying Chinese MNEs and will adopt of the three in later empirical studies – while any one view does not fully explain the internationalization of firms, an integrated view based on institutional, industry and resource drivers is needed to advance the extant literature in internationalization (Peng, 2006).

When studying MNE latecomers, researchers frequently adopt the methods of grouping and comparison. For instance, due to geographic and (in some cases) social and historical proximity, MNEs from Southeast Asia are constantly grouped together, either as a community of latecomers for bigger field and stronger evidence, or in a comparative and benchmarking way.

Among these countries, Japan and Korea are often the heroes of this kind, especially their eminent semiconductor and electronic industries. Liu (2009), on studying Japanese hi-tech MNEs, argued that for the case of Japan, the role of government is essential by intervention through active economic, industrial and trade policies. The government, especially the Ministry of International Trade and Industry (MITI), was able to set the direction of technological change and mobilize technological and capital resources to pursue national strategic goals in line with that change. The government helped industry to forecast the new technology trends and facilitated coordination among companies and with universities (Odagiri and Goto, 1993). Japan targeted the progressive industries as their base for catching-up with a strategy of combining economies of scale, product differentiation with continuous improvement of product and process. Besides, Japan has many unique social innovations, such as life-employment and job rotation that support their innovation activities in the firm level (Freeman, 1987). Similarly, on studying South-Korean semiconductor firms, Chung et al (2000) concentrated on the technological side and concluded that the technological capabilities of Korean MNEs were enhanced in all four major technological

categories: design, fabrication, assembly and testing. Following a special path of technological capability accumulation, Korean MNEs have evolved from technology users to technology creators. They also excel in the deepening and widening of technologies in various technological categories, such as design rules, operating speed, chip size, etc.

On grouping together the semiconductor industries of these two countries, Cho et al (1998) found several factors that contributed to eventual Japanese dominance of the industry: First, large diversified companies took gradual steps in sequentially building competencies. Underlying their gradual approach were strong leadership and the clear vision of top managers. Second, the inherent nature of the semiconductor business was such that it created opportunities for followers to technologically leapfrog and assume industry leadership over incumbents. Finally, the development of Japanese semiconductor manufacturing equipment makers, traditional intense domestic rivalry, and the varying roles of the Japanese government in part explain Japanese success in semiconductor. While on the other hand, Korean MNEs show both similarities and differences, whose factors of success can be summarized as the following: First, Korean companies share factors that largely replicate the Japanese model. Second, Korean manufacturers reveal some elements that are Korea-specific, for instance, in entering the new industry, top managers of the Korean companies exercised unique entrepreneurial leadership. Odd timing, time compression, and human-embodied technology transfer were essential elements of Korean entrepreneurs' highly spirited catch-up strategies. Such bold moves were partly from their lack of experience, which made them take greater risks to leapfrog industry leaders. Other factors include: as in Japan, domestic rivalry and the government played major roles in the development of the Korean semiconductor industry; and a trade dispute between the United States and Japan over semiconductors proved favorable to Korea.

From a much wider perspective, Blumenthal and Lee (1985) also compared the performances of Japanese and Korean economies, listing both similarities and differences. According to them, both countries have a future-oriented development strategy – some societies place a high value on present consumption and are willing to sacrifice future benefits, others place a

high value on future consumption, willing to make great sacrifices in the present, which amounts to saying that societies differ according to the discount rate they place on future consumption: the more “future-oriented” a society, the lower the rate of discount of the future. Based on the assumption, the authors proved the following features: while both countries had high rate of investment, the way investment was financed was different; while both countries had high rate of growth of export, Korea’s experience far exceeds that of Japan and benefited considerable flows of foreign capital; while both countries put much emphasis on export promotion, the policy instruments used for this purpose were different; also, another difference between the two countries lies in the role played by the domestic and foreign markets (composition, distribution, openness, etc.).

Besides Japan and Korea, MNEs from other Southeast Asian countries or regions are also frequently grouped together as samples of MNE latecomers. For instance, some researchers posit that the economic catch-ups of Taiwan and Singapore fit well with the Gerschenkronian scheme by targeting new industry; the role of government in providing infrastructure and the export-oriented strategy (including the role of OEM) also play key role in the process (Fagerberg, Srholec and Knell, 2007). Sim (2012) carried out a comparative case study of the internationalization strategies of Malaysian, Singaporean and Taiwanese firms. Among his findings, he confirmed the important role of ethnic networks in the internationalization of Asian MNEs in neighboring countries: cooperative activities in the firms’ networks are based on personal relationships that are usually ethnically linked. Similar cultural attitudes and heritage foster the development of trust and cooperative behavior and these ethnic networks and ties provide knowledge and access to local markets, distribution systems, connections around local bureaucracy and business systems, potential business partners and associates and even financing. He then went further to have a closer look at the global organizational networks, which are used by MNEs from developing and developed countries alike, and which are more eminent in some industries (e.g., electronics, textile) than in others. The textile and electronics industries, with their extensive system of international OEM suppliers and contractors, have established patterns of industry networks and Asian firms are usually part of this network (Ernst, 2000). Networks being extensively examined to explain the

internationalization of MNEs from both developing and developed economies, Dunning and Lundan (2008) began to explicitly include the influences of networks and institutional context in their MNE explanations. However, networks of the MNEs from developed countries are more of a business and commercial nature and less linked to the social context; while East-Asian firms are largely based on ethnic and cultural foundations. Hence the ethnic and social embeddedness of networks and relationship (*guanxi*) is a distinguishing feature of Chinese-based Asian MNEs and is not well covered by conventional explanation of MNEs (Sim, 2012).

From another angle, taking the electronics industry as his field, Hobday (1995) traced the evolution of Southeast Asian firms and divided it into four phases: 1) industry start-up; 2) take-off of simple manufactured goods; 3) take-off of professional electronics; and 4) toward advanced electronics and information technology. According to Hobday, latecomer's learning of foreign technology has become embedded in a variety of institutional channels which usually involve foreign firms in contractual arrangements in return for a payment or a particular service, such as low-cost production. These channels evolved through time as latecomers sought to acquire complex technologies and to compete nearer the technology frontier. The channels, some of which overlap, apply to lesser or greater extents to each of the Southeast Asian countries/regions he studied and together they enabled latecomers to acquire technology and enter export markets: FDI, joint-ventures, licensing, OEM, Original Design Manufacture (ODM), sub-contracting, foreign and local buyers, informal means (overseas training, hiring, returnees), overseas acquisitions/equity investments, strategic partnerships for technology, etc. Each of the foreign technology channels mentioned above was exploited by latecomer firms to learn skills and overcome barriers to entry into export markets. Most of the mechanisms were dual purpose, providing access to markets and to technologies. Latecomers worked to couple technological and market opportunities, using market signals as a focusing device for technological learning. This coupling process has resulted in a substantial and largely incremental innovative capacity on the part of many Southeast Asian latecomers (Hobday, 1995).

Similar studies have been carried out on MNEs from the BRICS countries. Considerable attention has been given to the learning process and technological accumulation of these latecomers. For instance, Dantas and Bell (2009), by examining the MNEs of Brazil, put forward a typology of knowledge network properties to trace out changes in the form of networks as they evolve over time. According to them, a firm-centered knowledge network has been developed within Brazilian MNEs and evolved through a succession of stages towards 1) increasing intentionality in the management decision-making underlying network development, 2) growing complexity and diversity in selected cognitive characteristics, and 3) greater complementarities in the division of innovative labor between the firm and its network partners. In parallel, drawing evidence from Indian MNEs, Altenburg et al (2006) studied their trajectories of technological upgrading and asked the question if India could be the role model for other latecomers. According to Altenburg et al, it is still feasible to catch up technologically with industrialized countries, despite certain adverse framework conditions emanating from the increasingly complex technologies and regardless of regulatory restrictions on industrial policy. In spite of different starting points and trajectories, strategic vision, political leadership and (culture-related) development of skills are crucial in the innovation upgrading. There are also researchers that concentrate on other aspects, such as the structural reforms and institutional elements (e.g., Figueiredo, 2008; Ahluwalia, 2002), macro-and-micro factors on the industry level (e.g., Mathews, 2007; Tacla, 2006), sources of firm-level advantages and capabilities (e.g., Rouseva, 2010; Figueiredo, 2010).

In some cases, group or comparative studies break through the limitations of geographical or social proximity and are extended vertically – by vertically, we refer to MNEs of the same industry that are grouped together, even when they are from countries far apart. For instance, MNEs from Brazil, China, India and Korea are grouped together for catch-up evidences in the telecommunication equipment industry (Lee et al, 2012).

In this subsection, we have reviewed related literature on MNE latecomers in general, as well as literature on MNE latecomers from countries other than China. We say that no two countries are in exactly the same situation, but as long as they are under the same roof of

latecomer, relative or comparative studies are possible. Derived from fellow latecomers, these studies provide valuable references, especially in the sense of case-study methods and theoretical models – both similarities and discrepancies are important. With this said, we now move to the next subsection to have a look at how researchers move from country-specific cases to more generalized theoretical frameworks for latecomers.

#### 4.2.2 Alternative perspectives – theories derived from MNE latecomers

Through our literature review on the internationalization of MNEs from developing economies (no matter East-Asian countries/regions or the BRICS), different approaches have been noted to interpret their strategies. Some researchers try to describe the rise of these MNE latecomers by using the traditional approaches based on the idea that MNEs from developing economies are able to go abroad because they have particular ownership advantages to exploit via internationalization in other emerging countries.

For example Wells (1981), according to the traditional approaches (Hymer and Vernon theory in particular), affirmed that MNEs from developing countries are able to internationalize in other emerging countries because they have particular ownership advantages compared to host country firms and MNEs from developed countries. The sources of these advantages include: 1) less use of special-purpose equipment, which enables them to use local, low-level inputs or even substitutes; 2) mature and more universal products, which better match the lower standards of machinery and equipment in local downstream firms; 3) low specialization of FDI affiliates, which can reduce the economic scale to local small market level; and 4) the flexibility stemming from lower specialization and higher universality of their machinery and equipment, which facilitates firms greatly to change their products when business environment and market conditions have changed. Small scale of operation is another advantage for investors from developing countries. Other authors underlined that MNEs from developing countries go abroad to exploit the ownership advantages based on the low labor costs of the home country (Ghymn, 1980; Khan, 1986).

Lall (1984) affirmed that the ownership advantages of developing country MNEs are expected

to vary by activity and by home country. By activity, advantages are expected to be found in the idiosyncratic features of accumulated skills, both managerial and technological; by country, ownership advantages are expected to rise with the level of education, the degree of export orientation and the sophistication in science and technology infrastructure.

According to Tolentino (1992), the ownership advantage of firms from developing countries is based on their ability to: 1) imitate and adapt foreign technology in accordance with developing countries' markets and production conditions; 2) innovate on essentially different lines from those of the more advanced countries, that is, innovations that are based on lower levels of research, size, technological experience and skills; and 3) achieve improvements by modernizing older technique, including foreign outdated technology. Other possible sources of ownership advantage of developing-country MNEs are the presence of ethnic connections, the specialization in products not made by MNE early-movers, the cultural similarity with the host country, the fact that they are perceived as less threatening by many host governments (Kumar, 1982).

While above-mentioned theories do explain the success of certain MNEs from developing countries, they are hardly satisfactory to reflect the scale and level of the internationalization of MNEs from developing countries as a whole. They are more valid when such MNEs invest in countries characterized by same or lower development levels than those in the domestic country, but much less valid to justify why they could be successful in more advanced economies, facing the competition from more-established MNE early-movers – sometimes even in the home market of these competitors.

Also, such theories hold that FDI from developing countries are likely to be directed to countries with economic, cultural and ethnical proximity. Subsequently, only when the investing firms have gained international business experience, acquired better skills and more access to improved technologies and international networks do they begin to extend their areas of operation to regions with larger geographical, cultural or ethnical distance (Ferrantino, 1992). This is a re-confirmation of the traditional view that firms internationalize by a

pre-established order, and they invest abroad only after reaching a strong competitive position in the domestic market or after having accumulated exceeding resources in “neighboring” countries (Parmentola, 2011)

In contradiction to the first affirmation, some empirical studies show that many firms realize FDIs also in countries characterized by a higher level of development than in the domestic market, because they are driven by the need to acquire new knowledge. This is, for example, the international strategy adopted by some European and Japanese ITC companies that delocalized their R&D activities to the US Silicon Valley (Kogut and Chang, 1991; Dunning, 1993; Chang, 1995).

According to this second affirmation, Moon and Rohel (2001), analyzing unconventional FDIs, underline that what induces the companies investing abroad is not only the ownership of particular advantages or of unutilized resources but their disadvantageous position in the domestic market. Some firms, therefore, decide to realize FDIs because they are not able to obtain a competitive advantage in the domestic market. In this sense, the internationalization strategy of the firm is not motivated by an expansion aim but is imposed by necessity.

As mentioned in Chapter 2, subsection “Continuity of the studies” (p.17), we integrated this affirmation in our proposed model of the Memoire, studying the motives and choices of entry mode/destination of Chinese MNEs. However, it is obvious that a need to acquire knowledge, or a need to overcome disadvantages in the domestic market, no matter how strong, DOES NOT guarantee the success of these MNEs from developing countries, especially those looking for a world leadership and directly confronting their western competitors in the latter’s home market. There must be some advantages to justify their soaring progress in this less-advantageous position, calling for an examination of their situation and deployment of strategies – what we do now in this thesis.

The deficiency of both affirmations drove us to check more literature focused on the internationalization of MNEs from developing countries. In analyzing the catching-up models,



some researchers put forward the concepts of *path-following* and *leapfrogging* – but first, catching up in the macro level means the ability of a single country to narrow the gap in productivity and income vis-à-vis a leader country (Fagerberg and Godinho, 2005). Innovation catching-up (including technology) and market catching-up are two main kinds of catching-ups (Liu, 2009).

In analyzing the Korean case, Kim (1997) used Utterback and Abernathy's innovation model to identify how the innovation process in a developing (latecomer) country is different from that in a developed country. Rather than product innovation first and process later, Kim proposed a 3-stage model for latecomer countries like Korea. The first stage is acquisition of mature technology from developed countries; firms learn production technology in this way. Second, firms acquire process development and product design capabilities. Finally, in the third stage, companies do more significant R&D and thereby develop their product innovation capability. He argues that process innovation precedes product innovation, and uses the term “reversed innovation process” to highlight this feature (Kim, 1997).

Also based on the Korean experience, Lee and Lim (2001) gave three patterns of catching-up: path-following catching-up, stage-skipping catching-up and path-creating catching-up. Path-following means that the companies in developing countries will follow what the innovative companies did before in the successive stages but in a more efficient way. In stage-skipping way, companies in developing countries can skip some stages to the next stage in a parallel way with innovative companies in the developed countries. Path-creating will break the way the innovative companies did before and developed their own technology to narrow the gap with the leading companies in the industries. Both stage-skipping and path-creating belong to leapfrogging.

Other researchers (e.g. Liu, 2009) simplify the above model: there are mainly two ways of catching-up, path-following and leapfrogging. The path-following is a more market driven approach in an existing technology trajectory. This kind of catching-up can be triggered by a mismatch of existing technology with the local market or from an innovation ladder of low

-end market to high-end market in a given technology trajectory. On the other hand, the second is more technology-driven. Firms try to leapfrog some stages and target the next generation technology as a way of catching-up so as to narrow the gap in a quick way. Market knowledge, technological opportunity, governmental role, learning activity and innovation strategy of the company are proposed as key factors for the successful catching-up (Liu, 2009). They play important but different roles in the catching-up process, and explain why in some stage or industry, certain MNEs succeeded or failed.

MNE latecomers face both market opportunities and technology opportunities to narrow the gap from Western competitors. For instance, according to Liu (2009), the key market opportunity to enter the innovation competition lies in the gap or mismatch between existing foreign products with real market needs (no matter in domestic market or in foreign markets). Also from his researches, targeting new industry gives latecomer country a good technology opportunity to catch up – among all factors of the technological regime, technological opportunity is the most important one; it reflects the likelihood of innovations for any given amount of money invested in search. The key point with technological regime for understanding catching-up is what the determinants of the change for catching-up are. According to Lee and Lim (2001), the cumulateness of technical advance and the predictability of technological trajectory are the most important dimensions of the technological regimes. Regimes in which innovation is more predictable and frequent will give latecomers more opportunity to catch up. However, this kind of technological regime has a hint of technology determinism. There are nation-specific factors very important for the catching-up process and therefore different developing countries demonstrate extremely diversified catching-up trajectories (Lee and Lim, 2001).

Some other theories or models have also been proposed focusing exclusively on the new species of MNE, among which 1) the Linkage-Leverage-Learning (LLL) Model for MNE latecomers (Mathews, 2002, 2006), and 2) the International New Venture (INV) Model for MNE newcomers (Autio, 2005; Zahra, 2005), which are considered path-breaking emerging models (Li, 2010). Here to the purpose of our studies, we examine only the former one.

Mathews has been active in MNE latecomer studies and made extensive researches on this kind of MNEs from all over the world. With this as a solid base, he proposed a new model to supplement or perhaps even supersede the OLI Model, which is the above-mentioned LLL model. The LLL Model claims that MNE latecomers engage in FDI to achieve new competitive advantages via external *linkage*, *leverage* and *learning* rather than exploiting existing internal advantages via internal control. It also emphasizes a dynamic process of MNE formation rather than the static bias of the OLI Model (Mathews, 2006).

Mathews first made a distinction between “latecomer firm” and “late entrant” and “start-up”; by doing this, he reconfirmed the definition of latecomer firm (LCF hereafter) as the following – the latecomer firm is one which meets the four conditions:

- *Industry entry*: the LCF is a late entrant to an industry, not by choice but by historical necessity;
- *Resources*: the LCF is initially resource-poor, e.g. lacking technology and market access;
- *Strategic intent*: the LCF is focused on catch-up as its primary goal;
- *Competitive position*: the LCF has some initial competitive advantages, such as low costs, which it can utilize to leverage a position in the industry choice.

Evidently Mathews’ definition of LCF echoes the definition of MNE latecomers we adopt in our thesis, and that a latecomer is no equivalent to late-entrant or start-up.

He then put forward his resource-based view of the latecomer firm, namely the LLL Model: 1) *Linkage* refers to the strategic networking that firms use to enhance their resource base; 2) *Leverage* refers to a means to draw resources from external sources – firms ensure that they stay abreast of new developments through alliances and various forms of joint ventures; they identify and secure access to the resources needed to keep diversifying their product portfolio. 3) *Learning*, evidently, refers to the firms’ ability and process of absorbing knowledge, through repeated applications of linkage and leverage. According to him, the strategic choices

of the LCF are seen as revolving around the following:

- Posing linkage as the initial step that generates opportunities for the LCF;
- Posing resource leverage as the means through which the LCF is able to exploit the linkages established;
- Posing learning as the outcome of repeated applications of linkage and leverage by the LCF, resulting in the acquisition of dynamic capabilities.

Despite the originality of the LLL Model, there are also critics. Some say the LLL Model is ambiguous about the distinctions between linkage, leverage and learning. It seems that linkage and leverage are the strategic means to the strategic end of learning since learning refers to the result of repeated application of linkage and leverage. Further, linkage and leverage seem to be inseparable as the two sides of the same coin, thus the two elements of the same strategy of external asset-seeking via strategic alliance (Li, 2007). It is not likely to have linkage without leverage or vice versa. Therefore some think that it is only a complement to the OLI Model (Dunning, 2006).

Still some researchers posit that conventional models can remain valid, while they are more relevant for MNE early-movers than MNE latecomers or newcomers, especially more valid for the “old” issues of minimizing risk and cost than the “new” issues of maximizing opportunity and value. While the path-breaking new models, on the other hand, contains the danger of “throwing the baby with the bathwater”. Therefore some researchers say a balanced integration of these two approaches is imperative and they make endeavors to propose an integrated model of the two approaches.

For instance, Li (2010) proposed an integrated learning-based view which tries to cover both MNE early-movers and MNE latecomers. According to him, such integration is feasible, because despite the distinctive focuses between the conventional and emerging models, they share a central theme: cross-border learning as both the motive and capability of internationalization (Li, 2007; Forsgren, 2002; Pitelis, 2007). He posits that the central theme

of cross-border learning should serve as a shared platform to integrate all MNE models toward a learning-based view, which stresses the trajectory of accelerated internationalization in MNE evolution, with the pre-MNE and MNE stages as two primary phases of MNE evolution (Li, 2003, 2007). For this purpose, the distinction has been highlighted between the learning about the ownership-based advantage (i.e., the knowledge about technological, marketing and other functional expertise, related to the firm-specific advantage or FSA) and the learning about the location-based advantage (i.e., the knowledge about institutional context, social relationship and economic conditions in a specific country/region, related to the country-specific advantage or CAS) (Rugman and Verbeke, 2003). The former is referred to as ownership knowledge, and the latter location knowledge. Despite the distinction, cross-border expansion requires both – the OLI Model by Dunning focuses on ownership knowledge, while the IP Model by Johanson and Vahlne emphasizes location knowledge. However, both models assume the stock of available knowledge as the given point of departure for cross-border expansion. In this sense, the shared limitation of both models lies in their focus on the path-dependent exploitation of an *ex ante* stock of knowledge, at the expense of the path-breaking exploration of an *ex post* flow of knowledge, thus largely neglecting the strategic choice by proactive managers and/or risk-taking entrepreneurs who take cross-border expansion as a unique opportunity to explore novel knowledge (Knight and Cavusgil, 2004; Jones and Coviello, 2005; Hutzschenreuter et al., 2007).

Li posits that, while exploiting the *ex ante* stock of knowledge is salient to MNE early-movers, exploring the *ex post* flow of knowledge is central to MNE latecomers given their goals of accelerated internationalization. Given the motive of MNE latecomers to explore the *ex post* flow of knowledge, the cross-border distance (diversity) between the host and home countries in terms of economic, technological, cultural and political contexts should be regarded not only as negative uncertainties and liabilities, but also as positive opportunities and benefits (Li, 2007; Mathews, 2006; Tsang and Yip, 2007). In this sense, the conventional models can be more effective in explaining exploitative learning in terms of utilizing the *ex ante* knowledge stock, while the emerging models can be more effective in explain exploratory learning in terms of seeking the *ex post* knowledge flow. As a result, an integrated

learning-base model was proposed as the following (Figure 4.2):

Figure 4.2 A learning-based model for both MNE early-movers and MNE latecomers

Two basic dimensions	Exploitative learning [Learning motive]	Exploratory learning [Learning motive]
Unilateral learning [learning capability at the single-firm level]	Unilateral exploitation [Improving/applying internal knowledge] Core features: 1. Moderate ownership knowledge 2. Host location knowledge as irrelevant 3. Less salient to MNE latecomer 4. Less salient to accelerated FDI 5. More salient in less developed markets 6. More salient at the intermediate stage 7. Absorptive capacity as irrelevant 8. Disseminative capacity as irrelevant	Unilateral exploration [Seeking external knowledge] Core features: 1. Moderate ownership knowledge 2. Host location knowledge as relevant 3. More salient to MNE Latecomer 4. More salient to accelerated FDI 5. More salient in more developed markets 6. More salient at the intermediate stage 7. Absorptive capacity as critical 8. Disseminative capacity as irrelevant
Bilateral learning [Learning capability at the inter-firm level]	Bilateral exploitation [Leveraging co-specialized knowledge] Core features: 1. Weak ownership knowledge 2. Host location knowledge as relevant 3. More salient to MNE latecomer 4. More salient to accelerated export 5. More salient to developed markets 6. More salient at the earlier stages 7. Absorptive capacity as relevant 8. Disseminative capacity as relevant	Bilateral exploration [Co-creating novel knowledge] Core features: 1. Strong ownership knowledge 2. All location knowledge as relevant 3. Salient to all species of MNE 4. Salient to all accelerated entry types 5. Salient to all markets as a network 6. More salient at the later stages 7. Absorptive capacity as critical 8. Disseminative capacity as critical

Two basic dimensions	Exploitative learning [Learning motive & stage for entry strategy]	Exploratory learning [Learning motive & stage for entry strategy]
Unilateral learning [Learning capability & stage for entry strategy]	The link between unilateral exploitation and first intermediate entry strategy Strategic features: 1. Greenfield FDI as primary entry mode 2. OBM as secondary entry mode 3. Less developed markets as entry point 4. Intermediate stage as entry time 5. Total control as governance mode 6. No synergy due to total control	The link between unilateral exploration and second intermediate entry strategy Strategic features: 1. M&A as primary entry mode 2. Majority JV as secondary entry mode 3. More developed markets as entry point 4. Intermediate stage as entry time 5. Tight control as governance mode 6. Limited synergy due to tight control
Bilateral learning [Learning capability & stage for entry strategy]	The link between bilateral exploitation and initial entry strategy Strategic features: 1. OEM as primary entry mode 2. ODM as secondary entry mode 3. More developed markets as entry point 4. Earlier stage as entry time 5. Control-trust mix as governance mode 6. Moderate synergy due to moderate trust	The link between bilateral exploration and mature entry strategy Strategic features: 1. Non-equity SA as primary entry mode 2. Equal-equity JV secondary mode 3. Markets in a network as entry point 4. Later stage as entry time 5. Strong trust as governance mode 6. Strong synergy due to strong trust

(Source: Li, 2010)

While an instrumental reference to our following studies, Li's integrated model still touches the first level of the internationalization of MNEs latecomers (motivation-oriented) with no

systematic analysis of what concretely are the ownership advantages and/or location advantages of these MNEs, nor with any research on their specific strategies that enable these advantages to play a role.

In the meantime, the same author Li put forward another model with the endeavor to cover all kinds of MNEs under the same umbrella, which he called an integrated content-process framework of MNE evolution (2007). He argued that while the OLI is more internal-focused in its explanation of MNE formation, the LLL Model (Mathews, 2006) is more external-focused in its contrasting explanation - each orientation is biased – therefore he adopted a comprehensive framework of MNE evolution that integrates the internal focus of the OLI Model and the external focus of the LLL Model. As shown by the following Figure 4.3, the new framework integrates five major “*spatial*” content factors (i.e., ultimate intent, external context, internal profile, strategic choice, and market effect) with the major *temporal process* factors (i.e., simultaneity/synchronization, directionality/sequence, and rhythm/tempo), as a holistic, dynamic and dialectical approach to NME evolution (Li, 2003). Further, this new framework is consistent with a recent effort to model the internationalization of entrepreneurial firms (Jones and Coviello, 2005), which consists of four factors: external environment (market-specific, industry-specific, and overall factors); internal firm (structure, resources, products, and entrepreneurial orientation); entrepreneur profile (risk orientation, social capital, and human capital), and market performance (financial and non-financial measures).

Figure 4.3 An integrated content-process framework of MNE evolution

“Spatial” content	Temporal process		
	Pre-export	Immature Export	Mature export
<b>Ultimate intent</b>			
<b>External context</b>			
<b>Internal profile</b>			

**Strategic choice**

**Market effect**

“Spatial” content	Temporal process		
	Infant MNE	Teenage MNE	Adult MNE

**Ultimate intent**

**External context**

**Internal profile**

**Strategic choice**

**Market effect**

(Source: Li, 2007)

An explanation of each factor is provided as the following:

- Ultimate intent – the firm-specific long-term vision, mission and strategic intent to guide strategic choices and behaviors;
- External context – the demand and supply conditions at both home and host countries, including both industry-specific and country-specific condition;
- Internal profile – the firm-specific internal resources, including both tangible and intangible resources;
- Strategic choice – the firm-specific decisions and behaviors to compete in the global market with the four concrete elements of strategic target or goal, strategic thrust or orientation, strategic posture or position, and strategic mode or mechanism;
- Market effect – the firm-specific performance in the market, including both financial results and learning results.

As to the three *temporal process* factors: the first one *simultaneity* refers to the temporal pattern of events taking place at the same moment; the second *directionality* refers to the sequential process of the events; the last one rhythm refers to the tempo of events.



As reflected in Figure 4.3, integrating the two dimensions, Li broke down the whole evolution process to six major stages: pre-export, immature export, mature export, infant MNE, teenage MNE, and adult MNE, and got his comprehensive framework.

Different from other models for MNE latecomers, Li's content-process framework of evolution does touch the strategic level – “MNE formation and evolution can be best explained as a strategic phenomenon with both content and process dimensions” (Li, 2007). We find this model relevant to our studies and decide to use an adapted version as the table-shell to our empirical studies. For instance, since we are only interested in more advanced stages of the internationalization, we will not look at the export (pre, immature or mature) part of the temporal process but go directly to the MNE part.

In this section, we have principally reviewed two kinds of literature on MNE latecomers: The first kind takes latecomers themselves as the research object, studying their nature and characteristics, by proposing its inherent advantages/disadvantages for internationalization. The second tries to evolve (or overthrow as some proclaim) the classical internationalization models (notably the OLI Model and the Uppsala Model) by proposing more integrated framework applicable to both MNE early-movers and latecomers. Of course, consensus is impossible in this area of studies and each has made interesting points. As in our thesis, after the empirical studies, we will get back to some of the models mentioned in this section and see which one(s) are of the most relevancy in terms of the internationalization of Chinese MNEs (see Chapter 7 - 7.1 Internationalization Theories Revisited).

#### 4.3 Review of literature focusing on the internationalization of Chinese MNEs

##### 4.3.1 Studies on the internationalization of Chinese MNEs in general

Moving from the more general to the more specific, we make in this subsection a summary of the recent scientific studies focusing on Chinese MNEs as latecomers. Considering Chinese MNEs could be important contributors to the current internationalization theories of latecomers or even internationalization theories on the whole, researchers try to draw

generalization in terms of their motives, entry modes, location choice, learning modes, big-picture strategies and other aspects including environments and external forces. A large proportion of this kind of studies adopts the method of case study, more specifically, a single-case study (or a small group of two to five cases of the same industry at the most). This is due to: 1) the exigency of the case-study method itself, and 2) the limited number of selectable Chinese MNEs, as well as the industries they represent – similar to latecomers from some other countries, telecommunications and electronic devices are the most representative ones. Obviously, it is difficult to generalize the characteristics of the internationalization of Chinese MNEs based on one company or one industry only – this point is often mentioned in the limitation part of the studies, calling for more extensive future studies. However, such future studies will depend on the development of the Chinese MNEs themselves. It takes time to form a truly comprehensive and representative field of Chinese MNEs in match with their Western counterparts.

First of all, as mentioned above, many researchers focus their attention on the motivations of internationalization and related issues, notably entry mode and location choice. Choice of entry mode is one of the most critical decisions in foreign market entry (Root, 1994). Inappropriate entry mode can have significant and far-reaching consequences on a firm's performance and survival in the target foreign market (Mathe and Perras, 1994). In addition to blocking growth opportunities, an inappropriate entry mode could substantially limit strategic options available to the firm in a foreign market. Each entry mode is associated with a certain level of resource commitment to and control of the foreign affiliate; each entry mode also involves a certain level of investment risk. Two main theories of international market entry employed are the resource-based view and the institutional theory.

Deng, a frequent researcher on Chinese MNEs, concentrates his attention on their entry modes. According to him, Chinese MNEs are trying different and more adaptive modes of entry into overseas markets. The most obvious phenomenon is that they have begun to use “listing abroad”, an effective internationalization mode. The “establishment of R&D institutions abroad” has also developed into an important mode in recent years (Deng, 2009).

The modes of entering overseas market are dominated by the internationalization driving forces and under different investment motives; there is significant correlation between the two. Such driving forces and motives also have a strong influence over the choice of investment destination:

- The entry mode of “merging or acquiring” adopted by Chinese firms is strategic-seeking direct investment, which reflects the investors’ motive of developing one’s own organization ability and improving competitive advantage worldwide.
- The entry mode depends on not only their strategy, but also the business environment in the host country to a great extent. Therefore when the trade barrier between two countries is high, direct investment becomes an effective entry mode. Some Chinese firms adopt the mode “building totally owned firms” to enter the overseas market because of the “industry and institution factors”.
- Efficiency-seeking enterprises mainly adopt entry modes of “building overseas factories” and “building overseas market subsidiaries”.
- The entry modes that resource-seeking enterprises adopt are mainly “merger and acquisition” as well as “joint-venture establishment”.

Also focusing on the motivations and related entry modes, based on the cases of Huawei, ZTE and some other companies in the telecommunication industry, Lu et al (2010) concluded that firms’ tech-based competitive advantages and a high level of industry R&D intensity tend to motivate strategic asset-seeking outward FDI; firms’ export experience and higher level of domestic industry competition tend to induce market-seeking outward FDI.

As to the location choice, Ramasamy et al. observed that Chinese MNEs seem to be investing into countries that do not fit the standard profile of host locations (2010). According to their studies, the locational determinants of Chinese outward FDI differ based on the type of ownership and so the motivations behind such investments may also vary. While government controlled firms are attracted to natural resource rich countries which may have weak political systems, internationalizing private Chinese firms are more risk averse. Although they too are

attracted to natural resource endowed countries, private firms are more likely to provide value added services rather than to exploit the resource itself. Similarly, the strategic intent of going global to acquire technology, brand names and know-how seems more prevalent among SOEs rather than private investments which are more market seeking. In particular, central government controlled firms are attracted to stable political environments to exploit strategic assets while those in the private sector seem to be less influenced by such factor.

Also on location choice, Quer et al. studied the influence of host country political risk and cultural distance on the location decisions made by large Chinese MNEs and found some particularities. Their findings show certain characteristics that differ from the conventional wisdom of political risk, cultural distance, and outward FDI multinationals. Host country political risk is not associated with the location of Chinese outward FDI and cultural distance does not have a strong negative influence on such decision (Quer et al., 2011). In addition, three other variables seem to have a positive effect on the decision to invest in a particular country: the volume of Chinese exports to the host country, belonging to a mining-quarrying industry, and firm size. The researchers posit that depending on what the objective is for Chinese companies in each country, the institutional factors linked to each location may play a very different role. For example, institutional restrictions that may arise when a Chinese company makes an investment to access a resource considered strategic for the host country may not be applied when investments are made in that same country for the purposes of accessing its market. In conclusion, the location patterns of Chinese MNEs share some characteristics with approaches traditionally associated with institutional theory. Thus, the presence of overseas Chinese in the host country seems to be a factor that helps Chinese companies to overcome the possible cultural barrier. However, other findings seem to go against the conventional logic that has been observed in location decisions made by MNEs from other, particularly Western countries. A high political risk in the host country does not act as a particular disincentive for Chinese MNEs. Furthermore, the researchers were unable to confirm that cultural distance is an important institutional barrier for Chinese companies. All this may challenge traditional considerations of the institutional approach, which would need to be adapted to explain the international behavior of Chinese MNEs. Therefore, a

theoretical extension may be called for in terms of the location choice of Chinese MNEs.

Opinions vary over the internationalization of Chinese MNEs. Starting from the negative side, we encounter researchers that are extremely pessimistic about Chinese MNEs, and Nolan is a prominent representative. He argued that “the competitive capability of China’s large firms after two decades of reform is still painfully weak in relation to the global giants” (Nolan, 2001). He pointed to factors such as their weakness in R&D, their limited marketing capability, their lack of brand development, and the administrative constraints that government agencies continue to impose on them. While Nolan’s focus was on large SOEs that have been groomed to be national champions, he also expressed skepticism about the ability of leading non-state enterprises to compete internationally with the major multinationals. Although admitting that some non-state enterprises had demonstrated considerable entrepreneurial ability, Nolan argued that their success had been fostered by a protected domestic market and by considerable state support in the form of soft loans, government procurement, and protected marketing channels. Nolan’s detailed case study evidence raised the question of whether or not Chinese enterprises can overcome the weakness he identified and Nolan concluded this unlikely. Even in the case of relatively strong non-state-owned Chinese firms, Nolan (2001) maintained that “without continued state support they were most unlikely to be able to build on their considerable entrepreneurial achievements, and mount a serious challenge to the global giants in their respective sectors”. While Nolan (probably rightfully) pointed out some of the deadly weaknesses of Chinese MNEs (state-owned and private alike), his arguments are far from impartial, in the sense that many Chinese MNEs are now undertaking significant changes to overcome the limitations of their domestic situation and to remedy their main competitive weaknesses. Nolan’s analysis would fail, obviously, the ever-expanding internationalization of Chinese MNEs and their success in the foreign markets face-to-face with Western competitors, where the so-called market protection and mass purchases of Chinese government do not function, and where to the contrary, as we will mention later, institutional elements might play a negative role.

Based on Nolan’s studies, Boisot on the other hand, put forward more neutral (but still not so

pleasant) arguments. He argued that, in contrast to the assumptions of conventional international business theory, “many Chinese firms will not be moving abroad to exploit a competitive advantage that was developed in the domestic market, but to avoid a number of competitive disadvantages incurred by operating exclusively in the domestic market” (Boisot, 2004). He listed a range of disadvantageous domestic conditions: regional protectionism that limits the opportunities otherwise offered by a large domestic market to exploit economies of scale; limited access to capital that prevents investment in plants of optimal scale; lack of developed intellectual property rights that limits access to state-of-the-art technologies; under-provision of training and education that limits access to skilled human resources; poor local infrastructure that increases transport costs; and regional markets that are fragmented by provincial and municipal protectionism (see also Zhang, 2005). Moreover, in industries such as mobile phones, electronics and white goods, Chinese firms now face fierce competition from leading international brands. This competition together with over capacity is driving profit margins down to wafer-thin proportions (Fang, 2002). Government interference also continues in various forms and at different levels. In all, the presence of these domestic constraints and pressures adds to the attractiveness of producing for foreign markets; and having developed an international presence, they would be in a stronger position to compete against MNEs in their domestic market as well. However, our question is still: How? How do Chinese MNEs build up new capabilities abroad? Where do their competitive advantages come from to compete with Western early-movers in their local markets? Such a deplorable domestic market as described by Boisot certainly does not guarantee any chance in earning more foreign markets.

Boisot’s arguments are in line with those of Parmentola’s that we introduced in an earlier chapter, which put Chinese companies into four categories. According to Parmentola, some Chinese companies internationalize mainly as a result of the limitations of domestic market, and their principal aim is also to reinforce their position in this market, instead of expanding into foreign ones. When we acknowledge the relevance of this argument, we cannot neglect the fact that there ARE Chinese MNEs that are already leader in the domestic market and are looking for global leadership by expanding into foreign markets – these MNEs are our

research objects and both Boisot's and Parmentola's studies do not suffice to justify their competitive advantages over early-mover competitors.

Some researchers that look at the competitive advantages of Chinese MNEs, not surprisingly, put low cost and consequent low price on top of the list, followed by government support. Many Chinese firms already enjoy a cost advantage due to their low wages and to the production improvements achieved in recent years, often by learning from partnerships with Western MNEs (Guthrie, 2005). The high levels of competition in many of China's domestic markets have also fostered cost effectiveness. However, as Zhang (2003) pointed out, while a cost advantage is a relatively important competitive factor for simple products and lower income markets, in order to compete in other higher value-adding markets, differentiation and brand advantages are also required. Differentiation is gained when the market perceives products to stand out from those of competitors in a way that customers approve. A brand advantage is gained when customers are willing to pay a higher price for a product even though it has the same quality, function and performance as competing products (Johnson and Scholes, 2008). Differentiation may be sufficient to compete internationally in industrial markets such as automotive components where customers are able judge the substantive quality and performance of a product through their professional knowledge. Brand recognition, with the reputation that it signifies, is particularly important in consumer markets, such as those for automobiles, beverages, clothing, consumer electronics, household goods, and mobile phones (Child and Rodrigues, 2005). The strengthening of differentiation and/or brand advantage features are considered as an important driver for the outward FDI being made by leading Chinese firms. Often they are going abroad to acquire advance technology and R&D capabilities, which provide the means to develop a differentiation advantage. Some are acquiring or developing global brands as the basis for securing a brand advantage. Even before going abroad, some have used long-term contracts or partnerships with leading foreign companies as a means to learn about international production and quality standards as a preparation for internationalization (Mathews, 2010).

Based on case studies, Child and Rodrigues (2005) generalized the features of Chinese MNEs

and explicitly called for theoretical extension. According to the researchers, while these firms had some initial competitive advantages, such as low labor costs, these became less crucial as the firms moved into more sophisticated markets with higher-value products. However, outward FDI may allow firms that are not initially competitive in the world market to close the gap that separates them from leading companies through acquiring appropriate assets and resources. Generally speaking, there are three routes being taken by Chinese firms toward internationalization. There are:

- The partnership route through OEM or joint venturing. Forming joint ventures with foreign enterprises, entering into a partnership with them through OEM or licensing their technology, is a route chosen by many mainland enterprises. Evidence suggests that partnership with a MNE can be an effective means of transferring modern practices to the Chinese firm thereby helping to strengthen its eventual international competitiveness (Child and Yan, 2001; Guthrie, 2005). This route amounts to a kind of “inward” internationalization in which there is a close, continuing, operational and organizational relationship with one or more MNEs of a kind that permits the transfer of competencies and knowledge relevant to eventual “outward” internationalization through exporting and/or investment abroad. OEM combines the cost advantage of a Chinese firm with the brand advantage of a foreign firm. The Chinese authorities have consistently favored international joint ventures as a means of transferring technology and expertise to Chinese firms, and technology partnerships in particular have enabled some Chinese firms to acquire knowledge of considerable competitive value (Peng, 2000). Since this is not the route of our concern in the current paper, we only look at briefly, remembering it could be valuable complement to the route of organic expansion, the subject of the thesis.
- The acquisition route. The number of international acquisitions by Chinese firms has grown markedly in recent years. The dominant motive among non-primary producing Chinese companies for undertaking foreign acquisitions has been to accrue market strength. They have undertaken acquisitions to gain access to technology, to secure research and development skills, and to acquire international brands. Acquisition provides



a fast route to these benefits and it can also deny them to competitors. The acquisition route for securing international differentiation and brand advantage is being favored by an increasing number of Chinese firms. It appears to offer a rapid advance toward achieving these objectives, though it is hard to assess the extent to which Chinese companies can handle post-acquisition integration and management challenges successfully. Such problems can be formidable for acquisitions in general, and international ones in particular (Child, Faulkner and Pitkethly, 2001).

- The organic expansion route. This route toward international expansion involves the greenfield establishment of subsidiaries and facilities within targeted markets. It is initially aimed at securing differentiation advantages in terms, for example, of adjustment to local market needs and tastes. It may also be the main component of a strategy aimed at gaining global brand recognition. It is also a route that maximizes managerial control and the possibilities for global integration. Internationalization through organic expansion exhibits elements both of asset-exploitation and asset-seeking.

Each route offers certain advantages, but is at the same time accompanied by its own challenges or risks. Most Chinese MNEs we have studied pursue more than one of these routes at the same time. The pros and cons of the routes are summarized as the following:

Figure 4.4 Routes to Chinese internationalization

<i>Route</i>	<i>Advantages</i>	<i>Challenges</i>
OEM/JV (including licensing)	<ul style="list-style-type: none"> <li>• Capitalizes on low cost production in China.</li> <li>• Requires less and lower-risk investment.</li> <li>• Opportunity to learn international technology, practices and standards, so reducing the liability of foreignness.</li> <li>• Opportunity to build sound reputation as basis for international branding.</li> </ul>	<ul style="list-style-type: none"> <li>• Danger of dominance by foreign partner, especially if it retains rights over brands and technology.</li> <li>• Hostile reaction by foreign partner when launching own brand and turning into a competitor.</li> </ul>
Acquisition	<ul style="list-style-type: none"> <li>• Fast route to securing technology and/or international brand.</li> <li>• Denies access to competitors.</li> <li>• Prospect of effecting a turnaround of a poorly performing acquired company.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of over over-paying.</li> <li>• Need to acquire strong rather than failing assets.</li> <li>• Faces high liability of foreignness: problem of managing acquired assets and preserving equity of acquired brand.</li> </ul>
Organic international expansion	<ul style="list-style-type: none"> <li>• Facilitates a localization strategy.</li> <li>• Strengthens credibility of own brand.</li> <li>• Enables introduction of own management, staff and practices from the outset – reduces liability of foreignness.</li> <li>• Improves chances of achieving global integration.</li> </ul>	<ul style="list-style-type: none"> <li>• Slower route to internationalization.</li> <li>• Requires high investment which may impose financial strain.</li> <li>• Capacity to manage overseas organic expansion may be limited.</li> </ul>

(Source: Child and Rodrigues, 2005)

Another summary made by Child and Rodrigues based on case studies of Chinese MNEs is the drivers and facilitators of Chinese internationalization: There are a number of factors conducive to internationalization by Chinese firms. Several may be operative for any one firm. They include both drivers towards investing abroad and facilitators of the process. Some, like the pressure of competition in the domestic market, characterize an increasing number of countries as globalization advances. Others, such as those relating to government, appear to be more distinctive to the Chinese case.

Figure 4.5 Drivers and facilitators of internationalization by Chinese firms

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*Drivers*

- Hazard of relying on a highly competitive domestic market, with low margins.
- Opportunities to export based on domestic cost advantages.
- Potential to complement domestic cost advantages with differentiation advantages acquired abroad.
- Need to secure and develop advanced technology and internationally recognized brands.
- Desire to gain entrepreneurial and managerial freedom.

*Facilitators*

- Strong governmental support for globalization, especially financial backing and tolerance of domestic moves (such as M&A) that build corporate strength.
  - Ability to reach a favorable accommodation with government, so as to combine support with strategic freedom to act entrepreneurially, raise capital abroad, etc.
  - Access to state-supported scientific and technical research.
  - Willingness of foreign firms to sell or share international-standard technology, know-how, and brands.
- 
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(Source: Child and Rodrigues, 2005)

While we find the summaries of Child and Rodrigues helpful in understanding the patterns of the internationalization of Chinese MNEs, we cannot deny there are also limitations. Elements from their summaries will be integrated into ours in the empirical part of the thesis.

Other researchers have also pointed out the particularities and strengths of Chinese MNEs. For instance, the internationalization process of Chinese firms lends support to the view that their capacity for organizational learning should not be underestimated and that is one of the most important of all competitive advantages (Moingeon and Edmonson, 1996). According to Deng (2004), the Chinese case conforms more closely to the latecomer perspective than to conventional ones derived from early-movers. While exporting from China is based primarily on the intrinsic advantage of low-cost labor, combined in some cases with modern production facilities that may have been developed with foreign inward investment (Marsh, 2005), moves toward a higher level of internationalization require the remedying of disadvantages through the seeking of new assets. Leaving aside outward investment aimed purely at securing raw materials, the most important assets being sought are intangible ones, such as brand reputation, technical knowledge and competence to manage a global corporation.

As to the path toward internationalization adopted by MNE latecomers, Zhang and Van Den

Bulcke (1996) concluded that it was not possible to distinguish either a clear time sequence or distinct stages of internationalization among Chinese MNEs. Although most outward FDIs from China has gone to other Asian countries, the internationalization paths followed by contemporary leading MNEs do not appear to attach priority to entering geographically proximate developing country markets. Rather, the attractions of large developed country markets may more than offset any problems of psychic distance, because these companies are pursuing long-term globally-oriented strategies. The internationalization path of Chinese MNEs is also one of the issues in deviance from the conventional theories.

As an attempt to account for the success or otherwise of Chinese internationalization, Rugman and Li (2007) explored the importance of *Firm Specific Advantages* (FSAs) and *Country Specific Advantages* (CSAs). The distinction between disadvantages and advantages was made by Cuervo-Cazurra and Un (2005), following Montgomery (1995). Advantageous resources can provide a firm with a competitive edge in the long-term if they are unique and difficult to replicate by a determined set of competitors (Barney, 1991; Amit & Schoemaker, 1993). Penrose (1959) suggests that key and enduring firm specific assets from FSAs that might support firm internationalization. Such advantages could include technological knowhow, marketing capabilities, brand image, and distribution knowhow. There are also country factors, unique to the business in each country that can provide CSAs. They stem from natural resource endowments, labor force characteristics, cultural and economic factors as well as in some cases an appealing country brand. Rugman (2007) argues that managers of MNEs employ policies that build up the interactions of CSAs and FSAs in order to create unique strategic possibilities.

