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## 6 Chinese outward foreign direct investment

### Strategies for international development

*Bruno Amann, Jacques Jaussaud  
and Zhang Boqi*

#### Introduction

Cross-border investment is considered one of the most important strategies for multinational companies (MNCs) to penetrate new markets. Foreign Direct Investment (FDI) offers companies various advantages such as overcoming trade barriers, getting access to resources at reduced cost, enhancing R&D capabilities, benefiting from low corporate tax, etc. On a macro level, FDI is an important issue as far as economic development is concerned. Most countries try to attract FDI, as it may bring technology, capital, competences in management (Cheng and Kwan, 2000), job creation, and productivity gains into the host country (Meunier, 2012).

Along with their increasing involvement in global competition, Chinese MNCs have begun to expand their presence overseas, especially since the mid-1990s (Di Minin et al., 2012), becoming key global players in many industries. Chinese globalization owes much to the ‘going global’ (or ‘go out’) strategy promoted by the Chinese governments since 1999, which encourages Chinese science-and-technology-intensive companies, particularly the successful ones, to globalize for both technology upgrading and brand building (OECD, 2008). By the end of 2015, the stock of China’s outward direct investment surpassed US\$ 1 trillion for the first time (Mofcom, 2016).<sup>1</sup> At the same time, China’s outward foreign direct investments (OFDI) and Chinese MNCs are attracting increasing attention among international business (IB) scholars (Child and Rodrigues, 2005; Quer et al., 2015).

The authors collected various data about the enterprises from a large number of major national and international economic news organizations: French sources (Le Monde, Le Figaro, La Tribune, Libération, Les Echos, Le Parisien), Anglo-Saxon ones (PrivCo, Deutsche Welle, the Wall Street Journal, Reuters, Financial Times, Global Atlanta), and Chinese ones (Sina financial, Phoenix Finance, Dealglobe, Baidu Baijia, CNKI database, Wanfang Data, Cqvip Data). We completed the collected information by additional data drawn from the official sites of the different companies involved. This database helped us to better identify the strategies employed by a range of emerging Chinese MNCs during the last two decades. Finally, 12 particular Chinese MNCs have been researched for this chapter, due to the sufficiency and reliability of available information in respect of the companies

The study analyses the 12 Chinese enterprises and their internationalization processes. We investigate whether their internationalization behaviours conform to existing theoretical frameworks, namely the Uppsala stage model (Johanson and Vahlne, 1977, 2009), the Eclectic Paradigm (Dunning, 2001, 2006), the Linkage Leverage Learning (LLL) model (Mathews, 2006), and the ‘Born Global’ model (McDougall et al., 1994; Cavusgil and Knight, 2015) to mention the main ones, and the study will underline some particularities revealed by this research. These case analyses are divided into two parts: the first part is devoted to a range of companies that are well known and that have been broadly addressed in the management literature; the second part will cover less well known companies that we chose to underline the diversity of international strategies adopted by Chinese enterprises.

### **Well known cases from the international literature**

Many Chinese cases have attracted the attention of scholars in international business. As will be seen, most of the cases were to some extent representative of one or the other of the existing theories such as Porter’s international theories (Porter, 1990), the Uppsala stage model (Johanson and Vahlne, 1977, 2009), the Eclectic paradigm (Dunning, 2001, 2006), and so on. However, each of these enterprises had their own particular developmental path, which we will identify in this section.

#### ***Huawei – a Chinese telecommunications giant***

Huawei is a private company founded in 1988 in Shenzhen that majored in telecommunication technology, product development, research and sales. By 2013, it had 146,000 employees and had generated income of RMB 204 billion in 2011.<sup>2</sup> In 1988, in the context of the expansion of the switch sector in Shenzhen, Ren Zhengfei, founder and President of Huawei, was chosen as a technical engineer to build Huawei’s own proprietary technology.

Since 1998, more and more international companies have arrived in China such as Ericsson, Nokia and Motorola. They were soon key players, especially in the high-end telecommunications sector. Huawei had no choice but to adopt an internationalization strategy and focused more on markets rather neglected by international giants such as those in Central and Eastern Europe, Africa, and South and East Asia where there were a lot of opportunities and low entry barriers. Generally speaking, Huawei started to enter emerging markets which are more price than quality sensitive. Then, in 1999, Huawei focused on the European market, and in 2005 Huawei became an official supplier of BT (Britain Telecom). By then, Huawei had been largely accepted by mainstream communication operators as a reliable provider of services.

Back in 1996, Huawei made its first internationalization intervention by providing services to Hutchison Telecoms in Hong Kong. Then, Huawei entered the Russian market by founding an equity joint venture (JV) with 2 local partners

in 1997 (Wu and Zhao, 2007). Subsequently, Huawei entered the other East and South European countries. In 1999, Huawei founded a research centre in India, where the same approach as in some Asian countries prevails. It entered Africa in 2000 (Wu and Zhao, 2007), a region with abundant natural resources and cheap labor. The African local governments provided various incentive policies to attract foreign investors as well. Huawei entered the African market with a price advantage of 20–30% over its other competitors (Peng, 2013).

Thus, up to now, Huawei has achieved US\$ 22 billion of sales overseas, has created nine regional sections, 99 representative offices and technical/sales centres, and has provided services to up to 300 telecommunication operators. It is now the second largest telecommunications equipment provider in the world. However, due to the price competition strategy adopted by Huawei, and the negative image associated with Chinese products in terms of quality, Huawei has suffered setbacks against its competitors in international markets. Indeed, in technology-intensive sectors, the development of companies depends on their technological advances. Thus, Huawei founded a research centre in Stockholm (Huawei, 2013) in 2000 and various research centres in the US, notably the Silicon Valley one in 2001 (Larçon, 2008).

In 2001, Huawei entered the European market (firstly in Germany) with their 10GSDH which is an optical network product (Xiao and Liu, 2015). Then in 2003, it signed a contract with LDCOM (a French telecommunications group) to build a national network.

Looking back on their internationalization process, Huawei had to adopt at first a low price strategy, starting with low-end products and gradually entered the mainstream market. In addition, Huawei also adopted a self-brand building strategy, while upgrading their technological capabilities and complemented this by taking advantage of the brand reputation of their partners.

With the strength they had exploited and developed through internalization, Huawei expanded their presence in the domestic market and enforced their local capabilities soon afterwards. In 2002, Huawei and 3COM created a JV (H3C) in Hangzhou (Zhu, 2008) and founded another JV (49% ownership), TD Tech, with Siemens in Beijing in 2004 (Deutsche Welle, 2004). In 2006, Huawei sold 49% of H3C's shares for US\$ 8.8 billion, and then created a research centre with Motorola in Shanghai (Huawei, 2006). Then Huawei founded a JV (51%) with Symantec in Chengdu (Symantec, 2008), and another one with Global Marine, Huawei Submarine Networks, in Tianjin in 2007 (Huawei, 2007b). In the same year, Huawei attained a global turnover of US\$ 16 billion of which 72% came from the international market (Huawei, 2007a), compared to US\$ 0.55 billion in 2002.

