

Research on Internationalization Development of Chinese Enterprises

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Abstract

The internationalization process of Chinese enterprises has always been unsatisfactory; progress is slow, fail to occupy a firm place in international competition. Chinese enterprises frustrated in internationalization because of the lack of a great experience in business management. Chinese enterprises only timely change, comply with international trends, find the suitable management model, will they be possible to accelerate the internationalization success. In this paper, firstly analyze the key industries in internationalization development of Chinese enterprises as well as the prevalent problem in it, then discuss the new models of Chinese enterprises' internationalization development and learn from the very successful international development of Huawei's successful experiences, help Chinese enterprises get the internationalization success.

Keywords: Chinese enterprises; internationalization development; management; Huawei

1. The Introduction of Question

In the eyes of many people, the international development of enterprises like beautiful roses in general, however, the requirements of international enterprise far beyond the corporate account, the slightest mistake would cause great loss. Since the 1990s, Chinese enterprises went abroad to participate in international competition come into a booming period, especially after 2001 China joined the WTO, Chinese enterprises' overseas investments increase dramatically, from \$ 6.7 billion in 2001 to \$ 68.8 billion in 2010, almost grow 10 times in 10 years. However, compared with multinational enterprises of developed countries, the international operations of Chinese enterprises start late with many deficiencies, it is still at a preliminary stage.

Internationalization is the only way for Chinese enterprises, but the way is full of hardships and challenges. With further intensified competition, Chinese enterprises how to play well in internationalization are of great strategic significance to both Chinese enterprises themselves and the overall strategic transformation of China. Facing the existed operating problems in internationalization of Chinese enterprises, every enterprise needs a systematic theoretical approach to guide enterprise management and innovation, on one hand through a set of in-house training bringing up the spirit culture and institutional culture which are fit for international development, on the other hand delivers the enterprise's products and core values to customers outside, enhance the corporate image, build a good reputation among consumers and partners.

2. Literature Review

On the study of Chinese enterprises' internationalization, Zhou Yinmeng put forward that the enterprises international research paradigm of emerging economies should be from "theory-driven" changing to "issue-driven", Chinese scholars should jump out of the west original theoretical framework, root in the new phenomena and new problems in Chinese enterprises' international process, strive to build a new theoretical system.

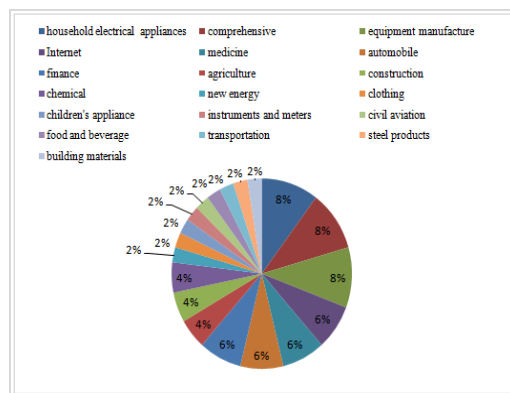
Xu Hui emphasized that risk perception for risk management is the first step taken by an enterprise engaged in international operations, the initial stage in the international operations should be based on the strength and competitiveness of the enterprise features, establish risk awareness, then choose the right target market and market entry mode. Ge Jing found that through continual learning and practices to expand the international knowledge, improve the stock of knowledge and development of enterprises, enterprises are better able to achieve the international success. This paper is focused on the internationalization process of Chinese enterprises to analyze the problems and sort out, to help Chinese enterprises improve the level of international development.

3. The Operations Status and Problems of China International Business

3.1 Chinese Enterprises' Main Business Areas in Internationalization

By 2011 the international focus areas of Chinese enterprises are shown in Figure 1, the main areas are household electrical appliances, comprehensive and equipment manufacture, which are concerned with the modern development path of China. First, China previously used market to exchange technology helped Chinese enterprises master the basic technology of household electrical appliances, which leads to little difference with that of foreign enterprises after development and some price advantage in foreign countries, so Chinese household electrical appliances have super market demands; Second, China's development needs a lot of comprehensive materials, so the comprehensive materials have high proportion; Third, the development of equipment manufacture gets rapid growth in large-scale infrastructure investment, so Chinese equipment products have a large number of demands in China and other countries. However, the "going out" is just the first step in internationalization, on the ability of multinational operations and performance, these emerging Chinese multinationals still exist a huge gap compared with European and American multinationals, Chinese enterprises have difficulty in making profit in international competition especially in some hot industries with intensive core technology. Of course, there are a small group of leading Chinese enterprises having sprung up in the international arena, growing up and becoming an important force in the global competition.