Over time there is a possibility that firm or country specific disadvantages may be turned into firm or country specific advantages through a process of learning or acquisition of new knowledge. The set of advantages and disadvantages can evolve over time due to the activities of the firm, the competitive pressure of the environment (Amit & Shoemaker, 1993), and the impact of institutional change (Child & Tse, 2001). Thus advantages are both time and context specific. In the case of latecomers, it is generally agreed that a combination of not

particularly advantageous CSAs and FSAs has become to characterize internationalization of these firms, which have been seeking assets rather than exploiting existing assets.

Based on the exploration of FSAs and CSAs, Marinova et al (2007) went on studying their evolution, as well as *Country Specific Disadvantages* (CSDs) and *Firm Specific Disadvantages* (FSDs), in the process of Chinese firm internationalization. As mentioned in the section of latecomer theories, some researchers hold that the most important latecomer advantages lie in labor intensive production, cost leadership, flexibility and speed of adaptation in terms of production process and products. Others also put forward the opinion that some latecomer firms are embedded in a culture, such as Confucianism, that encourages continuous learning and self development vis-à-vis peers. Yet it should be recognized that firms from emerging markets moving into a new host market would have a number of competitive disadvantages that they should try to compensate for in the host country context, which are called by some “liabilities of foreignness” (Child and Rodrigues, 2005). Such disadvantages could range from lack of knowledge of the market dynamics to lack of technological or management knowhow. Innovations, knowhow, technology, production process, marketing and managerial expertise are readily available in developed country contexts where they could be accessed by latecomer firms. Thus, latecomer firms move into developed markets with the strategic intent to acquire assets with potential to create competitive advantage (Marinova et al, 2007). On the other hand, when latecomer firms move to other emerging market contexts, they seek markets and resources having some advantages vis-à-vis MNEs from developed countries. These, coupled with support by governments, enable them to compete against developed-country MNEs (Dawar & Frost, 1999) in contexts with underdeveloped institutional environment and market mechanisms (Khanna & Palepu, 1997, 2000). Basing on these studies and focusing on the case of China’s internationalization, Marinova et al made the following propositions concerning the evolution of FSAs/CSAs and FSDs/CSDs of Chinese firms:

- FSDs can be compensated for in the international arena via transfer (joint ventures, licensing, etc.), acquisition (e.g. technology, design, brand, etc.), and international

independent learning.

- FSDs can evolve into FSAs, assisted by government policies and financial support.
- The evolution of CSDs into CSAs creates a favorable environment for the development of FSAs relevant to firm internationalization.
- The more developed the relational framework between governmental institutions and firms, the more favorable the impact of CSAs would be on FSAs.
- Corporate entrepreneurship is a significant FSA for internationalization so long as it is tolerated, encouraged and assisted by government.

When analyzing the internationalization of Chinese MNEs, institutional elements such as the role of the government cannot be neglected. Institutions define the rules and norms for functioning of firms and industries (Ring et al., 2005; Peng et al., 2008). In developed countries institutions are considered advantageous if they maintain conditions for the effective implementation of market mechanisms (Meyer et al. 2009). In emerging markets institutions are demoted as disadvantageous as they are less developed and not able to guarantee effective markets. Makino et al. (2004) found that institutional differences in emerging markets are more salient and that both formal and informal institutions impact the development of business. On the other hand, some researchers also argue that government support for outward FDI helps compensate for the late-mover disadvantages of emerging market MNEs such as a lack of unique capabilities and a liability of foreignness (Luo et al., 2010).

As in the case of Chinese MNEs, the process of internationalization appears to be significantly impacted by institutional factors, because the close “relational framework” that Chinese firms enjoy with supporting governmental agencies is extremely confidential, and its economic and psychological significance cannot be assessed precisely (Meyer and Scott, 1983). Warner et al. (2004) speculated that “the State’s sponsorship and funding support are a key factor that may make possible the frequent acquisitions initiated by the PRC (People’s Republic of China)-based enterprises as a ‘normal’ mode of entering and penetrating a host economy”. According to some, the case of China strongly suggests that international business theory needs to take fuller account of the potential relevance of domestic institutional factors

in developing and transitional countries. Moreover, the continued process of economic reform in China has witnessed to the ability of the State to evolve its stance toward business regulation. Whereas in the past Chinese governmental agencies tended to control and limit outward FDI, more recently they have adopted the role of sponsor and fund-provider for firm internationalization. As summarized by Deng (2004, 2007), the role of government in a Communist Party driven political system is greater than that of governments in developed market-based societies: besides promoting the formation of overseas R&D centers and M&As, the government uses state foreign exchange reserves in directing outward FDI to developed countries; preferential credits have been offered by state banks to promote outward FDI. As a result, SOEs and private companies alike strive to gain government support in the form of tax rebates and low interest or interest-free loans.

Another issue related to government-enterprise relations is the extent to which the pattern of firm internationalization is institutionally embedded rather than reflecting a strategic choice by the leaders of firms. Some researchers argue that the Chinese entrepreneurs who have successfully steered their companies into internationalization appear to have found ways of accommodating to the institutional embeddedness that remains in China (Luo et al., 2010). They have not so much “escaped” domestic institutional restrictions as to have found ways of co-opting political support that has given them the freedom to pursue internationalization strategies of their own choosing. It is likely that the interaction between the institutional legacies of developing economies and the dynamic capabilities of their corporate entrepreneurs will be crucial for understanding the internationalization strategies that the latter pursue. According to Child and Rodrigues (2005), Chinese examples call for an extension of conventional theory so as to take closer account of the scope of business leaders to negotiate strategic choice within their domestic institutional context.

Closely related is some researchers’ proposal of the concepts *Beijing Consensus* and *Washington Consensus* - the debate is the growth of Chinese MNEs is (more) driven by which of the two. The central idea of Beijing Consensus is that China’s economic growth challenges every single principle of the Washington Consensus (named to underscore its American origin)

that espouses private property rights, economic openness, financial reforms, macroeconomic stability, and political liberalization to promote economic growth (Huang, 2010). If we apply these two consensus to China's growth, Beijing Consensus interprets China's economic growth as a function of innovations in the state sector, including close financial controls, state ownership of firms, and political controls in favor of economic growth, while the Washington Consensus views China's experience much the same as growth experience elsewhere as a result of financial liberalization, private entrepreneurship, and political opening (Huang, 2010). While it is more or less agreed that both consensus exist in China, arguments continue as to the extent of which each consensus functions in various aspects of Chinese MNEs' development and expansion.

In terms of cross-cultural and multicultural management, it has been argued that the Chinese have a cultural preference for transacting in less codified regimes typified by fiefs and clan networks rather than by the codified formality and impersonality of bureaucracies or markets (Boisot, 1996). A similar preference may also characterize other societies that continue to rely heavily upon traditional foundations of trust, based on "who you know", rather than on legal and other formalized supports. In earlier phases of internationalization from the Chinese Mainland, firms did evidence a preference to go to countries where Chinese social networks are present (Cai, 1999; Deng, 2004), however this seems to have been less evident among the larger recent internationalizing firms, and some of the foreign investment projects being undertaken by these firms relied on advice and expert backing from non-Chinese sources. Some more aspiring global players, entering the local markets of their Western competitors, seem to have already found ways of overcoming any such limitations (Child and Rodrigues, 2005).

In this subsection, literature on the internationalization of Chinese MNEs has been reviewed, from different perspectives, including motivations, entry modes, location choices, the domestic market, presumed competitive advantages (drivers and facilitators)/disadvantages both on the country level and on firm level, routes of internationalization, institutional elements and entrepreneurships, part of which will also be dealt with in the empirical part of



the thesis. Similar to the previous section, we will also get back to this part of the literature review by relating it to our own opinions and findings.

#### 4.3.2 Literature on specific Chinese MNEs

In the previous subsection, literature on the internationalization of Chinese MNEs as a whole has been reviewed. In the meantime there are also researchers who start from a much narrow angle by analyzing a specific case or a specific group of cases, studying its features and strategies, trying to understand its key to success or reason of failure, without the more ambitious aim of reaching a generalized theoretical framework as researchers in the previous subsection try to do. Studies of this kind could also be instrumental and that is why we will have a brief look at them in this subsection.

Duysters et al (2009) studied the stages of growth and technological catching-up of Haier Group – the most adopted angles of similar studies on Haier. By outlining the growth path of Haier, Guyster et al identified four strategic stages that were vital to the successful internationalization of the company: 1) domestic diversification; 2) regional expansion and exports; 3) targeting niches; 4) alliances, acquisitions and reorganization of internal R&D. Instead of stopping right here, the researchers made a brief comparison between Haier Group of China and Tata Group of India, which is also a conglomerate dominating the domestic market and which used to operate in protected even closed economic environment. However, Tata has a very long history not only of existence (from the 18<sup>th</sup> century) but also of internationalization, and it always followed a clear, gradual sequence, from less –developed markets to developed markets much later; while on the other hand, Haier is not only much younger (born in 1984), but also began its FDI quickly, in developing countries AND developed countries (such as the United States and Western Europe, especially the former) almost at the same time – it began to invest in the US even earlier than in most developing countries. Therefore Haier has demonstrated a more irregular internationalization curve than Tata, taking into account the mainstream internationalization perspectives we introduced earlier. Behind the four strategic growth stages, Duysters et al underlined the entrepreneurship of Haier, to which they dedicated the more bolding and unconventional moves of the company.

Also, Haier was considered more successful in establishing joint ventures with leading firms, as well as leveraging its dominant position in the home market – another element contributing to the shorter curve of successful internationalization.

Another study that grouped Haier of China, Arçelik of Turkey and Mabe of Brazil together examined the accelerated internationalization of these white-goods latecomers (Bonaglia, 2006). Acquiring assets externally notably through partnership and alliances, innovative organizational forms, a global perspective (including human resource strategies), advanced management techniques and personal imprinting of the leader, as well as heavy investment in R&D and innovations were mentioned as key factors leading to international success. However, some materials the author used to back up his arguments are not that convincing, even against observable reality, for instance according to the author, these MNE latecomers have been able to achieve accelerated internationalization NOT through technological innovations, but through organizational innovations that are well adapted to the circumstances of the emergent global economy; the author also seems to overestimate the importance of partnership by saying that the “latecomers were able to win a place in the emergent global economy not on the basis of their existing strengths, but on the basis of their capacity to leverage resources from the strengths of others, through making international connections” – for these, we will give counter-evidences in our later studies.

Huawei and ZTE, No.1 and No.2 players of China’s telecommunication industry, are frequent objects of researches – probably the most frequent. Sometimes they are grouped together with other players of the same industry, to demonstrate why the industry on the whole becomes eminent in the global arena, or to answer the question of why certain companies succeed in their international conquest while others fail.

For instance, based on the analysis of this field, Gao (2011) went to examine how Chinese telecom companies “beat” their early-moving Western competitors. According to Gao, the key is that “successful local firms in the telecom equipment industry in China are pursuing a strategy that focuses on innovation-based differentiation, developing core technologies and

offering advanced products and excellent service at a lower price than foreign MNEs can offer”. After examining the technology-related strategies of both the companies that succeeded and those that failed, he found that “the strategy of buying technology and neglecting internal development of core technology became a constraint for further growth”, while on the other hand, pure internal R&D neglecting technological transfer does not go further either. Companies like Huawei and ZTE have achieved more success by balancing innovative core technologies with unmatched customer service, and they have been pursuing a more comprehensive approach to catching up – they are effective in developing not only strong technological innovation capabilities but also complementary capabilities, such as marketing and professional management (Gao, 2011). Another point made by Gao is that Huawei has a very effective strategy of doing focused R&D, sticking to what company documents call “the principle of intensity of the pressure”. Under this guiding principle, Huawei applies as much of its resources as possible to the development of one product or technology at a time, hoping that a high level of investment intensity will lead to breakthroughs in the targeted area. The rationale is that as a smaller and younger firm, the company is more likely to be successful by concentrating its limited development resources in carefully selected, narrowly defined areas. Gao’s studies of specific technological strategies of telecom companies like Huawei are of considerable value to our studies.

Another good reference comes from Sun, who also examined the internationalization process of Huawei and put forward some of the strategies that he deemed vital to the company’s development, by answering three questions he asked: 1) Where does Emerging Economy (EE) MNEs’ competitive advantages originate? 2) What constraints do EE MNEs face in their internationalization? How do they deal with them? 3) How do latecomers like EE MNEs catch up? How have they established themselves successfully against the sometimes fierce resistance of NME early-movers? According to Sun (2009), the main competitive advantages of Huawei came from: 1) the home country market that nurtures capability, including domestic clusters, strong R&D support, the chance to carry learning-by-doing experiments, etc. 2) the market entry sequence that accumulates capability, including its (not very successful) entry into the market of the United States. 3) inward-outward linkages that builds

up capability, including strategic alliances with early-mover partners.

Still another study on Huawei adopted a slightly different angle by focusing on the institutional elements during the internationalization process of the company, which, due to the particularity of the industry, have exerted much more influence than upon other companies or other industries – it was especially the case when Huawei decided to enter the USA (Wu et al, 2011). According to Wu et al, Huawei’s frustration in the US is connected to the US government’s fear of Huawei CEO’s background, the company’s lack of transparency in business operation, and its dubious track record in past business deals. However, Huawei’s difficulties in clearing the regulatory hurdle are not something that can be easily overcome, even if it improve on the above-mentioned weak points, because “in the broad sense, the obstacles faced by Huawei reflect the United States’ unease with Chinese firms and the economic tensions in the Sino-US relationship” (Bussey, 2011). Fearing China’s growing economic power, the United States has increasingly implemented more trade barriers, especially in high-tech industries. When traditional trade protectionist measures are not effective, the clause of national security is resorted to. Some researchers even put forward the opinion that as Chinese companies’ “Go Global” endeavors gather steam, Chinese enterprises may increasingly encounter barriers that are not commercially motivated (Xue, 2011).

Lenovo is another favorite sample of Chinese MNE studies. Tzeng (2011) in his studies called Lenovo an indigenous firm – indigenous firms, especially in the technology sector, play the role of “engines” in the economic development process in emerging economies. Three streams of economic development research were integrated to study the growth of the indigenous technology firm Lenovo: market-driven economic development, state-driven economic development, and social sector-driven economic development. Tzeng proposed that firms’ evolutionary stages were embedded in the interplay among three types of institutions: At the start-up stage, Lenovo drew on the linkage with the social sector to transfer technology. The social sector operates between the public and private sectors and covers a variety of not-for-profit and nongovernmental organizations such as trade associations, public research institutes, cultural institutions, advocacy groups, political movements, charities and

foundations (Tzeng, 2011). At the growth stage, it leveraged government's policies that had negative impacts on its development to explore new technological fields. Finally, at the mature stage, Lenovo emphasized learning from multinationals in the market.

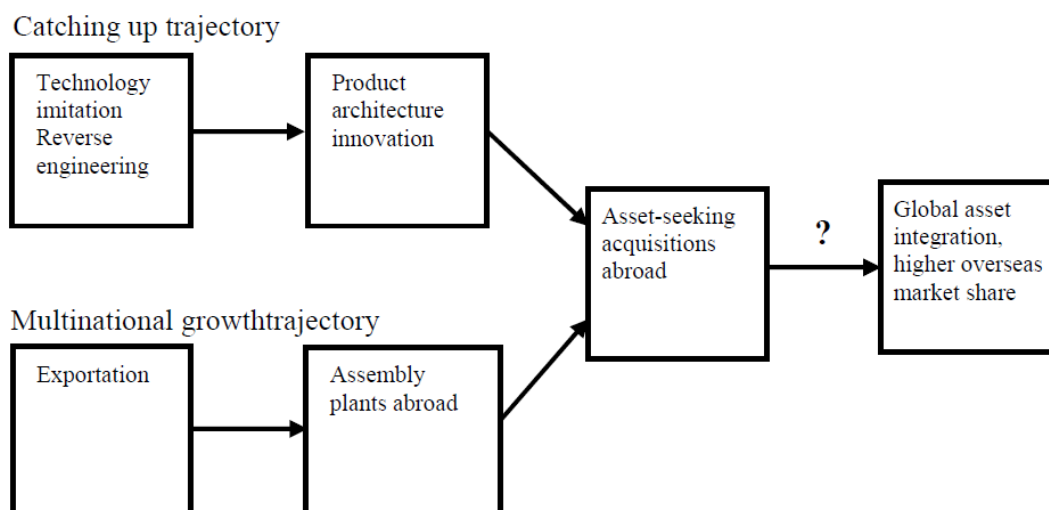
Also based on the case of Lenovo, some researchers have studied the technological entrepreneurship patterns in Chinese high-tech firms and identified three main patterns: technology importation, cooperative R&D, and in-house R&D (Liu and Wen, 2009). The entrepreneurship can be referred to as the discovery, creation and exploitation of opportunities (Venkataraman, 1997). Corporate entrepreneurship-related activities, particularly in terms of technological innovation, play an important role in developed economies and are also important for the performance and revitalization of transition economies. Technological entrepreneurship is considered to be a driving force of the process of restructuring and catching-up (Gunther and Gebhardt, 2005). Liu et al (2005) have categorized entrepreneurial activities according to two primary entrepreneurial characteristics – innovation and resources. Innovation can be further categorized as technical and administrative, while resources may originate from inside the firm or outside the firm through alliances and networks. Accordingly, entrepreneurial activities have been divided into the following three styles: 1) technical innovation through external resources as technology transfer and/or technology cooperation; 2) technical innovation through internal resources as self-dependant technology development; 3) administrative innovation through external resources as new organizational forms established by joint venture and/or investment administrative innovation through internal resources as changes in the organizational structure dominated by firms. The most important three alliance elements in the development of corporate technology entrepreneurship are the number of alliances, organizational support and value congruence (Antoncic and Prodan, 2008).

From a different angle, Liu (2007) examined the global management of Lenovo after its purchase of the PC section of IBM in 2004: risks associated with an acquisition of this nature and how Lenovo manage such risks. Liu identified three types of risk: market, employee, and business and cultural integration, before going through Lenovo's management strategies in response to each type.

A new star of Chinese MNEs mainly as a result of its recent acquisition of the Volvo Automobile of Sweden, Geely begin to attract more attention as long as scientific researches are considered. Current studies largely focus on the merger and its management implications. For instance, Chen and Liu (2011) studied Geely's brand management during and after the merger, while Zhou and Zhang (2010) focused on the merger's synergistic effect. M&A being a high-risk activity, great loss often spring from strategic decision mistakes, therefore the management must first clearly define the company's development strategy and launch an investigation into the acquired company's business and resources (Zhou and Zhang, 2010). M&A must meet one of the following two points to achieve synergistic effect and obtain M&A earnings: first, the acquirer must be able to restrict the competitive threat of the current and potential competitors in the input market, the production process or the output market; second, the acquirer must be able to open up new markets or invade and occupy the market of its competitors who cannot react. After analyzing in a systematic way the competitive environment (including the industry barriers to entry and the competitive situation within the industry) and the mechanism of synergistic effect (including management synergy, operating synergy and financial synergy), the researchers went on to analyze the risks (including internal risks such as financial risk, integration risk, anti-M&A risk, principal-agent risk and information asymmetry risk; as well as external risks such as policy risk, legal risk and industrial risk) against the realization of synergistic effect. They concluded that the trend of Chinese enterprises' M&A has shifted from financial-based M&A to strategy-based M&A and shown the following new features: the scale of M&A has enlarged gradually; strong enterprises are starting to consider M&A as a business development strategy; share acquisition of listed companies has become an important form of M&A; M&A has shown a trend of diversification, securitization and internationalization; M&A motive has transformed from simple M&A based on single motive to strategic M&A based on industrial integration and expansion (Nilssen and Sorgard, 1998). Such trends suggest that the main motivation for M&A is no longer just the pursuit of economies of scale and market price-earnings ratio, but to consolidate the future global economic situation and the strategic position of market competition, namely so-called strategic M&A (Zhou and Zhang, 2010).

A more recent in-depth study carried out by Balcet (2011) examined the trajectory of catching-up and asset-seeking international growth of Geely. The particularities of Geely lie in the facts that: 1) it broke both industrial barrier (technology, capital, managerial skills) and institutional barrier (government regulation limiting the number of OEMs) to access the automobile industry; 2) it covers various ways of catching up, including technology imitation via reverse engineering, product architecture innovation, and asset seeking acquisitions abroad; as well as various ways of international growth, including export, assembly abroad, market seeking operations, and (again) asset-seeking acquisitions abroad (Balcet, 2011) – these made Geely a highly significant and interesting case of catching up and internationalization among Chinese automobile companies. The researcher concentrated the analysis on the competitive strategies of Geely, exploring on one hand its trajectories on catching up, and on the other its expansion on international markets and its multinational growth. The process of catching up in the early stage was mainly driven by technology, with the aim of reaching low cost and low price solutions for the production of low-end cars. At the same time, the overseas market expansion was the consequence of fierce competition in the Chinese market. In a following stage, the catching up and the international growth have been driven by asset-seeking acquisitions in global market. These two dimensions interact and reinforce each other in a dynamic way, as shown by Figure 4.4:

Figure 4.4 Interaction between catching-up and international growth of Geely



(Source: Balcet, 2011)

In this subsection, we have gone through some of the most representative case studies of Chinese MNEs. Similar to ours, their objectives are also understanding the competitive advantages of these firms and understanding their catching up and internationalization process. On the other hand differences do exist, notably:

- Most researches are based on one case or several of the same industry, thus lack a comprehensive cross-industry perspective that could well reflect the characteristics of the internationalization of Chinese MNEs on the whole. Industry-specific advantages may fail to explain the features of MNE latecomers from a certain developing country, set as the preeminent background.
- Researches that do move from the motivation level to the strategy level examine the firm's strategies in one area only, such as its R&D strategies, strategies of learning and linkage, strategies of alliances and partners, strategies after mergers, etc. Our goal, on the other hand, is to provide a more comprehensive picture, as formulated as the core questions of the thesis.
- Case studies of this subsection stop at specific cases without trying to contribute to the more generalized theoretical framework of MNE latecomer studies, while ours aims at moving from the more specific to the more general. Despite these differences, researches of this subsection provide valuable thoughts in terms of strategic case studies, and instrumental elements will be integrated into later studies.

Having reviewed all three kinds of internationalization literature (classic, alternative and China focused), we are ready to move to the next big part of the thesis: the Empirical Part.



## **PART TWO: EMPIRICAL STUDIES**

## Chapter 5: Selection of the field and analysis method of field studies

*In this Chapter, we first justify our use of the multiple-case study methodology, before elaborating the criteria of case selection, which are: mainland Chinese MNEs in the private sector, already leaders in the domestic market and actively seeking the world leadership, with a physical presence and organizational/managerial engagement in economically-advanced West Europe, and targeting market expansion rather than securing raw material supplies or logistic facilities.*

*Taking the Fortune 500 List and a couple of other rankings as references, we narrow down the case candidates to the following finals:*

- *Huawei in the telecommunication industry, “perhaps China’s most globally successful company”;*
- *Haier in the consumer electronics and home appliances industry, a typical example of greenfield investments in developed countries;*
- *Lenovo in the computer technology industry, famous for a series of “snake swallowing elephant” acquisitions of established Western brands; and*
- *Geely in the automobile industry, beginning its aggressive internationalization into developed country markets through acquisitions of Volvo Cars (Sweden) and Manganese Bronze Holdings (UK).*

*We then present the methodology of empirical studies: a qualitative multiple-case meta-analysis carried out on three levels, from the basic strategic analysis, to the more synthesized “model of success”, and to the final theoretical critics and propositions which are closely related to the theoretical part of the thesis.*

*Sources of the data are also presented and explained as the last part of the Chapter.*

### 5.1 Criteria and selection of the field

The multiple-case study is chosen as the main methodology of our empirical studies. According to Yin (2009), a case-study is most applicable when a “how” or “why” question is being asked about:

- a contemporary set of events,
- over which the investigator has little or no control.

This is exactly the situation of our studies where we examine how contemporary Chinese MNEs succeed in more advanced economies and gain a global leadership. Also, to avoid the limitations of single-case studies mentioned in earlier chapters, as long as our resources allow us to do so, we conduct an exploratory multiple-case study with cases that meet our criteria.

More specifically, in accordance to our objectives and after the comprehensive literature review, we observe that there is a limit on existing theories which examine the not-sufficiently explored subject of the internationalization of Chinese MNEs. In such situation, a case study approach for explorative, descriptive, and explanatory questions is extremely useful in generating new and accurate insights from the phenomenon under study (Eisenhardt and Graebner, 2007). Case research design allows cases to be treated as a series of independent experiments to confirm or disconfirm our theoretical construction (Lee and Slater, 2007; Li, 2007). Also we include multiple cases from different industries to form a more comprehensive and representative field and to avoid the limitation of a single case or a single industry as mentioned in earlier chapters.

As we have explained in Chapter 2 (Motivation, Core Questions and Objectives), the basic criteria of the field are as the following:

- First, we select Chinese MNEs that are already leaders in the domestic market and are

actively seeking the world leadership. Our studies focus on the levels of internationalization beyond exportation or the OEM, at which companies are managerially and organizationally engaged with foreign companies and/or environment. We also concentrate on internationalization that is directed toward expansion into foreign markets rather than at securing supplies of raw materials. In terms of “global leadership”, we use the Fortune 500 List as a reference and select the companies already on the List or almost, with other international rankings as supplements.

- Second, we select MNEs from mainland China only, not those from the region of Taiwan, or the special administrative districts of Hong Kong and Macau.
- Third, we select MNEs in the private sector only with a private or collective ownership, but not those owned (50% or above) by the central or local governments. Whether or not the enterprise is listed in the stock-exchange is not a concern.

One more important point has to be mentioned: as explained in the theoretical part of the studies, MNE latecomers demonstrate conformation to the conventional internationalization theories when they invest in countries of similar situation or in economies even less developed, where they could make use of their ownership advantages to exploit the resources. It is in advanced or developed economies that the particularities of the internationalization of MNE latecomers become evident, as well as their disjunctions from mainstream perspectives. This, plus the researchers' own cultural background (researchers of Chinese origin living in France), leads to focusing the studies on Chinese MNEs that successfully internationalize in Europe, especially the market-and-socially-mature, economically-advanced countries in Western Europe, notably Great Britain, Germany, France, Italy, Spain and the Scandinavian countries, while their situations in the US and Japan equally considered for benchmarking purpose.

Having clarified our criteria, we now move to the selection of the field companies and check the latest Fortune 500 List (Appendix 2). We see that we don't have much of a choice: out of

the 89 Chinese companies in the list, 85 are from mainland China (the rest 4 from Hong Kong); and out of these 85, 81 are owned by the state (such as Sinopec Group, China National Petroleum, and State Grid in the Top 10) or local governments (such as Shanxi Coal Transportation and Sales Group, Shanxi Copper, Bailian Group, etc.), therefore only four companies meet our criteria of “private/collective companies from mainland China”: Lenovo, Huawei, Geely and Weiqiao Pioneering (Figure 5.1):

Figure 5.1 Private/collective companies from mainland China listed in Fortune 500 2013

Ranking 2013	Ranking 2012	Company Name	Revenue (million \$)	Profit (million \$)
315	351	Huawei Investment & Holding	34900.6	2435.3
329	370	Lenovo Group	33873.4	635.1
388	440	Shandong Weiqiao Pioneering Group	29562.0	1074.4
477	475	Zhejiang Geely Holding Group	24550.2	52.4

(Source: Fortune 500)

However, while Lenovo, Huawei and Geely all have physical presence abroad especially in West Europe, Weiqiao Pioneering ([www.weiqiaocy.com](http://www.weiqiaocy.com)), a provider of textile-related products and services (textile, dyeing, garment...) and chemical products (aluminum, salt chemical products, new materials...), does not. With a huge domestic sales network and offices responsible for import and export, it does not yet have the intention of launching overseas offices or branches in Europe. Therefore we cannot keep it in the list of field candidates.

On the other hand, due to the following reasons, we consider it necessary to add back another Chinese MNE in the list – Haier: First, the global revenue and profit of the company reach \$29.5 billion and \$10.8 billion respectively ([www.haier.net/en/about\\_haier/](http://www.haier.net/en/about_haier/)), while there is

the possibility of calculation discrepancy, these have already surpassed Ricoh of Japan, No. 500 on the 2012 Fortune List, with a revenue of \$23.175 billion and a profit of \$ 0.391 billion respectively. In fact there have always been arguments about whether Haier should be on the Fortune 500 List and experts say factors other than financial performance have an influence over the selection, but we could at least say that Haier is close and on the same financial level as some of those which are already in.

Then, together with Lenovo and Huawei, Haier has been selected in the World's 500 Most Influential Brands List by the World Brand Lab ([www.worldbrandlab.com](http://www.worldbrandlab.com)) for several consecutive years, and they are the only three Chinese brands of private MNEs in the list, with other brands like China Telecom, China Mobile, CCTV, HCBC all SOEs (including media and public organizations) (Figure 5.1). Also, while Lenovo has gained a great momentum by M&A with world-class brand IBM PC, Haier is purely domestic and ranks 6 places only after Lenovo – the best of its kind among domestic brands without major M&A with established Western brands. This triggers our interest and makes Haier a good choice for field analysis.

Figure 5.1 Top 10 Chinese brands in the World's 500 Most Influential Brands List (2013)

	Rank 2012	Rank 2013	Brand	Brand Age	Industry
1	53	46	CCTV	55	Media
2	67	72	State Grid	11	Energy
3	79	64	ICBC	29	Bank
4	83	58	China Mobile	13	Telecom
5	103	109	Lenovo	29	Computer equipments
6	157	120	Haier	29	Digital & home appliances
7	222	225	Bank of China	101	Bank
8	226	203	CCB	59	Bank
9	237	240	China Life	64	Insurance

10	246	248	Huawei	25	Telecom and electronics
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(Source: <http://www.worldbrandlab.com/world/2013/>)

Other similar rankings, such as the lists of Interbrand, also rank Haier as one of the best and most valuable brands of China ([www.interbrand.com](http://www.interbrand.com)).

The last reason: through our literature review, we have confirmed Haier's global leadership in the field of home appliances, especially the white goods. It is of special interest to researchers because it is the most typical case of Chinese MNEs making greenfield investments and of physically entering advanced economies at an early stage of the development and gaining market share (Child and Rodrige, 2005). Due to this, we could not possibly neglect Haier in studies of the internationalization of Chinese MNEs in developed countries.

As a result, four Chinese MNEs are selected for our empirical case studies: Huawei, Lenovo, Haier, and Geely. We will now give a brief presentation of each of the four.

## 5.2 Presentations of the four Chinese MNEs selected

### 5.2.1 Huawei



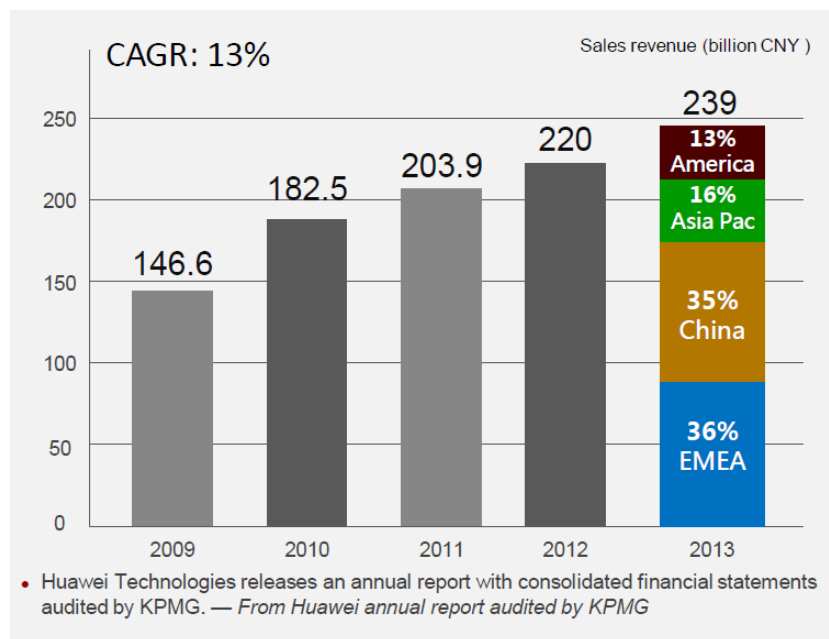
Huawei Technologies Co. Ltd. ([www.huawei.com](http://www.huawei.com)) is a Chinese multinational networking and telecommunications equipment and services company headquartered in Shenzhen, Guangdong (South of China). It is the largest telecommunications equipment maker in the world, having overtaken Ericsson in 2012.

Huawei was founded in 1987 by ex-military officer Ren Zhengfei and formed as a private company owned by its employees. Its core missions are building telecommunications networks; providing operational and consulting services and equipment to enterprises inside and outside of China; and manufacturing communications devices for the consumer market. Huawei has over 140,000 employees, around 46% of whom are engaged in R&D. It has 21

R&D institutes in countries including China, the United States, Canada, UK, Pakistan, France, Germany, Colombia, Sweden, Ireland, India, Russia, and Turkey, and in 2013 invested \$ 5 billion in R&D. (About Us, [www.huawei.com](http://www.huawei.com))

In 2010, Huawei recorded profit of 23.8 billion CNY (\$ 3.7 billion). Its products and services have been deployed in more than 140 countries and it currently serves 45 of the world's 50 largest telecoms operators. Prominent partners and customers include BT, Vodafone, Motorola, France Telecom, T-Mobile, Talk Talk, Portugal Telecom, Cox Communications, Bell Canada, Clearwire, Everything Everywhere, etc. (Huawei Annual Report 2011)

Figure 5.3 Revenue Growth of Huawei



(Source: [www.entreprise.huawei.com](http://www.entreprise.huawei.com))

Huawei is organized around three core business segments:

- Telecom Carrier Networks, building telecommunications networks and services
- Enterprise Business, providing equipment, software and services to enterprise customers
- Devices, manufacturing electronic communications devices

Already the world's largest telecom equipment maker and China's largest telephone-network



equipment maker, Huawei was one of six telecom industry companies included in the World's Most Respected 200 Companies list compiled by Forbes magazine in May 2007. In December 2008, BusinessWeek magazine included Huawei in their inaugural list of “The World's Most Influential Companies”. Having received numerable professional or commercial rewards, Huawei has been described as “perhaps China's most globally successful company” (McGregor, 2012).

Figure 5.4 Huawei’s international presence



(Source: [www.enterprise.huawei.com](http://www.enterprise.huawei.com))

On the other hand, criticisms and controversies are inevitable. Major issues in this field include: intellectual property concerns, security concerns (put forward by several national governments, especially the US), and treatment of workforce and customers.

### 5.2.2 Haier



Haier Group ([www.haier.com](http://www.haier.com)) is a Chinese multinational consumer electronics and home appliances company headquartered in Qingdao, Shandong, China. It designs, develops, manufactures and sells products including air conditioners,

mobile phones, computers, microwave ovens, washing machines, refrigerators, and televisions. In 2013, for the fifth consecutive year, the Haier brand had the world's largest market share (9.7%) in white goods.

Haier was founded as Qingdao Refrigerator Co. in 1984. In the 1980s, suffered from dilapidated infrastructure, poor management and lack of quality control, the company was greatly in debt. Production was slow, rarely surpassing 80 refrigerators per month. When the company was near bankruptcy, Zhang Ruimin was appointed the managing director of the company. He has been the CEO ever since and changed the company name to Haier.

Haier began to invest abroad in 1996, when it opened a production facility in Indonesia; and a year later in the Philippines and Malaysia. Almost in the same year, it began to attack the US market by focusing upon two niche markets: compact refrigerators and electric wine cellars. A little bit later, it diversified its product line in the US, which brought it into direct competition with established American Companies such as GE, Whirlpool, Frigidaire and Maytag. Production facilities were constructed in Pakistan in 2002 and Jordan in 2003. In Africa, Haier has plants in five countries: Tunisia, Nigeria, Egypt, Algeria and South Africa. The company also purchased a factory in Italy, and began placing its products in European retail chains. Nowadays, Haier has all over the world 24 industrial parks, 5 major R&D centers, 66 trading companies, and clients from more than 100 countries/regions.

Today under the same group Haier has six independent brands: Haier, for home appliance; Casarte, originally an Italian brand purchased by Haier, concentrating on the designing, producing and marketing of human-oriented artistic appliances and integrated kitchen appliances; Leader, a customized appliance brand under Haier – each and every piece of appliance is customized exactly for the specific needs of customers; Goodaymart, a brand that consolidates the strengths of virtual networks, marketing network, logistic network and service network, providing users with integrated end-to-end solutions through the virtual-physical integration strategy; Aqua, originally a Japanese brand purchased by Haier, concentrating on the production and marketing of electrolyzed water cleaning and ozone

cleaning appliances; and Fisher & Paykel, originally a New-Zealand brand purchased by Haier, concentrating on the designing and production of kitchen appliances.

Some most recent honors granted to Haier include: In 2013, according to the survey conducted by Euromonitor (a U.K.-based market intelligence firm with 41 years of industry experience) on the global market for large home appliances, Haier's retail sales have topped the global market for the fifth consecutive year, with a 9.7% market share. Haier also topped the survey's manufacturer list for the first time with an 11.6% market share. In addition, for the third consecutive year, Haier was selected by Forbes as Asia's Fabulous 50, the best of Asia Pacific's biggest publicly traded companies. Also in this year, Haier was named one of Best China Brands 2013 by Interbrand, the world's leading brand consulting firm. Haier tops China's home appliance industry with a brand valuation of CNY 5.488 billion, which grew 14% from the previous year.

Haier Global is divided into seven major geographic parts: China, South Asia, Europe, Middle East and Africa, ASEAN (East and Southeast Asia), Australasia (Australia and New Zealand) and America (North and South).

### 5.2.3 Lenovo



Lenovo Group Ltd. ([www.lenovo.com](http://www.lenovo.com)) is a Chinese multinational computer technology company with headquarters in Beijing, China, and Morrisville, North Carolina, United States. It designs, develops, manufactures and sells personal computers, tablet computers, smartphones, workstations, servers, electronic storage devices, IT management software and smart televisions. In 2013 Lenovo was the world's largest personal computer vendor by unit sales. It markets the ThinkPad line of notebook computers and the ThinkCentre line of desktops.

Lenovo has operations in more than 60 countries and sells its products in around 160 countries. Lenovo's principal facilities are in Beijing, Morrisville and Singapore, with research centers in those locations, as well as Shanghai, Shenzhen, Xiamen, and Chengdu in

China, and Yamato in Kanagawa Prefecture, Japan. It operates a joint venture with EMC, LenovoEMC, which sells network-attached storage solutions. It also has a joint venture with NEC, Lenovo NEC Holdings, which produces personal computers for the Japanese market.

Lenovo was founded in Beijing in 1984 as Legend and was incorporated in Hong Kong in 1988. Lenovo acquired IBM's personal computer business in 2005 and its Intel-based server business in 2014. Lenovo entered the Smartphone market in 2012 and as of 2014 is the largest vendor of Smartphone's in Mainland China. In January 2014, Lenovo acquired the mobile phone handset maker Motorola Mobility from Google.

Lenovo is listed on the Hong Kong Stock Exchange and is a constituent of the Hang Seng China-Affiliated Corporations Index, often referred as the "Red Chips".

The founding father of Lenovo is Liu Chuanzhi (together with another nine engineers), who was President and CEO of the company until 2001, when he passed the CEO seat to his successor YANG Yuanqing but remained President.


Lenovo is the dominant supplier of computers in mainland China and became the world's second-largest supplier of personal computers during the third quarter of 2011. Lenovo held around 13.5% of the worldwide computer market as of October 2011. The company's expansion was boosted in part by a joint venture with NEC in Japan and aggressive marketing to both professionals and consumers.

In terms of ownership, as of October 1, 2011, 58% of Lenovo stock was held by the general public, 34% by Legend Holdings Limited, and 8% by other entities. The Chinese Academy of Sciences owns 36% of Legend Holdings. Responding to claims that Lenovo is a SOE, CEO Yang Yuanqing replied that the claims are not true at all and Lenovo is a 100% market oriented private company. Lenovo's senior executives, including many non-Chinese, rotate between two head offices, one in Beijing and the other in Morrisville, North Carolina, and Lenovo's research and development center in Japan. Two Westerners have served as Lenovo's

CEO and English is the company's official language.

Similar to Huawei, Lenovo also faced the security issue (raised by the US government) – it was charged with espionage and had to constantly defend itself. Luckier than Huawei, such issue has exerted a lesser influence over the company and so far has not greatly damaged its sales or market share in the region.

#### 5.2.4 Geely

 Zhejiang Geely Holding Group Co., Ltd ([www.geely.com](http://www.geely.com)) is a Chinese automotive manufacturing company headquartered in Binjiang District, Hangzhou, China. Its principal products are automobiles, motorcycles, engines, and transmissions. It sells passenger cars under five brand names: Emgrand, Englon, Geely, Gleagle, and Volvo. Geely Automobile Holdings Ltd, a subsidiary of Geely, is listed on the Hong Kong Stock Exchange.

Geely means “auspicious” or “lucky” in Mandarin Chinese. LI Shufu founded Geely in 1986 as a refrigerator-maker with money borrowed from family. After the purchase of a failing, state-run firm, Geely began to manufacture and sell motorcycles in the mid-nineties. The production of small vans began in 1998. Only a year after did Geely receive the state approval to make automobiles and the production of vehicles began in 2002. It had its IPO on the Hong Kong Stock Exchange in 2004.

In 2005, probably the youngest in industry, Geely appeared at the Frankfurt Motor Show and followed with a 2006 appearance at the Detroit auto show. From this time on, Geely has quickened its pace of internationalization. It approached Ford in mid-2008 about a possible takeover of Volvo Cars. In October 2009, Geely was considered the preferred buyer of Volvo, and not surprisingly, the deal was reached in late March and completed in early August, 2010. Geely became the new owner of Volvo Cars, obtaining 100% of the equity and related assets (including intellectual property rights) of this prestigious Swedish automaker.

Other prominent M&As conducted by Geely include:

- In 2009, Geely bought the world's second largest automatic transmission company – DSI (Drivetrain Systems International) of Australia.
- In 2013, through its subsidiary Geely Group UK, Geely completed a 11.04 million acquisition of Manganese Bronze Holdings (maker of London's iconic Black Cab) with a “zero cash, zero debt” model, obtaining all the core assets of this British company, including its plants, equipments, real estate and all intangible assets (intellectual property rights, trademarks, goodwill, etc.), as well as 48% of the shares and stocks of their joint-venture factories in China.

The exportation of Geely vehicles began in 2003, mostly to less developed countries. In December 2011, it was announced that Geely would begin selling Chinese-designed and manufactured cars in the United Kingdom at the end of 2012, with the first model to go on sale being the Emgrand EC7. The company also announced its intention to sell in Italy.

Controversies around Geely mainly fall in the field of intellectual property: some Geely models have been criticized for their close resemblance to those of other manufacturers. For instance, according to the European Media, the Geely GE has been criticized as “looking exactly like a Rolls-Royce”, and the LC, a copy of a Citroën C1 produced since 2005 (or even a Toyota Aygo). In addition, an ultimately unsuccessful lawsuit was brought against the company in the early 2000s by Toyota, which claimed Geely had “implied in advertisements that some of the parts (used in Geely vehicles) were made by Toyota”. Geely may also have used a logo that resembled that of Toyota.

### 5.3 Analysis method: the analytical table-shell and sources of data

#### 5.3.1 Analysis method

In accordance with the objectives of the studies and in the aim of answering the core questions, we will carry out a meta-analysis of the field, in order to find out:

- On the first level – advantages and strategies: How do Chinese MNEs as latecomers manage to successfully internationalize into the home markets of their competitors, the MNE early-movers? What are their competitive advantages and strategies to justify this success?
- On the second level – common points and "model of success": Compared to MNE early-movers and fellow latecomers, what are some of the features of Chinese MNEs in the process of internationalization, in terms of International Marketing Management? Do they have any common points? Do they have a certain “model of success”?
- On the third level – theoretical connection: To what extent and how does their internationalization conform or not to the existing theories and models of international business? How can this conformity or deviance contribute to the existing internationalization studies? Does it imply a theoretical extension or a need for path-breaking new theoretical framework?

More specifically, during the course of our empirical field studies, we will carry out a *qualitative multiple-case study* with the following procedures:

- Firstly, take the modified model of Li (Figure 4.3 of Chapter 4, p.84) as the table-shell (Figure 5.5) and outline of our interviews and other data-collecting methods;
- When the collection is finished, we analyze the data by putting them under three different categories: 1) general strategies of internationalization, 2) Marketing and Sales strategies, and 3) Cross-cultural HR management. The common points demonstrated by the cases (strategies) are synthesized and corresponding propositions put forward, outlining the features and strategies of Chinese MNEs in the process of internationalization.
- Data are further synthesized by relating the cases' competitive advantages/disadvantages to their strategies, from the institution-based view, market-based view and resource-based

view, in order to construct a "model of success" of the internationalization pattern and strategies of Chinese MNEs in developed countries.

- As the last step, both mainstream and alternative theories introduced in the theoretical part of the thesis are revisited. Based on our findings through empirical studies (propositions and "model of success"), we check the relevancy and validity of these theories, as well as put forward our own thoughts in terms of theoretical extension/construction.

Instead of giving definite conclusions, we aim to provide an exploratory study which will open discussions and offer helpful thoughts for future studies in similar areas,.

Figure 5.5 Table-Shell of Field Studies

<i>“Spatial” content</i>	<i>Temporal process</i>		
	Infant MNE	Teenage MNE	Adult MNE
Ultimate intent			
External context			
Internal profile			
Strategic choice			
Market effect			
Brand and Communication			
Institutional elements			
International HR management			

### 5.3.2 Sources of data

Our data mainly come from the interviews we have conducted with people related to the four Chinese MNEs selected (Huawei, Lenovo, Haier and Geely). Here is a summary of the interviews: four of them (one with Huawei Europe employee in Germany, one with Lenovo HQ employee in Beijing and two with Geely Chinese employees) were conducted through



web phones (Skype), and all others face-to-face, with the shortest length of 20 minutes and the longest 1 hour and 10 minutes, an average of 40 minutes (Figure 5.6). Appendixes 3 to 6 are the synthesized reports of the interviews with each MNE.

Figure 5.6 Summary of the interviews

Huawei 5 interviews	Kevin Liu, Enterprise Marketing Manager, Huawei France
	Forrest Lu, VP, France Telecom Orange Global Account
	Ning Mu, former HR Director, Huawei France
	Laurant Bouchoucha, R&D engineer, Huawei France
	Tommy Yang, Strategic Sales Manager, Huawei Europe
Haier 3 interviews	Jie Sun, Marketing and Communication, Haier France
	Reuben Trevino, Marketing and Sales Specialist Europe, Haier Europe
	Danny Lei, Financial controller, Haier France
Lenovo 2 interviews	Matthieu Cambounet, Global Account Manager, Lenovo France
	Xiang Yuan, Marketing and Communication, Lenovo Beijing
Geely 2 interviews	Sheng Ye, Sales Director, Geely International (Shanghai)
	Lucas Dong, Marketing and Communication, Geely International (Shanghai)
Others 3 interviews	Bing Hu, Second Secretary, Commercial Office, Chinese Embassy in France
	Jianhua Hu, officer responsible for the relation with Chinese companies in France, CCPIT (China Council for the Promotion of International Trade) Representative Office in France
	Xiaoge Shen, journalist, <i>Global Entrepreneurs</i>

As pointed out by Yin in his *Case Study Research: Design and Methods*, there are various sources of evidence, and the interview is only one of them. Six major sources have been

detected, which are:

- documentation,
- archival records,
- interviews,
- direct observations,
- participant-observation,
- and physical artifacts.