In 2011, Huawei acquired the whole share capital of Huawei Symantec by buying the remaining 49% (US\$ 530 million) of shares from Symantec (Symantec, 2011). Despite establishing research centres and entering ventures with its partners, technological purchasing is also treated as a complementary method to gain access to certain technologies (Benoit, 2012).

As a high-end technology company, Huawei needs to attain economies of scale in order to cover its high R&D costs. This has been done through the

internationalization process. In addition, as China is a developing country, it provides Huawei with a precedent in how to exploit foreign markets with similar levels of development to the one of its home country (Johanson and Vahlne, 2006). In terms of entry mode, Huawei has adopted a step-by-step internationalization process that started in Hong Kong and Russia, then moved to South America, East and South Asia, the Middle-east, Africa and finally Europe and the US.

Huawei's internationalization process is in line with classical international strategy: (1) Huawei had a cost advantage in the beginning, as do other Chinese companies. In order to take advantage of this strength, and to internalize it (Dunning, 2001, 2006), Huawei's investment mode was principally a greenfield mode; (2) Huawei has internationalized step-by-step (Johanson and Vahlne, 1977, 2009), and has developed a competitive advantage in terms of services and technological capabilities (in 2009, Huawei delivered its first LTE commercial telecommunications network to Telecom Italia); (3) With its own brand, Huawei has also succeeded in operating in developed markets: by the end of 2010, 45 out of the first 50 of the world's largest telecommunications operators are customers of Huawei.

However, while Huawei was successful in developing countries it was less successful in developed countries. Huawei's business activities depend too much on emerging markets with unstable institutional environments, which impacts on the sustainable development of the company. Finally, up to now, the lack of experience in developed markets and the high cost of acquiring that experience are the main obstacles to Huawei completing their internationalization process and going up the value chain (Porter, 2001).

Huawei's internationalization process fits principally with the Uppsala stage model process (Johanson and Vahlne, 2015). According to the Uppsala stage model process, the internationalization of a firm begins from the export mode to initialize their sales network and then goes on and builds strategic alliances (Dunning, 2015) with local partners for technological acquisitions, and is completed by the accumulation of resources and assets, including advanced managerial capabilities and international brands, especially the ability to coordinate and integrate resources efficiently. Finally, the firm will engage in FDI abroad to develop independent production, research and commercial facilities. In particular, Huawei attaches great importance to the development of research capabilities and has it as one of the main purposes of internationalization (Fu and Gong, 2011).

Similar to Huawei, ZTE is another Chinese manufacturer in the field of telecommunications, whose case we will review as follows.

### ***ZTE – another giant in telecommunications – a state- owned entity***

Founded in 1985, ZTE, a 'mixed-owned' enterprise (Milhaupt and Zheng, 2014),<sup>3</sup> is currently one of the largest listed companies in the telecommunications devices sector. Mixed-owned firms are partially privatized former state-owned firms under the reforms launched in 2006 by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

Like other Chinese international companies, ZTE has a competitive advantage in price, but is weak in technological endowment and brand leverage. With the support of its domestic market, ZTE can offer lower prices in foreign markets compared to other suppliers. However, in order to be able to compete with other international competitors, ZTE is oriented to improve its technical capabilities as a primary step.

In order to do so, ZTE has founded research centres around the world (New Jersey, Santiago, Silicon Valley – ZTE, 2015) which aim to: (1) collect, track and deploy the foremost technology of the sector, which are considered as sources of innovation; (2) recruit local technological talents and make full use of local universities and their infrastructure to enlarge ZTE innovative capabilities; (3) source from advanced local research information to support their headquarters; (4) acquire through these research centres knowledge about the characteristics of local consumers' needs for the improvement of ZTE products and to prepare to enter foreign markets (Liu et al., 2010)

In addition to the creation of research centres, ZTE has also established jointly broad partnerships with several global operators in different countries (France, Spain, UK, Italy, South Africa, Brazil etc.). They founded research alliances with telecommunications devices suppliers around the world (e.g. Alcatel-Lucent, Maija Pesola and Dickie, 2005) and participated in various technological federations. They also created partnerships with universities and set up research agencies in host countries (e.g. Dresden University of Technology in 2010, ZTE, 2011).

In 2005, ZTE signed an agreement with Alcatel-Lucent for an OEM (Original Equipment Manufacturer) partnership, including technology-sharing in CDMA (ZTE, 2005). At the same time, ZTE also signed an agreement with Ericsson to cooperate in TD-SCDMA for China (ZTE, 2006). Such types of partnership were also launched with Cisco in the Asia Pacific region, Intel (Intel, 2005), Microsoft (Meisner, 2013), etc.

With such rapid progress made during this period, the number of ZTE's patent applications has ranked first in the world. ZTE's sales reached RMB 86.25 billion in 2011, in which international sales dominated with RMB 46.76 billion of the total (ZTE USA, 2012).

In 2015, ZTE increased its annual revenue up to RMB 100 billion, including selling 15 million mobiles devices in the US with a market share of 7.6%, as well as being ranked 4th in the market (ZTE, 2016).

ZTE also allocates more than 10% of their sales every year to R&D. They have 26,000 employees in the field of research, being 37.5% of the total (70,000 employees), in 19 research centres located in China, America, Sweden, France, etc.<sup>4</sup>

Going from an OEM service provider to a manufacturer with its own brand, ZTE succeeded in taking a significant market share in the US among the other international competitors. They initiated or participated in the elaboration of many sectoral and national norms. ZTE are involved in the next generation communications technological research in which they are the main contributor.<sup>5</sup>

Compared to Huawei's internationalization path, ZTE has a controlling owner which is the Chinese government, so their international achievements were not as good as Huawei's. However, ZTE could still make maximum use of national resources for their technological upgrading (and also resources from foreign countries). In the same way, ZTE's entry mode into international markets is dominated by the establishment of research centres: we found little about M&A or JV projects undertaken. In this regard, ZTE's internationalization approach seems to be more dependent on others than Huawei's to some extent.