Fig.1: Industry Distribution of Top 50 Chinese International Enterprises In 2011



3.2 Prevalent Problems of Chinese Enterprises Internationalization

As we all know, the international development of Chinese enterprises are prevalent in many deficiencies and problems, which seriously affected the internationalization of Chinese enterprises in the development effectiveness, Chinese enterprises can only passively get involved in international development, and get few opportunities of substantial raise. Chinese enterprises in international development, roughly exist the following deficiencies and problems: no well-known brand, low-end product quality, lack of high value-added products, strange to foreign markets, lack of controlling sales network, not pay attention to product and service quality, not easy to overcome cultural difference and legal differences, inexperienced personnel management and insufficient awareness of social responsibility, uncoordinated with the local knowledge and management level. Lead to Chinese enterprises at a disadvantage situation in international competition, have world-class products without world-class brands, attacked by the chain's beginning and ends, only get very modest profit in the value creation process, survive in the cracks.

4. Case Study: Huawei

More and more Chinese enterprises have been joining the internationalization camp, the successful enterprises are few, most of them are in the pay of international fees, but also appeared such highly successful Chinese enterprises like Huawei and Lenovo. As the largest private enterprise in China, the world's second largest mobile device manufacturer, Huawei's great success history of international development is seen as the best example of China's domestic enterprises' independent innovation and international operations. Huawei was founded in Shenzhen in 1987, after 27 years' development, from an agent of communication device but small business to a global Top 500 enterprise in the world, its development process and success of the internationalization are worthy all the Chinese enterprises colleagues learning.

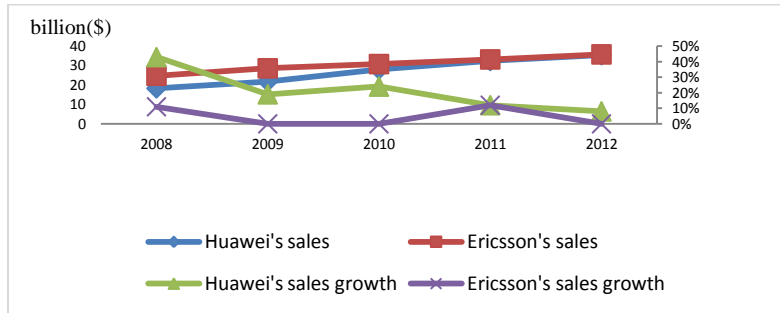
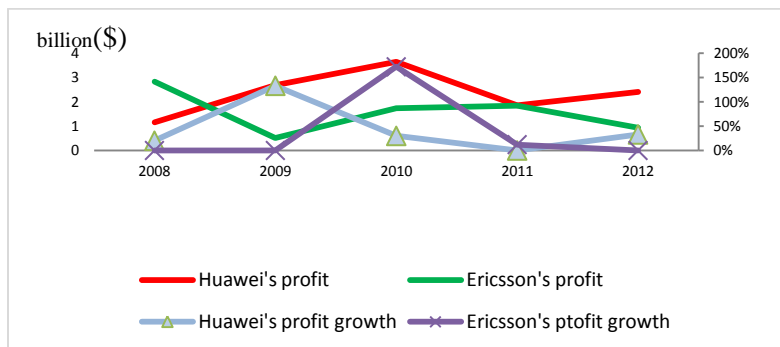
Table 1 is the corporate financial data comparison of Huawei and Ericsson in 2008-2012, Huawei's data is in the left of parenthesis, Ericsson's data is in the right of parenthesis. Ericsson has been the dominant leader of communications industry all these years, sales revenue has maintained No.1 for many years. Figures 2 and 3 intuitively reflect the differences between sales revenue and its growth rate, net profit and its growth rate in 2008-2012 of Huawei and Ericsson. Since 2008 we can find that Huawei's sales revenue gap with Ericsson is getting smaller and smaller, Huawei will beyond Ericsson in a not far time; Huawei's sales growth rate is higher than the growth rate of Ericsson, shows that Huawei has greater growth potential and development space. Since 2009 Huawei's net profit is almost higher than Ericsson, reflects the very strong performance of Huawei's international development, and Huawei don't exchange market through sacrificing profit zone like other Chinese enterprises; Huawei and Ericsson mutually lead on the net profit growth in recent years, the times of Huawei leading are relatively more a little. Reflects when Huawei compete with international leading enterprises, it is also able to get the lead. This indicates that through their own efforts Chinese enterprises can also compete with multinational enterprises in international markets, fulfill the enterprises' ambitious development goals.