Evidently, all sources have advantages and weaknesses, and no single source has a complete advantage over all the others. As in our studies, the interview has been selected as the principal source of data because it is targeted (focuses directly on case study topics) and insightful (provides perceived causal inferences and explanations). However, the effect and quality of interviews might be weakened as a result of: bias due to poorly articulated questions or responses; inaccuracies due to poor recall; and reflexivity, that is to say, interviewee gives what interviewer wants to hear. We have tried to avoid the first one by carefully articulating the questions, the second one by recording most of the interviews and prompt transcription, and we also include, as reflected by the above summary of the interviews, some “outsiders” as interviewees – experts not from any one of the four MNEs selected, but we have to say that response bias and reflexivity are always possible, especially when almost all of the interviewees are from the MNEs selected.

Another major source of data of our studies is documentation, more specifically, they are:

- Company news, announcements and written reports (such as annual reports) as published by the company itself (mostly on the company website).
- Formal studies or evaluations of the same case that we are studying, including academic studies, professional studies, journalistic studies and books.
- News clippings and other articles appearing on the mass media – we turn to the mass

media (mainly newspaper and magazine reports) for two reasons: first, for wider geographic coverage which partly avoids the limitation of interviews – while we cannot possibly travel around all Europe for interviews, journalists can and provide us with first-hand local information; second, while there is always a delay effect in academic studies, media reports of the latest events and moves are valuable complements to our strategic analysis. In fact, even during the course of the redaction of the thesis, new pieces of information concerning enterprise strategies keep popping up from the news and we are obliged to add them up. Of course, when referring to new clippings and media articles, we select those from reliable and authoritative sources with as little bias as possible (prestigious national press or industrial journals), and we refer to facts (such as strategic moves) only instead of attitudes (such as critics or comments). Figure 5.7 gives a summary of the major journalistic reports we refer to for empirical evidence.

Figure 5.7 Major journalistic report used for empirical evidence

Name of the article/report	Name of the press/media
A spectre, Huawei's spectre, is haunting Europe	<i>Business Week</i> , 09/12
Huawei's long march in Europe	<i>European Times</i> , 18/03/14
Ren Zhengfei, the man behind the veil	<i>Global Entrepreneur</i> , 12/2013
New Haier, new international strategies	<i>New Marketing</i> , 03/2013
Haier appliances snatch the beachhead of European market	<i>China Daily</i> , 06/12/2012
Haier's battle to shake the stubborn	<i>21<sup>st</sup> Century Economic Report</i> , 03/07/2014
Zhang Ruimin: the Chinese CEO with the highest international exposure	<i>Global Entrepreneur</i> , 06/2014
Culture as pioneer on Geely's path of internationalization	<i>China Daily</i> , 07/08/2012
Geely takes Europe seriously	Reuters, 22/06/2011
Respect and let go: Geely's three years of "marriage" with Volvo	<i>Automobile Industry</i> , 05/2013
Lenovo's strategies toward Europe	<i>Sanlian Life Week</i> , 03/2013

Le chinois Lenovo à l'assaut du monde	<i>Le Figaro</i> , 30/01/2014
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In this Chapter we have presented the outline of the empirical studies, and in the next Chapter, we will present our findings step by step according to this outline.

## Chapter 6: Results and synthesis of field studies

*Data are collected from the field through first and second-hand materials with the help of the comprehensive table-shell selected. For each of the four Chinese MNEs, we examine its entry order and entry mode, major events during each internationalization phase (infant MNE, teenage MNE and adult MNE), its internationalization strategies in general, its specific Marketing and Sales strategies targeting the European markets (on some occasions those targeting the US or Japan are also looked at for benchmarking purpose), its cross-cultural HR management including company image and leadership, institutional elements that may influence the performance of the company, as well as other company features and characteristics that may have influence over the results of our analysis.*

*We consider Huawei and Haier as adult MNEs, Lenovo as a teenage MNE and Geely as an infant MNE, according to their performances in developed countries especially in the European market. Events that mark the turning point from one phase to other are presented.*

*The results are synthesized to find out the common points of successful Chinese MNEs, in terms of the product, the price, the communication, the distribution, the R&D, synergy of the markets (domestic market and targeting market), the company culture – the way of doing business, government relations (institutional elements), international management of HR and others. Such common points are systematically reported and explained within the structure of four subchapters:*

- 6.1 General strategies of internationalization
- 6.2 Marketing and sales strategies (including Marketing Mix elements)
- 6.3 Cross-cultural HR management
- 6.4 Analytical synthesis of field studies

*More specifically, in each subchapter, a number of propositions are put forward which answer the core questions of “what are Chinese MNEs’ competitive advantages” and “what are their*

*strategies and how they succeed in early-movers' home markets". And the synthesizing framework answers another core question "if they have a certain model of success", by systematically listing the competitive advantages or disadvantages of Chinese MNEs and their internationalization strategies in correspondence to these advantages/disadvantages, according to the institution-based, resource-based and industry-based views, providing a strategic panorama over Chinese MNEs' internationalization process into developed country markets.*

## 6.1 Chinese MNEs in Europe: General strategies of internationalization

Based on first (mainly interviews) and second-hand materials, we have gathered data from four major Chinese MNEs, concerning their internationalization process and strategies in Europe. An integrated presentation of the data can be found in Appendix 3 to 6, corresponding respectively to Huawei, Haier, Lenovo and Geely. We find that though in different industries and sectors, as well as in different phases of internationalization, these four leaders do share similarities in terms of internationalization strategies in economically-advanced countries such as West Europe, the US and Japan.

Among these four MNEs, we consider Huawei and Haier adult MNEs that demonstrate great maturity in their internationalization process: Huawei is more successful in Europe, while Haier more so in the US. They have established complete and flexible structure and networks in targeting markets, and have drawn long-term-oriented, sustainable internationalization strategies that will be further elaborated in the thesis. But first we would like to justify our division of the phases by presenting milestone events of each phase for both companies:

- Huawei began its internationalization in 1997, ten years after the foundation of the company, when it won its first overseas contract – to provide fixed-line network products to Hong Kong-based Hutchison Whampoa, marking its entry into the infant phase of internationalization. Since then, Huawei actively expanded and in 2004, when it won its first major 3G contract in Europe with Telfort in Spain, we consider it enter the teenage phase. After about seven years' activities in Europe, it finally marched into the adult phase, by clearly defining its future business plan and announcing the reorganization of business units into three core segments (three pillars): (1) *Telecom Carrier Networks*, building telecommunication networks and services; (2) *Enterprise Business*, providing equipment, software and services to enterprise customers; (3) *Devices*, manufacturing electronic communications devices. Shortly after this segmentation, Huawei overtook Ericsson to become global No.1 of the telecom equipment industry. Three years after this

segmentation, Huawei's newest pillar, Devices, has shown such momentum that it is considered the biggest threat by both Samsung from Korea and Apple from the US.

- The internationalization process of Haier the electronic appliance manufacturer began early compared to its fellow Chinese MNEs, around 1986, shortly after its foundation, when it was engaged in OEM manufacturing and exportation, not only to other developing countries, but to the US and Europe as well. It began FDI in the late 1990s, by opening production facilities in nearby countries such as Indonesia, Philippines and Malaysia. This infant phase of OEM and exportation lasted long, till 1999, when it drew aggressive plan for the US and European markets: the landmark is the foundation of Haier New York, a 100% greenfield investment. The next few years, considered as teenage phase of Haier's internationalization, witnessed the company's fierce attacks all over the world. In 2006, Haier defined its 3-in-1 global – localization strategy and future brand plan, which marked the company's entry into the adult phase of internationalization. Haier has been the global No.1 of white appliance manufacturers since the year 2009.

Lenovo's internationalization began in 1988, four years after foundation, when it began to sell its Hanka to Hong Kong and other Southeast Asian countries with Chinese immigrants. This infant phase lasted till 1999, when, already No.1 in the domestic and Southeast Asian PC market, it began to speed up the paces of internationalization, especially into advanced markets, with some Media-catching M&As. However, we consider Lenovo still in this teenage phase of internationalization, because with this important number of M&As, it is still endeavoring to achieve the integration and adaptation necessary for the healthy growth of an MNE. We do not yet see a landmark event proving that all new elements have been smoothly and seamlessly integrated, and together with the old elements, been functioning as a whole to create a synergic effect. More observation is needed to make the judge.

As to Geely, the last of the four Chinese MNEs being studied, we characterize it to be still in the infant phase of internationalization, since its activities are relatively limited in developed countries. Geely's main achievements in overseas markets are through exportation, with a



quantity of more than 100,000 vehicles from 2007 to 2010. Up to now it has over 400 distributing and service outlets outside China, including about 40 4S stores, located in more than 50 countries and regions, including Russia, Ukraine, Cuba, Turkey, Syria and Egypt. In Europe, Geely operates under its wholly-controlled distribution subsidiary Geely UK (Coventry, UK). It is still in the phase of exploring possible business models and finding business partners.

Yet no matter in the infant, the teenage or the adult phase of internationalization, all of these leading Chinese MNEs demonstrate great initiatives during their strategic expansion, especially into developed countries: decisions of general internationalization plans are made before hand, but the pertinence, coherence and feasibility of such plans are constantly examined to guarantee the appropriate evolution of strategies. In this subchapter, focusing on the general plans of internationalization of Chinese MNEs targeting global markets, we make the following conclusion of their common points based on field studies:

Entry order	Basically follow the order of “from less advanced economies to more advanced ones” and “from countries with shorter distance to larger one”; exceptions do exist according to the nature of the industry and the product
Entry mode	A combination of internal growth, mergers and acquisitions (M&As) and alliances/ partnerships; a preference for the latter two as important tools for development, expansion and “getting into the network”
R&D	Enormous emphasis on R&D; the ratio of R&D investment/revenue far above average; always a combination of in-house and imported R&D (technological exploration and technological exploitation)
Learning	Learning through extensive cooperation, partnerships and acquisitions: the distance becomes an advantage
	Learning through going global and getting into the network – not only component knowledge, but also architectural knowledge, even on the social level

Company culture – the way of doing business	Emphasis on (long-term) Guanxi building
	Persistency and hard-working as a reflection of the traditional Chinese culture
Government relations and institutional elements	Close relationship with domestic government
	Such relationship not always an advantage, especially in sensitive industries: a delicate equilibrium
	Lobbying and relation building with local governments
	Localization as one of the solutions

**The entry order:** Huawei, Lenovo and Geely, as well as most other Chinese MNEs (such as TCL and ZTE) that we have had a look at for benchmarking purpose, follow the more traditional order of internationalization: from countries with a “smaller distance” to countries with a bigger one, and from less advanced countries to more advanced ones – that is to say, the US and West Europe are, on most cases, the last markets that they aim to truly break into. However, as latecomers, Chinese MNEs have a much shortened internationalization curve than their more established early-movers, thus the entry order is not that clear to distinguish (for instance, they might have entered West Europe only a few months after the entry into East European countries, instead of a lag of years or even decades as usually took by MNE early-movers), but such order does exist and it is usually the result of clear before-hand strategic planning.

For instance, Huawei, as it did for the domestic market, clearly formulated the plan of “surrounding the city by villages”: start from less-developed countries or smaller telecommunication operators in advanced countries, until it could finally get first-tier operators in advanced countries. After its first contract in Hong Kong, Yemen and Laos were Huawei’s first overseas customers with marginal orders. And Huawei entered Europe from the East, its first European customer being Hungary Telecom. The Hungarian market is small, but it was right through this market that Huawei established contacts and later strategic

partnerships with such mainstream operators as Telenor, Vodafone and Pantel. Lenovo, similarly, due to the nature of the product (the company originally produced Hanka, a Chinese character input system), first entered the markets with the closest distance, both geographically and culturally, the Southeast Asian market, with great number of Chinese immigrants. With Hanka building a solid base, the company quickly prevailed in the region when it switched to related PC industry. It is after this major success in Asia that the company decided to enter more distant and more advanced markets such as the US, Europe and Japan. It is also the case with Geely, which up to now has no major success in developed countries. In nutshell, its global strategy is to first enter the markets of developing countries and to gain considerable market shares, before considering the possibility of truly breaking into the US and European markets.

Such order is not always decided by strategic planning drawn beforehand, but by initial business outcomes, which would in consequence exert influence upon following strategies. For instance, Lenovo had had the original plan of entering West Europe earlier (in 2006) by way of Germany, but their one year “experiment” bore no fruit except for a deeper understanding of the market. It did not come back till five years later, when it had already gained considerable success in less-distant countries such as Russia. Similarly, Geely announced its plan for the US market as early as 2006, by actively taking part in the Detroit Auto Show. It soon retreated from this market due to a lack of consumer recognition, as well as necessary certificates. In 2014, Geely announced that it will only consider the US market in another five years, and first deliveries to this market will be models jointly developed with Volvo. A still more extreme example is Huawei’s total failure (in terms of business outcome) in the US, despite its early presence in this country.

The only exception seems to be Haier, whose general internationalization plan, as announced by its CEO Zhang Ruimin, is to first enter advanced economies such as the US and West Europe, and after reaching the status of “world famous brand” will it enter developing economies in a strategically advantageous position. As a result, Haier took a step into the US as early as 1999, 15 years after the company’s foundation: Haier US was founded in New

York, with a 100% greenfield investment. Three years later in 2002, Haier bought the original Greenwich Savings Bank building (1356 Broadway, Manhattan, New York) as the Haier Building – the HQ of Haier US, which was considered the highest achievement of Chinese MNEs' internationalization. Shortly after, Haier entered Europe not from the East as Huawei or Lenovo did, but right into the center of West Europe, first by acquisition of an Italian refrigerator factory in 2001. It then planned five major regional markets according to population, buying power and market capacity: Germany, Britain, France, Italy and Spain. At the same time, Haier chose to enter the super-challenging Japanese market (king of home appliances) by creating the “Sanyo by Haier” sales model: Sanyo provided Haier with distribution channels in Japan, while Haier helped Sanyo sell cells in China. In 2011, Haier went on to merger Sanyo’s white appliance business and a year later, Haier relocated its Asian HQ and R&D center into Japan. It was only after 2004 that Haier began to pay more attention to big emerging economies, such as India.

Does Haier’s internationalization process count as a subversion of traditional mainstream theories such as the Uppsala Model or distance theory? We do not think so. Haier’s “difficult before easy” strategic plan has its root in the industry and company characteristics. First of all, Haier was founded in 1984 as a joint venture with German home appliance manufacturer Liebherr (in fact the name Haier was originally a short form of Liebherr) and enjoyed the privilege of imported advanced technology right from the beginning based on a licensing agreement. While accumulating strength in the domestic market, it realized exportation almost right after foundation through agents or in OEM mode. The company became independent as the Haier Group in 1992 but the exportation tradition continued and grew. According to statistics, before the massive attack on the US market, from 1992 to 1999, 60% of Haier’s exportation went to European countries, 20% to Japan, 16% to Southeast Asia and 4% to other places, though not always under the Haier brand – that is to say, before its presence in the US and Europe, Haier already had a solid basis in these markets.

Secondly, one important reason that Haier could enter advanced economies with its own branded products at an early stage is: different from Huawei and Lenovo from new industries

of telecommunication and electronics, traditional home appliances are not considered that high-tech driven. It was not so surprising to accept “Made-in-China” washing machines or refrigerators as to accept telecom equipments or laptops. Customers in developed countries have long been familiar with the fact that the home appliances they are using are wholly or partly from China and found it natural.

Thirdly, does Haier really start from the most difficult? Not necessarily. Below (Figure 6.1) is a table of early-stage FDI of Haier, which shows clearly that Haier, in the same way as its compatriots, started its investments in neighboring or developing countries, mostly by means of joint-ventures, before entering the US, with greenfield investments. We repeat that with accelerated internationalization process (entry into a new country with an interval of several months), the entry order is not that clear to distinguish as with MNE early-comers.

Figure 6.1 Haier’s major FDI abroad at an early stage of internationalization

<b>Time</b>	<b>Country</b>	<b>Mode</b>	<b>Name of company</b>
08/1996	Indonesia	JV	PT. Haier Sapporo Indonesia
07/1997	Philippines	JV	Haier LKG Electrical Appliances Ltd.
08/1997	Malaysia	JV	Haier Industrial (Asia) Ltd.
10/1997	Yugoslavia	JV	Yugoslavian Haier Air Conditioner Plant
09/1999	Iran	JV	Haier Mid-East Ltd. And Haier Iran Factory
12/1999	The US	Greenfield/WOS	Haier US
04/2001	Bangladesh	JV	Hayes and Haier Appliances Company Ltd.
05/2001	Pakistan	Greenfield/WOS	Pakistan Haier Industrial Park
06/2001	Italy	Merger/WOS	Haier Italian Refrigerator
03/2004	India	Greenfield/WOS	Haier India

*JV: joint venture; WOS: wholly-owned subsidiary*

The fourth and last point we would like to make clear is the business result: though, for example, Haier did make a presence in the US before in India and demonstrated unprecedented success compared to other Chinese MNEs in the US market, it is still in developing country markets that Haier has achieved the most expansion. For instance, India has already become Haier’s second largest market after the domestic one: Haier has entered 8

of the 10 biggest chain distributors, and products in this market are much more diversified than those in developed country markets, including Haier mobile phones. Therefore it is still safe to say that developed countries present more obstacles than developing ones and are more difficult to conquer.

We therefore agree with Johanson and Vahlne (2009) that most born-globals are really “born regionals”, with international activities that do not really span the globe in any significant fashion. As far as our four cases are concerned, which are MNEs truly seeking a global presence and global leadership, they are following a more traditional entry order.

As mentioned in the theoretical part of the study, researchers generally agree that MNE latecomers from developing countries demonstrate a duality of both exploiting *ex ante* advantages and exploring *ex post* new advantages, of both opportunity development and risk avoidance, and of both market and knowledge seeking – which could be qualified by a learning by doing process. We confirm this duality based on the case studies, by observing that to Chinese MNEs, quite often, internationalization is not only a need but a must. MNEs internationalize not only for the global market, but also to reinforce its leading position in the fiercely competitive domestic market – they face competition from both fellow Chinese companies and Western MNE early-movers; the knowledge, know-how, strategic assets as well as capital gained from global markets could well supplement the company’s forces in the domestic market, and vice versa. More than ever, Chinese MNEs, as latecomers born in the age of globalization, feel the weight of different drivers (market, cost, government, competitive) and the urge to internationalization at an earlier stage and a quicker pace than their more established early-movers – as put by Dunning (2008), during this process, the asset exploitation and asset exploration are increasingly overlapping.

Already in a leading position (usually No.1) in the domestic market and aiming at conquering the markets of developed countries with established local competitors, Chinese MNEs start with certain assets and resources, which are indispensable but far from enough for the global market. They accumulate such assets and resources not only through a big and growing

domestic market, but also through neighboring and fellow developing countries. The traditional hypothesis that internationalization is a process of exploiting existing resources in wider markets and increasing them with new available resources is still valid, maybe more so in the case of Chinese MNE latecomers, who face fiercer and more extensive competition.

With this said, if we look back at the Uppsala Model, we could tell that, in general, leading Chinese MNEs still follow the two basic orders, though with an accelerated international process, the order is not that strict, with much shorter time intervals:

- from domestic market, to culturally/geographically/economically close countries, to more distant countries;
- from less advanced operation modes (pure exportation, OEM) to more intensive and demanding ones (sales subsidiaries, branches)

Proposition 1: In the process of internationalization, leading Chinese MNEs as latecomers, demonstrate similar motivation as MNE early-comers, in the sense of exploiting existing resources in wider markets and increasing them with new available resources. Mainstream theories prove their validity in terms of **entry order** and development phases, though such order is not as easily distinguishable as before, due to greater flexibility, fiercer competition, accelerated internationalization pace and wider internationalization scale.

**The entry mode:** As pointed out by earlier studies and reconfirmed by our own researches, Chinese MNEs demonstrate a great variety of entry modes, usually a combination of internal growth, M&As and alliances/partnerships: sometimes they adopt different entry modes for different destinations, but more often, even for the same country destination, they adopt more than one mode to enter the market. It is especially the case for advanced markets such as West Europe, which presents more obstacles and demands more efforts and flexibility.

However, what is particular in our case is that according to our researches, we observe that

leading Chinese MNEs show a preference for international M&As (especially with established Western companies and brands), as well as for alliances/partnerships. These two entry modes have become useful tools for them to expand internationally, especially into developed countries, where internal growth alone has little possibility to help them achieve such aim within a relatively short time span. We observe that for latecomers with accelerated internationalization process, M&As and alliances/partnerships occur at a higher rate and frequency than in the situation of MNE early-movers.

Take Lenovo and Geely as examples to illustrate the case of M&As, and Huawei the case of alliances/partnerships.

Lenovo has chosen M&A as the stepping stone for almost all developed country market, which it has no capacity to break into with internal growth alone: For the US (and global) market, it acquired the PC Business of IBM with \$ 1.25 billion in 2004, and the X86 Server Business of IBM again with \$ 2.3 billion in 2014; it also bought Motorola Mobility from Google with \$ 2.9 billion in 2014. In West Europe, after a failed one-year experiment in Germany, it came back again with what it was good at, the M&A – in 2011, Lenovo officially announced its acquisition of Medion at a price of €629 million.

Similarly, Geely too has conducted a full-fledged M&A campaign with several major media-catching acquisitions of established Western companies and brands:

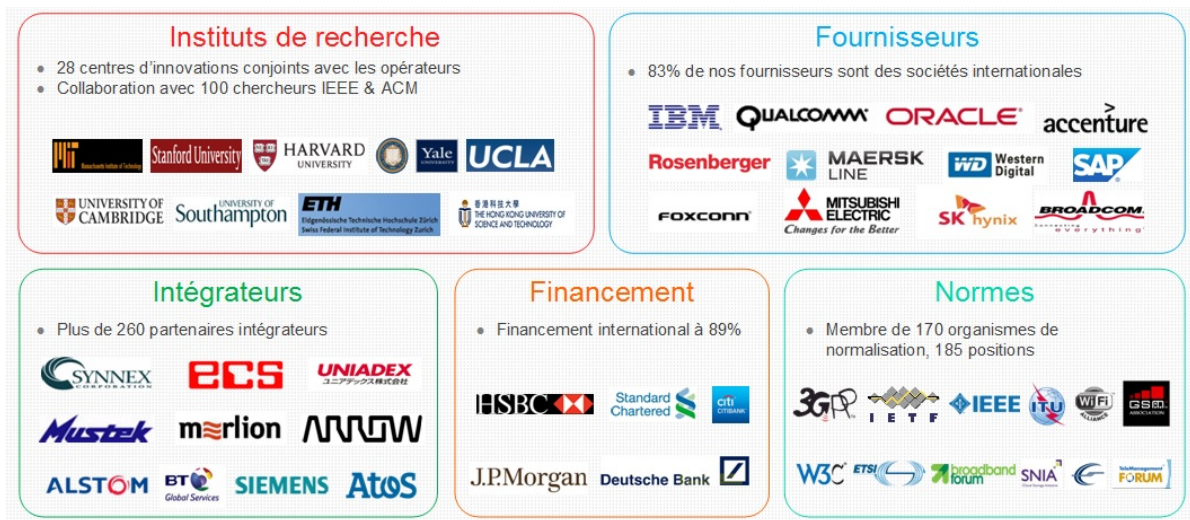
- March 2009, Geely acquired the world's second largest automatic transmission company, DSI of Australia.
- August 2010, Geely and Ford (US) officially signed to handover one of the world luxury vehicle brands Volvo. The former realized a 100% control of Volvo Cars.
- February 2013, Geely went on to announce a 100% acquisition of Manganese Bronze of UK, the prestigious manufacturer of London Black Cab, with a price of £11.04 million, after the original acquisition of 20% of Manganese Bronze's stakes in 2006.
- According to latest news, Geely announced its intention of completing the acquisition of



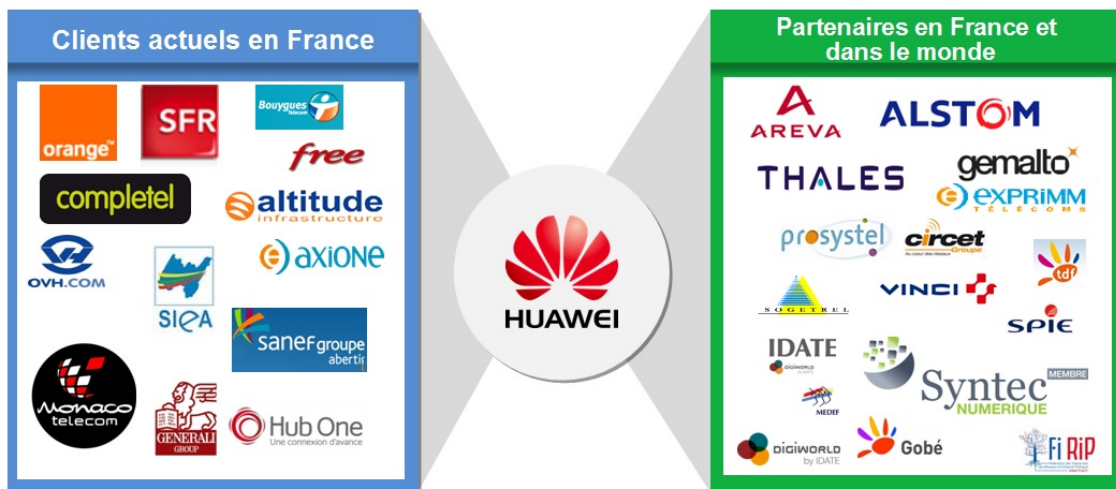
the British electric vehicle manufacturer Emerald Automotive within the year 2014.

Note that M&As by no means exclude the formation of alliances and partnerships, instead, the latter is more than often a by-product of the former; both Lenovo and Geely have realized the formation of numerous alliances and partnership in parallel with these major acquisitions. However, even among leading Chinese MNEs, Huawei is famous for its network of extensive partnerships, which is summarized by the following Figure 6.2 (an evolution of Huawei's partnerships can be found in Appendix 3, among other data of the same case):

Figure 6.2 Huawei's major international partnerships



Huawei's major clients/partners in France



(Source: Internal documents of Huawei France)

With this complex network, Huawei cooperates with universities, R&D institutions, telecom operators, governments and other high-tech companies from China, emerging/developing countries and developed countries as well. What it also cooperates with are consulting and management firms/agencies in developed countries. For instance, since the late 1990s, Huawei has been investing as high as 3% of its annual revenue to invite consulting companies like IBM and Accenture to remold its organizational system; it has also been working with Hay Group to solve deficiencies in HR management, with PwC in financial management, and with Fraunhofer Gesellschaft in production and quality management.

Existing studies have made a conclusion of the benefits of M&As and alliances/partnerships in the process of internationalization, and Porter's cluster theories also pointed out the advantages companies can get by getting immersed in a particular cluster. Here we reconfirm the validity of these theories and find such benefits and advantages of special utilities to MNEs latecomers such as those from China investing in developed countries. The following are some of the benefits these leading Chinese MNEs have obtained or will obtain from the decision of an important M&A or of the formation of an alliance or a partnership:

- The market: Through acquisitions of and alliances/partnerships with companies in developed countries, Chinese MNEs realize a shortcut toward global markets, by getting hold of the counterpart's existing market share and customer loyalty, market resources and distribution channels, as well as other intangible assets such as reputation and brands. For instance, after the acquisition of Medion, its valuable customer data and after-sales service system could be immediately used by Lenovo. Another contribution is Medion's channel resources – its strategic partnership with ALDI, the second largest PC sales channel in Germany. After the acquisition, in mainstream chain store Media Markt, Medion products gradually withdraw to let in Lenovo, while in ALDI which targets middle/low-end customers, Medion products stay. This duo-brand, duo-channel policy aims at the maximization of market. After more than one year's integration, Lenovo with a 16% market share, became the champion of German PC market.

- The brand: Chinese MNEs receive very weak brand awareness disproportionate to their business performance. If we count 89 Chinese MNEs in the Fortune 500 List in 2013, of the same year, no Chinese brand at all entered the Fortune 100 Brand List and none for 2014 neither, while Korean brand Sumsung ranked as high as the 4<sup>th</sup> in 2014. “We are probably the least famous global No.2 (PC manufacturer) in the world,” admits Lenovo employee. Yet through M&As, Lenovo got hold of such world-famous brands as the Think Series of IBM. The plan is to first continue with the Think Serie (of Lenovo), while putting to market other original models. IBM’s brand power has had a clear upgrading effect, not only on the Lenovo as company on the whole, but on its products as well.
  
- Knowledge and know-how: Through M&As and alliances/partnerships with organizations (R&D institutions, universities, companies, governmental institutions...) in developed countries, Chinese MNEs gain more knowledge and know-how: both the more explicit *component knowledge* and the less explicit *architectural knowledge*; they gain *technological knowledge*, *organizational knowledge* as well as *knowledge of the market* at the same time. This is in accordance with the prediction that the internationalization process of MNE latecomers is also a learning process, that learning is one of the motivations of internationalization. For instance, what Geely got from the acquisition of Manganese Bronze UK, is not only its plants, equipments, real estate and other intangible assets, but also London’s experience and know-how on taxi management, an important component of the city, which would bring great business opportunities to China as well, a country in rapid urbanization. Similarly, the acquisition of Volvo Cars by Geely has not only brought about the technological cooperation of the two companies, but also, Volvo’s advanced commercial and vehicular culture would enhance the whole automobile industry of China, better preparing it for the future tendency of the industry. Another example is Huawei’s presence in the US (especially in the cluster of Silicon Valley), which has a clear purpose of learning. Its Cloud Sector started from its R&D center in the Silicon Valley, but much more than that, its partnerships with consulting firms help remold this private company. What's more, experience and knowledge got in the US help

Huawei to expand in Africa, the Middle East, Latin America and Even Europe.

- Competitive position: As latecomers, Chinese MNEs are usually in a weak position confronting powerful MNE early-movers, and in our case, in these early-movers' local markets, playing by rules drawn by early-movers themselves. Taking this into consideration, buying or merging with some of these early-movers, or partnering/forming alliances with them could help reinforce or boost the competitive position of these Chinese MNEs in the global market. Such aim could be realized by the exploitation of mutual strategic capacities (complementary or supplementary), by the reduction of costs, or by the consolidation of opportunities. In fact, for leading Chinese MNEs, concurrence has replaced competition as the major theme in developed countries; they do not hesitate to partner or cooperate with their competitors.

This choice of the entry mode is of particular relevancy if we consider the situation in the recent “network” point of view, which believes that markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns (Johanson and Vahlne, 2009); and that the network MNE is a coordinated system of value added activities, the structure of which is determined by hierarchical costs of production, the market costs of exchange, and the interdependence of production and exchange relations and the institutions (both firm and country specific) which control or influence its objectives and behavior (Dunning, 2003). In the context of our studies, being a latecomer is, on most occasions, the synonym of being an *outsider* of the network, whose rules are already drawn (by early-movers). It is obvious that, to transform into an *insider*, an acquisition of or an alliance with an organization already WITHIN the network is far more effective than pure internal growth.

Another important issue is the timing. Note that above-mentioned advantages or benefits could be obtained within a relatively short time span, compared to internal growth. And speed is something of extreme importance for MNE latecomers.

Proposition 2: In terms of **entry mode**, leading Chinese MNEs adopt a combination of internal growth, M&As and alliances/partnerships. As latecomers, they use extensively the latter two as important tools for accelerating their internationalization process and getting into the network. The targets are often established local MNE early-movers.

**R&D:** As indicated in the theoretical part of the study, researchers have long been focusing on the technological accumulation and catching up of MNE latecomers from developing countries. They conclude that the R&D capability has a decisive influence over the catching-up process and that differences do exist between the technological innovation mode of MNE early-movers and latecomers, as summarized in the theoretical part of the thesis. Models concentrating on the learning process and technological accumulation, such as the LLL Model of Mathews (2006), the *path-following* vs. *leapfrogging* model of Liu (2009), the comprehensive learning-based model of Li (2010), all give tentative explanations and predictions for the R&D strategies of MNE latecomers.

Results of our four case studies confirm the importance of R&D activities in the process of catching up: all of the leading Chinese MNEs attach great importance to R&D activities and the building up of R&D capabilities. By R&D, we refer both to in-house R&D (R&D exploitation) and R&D import (R&D exploration) via M&As, alliances/partnerships, or simply getting near to specific clusters. We find that not a single Chinese MNE dares to overlook one of the two; instead, they place huge emphasis on both. Take Huawei as an example, whose continuous focus on R&D is almost legendary. According to statistics, Huawei insists on investing no less than 10% of the sales revenue on the R&D of new technologies in new areas, with customers' needs as references. In 2013, R&D expenditure represents 12.8% of the sales revenue. Globally, around 10,000 employees (45% of total staff) work in the R&D sector, and up to this year, 36,511 patents have been accorded. As to R&D import, with its numerous partners, co-R&Dship is the most common form of cooperation. Similarly, with strong R&D backup, Haier is the leader in granted patents, mostly of functional inventions instead of appearance improvements. As of the end of year 2013, Haier

had submitted 15,737 patent applications in total and 10,167 were granted, becoming the international champion of patents in the white goods industry. Geely, on the other hand, has its special way of conducting R&D activities besides traditional R&D centers – it has up to now set up in China five colleges (Beijing Geely College, Sanya College, Zhejiang Automotive Engineering Institute, Zhejiang Automotive Vocational and Technical College, Hunan Geely Automotive Vocational College) with specialties in automotive techniques, knowledge and researches – by doing this, Geely is also building its back up talent pool.

Based on case studies, we have discovered that the R&D activities of leading Chinese MNEs have followed a different path than predicted by classic theories derived from MNE early-movers, yet in correspondence with the motivation duality (asset exploitation and asset exploration; market seeking and knowledge seeking) of MNE latecomers in the process of internationalization. As predicted by classic theories, R&D exploitation precedes R&D exploration in the process of global expansion, that is to say, usually the company is supposed to have superior technologies and knowledge than local competitors in targeting markets so that it could demonstrate an obvious advantage. Alternative internationalization theories derived from MNE latecomers have already asserted that R&D exploitation and R&D exploration often exist at the same time, and in the case of Chinese MNEs, we even observe the fact that R&D exploration through mergers, acquisitions, alliances and partnerships happens before R&D exploitation of in-house knowledge, as clearly shown by all of the four cases: it is not unusual for leading Chinese MNEs to first import cutting-edge knowledge from more advanced companies and R&D units in developed countries, incorporate such knowledge, then develop in-house R&D around it. Sometimes such more advanced knowledge is only for targeting developed country market, while the domestic market is not yet ready for it. Such situation also exists as a certain Chinese MNE's domestic R&D units concentrate on lower-value-added technologies, while overseas R&D unites on high-value-added ones – this is the case of Haier, which has realized total localization of R&D activities, thus the R&D unit of Haier China and that of Haier US often deal with different layers of R&D.

We observe that a centralized R&D structure exists between subsidiaries and the HQ, that important decisions must be shared and coordinated with the HQ. However, we also find that subsidiaries in Europe take initiative in decision-making. On the one hand, Chinese MNEs set up R&D units in Europe not only to get external technological assistance but also to cultivate the development of high-quality Chinese human resources; on the other hand, R&D activities in Europe also need assistance from domestic R&D units and personnel. With this R&D synergy, the level of in-house R&D of Chinese MNEs keeps increasing. If the knowledge-seeking or R&D exploration gives the impression of Chinese MNEs always being a technological follower, things are actually changing: in recent years, Chinese MNEs demonstrate such great momentum in R&D that the knowledge sharing with partners in developed countries is no longer unidirectional, especially in industries where European companies show fewer advantages than before such as the information and telecommunication industry. According to Huawei employees, nowadays the “idea center” of Huawei is its R&D centers in China (Shanghai, Shenzhen, Nanjing, etc.) which produce more innovations and show more vitality than those located in Europe. As of Lenovo and Haier, once followers or even stigmatized as copy-cats, are now being copied by others, not only fellow MNE latecomers, but early-movers as well - All of Lenovo’s models specially those designed for the European market: pluggable laptops, flipping laptops and the flipping plus laptops, are the first among competitors and soon imitated. Lenovo has to improve the technological contents of its products to postpone the imitation time. Haier’s products are also constantly imitated or copied, including its side-by-side-combination-refrigerators, Italian-style-triple-door refrigerators, 5-e double drum washing machines, etc. We conclude that in certain industries, pure-technology seeking has already given way to home-based augmenting and home-based exploitation.

If we look again at the more or less contradictory models of Beijing consensus and Washington consensus brought about in the theoretical part of the thesis (Chapter 4, p.100), we may say that Chinese MNEs in the private sector have clearly taken up the Washington consensus in their international expansion, especially in developed country markets. Technological and non-technological innovations, as well as private entrepreneurship, have

been playing a more important role in their internationalization process, though we do observe that the majority (if not all) of such innovations fall into the category of “progressive” instead of “revolutionary”. Also through our interviews and data collection, we hear very optimistic voices that Chinese MNEs will find their way out in the global competition with a rise of creativity, innovation and individualism of the country. “The Chinese political system or culture does not limit its ability to innovate. (...) The real reason why we saw less innovation – and more imitation – emanating from China in recent decades, has simply been that this approach was best suited to the country’s economic reality until now. (...) Having won the battle to provide the most basic goods to domestic consumers, Chinese companies are now increasingly, and often for the first time, forced to turn to product innovation. (...) as the low hanging fruit of supplying basic goods has gone.” (Rein, 2014)

Why is the R&D of special importance to Chinese MNEs? Because:

- As latecomers, they have the biggest chance of catching up by being in the most promising “global industries”, most of which are purely high-tech driven.
- A strong R&D capacity is the prerequisite for product innovations, and the consequent product differentiation, one of the most frequently used tools for latecomers to break into the market of early-movers.
- Being a latecomer already hints a technological lagging behind, therefore an intensive concentration on R&D is not only a necessity for catching up, but also for not being excluded from the game.

If Chinese MNEs have truly entered an “innovation phase” is hard to tell for the moment, yet we could at least see their efforts from this handful of cases and put forward tentative propositions concerning Chinese MNEs’ R&D activities in developed countries.

Proposition 3: Chinese MNEs set up **R&D** units in developed countries that undertake tasks of technology-exploration and technology-exploitation simultaneously and cooperatively with



a dual motive driven by both market and technology.

Proposition 4: Chinese MNEs put enormous emphasis on **R&D** to gain a technological advantage, for the eventual purpose of realizing the catching up, during the course of which in-house R&D and technology imports cooperate with each other in various forms, with the former gaining more and more weight.

**Learning:** Much emphasized by previous researches on MNE latecomers, we hereby re-confirm the importance of learning especially as Chinese MNEs internationalize into developed countries. In the above discussions of entry mode and R&D, we have already covered part of the learning process of leading Chinese MNEs in terms of how they learn through various channels and in highly-diversified forms, such as: extensive networks of alliances and partnerships, establishment of local R&D centers, cluster embeddedness, as well as mergers and acquisitions. We have also pointed out a few specialties of the learning process of Chinese MNEs as latecomers that the objective of such learning process is not only the acquisition of more tangible component knowledge, but also more elusive architectural knowledge; not only commercial, technological and organizational knowledge and know-how, but also those the social level – due to their late start of internationalization, we can even say that Chinese MNEs internationalize while at the same time learning how to internationalize; they do business in overseas market while at the same time learning how to do international business; and they compete with MNE early-movers while at the same time learning from these competitors. It is not exaggerating to comment that the internationalization process of Chinese MNEs helps remold the Chinese society and boost its development.

Therefore in conclusion, in the case of MNE latecomers, the distance becomes an advantage instead of drawback, especially when the targeting markets are more advanced developed countries, because it provides more space and opportunity to learn on a full range of different levels. MNEs as vanguards embedded in foreign societies are proved instrumental, through their learning process, for the development of the domestic country as a whole.

Proposition 5: The large distance between China and developed countries can be viewed as an advantage instead of drawback in terms of **learning**. Through diversified channels and forms, Chinese MNEs learn not only component, but also architectural knowledge, and even that on the social level, which helps the development of the domestic country as a whole.

**Company culture – the way of doing business:** As reviewed in the theoretical part of the thesis, the cultural influences on the company’s way of doing business have been constantly studied. Researchers point out that Chinese MNEs tend to take advantages of ethnic groups and networks while doing business in such regions as Southeast Asia with plenty of Chinese immigrants. In developed countries like West Europe, such ethnic groups and networks are no longer effective for the simple reason that they are not big or strong enough to reach a certain scale, yet cultural influences still have considerable weight over the outcome of internationalization. Naturally such cultural influences can be negative – as we described above, some hold the opinion that Chinese are simply unable to innovate because of “Confucian conformity”, while others argue that “even at the height of Confucianian influence, the country brought about huge innovations such as gunpowder, multi-stage rockets and the compass”. Though arguments of this kind will go on, we still pick up two cultural elements that we think have a positive influence upon Chinese MNEs’ international expansion: first, the Guanxi building; second, the national character of perseverance and hard working.

First, the famous Guanxi building, especially long-term Guanxi, so much emphasized by the Chinese culture, is also embodied in Chinese MNEs’ way of doing business, even in developed countries such as Europe or the US. There is not a single company we have studied that does not try to add emotional elements into this Guanxi building process, by forming a relationship a little more than “pure business”. And this behavior cannot be simply viewed as mercenary or pragmatic, because “we Chinese think it is much comfortable to do business with someone that you like and that likes you; someone you have a good relationship with, and such relationship does not end with a coup of business deals”, as put by one of our

interviewees from Huawei. In this case, Huawei's Guanxi building with existing or potential customers is almost legendary. It has become a habit of Huawei to follow its principle customers – geographically. For instance, one of the reasons that Huawei moved its European HQ from UK to Dusseldorf, Germany is that the latter is where Huawei's biggest client Vodafone is headquartered. Similarly, Huawei France is right opposite the site of France Telecom across the River Seine, and Huawei Netherlands next door to Telfort. Actually, such "tailing" had begun long time ago, even before Vodafone became a client of Huawei's. When Vodafone relocated its global procurement center to Luxembourg, Huawei's Global Client System immediately sent hundreds of staff over and rent the building right opposite Vodafone as office. The Starbucks on the ground floor of Vodafone's building was once occupied by Huawei people, going out of their way to strike a conversation with Vodafone people taking a coffee break there. Soon Huawei's Customer Director "accidentally" invited Vodafone's Procurement Director to a car race in Dubai. If the choice of geographic location is superficial, let's have a look at a couple of examples how Huawei establishes and maintains their Guanxi with customers, including the setting up of the Prayer Room for Muslim clients in all major HQs over the world, assisting clients to decorate their stands before minding the stand of its own during salons and expositions. Once in Algeria, when an earthquake struck during a professional exposition and all exhibitors retreated in a hurry, Huawei chose to "stay with the Algerians". Still more profoundly, inside the company organization, the three major posts are arranged in a pure client-demand-oriented way: (1) Technical Services; (2) Customer Manager (sales); and (3) Product Manager (getting to know the customer's needs before providing tailored solutions).

All of the leading Chinese MNEs with non-negligible success in the European market that we have studied identify with the concept of Grand Sales – selling through networks and with the help of Guanxi. The Grand Sales might be planned out as part of the internationalization strategies, but more often, they are carried out subconsciously, without much deliberation – and this is how culture functions. It is a natural thing and a distinguishable feature of Chinese MNEs in both domestic and foreign markets, but it also leads to sporadic critics over the scale of commercial corruption. Of course, such Guanxi not only concerns existing or potential

customers, but all stakeholders of the company, both inside (such as employees) and outside (such as governments). We will talk about these companies' Guanxi management with employees in the subchapter of international HR management and with different governments (domestic ones and those of the targeting markets) right after.

As to the second cultural element, though there are arguments as whether it is politically correct to say a certain people possesses more favorable characters than another, during the course of our studies, we do witness a demonstration of great perseverance and hard working spirits as Chinese MNEs try to catch up with their more established Western competitors. Even these competitors admit it is extremely hard to withstand the round after round of fierce attacks from Chinese MNEs. As latecomers, Chinese MNEs basically started from zero in the European or US markets; to a large extent, it was with this perseverance and hard working spirit that they managed to rise from scratches.

We go a step further by saying that such cultural elements reflected by Chinese MNEs in their process of internationalization demonstrate enormous advantages in the context of today's "network" business system – isn't network another word for Guanxi? Chinese MNEs' born adaption to the network system is instrumental in the process of internationalization, and their perseverance and hard working spirits enable them to create conditions from nothing, so as to get into the network and transform from an outsider to an insider. Such is amply demonstrated when pioneers from these Chinese MNEs first landed in the European market, where they knew nobody and had no relationship at all. Conquering all kinds of difficulties, they squeezed into the industrial and market networks of Europe, as well as created a network of their own (that others would like to get into).

Proposition 6: As a reflection of the Chinese **culture**, Chinese MNEs attach great importance to long-term Guanxi building as an inherent **way of doing business**; perseverance and hard-working spirits also help in the process of internationalization. Such cultural elements are especially advantageous in the context of today's "network" business system.

**Government relations and institutional elements:** In terms of institutional elements, a focus of existing studies, we have both confirmations and new findings.

First of all, Chinese MNEs do have close relationship with domestic governments, as iterated by many researchers, but the situation is more complicated than this simple assertion. In fact, when they were smaller or pure “private” (as in the case of Huawei and Geely, while Lenovo and Haier had sort of governmental relationship from the beginning), governments of different levels might not be that supportive in facilitating the formalities or improving the business environment; they were, in many cases, in a lesser status compared to bigger companies especially SOEs (as described by what we have already mentioned in Chapter 1: the more SOEs prosper, the more private ones suffer). Some studies have justifiably pointed out the restrictions put on these companies by governments of different levels, which is favorable to neither the company’s development nor its internationalization. Yet as the company grows constantly, they begin to draw increasing attention from the government, and the result is that the two are beginning to enter the phase of mutual utilization, thus the “close relationship”. As put by the founder of CEO of Geely, “The development of Geely is a process of negotiating, communicating and dealing with the government.” We might also call it a learning-and-exploring process – Chinese private companies definitely get valuable lessons from this imperfect institutional environment. And this is probably the most “Beijing consensus” part of Chinese MNEs’ internationalization.

Conforming to earlier studies as we introduced in the theoretical part of the thesis, leading Chinese MNEs get the following governmental supports:

- Financial aids (mostly in the form of low-interest loans from state-owned banks). M&A being one of the preferable ways of entering foreign markets and acquiring established brands, Chinese MNEs have realized several “snake swallowing elephant” acquisitions which would not have been possible without the financial aid from the state - notably Geely’s successive acquisitions of DSI Australia, Volvo Cars and Manganese Bronze UK.

We have learned from our field studies that for the Volvo Cars takeover (a deal of \$1.8 billion), Geely has obtained a total of \$1.5 billion's loan from two state-owned banks: Bank of China (a five-year loan of \$1 billion) and the Export-Import Bank of China.

- Government procurement, which also provides Chinese MNEs with ample funding and a consequent solid capital foundation for international expansion. After years of endeavor, all of our four cases have entered the Top List of procurement of the Chinese central government. They are also in an advantageous position in sponsorship bidding for such influential events as the 2008 Beijing Olympic Games or 2010 Shanghai World Exposition. Geely, which surely learns its lesson from years of “dealing with the government”, has even become the “official vehicle” for government events such as the Two Sessions (Chinese People’s Congress and Consultative Conference), beating its domestic SOE competitors.
- Government as part of the Grand Sales and as coordinator. For industries such as telecommunication or aviation, the National Marketing or National Selling is not a unique phenomenon happened to Chinese MNEs only. The CEOs of these four MNEs are frequent members of the Chinese commercial delegations led by the government. As to the role of the government as a coordinator, we will discuss shortly after in this section.
- Preferential policies. With the frequently-mentioned “going-out” policy as part of the economical reform of China, Chinese MNEs have the right to various support and benefits in the form of preferential taxation, financial incentives, simplified formalities, etc. Appendix 7 gives a brief summary of Chinese government’s policies and private companies’ situations since the end 1970s.