In our opinion, ZTE's internationalization process could be partially explained by the OLI paradigm and the Uppsala stage model (Gaur and Kumar, 2010), as the ownership advantages in terms of financial capacity and in price helped them to tap into the overseas markets (locational advantage) by OEM means and then to upgrade and improve their technical capabilities (internalization advantage) through the establishment of several research centres internationally. In the OLI paradigm, firms enter overseas markets to exploit their competitive advantage which is not available to their foreign competitors. Through international markets, firms start to accumulate experience and expand their international activities to reduce their transaction costs and environmental risks abroad by the internalization process (Dunning, 1981, 1988). However, in the case of ZTE, domestic market support is evidently a source of its internationalization process. At the same time, the foreign acquired strategic assets also supported the domestic market. The continuing implications of the inside-out and outside-in (Welch and Luostarinen, 1993) internationalization process may be highly relevant to ZTE's international strategy (Prange, 2012; Prange and Bruyaka, 2016).

If Huawei and ZTE do not compete effectively at an international level, they need to catch up with developed economies' companies in the telecommunications sector. The following case study of Hai'er may be an example of a company that can compete in the global economy.

### ***Hai'er – a global player in the household appliances industry***

In the late 1990s, Hai'er, a private company, entered the international market when China was in the process of becoming a member of the World Trade Organization – WTO (H. Liu and Li, 2002). At that time, many other Chinese enterprises went abroad with the support of the 'going global policy' of Chinese authorities, turned back to China when they encountered difficulties on the international markets (Lu et al., 刘再起, 2014, in Chinese). During this period, Hai'er exported their products in the Middle East and in South-Asia markets under their own brand and in 1996, the first foreign factory was built as a joint-venture in Indonesia (Larçon, 2008).

The motivation for internationalization of Hai'er is not just to generate foreign reserves but also to build a brand. With such a vision, Hai'er has located their facilities in developed economies for brand building purposes (Meunier et al., 2014; Salidjanova, 2011) with a cost competitive advantage and then in developing regions for generating some externality effects (Richet, 2013). So Haier was

partially an OEM provider in the early 1990s (Yi and Ye, 2003) but then they employed their own brand all along their internationalization process. Like the CEO of Hai'er said one day: 'Difficulties at first, good times after'.

Hai'er undertook to enter in the USA with only a cost advantage in 1999 while a number of US companies entered China using their ultimate technological advances to compete with domestic firms. However, Hai'er succeeded in introducing their products in a niche market in the US and then entered mainstream markets to compete with local firms.

Since 2005, after having acquired geographical configuration on a world scale, Hai'er adopted a strategy of global brand building for the localization of the conception, production, and marketing of their products in each country or region, which was quite different from other Chinese companies which were led by the OEM mode. This strategy helped Hai'er to achieve market shares in different countries with different local customer needs according to their culture and consumption characteristics. Customer loyalty towards the Hai'er brand was also reinforced.

Eventually, Hai'er started officially to internationalize their activity in the global economy and to compete in a relatively direct way with companies from developed countries in this sector such as Siemens, Samsung, General Electric, etc. In 2012, Hai'er acquired a part of the Sanyo Electric's business in Japan and South East Asia which resulted in a successful trans-cultural integration. Then Hai'er undertook an M&A project with Fisher & Paykel, a New Zealand high-end home appliances brand. Finally, the ongoing project with GE for the integration of its home appliances business was developed. All these projects with foreign partners led Hai'er to improve their capabilities in marketing, product development and production, etc. They especially helped in building Hai'er's core competencies in R&D and innovation which could enable Hai'er to be a global player in the international market according to the chairman, ZHANG Ruimin.<sup>6</sup>

The Hai'er group is the fourth biggest household appliances manufacturer in the world with 50 thousand employees in 30 countries dispersed in 240 entities and with a turnover of 100 billion yuan per year. Hai'er was considered to be the most valuable brand in China in 2008.

Hai'er started to sell abroad in 1992 with the installation of sales entities in foreign countries and then set their design and production facilities for the customization processing of their products in different regions. Formalized in 1998, the internationalization process of Hai'er was accomplished by 2005 and then the process of brand globalization started in 2006. The principal idea at that time was to customize their brand according to the needs of different countries. These steps were all comprised in the previously programmed Hai'er strategy which are respectively, the 'go out' for being in international markets, 'go inside' for joining and adapting in the network of the overseas markets, and 'go up' for being a leading manufacturer on the global stage.

At the beginning of their internationalization, Hai'er chose the most developed countries and regions as their first export destinations where they had practically no competitive advantage (the USA, Europe). They penetrated into niche markets,



began to construct their network with local actors and improved their brand for the preparation of entering the markets of developing countries.

Their strategy can be defined as being composed of three steps: the first step, exportation for the brand to be recognized in the markets they target; the second, setting up foreign production units when a certain sales volume is attained; the third, brand building by using innovative capabilities. The establishment of Hai'er's production facilities permitted it to construct a network of local partners which is primordial for understanding the local environment in terms of jurisdiction, of the needs of local customers and of conventional practices and adapting their behavior accordingly.

The Hai'er's case is also in line with the classical theories, (the OLI paradigm and the Uppsala stage model). More particular in Hai'er's case is that, they planned to build a world famous brand and to be able to compete with the other major international players with their ultimate advantages which relied on their global research capabilities, integrated managerial capabilities and customized product lines for every region in the world, as Bartlett and Ghoshal (2002) suggested.

### ***Hisense – owner of multiple famous brands in China***

Hisense, a state-owned enterprise based in Shandong, officially founded in 1994, is one of the biggest manufacturers in the world in the fields of flat screen TV, appliances and mobile communication devices.

Hisense started their internationalization process through export agents from its creation, until 1997, when they acquired an independent export company while the Chinese authorities placed some artificial barriers to international trade. On the other hand, Hisense did not have the capabilities for international expansion, so most of its sales were realized in mainland China. For foreign markets, they preferred to be an OEM service provider.

In 2000, Hisense signed an agreement with Hitachi for cooperation on the third generation telecommunications CDMA project.<sup>7</sup> The partnership was then extended to Qualcomm, Shandong University and Tsingdao University.

During 2001–2007, as China entered the WTO, Hisense initiated their first global strategy as they had broken through certain technological bottlenecks. They started to focus on foreign markets, especially in Africa and Australia. As their first overseas production base, Hisense acquired in 2001 a factory from Daewoo in South Africa for US\$ 4 million after having achieved a 10% of market share in that country (Larçon, 2008). At the end of this period, Hisense were realizing more and more profits through their export facilities.