Compared the recent development of Huawei and Ericsson, Huawei has the strategic advantage coming from behind to the front. Huawei has terminal mobile phone business in the world relatively to Ericsson, Huawei's mobile phone business has made leaps and bounds due to the explosive growth in smart phones, and Huawei has become one of the world's major smart phone manufacturers. Ericsson, Nokia Siemens and Alcatel-Lucent have not paid attention to this. This has become a major differences that Huawei relatively to other stronger competitors, but also a major advantage in the internationalization development currently. Huawei's most successful performance in internationalization development lies in it placing big proportion of sales revenue on the technology research innovation, which has become Huawei's greatest advantages among Chinese enterprises. Strong technology research ability confirms that Huawei can master the core technology and produce many high quality and innovative communications products to compete with other multinational enterprises in the same technology standard, so Huawei can get confidence in internationalization development with many years and become more competitive.

From Huawei's success we can see that other Chinese international enterprises also need to accelerate the development abilities of management, operation, especially improve enterprise's innovation environment. Chinese enterprises only connect with the international advanced level in these areas as soon as possible, can they produce the products and services in international advanced level. Meanwhile in overseas development, Chinese enterprises need do more works on corporate social responsibility to get a good impression by the local government or the people, and then can promote business in the greatest degree, to enable enterprises' international development goals can be achieved earlier.

Tab.1: Financial Statements Comparison of Huawei and Ericsson from 2008 To 2012

Year	Sales(billion dollar)	Sales growth	profit(billion dollar)	Profit growth
2008	(18.3, 24.8)	(43%, 11%)	(1.15, 2.83)	(20%, -47%)
2009	(21.8, 28.6)	(19%, -1%)	(2.68, 0.51)	(133%, -67%)
2010	(28.1, 30.8)	(24%, -2%)	(3.64, 1.73)	(30%, 172%)
2011	(32.4, 33.2)	(12%, 12%)	(1.85, 1.84)	(-53%, 12%)
2012	(35.4, 35.8)	(8%, 0%)	(2.40, 0.93)	(33%, -53%)

Figure 2: Sales Comparison of Huawei and Ericsson from 2008 to 2012**Fig. 3: Net profit Comparison of Huawei and Ericsson from 2008 to 2012**

5. Conclusion

Chinese enterprises must do the four following things in international development: First, cultivate the internal strength of enterprise, improve their product and service quality; second, feasibility study should be carried out carefully before the foreign investment, have long-term planning and international strategic plan, employ the professional people who are proficient in foreign languages, management and local circumstances; third, strengthen corporate governance, social responsibility and legal awareness, improve the image of Chinese enterprises overseas; fourth, always adhere to the road of innovation, increase R&D costs to continuously improve product design and improve the technological content of products, create more competitive products with the core technology and own characters to enhance the value of the products. So the sustainable international model of Chinese enterprises' development will appear.

Although the front road is not easy, the conditions of emerging truly international leaders among Chinese enterprises have occurred. First, China has the super market space, many industries have done the global No.1, so Chinese enterprises have basis to lead global development; Second, Chinese enterprises' management experiences have greatly improved after years of tough training; Third, the Chinese enterprises' capital is relatively abundant compared with their western counterparts. Chinese enterprises should give up the thinking custom of follow or copy, can't always stay in the framework of following the Western world-class enterprises. The next few years will be the heating up period of global innovation competition, as long as break through the inertia of thinking in the past, integrate the global innovation capability and global innovation resources, Chinese enterprises can strive to become one of the world's major innovation highlands in the process of internationalization.

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