As presented in the theoretical part of the thesis, the majority of the studies concentrating on the institutional elements of Chinese MNEs stop at how these companies benefit from these elements to gain an advantage in the process of internationalization, counting it as an evidence of the Beijing Consensus. We, on the other hand, would like to point out that the

so-called “close relationship” with the Chinese government is by no means all positive; it could even be something these MNEs try to avoid (at least on some occasions).

There is no better example to elaborate this point than Huawei’s situation in the US – though No.1 globally, in the US market, Huawei has been left far behind its already-conquered competitor Ericsson. In fact, Huawei’s experience in this country is made up of a series of frustrations, without getting any contract from any major American telecom operator. Such story reflects the ever-increasing mistrust between the two countries: in 2008, Huawei was forced to give up the acquisition of 3Com; in 2011, Huawei’s bid to Sprint Nextel (3rd largest telecom operator in the US) was turned down, even it proposed the best offer, due to the interference from the Minister of Commerce Gary Locke; also this year, Huawei lost to Nokia Siemens in the competition of purchasing Motorola; its attempt to acquire the Internet software company 2wire was also denied. A part from these failures, Huawei faced countless lawsuits and hearings (conducted by the US Congress). During the hearing, questions such as “as a private company, why does Huawei have a Party Committee within the company” were put forward.

Compared to the United States, Huawei has a much more agreeable political environment in Europe, though occasional questioning and objections are inevitable: at its early stage in Europe, Huawei’s bidding for UK’s veteran telecom operator Marconi was refused, and it is reported that the US had put pressure on UK in the name of security. However, the recent Prism Door issue is good news for Huawei in the European market in the sense that none of the telecom equipments of those technological companies providing information to the US government is from Huawei. Huawei’s later success in UK also helps to quench the security doubts from Western countries, to some extent at least. In spite of these, Huawei has all the same taken actions in preparation for possible “political noises”, and such actions include:

- Huawei set up a Network Security Evaluation Center in Banbury, South England (2 hours’ drive from London), 50 kilometers from the HQ of General Communications of UK in Wald. In this center the British government or any third party can test the source

codes of Huawei products. Up to now, no other telecom equipment manufacturer has the ability to provide such evaluation organization.

- Huawei uses a Secure Cell structure in Europe: the key software coding of the network products is written by local enterprises and kept in custody by a third party.
- Another mechanism used in Europe is that as they wish, customers can choose, out of their own will, who should come to install the Huawei products and to provide technical services for them after buying the Huawei products.

What is the situation of Chinese MNEs in less sensitive industry than telecommunication? From our studies, we find that Huawei is one of many Chinese MNEs that have the same experience, especially in the US market, no matter in what industry. SOEs, while enjoy special favors from the Chinese government, are (understandably) more than often excluded from major M&A biddings, such as CNOOC's failed \$ 18.5 billion bid for US oil company Unocal, a price of \$ 2 billion more than that offered by the final winner Chevrolet. Those in the private sector cannot escape the same fate neither, even Haier, which boasts a good relationship with the US government, was turned down in several M&A projects, such as its joint-bid for the second largest home appliance manufacturer Maytag. Lenovo too, was a frequent victim of such "security concerns", the most famous issue being the US State Council's decision in 2006 of not using Lenovo products in handling confidential government information and documents. Such decision influenced Lenovo's reputation rather than its profits, as claimed by Lenovo spokesman.

The response and reaction of Chinese MNEs to such questioning and treatment is in accordance with their communication strategies, which we will present later in this Chapter. In a nutshell, they are taking an increasingly firm stance over such issues, from silence to speaking up. They have also, in some cases, turned to the Chinese government for high-level coordination and mediating, such as Lenovo's seeking support from the Department of Commerce of China in the 2006 crisis – this is what we mentioned as the government as a



coordinator in international business.

Institutional influence of this kind is a result of the ideological difference between China and the Western countries, and turns out to be a unique feature of Chinese MNEs as latecomers on the way of international expansion. Besides the more technical procedures such as Huawei's Network Security Evaluation Center and Secure Cell mentioned above, what all these MNEs do to shun from such institutional influence, is to firmly and repeatedly affirm their nature as a private enterprise, "without any special relationship with either the Chinese government or the Chinese military" (Lenovo spokesman). It is interesting to note Lenovo's reaction in the 2006 crisis mentioned above, when on the one hand, it was actively seeking assistance from the Department of Commerce of China; on the other, it unyieldingly reasserted its total independence from the Chinese government, as a 100% private company. In parallel, since 2008, it has taken the concrete action of reducing the shares of once its biggest share-holder, China's Academy of Science, to the current 36%. Considering the fact that Lenovo voluntarily offered shares to China's Academy of Science during the first years of the company, it is clear to track the tendency of de-nationalization, and of getting rid of the image of a SOE.

Other maneuvers to avoid the "original sin" of being a Chinese MNE include:

- Local public relations and lobbying activities: This is something that leading Chinese MNEs could not pay more attention to, both in Europe and the US. All of them have departments and personnel dedicated to build a favorable relationship with the local government. Huawei is famous for hiring former high-level officials of the targeting markets to deal with this kind of relational issues: the appointment of former CTO (Chief Technological Officer) of the BT (British Telecom) Group Matt Bross as CTO in 2009, former senior government official Sir Andrew Cahn as President of the Advisory Board in UK in 2011, and former CIO (Chief Information Officer) of the British government John Suffolk as Network Security Officer in 2012, who reports directly to Ren Zhenfei. Lenovo, on the other hand, is the first Chinese MNE that has a dedicated in-house lobbying team, both in Europe and the US. It also works extensively with local law firms

and communication agencies. With these efforts, things seem to be changing since 2006. When in 2013 the Obama administration passed the funding bill to strengthen the safety assessment of the IT equipment procurement, especially equipments from China, some expressed concern that Lenovo would again be badly suffered. However Lenovo spokesman responded by saying, “There is no suffer. Lenovo maintains good relationship with the US government and military, both happy to work with us.”

- Localization as one of the solutions: Besides the bombing of lobbying and communicating activities, Lenovo has taken localization as one of the solutions against political discrimination – up to 2013, Lenovo had been fully localized, with 2,000 employees in the US HQ; the service and production lines had been transferred to the US as well. Yet talking about localization, there is no other company than Haier that has done more thoroughly. Haier, with its “three-in-one” structure (we will detail later), has localized the production, the design and the sales in the targeting market. This might be one of the reasons why it could maintain such a good relation with the US government – it creates jobs and solves unemployment problems! With 100% Greenfield investment, Haier US is not a branch, but a localized independent body, with equal status as Haier China in the global framework. Haier being such an important hirer and tax contributor, the local government voluntarily offered to change the name of the road before Haier Production Center to Haier Boulevard. The overseas R&D centers could also be an effective way to demonstrate the company’s long-term commitment and concern for local benefits. During his meeting with the Mayor of Paris Anne Hidalgo in 2014, Huawei CEO Ren Zhenfei promised an investment of €1.5 billion in France with more than 2,000 new jobs created, and most of this investment goes to the newly-opened R&D center in Paris. Besides the more obvious objective of R&D, it is, as pointed out by our interviewees, an effective way to strengthen the company’s relationship with the French government.

Chinese MNEs’ relationships with both domestic and local governments, the influences of related institutional issues, as well as Chinese MNEs’ counter-actions toward the negative effects of such influences, are embodiments of the international business theories concerning

investment and business environments and distances. No matter put in the PESTEL model or the Model of 5(+1) forces, we see distinctive political/ideological factors, as well as the government's role within the internationalization process. On many occasions, more than the geographical distance or the economical distance, it is the cultural distance or the administrative and political distance that puts the most obstacles upon the way of internationalization, and the latter could be menacing when the targeting markets are advanced economies such as the US or the West Europe. As latecomers from an Asian country, with distinct cultural background and a “rivalry” socialism regime, Chinese MNEs could not possibly overlook the institutional elements that might be minimal or negligible to other latecomers from different countries/regions, which together constitute a characteristic feature of the internationalization of Chinese MNEs.

Proposition 7: Due to their special ideological and political background, Chinese MNEs face extra **institutional** liabilities on the way of internationalization, especially into developed countries. Contrary to most existing researches, Chinese MNEs' close **relationship with the domestic government** is not always to their benefit, so they learn to keep a delicate balance in order both to take the advantages and to avoid negative effects.

Proposition 8: As counter-actions to negative effects brought about by their ideological and political background, Chinese MNEs take innovative technological and procedural precautions to remove the doubts from (potential) customers. Public relations, communicating and lobbying activities, as well as more profound localization and commitment, are frequent tools for more trust and a better **relationship with the local government**.

## 6.2 Chinese MNEs in Europe: Marketing and sales strategies

After examining their internationalization strategies in general – entry order, entry mode, R&D policy, relationship with governments and the way of doing business – we present in this subchapter our findings concerning the more specific Marketing and Sales strategies of Chinese MNEs, including an analysis of each element of the Marketing Mix: Product, Price,

Place (distribution) and Promotion (communication).

Decisions of Marketing and Sales strategies are the result of profound analyses of both external environment and internal resources, as indicated by the related classic models of international business presented in the theoretical part of the thesis. All kinds of factors have to be taken into account when drawing strategies: Standardization or adaptation? Concentration or dispersion? Integration or independence? What are the physical, service and symbolic attributes of the Product in a particular market? How to position the Price in overseas market compared to that of the domestic market and to that of the products of MNE early-movers? How to access foreign distribution channels? Does the “made-in-China” national image play a role in promoting the Product? What the Communication pattern and style should be, considering the characteristics of both the hosting country and the Chinese MNE itself? In terms of the company image and the brand image, what issues are to be taken into consideration and how Chinese MNEs evolve in this area?

There are, of course, questions that all MNEs should consider during their international expansion, but what we are interested in, are particularities of Chinese MNEs, as 1) internationalization latecomers, and 2) MNEs from a country with distinct features, and large distances (economically, culturally, geographically and politically) from the targeting markets (developed countries). We would like to give a summary of some of the common points presented by our cases of leading Chinese MNEs:

Marketing Mix – the price	Always a competitive price – usually the stepping stone into the market
	No longer the traditional price war of Chinese products; a strategy based on competitive products – better price/performance value
Marketing Mix – the product	A differentiated product (with new technological or design elements)
	Leapfrog to next-generation technologies or concepts
	Targeting a niche market or more adapted to the situation of local market

	Highly adapted to market needs; segmentation even within a big geographic concept such as West Europe
	Flexibility and speed in terms of delivery and services
Marketing and Sales in general	A well thought of structure fully adapted to the characters of the company
	Innovative sales modes
	Concentrate on one product or one product line before diversification, usually due to limited resources; from industrial to the general public
Marketing Mix – the distribution	Rely heavily on mainstream distribution channels, with new type channels as a supplement
	Optimized allocation of resources on a global scale, breaking the stereotypes of countries
Marketing Mix – the communication	A changing image: opening up and on stage
	The communication and advertising department as the most localized and most globalized part of the company
	What you do is more important than what you say: cultural influence on both communication strategies of products and of enterprise
	Brand is an engagement, a way of relationship building – preference of PR and (long-term) relation building to hard advertising
	Country image before company image
	Weak brand awareness; evolving brand building strategies
Market synergy	Chinese market as a bargaining chip in negotiations and cooperations
	Domestic market as Ideal test-bed for market segmentation and product diversification
	Openness of the market leads to global competition and is more demanding of capabilities
	Domestic industrial structure and characteristics present overwhelming advantages for internationalization into advanced markets

Summary	An evolving process of moving up the value chain in different forms
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**The price:** As mentioned in the theoretical part of the thesis, older international business theories suggest that developing countries realize international expansion with the help of their labor-intensive economy. With much cheaper labor force and machines for specialized purposes, they provide products (on most occasions low-end and universal) that might better match the situations of targeting markets; and during this process, price is the key. When one cannot deny that Chinese companies did provide large quantities of products all over the world in this manner, thus earning the country a name of “world factory” and a negative image of “made-in-China” label, things are obviously changing. As far as our studies are concerned, this is by no means the path which leading Chinese MNEs have been following in developed country markets.

Through field studies, we observe that the price has always been an important factor of China’s competitiveness. In general, Chinese MNEs in developed countries provide products and services with a price considerably lower than their local competitors – the MNE early-movers, especially in the early phase of internationalization, usually as a stepping stone into the market. A competitive price is still a remarkable feature of Chinese products.

HOWEVER, what is more remarkable, is the fact that such lower price is no longer part of the traditional price war of Chinese products, usually battled among Chinese MNEs themselves and sometimes insensible, until it disrupts the market balance to the rueful disadvantages of Chinese MNEs who have started the war. The price strategy of Chinese MNEs is more sensible, more reasonable, taking full attention of all factors affecting the profits of the company, and even if they do give a price lower than the profitable line, it is usually a strategic move that does no harm to the quality of the product, to the long-term benefit of the company and to the industry as a whole.

More importantly, the term “low price” is no longer a low price alone; instead, it is an element

of the whole package, a strategy based on competitive products. That is to say, to seize the market, Chinese MNEs try to provide a best price/performance value, which could be in various forms: products of the same quality at a lower price; products of the same price with more functionalities; a higher price which definitely means superior quality or related service.

If we look at the price strategy of our four cases, we see a clear line of evolution from low price to best price/performance value, usually the result of conscious strategic planning:

- When Huawei first entered the European market, its quoted price could be half of that of its competitors AND with at least the same quality + shorter time of delivery. The company admits that sometimes they bid with a price lower than estimated costs. However, in the telecom industry, it is important to seize the infrastructure layout and prevent possible competition from the beginning. Now entering the adulthood of internationalization, Huawei has long abandoned the low-price strategy, especially considering the fact that the production capacity is no longer the core of competition in the telecom industry (as in many others), because almost all telecom suppliers have their products manufactured in China, most of which even produced by the same manufacturer: the Foxconn. Similarly, according to latest statistics, the year 2014 has witnessed an increase of 4.9% of the global mobile phone shipment, to 1.89 billion. China alone accounts for 85% of the total production (1.6 billion mobile phones), of which 80% is manufactured in the single Chinese city of Shenzhen (HQ city of Huawei and ZTE) – that is to say, 68% of all the mobile phones used in the world are manufactured in China. Correspondingly, Huawei is harshly cutting its low-end mobile phone and Smartphone products, especially in the European market. In conclusion, it is the R&D capacity we examined above, instead of the original manufacturing capacity, that counts as the decisive element.
- Both Lenovo and Haier have an observable evolution from the concentration on low-end, low-price products to mid- to high-end products. Lenovo's strategy is to target mid to high-end customers with the Think Series originally possessed by IBM, and then to

replace with Lenovo-branded products. In some countries (such as in Germany), it targets low-end distribution channels with local brand it has acquired (for a more extensive customers basis), but higher-end channels with Lenovo-branded products. Haier's price strategy also reflects the tendency of Chinese MNEs' internationalization pattern in Europe – in the earlier phase of entry, it positions its products between high and low-end, that is to say, “we hope to attract customers with design and unique features, which makes our products superior than low-end ones; however, compared to high-end products, we have the price advantage.” As for the future, Haier has the plan to gradually reduce the proportion of low-end products in Europe: in the next 3 to 5 years, this proportion will be cut from the current 20-25% to 5-10%.

- Geely is no exception. In domestic and other developing country markets, Geely adopted in the beginning the traditional price strategy, to seize the market by low price and sometimes at a sacrifice of quality – “Geely is always the cheapest.” “The cars you can afford.” were their slogans. It is in 2007 that Geely began the strategic transformation and introduced the new mission of “Quality, technology and services as three pillars, Geely builds the safest, the most environmental-friendly and the most energy-efficient vehicles. Let Geely vehicles be all over the world.” In accordance with this new mission, the overall Marketing and Sales strategies change as well. And for the developed country markets, Geely did not even start with this low-price strategy but directly with the 10,000 pounds (€11,700) model of EC7 and Geely-Volvo-jointly-developed models.

Proposition 9: Chinese products still have a competitive **price** compared to those of the Western competitors, yet different from the traditional price war at the cost of quality, leading Chinese MNEs adopt a more mature price strategy by offering best price/performance value and use price as a strategic element in the whole product/service package. They are gradually moving out of the low-end market in developed countries.

**The product:** The Product element of the Mix is closely related to the Price: Chinese MNEs'



moving out of the low-end price market indicates their getting rid off both the low-end products and the low-end image of “made-in-China”.

As mentioned in the theoretical part of the thesis, international business theories derived from MNE latecomers underline the importance of products as an important tool of catching up: on the one hand, the key market opportunity to enter the innovation competition lies in the gap or mismatch between existing foreign products with real market needs; on the other, targeting new industry gives latecomers a good technology opportunity to catch up – no matter market opportunity or technology opportunity, they will be implemented on the carrier of such opportunity, the Product.

In examining the product strategy of leading Chinese MNEs in developed country markets, we see clearly how these MNEs combine the two basic modes of catch-up: the path-following which is more market-driven, and the leapfrogging which is more technology-driven. More specifically, we summarize the following common points shared by leading Chinese MNEs in Europe, in terms of the Product strategy:

1. The path-following mode: Chinese MNEs provide products highly differentiated from mainstream ones provided by well-established early-mover competitors, either with new technological or design elements, targeting a niche market/population, or more adapted to the situation of local market.

A differentiated or more adapted product is an effective weapon adopted by leading Chinese MNEs for both developing and developed country markets. They are more inclined to differentiate or adapt their products due to the inherent advantages of latecomers, because their more established competitors, the MNE early-movers, have more inertia (in production, market research, etc.), or are “too arrogant” to do so especially for smaller and less important markets. Besides, targeting a niche market corresponds to latecomers’ limited market share and limited resources.

Of our four cases, Haier is probably the most-applauded example of providing differentiated products for a niche market. In smaller developing country market such as Pakistan, where early-mover competitors offer more or less standard products as offered in other markets, Haier has done exactly the contrary by offering tailored products such as washing-machines that could also be used as butter-beaters, or powerful enough to wash a laundry for huge families (adapted for Pakistani families with an average size of 12 people, with male adults all wearing white robes that easily get dirty and hard to wash clean). The same in the US market, Haier adopts as well the strategy of “prying open a crack by differentiation”. At the time, the American market was dominated by big refrigerators with a capacity of more than 200 liters produced by enterprises like GE and Whirlpool; refrigerators smaller than 160 liters were few, and GE and Whirlpool did not put much emphasis on the development of this market. However, Haier, through market researches, sensed its potentials, considering the shrinking family size and groups with particular needs (such as growing number of celibates and foreign students studying in the United States). Therefore, instead of the frequently-used price war (as some of its compatriot manufacturers did), Haier chose another way of competition by putting to market three models of small refrigerators of 50, 76 and 110 liters. It also put to market small refrigerators without compressor, which means neither sound nor concussion, ideal to be used as a wine container. Such product differentiations made Haier stand out of the others. These small refrigerators, by winning the heart of consumers, quickly won the heart of Wal-mart, which began to sell them from 2003. In less than ten years, Haier’s small models of refrigerators occupied more than half of the US market. In parallel, Haier adopted the strategy of “tailoring for chain stores” (produce according to the demands of chain stores) to enter more channels.

Such Product strategy correspond perfectly to the fundamental Marketing concepts mentioned in the theoretical part of the thesis of studying the markets and answering the needs, yet latecomers totally new in the market are more prone to do so. Due to the relatively large distance between the home country and targeting market countries, it is rare that Chinese MNEs provide the same product in home market and developed country market – we observe that in some cases, more advanced products are first provided in developed countries before

they backfire into the domestic market. More than that, even among developed countries or within a geographic region such as West Europe, leading Chinese MNEs have realized highly-adapted market segments. A good example is Lenovo's entry into Europe after initial failure in Germany. Lenovo concluded that such failure is (as least partly) the result of the lack of an appropriate product for the European market: what it had offered for the German market was the same Lenovo 3000 Series that sold well in China. That's why they came back to Europe with a product specially designed for the European market – actually, not a unified product for the whole European market, because the so-called European market is made up of 25 countries, each with unique taste, so what Lenovo did was offering one tailored product for each country. Taking the simplest color as an example: Italians like their laptops to be colorful, while French prefer pure colors such as black, white or grey, and Germans' favorite is nothing else but black. (In China, people have no objection with red laptops, which they sometimes give as wedding gifts.)

Haier does the same thing, by personalizing its products on the country basis. It also plays the “green” card in the European market – energy-saving and environment-friendly. Since the European Union (EU) has the most demanding environmental directives of the world (RoHS directives, WEEE directives) and is constantly upgrading the environmental standards of imported white goods, foreign manufacturers call it the green barrier of the EU. Through product differentiation, however, Haier has changed this barrier into an advantage, by its low-electricity-consuming dish-washers, Freon-free refrigerators, water-saving washing-machines, etc – for a while the German governments even had incentives for buying Haier's green products, such as €100's reimbursement for one refrigerator.

2. The leapfrogging mode: Chinese MNEs on some occasions leapfrog some stages and target the next generation technology as a way of catching-up so as to narrow the gap in a quick way. For instance the emphasis of Geely for the European market is on electronic vehicles and that of Haier on network-connected Smart home appliances instead of traditional ones. Similarly Huawei is beginning to take the lead in 4G+ network technologies. This second mode is closely related to the R&D strategy we presented above.

We observe that for a leading position in the international market, it is extremely important for MNE latecomers to distinguish their products with the latest technological elements – technology, as put by some of the studies, has literally become THE most effective tool of catching up. On the one hand, MNEs in more traditional, less technology-intensive industries, such as Haier as a home appliance manufacturer, are forced to integrate more advanced technological innovations into their products. On the other, those already in technology intensive industries, are endeavoring to realize more breakthroughs and take a firmer control of both upstream and downstream technologies. For Chinese MNEs who are weak in producing path-breaking technologies, this control issue could be fatal. According to our studies, Huawei is the most applauded in terms of technological autonomy, while Lenovo, on the other hand, a habitual buyer of companies such as IBM and Motorola, is criticized by some as a receiver of outmoded (or soon to be outmoded) technologies, which could put the company in an awkward position. Lenovo is also criticized of being strong in traditional PC area, with rich experience in branding, channels, scale building and supply, but weak and slow in areas outside PC. The crux is a lack of large-scale capability in software development, since it depends heavily on outsourcing. In the age of the Mobile Internet, it is a must for any leader to be armed with comprehensive capability of “software + hardware + services”. With an ever shrinking profit of the PC industry, this is the key issue Lenovo tries to deal with for the moment, which could well decide its future in the international market.

Also related to the Product Strategy, we observe that Chinese MNEs demonstrate great flexibility in terms of services and delivery speed. On the basis of the same quality and price, Chinese MNEs take an advantage in better after-sales services and faster delivery speed. While the former is closely related to the Chinese culture (hard-working, perseverance and emphasis on relationship as we mentioned earlier) and the company nature (as we will elaborate later in the HR management part), the possibility of the latter is decided by the industrial structure and manufacturing capacity of China, which we will also talk about in later sections. For instance, during the first years of entry into Europe, speed was actually one of the most essential advantages of competition for companies like Huawei.

Proposition 10: **Product** differentiation is a strategy commonly adopted by leading Chinese MNEs especially in developed countries as a tool to crack open the market. The differentiation could be in the form of path-following, by providing products with design or functional innovations, more adapted to the market needs, or targeting a niche market; or in the form of leapfrogging by providing products of next-generation technologies. Better services and speed of delivery complement such differentiation.

**Marketing and Sales in general:** Apart from effective Price and Product strategies, it is important to have a structure and sales mode fully adopted to the characteristics and situation of both the company itself and the industry – this is what we observe in most leading Chinese MNEs. In this case, as latecomers, they do not mechanically follow their more established competitors the MNE early-movers, but show considerable originality in finding the most suitable way in overseas markets. Haier has this “three-in-one” structure which greatly boosts localization and helps reduce costs: for each regional market, it has, in three different places, a design center, a sales center and a production center. For instance, in the US, the design center in Los Angeles, sales center in New York and production center in South Carolina; in Europe, the production center in Italy through acquisition of the Meneghetti factory, the two design centers in Lyon France and Amsterdam Netherlands, and the sales center in Milan Italy. After moving its European HQ from Italy to France, it is planning a second production center in Parma Italy and another design center in Nuremberg Germany. With this structure, Haier is realizing not only the localization of design, production and sales, but also of financing, human resources and cultural integration, as well as eventual localization of capitals and financing. And to answer the needs of the Internet age, Haier goes further to revamp its management and sales model with an aim of realizing a 24/24, 7/7 mode. Similarly, Huawei’s “cross selling” and “bundled sales”, as well as Lenovo’s “double mode” (transactional mode + relational mode) and agent + distributors instead of the prevailing direct-selling mode of Dell, are all persuasive examples of Chinese MNEs’ endeavor in finding the most suitable structure and selling mode.

Another phenomenon worth mentioning is that Chinese MNEs, in overseas markets especially the economically-advanced ones, often choose a partial war instead of an overall comprehensive one: they concentrate on one product or one product line before diversification. Such concentration bears some resemblance to the choice of targeting a niche market, which can be strategic or a result of limited resources. Of our four cases, we see Geely concentrating on one model only in the current early phase of entering developed country markets; Haier focusing on refrigerators and washing-machines, with a plan of gradually increasing the product lines, while abandoning mobile phones and microwaves which it also sells in the Asian market (“Haier has no obvious advantages in this complicated segment of the market”, as explained by one of the interviewees from Haier).

A still more interesting example is Huawei, which was concentrating on telecom equipments only during the infant stage of internationalization. The company firmly stuck to this policy of concentration, resisting the temptation of getting into the field of closely-related and lucrative telecom services. It is in its teenage phase, with considerably more resources and market share, that it began to diversify what it provided to customers. And as mentioned above, the definition of three core business segments of telecom carrier networks, enterprise business and communication devices marked the company’s entry into the adult phase of internationalization, as well as its diversification into the ICT area. After three short years, Huawei has already become the third largest Smartphone manufacturer (after Samsung and Apple) with a market share of 6.8% globally (as of the third quarter of 2014).

Proposition 11: Chinese MNEs create their own **selling structure and modes** fully adapted to the situation of the company and the characteristics of the market, instead of following the examples of established MNE early-movers. They often choose to concentrate on limited products or product lines during earlier phase of internationalization, before taking the action of diversification.

**The distribution:** In terms of distribution, leading Chinese MNEs share many similarities with MNE early-movers, in choosing foreign distribution channels – in fact, for latecomers as Chinese MNEs entering advanced and mature market such as West Europe, distribution channels are probably the most important target to get hold of, especially for manufacturers of general public goods, Lenovo, Haier, Geely in the near future, and Huawei as a communication device provider (instead of telecom equipment provider) – we can even say that those who gain the channels gain the market. Chinese MNEs go out of their way to get in, with differentiated products (sometimes products specially tailored for the channel itself as Haier did), with good quality/price value, with originality and perseverance – Haier had spent three whole years to build a relationship with the conservative French distribution chain store Darty, which had had no positive opinion about Chinese products, and finally managed to open a crack by signing an agreement: Darty would put Haier refrigerators in 5 of its more than 300 stores, 2 models in each store, and with a 3-month test period. Haier promised unconditional withdrawal of products if sales were not satisfying within the test period. Yet after one year, customers saw Haier refrigerators in more than 30 Darty stores with more models.

Characteristics of the market and cultural elements are all taken into consideration for a better approach toward distribution channels. The 9-Cs criteria mentioned in the theoretical part of the thesis are strategically referred to as a holistic framework to assess foreign channels. The following are a couple of examples to illustrate the point:

- Consumers and culture: Distribution is an element deeply rooted in the culture; it is closely related to everyday life and human relationships. Chinese MNEs have to study local distribution and related issues as part of their extensive market researches before getting into the market. It is exactly through such researches that Lenovo discovered the oligopoly situation of the German market, which is totally different from China. Also, German customers, more mature, often come with a clear idea in mind of what they are looking for and hope to keep a distance with the sales people – again, different from China, an emerging market where customers are more influenced by the sales personnel.

On the other hand, taking the psychological element into consideration, Haier, during its early years in Japan, always put a cupboard beside its products on display; on the cupboard were printed US media's comments on Haier's performance in the US.

- Character and coverage: Chinese MNEs are careful in examining the capability of the channel: the scale of its coverage, targeting customers, image conveyed, etc. With the gradual upgrading image of "Made-in-China", Chinese MNEs are accordingly trying to reach higher-end distribution channels in line with their positioning. We have already mentioned how Lenovo in Germany put its more expensive products in higher-end market chain Media Markt and less expensive ones in lower-end ALDI; and Haier's evolution from unpopular channels to giant ones such as Wal-mart in the US, Darty in France, Media Markt and Saturn in Germany, and Miro in Spain.

Chinese MNEs' strategy of distribution is, obvious, closely related to other decisions and strategic movements of the company, such as the branding strategy – a point we will further elaborate in this subchapter.

Besides mainstream distribution channels, as latecomers, Chinese MNEs also resort to less mainstream ones to make a breach into the market, such as smaller but widely distributed "specialized stores" for small home appliances, a good way to enter smaller cities and towns and to build a more familiar and longer lasting relationship with European customers. At the Information Age, the Internet is also rapidly gaining the attention of Chinese MNEs as a new and potential channel of distribution – though none of the leading Chinese MNEs have yet realized the direct selling through their own website.

If we say Chinese MNEs do share great similarities with their local competitors the early-movers in terms of distribution, there is one point that we count as a particular feature: Chinese MNEs are one of a handful few that could really realize the optimized allocation of resources on a global scale, breaking the stereotyped image of countries. By stereotyped image of countries, we refer to mainstream international business theories that MNEs realize



the location advantages and internalization advantages by producing in less developed countries, then transporting to and selling in more developed country markets – if such location advantages still exist, they are no longer confined to the state border, especially when the subject is such a diversified country as China. We have already presented the highly-heterogeneous economical and social status of different Chinese regions: in certain cities or regions, the consumption power is on the same level as developed countries, with similar needs and more internationalized tastes; while in others, both the spending power and the consumptions level are low – this enables Chinese MNEs to segment their customers not by countries, but by the situation of customers on a global scale, thus the phenomenon of producing high-end products in developed countries in Europe and the US for global high-end customers (including those in China), and producing lower-end products in China and other developing countries for lower-end customers (in China and other developing countries). This is, at least for the moment, what Haier, Geely and Lenovo do for their global customers: Haier has its luxurious large-capacity multi-door refrigerators (with a price of \$3000 plus) produced in South Carolina (where the production cost is considerably lower than the suburbs of Shanghai), and transport several thousand back to China for rich Chinese customers. “It is not worth it to adjust the 30 something Haier factories in China for the production of this luxurious kind of products because we don’t have a big enough customer basis. But still, needs do exist in China, so we simply produce in the US and ship all over the world.” explained one of the interviewees from Haier. Such allocation is not limited to the production capacity: with its “three-in-one” structure, Haier has many of its most original (and expensive) products designed by European or Japanese designers, not only for local customers, but for Chinese customers as well. Similarly, Geely have its luxurious models (such as models co-developed with Volvo) produced in Europe and shipped back to China for customers with needs. Lenovo too distributes different levels of products on a global scale.

Therefore we conclude that with the enormous size and heterogeneity of China, Chinese MNEs are able to optimize the allocation of resources on a global scale and take the location advantages to their full.

Proposition 12: As latecomers, Chinese MNEs rely heavily on local **distribution** channels to enter the market. Besides traditional mainstream channels, they also use new-typed ones as supplement.

Proposition 13: Due to the size and economical/social heterogeneity of the home market, Chinese MNEs are able to optimize the allocation of resources (manufacturing, design, R&D...) on a global scale and take the location advantages to their full. They are able to segment global customers by their consumption power and level instead of by country.

**The communication:** The last Mix element we examine is the communication strategy of Chinese MNEs in developed countries. World class MNEs are obliged to improve communication effectiveness in international context, taking into consideration characteristics of both targeting and domestic markets – Chinese MNEs are no exception. Cultural elements are involved to an enormous extent in different aspects of the international communication: advertising, public relations and networking, branding, and company image, whose concepts and related theories have been presented in the theoretical part of the thesis.

MNE early-comers' communication strategies in the Chinese Market are amply studied. Now in this contrary case where Chinese MNEs internationalize into the European market, we witness more or less the same method of selecting the most effective way of reaching local population through particular communication vehicles before executing it. A typical example is Lenovo's advertising battles in Russia as described in Appendix 5 – the result of extensive studies and researches on the market and its culture.

Yet what interests us more are not similarities but the particularities of Chinese MNEs. First of all we discover that due to large distance, the Marketing Communication department is, in all of our cases, the most localized and most globalized part of the company, compared to sales, R&D, administration, design and other functions of Marketing Management. Most Chinese MNEs have realized total localization of the communication department. Why this

total localization? Because though theoretically, it is of the same distance for the US and European MNEs investing in China and for Chinese MNEs investing in the US and Europe, Chinese customers have a relatively higher degree of acceptance of the global-standardized or “Western” communication vehicles (advertising, outdoor posters...) than do European customers for typical Chinese communication. It is possible for, say Apple, to use in the Chinese market a standardized advertising pitch translated into Chinese, but it is hard to imagine a piece of Chinese TV advertising with Chinese characters to be reused in the US or the European market, even translated into the local language. Therefore all verbal communication vehicles (TV advertising, outdoor advertising, printing or online advertising...) of Chinese MNEs targeting developed country markets are locally designed and executed by local employees with thorough understanding and knowledge of the local culture.

However, compared to their size, leading Chinese MNEs do not put a proportionate emphasis on verbal communication, especially hard advertising – at least they did not during earlier phases of internationalization. This is the second point at which Chinese MNEs show considerable differences from their early-mover competitors, and it is the result of both objective circumstances, and a reflection of traditional cultures:

Firstly, for MNEs like Huawei, which, as presented earlier, concentrated on highly professional telecom equipments only in earlier phases of internationalization, extensive advertising targeting the general public was not a necessity. It was only after Huawei's decision of entering the communication device market that it began to launch mass media advertising campaigns in Europe, such as on Channel M6 in France. The key message Huawei tries to convey to its customers has also changed from “Reliable Partner” (of operators) to “Make It Possible”. Therefore the choice of communication method is first of all decided by the positioning of the company and its products.

Secondly, less emphasis on hard advertising is certainly related to latecomer Chinese MNEs' limited resources in the global market. Even Haier, manufacturer of home appliances

targeting the general public from the beginning, did not spend much on advertising either. In the US market, apart from the Haier logo printed on trolleys in some major airports, the investment on advertising was minimal. “We cannot possibly compete with established local manufacturers on advertising, which is extremely expensive. We depend on innovation and differentiation to promote the product and the brand. Consumers or distributors might well have prejudice against ‘Made in China’, but we offer products that our competitors do not have, simple and straight.” as pointed out by one of our interviewees from Haier.

Such comments from Haier employee also brings out the third point we would like to discuss: Chinese MNEs communication strategy, at least during earlier phases of internationalization, is greatly influenced by the traditional Chinese culture of “keeping low-key” and “what you do is more important than what you say”. Self-promotion or self-praising is not appreciated in the Chinese culture, and during our studies, we notice that all leaders (founder or CEO) of our four Chinese MNEs have been quoted at least once in a similar way: “What you do is more important than what you say. A good comment from others is far better than a boast by yourself.” “It is the product, not the advertisement, that keeps a customer.” (CEO of Haier, Zhang Ruimin) “There is nothing I hate more than empty words. Promise only when you are ready; and whatever you promise, fulfill it – that is why Lenovo rarely promises.” (Founder and President of Lenovo, Liu Chuanzhi) “I don’t care what you say. Show me the results.” (Founder and CEO of Geely, to his foreign managers) “A brand is a commitment. A successful brand is built NOT by talking (Marketing Communications) but by working.” (Founder and CEO of Huawei, Ren Zhengfei)

Perfectly in line with this “doing more important than talking” notion, plus the ever-lasting emphasis on relation-building, leading Chinese MNEs show more interest on other forms of Marketing Communication than hard advertising: PR, network building, buyer-seller interactions... During the teenage phase, Huawei was famous in the industry as a “conference maniac” – basically it sponsored all major professional and industrial events (shows, forums, salons, conferences, even job fairs of the IT industry): IEEE CCNC (Consumer Communications and Networking Conference), OpenStack, campus activities of various

engineering schools (such as the alliance of elite engineering schools ParisTech of France), to name only a few. After entering the sector of general-public-targeted communication devices, sponsorships and events still account for a great majority of the company's Marketing Communication expenditure: The biggest card Huawei has played is football, popular throughout the world but especially in Europe and South America – the billboard “PSG welcomes Huawei” at the Stade de Prince marks a new ear in Huawei's communication history; similarly, it has become the sole sponsor of Russia's national football team, as well as the sponsor of first class football clubs in German (Dortmund), the UK (Arsenal) and Spain (Atletico Madrid) – all of the four clubs Huawei sponsors have entered the elimination round of the latest Champions League (PSG, Dortmund, Arsenal and Atletico Madrid), accounting for 25% of the 16 clubs. It also sponsors several football clubs in Chili and Peru, a rugby team in Australia, a couple of ice hockey teams of Poland and Czech Republic, as well as a few pop concerts in the UK. At the same time, expositions and salons are always their favorite. The remaining three Chinese MNEs, Haier, Lenovo and Geely, all have heavy and diversified PR activities going on, as noted in Appendix 4, 5 and 6.

Besides the cultural elements, the economic structure also accounts for Chinese MNEs' weakness with brands: a brand is not important in a labor-intensive manufacturing-centered economy, while it is everything in this globalized age for R&D-intensive products – “To realize more profits, the only answer is brand. In this world that communicates with no boundary, a global brand is a language understood by customers of all countries.” (CEO of Haier, Zhang Ruimin). Through researches, we witness a growing awareness and emphasis on the importance of brands and branding; leading Chinese MNEs are adopting more aggressive branding strategies to build strong global brands, and the above-mentioned communication strategies are part of the branding package. For latecomers, it is extremely difficult to contend those decades-old, even centuries-old brands of established competitors, especially in their home markets, but that does not mean Chinese MNEs have no chance in Europe. In fact, one of the benefits of being a latecomer is that it has the potential to attract younger generations with a new and more dynamic image, while the European brands are aging and losing part of their appeal. To take full advantages of this benefit, together with the Product strategy of more

innovative, more differentiated and more niche-targeting products, leading Chinese MNEs use extensively the most up-to-date communication media - the Internet – as an important vehicle for brand building and to attract younger generations. Among our four cases, Haier is probably the one with the strongest brand awareness – it has insisted on the uniformity and continuity of the Haier brand since the beginning and all over the world, even though it is almost non-pronounceable in some languages. Different from some of its compatriots (Lenovo, Geely) that take advantages of established foreign brands through M&As, Haier continues with the Haier brand even after acquisitions. It is also one of the pioneers among leading Chinese MNEs to make online social networks an effective communication vehicle: with Facebook and Youtube campaigns, Haier is successful in attracting potential customers of younger generations as followers and in building up the brand on a global scale.

Taking elements of different aspects into consideration, with more awareness of the importance of brands, leading Chinese MNEs are evolving their branding strategies in conformity with other strategies of the package (price, product, distribution, etc.). For instance, before mass internationalization, Geely had had two major brands of Geely and Maple. Yet in 2008, both for domestic and overseas markets, Geely reorganized its brand system into three brands of Gleagle, Emgrand and Englon, abandoning the use of Geely, due to the fact that Geely as a brand had been badly degraded as a result of the previous low-price policy. After another five years, when Geely was no longer a manufacturer of low-end vehicles in customers' eye, it re-adopted the “one Geely brand” policy: Gleagle, Emgrand and Englon would be used for product lines all under the same company mother brand Geely. While Geely and Volvo as brands would remain independent, with the latter targeting the luxurious market and the former the popular one. The plan is to realize a unified mother brand Geely on the same level as General Motors, Volkswagen and Toyota in the next five years.

Huawei's branding strategy is also a perfect example of how it evolves together with other Mix elements as an integral part of the internationalization strategy package. As mentioned earlier, the unit of communication devices has become one of the strategic business segments of Huawei after the definition of “three pillars” in 2011. In fact, Huawei began to produce and

sell mobile phones in Europe as early as 2006 and many European customers were using its products without realizing it, because Huawei has gone through three major steps in this market in terms of branding and distribution:

- The “White Label” period: Huawei sold its products to operators such as Orange, Bouygue, Free and SFR without its own brand;
- Huawei began to sell mobile phones and Smartphones through operators but with its own brand (mainly the Ascend Series and the Honor Series);
- Huawei sells its products with its own brand to operators AND to open market (Auchan, Carrefour and PhoneHouse).

The last issue we address in the section of communication also reflects distinct features of Chinese MNEs: how to reverse the stereotyped negative image of “made in China” products? Naturally, the most effective way is to provide products of sound quality, which are the contrary of the stereotype, and this is what leading Chinese MNEs do, as presented in the Product strategy section. However, with products only, it is difficult to open the door to the targeting markets – facing those that don’t even have the intention to try your products, no matter how superior the quality might be, how to gain their attention in the first place? To answer this question, most leading Chinese MNEs have adopted the “country image before company image” policy, especially during earlier phases of internationalization in Europe. Put it simple, these Chinese MNEs would invite suspicious potential customers to visit such Chinese cities as Beijing, Shanghai and Guangzhou, and to visit their spectacular HQs and R&D centers scattered all over China. “To those whose major impression of the country comes from movies depicting old and rural China, the visit could be stunning and mind-changing.” (Huawei interviewee) In the late 1990s and early 2000s, Huawei organized such visits under the name “New Silk Way”, because many European customers did not even believe that a Chinese company was capable of designing and producing such hi-tech products as telecom equipments. “However, after the visit to our Shenzhen HQ and to selected sample customers and project demonstrations, most of them will purchase Huawei’s equipments within 1 or 2 years.” (Huawei interviewee)

Until now we have concentrated on the communication strategies related to the products and brands of the company; in reality, the company itself has a certain image to convey and the package of communication is not confined to products only. In terms of company communication, Chinese MNEs also demonstrate culturally-bounded features.

Valuing doing over saying, Chinese MNEs were not used to frequent external communications, which brings the uncomfortable feeling of exposing themselves to outsiders. A typical example is Huawei, severely criticized for non-transparency (including financial non-transparency) during the infant and teenage phases of internationalization. As a private company not listed in any stock exchange, Huawei did not consider it an obligation to disclose its financial situation, but this is certainly not the rule in developed countries (especially the US) where the transparency of information is a social responsibility of a MNE with 150 thousand employees, something the MNE must do without a choice. The result is Huawei published its first annual report in 2006, and the first “financially transparent” one in 2010, in which for the first time Huawei made public its organizational structure, with detailed resume of each executive, including that of the company founder/CEO Ren Zhengfei – Ren, having served as an officer in the Corps of the Engineers of China’s Liberation Army for 9 years and retired due to disarmament, has always been an important source of speculations and mistrust – there was assumption that the Chinese Army was one of the shareholders of Huawei and thus the non-transparency. Ren’s personal leading style certainly did not help in the face of these allegations: a mysterious CEO accepting no interviews, attending no activities and allowing no photos. With Ren, the whole company was low-key, preferring “not to mess up with the Media”, because “a straight foot is not afraid of a crooked shoe”. The company and its leader’s silence and lack of effective communication became a target of attacks in the process of internationalization. With the growth of the company and realizing the indispensability of effective communication, Ren has gradually adopted a more open image – it was a big issue in the Chinese business circle to see for the first time Ren’s portrait and interviews on business journals. Within two years, Huawei is already showing proficiency in comprehensive communications, using different media and targeting different



audience, showing the image of an opening up MNE, together with Ren, whose face now is everywhere and more than familiar. In parallel, as we mentioned earlier, Huawei is also much more outspoken in the face of unfounded accusations, in stead of keeping the grievance to itself as it did before.

Though not as extreme as Huawei, we witness in our studies the same opening-up process of leading Chinese MNEs, both the company AND the leader. Knowing that as latecomers, these Chinese MNEs are still in entrepreneurial stage with the founding father and soul character still active in the front line, and most of these founders, the youngest in his 50s, are deeply immersed in traditional Chinese cultural – it takes certain time and effort for them to get used to the internationalized way of communication. Take the current CEO of Lenovo Yang Yuanqing as an example, already the youngest leader of the four Chinese MNEs, an engineer by training, he was commonly commented as of “introvert character always avoiding the spotlight”. Yet as he took the leadership, the first thing for him is to learn English and to force himself on stage giving public speeches, conquering all shyness. The internationalization process of Chinese MNEs is also an internationalization process of Chinese entrepreneurs and professional executives: in the global context, not only do they target their products toward Apple, but they target themselves at Steve Jobs, a charismatic public speaking genius fully adapted to the exigency of internationalization.

With the above analysis of some of the particularities (in comparison with MNE early-movers) of Chinese MNEs in terms of communication, we are ready to summarize by the following propositions.

Proposition 14: Due to large geographical, social and cultural distances, in the case of Chinese MNEs, the **communication** sector is usually the most localized and most globalized part of the company, sensitively reflecting the globalization process.

Proposition 15: Traditional Chinese culture has considerable influence over Chinese MNEs’

**communication** strategies in the sense that they show a preference for non-verbal communication methods such as PR and network building, over verbal communication methods such as hard-advertising, which partly explains their weakness in brands and branding.

Proposition 16: Not limited to products and brands, traditional Chinese culture is also clearly reflected in the **communication** style of both the company as a whole and of its soul character (founder/leader), which in turn affects the company image. During the process of internationalization into developed countries, leading Chinese MNEs and their soul characters demonstrate an evident tendency of opening up, speaking out and getting into the spotlight.

Proposition 17: Apart from the cultural elements, Chinese MNEs' weakness in terms of brands is also the result of latecomers' limited resources on the global scale, their strategic choice of target markets, and the economic situation of the home country (labor-intensive, manufacturing-centered, standard products and primitive phases of internationalization).

Proposition 18: Leading Chinese MNEs are actively evolving and readapting their **communication** and branding strategies, in cooperation with the strategies of other Marketing Mix elements. One of the strategies often adopted, with the aim to shed off the negative image of "Made in China", is "country image before company image".

**Market synergy:** By market synergy, we mean how Chinese MNEs lean on the special characteristics of the domestic market and turn these characteristics into advantages that help them gain an edge in the internationalization process, especially in developed countries, therefore the synergy of home market and target markets. Such exploitation is in line with the classical international business theories of sources of national advantages and international advantages, as discussed in the theoretical part of the thesis. On studying MNE latecomers, some researchers do try to draw generalized conclusions on how MNE latecomers make good use of domestic situations to gain advantages in overseas markets, and conclusions include

specialized equipments, cheap labor, etc. as we have also presented. However, what they have failed to realize, is that situations vary considerably from one country to another, one could hardly talk about national advantages and international advantages without penetrating the country, and that is to say, there is actually NO generalized national advantages that apply to all MNE latecomers, even though they are all from less advanced developing countries.

On the other hand, as to those researches focusing on the internationalization of Chinese MNEs only, the analysis of specific country situations that could become the competitive advantages of Chinese MNEs in foreign countries is curiously missing (with the exception of institutional elements perhaps, which is nonetheless also partial as we have elaborated in earlier sections). Such defect can be partly explained by former researches' entry point: country-level instead of company-level, as analyzed in the theoretical part of the thesis, and that is why we find it an exigency to make an emphasis on this point in our studies.