Hisense set up research centres, production facilities and representative offices in various locations in the world. Their products were increasingly displayed in East and South Asia, the Middle east, even in some developed countries and regions such as Australia (Hisense Australia in Melbourne in 2006)<sup>8</sup> and Europe (TV production base in Hungary in 2004<sup>9</sup> and TV assembly facilities in France in 2005,<sup>10</sup> a research centre in the Netherlands in 2007<sup>11</sup> and then moved into Germany<sup>12</sup> in 2011). Notably their sales in South Africa and

the Middle East in which they have two subsidiaries (M&A in South Africa, JV in Algeria, both in 2001) are considerable (单雷, Shan, 2009, in Chinese). Hisense became involved more frequently in global competition. Their managerial capabilities were also increased through their partnerships with global actors including research institutes, through sectoral alliances and through cooperation agreements all over the world.

Since 2007, based on their existing export facility, Hisense integrated Kelon's<sup>13</sup> overseas sales channels. The latter was one of the largest Chinese white goods manufacturers which was acquired by Hisense through M&A in 2006. Thereafter, Hisense started to integrate global resources and focus more on international markets with their own brand and extended their sale network in America, Canada, Italy etc.

In 2008, Hisense set up a JV with local partner (Helwan) in Egypt.<sup>14</sup> In 2009, Hisense acquired a startup company, JAMDEO, in Canada which was transformed into a research centre (Hisense, 2013). In 2010, Hisense set up a research centre in Atlanta (Trevor, 2011) where 65% of employees are local (24 US employees of 37 in total).<sup>15</sup>

During 2012/2013, Hisense acquired Archcom and Multiplex respectively and transformed them into research centres in Los Angeles. Another acquisition from SJ Micro was realized in Silicon Valley in 2012 which was also a research centre (Hisense, 2013). In 2015, Hisense acquired a Mexican production base from Sharp (SmartBrief, 2015) at a cost of US\$ 23.7 million and at the same time they set up an assembly factory in the Czech Republic (PMR, 2015).

During the last 20 years, Hisense continuously improved their research capabilities through international cooperation and M&A in developed regions. They continuously enlarged their production facilities. On the other hand, Hisense also improved their managerial capabilities through M&A and they adapted their managerial practices and transferred them to some of their foreign facilities. More importantly, they have established a strategic relationship with Whirlpool, the leading appliances maker, for a JV in China to deliver world class appliances in the country and share research and technology (Benton Harbor, 2008). They have also sponsored some sport clubs and competitions in Australia to reinforce their brand leverage. They also undertook the sponsorship of the European Football Championship in France in 2016.<sup>16</sup>

To the best of our knowledge, Hisense's internationalization process does not fit properly with the Uppsala stage model, notably in relation to the measures they undertook in developed economies (Parmentola, 2010). As aforementioned in the case of ZTE, their price and financial advantages could be regarded as the initial reasons for international activity. However, their strategic assets strengthened through international development, such as technical capabilities, contribute to building their competitive advantage in the Chinese market itself. This could be similarly explained by this 'inside-out and outside-in' (ambidextrous internationalization) strategy. According to Prange and Bruyaka (2016) however, ZTE achieved more fully an ambidextrous state than Hisense, which has been always in a state of 'outside-in'.

Compared to Hai'er, the internationalization of Hisense is still uncompleted, but the sponsorship of the European Football Championship helped them from a marketing point of view in the brand building process, to a level not attained in the Hai'er case. If we consider that the established relationships of Hisense and the global actors contributed to their technological capabilities, their ability to absorb an enterprise which is different in language and culture could be another possible advantage in the future (Deng, 2012). Possibly, the case of Lenovo would be an example of that.

### ***Lenovo – IBM: integration of foreign assets and resources***

Lenovo is a computer manufacturer with more than 60,000 employees all over the world (in 2016).<sup>17</sup> It was founded in 1984, by the Chinese Scientific Institute.

Reaching a 30% share of the Chinese market share in 2000, Lenovo had to choose whether they would implement diversification or internationalization as their strategy. In 2001, the choice made by the CEO was to be an international brand in the PC manufacturing sector. Around late 2003, IBM knocked on their door with an M&A proposal, thinking that a Chinese company like Lenovo needed to enlarge their international reputation and for IBM, Lenovo could help improve their position in the Chinese market which had a lot of potential. From Lenovo's point of view, they did have the ability to help IBM's PC business to be profitable by using their high efficiency platform in China. Lenovo invited three private equity investors GA (General Atlantic), TPG (Texas Pacific Group) and NC (Newbridge Capital) to invest in this project with the motive of risk reduction.

Eventually, in 2005, Lenovo entered an M&A with IBM for its personal computer division. The price of US\$ 1.25 billion (Ducourtieux et al., 2014) included PCs and laptops business, a related research centre, production equipment, global sales networks, a service centre, and the right to use the IBM PC brand for five years. That also helped Lenovo maintain an enduring relationship with IBM, which also kept a share of this merged PC division. Lenovo have established their head office in New York and two operational centres in South Carolina and Beijing. This acquisition has enabled Lenovo to jump to third place in the PC manufacturers of the world. After two years, Lenovo founded more than 60 facilities all over the world and participated in the sales network across 160 countries.

Initially, opposition from the US government was strong, as they thought that it might lead to some risks to their national security in terms of information protection if a Chinese company becomes their supplier. Due to the intervention of TPG Private Equity, this acquisition was realized. Thereafter, the three private equity firms also helped Lenovo with some operational issues in terms of cultural conflict, brand building, custom loyalty, supply chain etc. (Jolly, 2013).

After Lenovo's IBM purchase, they adopted a dual brand strategy as they had not themselves a marketable reputation. In this M&A case, Lenovo quickly acquired a 'ready to take' mechanism through which they have reduced their degree of foreignness, thereby enabling them to access foreign markets and acquired a highly recognized international brand which permitted them to get access to a significant

part of the market. However, their ability to absorb the dysfunctions generated by the culture gap of the two enterprises and even the two countries was a crucial issue.

Lenovo spent four years (2004–2008) observing and learning western managerial practices by appointing two foreign CEOs (Steve Ward and then Bill Amelio) and have made great efforts in stabilizing the IBM team and improving cost control. Lenovo moved their head office from New York to Raleigh in North Carolina, integrated the PC production unit in China, and moved the European, Central and Eastern Europe and African customer support centres from Scotland to Slovakia. But they also had some disputes in personnel appointments, which led to them having a bad financial year during 2006. However, from 2006 to 2008, Lenovo made greater profits, with their net profit rate rising to 3% from 0.17% in 2006. When everyone thought that the integration of these two companies was nearly coming to completion, the global financial crisis broke out, leading Lenovo to register deficits of up to US\$ 226 million. The previous progress made on integrating IBM into Lenovo was now being questioned.

The period from 2008–2012 was one of re-integration. The founder of Lenovo returned as chairman. With the experience that had been cumulated, they started to establish a Lenovo Executive Committee to consolidate the relationship between the Lenovo and IBM teams. Thereafter, they put forward an executive plan that prepared on the one hand a consolidation of the Chinese market presence for greater profit generation and on the other hand an international expansion for sustaining international development. This four-year plan made Lenovo the leader in the Chinese market with a profit of US\$ 1.8 billion in 2012 and then they also signed an agreement with NEC (first Japanese computer brand) to establish a joint venture that integrates the PC research, production and components purchase segments of both sides (Bembaron, 2011). The same year, Lenovo acquired 80% shareholding of Median (German PC manufacturer) in order to penetrate the European market and their sales channel in shopping centres (Lenovo, 2011). Simultaneously, Lenovo also entered emerging markets such as Russia, India, etc. All these strategic moves have resulted in Lenovo becoming the second largest PC producer in the world, only seven years after they purchased IBM's PC division.

As previously explained, the decision to internationalize Lenovo was made before the IBM acquisition, which was very different to the other cases. Through all the development of Lenovo's history, it is hard not to notice that the difficulties generated by psychic distance (Johanson and Vahlne, 1990) in Lenovo only occurred when the IBM PC division was inside the Lenovo group. Lenovo's internationalization through the IBM acquisition is a significant case of absorption of international resources.

### ***Shanghai electric – government-backed giant in the electric industry***

Shanghai Electric (SEC), a state-owned enterprise (which is in ongoing reform to a mixed- owned enterprise), is one of the largest energy equipment manufacturers in China. They have started their internationalization trajectory by forming more than 125 local joint ventures abroad with companies like Westinghouse,

Schneider, Mitsubishi, etc. (Prange, 2012). Working with foreign partners at home helped them to prepare for this challenge.

In 1995, Shanghai Electric founded a JV with Siemens for manufacturing power station equipment in China which is a mixture of the advanced techniques of turbine generator manufacturing of Shanghai Electric and the technologies and managerial experiences of Siemens. During this cooperation, the Chinese company absorbed the technologies that were provided by its foreign partner and in the next step exported to Pakistan, Iran, India, etc.

In 1997, Shanghai Electric created a JV with the Japanese firm Fanuc in Shanghai in the development of industrial robots. During a 15-year development period, they produced up to 4,000 robots and rank first in China in this field. In 2000, Shanghai Electric created a JV with IHI (a Japanese company listed in the World 500), in Shanghai, in environmental protection engineering of power stations. At the end of 2001, Shanghai Electric founded a JV with Westinghouse Electric in Shanghai to improve their technologies in steam turbine fabrication.

In 2001, Shanghai Electric (160,000 workers in China at that time), together with the Hong Kong-based investment firm, Morning Side, bought Akiyama Printing Machine, which ranked sixth worldwide in its sector, but had become bankrupt. Akiyama Printing Machine was founded in 1948 (Drifte and Jaussaud, 2010). Its turnover had reached 15 billion yen when it was well managed. Due to mismanagement in 2001, Akiyama had to find investors. Shanghai Electric bought it for US\$ 9 million, and worked hard to improve its operations, notably in terms of cost and supplier management. Three Chinese employees were sent to this Japanese company which employed 170 workers in total. However, because of some foreign exchange control measures in China, the fund for the acquisition of Akiyama was hardly in place which led to tremendous difficulties (Wang Yu et al., (王玉 et al., 2007, in Chinese).

In 2002, Westinghouse Electric transferred its share of the JV to Siemens which consolidated the cooperation between Siemens and Shanghai Electric.

In 2004, Shanghai Electric acquired total ownership of Ikegai, a famous Japanese machine tool manufacturing company, for US\$ 1.5 million (Zhang Qingsong, 张青松, 2014, in Chinese). By utilizing its existing sales network, Shanghai Electric introduced the quality control system of Ikegai to China (Xiang Bing, 项兵, 2012, in Chinese). In 2004 also, Shanghai Electric acquired in Germany a 53.5% stake of Wohlenberg GmbH, a machine tool manufacturer based in Hanover.

The same year, they acquired a 75% stake in Ikea Corp, a machine tool manufacturer, for US\$ 4.5 million (Larçon, 2008). In 2005, Ikea founded a subsidiary in Shanghai, which increased its sales to RMB 5 billion that year, six times more than before the acquisition (Xiang Bing, 项兵, 2012, in Chinese).

In 2007, in Vietnam, Shanghai Electric started building a Vietnam-financed thermoelectricity power plant with a capacity of 600 MW in the Northern Quang Ninh province. The investor was Quang Ninh Thermoelectricity joint stock company (Larçon, 2008). During 2010 and 2011, Shanghai Electric successively created in Vietnam and India subsidiaries for the development of local markets, trade services and to collect and integrate market information.

During 2011, Shanghai Electric created several JVs in China, for energy control by contract and by eco-building with Schneider Electric, Mitsubishi Electric and Carrier respectively. In 2012, Shanghai Electric created a JV with SPX Corporation in Shanghai, for air cooling systems in the Chinese market. That helped them to take a 20% market share in this field, ranked second in China.<sup>18</sup>

During the reform of mixed ownership of SOEs, Shanghai Electric acquired a 40% stake in Ansaldo Energia, a large Italian polyvalent industrial company. Shanghai Electric can share its markets with Ansaldo, keeping its own employees and brand, but its motivation for the investment was related to accessing Ansaldo's technological resources.<sup>19</sup>

Shanghai Electric has followed the Uppsala stage model of internationalization, relying first on the potential of the Chinese market to exchange with foreign partners for access to higher-ended technological information, and other strategic assets (Dunning, 2000). However, its financial power which supported its acquisitions may be reduced by the ongoing reform of SOEs, i.e. the mixed ownership reform, and whether Shanghai Electric will sustain its internationalization process remains questionable.

In order to summarize Section 1, Table 6.1 synthetizes the internationalization processes of these well known Chinese firms.

*Table 6.1* Well known cases and the internationalization process

AMANN TABLES			
<i>Company</i>	<i>Ownership</i>	<i>Products</i>	<i>Internationalization process</i>
Huawei	Private	Networking and Telecom	Uppsala stage model process (Johanson and Vahlne, 2015)
ZTE	Mixed-owned enterprise	Telecom	OLI paradigm and Uppsala model (Gaur and Kumar, 2010)
Hai'er	State-owned enterprise	Consumer electronics and home appliances	OLI paradigm and Uppsala model (Gaur and Kumar, 2010)
Hisense	State-owned enterprise	White goods and electronics manufacturer	'inside-out and outside-in' (ambidextrous internationalization), Prange and Bruyaka (2016)
Lenovo	Mixed-owned enterprise, listed in Hong Kong, 31% of capital in the hands of the Chinese State	Personal Computers (PCs)	Specific case of absorption of resources from abroad through M&A (IBM PC division)
Shanghai Electric	State-owned enterprise	Electronics industry	Uppsala stage model process (Johanson and Vahlne, 2015)

### **Emerging cases with some particular characteristics**

In this section, we will try to identify and analyze a range of other Chinese firms which are less known than the ones in Section 1. These firms have great diversity in terms of their international strategies. They are more difficult to be categorized by the traditional theoretical frameworks due to the changing global economic background.