It is obvious that all internationalization strategies adopted by Chinese MNEs have a solid foundation in the specific country situation, for instance, the extensive R&D, apart from the back up of necessary financial means, is also closely related with China's huge reservoir of high-level human resources, which is exploited not only by Chinese MNEs, but by foreign companies as well; the frequent M&As can be explained by a combination of large distance between China and overseas markets, the accumulation of resources in the home market, and the special company-government relationship; the rare capability of optimal allocation of resources on a global scale is, as we have explained, partly the result of the heterogeneity and imbalance of the Chinese economy... Besides the elements we have already elaborated, the following three are of great importance in constituting Chinese MNEs' competitive advantages, but constantly neglected by researchers and hardly (if ever) covered in previous studies:

- The Chinese market as a bargaining chip in negotiations and cooperations. Characteristics of the Chinese market having been presented in earlier chapters, we would like to reiterate the nutshell of the situation: China is the largest developing country and

emerging market in the world, with tremendous population and great inner diversity. As in the case of Chinese MNEs, already leaders in this gigantic domestic market, they have built a solid foundation in terms of capital and resources, which constitutes the pre-requisite for internationalization. The benefit does not stop at this point though - that China has become the most coveted market globally leads to the fact it is frequently used as a bargaining chip in negotiations, of acquisitions and partnerships alike. For instance, in the case of global M&As, Chinese MNEs are chosen not only for short-term reasons such as the bidding price, but also for long-term ones – the potential of entering a gigantic market. The most obvious might be the case of Geely's acquisition of Volvo and DSI Australia: In the former case, Geely was chosen among various bidders because of the Board's consideration that the acquisition might be opportune for Volvo's future development into the Chinese market – and sure it is. While Geely got the brand, knowledge and know-how of different aspects and levels as we have discussed earlier, plus more exposure and recognition on a global scale, Volvo on the other hand gained the valuable “license to China” from this acquisition, an immediate advantage over its Western luxurious vehicle manufacturers and competitors. With fast growing market share in China, Volvo has rapidly turned from loss to profitability (a 23% increase in sales revenues in 2013). Similar with the latter case, where Geely and the Chinese market behind already account for at least 60% of DSI's sales – the merger literally saved DSI from a major crisis even from bankruptcy. Not limited to M&As, we see more than often the domestic market play an important role in various partnerships and other forms of cooperation: For instance, Haier has the Chinese market play to the company's favor – by cooperating with Fisher & Paykel of New Zealand, Haier is the exclusive marketer and distributor of Fisher & Paykel products in China, and Fisher & Paykel does the same for Haier products in Australian and New Zealand markets. Haier's cooperation with GE (General Electronics) is of a similar nature: having spent much time and effort in vain on the development of the Chinese Market, GE signed a strategic partnership with Haier, according to which Haier would use its domestic resources to help GE with its sales in China, while at the same time GE provide more support to Haier in the US market – it is hard to imagine such a big company as GE would sign a similar reciprocal partnership

with a MNE from a significantly smaller and less important country market. A partnership is destined to create a win-win situation for the partnership to last; any one of the partnership that does not benefit from it would draw out and break the partnership – Chinese MNEs, with so many partnerships and cooperations, must have something to offer to their partners, while getting all those benefits as we have analyzed in earlier chapters, and that something, is on most cases, related to the much-coveted Chinese market at their back.

- Again, we bring to your attention the characteristics of the domestic market: the largest developing country and emerging market in the world, with tremendous population and great inner diversity. One of the benefits of this heterogeneity and diversity is that it enables leading Chinese MNEs to realize an optimized allocation of resources on a global scale in terms of manufacturing and distribution, as we have presented in the distribution section of the Marketing Mix analysis. Here we would like to further penetrate the point by saying that such diversity and heterogeneity also constitutes an ideal experimental field for internationalization into different regions and countries. Latecomers as they are, Chinese MNEs may lack international business experience, but they are more than familiar with answering different needs from different markets because in this highly-heterogeneous domestic market, providing a standard product has always been a myth – imagine offering the same mobile phone to the consumers of Shanghai and of a rural village in Southwest China where fixed line telephones have just been installed? Therefore, complicated as the European market might be, with all those tiny countries with distinct language or more subtle cultural differences, it may not be that appalling in the eye of leading Chinese MNEs, experts of market segmentation and product differentiation. That is perhaps why they are at ease with the product differentiation or niche market strategy so often adopted by MNE latecomers as an important weapon.

Secondly, the Chinese market is not only big and heterogeneous, but also fully open to competition, especially compared to nearby Japan and South Korea, where, as pointed out by some researchers (as presented by the theoretical part of the thesis) exist a

protectionism as a result of not only government protection of domestic brands, but also cultural elements such as patriotism – the most obvious example might be the overwhelmingly high holding rate of Korean local brand mobile phones and vehicles by Korean consumers. The Chinese government has no similar protecting measures and the pragmatic Chinese consumers do not give a particular favor to domestic brands and even consider it a fashion to have Western-branded products (which is also related to the traditional inferior quality of Chinese products). However, one of the consequences of this lack of protectionism is the creation of a freer and fully competitive market of China: Chinese MNEs face fierce competition, not only among themselves but with MNE early-movers, BOTH in overseas and domestic markets! In other words, they are under full competition on the global market. The fact might be harsh for Chinese MNEs, but in the long run, such competition brings more advantages alongside more challenges, by pushing Chinese MNEs to learn more and faster, to be more strategic and innovative, and most importantly, to offer better products that overturn the old “made-in-China” image. Such global competition leads to stronger capability in internationalization, and as we have observed, in the case of “new products” such as mobile phones, laptops and vehicles, the internationalization process of Chinese MNEs also accompanies a growing market share in their domestic market, that is to say, a process for domestic customers to accept their products. For instance, the Smartphone of Huawei, Lenovo and Xiami (another leading Smartphone manufacturer in China) have a constantly growing market share in the domestic market, currently occupying three of the first four places and driving the original champion Samsung down to the second, from a 21% market share to 14%. According to Lenovo, “China, instead of Europe or any other regions in the world, is the most competitive market of communication devices.”

- The third important benefit that the domestic Chinese market brings to Chinese MNEs, in our view, is the industrial structure of the country. Again, due to its size and heterogeneity, as well as its traditional identity as a global manufacturing camp, China has a powerful and complete industrial chain. This, plus the fact that China has also developed several advanced and specialized clusters in recent years (such as the telecom equipment cluster

in Shenzhen, the information and electronics cluster in Beijing...), gives Chinese MNEs enormous competitive advantages in their competition with MNE early-movers. As demonstrated by an example cited earlier, an absolute majority of telecom and mobile phone suppliers have their products manufactured in China; with such a situation, Chinese MNEs are definitely holding the “home advantage” in the game – they are creating a network of their own which MNE early-movers would like to get in as well. This powerful and complete industrial chain enables Chinese MNEs to act at tremendous speed – as we have mentioned, speed is one of the features that distinguish Chinese MNEs from their more established competitors. As one of our expert interviewees points out, “While it takes a French company a week to locate a subcontractor that would produce them a sample specialized plug, it is enough time for a Chinese firm to deliver the whole system!” Seamless links on the industrial chain lead to great efficiency that gives Chinese MNEs advantages in overseas markets.

Therefore, here is our proposition concerning the market synergy of Chinese MNEs:

Proposition 19: Characteristics of the home market give Chinese MNEs an edge in their global competition, especially in developed countries. Such characteristics include: the size and importance of the Chinese market makes it a bargaining chip in negotiations and cooperation; the size and heterogeneity of the Chinese market makes it an ideal field for market segmentation and product diversification; the openness of the home market forces Chinese MNEs to compete both at home and overseas, resulting in a true global competition and demanding more innovations; the industrial structure and manufacturing capacity lead to tremendous efficiency and flexibility in face of competitors.

**Summary:** At the end of this subchapter, we put forward another proposition with a summarizing nature: during their internationalization process into developed countries, Chinese MNEs, all of them and at least at one stage of the expansion, have actively or passively chosen to move from a lower position of the value-chain to a higher one – the

internationalization process of Chinese MNEs is also a process of moving up the value chain.

Such “moving-up” or “upgrading” can be performed in various forms, including:

- from concentrating on a single product or product line, or from targeting a niche market, to diversifying to a much broader range of products targeting wider market segments;
- from concentrating on a particular sector of the industry to expanding to more sectors of the same industry, even related or periphery industries;
- from targeting limited professional or industrial customers to targeting the general public, which often proves more difficult and involves additional elements (such as cultural ones) than the product itself;
- from typical “made-in-China” low price strategy to best price/performance strategy; from low-end products to mid-to-high-end products; from labor-intensive products to technology-intensive products of the next generation;
- from being confined to limited links of the industrial chain (such as manufacturing) to moving both upstream and downstream toward other links (such as R&D, design, logistics...);
- from OME or “white-label” products to fully-branded products;
- from close-knit, relation-building-concentrated, reserved communications to more general-public-oriented, outspoken and international-styled communications;
- and of course, from less developed countries/areas to more advanced ones.

For each form, examples are ample in our earlier presentation and analysis of the cases. This is a typical process of Chinese MNEs as latecomers, with limited resources in the beginning and lagged far behind when set off the internationalization journey. It also corresponds to Chinese MNEs’ duality of internationalization: a process of both exploitation and exploration, of both market-seeking and learning. On the other hand, such evolution also reflects the fact that, with ever-increasing awareness of the product, the brand, and the communication, Chinese MNEs, contrary to the theories of some researches, are by no means still relying upon the traditional labor-intensive and low-priced products – in other words, they do not, and



cannot, possibly win in the traditional “made-in-China” way, especially in economically and socially advanced developed countries such as the US and West Europe. Therefore we would like to conclude with the following proposition that:

Proposition 20: The internationalization process of Chinese MNEs is a process of moving up the value chain and such “moving-up” is embodied in various forms. Leading Chinese MNEs catch up and compete with MNE early-movers in their local markets by providing high-value-added products/services, abandoning the traditional “made-in-China” way.

### 6.3 Chinese MNEs in Europe: Cross-cultural HR management

In this subchapter, we move from the Marketing and Sales strategies of leading Chinese MNEs to have a closer look at their international and cross-cultural HR (human resources) management in developed countries. Similar to earlier subchapters, we extract a number of common points from our case studies before further elaborating each one of them:

International management of HR	Start-up spirits + charismatic founder as soul of company; family-like and closely-knitted; transferring from entrepreneurs to professional managers
	Chinese veterans as first soldiers into foreign markets before hiring local executives on the way of localization
	Competitive salary proposals for key posts, with carefully selected candidates
	An internationalization (westernization or Americanization) on the exchange level, Chinese core on the cultural level: cultural output leads to cultural integration and fusion of management styles
	More difficulties and more compromises made to overcome the liability of foreignness and the long distance; HR management highly culture-bound

One of the characteristics unique to MNE latecomers is that the start-up spirits are still with

them. Such is the case with our leading Chinese MNEs, from which we witness this kind of spirits which could also be counted as a firm-specific advantage because they drive these companies to be creative, fearless and daring, with much less inertia and burden than more established early-movers. With an average company age of around 30, the principal founders are still active in the front line. These founders can be grouped as the most daring, out-of-the-square and entrepreneur-spirited people among their peers, considering the circumstances of China at the time – setting up a (especially private) company was definitely something risky, even unheard-of while most university graduates were still expecting a “national allocation” (the nation would allocate a job for them). After thirty years, these founders are still the soul of the company, providing “a founding myth” that could well serve as the basis of the company culture, and they are:

- Ren Zhengfei, currently President of Huawei
- Liu Chuanzhi, currently Honorary Chairman of the Board and Senior Advisor of Lenovo
- Zhang Ruimin, currently Chairman and CEO of Haier
- Li Shufu, currently Chairman of the Board of Geely

Each of them has an exciting story to tell about how they have founded and led to global success their companies from basically nothing (such stories can be found in Appendix 3-6). With this “soul character” and other members of the founding team, a kind of start-up spirit is still present in these leading Chinese MNEs, especially in hard-to-conquer developed country markets facing fierce competition. This, plus the influence of traditional Chinese culture, makes these leading Chinese MNEs more family-like and more closely knitted, which poses both advantages and disadvantages: On the one hand, such spirit and structure help build up morale and reinforce the already deeply-rooted culture of hardworking and perseverance. On the other hand however, a start-up and family-like structure or management style may not be suitable for an ever-growing, ever-internationalizing MNE, with a presence in highly professional and mature markets such as Europe; expansion of the company demands standardized procedures. Among all the examples we have cited earlier, the transparency of Huawei (both the company and the leader Ren Zhengfei himself) is a clear example of how

the internationalization forces the company to follow certain global rules.

However, also at this critical moment (about thirty years after the firm's foundation, with the founders aging), the top leaders of these Chinese MNEs are in the process of transforming from entrepreneurs to professional managers. Among the four leaders cited above, Liu Chuanzhi has already passed the relay baton to Yang Yuanqing, who is currently CEO and President of the Lenovo Group as mentioned earlier; Ren Zhengfei is gradually retiring and has revealed to the press that his successor "will by no means be one of the family members currently working for Huawei (Ren's son, daughter, brother and sister)" but probably one of the four rotating CEOs; Zhang Ruimin and Li Shufu, relatively young compared to the other two, are still active but also preparing back-ups. Therefore as far as the top management is concerned, leading Chinese MNEs are entering the phase of professional managers. Changes are inevitable and it takes time to see their effects.

Also deeply reflecting the traditional culture and in line with the characteristics of being a latecomer, is the fact that leading Chinese MNEs, in earlier stage of their internationalization into developed countries, had the habit of sending Chinese veterans (who are deemed part of the big family with tremendous perseverance and hard-working spirit, enjoying at the same time tremendous trust from the management) to foreign countries. They are true pioneers exploring the overseas territory, considering the fact that experienced international business talents were scarce even non-existent in China. Most of these pioneers did not even speak a word of English (let alone French or Germany) when first stepping into the European market, and their first aim was to survive, instead of selling products.

During the infant stage of internationalization, Chinese MNEs had the possibility of hiring, for their overseas bodies, local Europeans, local Chinese working for European companies or Chinese graduates finishing studies in Europe, yet they still chose sending out veteran staff from China to lay the foundation of internationalization. The localization of personnel deepens with the development of the company. Key posts, as mentioned before, are carefully filled with highly-appealing remunerations. As already mentioned, Huawei is famous for

hiring former high-level officials for key posts, while Lenovo for poaching: in Europe Lenovo has successfully relocated Lanci, former CEO of its biggest competitor Acer, to its own campus. Chinese MNEs are frequently criticized of replacing local employees by less-costly Chinese ones, or of underpay in general, yet through our researches, we consider that such allegation could not be more false, giving the facts that:

- Employees' average salary of these leading Chinese MNEs, even in China, is of comparable level with those of similar European companies (e.g. a Product Manager of Huawei Shanghai earns at least the same as a Product Manager of Ericsson France)
- Bringing a Chinese employee from China and implanting him/her in Europe calls for extra expenses (such as housing, travelling expenses) thus there is no such thing as “replacing a European employee with a less expensive Chinese one”. Chinese expatriates are sent to Europe for non-monetary reasons.
- A competitive salary has already become one of the key factors that leading Chinese MNEs attract qualified local human resources, against various negative elements including the “large distance” (such as the psychological uneasiness of “working for a Chinese company”). Another key factor is as simple as that they are still hiring at all: as full-fledged latecomers on the rise, Chinese MNEs are expanding in Europe with new branches and new vacancies; while on the other hand, a great number of MNE early-movers are undergoing massive layoffs.
- Localization of human resources has become one of the maneuvers to maintain a good relationship with and gain support from the local government, as mentioned earlier. A prominent example is the newly-founded Huawei R&D Center in France.

Due to this “large distance”, geographic, economic, cultural and political, it is not surprising that we observe more obstacles, liabilities of foreignness and of outsider, during the course of internationalization into developed countries, because of being Chinese, or being latecomer, or both. Such obstacles are manifested in various forms. For instance, Geely had encountered resistance from the union of local employees during the negotiations of both acquisitions of Volvo and DSI Australia. DSI employees even staged a sit-in to express their distrust of a

Chinese company (and a small one). Another example is the major personnel conflicts bursting out inside Lenovo after its purchase of IBM PC, which resulted in the resignation of several veteran Chinese directors and a general dissatisfaction among the Chinese team which could be summarized as “We bought you and you do racial discrimination”.

How to overcome this kind of liabilities resulting from large distance and from being a latecomer? We observe the following counter-maneuvers:

First, Chinese MNEs tend to make compromises as far as the HR management is concerned. Chinese MNEs rarely launch large-scale layoffs of local employees after mergers or acquisitions, and usually keep the local top management team without too many intrusions from the Chinese HQ. This is in synchronization with the localization policy and a reflection of the traditional Chinese culture of managing people.

Second, despite all the compromises, Chinese MNEs, being pragmatic, take the “result” as the ultimate judge. As put by the CEO Li Shufu of Geely, “I do not force anyone to accept my opinions or suggestions simply because I am the boss. I respect the knowledge of the local team of the local market. Yet it is always the result that will have the final say.” That is why he made compromises to former Volvo CEO Stefan Jacoby in terms of both vehicle models to be developed and sales plans when they had had different opinions, but when Jacoby failed to lead Volvo onto the road of profitability, he was immediately replaced by Hakan Samuelsson. The same thing happened to Lenovo as well, when after the acquisition of IBM PC, with all kinds of differences, Lenovo CEO Yang Yuanqing made compromises by handing the CEO position of the group to native-American William Amelio. After two consecutive years of stagnation under Amelio’s leadership, the Board did not hesitate to fire Amelio and to bring back Yang. We contest this subtle cultural element of “we do not argue, we do not rip open faces and we do not wish things go ugly, so we prove it with the result and leave you with nothing to say”.

We further observe that in terms of the international HR management, leading Chinese MNEs

are “internationalized” (we might even call Westernized or Americanized) on the exchange level (as explained in the theoretical part of the thesis). Not surprisingly, English is adopted unanimously as the working language globally, but more than that, they are endeavoring to internationalize their management style and other elements as well, as clearly reflected by the example of Huawei, which has asked IBM and Accenture to remold its organizational system, Hay Group to help improve HR management deficiencies, PwC to help with financial management, and Fraunhofer Gesellschaft with production and quality management; or by the example of Haier, which has realized full localization to the maximum extent; or by the example of Lenovo, which, with its dual global HQs in Beijing and South Carolina and a CEO rotating between the two cities, has demonstrated an ultra international façade that has no distinct differences from its early-mover competitors...To successfully internationalize, especially into developed countries, such Westernization seems to be indispensable. Therefore at least on the surface, leading Chinese MNEs all choose to have a cultural adjustment strategy (maximization of “their way” and minimization of “our way”).

However, if we look deeper at the cultural level of these Chinese MNEs, we will see more than the simple following of MNE early-movers: here Chinese MNEs deliberately keep the core values or, as described by some leaders (Liu Chuanzhi of Lenovo, Ren Zhengfei of Huawei and Zhang Ruimin of Haier all formulated the idea in more or less the same way), the soul of the company, and it is this “soul” that keeps Chinese MNEs their identity. In the area of HR, when these MNEs hire local employees, they hire those that identify with the core values. One example could be as simple as this: When Huawei hires in Europe, it asks its European candidates whether he/she agrees with “more pay for more work done”. As explained by the HR Director of Huawei France, “We have never encountered major problem with the French labor law. As in all other big French companies, there is a union within Huawei France, but protests are non-heard-of, let alone strikes. We only hire those who are in line with our core value, who have no scruples to work more for more pay. Our French employees work hard and often overtime as well, contrary to the stereotype that French workers are lazy.” It is actually interesting to observe how local employees are subtly influenced by the atmosphere of Chinese MNEs, that they actually behave different working

for a local company and for a Chinese MNE.

Therefore, if we take the Lebailly and Simon Model presented in Chapter 3 of the thesis (p.52), we think that different from MNE early-movers who set the rules of being an international or a global company, and who keep the same identity on both exchange level and cultural level, Chinese MNEs demonstrate the following pattern in developed countries: they become international by getting Westernized or Americanized on the exchange level, but remain Chinese on the culture level.

With this pattern, it is natural that with large distance between the home country and the host country, misunderstandings and frictions seem inevitable, even on the basis of a mutual agreement on the core value. On certain occasions, such misunderstandings and frictions could upgrade into human resource conflicts as in the case of Lenovo after its acquisition of the IBM PC business. And the management of HR, the part of the company that deals with people, is definitely the most cultural sensitive, even though on the exchange level (the formality, the HR management information system, the salary structure, etc.), things are already standardized or internationalized according to the MNE early-movers' model, still, during the daily interactions between Chinese employees and European ones, cultural non-adaptation is present, and more so in some countries than in others – for instance, our interviewees from Huawei find it easier to do business with the British than the French due to cultural and organizational differences, and the company's commercial performance in UK is indeed 3 to 4 times better than in France. Also, in terms of interior HR problems or conflicts, Chinese MNEs tend to resolve in a more Chinese way, which involves a lot of interpersonal communications.

Does this Chinese identity, or the cultural difference, always a bad thing? Not necessarily. As demonstrated by various examples presented in Appendix 3-6, by keeping the core values and by daily interaction, Chinese MNEs are realizing a cultural output that leads to cultural integration, fusion and eventual synergy – optimizing solutions to the problem by respecting different cultures during the course of interaction and synthesizing the strength of each.

Internationalization is not a one-way process. When we talk about internationalization or globalization today, we are, on many occasions, actually talking about Westernization or Americanization, but the Western way or the American way is not necessarily the best way or the way appreciated by everybody. With the rise of Chinese MNEs, as well as other MNE latecomers from other countries, internationalization will become more of a diversification process, with more participants and each participant contributing – a process closer to the true meaning of the word.

Proposition 21: As latecomers, with founding fathers and veteran team still active on the front line, Chinese MNEs are more family-like and close-knitted with the start-up morale. On the other hand, they are actively evolving both the company structure and management style that would better match their status in the global market.

Proposition 22: In terms of **HR** strategies, Chinese MNEs as latecomers tend to follow the path of sending out veterans as pioneers into developed country markets → gradually realizing localization by hiring locals with attractive remuneration → filling key posts with carefully selected candidates.

Proposition 23: Chinese MNEs as latecomers overcome the liability of foreignness and of outsider by making compromises and turning “international”: they get Westernized or Americanized on the exchange level, while keeping the Chinese core on the cultural level. The style of **HR** management turns out to be highly Chinese culture-bound.

#### 6.4 Analytical synthesis of field studies

After presenting our propositions concerning Chinese MNEs' features and strategies in the process of internationalization into developed countries, we synthesize our findings in this subchapter which answer the following two core questions raised in Chapter 2 of the thesis:

- How do Chinese MNEs as latecomers manage to successfully internationalize into the



home markets of their competitors, the MNE early-movers? What are their competitive advantages and strategies to justify this success?

- Compared to MNE early-movers, what are some of the features of Chinese MNEs as latecomers in the process of internationalization, in terms of International Marketing Management? Do they have a certain “model of success”?

We take the Institution – Industry – Resource model presented in Chapter 4 of the thesis (Chapter 4, p.68), and roughly category Chinese MNEs’ strategies by also listing the advantages or disadvantages these strategies mainly respond to. These advantages/disadvantages are summarized from the facts presented in the opening background part of the thesis, as well as facts presented in External Context and Internal Profile of the table-shell of each case (to be found in Appendix 3-6).

So basically, the following is a “model of success” of Chinese MNEs internationalizing in developed countries (especially West Europe), with all their features and strategies:

<b>Institution-based view</b>	
<u><i>Advantages</i></u>	<u><i>Strategies</i></u>
Policies and regulations of the domestic government	Take good advantages of Chinese government’s “going out” policy and various incentives; try for government support in terms of financing and regulation
Policies and regulations of the host country/targeting market: liberalization and opening up of the market; more extensive and deeper cooperation between Europe and China	Extensive exportation and FDI possible; increase the quantity and scope of FDI; establish more partnerships in more diversified forms
Relative rapid institutional changes in the domestic market and consequent instability	Use it as incentives of international expansion and strategic decision making
Financial crisis of Europe	A good time for mergers and acquisitions; FDI more welcomed by European governments

Traditional Chinese culture-related elements	Persistency, hard-working, willingness to make compromises, emphasis on (long-term) relation building both inside and outside the company
<b><u>Disadvantages</u></b>	<b><u>Strategies</u></b>
Large distances of cultures, norms and values	Communication and compromise in terms of HR management and other international interactions; tailored products for different markets; constant learning to overcome the liability of foreignness/outsider; localization of personnel; Westernization on the exchange level while assimilate local employees with the Chinese core in a subtle way; highly attractive salaries
Europe's protectionism and anti-dumping policies	Localization of production; FDI as a means to bypass anti-dumping tariffs; lobbying and government-relations; appointments of key posts
Difficulties related to ideological opposition	Abandon certain markets in order to concentrate resources on others; lobbying and government-relations; innovative security procedures to reassure targeting customers and host country government; localization; keep a delicate equilibrium with home government
Traditional Chinese culture-related elements	Doing is more important than saying – weak in general public communications; brand is an engagement (growing brand awareness and policies); non-transparency of the company and the leader (changing image and communication strategies: openness and on stage)
“Made-in-China” image	Country image before company image; no price war, let the product convince customers; R&D intensive
Latecomer in internationalization	Founding team still in front line, with high morale and start-up spirits

<b>Industry-based view</b>	
<u><i>Advantages</i></u>	<u><i>Strategies</i></u>
China's industrial structure and strong manufacturing capacity	Decide global strategy and entry order according to the characteristics of the industry; successful MNEs usually in "top global industries"; speed and lower prices possible; possible "industrial strategy framework" that MNEs in the same industry could follow one after another; formation of clusters and networks
Clusters in both home market and targeting markets	Make good use of domestic clusters to realize lower prices and value-added activities by sharing resources and knowledge; learning as a strong motivation to enter advanced clusters in foreign markets
Openness of the home market	Strong incentive for internationalization; innovation and entrepreneurship encouraged; Competition on the global scale
Structure and heterogeneity of home market	Ideal test-bed for product adaptation and market segmentation; optimized allocation of resources on the global scale possible
<u><i>Disadvantages</i></u>	<u><i>Strategies</i></u>
Relative backwardness of the industry	Learning by internationalization, by partnerships and cooperation, by mergers and acquisitions; what they have learned or acquired promote the industry and the society on the whole of China
<b>Resource-based view</b>	
<u><i>Advantages</i></u>	<u><i>Strategies</i></u>
Firm-specific advantages	Entrepreneurship; deployment of resources and internationalization capabilities: market entry, subsidiary capability development, international

	alliances, management capability, learning capability...
Rich human resources backup in China	High-level HR makes high-level R&D and technology/design-intensive products possible; lower-level HR makes lower price possible; a huge talent pool for companies all over the world
Size and importance of the home market	Turn home market into a preferable condition in negotiations (partnerships, acquisitions...); home market as the backup of internationalization (capital, resources, economies of scale, market study, dynamism and ideas...)
Latecomers' advantages over markets	Seize the chance of new-technology, early-movers' inertia and arrogance (in terms of product adaptation); set new standards; use free-rider effects and information spills; observe initial response, make better judgment, learn from mistakes of early-movers
Latecomers' advantages over resources	Make good use of early-movers' incumbent inertia, both physical and psychological
<b><u>Disadvantages</u></b>	<b><u>Strategies</u></b>
Early-movers' advantages over the market: customer loyalty	Product differentiation; niche market; products more adapted to market needs; attract younger generation with innovative products, more dynamic image and through new media channels
Early-movers' preemption of resources, standards and others; patent protection	Simply by doing better to crack the market (assembles of all elements in the table); extensive in-house R&D + cooperation/partnership
Lack of experience	Learning by doing; follow the path and be innovative; a quickened curve of development

If juxtapose this “model of success” of Chinese MNEs in developed countries with the studies on the internationalization of Chinese MNEs presented in the theoretical part of the thesis, we could conclude our finding in another way by clarifying which theories or models are confirmed and which need extensions or more researches.

Basically, the following theories concerning the advantages and strategies of Chinese MNEs’ internationalization process are confirmed:

- Chinese MNEs profit from the favorable policies and incentives of both the Chinese government and those of the targeting markets.
- Chinese MNEs internationalize through extensive partnerships and alliances – a global network. They learn and gain market through this network.
- Chinese MNEs demonstrate flexibility in terms of entry modes. M&A is one of the entry modes frequently used to acquire different kinds of strategic assets and market share.
- Chinese MNEs compete with enormous emphasis on R&D, so they are able to provide differentiated products with innovative elements or to jump directly to the next-generation technology.
- Chinese MNEs are showing entrepreneurship, as well as other managerial capacities and initiatives in the process of internationalization.

By doing this, we have also proved invalid the theories that Chinese MNEs have successfully internationalized as a result of the low-cost labor from the home market, of following/copying existing technologies or products from early-mover competitors, and of the assistance from the Chinese government as in a context of pure Beijing consensus.

We have also carried out researches in areas that so far have not drawn enough attention:

- The influences of the traditional Chinese culture over Chinese MNEs’ communication strategies, HR management, company image, leadership and the way of doing business in general.

- The particularities of the home market that give Chinese MNEs special competitive advantages in the whole process of internationalization, from providing initiating assets and resources, to human resources, to test-bed of product differentiation and market segments, to the capacity of providing products of lower prices in faster speed, and to be in a more advantageous position during negotiations...
- The political/ideological background of Chinese MNEs as a double-edged sword.

With this model bringing the Chapter to an end, we now move to the Conclusion Part which further explores our findings in a more general context of internationalization theories.

## **CONCLUSION**

## Chapter 7: Discussions, Limits and Further Research

*We begin the Conclusion Part, as well as the last Chapter of the thesis, by returning to the mainstream and alternative theories and models presented in earlier chapters, with the aim of answering the last one of the core questions: How can the success of Chinese MNEs in developed countries contribute to the existing studies of Marketing Management Strategies of MNE latecomers? Does this imply a theoretical extension for this kind of internationalization analysis? Basically we develop the analysis in the following procedure and give exploratory conclusions for further discussions:*

- *By putting MNE latecomers' advantages and corresponding strategies in different categories and layers, we confirm that MNE latecomers realize the first layer advantages (latecomers' inherent advantages) through second layer advantages (classic advantages for internationalization), which leads to the formulation of internationalization strategies.*
- *We confirm the validity of mainstream internationalization theories (OLI and Uppsala) in terms of the essence (motivation, general pattern, sources of competitive advantages...) of the internationalization of process, as well as their validity in the case of leading Chinese MNEs internationalizing in developed countries and looking for global leadership. On the other hand, we suggest that most so-called "path-breaking" theories are partial or non-practical, addressing only part of the internationalization process or adding unnecessary variables.*
- *We then suggest that most of the particularities attributed to MNE latecomers from developing countries are merely new features of internationalization in the context of*



*globalization (technology, capital, communication, networks, and fiercer competition on larger scale...) without touching the very essence of the process, and such features apply not only to MNE latecomers from developing countries and developed countries, but also to MNE early-movers, who no longer enjoy a secure and advantageous position in the global market.*

- *Therefore we suggest that mainstream models be evolved and extended in the light of the new forces of globalization.*

*To conclude the thesis, we present the implications of our studies, from the theoretical, managerial and policy points of view. The limits as well as suggestion for future research directions are also presented, bringing an end to the thesis.*

## 7.1 Internationalization theories revisited

Until this Chapter, we have answered the following two core questions raised in Chapter 2 of the thesis: 1) How do Chinese MNEs as latecomers manage to successfully internationalize into the home markets of their competitors, the MNE early-movers? What are their competitive advantages and strategies to justify this success? And 2) Compared to MNE early-movers, what are some of the features of Chinese MNEs as latecomers in the process of internationalization, in terms of International Marketing Management? Do they have a certain “model of success”?

In this Chapter, we go on to answer the final core question: How can their success contribute to the existing studies of Marketing Management Strategies of MNE latecomers from developing countries? Does this imply a theoretical extension for this kind of internationalization analyses? By relating what we have found from empirical studies (the four cases) to the models and theories, both mainstream and alternative, presented in the theoretical part of the thesis.

Starting from the “model of success” presented in Chapter 6, we go a step further by putting the advantages of Chinese MNEs into 4 categories: 1) latecomers’ inherent advantages, 2) advantages related to the home country, 3) firm-specific advantages, and 4) advantages related to the host country.

Latecomers’ inherent advantages, as explained in Chapter 4 (p. 64), refer to advantages essentially available to all MNE latecomers, no matter resource related or market related. On the other hand are early-movers’ advantages and disadvantages, such as customer loyalty or accumulated experience. Therefore, the key of latecomers’ success is to set up strategies that make the best use of latecomer advantages and early-mover disadvantages, and overcome to a maximized extent latecomer disadvantages and early-mover advantages. Such strategies, as pointed by some researchers, include product differentiation, targeting next-generation

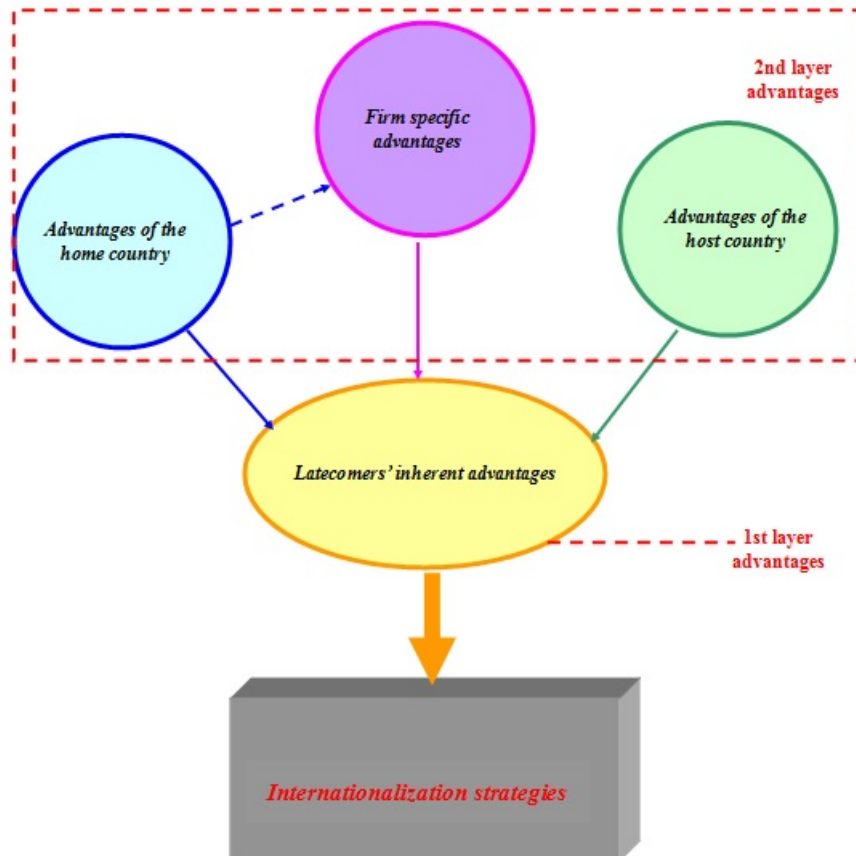
technology or niche-market, learning from early-comers' existing success or failure, profiting from early-movers' inertia by acting in a quicker and more flexible way... Through our case studies, we see a clear demonstration of such strategies adopted by leading Chinese MNEs, which answers perfectly to the inherent advantages of latecomers.

Theoretically speaking, all MNE latecomers possess such inherent advantages, so why not just, let's say, choose a promising industry or differentiate their products, catch up and seize the overseas market? Apparently not all MNE latecomers are able to do so, due to a lack of at least one of the other three kinds of advantages:

- Firm-specific advantages, such as management capacity or entrepreneurship. In our cases, being a latecomer means a lack of international business experience, including experience of leading a firm to the international market and of managing such a firm.
- Advantages of the home country. A latecomer, as far as our studies are concerned, is from a developing country with limited resources and that is one of the key reasons why this latecomer firm has so many difficulties in even trying to compete with early-movers. China, on the other hand, the biggest developing country, with its size and population, the heterogeneity and importance of the market, its human resources, industrial structure and institutional elements, plays an important (and usually instrumental) role in the internationalization process of its MNEs.
- Advantages of targeting home countries. In our studies they mainly refer to the environment of host countries. Though such advantages are usually out of the control of the MNE in question, a failure to understand and act to the host country's environment (politically, economical, social, technological, ecological...) definitely leads to the doom, especially to MNEs from China, a country with large distance with targeting markets.

Therefore, the intrinsic relationships of different kinds of advantages and MNEs' internationalization strategies can be demonstrated by the following Figure 7.1.

Figure 7.1: Competitive advantages and internationalization strategies of MNE latecomers



As demonstrated by the schema, we propose that MNE latecomers from less advanced countries stand a chance of catching up with established MNE early-movers from developed countries by maximizing both latecomers' inherent advantages and early-movers inherent disadvantages, as well as by minimizing both latecomers' inherent disadvantages and early-movers' inherent advantages (1<sup>st</sup> layer advantages). Existing researches have explored the subject and made a relatively complete summary of such advantages, which, as presented in the theoretical part of the thesis, can be a result of the market, the industry or being latecomer itself. Latecomer MNEs draw their internationalization strategies in response to these advantages/disadvantages, including: placing themselves in a “promising” industry, differentiated or more adapted products/services, better or more adapted production/sales/organizational structure, leap to the next-generation technology or adding technological elements to less technology intensive products, learning from early-movers, internationalizing by observing, partnering and forming alliances, demonstrating more flexibility and quicker speed... All these strategies, we have more or less witnessed in our field studies of leading Chinese MNEs internationalizing in developed countries and

presented them in corresponding propositions.

However, such advantages or disadvantages related to MNE latecomers are necessary but not sufficient conditions. Otherwise all MNE latecomers from all developing countries have an equal chance of catching up their more established competitors from developed countries. The fact is, most MNE latecomers from most developing countries, with limited resources in general, do not stand such a chance, because they do not enjoy the second layer advantages which are prerequisites to transfer the first layer advantages into concrete strategies: firm-specific advantages, host country advantages and home country advantages. The second-layer advantages are also inter-connected, for instance, part of the firm-specific advantages (such as strong R&D capacity) have a root in home country advantages (rich human resource reserves), and some firm-specific advantages (such as superior managerial capacity and market sensitivity of the leadership) are the hand that brings other advantages into concrete strategies.

Take Chinese MNEs in developed country markets as an example. As all other MNE latecomers, they know well that the European market is no static and leaves room for new comers, that they could make good use of the free-rider effects, that they could observe and learn from the successes or failures of early entrants or partner with them, that they could take advantages of early-movers' inertia by offering more adapted products, and that they could crack open the market by offering something new at a faster speed relying on their flexibility. Then on the second level, they have excelling leaders capable of designing and bringing into reality a best suited production/sales/organization structure (firm-specific advantages); they have captured the opportunity of a crisis in Europe, as well as its deregulation and opening-up (host country advantages); they have this highly productive R&D team with heavy investment to turn out a product somehow different from the products of their local competitors (firm-specific advantages); and then, they have this huge and highly-diversified home market behind their back which enables them, through domestic accumulation, to have enough resources to build a physical presence in the targeting market or in targeting clusters, to realize important M&As, to be equipped with rich human resources of different levels that

make both lower cost and technology-intensive products possible, and to facilitate the internationalization process in terms of negotiations and partnership building, market researches and segmentation, and allocation of resources on a global scale...(home market advantages) Together, these constitute the competitive advantages of leading Chinese MNEs and the basis of their internationalization strategies, which justifies their success in developed countries such as West Europe.

Figure 7.1 incorporates the new element of first layer advantages, that is, inherent advantages of latecomers, yet in essence, it corresponds perfectly with classic models such as M. Porter's Diamond of national and international advantages (as presented in Chapter 3 of the thesis). It is also reflected in mainstream internationalization theories such as the OLI Model of internationalization advantages, and the Uppsala Model of internationalization order, state and changes. In fact, as analyzed in Chapter 6 in parallel with each proposition, we have noted that in terms of the basic structure of internationalization, there is NO essential difference between MNE early-movers and MNE latecomers on their path toward globalization and global leadership – please notice that, we refer to those MNEs that are already leaders in the domestic market, and are actively seeking a global leadership, that is to say, we do not take into consideration the companies “with international activities that do not really span the globe in any significant fashion” (Rugman and Verbeke, 2007; Johanson and Vahlne, 2009), such as most so-called “born globals”, or those Chinese firms that bought French chateaux without actually managing them and that bought back the wines produced in these chateaux to China mostly to meet the increasing needs of Chinese customers (we encountered many examples of this kind in the researches of the Memoire). Leading Chinese MNEs looking for a global presence and global leadership, basically follow the same route as their early-mover competitors, in the sense of motivation, entry modes, entry order, sources of competitive advantages (in the general sense), learning process and corresponding strategies.

Discussion 1: In the case of MNE latecomers that are already leaders in the domestic market and are actively looking for a global leadership by competing with MNE early-movers on a

global scale, mainstream theories such as the OLI Model or Uppsala Model have not lost their essential validity in terms of motivations, entry modes, entry order, sources of competitive advantages in the general sense, learning process and corresponding strategies. “Path-breaking” alternative theories do not seem necessary.

On the other hand, however, as pointed out by some researchers (as presented in the theoretical part of the thesis), MNE latecomers do demonstrate certain particularities that are not sufficiently reflected by more classical international business models. On this point, we agree with Johanson and Vahlne (2009) and a couple of other researchers that such particularities are mostly superficial without touching the very essence of the internationalization process (as proposed by Discussion 1). Most of the particularities have already been elaborated in the analysis of empirical studies, including:

- The duality of motivation and of the internationalization pattern: asset exploitation and asset exploration (different kinds of assets including more tangible ones as brands, technology and know-how...) at the same time, market seeking and market protection (home market) at the same time, market seeking and learning at the same time...
- The seemingly sporadic internationalization order and mode that does not follow the more traditional trajectory of “from nearer to further, from poorer to richer, from easier to more complicated mode”;
- The role of the government and other institutional elements which make the internationalization process less regular than that described by mainstream models.

In conclusion, it seems that MNE latecomers manage to internationalize at an earlier stage of the development, at a quicker pace and into more developed countries – these are considered the particularities deviated from mainstream international business theories. Chapter 6 of our empirical studies has already systematically responded to this questioning of particularities, by listing the competitive advantages and corresponding strategies of Chinese MNEs internationalizing into developed country markets. Further, we, in this subchapter, raise yet

another question: are these “particularities” really the particularities of MNE latecomers from developing countries?

We hold the opinion that these particularities are actually new features of internationalization in the new context of globalization, which, though has not yet touched the essence of the internationalization process, has indeed changed the manifestation of internationalization to some extent:

- In this context of globalization, with advanced technology which facilitates communication and the flow of information, it has become much easier for MNEs latecomers to start the learning process and keep informed, to connect and get into the network, to realize internationalization on a more extensive scale and in an accelerated way – this is a general pattern for all MNEs who start the internationalization process more recently, no matter from developing or developed countries, yet to succeed, the key is always to correctly locate their competitive advantages and draw corresponding strategies. Therefore, we wonder if the MNE latecomer as a concept really makes sense, by grouping together MNEs from developing countries; or it is more relevant to study “latecomers” of the same industry that share the same network.
- On the other hand, in this context of globalization, advanced technology and flow of information also mean much fiercer competition and more limited resources. Therefore, not only MNE latecomers, but also more established MNE early-movers from developed countries, on their way of further internationalization or keeping their status of the global leadership, are demonstrating these particularities, most notably, the duality of motivation and pattern of internationalization. There is no single firm, no matter from which country, that could claim a 100% safe position and many MNE early-movers have already failed or even disappeared. Therefore there is no real fixation of early-mover or latecomer – MNEs compete in the new form of internationalization.



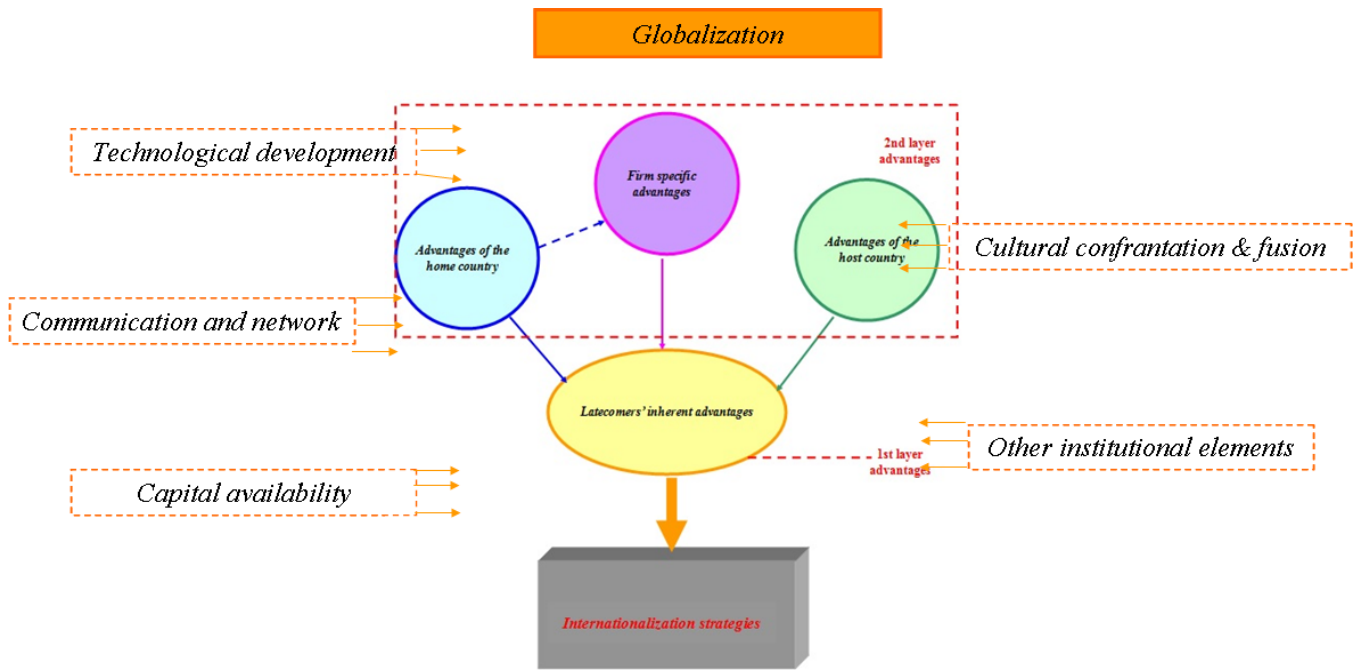
Discussion 2: Most of the particularities (such as the duality) attributed to MNE latecomers from developing countries are actually new features of internationalization, in the context of globalization and new technology: on the one hand, an accelerated internationalization of larger scale is possible; on the other, fiercer and more extensive competition drive MNEs to internationalize in a more flexible way – therefore, such particularities apply to not only latecomers from developing countries, but also from developed countries, and even to MNE early-movers already established in the global market.

Most of the so-called “path-breaking” alternative models of internationalization are partial, addressing only some aspects of the process or creating unnecessary variables, for instance, Mathews’ Linkage-Leverage-Learning Model (Chapter 4, p.80) actually deals with strategic alliances; Li’s learning-based view (Chapter 4, p.81) neglects the more essential part of the internationalization process: accumulate resources and assets through the effective application of the firm’s competitive advantages; and Li’s integrated content-process frame (Chapter 4, p.84) is more of a tool to examine and evaluate the evolution of MNE’s international strategies (as we have used for data collection in our studies), instead of a theoretical model for the internationalization process.