#### ***COMAC – a young player in Chinese aviation***

Commercial Aircraft Corporation of China (COMAC) was founded in 2008. It is a state-owned enterprise in large aircraft development. Initially, with almost no experience in the field, COMAC learned from the development of civil aircraft through international cooperation. COMAC needed to identify and acquire the best engines, the best components and parts from the best suppliers to produce aircraft. In order to do that, COMAC established a network initially with many other related institutes, factories and agencies as a development alliance including Aviation Industry Corporation of China (AVIC – COMAC, 2016) and then constructed a supply chain with various international enterprises such as General Electric in 2009 (GE Aviation, 2010), Safran in 2009 (Safran (2009), and Honeywell in 2010 (Honeywell, 2010). All of these relationships and the study of the organization of Boeing and Airbus enabled COMAC to set up a modularized managerial system to adapt their research and production projects.

COMAC signed a cooperation agreement with Bombardier<sup>20</sup> in 2012 and with Fokker, an old Dutch aircraft producer, in 2015, for the development of the C919, a large civil aircraft with an additional program (GCAT)<sup>21</sup> with GE. In the future, the C919 model will be commercialized and more and more dynamic aeronautical suppliers will be involved in the Chinese aircraft market. COMAC has then just taken the first step of their internationalization process.

From the viewpoint of the Uppsala stage model, COMAC may not have an internationalization strategy if they do not export, but the fact that they tried to build their network on an international scale could be framed in the Linkage, Leverage, Learning model (Mathews, 2002). This LLL model 3 stages (Linkage, Leverage, Learning), notably applies in the development of its activities by such a latecomer who did not have any competitive advantage (Peng, 2012).

According to the LLL framework, the motivation for the internationalization of MNCs in emerging economies is their concern to access externally available resources. With this ambition, these firms in emerging economies strive to build relationships through strategic alliances by establishing joint ventures and other kinds of cooperation relationships with foreign firms. The next step for them after the establishment of linkages is to leverage the resources. For this reason, the focus of its internationalization will be on the resource itself and the resource availability. The third element of the LLL model is learning, which refers to the application of the linkage and leverage effects. By this mechanism, link, leveraging and learning then form a cycle to accelerate internalization (Mathews, 2006).

### ***Dongfeng – PSA in the car industry***

Dongfeng was founded in 1969 and was initially known as Second Auto Works. They produced mainly trucks, including for military purposes. They changed the name to Dongfeng in 1992 (Sit and Liu, 2000). Currently it is the second largest automobile manufacturer in China, under a state-owned holding company, employing 142,000 workers.

PSA founded a joint venture in Wuhan (China) with Dongfeng in 1992 after terminating an unsatisfactory relationship with Guangdong Automobile (GAC) in Guangzhou, South China (CCIFC, 2011). The JV with Dongfeng produces and sells Citroën and Peugeot cars in China. However, the JV did not achieve high market shares in China compared to other worldwide leading automobile manufacturers, including other latecomers in the country. So, PSA cooperated with Chang'an Motors in 2010, for the release of the DS series in China, which did not perform well until 2014 (Mathieu, 2013).

PSA still had not found an ideal way to exploit the Chinese market. Furthermore, its continuing failure in the European market resulted in financial problems in 2013. Regarded as a potential large investor in PSA, General Motors held a 7% stake in PSA (Franceinfo and AFP, 2013), but eventually, PSA turned from GM to Dongfeng by asking for financial help and tried to re-establish its presence in the Chinese market with the help of Dongfeng. Dongfeng agreed to take a 14.1% stake in PSA in 2014 even if there are potential risks, as they plan to become more international oriented. Although the cooperation is currently concentrated on the Chinese market, PSA will help Dongfeng to expand their production and sales in Asia and other emerging markets in the future under the deal. For PSA, China became its largest market with sales of 736,000 vehicles in 2015.<sup>22</sup>

In the case of Dongfeng, the cooperation with PSA before the shareholding acquisition was solely for the development of the Chinese market. Dongfeng currently has limited sales in the international markets. If we analyze the process of internationalization of Dongfeng from this perspective, then the acquisition of the PSA stake by Dongfeng is difficult to be reconciled with the Uppsala stage model. However, it may be considered to be in accordance with the three main points of the Eclectic paradigm theory (Ownership, Localisation, Internalisation), as Dongfeng internationalizes through its financial ownership advantages (Sun et al., 2012). What is similar to this case is the case of Xinjiang Chalkis, which started with an M&A project, as illustrated as follows.

### ***Xinjiang Chalkis – Le Cabanon in the food industry***

Xinjiang Chalkis, a state-owned enterprise, was founded in 1994. They started tomato production in 2000. Relying on the special incentive policies of the Chinese regional authority in Xinjiang Uyghur Autonomous region, their tomato production increased to 5,500 tons by 2001, which was almost totally sold in European markets. By 2003, Xinjiang Chalkis' production reached 360,000 tons,



and the company became the dominant tomato producer in China (Zhou et al., 周清杰 et al., 2013, in Chinese).

In 2004, in order to obtain a brand and marketing network, Xinjiang Chalkis acquired 55% of 'Conserve de Provence' which was a major shareholder (98%) of 'Le Cabanon'. The investment amounted to € 7 million. 'Le Cabanon', a 50-year-old food-processing company, held 40% of the market share in France (Haski, 2004).

In 2005, Xinjiang Chalkis acquired the remaining 45% of 'Conserve de Provence' through a subsidiary in Tianjin (Molga, 2005). The M&A deal helped Xinjiang Chalkis to increase their production and build their competitiveness at an international market level. At the same time, they expanded their range of products.

Early in 2008, the partnership between Chalkis and Conserve de Provence encountered industrial unrest.<sup>23</sup> This may have been caused by Xinjian Chalkis' lack of knowledge of the macroeconomic, social, legal environment in France. Then the Chinese managerial practices in reaction to the social unrest discredited the shareholders (Guilhot et al., 2013).

With the production expansion of Xinjiang Chalkis, their debt ratio increased to 98.39% from 2008 to 2011. Since 2009, the profitability of Xinjiang Chalkis has continuously decreased due to their production overcapacity. In addition, as a company focused on exports, they have been affected by the exchange rate appreciation of the RMB. Xinjiang Chalkis' profits were being increasingly pressurized and operational risks subsequently increased (Zhou et al., 周清杰 et al., 2013, in Chinese). In 2014, Conserve de Provence was sold by Chalkis to Unitom, the number one Portuguese tomato processor.<sup>24</sup>

### ***YTO – McCormick: technical upgrading of tractors***

China First Tractor Group Corporation (YTO) is part of China National Machinery Industry Corporation (Sinamach) since 2008. It was founded in 1955, was a state-owned enterprise (SOE), and was the largest tractor manufacturer in China, specializing in agriculture and construction machinery.

From its foundation, YTO has benefited from technologies obtained from the USSR, Italy and the UK. By the 1990s, YTO had already entered Mali and Côte d'Ivoire in Africa, and then Serbia, South Africa, Poland and Kyrgyzstan in which YTO had progressively set up assembly plants for expansion in international markets (Guo and Cao, 郭振华 and 曹熙, 2015, in Chinese). Since 2004, they have jointly undertaken and implemented research activities with the other advanced manufacturers into technological upgrading. In 2005, YTO discussed with Agco, the world's third largest manufacturer of farm equipment, a proposed joint-venture which was never realized (Grant, 2005) but cooperation with Agco continues through Valtra, a 100% subsidiary of Agco.

In 2011, YTO acquired ARGOS (an Italian tractor manufacturer) McCormick factory located in France and changed its name to YTO France (Gonzalez, 2015). It was the first international M&A for a Chinese agricultural machinery

manufacturer (Han and Guo, 韩文 and 郭振华, 2016, in Chinese). YTO France was then treated as an important innovative hub for the integration of transmission technologies in tractor production in China, and also as a base for exploiting models suitable for the European market. Particularly, YTO France exports almost 100% of its production to China; however, these products would have been reintegrated into European markets since 2016 (Lecocq, 2015).

After the M&A project, in 2015, YTO launched an online tractor shop in the Chinese market that permitted their customers to personalize the configuration of each tractor purchase (Guo and Cao, 郭振华 and 曹煦, 2015, in Chinese). The same year, YTO established an East European research centre with Minsk Tractor Works in Belarus. YTO has also concluded an order for 587 tractor units from Cuba, which is part of their sales in more than 100 countries in 2015. Foreign sales amount to 10% of total sales according to the chairman of YTO, which would be ideally increased to 30% for foreign markets in the future (Guo and Cao, 郭振华 and 曹煦, 2015, in Chinese).

The case of YTO is compatible with the Uppsala stage model to some extent, at least from the exports and the establishment of production units in some geographically- and culturally-close countries. The fact that it undertook an M&A project in Europe, however, is quite similar to the case of Dongfeng. They acquired a foreign company mainly for their domestic market or to support their domestic production. Such type of event is more in accordance with the LLL model previously mentioned. It created a linkage with McComick through acquisition, then the acquired entity acted as a source for generating resources and capabilities which could be gained by establishing knowledge-sharing across the network (Mathews, 2006). Whether or not the YTO case may have reached the learning process stage is an open question. However, this will eventually happen as YTO will have accumulated enough resources and capabilities from McCormick.

### ***Lisa airline – Heima mining: exploiting the Chinese civil aviation market***

Heima Mining is a small private company specialized in phosphate rock production, created by Tiri-Maha, an ethnic minority orphan born in Sichuan province in China. After studying in the UK (UWC Atlantic College) and the USA (Middlebury College), Tiri-Maha was recruited by a world top 500 Korean company, Kolon industries, in New York in 2008. He rapidly quit his job and then founded in May 2008 his own company, Heima Mining in his hometown. The company had RMB 530,000 as capital. It set up a JV (RMB 210,000) with Khanvis International in Hong Kong in July, the same year.

Zhang Yao, another young Chinese entrepreneur who had studied in France, saw in a newspaper that a French small airplane company, Lisa Airline, was in liquidation in 2012 (Dyan and Testard, 2014). He realized that civil aviation for Chinese investors would be an important and profitable sector in the future. He contacted Erick Herzberger, the founder of this small company. Zhang introduced Tiri-Maha to Herzberger and the two young Chinese were interested in

the company and planned to invest € 15 million on an M&A project for 70% of the shares and core assets of the company. Finally, with the help of the existing directors of Lisa Airplane, Zhang and Tiri-Maha's proposal has been approved by a local court in Chambéry. There are seven other investors in the project, mostly Chinese. 'He has a vision for 30 years in the future', explained Benoît Senellart, the general director of Lisa Airplane.<sup>25</sup>

The project was initially more about helping Lisa Airline to continue their ongoing production of their Agoya model, for which they had received an order for 20 units from the USA. The differences in language and culture between the French managers and their Chinese directors obliged them to employ a Chinese executive assistant.<sup>26</sup> For Zhang and Tiri-Maha, this acquisition would help them to enter in the general aviation market in China that had been strictly reserved for the Chinese government and military use before but which is now more and more open for private actors.

Three years after the acquisition, Lisa Airplanes changed their principal shareholder, as Zhang and Tiri-Maha were not able to continue their engagement due to financial problems. However, due to the network created in China, they found another Chinese partner, General Aviation Inner Mongolia (GAIM),<sup>27</sup> an SOE with three shareholders, Inner Mongolia Communication Investment, China Aviation Industry General Aircraft and the municipality of Hulunbuir in Inner Mongolia.

The case of Lisa Airlines is more or less consistent with the Born Global theory, which was put forward by McDougall et al. (1994). This theory underlines a new and faster way of internationalization that a company often takes, from its foundation. Born Global firms take advantage through the use of resources from multiple countries and sell their products or services in various markets and actively seek competitive advantages. This type of business usually has specific characteristics such as that they are small businesses, technology-oriented and are able to earn a larger income in the international market from the very beginning of their establishment (Cavusgil and Knight, 2015).

The following example of Upsolar may illustrate the Born Global theory in a clearer way, from the Chinese point of view.

### ***Upsolar – EPC Solstice: the international photovoltaic solar market***

Upsolar was founded in 2006 by a Chinese Masters graduate of NEOMA Business School. It is a private solar photovoltaic solution supplier based in China.<sup>28</sup> After having identified the potential of the European market, Upsolar established a subsidiary in Paris in 2008.