Therefore, we think that the most effective and sensible way to study the internationalization of MNE latecomers and related new phenomena is to place the mainstream models (such as the OLI or Uppsala) in the context of the changing environment of globalization and examine the influences of different factors – more or less what Dunning has done in his recent studies. Besides more obvious factors such as technology, culture, as part of the informal institution, is also an important factor that greatly differentiates MNEs of different backgrounds. By affecting the firm’s way of doing business and management style, it could become a competitive advantage or disadvantage on the way of internationalization, and its influences are by no means restricted to the firm in question only.

Therefore, Figure 7.4 should be considered in the following context of globalization, where

the MNE could draw advantages from each of the new factor of technology, capital, global communication, the network mode and the institutional elements (including cultural confrontation and fusion):



Discussion 3: Alternative models offered to cover the internationalization process of MNE latecomers are either partial or not rigorous by creating necessary variables. The most effective way might be taking the more classic internationalization models, which describe the essential pattern and motivation of the internationalization process, in the new context of globalization, and examining the influences of factors that constitute such context, including technology, capital, networks, communication, as well cultural confrontation and fusion.

## 7.2 Implications of the studies

Recently, more and more MNEs from emerging and developing countries are investing in developed countries rather than in other developing countries. International business scholars have noticed this phenomenon and are urged to systematically explore the differences (if any) between this new wave of MNE latecomers from developing countries and the old waves of MNE early-comers. (Ramanurti, 2004)

In this thesis, we focus on the most advanced stage of FDIs by MNEs from China, a prominent emerging country, in economically-and-socially-advanced countries such as the West Europe. Through multiple case studies, we:

- track the sources of competitive advantages of these Chinese MNEs in face of more established Western competitors;
- systematically analyze the strategies they have adopted in accordance with these advantages (or disadvantages), especially in the fields of International Marketing and Cross-cultural management;
- combine such advantages and strategies by giving propositions and an industry, resource and institution-based framework – a model of success of Chinese MNEs internationalizing in Europe; and
- relate the findings from empirical studies to existing theoretical models and put forward exploratory topics for discussion which might be helpful in the extension of international business theories. .

In this subchapter, we present the theoretical, managerial and policy implications of our studies for MNEs from both emerging/developing and developed countries.

### 7.2.1 Theoretical implications

In this thesis, we have systematically sorted out the contents and relationship of mainstream internationalization theories mainly derived from MNE early-movers and alternative theories focusing on MNE latecomers – we suggest that mainstream theories and models are still valid, at least in the case of domestically strong MNEs looking a global leadership, in terms of the essential motivation and pattern of the internationalization process. In the context of globalization, few companies are left totally untouched by international activities, but to become true global, leading MNEs are more or less following the traditional path of internationalization.

On the other hand, the changing environment of globalization with the development of technology, the formation of networks, the availability of capital and the fusion of cultures brings new phenomena, yet without touching the very essence of internationalization. Such phenomena, including the overlapping of asset exploitation and exploration and of market seeking and learning, occur not only among MNE latecomers from developing countries, but also among MNE latecomers from developed countries, even from MNE early-movers, whose competitive advantages are no longer indisputable and position increasingly challenged. Therefore, while most alternative studies are partial or not enough rigorous, it makes more sense to start from the more classic models and examine how they evolve in the context of globalization, with the influences of different factors, which make an accelerated internationalization possible, and some of the internationalization characteristics less easy to track (such as entry order). Possibly, the aim of the theoretical construction in this area is not to put early-movers and latecomers in opposition, but to better describe the evolution of the internationalization process of MNEs from different backgrounds in the new context.

### 7.2.2 Managerial implications

The managerial implications of our studies are evident, applicable to the management of MNEs from both developing countries and from developed one, and at different stages of internationalization. As mentioned earlier, with the trend of globalization and the rise of multiple-forces, the international business situation is no longer that easy to control as it was, say, 50 years ago, when giant MNEs from a few strong economies set the law and enlarge the global market at their own will. They are now facing more and fiercer competition from countries that might have passively accepted their products until recently. Early-movers or latecomers, they are constantly competing on the global scale, at the home markets of both.

More specifically, MNE management might have a clue from our propositions on drawing up their internationalization strategies – why certain MNEs fall on the path of going global and others succeed? Inherent advantages of latecomers do not guarantee success, if they are not combined with country (both home and host countries) and firm specific characteristics. Note also that strategy-making is a complicated and comprehensive process, that demands overall

study and evaluation of both external and internal elements (physical and psychological) involved.

The cultural elements involved in our studies might be of particular interest to the management of MNEs. As we have suggested, globalization is no synonym to Westernization or Americanization (it has been to great extent till today) and it is getting increasingly important to understand how firms from other cultures function and draw competitive advantages from their cultural background. The management needs to be culture sensitive in the process of internationalization. Their attitudes and corresponding strategies will contribute to the global cultural integration, as well as to the forming of universal values, above the more pecuniary aim of improving the performance of the company.

### 7.2.3 Policy implications

The institutional elements involved in our studies have clear implications for policy-makers. Europe and the U.S. are two of the world's most developed regions that attract more and more investments, from China as well as from other emerging and developing countries. The economic concerns as well as national security impacts of Chinese investments have received increasing attention from policymakers in Europe and the U.S. (Burghart and Rossi, 2009; Globerman and Shapiro, 2009; Mathieu, 2006; Nicolas, 2010; Rabellotti and Sanfilippo, 2008). Our study demonstrates that in most cases, Chinese MNEs invest with business-related motives only but not political or government-driven ones, and they tend to fulfil the purpose of market seeking by means of various entry modes or cooperation forms. We also find that too often, suspicion and misunderstanding is a matter of cultural difference and the subsequent different ways of doing business.

This deserves special attention from both European and American policy makers. What does it mean for Europe and the US? Why, in some cases, do the FDIs from the same Chinese MNE in Europe and the US show totally different dynamics? In the age of globalization, should policy-makers encourage Chinese MNEs to maintain such high-level of engagement by creating for them a more favourable institutional environment? What could policy-makers

do to achieve a better global investment environment despite of institutional or ideological differences even disagreements?

### 7.3 Limits and further researches

We count the following as the principal limits of our studies:

- The number of cases included is still not satisfactory, due to a lack of time and resources. It would be more desirable to examine the internationalization process of more leading Chinese MNEs (including those that fail) in more geographically diversified areas (such as the US) – while in current studies, most of the interviews are conducted in France with local employees and strategies related to the French market represent a large proportion of the company's overall European Marketing strategies.
- As to the nature of the cases, all of them are more or less traditional manufacturing companies providing tangible goods to industrial users or the general public. Clearly companies of this kind and “new companies” providing pure services (including on-line companies) do not function in the same way, and presumably do not internationalize in exactly the same way. Looking at how service companies MNEs might lead to different way of thinking in terms of theoretical and managerial implications.
- Lastly, since most of the interviewees are employees of the MNE under study, subjectivity is inevitable, though we already try to take information from other sources as references.

As a relative new field of research, there is great potential and plenty room for future studies. Firstly, the most obvious would be to widen the research scope, in response to the above-mentioned limits – for instance, to include more MNEs or MNEs internationalizing in the United States and other developed countries, to take into account SOEs or smaller MNEs with smaller success globally but internationalize in a more flexible way, or to consider those service companies that also go beyond the border of the country - many Chinese companies listed on Nasdaq are not included in the Fortune 500 List, but it is also interesting to study the internationalization process or potential of these new-generation firms (for instance, Alibaba,

recently listed on the Nasdaq index and setting the highest financing record, has signed a cooperative agreement with the French government, that French and Chinese small businesses alike will have the possibility to reach customers in the other country via the on-line platform of Alibaba; another e-commerce website JD.com has also opened its Espace France, changing the structure of international business by cooperating with French suppliers and selling directly to Chinese customers).

The depth of the research is another direction. Actually, each one of the proposals put forward in our studies deserves more researches along the line: the R&D, institutional elements, the communication strategy, the branding, the country and company image... It would also be interesting to study the different internationalization strategies of different sectors/industries in the same country or from different countries (for instance grouping MNEs of the same industry from different developing countries or from both developing countries and developed ones in the context of globalization).

At last, the cultural aspect has great potential of elaboration. The influence of the culture of a certain developing country on its MNEs' branding, management, human resources strategies, communication and way of doing business is a deep cave to explore – until recently, researchers have focused on the cultural influence on consumer behaviour, on branding and advertising effects in developing countries as targeting market, and on the management style of MNEs from developed countries internationalizing in developing ones. We predict that the trend of the opposite direction would attract increasing attention as more latecomers develop and invest abroad.

## APPENDIX

## Appendix 1: China's FDI flows/stocks of selected years

China (without Hong Kong, Taiwan and Macau)'s FDI inflows, 1990--2013, with comparison of selected regions/countries (millions of dollars)

Region/economy	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>World</b>	207 618.3	154 070.6	166 301.2	223 599.8	256 309.6	344 255.3	391 831.7	488 610.2	706 316.2	1 092 562.8	1 415 016.9	837 748.2
China	3 487.1	4 366.3	11 007.5	27 515.0	33 766.5	37 520.5	41 725.5	45 257.0	45 462.8	40 318.7	40 714.8	46 877.6
<b>Developed economies</b>	172 514.4	114 078.7	111 104.5	143 541.7	150 687.1	222 582.3	236 509.6	285 923.8	509 504.4	853 041.4	1 142 383.2	603 385.1
European Union	97 297.4	79 803.7	78 255.6	79 018.4	82 794.1	132 101.5	125 645.4	144 635.5	284 620.0	506 112.3	702 874.7	386 875.7
United States	48 422.0	22 799.0	19 222.0	50 663.0	45 095.0	58 772.0	84 455.0	103 398.0	174 434.0	283 376.0	314 007.0	159 461.0
Japan	1 806.0	1 284.3	2 755.6	210.4	888.4	41.5	228.1	3 224.6	3 192.6	12 741.3	8 322.7	6 241.6
<b>Developing economies</b>	35 033.0	39 853.3	53 545.7	77 033.4	103 687.9	117 674.5	149 983.9	192 879.6	189 643.3	232 366.1	266 646.1	226 165.2
South Africa	- 78.4	248.1	3.5	10.1	379.8	1 241.3	818.1	3 817.2	561.5	1 503.2	887.3	6 783.9
India	236.7	75.0	252.0	532.0	974.0	2 151.0	2 525.0	3 619.0	2 633.0	2 168.0	3 588.0	5 477.6
Russian Federation	-	-	1 161.0	1 210.8	689.6	2 065.7	2 579.3	4 864.6	2 761.3	3 309.4	2 714.2	2 748.3
Brazil	988.8	1 102.2	2 061.0	1 290.9	2 149.9	4 405.1	10 791.7	18 992.9	28 855.6	28 578.4	32 779.2	22 457.4



<b>Region/economy</b>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>World</b>	628 761.3	604 303.9	737 682.1	996 713.8	1 481 561.0	2 001 987.3	1 818 834.3	1 221 840.1	1 422 254.8	1 700 082.4	1 330 272.9	1 451 965.4
China	52 742.9	53 504.7	60 630.0	72 406.0	72 715.0	83 521.0	108 312.0	95 000.0	114 734.0	123 985.0	121 080.0	123 911.0
<b>Developed economies</b>	446 249.1	388 807.9	423 905.6	622 866.5	988 229.2	1 322 795.0	1 032 384.6	618 595.7	703 474.1	880 406.2	516 664.3	565 626.5
European Union	315 708.1	287 082.9	228 366.1	503 508.8	587 922.5	864 045.4	551 412.6	363 133.4	383 703.2	490 427.1	216 011.6	246 207.0
United States	74 457.0	53 146.0	135 826.0	104 773.0	237 136.0	215 952.0	306 366.0	143 604.0	198 049.0	223 759.0	160 569.0	187 528.0
Japan	9 239.3	6 324.0	7 815.4	2 775.8	- 6 505.8	22 548.9	24 425.1	11 938.3	- 1 251.8	- 1 758.3	1 731.5	2 303.7
<b>Developing economies</b>	172 323.0	197 459.2	284 618.9	341 433.3	432 869.2	591 161.2	668 758.0	532 580.1	648 207.6	724 839.9	729 449.2	778 372.4
South Africa	1 569.2	733.7	798.0	6 646.9	- 526.8	5 694.5	9 209.2	7 502.1	3 635.6	4 242.9	4 558.8	8 187.9
India	5 629.7	4 321.1	5 777.8	7 621.8	20 327.8	25 349.9	47 138.7	35 657.3	27 431.2	36 190.4	24 195.8	28 199.4
Russian Federation	3 461.1	7 958.1	15 444.4	15 508.1	37 594.8	55 873.7	74 782.9	36 583.1	43 167.8	55 083.6	50 587.6	79 262.0
Brazil	16 590.2	10 143.5	18 145.9	15 066.3	18 822.2	34 584.9	45 058.2	25 948.6	48 506.5	66 660.1	65 271.9	64 045.3

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

China (without Hong Kong, Taiwan and Macau)'s FDI outflows, from 1990 to 2013, with comparison of selected regions/countries (millions of dollars)

Region/economy	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>World</b>	240 900.4	197 468.6	202 085.0	242 865.8	287 016.8	363 170.5	396 367.9	475 612.4	688 305.3	1 091 897.1	1 241 226.5	758 817.8
China	830.0	913.0	4 000.0	4 400.0	2 000.0	2 000.0	2 114.0	2 562.5	2 633.8	1 774.3	915.8	6 885.4
<b>Developed economies</b>	229 583.2	184 564.2	177 914.0	202 210.2	239 048.1	306 898.4	331 441.8	399 057.2	637 946.6	1 018 819.3	1 090 662.2	664 506.4
European Union	130 570.7	105 767.9	103 850.4	93 935.8	120 888.6	159 158.4	183 831.1	225 635.5	420 733.8	727 964.8	809 242.5	432 790.8
United States	30 982.0	32 696.0	42 647.0	77 247.0	73 252.0	92 074.0	84 426.0	95 769.0	131 004.0	209 391.0	142 626.0	124 873.0
Japan	50 774.9	31 638.3	17 304.2	13 913.0	18 120.9	22 630.3	23 427.8	25 993.1	24 152.1	22 743.0	31 557.4	38 332.9
<b>Developing economies</b>	11 317.3	12 904.4	22 605.0	39 631.8	47 655.5	55 655.2	64 004.8	73 325.3	49 049.1	70 850.9	147 372.4	91 757.6
South Africa	27.4	207.9	1 937.2	298.2	1 236.2	2 497.7	1 043.9	2 350.8	1 780.1	1 581.0	270.6	- 3 177.9
India	6.0	- 11.0	24.0	0.4	82.0	119.0	240.0	113.0	47.0	80.0	514.4	1 397.4
Russian Federation	-	-	1 566.0	1 021.9	281.4	605.8	922.8	3 183.9	1 269.8	2 207.6	3 176.8	2 532.6
Brazil	624.6	1 015.0	136.7	492.3	689.9	1 095.6	- 469.1	1 115.6	2 854.0	1 690.4	2 281.6	- 2 257.6

Region/economy	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>World</b>	528 112.7	580 694.6	919 764.7	904 270.2	1 425 315.6	2 267 157.3	1 999 326.3	1 171 240.2	1 467 579.6	1 711 651.9	1 346 671.4	1 410 695.8
China	2 518.4	2 854.7	5 498.0	12 261.2	21 160.0	26 510.0	55 910.0	56 530.0	68 811.0	74 654.0	87 804.0	101 000.0
<b>Developed</b>												
<b>economies</b>	479 340.9	518 240.6	792 424.7	743 475.3	1 151 147.2	1 889 074.1	1 599 316.6	846 305.4	988 769.3	1 215 690.2	852 708.4	857 453.5
European Union	262 645.6	294 606.0	374 834.4	603 562.8	688 174.0	1 258 245.5	983 600.7	383 597.6	483 002.1	585 274.7	237 865.0	250 459.7
United States	134 946.0	129 352.0	294 905.0	15 369.0	224 220.0	393 518.0	308 296.0	287 901.0	277 779.0	386 724.0	366 940.0	338 302.0
Japan	32 280.8	28 800.5	30 951.4	45 781.2	50 265.9	73 548.8	128 019.5	74 698.7	56 263.4	107 599.1	122 548.7	135 748.8
<b>Developing</b>												
<b>economies</b>	44 673.6	51 771.3	113 559.4	141 040.7	242 530.8	327 091.3	338 354.3	276 664.5	420 919.4	422 581.8	440 163.8	454 066.9
South Africa	- 398.0	565.1	1 350.1	930.3	6 063.3	2 965.9	- 3 133.7	1 151.4	- 75.7	- 256.8	2 987.6	5 619.9
India	1 678.0	1 875.8	2 175.4	2 985.5	14 285.0	17 233.8	21 147.4	16 031.3	15 932.5	12 456.1	8 485.7	1 678.7
Russian Federation	3 532.6	9 727.1	13 782.0	17 879.7	29 993.1	44 801.2	55 662.6	43 280.5	52 616.3	66 850.8	48 822.4	94 907.0
Brazil	2 482.1	249.3	9 807.0	2 516.7	28 202.5	7 066.7	20 457.1	- 10 084.2	11 587.6	- 1 029.0	- 2 821.4	- 3 495.8

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

China (without Hong Kong, Taiwan and Macau)'s FDI inward stocks, from 1990 to 2013, with comparison of selected regions/countries  
(millions of dollars)

Region/economy	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>World</b>	2 078 266.5	2 341 113.6	2 421 490.4	2 603 958.8	2 852 905.2	3 441 142.1	3 993 869.2	4 581 221.4	5 754 525.6	7 127 464.0	7 511 299.5	7 589 720.9
China	20 690.6	25 057.0	36 064.5	63 579.4	74 151.0	101 098.0	128 069.0	153 995.0	175 156.0	186 189.0	193 348.0	203 142.0
<b>Developed economies</b>	1 563 939.3	1 788 126.1	1 810 884.9	1 913 284.8	2 081 085.2	2 579 817.4	2 985 751.0	3 445 708.7	4 492 593.1	5 499 209.9	5 681 796.9	5 629 969.1
European Union	761 820.9	840 714.6	847 028.0	860 099.1	1 000 650.2	1 198 023.6	1 353 365.2	1 415 362.5	1 888 847.7	2 195 543.8	2 352 809.9	2 508 670.3
United States	539 601.0	669 137.0	696 177.0	768 398.0	757 853.0	1 005 726.0	1 229 118.0	1 637 408.0	2 179 035.0	2 798 193.0	2 783 235.0	2 560 294.0
Japan	9 850.0	12 297.0	15 511.0	16 884.0	19 211.0	33 531.0	29 939.7	27 079.6	26 064.0	46 115.5	50 322.0	50 318.7
<b>Developing economies</b>	514 318.6	552 759.2	610 229.6	688 393.3	765 386.3	850 352.9	991 751.2	1 108 062.2	1 230 422.2	1 587 913.8	1 771 479.4	1 875 636.5
South Africa	9 207.2	10 207.5	10 657.5	10 689.5	12 610.2	15 005.4	13 231.9	16 732.5	15 676.1	51 771.9	43 451.0	34 695.2
India	1 656.8	1 731.8	1 983.8	2 515.8	3 489.8	5 640.8	8 165.8	10 630.1	14 065.4	15 051.8	16 339.0	19 675.9
Russian Federation	-	-	-	183.0	3 279.5	5 601.2	8 144.7	13 611.9	12 911.9	18 302.7	32 204.0	52 919.0
Brazil	37 143.4	38 580.2	47 262.1	54 593.7	61 825.9	47 886.6	54 846.0	69 721.5	99 505.4	102 330.7	122 250.3	121 948.7

Region/economy	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>World</b>	7 638 017.2	9 562 675.1	11 299 581.2	11 739 048.5	14 495 138.7	18 136 165.9	15 679 508.8	18 427 629.9	20 370 689.8	21 117 234.4	23 304 428.6	25 464 172.6
China	216 503.0	228 371.0	245 467.0	272 094.0	292 559.0	327 087.0	378 083.0	473 083.0	587 817.0	711 802.0	832 882.0	956 793.0
<b>Developed economies</b>	5 705 399.7	7 331 889.2	8 683 265.1	8 649 381.3	10 625 119.6	12 841 861.0	10 857 286.8	12 470 327.9	13 040 937.2	13 425 931.5	14 536 018.7	16 053 148.6
European Union	2 996 538.2	3 980 964.8	4 880 232.8	4 778 719.2	6 032 529.2	7 589 146.2	6 702 000.3	7 470 577.1	7 313 818.4	7 481 550.1	8 019 941.6	8 582 673.0
United States	2 021 817.0	2 454 877.0	2 717 383.0	2 817 970.0	3 293 053.0	3 551 307.0	2 486 446.0	2 995 459.0	3 422 293.0	3 510 395.0	3 923 969.0	4 935 167.0
Japan	78 140.1	89 729.2	96 984.2	100 898.5	107 633.5	132 850.9	203 371.9	200 143.6	214 879.7	225 787.4	205 361.1	170 929.1
<b>Developing economies</b>	1 823 345.5	2 085 442.9	2 431 468.8	2 829 374.9	3 499 662.6	4 660 151.8	4 423 631.3	5 364 270.6	6 597 073.2	6 942 733.1	7 945 334.2	8 483 008.9
South Africa	35 885.2	57 061.1	80 278.2	96 693.3	106 928.0	131 831.6	83 649.1	138 750.9	179 564.4	159 390.5	163 509.9	140 046.8
India	25 826.3	32 549.2	38 060.2	43 201.6	70 870.3	105 790.5	125 211.7	171 217.9	205 580.2	206 353.8	224 988.3	226 748.4
Russian Federation	70 884.0	96 729.0	122 295.0	180 228.0	265 873.0	491 052.0	215 756.0	378 837.0	490 560.0	454 949.0	496 396.0	575 658.0
Brazil	100 862.5	132 818.1	161 258.9	181 344.3	220 620.9	309 668.0	287 696.9	400 807.7	682 345.9	696 507.0	745 089.4	724 644.1

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

China (without Hong Kong, Taiwan and Macau)'s FDI outward stocks, from 1990 to 2013, with comparison of selected regions/countries  
(millions of dollars)

Region/economy	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>World</b>	2 087 907.8	2 340 276.2	2 380 037.0	2 768 682.5	3 106 174.4	3 785 963.9	4 300 542.1	4 977 679.7	5 923 911.8	7 199 536.2	8 008 433.9	7 774 503.8
China	4 455.0	5 368.0	9 368.0	13 768.0	15 768.0	17 768.0	19 882.0	22 444.5	25 078.3	26 852.6	27 768.4	34 653.8
<b>Developed economies</b>	1 946 832.2	2 185 674.1	2 200 032.5	2 548 355.8	2 831 395.7	3 457 318.4	3 917 666.0	4 421 627.7	5 356 686.9	6 482 177.1	7 100 064.1	6 796 595.0
European Union	808 660.2	900 764.4	932 178.2	977 858.6	1 143 344.6	1 500 348.1	1 664 973.7	1 836 145.0	2 329 646.5	2 854 986.4	3 509 450.4	3 495 858.8
United States	731 762.0	827 537.0	798 630.0	1 061 299.0	1 114 582.0	1 363 792.0	1 608 340.0	1 879 285.0	2 279 601.0	2 839 639.0	2 694 014.0	2 314 934.0
Japan	201 441.0	231 791.0	248 058.0	259 795.0	275 574.0	238 452.0	258 612.1	271 904.6	270 034.6	248 776.9	278 442.1	300 113.8
<b>Developing economies</b>	141 075.6	154 602.1	180 004.4	217 946.9	271 967.3	325 011.4	378 177.4	548 160.3	557 981.0	707 491.8	887 828.5	933 322.1
South Africa	15 004.4	16 100.4	17 787.3	17 952.1	19 097.6	23 287.5	24 341.8	23 245.1	22 726.6	28 073.4	27 327.7	14 488.2
India	124.1	113.1	293.9	294.2	376.2	495.2	735.2	617.3	705.8	1 665.9	1 733.5	2 531.8
Russian Federation	-	-	-	2 300.8	2 588.2	3 345.9	4 389.9	7 632.8	8 865.6	9 552.5	20 141.0	44 219.0
Brazil	41 044.1	42 059.1	42 195.8	42 688.1	43 378.0	44 473.7	44 004.6	45 120.2	47 974.2	49 664.6	51 946.2	49 688.6

<b>Region/economy</b>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>World</b>	7 859 758.7	10 033 876.4	11 837 987.5	12 563 780.1	15 745 723.5	19 343 352.6	16 518 504.7	19 589 102.1	21 288 583.6	21 912 790.7	23 916 273.5	26 312 635.1
China	37 172.2	33 222.2	44 777.3	57 205.6	75 025.6	117 910.5	183 970.7	245 755.4	317 210.6	424 780.7	512 584.7	613 584.7
<b>Developed economies</b>	6 858 530.4	8 895 453.2	10 515 334.6	11 005 653.8	13 651 976.1	16 350 476.1	13 709 302.7	16 298 043.7	17 399 827.2	17 521 120.3	18 858 787.4	20 764 527.4
European Union	3 758 605.3	4 888 834.2	5 637 324.6	5 786 498.0	7 225 493.9	8 742 293.2	8 188 205.6	9 118 193.2	9 315 059.9	9 517 548.2	9 830 351.8	10 616 764.6
United States	2 022 588.0	2 729 126.0	3 362 796.0	3 637 996.0	4 470 343.0	5 274 991.0	3 102 418.0	4 322 122.0	4 809 587.0	4 513 863.0	5 249 539.0	6 349 512.0
Japan	304 236.9	335 499.5	370 543.6	386 581.3	449 567.0	542 614.0	680 330.6	740 926.6	831 075.7	962 789.5	1 054 927.8	992 901.2
<b>Developing economies</b>	937 759.2	1 045 571.3	1 213 207.5	1 405 422.1	1 869 223.8	2 603 929.3	2 579 156.3	2 958 167.3	3 485 591.9	3 983 342.3	4 600 926.6	4 993 338.6
South Africa	19 685.8	24 374.8	34 574.6	31 037.8	41 101.6	55 213.7	49 438.7	70 295.9	83 248.4	97 050.6	111 779.8	95 760.4
India	4 070.6	6 073.2	7 734.4	9 741.3	27 035.6	44 080.4	63 337.8	80 839.2	96 900.6	109 508.8	118 072.3	119 837.5
Russian Federation	62 350.0	90 873.0	107 291.0	146 679.0	216 474.0	370 129.0	205 547.0	302 542.0	366 301.0	361 750.0	406 295.0	501 202.0
Brazil	54 422.9	54 891.7	69 196.2	79 259.3	113 925.1	141 880.0	157 795.9	167 147.8	191 349.2	206 187.2	270 864.0	293 276.5

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

Appendix 2: Chinese enterprises in Fortune 500 List (2014)

Ranking 2014	Ranking 2013	Company Name	Revenue (million dollars)	City of HQ
3	4	SINOPEC GROUP	457201.1	Beijing
4	5	CHINA NATIONAL PETROLEUM	432007.7	Beijing
7	7	STATE GRID	333386.5	Beijing
25	29	INDUSTRIAL & COMMERCIAL BANK OF CHINA	148802.6	Beijing
32	30	HON HAI PRECISION INDUSTRY	133161.7	Taipei, Taiwan
38	50	CHINA CONSTRUCTION BANK	125397.7	Beijing
47	64	AGRICULTURAL BNK OF CHINA	115392.1	Beijing
52	80	CHINA STATE CONSTRUCTION ENGINEERING	110811.6	Beijing
55	71	CHINA MOBILE COMMUNICATIONS	107647.3	Beijing
59	70	BANK OF CHINA	105622.6	Beijing
76	76	MOBLE GROUP	97878.3	Hong Kong
79	93	CHINA NATIONAL OFFSHORE OIL	95971.5	Beijing
80	100	CHINA RAILWAY CONSTRUCTION	95746.8	Beijing
85	103	SAIC MOTOR	92024.8	Shanghai
86	102	CHINA RAILWAY GROUP	91152.6	Beijing
98	111	CHINA LIFE INSURANCE	80909.4	Beijing
107	119	SINOCHEM GROUP	75939.0	Beijing
111	141	CHINA FAW GROUP	75005.6	Changchun
113	146	DONGFENG MOTOR GROUP	74008.2	Wuhan
115	134	CHINA SOUTHERN POWER GRID	72697.1	Guangzhou
122	--	CHINA DEVELOPMENT BANK	71305.6	Beijing
128	181	PING AN INSURANCE	68508.8	Shenzhen
133	192	CHINA MINMETALS	67440.2	Beijing
143	187	CHINA RESOURCES NATIONAL	65959.9	Hong Kong
152	161	CHINA NORTH INDUSTRIES GROUP	62659.1	Beijing
154	182	CHINA TELECOMMUNICATIONS	62046.8	Beijing
160	172	CITIC GROUP	61005.7	Beijing
165	178	SHENHUA GROUP	59823.0	Beijing
166	--	PACIFIC CONSTRUCTION GROUP	59622.2	Nanjing
168	196	CHINA POST GROUP	58964.6	Beijing
169	209	CHINA SOUTH INDUSTRIES GROUP	58837.1	Beijing
178	212	AVIATION INDUSTRY CORP. OF CHINA	56472.1	Beijing
185	343	TEWOOD GROUP	54963.7	Tianjin
187	213	CHINA COMMUNICATIONS CONSTRUCTION	54609.8	Beijing
208	256	PEOPLES' INSURANCE COMPANY OF CHINA	49563.6	Beijing
210	258	CHINA UNITED NETWORK COMMUNICATION	49399.2	Shanghai
211	222	BAOSTELL GROUP	49297.3	Shanghai
217	243	BANK OF COMMUNICATIONS	48321.2	Shanghai



221	231	CHINA HUANENG GROUP	47681.1	Beijing
227	273	ALUMINUM CORP. OF CHINA	45445.7	Beijing
248	336	BEIJING AUTOMOTIVE GROUP	43323.9	Beijing
267	319	CHINA NATIONAL BUILDING MATERIALS GROUP	41027.9	Beijing
268	359	GREENLAND HOLDING GROUP	41015.7	Shanghai
271	269	HEBEI IRON & STEEL GROUP	40829.2	Shijiazhuang
276	355	CHEMCHINA	39690.9	Beijing
277	266	JARDINE MATHESON	39465.0	Hong Kong
278	326	SINOMACH	39418.4	Beijing
279	388	SHANDONG WEIQIAO PIONEERING GROUP	39259.9	Binzhou
285	315	HUAWEI INVESTMENT & HOLDING	38875.8	Shenzhen
286	329	LENOVO GROUP	38707.1	Beijing
290	403	SHANXI COKING COAL GROUP	38398.1	Taiyuan
295	387	AMER INTERNATIONAL GROUP	38030.2	Shenzhen
297	299	CHINA GUODIAN CORP.	37857.5	Beijing
300	305	TAIWAN CPC GROUP	37689.7	Taipei, Taiwan
304	311	JIZHONG ENERGY GROUP	37392.2	Xingtai
305	373	SHANDONG ENERGY GROUP	37362.9	Jinan
308	318	JIANGSU SHAGANG GROUP	37095.3	Zhangjiagang
309	390	JINNENG GROUP	37085.6	Taiyuan
310	328	WUHAN IRON & STEEL	36927.8	Wuhan
313	354	POWER CHINA	36806.9	Beijing
314	277	CHINA NATIONAL AVIATION FUEL GROUP	36729.8	Beijing
327	--	BOHAI STEEL GROUP	35795.6	Tianjin
328	404	HENAN ENERGY & CHEMICAL	35761.8	Zhengzhou
330	411	CHINA MINSHENG BANKING	35474.5	Beijing
338	428	INDUSTRIAL BANK	34808.6	Fuzhou
345	364	ZHEJIANG MATERIALS INDUSTRY GROUP	34500.7	Hangzhou
348	322	SHOUGANG GROUP	34292.2	Beijing
349	--	CEFC CHINA ENERGY	34133.6	Shanghai
350	412	CHINA MERCHANT BANK	34121.5	Shenzhen
354	302	CHINA METALLURGICAL GROUP	33697.7	Beijing
357	446	SINOPHARM	33271.6	Beijing
363	363	HUTCHISON WHAMPOA	33035.2	Hong Kong
365	406	XINXING CATHAY INTERNATIONAL GROUP	32789.8	Beijing
366	483	GUANGZHOU AUTOMOBILE INDUSTRY GROUP	32775.6	Guangzhou
368	389	CHINA HUADIAN	32548.7	Beijing
369	432	DATONG COLA MINE GROUP	32458.1	Datong
372	430	SHANXI LU'AN MINING GROUP	32332.4	Changzhi
375	384	PEGATRON	31999.1	Taipei, Taiwan
381	414	JIANGXI COPPER	31638.1	Guixi
382	395	CHINA ELECTRONICS	31517.8	Beijing
383	460	SHANGHAI PUDONG DEVELOPMENT BANK	31440.8	Shanghai
384	429	CHINA PACIFIC INSURANCE GROUP	31412.5	Shanghai

385	379	FORMOSA PETROCHEMICAL	31333.2	Mailiao, Taiwan
386	435	SHANXI JINCHENG ANTHRACITE COAL MINING GROUP	31324.3	Jincheng
391	407	YANGQUAN COAL INDUSTRY GROUP	31193.5	Yangquan
393	408	CHINA POWER INVESTMENT	31066.6	Beijing
394	415	KAILUAN GROUP	31062.9	Tangshan, Taiwan
396	376	CHINA DATANG	30980.2	Beijing
398	482	CHINA NONFERROUS METAL MINING GROUP	30903.7	Beijing
401	357	COFCO	30748.0	Beijing
403	417	CHINA SHIPBUILDING INDUSTRY	30478.8	Beijing
409	321	GUANTA COMPUTER	29662.6	Guishan
432	464	SHANXI YANCHANG PETROLEUM GROUP	28146.3	Xi'an
442	292	CHINA RAILWAY MATERIALS	27151.5	Beijing
451	401	CHINA OCEAN SHIPPING	26805.5	Beijing
465	--	CHINA ENERGY ENGINEERING GROUP	25769.0	Beijing
466	477	ZHEJIANG GEELY HOLDING GROUP	25767.5	Hangzhou
469	--	CHINA GENERAL TECHNOLOGY	25702.0	Beijing
475	493	ANSTEEL GROUP	25230.5	Anshan
491	--	AGRICULTURAL DEVELOPMENT BANK OF CHINA	24213.3	Beijing

## Appendix 3: Field studies - the case of Huawei

## Huawei's pattern of internationalization

“Spatial” content	Temporal process		
	Infant MNE (1997-2004)	Teenage MNE (2004-2011)	Adult MNE (2011-)
<b>Ultimate intent</b>	from local to global; from latecomer to leader	become global leader of the industry	keep the No.1 leadership; from industrial to comprehensive
<b>External context</b>	The liberalization of the telecommunication market in the United States and in Europe; the going-out policy of the Chinese government  Collapse of the Internet bubble	Focus of competition turning from production capacity to R&D capacity  Economic crisis of Europe  New IP technologies; emergence of new operators	Globalization of markets and industrial chains; relative stable 3+2 pattern  Competition from revolutionary innovations  From 3G to 4G+
<b>Internal profile</b> the Wolf culture	Already No.1 in the domestic market, but globally, the annual revenue was about 1/10 of Ericsson's.  A private, non-listed company with a strong and mysterious founder/leader REN Zhengfei  Serious internal crisis as a result of the Internet bubble	From Top 10 to No.2 after Ericsson with a minuscule difference  From an IT company to an ICT company with new electronic products for the general public and for enterprise networks.  Always a private, non-listed company with a strong but less	Clear definition of the three core business segments.  No.1 globally in terms of telecommunication equipments and No.3 Smartphone maker.  No intention to go public in the near future

		mysterious founder/leader REN Zhengfei.	President and CEO Ren passing the power
<b>Strategic choice</b> extensive partnership + emphasis on R&D	Country image before company image  Own special selling mode  “Surrounding the cities by villages”  “Customers always the first” – customers’ demand decides arrangements of posts  Price and speed  Persistency	Existence – sales – structure – deployment of networks – high-quality growth with revenue and profit flow  Speed and durable relations  Europe as the second HQ in 5 years with several new R&D centers  “white label” and sales through operators	From low-end to best quality / price; brand establishment and communication “the most”  From professional and industrial to the general public, to long-term telecommunications  Global localization  Sales through operators and open market with Huawei brand
<b>Market effect</b>	Entry by Hungary – Deutsche Telekom  Small operator T telfort – the Netherlands  An office of 4 employees; NEUF Telecom – France	22 regional departments; the Department of West Europe ranking from 3 <sup>rd</sup> to 5 <sup>th</sup> among the 22  2011: Gross revenue > \$ 3 billion; foreign revenue > 67% of the total, 220 times of the \$ 100 million of 2000 11years	Global No.1 in terms of telecom equipments; No.3 Smartphone;  -

	<p>2003: Foreign revenue &gt; \$1 billion, 10 times of 2001; 2004: 40% of total revenue.</p>	<p>ago; domestic revenue increased less than 3 times</p> <p>21<sup>st</sup> Century network – UK</p> <p>Other big operators: KPN, Vodafone...</p> <p>Clients of durable relations in France: SFR, Bouygues, Orange, Free. 4 million French families, a team of 1000 employees, 75% of which French local</p>	
<b>Communications</b>	<p>Hypothesis of the brand</p> <p>Professional sponsorship begins</p> <p>The mysterious Ren and opaqueness of the board</p>	<p>Forced external communication, transparency adopted: 2008 annual report, formal since 2010; press release; communication of Ren</p> <p>Advertisements targeted at the general public</p>	<p>Extensive sponsorship from professional events to general public events. e.g. conferences, salons, shows – football</p> <p>Still more transparency</p> <p>Tougher and stronger attitude</p>
Institutional elements	<p>Policies and support of the Chinese government</p>	<p>Failures in the United States</p> <p>Critics in Europe: transparency, intellectual property, dumping</p>	<p>US government's eavesdropping; the Prism Door</p>

		In response: evaluation centre in Banbury, the “third party” policy, secure cell...	US market no longer a priority  Former high government officials in the key posts
HR management	An authorization and management system drawn with the help of IBM; a global remuneration system, > the average wage level of the industry; a global governance structure  The core of the company culture: Chinese  Chinese employees as pioneers to explore the markets	Local employees  Key posts: CTO, networks security, communication, government relations – report directly to Ren  Recognition of the company culture  Foreigners in the top management team	Localization and important hiring for key posts

The internationalization process of Huawei is divided into three phases: the infant MNE, the teenage MNE and the adult MNE. Huawei is considered to have entered the phase of adult MNE in 2011, when it clearly defined its three core business segments.

The “Infant MNE” phase of Huawei began in 1997 (ten years after the foundation of the company), when the company won its first overseas contract, providing fixed-line network products to Hong Kong company Hutchison Whampoa, till 2004, when it won the first major 3-G contract in Europe. This is the first and critical eight years of Huawei’s international expansion, especially into economically-advanced West Europe. Major events of this internationalization phase include:

- contract with Hutchison Whampoa of Hong Kong;

- launch of wireless GSM-based products and the expansion to CDMA and UMTS;
- first oversea R&D center in Bangalore, India (1999);
- contract with IBM for management consulting and significant transformation of its management and product development structure;
- first European R&D center in Stockholm, Sweden (2000);
- four R&D centers in the United States; selling non-core subsidiary Avansys to Emerson for \$ 750 million;
- membership of the International Telecommunications Union (ITU)

Roughly, by the end of the 20<sup>th</sup> Century, none of the major telecom equipment manufacturers even considered Huawei a potential competitor and in 2000, the annual revenue of Ericsson is ten times that of Huawei. So, what were Huawei's competitive advantages at the time (if any)? And what were its major strategies?

Huawei has made two strategic choices that run through its internationalization process:

- First, extensive partnerships, even with its competitors: during the infant phase, it formed partnerships, joint-ventures or co-R&Dships with Texas Instruments, Motorola, IBM, Intel, Agere Systems, Sun Microsystems, Altera, Qualcomm, Infineon, Microsoft, 3Com, Siemens, etc., targeting different markets, thus a particular phenomena that Huawei and a particular company can be dead enemy in one area but cooperative partner in another.
- Second, a continuous focus on R&D, guarantee of the superiority of its products and services. According to statistics, Huawei insists on investing no less than 10% of the sales revenue into the R&D of new technologies in new areas, in reference with the customers' needs. In 2013, R&D expenditure represents 12.8% of the sales revenue, globally around 10,000 employees (45% of total staff) work in the area of R&D, and up to this year, 36,511 patents have been accorded (Huawei Annual Report 2013).

During the "infant phase", the internationalization is not only a need but also a must, especially at the beginning of the 21<sup>st</sup> century, when the burst of the Internet Bubble (Dotcom Bubble Crash) began to touch

Chinese companies, Huawei's revenue plunged \$ 1 billion in one year and numerous employees chose to leave the company. It was internationalization that saved Huawei from this "telecom winter" when in 2004, overseas revenue already represented 40% of the gross total. While overseas revenue has increased by 220 times within 11 years, the domestic one only 3 times – "Without internationalization, it is hard to imagine Huawei's fate. Motorola or Nortel could be our predecessors." Yet with limited resources, during this phase, Huawei chose to strictly concentrate on telecom equipments for telecom operators and nothing else, not even the closely-related and profitable telecom services.

The market strategy during the "infant phase" of Huawei's internationalization process could be summarized as the following:

- "Surrounding the city by villages": In terms of the internationalization order, Huawei continued its strategy of "surrounding the city by villages" adopted for domestic market, i.e., starting from less-developed countries or smaller telecom operators in advanced economies. For instance, Yemen and Laos were Huawei's first oversea customers, yet their orders were marginal. Then Huawei entered Europe from the East and its first European customer was Hungary Telecom. The Hungarian market is small, but it was right through this market that Huawei established contacts and later strategic partnership with such local mainstream operators as Telenor, Vodafone and Pantel. For instance, the controlling shareholder of Hungary Telecom was the 4<sup>th</sup> biggest telecom operator all over the world – Deutsche Telekom.
- "Country image before company image": In the first few years of internationalization into Europe, Huawei suffered from its origin and the "made in China" stereotype, which was almost equivalent to "cheap", "bad quality" and "low-tech". European companies did not even believe that Chinese companies could produce any telecom equipment. Back in the 1990s, the image of China in the European eye were mostly from movies depicting rural China of an early age, therefore the management of Huawei decided to first establish the image of the country before that of the company: they got the idea of the "New Silk Road", i.e., inviting potential customers to cities like Beijing, Shanghai and Hong Kong, letting them know that China was not as backward as they had imaged. The highlight of the Silk Road was the visit to Huawei's Shenzhen Headquarter and to sample customers, projects and



experiments (existing customers always exert the most influences). Most potential customers, after the overwhelming visits, would purchase Huawei's equipments within 1 or 2 years. Then as potential customers multiplied, Huawei began to propose the New Silk Road only to key customers or top management of customers, while to the rest they adopted the method of General Assembly – assembling the customers (especially equipment maintenance professionals) in the same area, giving them a chance to exchanges their opinions about Huawei products and giving suggestions. High-level summits were also organized with oversea operators to confirm mutual commitments in the next few years.

- “Faster and better than you expected”: In the first few years of internationalization into Europe, what Huawei proposed to its customers was indeed of much lower price than its competitors, sometimes even half the price. However, this did not guarantee customers' choosing or even considering them because of “made in China”'s negative image as mentioned above. What Huawei proposed in parallel with the price was: of course, the quality, but also the speed – as “the partner you can count on”, Huawei promised to finish the job faster than any of its competitors could achieve, breaking through the weaknesses of competitors. A good example is Huawei's winning Vodafone in Spain. Back in 2004, Vodafone people were only willing to meet Huawei people at the airport while waiting an airplane. Lu recalled one of his meetings of this kind with Vodafone. After 15 minutes of presentation, the Vodafone guy cut him short and said, “I must go catch my plane now. What I can tell you is that as least in my field, we will not try Huawei in the next 3 to 5 years.” However, when Vodafone tried to cover the high-speed railway in Spain, the country where it had the biggest business increase, out of curtesy, it decided to “give a glimpse” of Huawei solutions. Yet within three months, Huawei built a coverage simulation over the maglev of Shanghai out of its own will. Such efficiency gave Vodafone a shock, while all other competitors had not even started yet. Thus Huawei broke into the Spanish market, a landmark of its entry into both a big country in the telecom industry and a first-tier telecom operator. But not as simple as that. During the first few years, due to unfamiliarity with the standards of civil engineering in the European market, many projects were done at Huawei's loss, i.e., they gave the price lower than the cost. Such phenomena gradually disappeared as they got familiar with the European standards.

The infant phase of Huawei's internationalization into West Europe was deeply immersed in the Chinese culture, in terms of the way of doing business. In a nutshell, as a private company with no name and from

such developing countries as China, the first success came almost as a result of the typical Chinese tenacity and perseverance. Back in the late 1990s, Huawei people had the following ways of reaching a potential customer: (1) dining at good-reputed Chinese restaurants in a certain European country where they had the tiny hope of meeting someone from the target company and who were not that negative about Chinese products (at least Chinese food); (2) soliciting help from the Chinese Embassy, which did not usually bother either, because of Huawei's lack of fame even in China; (3) soliciting the help of local Chinese; (4) collecting name cards at conferences / professional shows / salons and making phone calls / emailing / faxing for an appointment afterwards; (5) looking for bidding information in newspapers and industrial magazines. It was by this kind of "unprofessional" endeavor, beginning by second-, third-, or even forth-tier operators that Ericsson or Alcatel did not care, that Huawei managed to finish 200 experimental projects. And through these 200 projects, they got to know the European adaptation, including the requirements of power plugs, voltage, local environments and access.

Here we introduce two exemplary entries of Huawei into the European market: one into France, the other into the Netherlands. They were typical in terms of Huawei's market strategy during the infant phase of internationalization.

With the *Telecommunications Reform Act* issued in 1996, the telecom market was first opened up in the United States, and in the following few years, many European countries followed suit. This, together with new technologies such as IP, means that some old-brand telecom operators would plunge into difficulties, while some smaller and newly-established operators could grab the chance and stand out from the lot. NEUF (LDCOM at the time) was one of these new small operators. In February 2001, NEUF, less than three years old, decided to sell to enterprises and individual customers, instead of wholesale of fiber networks targeting telecom operators only. For its new "three in one" (TV, Internet and telephone) network for individual customers, NEUF had already shortlisted a few suppliers. Huawei was not among them. Yet getting the news from a local agent, Huawei began to call NEUF again and again, offering their solutions in very favorable terms. When NEUF agreed to have a try, Huawei built two city networks within 3 months, ready for the evaluation of NEUF. The result is Huawei's winning of NEUF's contract of fiber networks in all France. With Huawei's products, what NEUF got, compared to its competitor France Telecom, was a much faster speed and an investment of at least 10% less.

In the Netherlands, when Huawei got into touch with the Dutch telecom operator Telfort through Royal Dutch Post and Telecom, it did not even have an office in this country. Huawei was happy to learn that Telfort had the 3G certificate but no 3G business. In the first month, Huawei's engineers communicated frequently with Telfort about 3G; in the second, it worked together with Telfort on a business plan; and in the next 2 months, it formally provided a 3G distributive base station solution especially tailored to Telfort. In response to two Telfort's major concerns: first, not enough R&D back up for 3G applications, Huawei cooperated to establish a mobile innovation center, concentrating on developing mobile services suitable for the Dutch market; and second, extensive costs for base and equipment construction, Huawei especially designed the distributive base solution which enabled Telfort to reuse more than 90% of its original bases, saving more than one third of regular solutions. With this commitment and quick response, Huawei became Telfort's long-term partner, replacing its original supplier Alcatel, which could not even possibly make a tailored solution for not-so-big Telfort.