In 2009, a Greek and an American subsidiary were founded. The same year, Upsolar employed an American executive director, Troy Dalbey, for the US market, and another operations director who is Chinese with a background in International studies, Eric Liu.<sup>29</sup>

With the help of Liu, Upsolar established from 2010 to 2011 four subsidiaries, in Germany, Italy, Japan and the UK, respectively, which are now up and running. In 2012, Upsolar had already finished 10 roof solar photovoltaic projects in

France (three solar photovoltaic centres around Paris and seven others for educational institutions in Charente) under a JV (Novengo) created with EPC Sol-styce.<sup>30</sup> The same year, another project, a solar power station was also completed in Bologna under another JV (EVI3 = Energia Verde Investimenti 3) created with Protesa SPA.<sup>31</sup>

In 2013 after the success realized in France and Italy, Upsolar founded two representative offices in Australia and Turkey respectively for local projects. Two solar photovoltaic power station projects<sup>32</sup> with Tigo Energy (US photovoltaic technology manufacturer) were completed in Japan, three years after the Japanese subsidiary had been established. They have also transferred their competences acquired from foreign markets to China through the distributed solar photovoltaic power generation project in Jiaxing initiated by the local government.<sup>33</sup>

In 2014, a representative office was founded in Singapore. Their Sino-French joint venture, Novengo, has completed a project which consists of a photovoltaic shade structure for the parking facility at Angoulême-Cognac airport.<sup>34</sup>

Upsolar has completed two important roof solar photovoltaic projects with China North Industries (Norinco), a military-owned SOE in Beijing,<sup>35</sup> and a building-integrated photovoltaics (BIPV) project in Shanghai Pudong Airport.<sup>36</sup>

At present, Upsolar's international managerial team includes Eric Liu, Troy Dalbey, but also Stephane Dufrenne, a French chief technology officer, and Enrico Carniato, an Italian European sales director.<sup>37</sup>

As suggested previously, the Born Global theory may be more suitable in framing the international activities of Upsolar. It has a global leader who had an international vision through his international educational and work background. Upsolar is involved in a niche market, and its entrepreneurship is also based on innovations.

Table 6.2 summarizes the internationalization process of Chinese companies considered in Section 2, i.e. less known companies than those in Section 1, as they are emerging cases in internationalization. The diversity of internationalization processes undertaken should be noted.

*Table 6.2 Emerging firms and the internationalization process*

<i>Company</i>	<i>Ownership</i>	<i>Products</i>	<i>Internationalization process</i>
COMAC	State-owned enterprise	aerospace manufacturer	LLL model (Mathews, 2002)
Dongfeng	State-owned enterprise	automobile manufacturer	OLI paradigm (Dunning, 1981)
Xinjiang Chalkis	State-owned enterprise	agri-food sector	Failure of internationalisation
YTO	State-owned enterprise	farm machinery manufacturer	Uppsala stage model process (Johanson and Vahlne, 2015)
Heima Mining	Private company	mining company	Born globals (McDougall et al., 1994)
Upsolar	Private company	solar photovoltaic solution supplier	Born globals (McDougall et al., 1994)

## Conclusion

As discussed in these cases, we have identified a range of firms which conform to existing international theories to different extents. However, their development paths varied according to their own characteristics in terms of related sector, market, financial capability, degree of development, ownership, etc.

Based on these cases, we find out that most of the Chinese enterprises often benefited from some country-specific advantages (CSA) such as a cost advantage or capital advantage, to promote their firm-specific advantages (FSA) in the process of internationalization (Rugman et al., 2007). However, these advantages become smaller and smaller over time (Ceglowski et al., 2012; Yang et al., 2010). As a result, those Chinese enterprises will use the internationalization processes, transforming themselves from owning those initial inherent advantages into possessing intangible advantages (technology, management, brand, product, innovation, etc.). This does not meet the definition of internalization advantages of Dunning's Eclectic paradigm because often in the internationalization process, Chinese enterprises are eager to get the advantages from outside when they internationalize. Accordingly, the LLL theory (Cuervo-Cazurra and Ramamurti, 2014) can better explain the development strategy of Chinese enterprises in developed countries, although it cannot fully explain the development of these enterprises in other developing countries and less developed countries.

In addition, the Chinese government has played an important role in the process of internationalization of Chinese enterprises, in promoting some incentive policies such as the 'going out' policy since 1999 and 'one belt one road' policy since 2013, guiding enterprises to develop abroad and providing various financial supports, all of which have made the internationalization of Chinese companies extremely active (MOFCOM, 2014). Naturally, it is also accompanied by some less successful cases, such as the failure of internationalization of the Xinjiang Chalkis and Heima Mining show.

Based on Ghoshal and Bartlett (1990), only the internationalization of Haier in the sample may be defined as a transnational corporation, a network of units geographically dispersed but highly-integrated, including headquarters and subsidiaries in different countries. This entity can be regarded as an internal and heterogeneous inter-organizational network rooted in an external network. From the perspective of network organization, the relationship of parent companies and subsidiaries differs depending on the characteristics of the subsidiary company. The interdependencies and synergies of the bilateral network relationships between the various subsidiaries are greatly enhanced. China has only a few such cases like this, which may be due to the accelerated globalization based on information and communication technologies (de Matías Batalla, 2014). As a consequence, the global market is becoming more and more homogeneous, for instance, Apple mobile phones are sold globally.

Similarly, due to Information and Communication Technologies (ICT) and more and more developed infrastructure and transportation, the internationalization of Chinese enterprises has been characterized by significant speed and breadth. But Chinese firms are still in the early phase of internationalization (Pang et al., 庞

明川 et al., 2012, in Chinese). This open environment may also lead to the enterprises getting less and less competitive advantages derived from market imperfections, advantages which are also more difficult to keep within the enterprises.

Finally but not least, an increasingly open international environment nurtures more and more international talent who are inherently multi-lingual and cross-cultural. They have the insights and entrepreneurial capabilities for the internationalization of small and medium-sized enterprises (SMEs) in niche markets. It is thus unnecessary for such SMEs to rely on the advantages of strong economies of scale (Gassmann et al., 2007; Van De Vrande et al., 2010) or to internationalize by linking to a network of existing relationships in foreign markets (Karra et al., 2008).

In conclusion, this chapter describes the internationalization path of 12 Chinese enterprises in different industries of different scales, different equity structures and backgrounds with an examination of the match of mainstream internationalization theory and the actual situation of these Chinese enterprises. Then the authors highlighted that the Chinese government strongly supported the internationalization of Chinese firms, particularly, but not only, state-owned enterprises (SOEs). In addition the international environment is much different in terms of communication and transportation development from when the internationalization of Western companies occurred. These characteristics lead to the exposure of some inadequacies in the existing theories in describing the ongoing internationalization of some Chinese enterprises.

## Notes

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- 3 As described in this article: *'The shares of ZTE Holdings, in turn, are held by Xi'an Microelectronics (34%), Aerospace Guangyu (17%), and Zhongxing WXT (49%). Xi'an Micro Electronics and Aerospace Guangyu are both SOEs. State-owned entities, therefore, control 51% of ZTE Holdings . . .'*
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