Gradually getting bigger contracts from bigger operators, Huawei's overseas offices worldwide grew into regional branches or organizations formally registered under the local law – this marks the evolution of Huawei's internationalization from the infant phase to the teenage phase. Major events of international expansion during this critical phase (2004-2011) include:

- Huawei finalized its contract of a third-generation network with Telfort in 2004, with a total value of more than \$25 million, the first contract of its kind in Europe.
- Huawei's international contract orders exceeded its domestic sales for the first time (2005).
- Huawei signed a Global Framework Agreement with Vodafone, the first time a telecom equipment supplier from China receiving Approved Supplier status from Vodafone Global Supply Chain. The agreement established the terms and conditions for the supply of Huawei's solutions to any one of the Vodafone operating companies worldwide. (2005)
- Huawei signed a contract with British Telecom (BT) for the deployment of its multi-service access network (MSAN) and Transmission equipment for BT's 21<sup>st</sup> Century Network, providing BT and the UK telecom industry with the infrastructure necessary to support future growth as these companies are multi-vendor infrastructure. (2005)

- Huawei and Optus developed a mobile innovation center in Sydney, Australia, providing facilities for engineers to develop new wireless and mobile broadband concepts into “ready for market” products. (2008)
- The company embarked on its first large-scale commercial deployment of UMTS / HSPA in North America providing TELUS's new next generation wireless network and Bell Canada with high-speed mobile access. (2008)
- Huawei delivered one of the world’s first LTE / EPC commercial networks for TeliaSonera in Oslo, Norway. The company launched the world's first end-to-end 100G solution from routers to transmission system that same year, to help meet the rapid growth of network traffic and enhance router efficiency and reliability. (2009)
- Huawei announced its moving of the European HQ from UK to Dusseldorf, Germany, as well as the launch of a European Public Affairs and Communications Office in Brussels, Belgium to liaise efficiently with its European partners. (2010)

This is a period of aggressive expansion, not only geographically, but also in terms of the product line: Huawei began to manufacture and sell terminal products such as mobile phone, Smartphone and tablet PC both in China and in Europe and to target the General Public instead of concentrating on industrial manufacturers only.

Marketing and sales strategies of this phase include:

- Specialized sales mode: With the backup of the industrial structure and human resources of the domestic market, Huawei has established its own specialized sales mode. For instance, the “bundled sales” or “cross selling”, that is to say, when enter the 3G networks of a certain operator, Huawei immediately proposes its soft exchange; when make a breakthrough with the soft exchange, it gives for free to its customers some fiber networks and access networks for a trial – this is something Huawei’s competitors such as Ericsson could not possibly do. The result is: as long as Huawei sells one product to a customer, the whole network of this customer will soon be full of Huawei products.
- Less emphasis on price: The production capacity is no longer the core of competition in the telecom

industry, because almost all telecom suppliers have their products produced in China, most of which even produced by the same manufacturer: the Foxconn. Again the capacity of R&D became the decisive element. Basically, Huawei maintains an average price of the industry.

The tenacity and perseverance was still Huawei's special instrument during the teenage phase. Formal director of Nortel-Siemens who now works for Huawei Germany was quoted, "We could resist the attack from Huawei for one year, two years or even three years – most of the companies give up if they do not succeed after three years. But frankly, we could not resist the attack of Huawei for seven straight years. If one team cannot do it, they will send another to continue the battle." The German market was indeed conquered from 2001 to 2007, the domestic market of Siemens and later Nortel-Siemens. Still more notably is Huawei's habit of "following the client" – the main reason of Huawei's moving its European HQ from UK to Dusseldorf, Germany is that Dusseldorf is the HQ of Huawei's biggest and most important client Vodafone. More than the HQ, in the earlier phase, when Vodafone replaced its global procurement center in Luxembourg, Huawei's global client system immediately sent hundreds of people over and rent the building right opposite Vodafone as their working place. The Starbucks on the ground floor of Vodafone's building was once occupied by Huawei people, who went out of their way to start up a conversation with Vodafone people at any time. Soon, Huawei's Customer Director accidentally invited Vodafone's Procurement Director to a car race in Dubai. Similarly, Huawei France is right opposite the site of France Telecom across the Seine, and Huawei Netherlands next door to Telfort.

Partly reflecting the Chinese culture, Huawei attached great importance to the establishment and maintenance of *Guanxi*, especially long-term *Guanxi*. They have almost done the impossible to please their clients, including setting up the Prayer Room for Muslim clients in all major regional HQs; during salons and expositions, assisting clients to arrange their stands before minding the stand of its own; and when an earthquake struck during a professional exposition in Algeria and all exhibitors retreated in a hurry, Huawei chose to "stay with the Algerian" – result: the touched Algerian client signed the contract. The arrangement of the three major posts is purely client-demand oriented: (1) technical services; (2) customer manager (sales); (3) product manager (getting to know the customer's need before providing tailored solutions).

Such *Guanxi* building, which Huawei refers to as the Grand Sales, also includes Huawei's *Guanxi* with the

governments, both domestic ones and those of the targeting markets. Considering the particularity of the telecom industry, telecom companies of most developing countries (even from some developed countries) have to rely on the “selling power” of the state, and Huawei is by no means exceptional.

A most representative example of the teenage phase is Huawei’s winning of the British Telecom (BT hereafter). When BT issued its bid of its “21<sup>st</sup> Century Networks” in 2003, several hundreds of suppliers, big or small, answered the bid. Huawei finally won the bid with several others, and two important lessons had been learned from this bidding, which would do great good to Huawei’s future growth in Europe: First, with first-class products, Huawei lacked behind in terms of international standards of procedure, that’s why Huawei re-organized its structure, turning from “the internationalization of hardware” to “the internationalization of overall capacity” as the major direction. Second, “concurrence”, instead of “competition”, became the theme of Huawei in Europe – it cooperated with its competitors to answer the same bid.

In 2011, Huawei announced the reorganization of its business units and clearly defined its three core business segments: (1) Telecom Carrier Networks, building telecommunication networks and services; (2) Enterprise Business, providing equipment, software and services to enterprise customers; (3) Devices, manufacturing electronic communications devices. The establishment of the core business segments meant Huawei had evolved from a pure IT (Information Technology) company to an ICT (Information and Communication Technology) one. With this self-definition as a landmark, Huawei became an adult MNE, entering the third phase of internationalization. The major transformation of this phase, in continuity with the evolution of the teenage phase, is the transformation from “channel” to “brand” - Huawei began to face the general public.

Major events and future plans of this phase include:

- Huawei surpassed Ericsson and becoming global No.1 of the telecom equipment industry. (2013)
- Huawei opened a new Canadian office in Regina, Saskatchewan. It was selected by TDC A/S as a sole vendor to modernize the nationwide GSM/UMTS/LTE network in Denmark and provide managed services over a six year period. The value of the contract was over \$700 million over the term of the agreement. (2013)

- Huawei put to the global market its new Smartphone P7, including more than 20 European countries. It signed simultaneously major sponsorships or partnerships with several European football clubs or leagues, including the Paris Saint-Germain. Extensive activities were organized worldwide. (2014)
- Huawei announced its \$25 million acquisition of the British company Neul – a company of Internet of things (IoT). Large-scale recruitment will follow in UK. (2014)
- Huawei announced its 5-year plan, intending to build in Europe the company's second global HQ. As the first step, Huawei will invest 70 million Euros to construct a R&D center in Helsinki, Finland, the focus of which will be the software development for Smartphone, tablet PC and multimedia terminals.

It is interesting to note the evolution of Huawei's communication and brand strategies. During the first two phases, Huawei put forward the following brand assumption: (1) A brand is a commitment. (2) A successful brand is built NOT by talking (marketing communications) but by working. Therefore the marketing and communication sector of Huawei, at least compared to R&D, was lagging behind. Huawei did not appreciate "talking", therefore the company had had basically no advertisement especially during the infant phase. Here again, attaching great value to *Guanxi* building, they chose the path of what they called "Grand Sales", i.e., long-term relation building with key stakeholders (including with the Chinese central government and local governments), and the "country image before company image" was also part of the communication package. During the teenage phase, Huawei was famous in the industry as a "conference maniac": it basically sponsored all major professional and industrial events (shows, forums, salons, conferences, even job affairs of the IT industry), including CCNC, OpenStack, and engineering schools such as the ParisTech in France. Different from its major Western competitor Ericsson, Alcatel or Cisco, the name of Huawei was not even heard of by outsiders.

Though Huawei began to produce and sell mobile phones in Europe as early as 2006, it has gone through three major steps:

- The "white label": Huawei sold its products to operators such as Orange, Bouygue, Free and SFR without its own brand;
- Huawei began to sell mobile phones and Smartphone through operators but with its own brand (mainly the Ascend Series and the Honor Series);

- Huawei sells its products with its own brand to operators and to open market (such as Auchan, Carrefour and PhoneHouse).

However from the end of the teenage phase and into the adult phase, the branding and communication strategies have changed to face not only industrial operators but the general public. Advertisements appear not only at conferences and on the back cover of professional journals, but at various activities targeted the general public. The first card Huawei has played is the football, the most popular sport in Europe – the billboard “PSG welcomes Huawei” at the Stade the Prince marks a new era in Huawei’s communication history, and in parallel, it became the sole sponsor of Russia’s national football team, as well as football clubs of German (Dortmund), Chili and Peru, and the ice hockey team of Poland. Besides, Huawei has sponsored several pop concerts in UK. Advertisements of Huawei mobile phone also appear on the Mass Media, such as M6 in France. The key message Huawei tries to convey to its customers has also been changed from “reliable partner” (of operators) to “make it possible”.

Another issue closely related to communication is the company image (including that of the founder/leader REN Zhenfei). Huawei was severely criticized for its non-transparency (including the financial non-transparency) during the infant and teenage phases of its internationalization. There have been other issues, such as intellectual property infringement and dumping, but such issues did not hold water and Huawei won most of the law suits against it. As a private company not listed in any stock exchange, Huawei did not publish any annual report until 2006, and not a “financially transparent” one till 2010, in which for the first time Huawei made public the organizational structure of the company, with detailed resumes of each executive. There have also been critics that Huawei lacks transparency when dealing with sensitive businesses involving the United States.

The founder/leader Mr. Ren did not help Huawei’s communication either. Ren, having served as an officer in the Corps of the Engineers of China’s Liberation Army for 9 years and retired due to disarmament, was one of the sources of speculations and doubts – the United States asserted, despite Huawei’s explanations, that his experience suggested that the Chinese Army was holding part of Huawei’s shares or that Huawei had special relationship with the Chinese government. Ren was himself an extremely mysterious figure for a long time, accepting no interviews from the Media, attending no activities, and allowing no pictures. Most Huawei



managers did not know what Ren looked like and rumor once ran that he had already died. In correspondence, the whole company was low-key, preferring “not to mess up with the Media”. “The important is not what you say, but what you do” – the motto of Huawei is typical Chinese. Yet the company and its leader’s silence and lack of effective communication became a target of attacks (especially from the US) in the process of internationalization. As a response and with the gradual growth of the company, the communication of Huawei and of Ren himself began to change at the end of the teenage phase. Ren unprecedentedly accepted an interview from the Media, being photographed and clearing several core issues of the company, including the constant question “why isn’t Huawei listed?” Now during the adult phase, especially when the company began to face its general public customers, the whole company is adopting a more open, more transparent image.

There existed a discrepancy between Huawei’s attitude (and some other major Chinese MNEs) toward “information disclosure” and that of the international market. In Ren’s old opinion, it was up to the company (especially a none-listed one) to decide what information to disclose. Yet according to the American Congress and western media, the transparency of information is the social responsibility of a MNE with 150 thousand employees, something the MNE must do, instead of something decided by the style of the leader.

The communication style of Huawei was, at the best, one of the sources of the mistrust (some directly interpret it as an excuse). While Huawei has realized global success, its performance in the United States is always lagged behind its principle competitor Ericsson. Here is a brief summary of Huawei’s experience in the United States:

- Huawei’s presence in the United States (especially in the cluster of Silicon Valley) has a clear purpose of learning. From the late 1990s, Huawei has been investing as high as 3% of the annual revenue to invite consulting companies like IBM, Accenture and Hay Group to mold its organizational system according to the model of American MNEs. Experience and knowledge got in the US has helped Huawei to grow in Africa, Middle East, Latin America and even Europe. The technical learning is also obvious, for instance, Huawei’s Cloud Sector started from its R&D center in the Silicon Valley.
- In contrast, Huawei’s business in this country has encountered repeated frustrations, without getting any

contract from any major American telecom operator. Such story reflects the ever-increasing mistrust between the two countries: in 2008, Huawei was forced to give up the purchase of 3Com; in 2011, Huawei's bid to Sprint Nextel (the 3<sup>rd</sup> largest telecom operator in the US) was turned down, even though it proposed the best offer, with the Minister of Commerce Gary Locke's interference; also this year, Huawei lost to Nokia Siemens in the competition of purchasing Motorola; its attempt to acquire the Internet software company 2wire was also denied. Apart from these failures, Huawei faced countless lawsuits and hearings (conducted by the US Congress). During the hearing, questions such as "as a private company, why does Huawei have a Party Committee within the company" were put forward.

- Huawei's attitude toward the American government is getting tougher. During the infant and teenage phases, Huawei usually gave no response or comment and sometimes made compromises. Yet recently, facing critics from the US (and other Western countries), Huawei has adopted a firm stand and its Chief Security Officer John Suffolk was quoted saying, "evidence or shut up!" Last year, Huawei executive XU Zhijun said frankly that "Huawei is not that interested in the market of the United States", and that FBI's critics of Huawei's relation with Chinese government are "totally baseless, full of political noises".

Compared to the United States, Huawei has a much better political environment in Europe, though occasional questioning is inevitable. However, the recent Prism Door is good for Huawei in the European market in the sense that, none of the telecom equipment of those technological companies providing information to the US government is from Huawei. Huawei's success in UK also helps to quench the security doubts from Western countries, in that UK is an all-time ally of the United States.

Though in a more favorable environment here in Europe than in the US, Huawei has all the same taken actions in preparation for possible "political noises", such actions include:

- Huawei set up a Network Security Evaluation Center in Banbury, South England (2 hours' drive from London), 50 kilometers from the HQ of General Communications of UK in Wald. In this center the British government or any third party can test the source codes of Huawei products. Up to now, no other telecom equipment manufacturer has the ability to provide such evaluation organization.
- Huawei uses a Secure Cell structure in Europe: the key software coding of the network products is

written by local enterprises and kept in custody by a third party.

- Another mechanism used in Europe is that as they wish, customers can choose out of their own will who should come to install the Huawei products and to provide technical services for them after buying the Huawei products.

As to the international human resources management, during the infant phase of internationalization, Huawei had the possibilities of hiring local Europeans, local Chinese working for European companies or Chinese students that have recently finished studies in Europe. Yet encountering problems with all these three, Huawei decided to use its own domestic personnel to open the European market. They sent large quantities of top sales personnel to European, not caring if they speak good English or not. With the tenacity, persistency and unprofessional methods mentioned above, it was them, the Huawei people who did not speak English fluently or not all that, who miraculously opened the European market. Then as the internationalization went deeper and wider, Huawei began to hire large quantities of local staff, especially in departments such as the Communication and Public Relations (including government relations). Taking Huawei France as an example, nowadays local employment contrast represents 70% of all, and 40% of the employees are French natives, while the rest about 30% are Chinese or other nationalities working in France. In terms of the leadership, Europeans are included in the top management team yet it is usually Chinese who assume the role of CEO. For instance, the top management team of Huawei Germany is made up of eight people, only three of whom are Chinese (including a Chinese CEO and a German President of the board who is responsible for dealing with the government). All major decisions, including staff promotion and evaluation, salary and bonus adjustments, are made by this team of eight.

Famous for its Wolf Culture and Mattress Culture (there is report that Huawei employees put a mattress under the table for sleepover at the company, because they work till so late that they do not even bother to go home and come back the next morning), does Huawei have problems with its European staff? According to Mu, “Basically there are problems at all, even in France, with its labor law and the tradition of strikes. We have never encountered any strike.” No matter in what European country, Huawei asked its employees if they agree with the core value of “working more and earning more, working less and earning less”. They don’t hire those who don’t agree or complain later. From time to time, Huawei’s local staff also has to work overtime till 1 or 2 o’clock in the morning. In correspondence, Huawei’s remuneration has passed the

average standard of the industry, and they can be very generous for key posts or important personnel. Unions are set up for better communication between the company and its staff, but still, it takes the 2-way adaptation for the company to run smooth.

Talking about key posts and important personnel, Huawei has made some major appointments in the recent years, including hiring former CTO (Chief Technological Officer) of BT Group Matt Bross as CTO in 2009, former high government official Sir Andrew Cahn as President of the Advisory Board in UK in 2011, and former CIO (Chief Information Officer) of the British government John Suffolk as the company's Network Security Officer in 2012 – Mr. Suffolk is responsible for the network security plan that protects Huawei's communication equipments from the attacks of hackers, and for improvement of the communication with clients and the government. With office is in the company HQ in Shenzhen, he reports directly to Ren.

### 1.1 Results of the Lenovo case

Similarly, we will first present the table-shell of Lenovo's internationalization evolution before going into detailed explanation.

## Appendix 4: Field studies - the case of Lenovo

## Lenovo's pattern of internationalization

"Spatial" content	Temporal process	
	Infant MNE (1988-1999)	Teenage MNE (1999-)
<b>Ultimate intent</b>	be the leader both at home and abroad	become global leader of the industry
<b>External context</b>	<p>The rise of personal computer (PC)</p> <p>Asian economic crisis</p> <p>Global competition and changing PC game rule (Dell model)</p>	<p>State push for globalization and nationalism</p> <p>Anti-dumping against China's export</p> <p>Burst of the Internet Bubble</p> <p>New ICT technologies</p>
<b>Internal profile</b>	<p>Founders' fight and splitting (from 1995 to 1999); leadership of Liu Chuanzhi</p> <p>Stronger R&amp;D</p> <p>Stock listing in Hong Kong – foundation of Legend Hong Kong</p> <p>Ownership restructuring</p> <p>Strong manufacturing capacity, lacking global experience, lacking global brand</p>	<p>Name changed to Lenovo</p> <p>Smooth CEO succession – Yang Yuanqing took the lead</p> <p>Financial reconstruction and spin-offs; re-listing in the stock market</p>

<p><b>Strategic choice</b></p>	<p>Put to market PC of the Legend brand both in the domestic market and in other Asian-Pacific countries</p> <p>Launch of the sales network by opening the first Lenovo Store in Beijing</p>	<p>Globalize aggressively via M&amp;As (PC business and server business of IBM, Motorola Mobility from Google, etc.)</p> <p>Product diversification – from PC to communication devices</p> <p>Focus on product design and innovation</p>
<p><b>Market effect</b></p>	<p>Up and down in growth; No.1 in the domestic PC market since 1996, for the first time overtaking foreign brands; No. 1 in the Asia-Pacific PC market in 1999</p> <p>Export via OEM only</p>	<p>Export via brand; difficult integration with IBM PC division</p> <p>A new-comer in the European market, fourth PC manufacturer in the US after HP, Dell and Apple</p> <p>Slower growth; new profit points with Smartphone and tablet PC in China</p>
<p><b>Communications</b></p>	<p>Traditional way of communication mainly targeting the Chinese and South-east Asian markets</p>	<p>A communication more open, more westernized and more localized; company leader higher-profiled</p>
<p><b>Institutional elements</b></p>	<p>Close relationship with the Chinese government and different kinds of support</p>	<p>Support from the Chinese government for big mergers; fortify the image of a non-SOE by gradually reorganizing shares</p> <p>Inside lobbying team in US and Europe</p>
<p><b>HR management</b></p>	<p>Traditional way of management</p>	<p>Localization; cultural fusion; westernized outside with Chinese soul</p>

Lenovo (originally Legend)'s process of internationalization began earlier than MNEs such as Huawei – only four years after the foundation of the company. As a spin-off of the Computing Department of China's Science Academy, at the beginning of its career, Lenovo invented and marketed a special memory expansion card (Hanka), a method for the input of Chinese characters. Since Hanka was in great demand in Hong Kong and other countries / areas with Chinese immigrants, Lenovo managed to export at an early age to Hong Kong and other Southeast-Asian countries. In 1988, Hong Kong Legend was founded, responsible for the exportation and marketing of Hanka in Southeast Asia, which marked Lenovo's entry into the infant phase of internationalization. The infant phase would last till 1999, when Lenovo, already No.1 in the domestic market and Southeast Asian market, began to speed up the paces and aggressively conquer the global market, notably with some Media-catching M&As.

Major events of the infant phase include:

- Lenovo turned from Hanka to produce personal computers of its own brand, thus turning from an agent of foreign computers to a manufacturer and seller of own-branded computer products and services. (1990)
- Lenovo put to market the PC for family use. While in the same year, IBM pushed out its ThinkPad series. (1992)
- Lenovo entered the Pentium era by presenting China's first 586 computer while the PC business of IBM was launched. (1993)
- Lenovo was listed in Hong Kong Stock Exchange and founded PC business. (1994)
- Lenovo signed intellectual property agreement with Microsoft. The first Lenovo Store was opened in Beijing, marking the beginning of its gigantic sales network. (1998)
- Lenovo became No.1 in the PC market of Southeast Asia. (1999)
- From 1995 to 1999, there were conflicts and splits among the 11 founding fathers of Lenovo. The result is most of the founding team left and Mr. LIU Chuanzhi became the top leader, who will take Lenovo onto the path of dramatic international expansion.

From 1999, under the leadership of Liu, Lenovo entered the teenage phase of internationalization, the most eventful and exciting phase up to now, marked by aggressive expansion beyond the Southeast Asia area, both in the United States and in Europe.

It is necessary to understand the PC market of Europe during this time. After IBM put to market in 1981 the first PC of the world and brought it to Europe, IBM, as well as other industry leaders, HP, Dell, etc., all flushed to Europe during the 1980s, closely followed by Toshiba and NEC from Japan, and a little bit later by Acer and Asus from Taiwan. By early 1990s, the European PC market had been in a flourishing situation. Not only all these brands from Asia or the United States, but also some local brands took part in the competition, for instance, Medion in Germany and PB (Packard Bell) in Holland, two young companies achieving good performance in the domestic market and expecting more. Besides, veterans such as the Italian Olivetti, the German Siemens and the Swedish Ericsson began to manufacture PC as well. On this battlefield, IBM was occupying the tip of the pyramid as the first choice of big organizations and companies – at the time, a computer was often more expensive than a car.

Within ten years, by the end of the 1990s, American brands with IBM, Compaq and HP as representatives, plus Japanese brands with Toshiba and NEC as representatives, had taken the lead and beat European local brands. While brands such as Medion or PB were satisfied with their 3<sup>rd</sup> or 4<sup>th</sup> position within their own countries, Acer from Taiwan began to strike and soon became a surprising competitor that American or Japanese could not afford to neglect.

PC had become personal consumer goods and the European PC market been divided into the business market targeting organization / enterprises (IBM the best seller in this market), and consumer market targeting general consumers (Compaq the best seller in this market). It is at this time that Liu Chuanzhi decided that Lenovo should enter the European market.

Major events of the teenage phase include:

- YANG Yuanqing replaced the founding father LIU Chuanzhi as the CEO and President of the Lenovo Group, while Liu retired from both posts. (2001)
- Lenovo announced its entry into the business of mobile phone. (2002)
- Lenovo changed the English company name as well as the brand and logo from Legend to Lenovo, for overseas market (the Chinese name remained Lianxiang), for the reasons that Legend had already been registered as a brand abroad, and that Lenovo is more brand-like and easier to remember – the change of the brand name marked Lenovo's comprehensive outset into the international market. (2003)



- After over one year's contacts and negotiations, Lenovo completed the acquisition of the PC Business of IBM. Amelio replaced Yang and became the CEO of the Lenovo global team. From then on, Lenovo began to operate with two international HQs: Raleigh (North Carolina) of the United States and Beijing of China. Top management rotated from these two HQs. (2004)
- At the same time, Lenovo entered Europe. (2004)
- Lenovo's largest share-holder, the Academy of Science of China began to sell its shares to private owners. Till the end of 2009, the shares of the Academy of Science had declined from 65% to 35%.
- Lenovo became a special partner of the Beijing 2008 Olympic Games, not only in terms of sponsorship, it also designed the Olympic Torch for the Games. (2008)
- After two years' financial loss, Liu returned to reassume the President of the Lenovo Group and Yang replaced Amelio as the CEO. (2009)
- Lenovo joined hands with NEO to launch a new company, NEC Lenovo Japan Group, registered in Holland, with Lenovo holding 51% of the new company's shares and NEC the rest 49%.
- Lenovo purchased from Gerd Brachmann the German computer manufacturer Medion with a price of 231 million euros. (2011)
- From 2011 to 2013, Lenovo formed partnerships and created joint ventures with Compal Electronics (Taiwan) and EMC (US), as well as purchased consumer electronics manufacturer Digibras Participacoes SA (Brazil) and software company Stoneware (US).
- Lenovo announced its acquisition of x86 server business of IBM with \$ 2.3 billion, and of Motorola Mobility from Google with \$ 2.9 billion. (2014)

The reason we do not consider Lenovo an adult MNE is that it is still in the stage of integration and adaptation after so many partnerships and M&As. We do not see yet a landmark event that all these new elements have been already smoothly and seamlessly integrated and together with the old elements, been functioning as a whole to create a synergic effect. More observation is needed to make the judge.

Checking the list of major events, we could already see Lenovo's efforts in the teenage phase of its internationalization. Here of course, the focus is Europe, and let's have a look at Lenovo's major strategies in the fields of Marketing and Sales:

- Experiments in less developed markets: Before entering Europe, Lenovo conducted in less developed economies various Marketing, Sales and Communication experiments. We can say that the infant phase is also an experimental phase for its final entry into markets such as the US and Europe. For instance, before the European project, Lenovo had experimented for a whole year in India how to take over the IBM PC business. Then in 2006, the CEO Yang himself led a team to Germany, testing the market as the start point of Lenovo's European project. Different from Huawei, sometimes Lenovo's experiments are pure experiments, that is to say, they are ready prepared for the failure. And failure was what the Yang's team got from Germany. They did not return to this market until 5 years later by what they were best at – the acquisition of Medion.
  
- Product design as the priority: Different from some of its fellow Chinese MNEs, Lenovo attaches great importance to product design (including both exterior appearance, interior functions and other elements such as ergonomic concerns) and is one of the Chinese MNEs that has won numerous prizes in this field. One good example is its success in designing the Olympic Torch for 2008 Beijing Olympic Games, as a computer manufacturer. When entering the European market famous for avant-garde product and industrial designs, Lenovo pays special attention in order to be able to stand out from the lot. Featured products designed by Lenovo for the European market include: pluggable laptops (the Think Pad Helix series), flipping laptops (the Yoga series, the computer could be rotated 180 degrees and folded reversely) and the flipping+ laptops (the Horizon series, when the laptop is placed flat, it becomes a “computer table” on which users could play table games with their hands). All these models are the first among competitors and are soon imitated. As pointed out by Yuan, Lenovo considers both the differentiations among markets and the unified brand image, therefore the product design becomes ultra important. For instance, in 2008, Lenovo announced that targeting the global PC market, it pushed out at the same time a new personal computer series –Idea: IdeaPad for the laptop market and IdeaCenter for the desktop market. Two different design teams were responsible for the design for the Idea Series and the Think Series inherited from IBM – while the latter continues IBM's steady and professional qualities, the former has adopted a lighter and brighter design.

With these strategies in mind, Lenovo has adopted the following procedures to enter the European market:

The first success of Lenovo in Europe came from, not surprisingly, the relatively less advanced Russian market, which could be called as an emergent market, but not necessarily, because more than 70% of the nation's wealth and about 60% to 70% of the PC sales were concentrated in the two cities of Moscow and St Petersburg, therefore these two cities demonstrated characteristics of a typical mature market. First-level distributors are powerful, the ten biggest of which occupied 85% of the market. When Lenovo entered, Acer and Asus were the leaders, together with a market share of 65%.

In response to the characteristics of the Russian market, Lenovo had waged several battles:

- Russia as a nation adoring heroes and heroic brands, it is important to have symbolic eye-catching outdoor advertisements – both Samsung and LG had huge outdoor advertisements at symbolic places. What Lenovo did, was to invest heavily, buying the space of a gigantic billboard (400m x 20m, the biggest outdoor advertisement in the whole Europe) just next to the Kremlins and everyone who stepped into the Red Square could well see it.
- Russia as a nation adoring sports and athletic activities, Lenovo well used the chance of being one of the top sponsors of the 2008 Beijing Olympic Games. It bought 900 TV advertisement slots with Russian TV chains – every time the opening or the closing ceremony was broadcast, Lenovo's advertisements were in between. At the same time, Lenovo bought 700 outdoor billboards in 7 cities across the country to form a “dimensional attack”. With bad traffic and frequent jams, billboards are ideal communication carriers in Russia. According to statistics, the brand awareness of Lenovo in Russia jumped from 8% to 29% after the Olympic Games. Also, more than 20 key channels, 600 medium and small distributors and 2 of the 3 biggest distributing chains were opened for Lenovo products, sales revenues having increased by 284%.

Yet just at this time, the breaking out of the European financial crisis put many channel distributors in difficulties. Here Lenovo did something special: with the help of its domestic resources, Lenovo introduced into Russia credit and insurance companies from China, providing financial guarantees for Russian channel distributors and helping them survive the crisis. At the same time, Lenovo put to the Russian market large quantities of low-end products, the IdeaPad Z Series for instance, to seize the shrinking PC market. Within 2

years, Lenovo's market share in this country increased from the 13<sup>th</sup> to the 5<sup>th</sup>.

After Russia and neighboring East European countries, Lenovo's entry into West Europe began with a failed experiment in Germany. It was 2006, already after the acquisition of IBM PC Business. The situation of the time was: the German IBM team failed to fulfil the sales task for the 18<sup>th</sup> consecutive year and inventory backlog reached four months; besides, nobody in German ever heard of the name of Lenovo.

The experimental project team led by the CEO Yang himself was dissolved after one year, yet they gained valuable experience about the West European PC market, including:

- The European market, with Germany as a typical example, is a highly mature one: the channels have the characteristics of an oligopoly, that is to say, channels like Media Markt and ALDI chain stores represent more than 60% of the PC sales – a situation totally different from that of China. Such oligopoly means manufacturers have little bargaining power with distributors and stand in a negative position. On the other hand, consumers are more mature and have certain knowledge about the products, often have clear targets in mind and hope to keep a distance with the sales people. Therefore all products are displayed on open shelves for free selection, while in emerging markets such as China, consumers are largely influenced by sales people.
- The failure in Germany was largely due to the lack of a specially-targeted product. At the time the flagship product Lenovo was trying to sell in Germany was Lenovo 3000 Series that sold very well in China, however it was not at all to the taste of German customers. Such discrepancy motivated Lenovo's emphasis on market research and product design. For instance, in China and other Asian areas, the best seller was laptops with a screen between 13 to 15 inches, while Germans' favorite was large screen of 17 inches; in China, customers like red laptops, sometimes they even give red laptops as wedding gifts, while in Germans, customers like nothing else than black. Due to the small sales quantity in Germany, Lenovo was not able to tailor the product for this market and the two supply chains of China and of Europe could not be connected.
- The problem of integration had emerged – how to integrate the supply chains of Lenovo and IBM PC?

How to integrate Lenovo's China system and IBM's Europe system? Besides the flagship product, Lenovo also lacked good sales team, brand recognition, supply chain system, and even a clear strategy. It was one year after the desolation of the experimental team that Lenovo fixed its global restructuring plan, with transactional business as the core. It also founded the Global Consumer Group, ready for the overall advance into the consumer business of Europe.

After this failure, Lenovo did not return to Europe till 2011. Its first stop was still Germany, and the entry strategy was still what it was good at: the M&A. On June 1, 2011, Lenovo officially announced its acquisition of Medion with 629 million Euros. Why Medion? Because though not big (1,100 employees), Medion was close to the European consumer market, with most of employees working in customer service call centers throughout West Europe. Its valuable customer data and after-sale service system could be used by Lenovo immediately after the acquisition. What's more, according to Yuan, "Medion's biggest contribution to Lenovo is its wonderful channel resources." By this, Yuan refers to Medion's strategic partnership with ALDI, the second largest PC sales channel right after Media Markt. After the acquisition, in mainstream chain store Media Markt, Medion products gradually withdraws to let in Lenovo, while in ALDI chain market targeting the middle / low-end customers Medion stays. This duo-brand, duo-channel attack aims at the maximization of market. After more than one year's integration, Lenovo, with a 16% of market share, became the champion of the PC market in Germany.

As mentioned before, the European market is a big and mature one, is a must-win battle field of PC competitors, yet it does not have a strong local brand, or an absolute market leader, that is to say, anyone could win, and a small change might cause a leader to lose, therefore in this market, the competition is the most fierce. Secondly, different from the relatively homogeneous North American market, the European market is made up 25 countries, each with unique taste; details decide the result. Only in terms of colors, Italians like their PCs to be colorful, while French prefer pure colors such as black, white or grey, and Germans' favorite is black.

Lenovo's biggest competitor in Europe is Acer and Asus from Taiwan. Acer and Asus do not have a big enough local market (as China for Lenovo, United States for HP, Dell or Apple), so Europe became the "local" market for them, which provides them with enough financial backup for the global market. When

Lenovo was back to Europe in 2011, its biggest competitor was Acer, the No. 2 global PC manufacturer and No.1 in the European market. Acer's strategy was: it only focused on R&D and branding, and outsourced everything else, production, sales, logistics... to other manufacturers, sales channels, distributors, etc. the result was an extremely low operating costs. In 2010, when Acer became the second largest in the industry, it was even ready to enter the Chinese mainland market, by announcing its partnership with Lenovo's domestic competitor Founder.

One of Lenovo's strategies toward Acer was to hire Acer's CEO Lanci, who had been with Acer for 10 years, leading it to its top position in Europe. Lanci commenced to divide and adjust the big European region into seven areas: middle Europe, Britain and Ireland, North Europe, South Europe, Africa and Middle East. Later Yang Yuanqing gave Russia, originally under the big Asia Pacific Region, to Lanci too, which together with countries like Poland, to form the East Europe area. Up to now, the East Europe area is still the area with the best sales performance within the big European Region. Lenovo and Lanci still have a long way to go in West Europe. For instance in France, Lenovo's share in the consumer market is less than 4% and many sales assistants do not even know where this brand comes from. The biggest question is still: Who is Lenovo? In 2012, Lenovo outpaced Dell to become the second largest PC manufacturer of the world (after HP, before Asus and Acer), but it is still like a total stranger to the general public, especially in Europe. Cambounet admits that "Lenovo is the least famous global No. 2. Our reputation does not match our commercial performance."

A key point to explain this exceptional "commercial performance" is Lenovo's special mode of sales. In the PC industry, the most popular mode of sales was invented by Dell – the direct selling. During the course of competition with Dell, Lenovo put forward a special double-mode: transactional mode (for ordinary consumers + SMEs) and relational mode (for big customers). Such double mode has become a case-study of many business schools and with it, Lenovo conquered the all-winning Dell in the domestic market of China. Again in Europe, also with this double-mode, Lenovo uses extensively agents and distributors instead of Dell's direct selling.

By 2014, Lenovo has had 6 branches in West Europe: Britain, Holland, France, Germany, Spain and Austria, with its HQ in France. For the next 5 years, Lenovo's plan is to "defense and attack", especially in the

ultra-important West European market, where it only has “local battles” and single-point breakthroughs, without rising up to a strategic height or to a systematic “conference battle”. According to Yuan, apart from the brand recognition, the recruitment of consumer-business professionals is also a priority.

As a provider of such products as PC and Smartphone, Lenovo knows well the importance of communications with the general public. Part of the branding package, such communication has not been very effective (as is the case of many Chinese MNEs). However things are changing, and the communications of Lenovo have taken a more global allure. “In IT industry, as in many others, the rules are drawn by the Westerns, and we have to follow.” Yuan said. The CEO Yang Yuanqing, a shy person by nature who does not like nor is good at public speaking (as many Chinese MNE leaders) took a hard time to “stand on the stage”. At the press conference that introduced Yoga, Lenovo made a mixture of hi-tech, fashion, opera, symphony, dance and other elements. Yang himself was walking back and forth like a fashion model. Besides the shows, Lenovo has signed global spokespeople such as Cobe Bryne, Ashley Kush (who has played Steve Jobs in movie and is a good electronic engineer himself) and the soccer player Ronaldinho, etc. “The biggest star of iPhone is Steve Jobs himself, a genius at public speaking,” said Shen the journalist, “few Chinese MNEs leaders can do that in a global environment, if not none.”

After examining Lenovo’s Marketing and Sales strategies in the European market, we would like to give a brief presentation of our findings about Lenovo’s relationship with governments, both with the domestic government and governments of its targeting markets.

Talking about Lenovo’s relationship with Chinese government, we would like to point out that even in China, some people still think Lenovo is a SOE, despite repeated clarifications from the CEO Yang Yuanqing. Operating totally in the way of a private enterprise, Lenovo does keep a close relationship with the government, with 36% of its shares held by China’s academy of Science – therefore we could conclude as the following: Lenovo is a listed public enterprise with state-owned assets. Such relationship has its advantages, the most obvious of which is the support from the state, especially considering the fact that due to the late beginning of the information and electronics industry, China had no local brand and was eager to establish enterprises and brands of its own. Lenovo took the chance and got tremendous support from the state, mainly in the form of financial loans and government purchases. Lenovo’s being listed in Hong Kong

was also made possible by government officials. On the other hand however, the government will not pay for Lenovo's failures as it's a private instead of a SOE, which means more liberty in management and more motivation for success.

While voluntarily offer shares to China's Science of Academy during the first years of the company, the founding father Liu Chuanzhi purposely began to reduce its shares after 2008, as the company got more and more internationalized – this is generally viewed as one of the steps of further getting rid of the image of a SOE.

Such endeavor probably has had something to do with Lenovo's experience in the United States and some other Western countries. Though compared to Huawei, Lenovo is already fortunate in the North American market, but it has still encountered some institutional problems. For instance, as was reported by the New York Times in 2006 (Meece), the State Council of the US decided not to use Lenovo products in handling confidential government information and documents. Such decision influenced Lenovo's reputation rather than its profits, knowing that during Lenovo's acquisition of the IBM PC business, the Bush administration had conducted a national security review over Lenovo. The spokesman of Lenovo asserted that "the suspicion of spy soft or hardware within Lenovo products is ridiculous, because all products are produced in formal IBM factories in Mexico and North Carolina; all computers and software installed are first tested within the company, and those to be shipped to the State Council will receive the test of a third party – an American contractor." (Sina) Situation seems to have changed since. In 2013, after the Obama administration signed a funding bill to strengthen the safety assessment of IT equipment procurement, especially equipments from China, some expressed concern that Lenovo would again be badly suffered. However, Lenovo spokesman responded by saying, "There is no suffer. Lenovo maintains good relationship with the government and the military, both are happy about working with us. Lenovo is fully localized, with more than 2000 employees in the US headquarter, and the service and production lines have been transferred here too." (Sina) According to statistics, Lenovo is now the fourth largest in the US market, after HP, Dell and Apple. What is also worth to know, is that Lenovo is the first Chinese MNE with a lobbying team within the company, both in the US and in Europe (Government Relations).

What are Lenovo's concerns for the future? Some critics (actually Liu Chuanzhi himself has expressed



similar concerns) pointed out that there is still big gap between Lenovo and world-class enterprises like Apple; that despite innovative product designs, in terms of path-breaking technologies or concepts, Lenovo is still a follower and never a leader. From this point of view, Lenovo is not as good as companies like Huawei. Lenovo is strong in the traditional PC area, with rich experience in branding, channels, scale building and supply chains, yet it is weak and slow in other areas outside PC. Lenovo has no large-scale capability in software development and is used to outsourcing. However, to be a leader in the mobile internet area, it is a must to have comprehensive capability of “software + hardware + services”. For instance, since Lenovo has no software platform of its own and ordered large quantities of tailored developments, when Google updated Android to a new version, Lenovo, who was still using the old version Android, feels awkward and doesn't know if it should update as well: if not, it will definitely in a weak position compared to other Smartphone brands already updated; if yes, it will have to convene many software developers to redo those developments and adaptations since it is not able to do it itself. On the other hand, abandoning mobile network is out of the question, since the space and profit of PC business is shrinking, Lenovo will eventually degrade into marginal bit-part player if confine itself to this area. Indeed Lenovo has natural advantages in the Chinese market, but how to deal with a market much bigger and wider is the key problem for such a MNE.

Since Lenovo is a habitual buyer of established Western brands such as IBM and Motorola, it would be interesting to look at its human resources and corporate management after these acquisitions. In fact the founder and President of the Board Liu Chuanzhi himself has written a short report after the acquisition of IBM PC Business, introducing the company's management after the M&A. According to him, there are three types of risk associated with the acquisition: market, employee, and business & cultural integration.

With regard to market risk, there was the question of whether people would want to buy a high-priced product made by a Chinese company. In other words, would the new company lose clients? Lenovo did several things to help reduce this risk, including keeping the brand name intact by using the IBM logo on Think products for the next five years; retaining the sales team of the former IBM PC division, and sending out over 2,000 people to customers to reassure them that the new company would provide the same quality products and level of service; and establishing the HQ in New York and gradually relocating it to Raleigh, North Carolina.

As to the employee risk, Lenovo publicized widely the vision to management that the new Lenovo would provide more career opportunities for progression to top management, which were more limited under the former IBM PC division. Lenovo emphasized that it was not a traditional Chinese company, with a rigid and closed mind; rather, the culture of the new Lenovo is fully open and global. The official language of the new Lenovo is English. It also announced not to change the compensation of IBM staff. As a result, Lenovo did not suffer any major loss in key personnel.

In terms of the risk of business and cultural integration, Lenovo followed the guiding principles designed to join the employees from two cultural backgrounds: candor, respect, and compromise. Liu admitted that “great compromises have been made” during the integration, including the location of the group HQ.

Comprehensively speaking, compared to Chinese MNEs like Huawei, Lenovo is much more localized. The 18 top leaders of the EMEA (Europe, Middle East and Africa) region all have rich experience in the EMEA local market and the majority is native Europeans. After the purchase of Medion of Germany, to assure the independent operation of the brand, Lenovo has not sent a single Chinese up to now. However, this does not mean the non-existence of misunderstandings and conflicts; on the contrary, there have been many, especially in the IBM part of the group, including the conflicts between Yang Yuanqing himself and the newly appointed CEO Amelio. Some Lenovo veterans even complained of “racial discrimination”. To avoid such conflicts and misunderstanding, the first thing Lenovo employees did was to sharpen their English, including Yang himself, who moved his family to Morrisville in order to improve his language skills and soak up the American culture. Lenovo’s Chinese employees summarized 4 stages of learning: learning of the language, learning of different business modes of different countries, learning how to communicate and cooperate with colleagues of different countries (that is, the cultural learning), and learning self-control, the most important of the learning process.

However, such learning is by no means uni-directional. Though highly localized, the global Lenovo has always demonstrated, and even more so, the Chinese genes. Liu Chuanzhi holds the opinion that in the process of internationalization, something he calls core values or soul cannot and will not change. For instance, a literal translation of Lenovo’s slogan is “Do as you promise, with all your heart and all your force” (the English version of the slogan is “For those who do”) emphasize the importance of keeping one’s

promise: promise only when you are ready, and whatever you promise, you must fulfill it. Similar to Huawei, this is typical Chinese, “doing is more important than saying”. Liu Chuanzhi hopes to penetrate such value in Lenovo branches all over the world. “We are a company with a character,” said Liu, “Besides professional performance, what we examine is the sense of cultural fusion. If you are not at ease with cultural fusion, we will definitely not hire you.”

During the past 30 years of reform and openness, Chinese companies used to try to adopt the “Law of the jungle” from the west and to reformulate the company in the western way, including the way of communication. However, in the process of internationalization, Lenovo realizes sometimes it is necessary to get rid of some so-called “international ways of doing things”, which is against the traditional values of the Chinese culture. For instance, when the General Manager of the India Region Amar Babu worked with the Chinese management team for the first time by way of a conference call between Bangalore and Beijing, he presented for 2 hours straight the yearly plan of the India region without getting a single interruption. At the end of the 2 hours, the seven members of the Beijing team each asked him a question, beginning with “May I ask you a question?” This first experience surprised Babu because he had been used to the American way (he had been working in Intel before joining Lenovo) of being interrupted after only a few minutes of the presentation, and quite often the following questions and discussions would push his presentation to another direction. “Internationalization is not westernization or even Americanization. It is a two-way fusion and Lenovo would like to put in there its own part during the management process. We consider such fusion brings universal values.”

## Appendix 5: Field studies - the case of Haier

## Haier's pattern of internationalization

“Spatial” content	Temporal process		
	Infant MNE (1996-1999)	Teenage MNE (1999-2006)	Adult MNE (2006-)
<b>Ultimate intent</b>	To be a leader both at home and abroad	To break into the markets of the US and Europe	To be a world leader – among the global top 500
<b>External context</b>	Booming stock market in China  Stable competition in the global appliance industry  Asian economic crisis  EU's New Strategies of Cooperation toward China	State encouragement for globalization, nationalism and domestic brands  Anti-dumping against China's exports  Growing competition within the Chinese market	New ICT technology  New environmental standards on white goods in Europe  Explosions of Chinese FDIs in Europe
<b>Internal profile</b>	Powerful CEO and strong R&D capability  Enough capital for expansion  Excellent manufacturing capabilities; gaining global experience	Hong Kong stock listing in 2005  The same CEO  Relatively weak global brand – yet stick to the Haier brand	The same CEO  Stronger brand image and success in the US  Richer global experience and stronger R&D capabilities
<b>Strategic choice</b>	Focus on mid-end mainstream segment in China; centralized control	Internationalize aggressively into the US and Europe – focus on niche markets and	The 3-in-1 global - localization strategy (design, production and sales)

	FDI in Southeast Asia via joint ventures; export grows	<p>specialized products</p> <p>100% Greenfield FDI in the US; entry into Europe via M&amp;A in Italy, then 5 branches in the heart of West Europe; joint ventures + mergers in Middle East and Japan</p> <p>Developed countries before developing countries: attention to developing markets later, first in India</p> <p>Troubling unrelated diversification (medicine and finance)</p>	<p>Product diversification; upgrading products by reducing low-end ones</p> <p>Focus on R&amp;D – innovation (differentiation) in response to the market needs; tailoring for distributors</p> <p>Relocation of Asia HQ and R&amp;D center to Japan; relocation of European HQ from Italy to France</p> <p>Building the global Haier brand</p> <p>From competition to concurrence</p>
<b>Market effect</b>	<p>Initial take-off boom; stable fast revenue growth</p> <p>No.1 in China for white goods</p>	<p>Slower revenue growth but more market share</p> <p>Success in developing economies</p>	<p>Global No. 1 for white goods since 2009 till now; success in the US by entering mainstream chain stores like Wal-Mart</p> <p>Gradual acceptance by major European chain stores + small specialized stores</p>
<b>Communications</b>	Traditional Chinese way of communication and promotion	Minimum advertising in the US and Europe; visual images	More and localized advertising; exhibitions and salons;

	mostly in the domestic market	+ exhibitions and salons  CEO of high profile compared to others	sponsorships  Adaptation of the new communication methods – social networks and the Internet targeting the younger generation
<b>Institutional elements</b>	Starting from a collective company, close relationship with local government then the central government	Localization as a tool to remove institutional concerns	PR and lobbying activities in the US and Europe  Mutual benefit with Chinese government
<b>HR management</b>			Cultural integration and transplant; more localization; core values + specific standards

Similarly, we will first examine Haier's Marketing and Sales strategies in the global market. Since Haier is a new-comer in West Europe but has relatively established itself in the United States, we will also look at its strategies in that market for benchmarking purpose.

As mentioned in earlier chapters, Haier began its internationalization process early and almost directly to most advanced markets such as the United States, which is against the mainstream international business theories such as the internationalization order and distances, etc. One of the reasons that Haier has the possibility of entering the advanced economies at an early stage is due to the features of the industry: different from Huawei and Lenovo of new and more hi-tech driven industries of telecommunication and electronics, traditional home appliances manufacturers of China have a relatively longer OEM history. Haier began its OEM manufacturing and exportation right after the foundation of the company in the 1980s, not only to other developing countries, but to the United States and Europe as well. Therefore before it had any presence abroad, its products had already been familiar with Western customers. It was not that surprising to accept "Made in China" washing machines or refrigerators as to accept telecom equipments or laptops. We

can say the characteristics of the industry itself work as a pre-requisite of Haier's particular internationalization order.

It is interesting to examine this internationalization procedure. Haier's strategy is to first enter advanced economies such as the United States and Europe, and after reaching the status of "world famous brand" will it enter developing economies in a strategically advantageous position. The first stop of this procedure is the United States: as early as 1999, 11 years after the company's foundation, Haier US was founded in New York, with 100% Greenfield investment. Three years later, in 2002, Haier bought the original Greenwich Savings Bank building (1356 Broadway in Manhattan) as the Haier Building – the HQ of Haier US, which was considered the highest achievement of the internationalization of Chinese MNEs. Shortly after, Haier entered Europe, not from the East as Huawei or Lenovo did, but right into the center of West Europe: first acquisition of an Italian refrigerator factory in 2001, then branches in Germany, Holland, Belgium and Luxembourg in 2002. It then planned five major regional markets according to population, buying power and market capacity: Germany, Britain, France, Italy and Spain. Later, Haier chose to enter the super-challenging Japanese market (king of home appliances) by creating the "Sanyo by Haier" sales mode: Sanyo provided Haier with distribution channels in Japan, while Haier helped Sanyo sell cells in China. In 2011, Haier went on to merger Sanyo's white home appliance business and a year later, Haier relocated its Asian HQ and R&D center in Japan, while at the same time announcing its new AQUA series. It was only after 2004 that Haier began to pay attention to emerging economies, with the first stop in India.

This particular order of developed countries before developing ones has the advantages of 1) building international brands, 2) establishing showcases and references, and 3) building confidence. For instance, in the early years of entering Japan, Haier put a cupboard beside its products, on which were printed US media's comments on Haier's performance in the US, hinting that "made in China" is not necessarily low price + low quality, you see US consumers had already accepted these products. "Without our success in the US, we would not have gained any share in the Japanese market," according to Sun.

In its international markets, Haier sticks to three core ideas and concepts as the following:

- Innovation (differentiation) in response to the need of the market. Though compared to industries such as

telecommunication and electronics, home appliances may not appear that “hi-tech”, but this does not mean Haier puts less emphasis on innovation. The main theme of opening the global market is innovation: technological innovations, management innovations and sales innovations, not only on the surface, but deep to the core. In terms of technological innovations, like its compatriots, Haier is a leader in granted patents, and mostly functional inventions instead of appearance improvements. For instance, Haier has updated the concept of clothes washing, by inventing washing machines that do not need detergent. More importantly, all these innovations come from the needs of the market. For instance, Haier has a large industrial park in Pakistan, providing products for Pakistan and South Asia area. Many world famous washing machines do not sell well in this area, while Haier the contrary, and the fundamental reason is Haier produces washing machines to the needs of the market. After researches of the market, Haier discovered that in average each Pakistani family has 12 members and male Pakistani adults all wear white robes. All these white robes of all these family members put in the washing machine will lead to its mal-function. Therefore Haier increased dual power of the machine and made it able to wash a laundry of 12 kilograms. Another example is Haier’s “butter-bidding” washing machines. Haier discovered that Pakistanis extracts butter from milk with the help of a special machine of great size, which average families cannot afford. Therefore, Haier put to market this affordable “washing machine” which could also extract butter. It was an immediate success and quickly sold out. As we will mention hereafter, no matter in the United States or in West Europe, Haier adopts the same strategy of innovation and differentiation in response to the needs of the market.

- The “three-in-one” localization structure. Haier has established its special “three-in-one” structure in all its region markets, that is to say, for each region, Haier will have, in three different places, a design center, a sales center and a production center. For instance, in the United States, it has its design center in Los Angeles, sales center in New York, and production center in South Carolina. Today, Haier has established six big region centers with this “three-in-one” localization structure: Haier America, Haier East Europe, Haier South Asia, Haier Middle and East Africa, Haier Asia Pacific and Haier West Europe. Basically speaking, with this structure, for instance, Haier US is of no difference with local companies, with the absolute majority of the employees local Americans, and the products designed by local designers. It is such an important employer in Kershaw County (South Carolina, US) that the local government offered voluntarily to change the name of the avenue in front of the Haier factory into Haier



Avenue. Therefore, in the United States, first-class local designers design Haier's product to the Americans' taste, the Sales center in New Year pre-sells the products through pan-American sales and service networks, and the production center manufactures and transports all over the US at any time according to the orders from pre-sales. American consumers are using "made in US" Haier products. Another advantage of this localization is the possibility of avoiding non-tariff trade barriers. Also, as it is fully localized, Haier is qualified for government procurement. Further, Haier is trying to realize localization to the greatest extent – that is say, not only the localization of design, production and sales, but also the localization of financing, human resources and cultural integration. Haier aims at attracting local capitals and getting listed in the US.

- Always the Haier brand. Greatly emphasizing localization, Haier insists on using the Haier brand all over the world (even though it is a little hard to pronounce in some languages). Being asked of his opinions about the Haier brand, the founder and CEO Zhang Ruimin answers, "Positive imagination about a certain country is possible if a certain brand from that country gives good impression to the global public, for instance, when talking about iPhone, people would think of the United States; Nokia, Finland; and luxury watches, Switzerland. What Haier is trying to realize at this stage, it's to let people think of China on hearing the brand Haier. But our ultimate goal is to become a local brand recognized by global consumers, that is to say, in the eye of the Americans, Haier is a brand of the United States; and in the eye of Europeans, Haier is a local brand of Europe."

Based on these fundamental concepts, Haier has entered the United States and West Europe. We will first talk about its Marketing and Sales strategies in the United States. This is a perfect example of the concept of "prying open a crack by differentiation". At the time, the American market was dominated by big refrigerators with a capacity of more than 200 liters produced by enterprises like GE and Whirlpool; refrigerators smaller than 160 liters are few, and GE and Whirlpool did not put much emphasis on the development of this market. However, Haier, through market researches, predicted that it was a promising market, considering the shrinking family size and groups with particular needs (such as growing number of celibates and foreign students studying in the United States). Therefore, instead of the frequently-used price war (though Chinese MNEs are good at it), Haier chose another way of competition by putting to market three models of small refrigerators of 50, 76 and 110 liters. It also put to market small refrigerators without

compressor, which means neither sound nor concussion, ideal to be used as a wine container. Such product differentiations made Haier stand out of the others. These small refrigerators, by winning the heart of consumers, quickly won the heart of Wal-mart, which began to sell them from 2003. In less than ten years, Haier's small models of refrigerators occupied more than half of the US market. In parallel, Haier adopted the strategy of "tailoring for chain stores" to enter the channels. For instance, it designed in its Los Angeles Design Center a special model of mini-dishwasher for another famous chain distributor of home appliances.

Haier did not use much advertising in the US market. Apart from the Haier brand printed on the trolleys of some major airports, the investment on advertising was minimal. "We cannot possibly compete with established local manufacturers in terms of advertising investment. We depend on innovation and differentiation to promote the product and the brand. Consumers or distributors, they might well have prejudice against Chinese products or 'made in China', but we provide products that our competitors do not have, such as the free-style wine cellar." introduced Zhang.

In promoting its products, Haier has demonstrated similar persistency and innovation. Haier was trying to approach the purchasing director of a famous chain store, but the latter had no intention to see them. Therefore Haier adopted the circuitous strategy by first letting the Haier products into five or six supermarkets around this store, which resulted in pressure from the customers of the community. The sales people also discovered that this particular purchasing director had the habit of opening the window and staring far for a few minutes as the first thing in the office. They immediately arranged to have erected an eye-catching billboard right in front of the eye sight of this director. After a few days, the director asked his subordinate to find out "who Haier is".

Following Haier's order, we will then move forward to look at Haier's performance and strategies in West Europe. Back in the 1980s, Chinese companies, including Haier, began their endeavor of exportation into Europe. In 1996, the European Union published a memorandum *European Union (EU hereafter)'s New Strategies of Cooperation toward China*, further specifying the original *Long-term Policies of EU-Sino Relations*. This memorandum could be seen as a landmark of the international trade development between Europe and China, since which many Chinese MNEs quickened their paces of FDI in Europe. At the time, Haier had already been exporting to Europe for several years, but the majority of their exportation was small

refrigerators being sold by small stores, put in the least visited corner. Roughly speaking, after 25 years of internationalization in West Europe, though the performance might not be as good as that in the United States, Haier has realized the following evolution: from exportation since the end of the 1980s to the construction of branches in different European countries; from competing with domestic competitor to competing with global giants in their local markets; from unpopular small stores to Top10 mainstream chain stores in Europe; from selling refrigerators smaller than 130 liters to designing and selling high-end refrigerators of 300 – 600 liters; from imitating Liebherr to being imitated by Liebherr; from following the European tendency to leading the tendency... Up to now, Haier has about 1.5% share of the white goods market in Europe with a rapid growth of about 50% yearly.

Haier's direct investment in West Europe started from 2001, through an acquisition of Italian refrigerator manufacturer Meneghetti. At the time, Haier's competitors in Europe were long-established home appliance manufacturers such as Bosch, Siemens, Electrolux and Whirlpool; and later on, more brands added from other developing economies such as Beko and Arcelik from Turkey, or Mabe from Brazil. Haier's entry strategy is to position its products between high-end and low-end, that is to say, "we hope to attract customers with design and unique features, which makes our products superior than low-end products; however, compared to high-end products, we have the price advantage." (Sun) Then as for the future, Haier will gradually reduce the proportion of low-end products in Europe: in the next 3-5 years, the proportion of low-end products will be reduced from 20%-25% to 5% 10%.

In terms of product types, Haier currently concentrates on refrigerators and washing-machines only, with a plan of gradually increasing the types. The next step will probably be adding the product lines of smart televisions and thermal panels that turn solar power into thermal power. Haier sells in Asian market laptops, mobile phones and microwaves, but not in the European market, "because this segment of the market is super complicated and Haier has no obvious advantages".

Also based on the "three-in-one" localization structure, Haier first established its Production Center in Italy by buying the Meneghetti factory (different from Lenovo, Haier uses its own brand after the merger), then two design centers in Lyon, France and Amsterdam, Holland, and later Sales Center in Milan, Italy. In 2012, it moved its European HQ from Italy to France. Still more recently, Haier is starting the construction of a

second factory in Parma Italy, and a new Design Center in Nuremberg Germany.

Following the “innovation / differentiation” principle, what Haier sells in Europe are those especially designed for this market. Traditional home appliances are not considered hi-tech, but Haier tries hard to differentiate its products by adding hi-tech elements, such as network-connected smart appliances.

Another point of differentiation and break-through is energy-saving and environment-friendly, on which Haier puts huge emphasis. The European Union has been constantly upgrading the environmental standards of important white goods, which exerts great pressure upon Chinese MNEs and some call it the “green barrier” of the EU (EU’s RoHS directives and the WEEE directives are the most demanding environmental directives of the world and considered killers by many foreign manufacturers). Haier, on the other hand, has turned the barrier into its advantages and made it a central point of differentiation. For instance, after several strict tests by the Swiss authorities, the Cristal Series washing machines of Haier has been rated as A+++, and was listed as the “most environment friendly” home appliance by independent consumer testing website. The success of Haier’s dish-washers in West Europe is another example. Some European countries, with limited water resources, have high requirements on the power consumption of dish washers. In order to enter the European market, such indicators as the electricity consumption, the drying performance and the cleaning ratio will be strictly tested. Haier entered the European dish-washer market by presenting its AAA level products. In recent professional exhibitions, distributors such as METRO (Germany) have demonstrated great interest in Haier’s green dish-washers. Similarly, when the EU took the lead to propose the restrictions on fluorinated Leone cooler, Haier responded immediately by introducing a new production line to produce Freon-free refrigerators for the European market. Its Freon-free products opened the door of the European market. German governments even had incentives for buying Haier products – 100 Euros reimbursement for one refrigerator. Other innovations involved in these products include: smart dish-washers that automatically examine the quantity and stain degrees of the utensils put in and adjust the washing programs accordingly (from German designers), super water-saving washing-machines equipped with new dehydrating and water-recycling techniques (from Japanese designers), etc. All these innovations, along with the environment protection concepts, are getting back to the Chinese market, as introduced by Sun.

All these innovations / differentiations of the product, as mentioned before, are in response to the market

needs, instead of making fantasies behind closed doors. For instance, for the Crystal Series washing machine only, Haier had conducted 2,001 household surveys and 628 discussions with customers in different countries; completed 11,879 on-line surveys; and reached more than 20,000 people globally for market research purpose. The company found out that: US consumers prefer washing-machines able to clean large quantities of laundry at great speed; the French wish to have machines able to clean laundry of expensive or delicate fabrics; and to the Japanese, the priority is to have an ultra-quiet product... “The driving force of the European R&D center comes from the dominant and recessive needs of local consumers. It’s our responsibility to turn all these needs into global-leading technologies and products.” said Francisco, the Chief Designer of Haier’s European R&D Center (Wang, 2012).

With innovative and differentiated products in response to the needs of the market, it was still not easy to enter the European market, that is to say, to enter mainstream distributing channels. One important reason was the negative image of “made in China” – in the eye of rigorous Europeans, “made in China” was yellow-labeled clearance products, definitely of low quality and low price. Such stereotype was even more rigid than in the US market. In mainstream channels, all best-sellers were local brands with long history, such as Miele (founded in 1899). It was extremely difficult to realize the “first step” into channels such as Darty in France, Media Markt in Germany, or MIRO in Spain. For instance, Haier began to contact the French Darty as early as 2006, but the latter was always conservative about this Chinese brand. Therefore Haier did something similar to Huawei: it invited the top management of Darty to its global HQ in Qingdao, China. The production capacity and boundless R&D team greatly impressed the Darty team. After three whole years of continuous contacts and observation, Darty accepted in 2009 Haier refrigerators in 5 of its more than 300 stores, only 2 models in each store, and with a 3-month test period – Haier promised unconditional withdrawal of products if sales were not satisfying within the test period. Yet after one year, customers saw Haier refrigerators in more than 30 Darty stores with more models – the flagship products were mid- to high-end models of more than 900 Euros. With the entry into Darty as a milestone, Haier has since kept a 2-digit growth in France. Haier has also entered mainstream distributors in Germany such as SATURN (with more than 600 stores) of the METRO Group.

Besides these mainstream channels, Haier products also appear in “specialized stores” for small home appliances, which are more widely distributed. It is a good way to enter small villages and to build a more

familiar and longer lasting relationship with European customers. The cozy specialized stores are easier to reach more traditional families.

Now we would like to examine Haier's communication and branding strategies. Haier puts great emphasis on communication and branding. According to CEO Zhang Ruimin, "We are in a fully-competitive industry, with profits as thin as knife blades. To realize more profits, the only answer is brand. As I understand, in this world that communicates with no boundary, a global brand is a language understood by customers all over the world." The innovation / differentiation policy mentioned above is, of course, a way of branding. In positioning the image of the brand, Haier holds the opinion that a brand used by grandparents and parents have great influence over a family and might probably be the choice of the young generation. However, young customers of today also have great interest in trying new things. European local brands are aging, which gives Haier the opportunity. To seize the young generation is the key of Haier's communication in Europe. Therefore Haier does not compare qualifications with local brands; instead, it has been strengthening a young and innovative image, an image different from established brands.

As mentioned before, Haier targets the mid- to high-end market instead of low-end one targeted by traditional Chinese enterprises using price as the primary weapon. In parallel, the customers it is trying to attract are also mid- to high-end, as well as trend setters from younger generation. In correspondence, Haier is one of the Chinese MNEs good at Internet and digital communications. It was one of the first among its compatriots to set up a Facebook account in the five core European markets: Germany, France, Britain, Italy and Spain. It set up Virtual Showroom on Facebook, demonstrating all products in a 3-dimensional way. Customers can choose and "test" a product on line to get to know its functions. A little game is published every 2 months (such as the World Cup Quiz) with prizes for the winners. Up to 19 August 2014, Haier France, Haier Deutschland, Haier UK, Haier Italia and Haier Espana have altogether 428,524 followers (likes). At the same time, Youtube became a complementary tool, where Haier launched in 2012 in these 5 countries the Haier Channel for brand communication. Its animated short film "e-Zy's dream" had been played hundreds of thousands times and brought huge quantities of new followers on Facebook. The virtual image of robot e-Zy (easy) becomes a successful attempt to reach the younger generation and now becomes an off-line Mascot of Haier as well.

At the mean time, with a fully-localized communication team, Haier press and out-door advertisements have appeared, for instance at the Metro stations in France and on newspapers. Yet compared with local competitors, advertisements represent a much less proportion of Haier's communication package.

In terms of branding and communication, Haier's two major principals fully reflect the Chinese culture: first, what you do is more important than what you say; second, a good comment from others is far better than a boast from yourself. Haier tries hard to attract new customers and keep old ones by the quality and design of the product. "It's the product, instead of advertisements, that will keep a customer." according to CEO Zhang. For instance, it is usually more difficult to make customers change their life-time choice than to gain the recognition of younger customers. However, when a German couple in their 60s decided to change the refrigerator they had used for many years, the shop assistant suggested them a Haier one. They bought it with cautiously, yet after a while they had new ideas. Now this couple has, besides the Haier refrigerator, a Haier washing machine, two Haier TVs and a Haier oven.

Haier also values professional exhibitions and salons where it can have direct contacts with customers. It always chooses the best stand where it puts on demonstration its best products, in such popular salons as IFA, with the aim of outputting a new image of "made in China". Though not as active as Huawei or Lenovo, Haier is also involved in various important sponsorships. For instance, in the domestic market of China, it did not participate in such major competitions as the sponsorship of the 2008 Beijing Olympic Games, but instead, became a partner of aerospace research and development – its "aerospace refrigerators" travelled with Shen Kong No.9 aircraft into the space, to demonstrate its R&D capabilities. Overseas, Haier US used to sponsor NBA games, and during the 2010 World Exposition Shanghai, it became a sponsor of the US Pavilion.

Following its compatriots, Haier also demonstrates the tendency of wider and deeper cooperation with local companies, including potential competitors – it is moving from the mode of competition to the mode of concurrence. A recent example is the joint-venture of Haier and Fagor Group (a leading home appliance manufacturer in France) – Haier Fagor Home Appliance Company, Ltd, with a joint investment of 56 million

Euros. A new factory is being constructed by the new company in Wroclaw, South-west Poland, and is expected to begin the production of refrigerators in end 2014. The production capacity of the factory will be expanded to 1 million per year, mainly to meet the needs of European consumers to high-end products. With Haier holding 51% of the shares and Fagor the rest, this is a strategic action that will benefit both: for Haier the benefit is obvious, and for Fagor, it will be good for its competitive position in not only Europe, but also in Asia-Pacific regions. Up to now, Haier's performance in France is satisfying, with a steady increase of the market share while the French consumer electronic sales on the whole keep falling.

The main aim of Haier's cooperation with foreign partners / competitors is to enhance the competitiveness of the brand by integrating global resources, both the R&D resources and the market resources. In terms of the market resources, Haier has the Chinese market as its stakes. For instance, by cooperating with Fisher & Paykel of New Zealand, Haier has become an exclusive marketer and distributor of Fisher & Paykel products in China, and vice versa, Fisher & Paykel does the same thing for Haier in the markets of Australia and New Zealand. Haier's cooperation with General Electronics (GE) is in a similar situation. GE had spent much time and effort on the development of Chinese market with little result. After the signing of the partnership, Haier would use its domestic resources to help GE with its sales in China, while in the US market, GE promised more support to Haier.

Till now, we can summarize as the following Haier's marketing and sales strategies in developed countries such as the US and West Europe:

- To wage a comprehensive "local war", by building a whole set of industrial innovation system, with five major R&D centers in China, Asia, Australia, Europe and North America, with the aim of quickly integrating global technical resources;
- To wage a comprehensive "local war", also by building a local "three-in-one" (design, sales, production) layout, which is helpful in realizing a closer observation and a quick response to customers' needs.
- To change the old image of "made in China" by offering highly differentiated products and by winning the affection of younger generations with the help of new ways of communication such as the Internet and social networks.



- To enter both the mainstream and new type distribution channels by the quality / differentiation of the products and the efforts of employees. It also explores the global resources by extensive cooperation and partnerships.

According to the statistics of Euromonitor International in 2010, Haier had already surpassed Whirlpool in the year before and become the No.1 brand of white goods. However, as pointed out by Zhang Ruimin, “This does not mean at all that Haier has a discourse dominance like Apple. But such dominance, such leadership, is what we are looking for.” To realize this dominance and leadership, closely related to the awareness and quality of the brand, Haier is trying hard to do the following things – these are also their objectives in the US and West European markets:

- a more modern management model, that is to say, a management model that corresponds to the Internet age, also a 24/24 and 7/7 mode;
- to have a say in standard setting, instead of always following the standards of products set by established manufacturers (up to now, as a member of International Electrotechnical Commission, Haier has handed in 77 IEC standard proposals and 27 of them have been accepted);
- to lead the product trend in the market: the trend leader in the industry used to be Siemens in Europe, Whirlpool in the US, and Panasonic in Asia. Haier is endeavoring, but only a couple of products have succeeded, being copied by some European brands.

After this detailed examination of Haier’s marketing and sales strategies in the US and West European markets, we would like to have a look at Haier’s international human resources management.

First of all, similar to Huawei, Lenovo and Geely, Haier also has this “soul character” – the founder and CEO who has been active in the frontier since 1984, Mr. Zhang Ruimin, as we mentioned several times already. A relatively high-profile entrepreneur, Zhang has much explored in the integration of the essence of traditional Chinese culture and modern Western management thoughts, which has gained attention of Western academic and managerial fields. When Zhang himself is frequently listed among the most influential business leaders in Asia, the Haier case is also the object of research and study of business schools or academic bodies.

The HR management style of Haier is also the embodiment of this integration. As some other Chinese MNEs, Haier also has problems in Europe in terms of HR management. Most employees working for overseas Haier are locals, and they are supposed to meet two criteria: first, competitive in the industry, and second, recognize Haier's culture. Haier adopts different entry strategies in different countries according to the needs of the market. In some market, Haier is totally localized with almost all local employees, such as in the US – Haier US is not a branch, but a localized independent body, with the same status as US China in the framework of global Haier. While the Haier HQ is responsible for drawing the general strategic lines, the management of Haier US has the full freedom to decide its specific marketing and sales policies. Haier European branches on the other hand are less localized, with top management assigned from China. However, in 2010, 59-year-old French René Aubertin replaced his Chinese predecessor to become the President of Haier Europe. He also became the first foreigner in the board of the group. This marks the acceleration of localization in West Europe.

Localization of human resources brings the question of how to let employees accept Haier's culture and core values. What Haier does is: first, to fully communicate with local employees about such culture and core values; and second, to give them pressure by drawing specific objectives – if they fail to meet such objectives within the contractual term, they will be replaced by better ones. This deserves a lot of integration, which Zhang Ruimin himself puts on a lot of emphasis. According to Zhang, one of the key symbols that a company has become a true MNE is whether its culture has been accepted by foreigners, both employees and customers. Therefore, Haier tries to become rooted in overseas markets by “cultural integration”, the mutual integration of company culture and local culture, which will benefit the localization process of the company. Such integration is not one-way westernization but also a process of cultural transplant. In the process of internationalization, Haier has evolved several times the company slogan and the formulation of core values, but has always kept the essence of innovation and dedication – a form of cultural transplant. For instance, once Haier got a phone call from a customer living in the remote area of Pakistan, reporting a problem of the air-conditioner. After checking up, the service personnel found a broken key component, which had to be changed for normal function. Haier did not adopt a 24/24 service in Pakistan, and in similar cases, local staff would all choose to come back again the next day to change the component. Yet when the service personnel got to know that one of the kids of the family had a heatstroke, they immediately went back to the company for the component. It was near 2 o'clock in the morning when the air-conditioner was put back to use.

At last, we would also like to mention a few words on Haier's relationship with the domestic government and with governments of targeting markets. Due to the nature of the industry and of its products, up to now, Haier does not have major problems with the US government, or governments of European countries. On the contrary, as mentioned earlier, due to its localization policy, it has favorable relationship with American local governments, which appreciate its contribution in tax paying and employment. Of course, even before entering the US market, Haier had hired PR professionals and law firms to do the lobbying work, which helped clear the way of entry. It has lobbying activities in European countries as well.

In terms of its relationship with the Chinese government, there is again the phenomenon of mutual-benefiting. Haier began as a collective company under the old economic system of China - a collective company is, in essence, private, and definitely not state-owned, yet under the old economic system, China did not wish to call it private, and therefore coined this term "collective" to show that the property belongs to "part of the working people". "Collective" used to be widely used, especially in the rural areas, but after the reform and opening-up of the 1980, most collective companies undertook property transitions and Haier was one of them. When CEO Zhang Ruimin took hold of Haier in 1984, it was in debt of 1.47 million Yuan and near bankruptcy. Zhang managed a loan of 17 million Yuan, all from banks and always kept a good relationship with local and later on the central government. For instance, M&As in the form of allocation (in early 1990, the local government "allocated" three refrigerator, air-conditioner and freezer factories with unsatisfying performance to Haier), access to governmental subsidiaries and priority to bank loans. On the other hand, Haier was often used as a good model by local government, sometimes even counted as a model "state-owned" enterprise. That is why till recently there have still been people charging Haier of misappropriation of state assets, and Haier responds by publishing its ownership status, which is clearly private.

## Appendix 6: Field studies - the case of Geely

## Geely's pattern of internationalization

“Spatial” content	Temporal process
	<b>Infant MNE (1988-)</b>
<b>Ultimate intent</b>	Realize the goal of three 1/3s
<b>External context</b>	2008 financial crisis, saturation of domestic market, competition from state-owned manufacturers, globalization of world automobile industry, emergency of manufacturers from developing countries
<b>Internal profile</b>	<p>Founder and CEO Li Shufu</p> <p>Strong R&amp;D capability with big reservoir of specialized talents; strong production capability</p>
<b>Strategic choice</b>	<p>Exportation; developing countries before more advanced countries</p> <p>Total transformation of image and strategies: no longer Geely the cheapest</p> <p>M&amp;A as first step into developed countries: DSI of Australia, Volvo of Sweden, Manganese Bronze of UK, Emerald Automotive of UK; Geely UK + looking for agents in Italy; safety and environment</p> <p>Mass attack to the US and Europe planned in the next 5 years, starting with joint-models with Volvo</p>
<b>Market effect</b>	No.1 private automobile manufacturer in China

	Growing exportation + factories + distribution in developing countries including Middle East, Egypt, Syria, Brazil...
<b>Communications</b>	Auto shows worldwide  Evolution of branding strategies in accordance with company positioning: back to the unified Geely brand
<b>Institutional elements</b>	Little support, even being suppressed as private company → the process of negotiation, communication, PR and more with governments of different levels → more and more support, mutual benefits
<b>HR management</b>	Culture integration with a research center  No major change of personnel after M&A  Communication and respect (dialogue committee), but performance and result make the final decision

Geely's activities are relatively limited in developed countries, therefore we still characterize it as in the infant phase of internationalization. Generally speaking, Geely's main activities overseas are exportation, with a quantity of more than 100,000 vehicles from 2007 to 2010. Up to now, it has over 400 distribution and service outlets overseas, including about 40 4S stores, located in more than 50 countries and regions, including Russia, Ukraine, Cuba, Turkey, Syria and Egypt. Geely's global strategy in nutshell is to first enter the markets of developing countries and to gain considerable market shares, before considering the possibility of truly breaking into the US and West European markets.

In China as well as in other developing countries, Geely had first adopted the traditional price strategy, that is to say, to seize the market by low price, "Geely is always the cheapest". It is since 2007 that Geely had begun the strategic transformation and introduced the new mission: "Quality, technology and service as three

pillars, Geely builds the safest, the most environmental-friendly and the most energy-efficient vehicles. Let Geely vehicles be all over the world!” In accordance with the new mission, the whole marketing and sales strategies have been evolving.

Therefore, as its first step into the markets of developed countries, Geely commenced a full-fledged M&A war similar to Lenovo. The following are its three major battles and an intentional one:

- March 2009, Geely acquired the world’s second largest automatic transmission company, DSI of Australia, 100% holding, which has been hailed as the most successful acquisition of the automobile industry during the financial crisis. Such acquisition changed the business model of DSI: with Geely as its perpetual partner that accounts for at least 60% of the sales of its products, DSI is no longer a transmission company independent from the manufacturer of the main engine. The result is: five months after the acquisition, DSI moved from deficiency to profitability. Many Chinese automobile companies are also interested in its complete product line, therefore it has a bright future in the Chinese market. To Geely, this acquisition broadened its product line of automatic transmission. The automatic transmission industry had almost been a blank, but after the acquisition, the production of most DSI spares would be localized in China and it would be a push to the whole industry. Now Geely has already launched three DSI transmission factories in China, using Australian technology in the Chinese market and leading to the development of the transmission industry and related ones.
- August 2010, Geely and Ford (US) officially signed to handover one of the world luxury vehicle brands Volvo. The former realized a 100% control of Volvo Cars, acquiring assets such as the proprietary of the Volvo brand, 10 sustainable products and platforms of these products, 4 vehicle plants, an engine company, three spare companies, R&D systems with 3,800 personnel, more than 2,000 distribution channels in more than 100 countries, the service system and more than 10,000 patents and proprietary intellectual property. With this acquisition, Geely established its international-strategy-oriented marketing system and the international plan of the next five years. Besides tangible assets, Geely imported the four leading technologies of Volvo: safety, health, emission control and autopilot. Comments say that the M&A has not only brought about the technological cooperation and sharing of Geely and Volvo, but also, Volvo’s advanced commercial

and vehicular cultural have enhanced the whole automobile industry of China, better preparing it for the technological tendency of the future. After the acquisition, Volvo has been trying to localize in China, planning two factories in China, currently under environmental evaluations. According to Peter Mertens, VP R&D of Volvo, Geely and Volvo are also planning to have third-party partners on the co-development of vehicles spares and systems (Shi, 2013). Two years after the acquisition, Geely set up in February 2012 in Stockholm Sweden a new European R&D Center, for the benefits of both Volvo and Geely. Former R&D Director of Saab was appointed CEO of this Center. Due to various legal protections, Geely cannot get immediate technological benefits from Volvo. Thus the solution is to find fusion point while keeping independent. The focus of this R&D center, at the moment, will be environment-friendly models, safety and new energies.

- February 2013, Geely went on to announce a 100% acquisition of Manganese Bronze of UK with a price of 11.04 million pounds. As early as 2006, Geely acquired 20% of Manganese Bronze's stakes and the two companies launched a joint-venture in China. This time Geely became the new owner of this old British cab manufacture and the acquisition was realized by Geely's British subsidiary Geely UK. Assets acquired included plants, equipments, real estate, all intangible assets (intellectual property rights, brands and trademarks, goodwill, etc.), the 48% shares owned by Manganese Bronze of the joint-venture in China and stock vehicles. Geely would not extract any cash on Manganese Bronze's account nor assume any of its debts. The Black Cab produced by Manganese Bronze has always been a symbol of London – the reunited group of Spice Girls sang on the top of five Manganese Bronze Black Cabs at the closing ceremony of 2012 London Olympic Games. But only two months after that, Manganese Bronze announced bankruptcy. In 2012 it had a ridiculous production capacity of 4 cabs per week, plus many problems worldwide. What Geely valued was its world-wide reputation, the main motivation of this acquisition. Now with full ownership, Geely is ready to change the strategies of this company. The CEO Li Shufu calls it “cab service solutions”, because “what appears to be a car” is actually “a whole service system”. Therefore after the acquisition, Geely plans not to sell individual cabs, but a complete operation and service system borrowed from London. According to Li, taxis are an important component of the city and should be viewed as an integral part. What he got after the merger, is also London's experience on taxi management, which could bring great business opportunities in China as well. (Shi, 2013)

- According to latest news, Geely announced its intention of completing the acquisition of the British electric vehicle manufacturer Emerald Automotive within the year 2014. Details including the price of the deal have not yet been disclosed. The two parties have already signed intentional contracts in London, and Geely is currently under the process of loan application. The spokesman of Geely says the aim of the M&A is to help Geely improve its capacity of producing “next-generation” vehicles, including “next-generation” taxis.

In parallel with these three major M&As, Geely Group itself has taken the first steps to enter the West European market by building a physical presence in this area. The first two landing places chosen are UK and Italy: Geely set up in Coventry UK a fully-controlled distribution subsidiary Geely UK, while in Italy, it is actively looking for distributing agents. Geely has been playing the safety card in West European market. It reinforced the point by passing Euro NCAP (the European New Car Assessment Program)’s series of crash tests. Its EC7 model got the score of 4 stars, which is the best score ever of Chinese vehicles (the record was 2 stars before EC7). Passing similar tests is part of Geely’s preparation to enter the US and European markets, and the EC7 with 4 stars has become Geely’s first oversea expedition model: in 2010, 100 EC7s were sailed to Middle East, Egypt and Syria, as the first show into the overseas market. Later in the same year, EC7 entered the Turkey market and in 2011, the Chilly market. At the end of 2012, EC7 was granted the sales permission in the European Union. Geely is planning to break the UK market with this model.

The EC7 will be priced from 10,000 pounds (11,700 euros) and initially will be offered with a 1,5 litre or 1,8 litre petrol engine and a five year, 100,000 mile (170,000 kilometers) warranty. Geely Auto UK Marketing Manager Maria Holmes said the company aims to sell 1,000 units of the EC7 in 2014, the first full year of sales. Volume will increase in the mid- and long-term as new models go on sale, she said. Geely plans to introduce at least one new model in the UK every year for the next four to five years. Geely is also looking at launching sales in other European markets but the plan is to become established first in the UK with the help of Manganese Bronze Holdings. It had plans to recruit 30 to 40 dealers in the UK for the brand’s launch. Geely is also considering opening car assembly plant in Belarus to assemble the vehicles to be sold in West Europe. (Brownsell, 2011)



Another card Geely has been playing in Europe is, similar to Lenovo, “green”. Manganese Bronze is good at building concepts, but not so good at energy-saving. That’s why since 2008 its Black Cabs had faced severe competition from Mercedes Benz, which is both cheaper and fuel efficient. Mercedes Benz got a market share of 38% after 4 short years. Geely’s plan is to make Manganese Bronze vehicles turn green, reducing the weight, reducing fuel consumption, to meet the environmental standards of EU.

Up to now, Geely’s emphasis is still on developing countries, including other BRICS countries such as Brazil. The mass attack to the US and European markets will be waged in five years. For instance, Geely has the plan to start exporting cars that it develops with the Swedish brand Volvo to the United States in about 2018. Before that Geely had a failed attempt into the US market due to a lack in consumer recognition and confidence. It first took part in the Detroit auto show in 2006. According to Ye, Geely’s first deliveries in US and Europe will be banking on those jointly developed models with Volvo. Of course, at the same time, the joint models may give Geely an advantage in its home market as well, given the huge potential demand, where competition is no less fierce than the international market – according to the National Development and Reform Commission, automakers in China have a planned capacity to make 40 million vehicles by 2015, outstripping the projected domestic demand of about 27 million,. Geely targets to have as much as 60% of its sales coming from overseas by 2018.

Next we will have a quick look at Geely’s management and communication strategies after its various M&As with Western established brands. In terms of the international management, Geely believes a global company culture is the prerequisite of a global company. All MNEs face the same challenge of international management, only those that manage to establish a global company culture, a culture that crosses country borders, beliefs, languages and skin colors, with the ultimate goal of commercial success, could have initiatives in the development over the world. Therefore it is a must for MNEs to respect the features and characters of foreign stakeholders (employees, partners, branches...) What Geely does is to set up a research center of MNE culture, dedicating to the promotion of cultural integration among different MNEs.

In both cases of Volve and DSI Australia, Geely had encountered resistance from the union or from local employees during the M&A negotiations. DSI local employees even staged a sit-in to express their distrust that a Chinese (not so big) company could well bring them out of the mess in this financial crisis. Yet after

one year of acquisition, the small village where DSI is located began to have a Geely Day. “The best answer to distrust is a better performance of the company, which brings hope to local employees, and to the whole village, where most villagers’ work is sort of related to this company.” Similarly, Volvo’s performance has greatly progressed after the handover to Geely – in 2013, it realized a 23% increase in sales revenues. It is also said that Li Shufu had learned to speak “I love you” in Swedish before he went to negotiate face-to-face with Volvo union members.

Communication and respect is the key to a smooth management. A special Volvo-Geely dialogue committee was established under the Geely Board, with Li Shufu himself as the president of the Committee. The main responsibility of the committee is to launch extensive exchanges in such areas as automobile industry and related industries, development of new products and related technologies, marketing and sales, training and HR management. Communication and respect often lead to trust and in consequence, independence and localization. Volvo, DSI or Manganese Bronze, their management does not change much after the M&A. Normally, Geely draws up the big-picture planning, one or two Chinese employees are sent to the management team of the local company, and that’s all. Everyday decisions are, as usual, made by local management team. One example is Geely’s decision whether to keep the sponsorship of Volvo Ocean Race ([www.volvooceanrace.com](http://www.volvooceanrace.com)). The passion from Volvo Board members to this race used to greatly perplex CEO Li Shufu, who expressed his feeling frankly, “This race not only costs Geely several billion yuan, but has no influence at all in China. It’s like a frugal boy who suddenly has a shopping-maniac girlfriend. This sponsorship hurt my heart.” From the financial point of view, Honda, Toyota and BMW took the pain to withdraw from the F1 races successively due to unsatisfactory performance after the financial crisis; should Volvo, also affected by the crisis, give up the Ocean Race too? Yet believing the Race’s irreplaceable influence on Volvo’s brand image in Europe, Board members insisted on keeping it, and it was Li Shufu who gave up. During differences and discussions, Li Shufu did not find it difficult to give up, due to his respect for local employees’ knowledge of the local market. Yet it is always the result that has the final say. For instance, former CEO of Volvo Stefan Jacoby had major differences with Li Shufu concerning the models to be developed, as well as sales and expansion plans. Li did not force Jacoby to accept his own opinions, but when Jacoby failed to lead Volvo onto the road of profitability, Li immediately replaced him with Håkan Samuelsson.

There has also been evolution of Geely's branding strategies. Before massive internationalization, Geely had had two major brands of Geely and Maple. In 2008, both for the Chinese and overseas markets, Geely re-planned its brand system into three brands of Gleagle, Emgrand and Englon, abandoning the use of Geely – the reason: “Geely is the cheapest”, such image was too much into the heart of customers and Geely as a brand would not help to change the “low price, bad quality” image. Yet after five years, when Geely was no longer a low-end car in customers' eye, the company returned, in 2013, to “one Geely” policy, that is to say, all of the three brands, Global Hawk, Imperial and Englon would be product brands, but all under the same company mother brand Geely. Geely and Volvo, as brands, will remain separate, while Volvo continues targeting the luxurious market, and Geely the popular market. The plan is to have a mother brand (Geely) on the same standard as General Motors, Volkswagen and Toyota in the next five years (2018).

Similar to Huawei, Lenovo and Haier, Geely has this legendary founder and CEO Li Shufu, who “squeezed into the absolutely professional field of automobile making with a complete unprofessional attitude and then broke all rules of the game in a somewhat deviant way”. Compared with the founders of Huawei, Lenovo and Haier, Li came from a much more moderate background with less education. He started his own business in his teens, selling all kinds of products before settling on the automobile business. He began to sell motorbikes and automobiles in 1994, while he only got the license to sell in 2001 – strictly speaking, seven years of illegal sales! In 1998, Li put forward the slogan of “we sell cars people can afford” and “Geely always the cheapest” when automobiles were still a luxury that could not easily afford by ordinary customers. As mentioned in earlier sections, in 2007, Geely entered the stage of strategic transformation, by renewing the slogan as “build safest, most environment-friendly and most energy-efficient cars”, with an emphasis on the development of midrange models.

Partly due to Li's background and the company's 100% private beginning (not like Lenovo that started as a spin-off of China Academy of Science, or Haier as a collective company), Geely enjoyed little (if any) governmental support nor any financial and taxation preferential policies usually enjoyed by joint-ventures. It was even ridiculed or suppressed by companies in the same industry. Li knew only too well how important to get along with the government as a private company, therefore he went out of his way to build a favorable relationship. In an industry with high entry barriers, the process of development of Geely is also the process of negotiation, communication, PR and maybe more with governments of different levels. Such process

resulted in Geely's remarkable capability of government operations. As the company grew bigger and caught the eye of the government, it began to get more and more support. For instance, since 2010, with a solid governmental relation, Geely has been able to get more understanding and support in regards of financing channels, even the State has been more cautious about the expansion of automobile industry. The merger of Volvo, an action of "a snake swallowing an elephant", obviously got considerable support from Chinese banks, local governments and even departments of the central government. After the M&A, Geely even became the "official car" for governmental events such as the Two Sessions (Chinese People's Congress and Consultative Conference).

As a conclusion of Geely's strategy in general, we can put it like this: low-end market before middle-range one; domestic market before international one; developing countries before the US and West Europe; and during the process, a rapid accumulation of R&D capacities and investments, with the aim of formulating core competitiveness, and the ultimate goal is three 1/3: 1/3 of the products manufactured in China and for the Chinese market, 1/3 of the products manufactured in China and for overseas market, and 1/3 of the products manufactured overseas for the global market. And in terms of R&D capacities, Geely not only has a strong reservoir of high-end talents, but also forms the characteristic of running schools: it has invested several hundred million Yuan in setting up colleges such as Beijing Geely College, Zhejiang Automotive Vocational and Technical College and Zhejiang Automotive Engineering School, training specialized expertise for the industry.

Appendix 7: Evolution of institutional conditions in China for Chinese MNEs

Phase	Time Period	Transitional Environment		
		Policy	Transition	Institutional Situations
1	End of 1970s to 1984	"Four modernizations" at Third Plenum of Chinese Communist Party's 11th Central Committee	Introduction of market-oriented policy	Uncertainty (such as resource-allocation-disruption) due to the lack of market information
2	1985 to end of 1980s	TVEs (Township and Village Enterprises)		Balance of supply and demand manifested in adjustment of relative prices
3	3.1: End of 1980s	FDI policy. Discrimination against domestic private firms	Permission for individual businesses with fewer than eight employees to enter urban areas	Indicated by macro-economic stabilization (such as reduced inflation, resumption of economic growth, reduced uncertainty, and increased incentives for Schumpeterian entrepreneurs). This stage lasted for a dozen years till end 1990s, as the price mechanism was established to convey market information on supply and demand.
	3.2: 1988-1991	Private sector permitted by tentative stipulations on private enterprises	For the first time, private enterprises were permitted to co-exist and develop with SOEs within the limits prescribed by law	
	3.3: 1992-1996	Deng's South Touring Talk: try to get rich quickly through entrepreneurship. 14th Party Congress in September 1992 - "socialist market economy".	Turning large SOEs into independently run companies. Selling of smaller ones. Changing policies on foreign exchanges, taxes, monetary system, financial system. Streamlining of government bureaucracy.	
3.4: 1997-2008	15th Party Congress: Second Plenary of Ninth People's Congress	Private ownership stated as important component of the national economy. Legal footing of private sector was approved. Innovation fund for technological SMEs, high-tech zones, science parks and technology-business incubators.		

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**Titre : Extension ou nouvelle théorie de l'internationalisation?  
Une analyse des stratégies marketing de quatre entreprises multinationales chinoises en Europe.**

**Résumé**

*Aujourd'hui les chercheurs du commerce international ne peuvent pas négliger la croissance significative et soutenue de l'investissement direct étranger (IDE), à la fois entrant et sortant, réalisé par des pays en voie de développement. Parmi ces pays, la Chine est en position de leader, en démontrant un fort élan en tant que récepteur d'IDE et investisseur, pas seulement dans des pays en voie de développement, mais aussi dans des pays développés. Les principaux acteurs derrière cette scène sont des entreprises multinationales (EMN) chinoises. Etant des retardataires en terme de l'internationalisation, des EMN chinoises sont en train de concurrencer leurs compétiteurs plus établis, des EMN pionnières, dans le monde entier, y compris dans leurs marchés domestiques. Les études existantes sur l'internationalisation de la Chine ne peuvent pas refléter la grandeur et la profondeur du processus d'internationalisation de l'empire au milieu. Spécifiquement, des EMN chinoises démontrent des particularités bien distinctes qui méritent des études plus poussées et focalisées. A cet égard, la question souvent posée est si le processus d'internationalisation des EMN chinoises peut être expliqué par les théories classiques dérivées des EMN pionnières, ou par les analyses effectuées dans les littératures sur des EMN retardataires. Dans cette thèse, nous répondons cette question en menant une étude sur les stratégies de Marketing des quatre EMN chinoises majeures s'internationalisant dans des marchés développés, notamment l'Europe de l'ouest : Huawei, Haier, Lenovo et Geely, qui sont tous déjà leaders dans le marché domestique. En juxtaposant des propositions dérivées des stratégies des EMN chinoises avec les théories d'internationalisation existantes (les théories classiques et alternatives), nous démontrons l'évolution et l'adaptation de ces théories dans le nouveau contexte de la globalisation, qui constitue aussi à une contribution managériale à la fois aux EMN retardataires et aux EMN pionnières.*

*Descripteurs : investissement direct à l'étranger, entreprises multinationales, internationalisation, marketing international, économies émergentes, EMN chinois, avantages nationaux, management interculturel*



***Title: Theoretical extensions or path-breaking new theories of internationalization? An analysis of the Marketing Management strategies of four Chinese multinational enterprises in Europe: Late bird catches the worm (too)***

***Abstract***

*Nowadays researchers of International Business could not possibly fail to notice the phenomenon that the FDI (Foreign Direct Investment) inflows and outflows of the world's developing countries keep increasing at a steady pace, and within this group, China continues to take the lead, showing great momentum both as a recipient of foreign investments and as an investor itself, not only in fellow developing countries, but in developed ones as well. And the main player and driver behind the scene is the country's MNEs (Multinational Enterprises) - latecomers in terms of internationalization, Chinese MNEs are competing their more established competitors, the MNE early-movers, all over the world, including in the home markets of the latter. Existing studies on China's internationalization fail to reflect its scale and depth; Chinese MNEs as well as the social-economical situation of the country as a whole demonstrate distinct features, which deserve more-focused and case-specific studies. While questions often linger on whether the internationalization process of Chinese MNEs can be explained in terms of mainstream theories derived from early-movers, or in terms of the analyses that have so far been offered for latecomers, we decide to make a contribution to the solution of the question by having a focused examination on the Marketing strategies of four major Chinese MNEs internationalizing into developed country markets, notably West Europe: Huawei, Haier, Lenovo and Geely - all of which are already leaders in the domestic market and actively seeking a global leadership. By juxtaposing propositions derived from the strategic behaviors of Chinese MNEs with existing internationalization theories (both mainstream and alternative), we demonstrate how such theories could evolve in the new context of globalization, and make managerial contributions to both MNE latecomers and early-movers alike.*

*Keywords: Foreign Direct Investment, multinational enterprises, internationalization, international marketing, emerging economies, Chinese MNEs, national advantages, cross-cultural management*