1 Introduction

1.1 China's economic reform and growth: the awakening of the sleeping dragon

From Haier to Lenovo, and from Huawei to Alibaba, Chinese firms are going outside the country looking for resources, technology, markets, and a major global presence. This is a relatively new phenomenon in the world's economy, as practically all modern Chinese corporations were founded no more than thirty years ago, after the opening up and subsequent marketisation of the Chinese economy in the early 1980s. In 1979, when China only produced 2.6 per cent of the global GDP, no one could have forecasted that China would become the world's second largest economy, whose firms can compete with, and at times outcompete, renowned and established corporate giants in some of the most competitive industries.

Indeed, marked by its bold, unique, and dynamic economic policies, China's economic growth is unmatched in economic history. At the time of its awakening, the country focused on developing an export-led manufacturing base to take advantage of the country's large pool of low-cost factory workers. Between 1980 and 1984, its four special economic zones were set up in Shenzhen, Zhuhai, Shantou, and Xiamen, with special economic policies, tax incentives, and reduced regulations aimed at attracting foreign investments and technology. Another fourteen coastal cities joined the scheme in 1984, following the success of the new policy on the economic zones, and, by the late 1980s, similar policies were made in eighty-four of its coastal cities. While the policy initially attracted factory owners originating from Hong Kong and Chinese Taiwan, these special economic zones became highly attractive to established multinational corporations (MNCs) from different countries. They invested in these zones to take advantage of the low production costs, favourable policies, and the business ecosystems with their concentration of suppliers, logistics, and services that serve the manufacturing hubs (Bajpai, 2014). Some MNCs subsequently shifted a proportion of their manufacturing function to China, making the country the 'world factory' in many labour-intensive industries.

The economic activities undertaken in the special economic zones not only provided benefits to these regions, but also 'radiated' to other parts of the country and sped up China's economic growth. Among them was the transformation of China's state-owned enterprises (SOEs), which were known to be notoriously inefficient prior to the 1980s. Haier, a consumer electronics and home appliance giant, was a typical example of SOEs of the time, with its dilapidated infrastructure, poor management, outdated technology, and lack of financial resources. Nevertheless, after Zhang Ruimin took the helm in 1984, the company reinvented itself four times over the next twenty years to succeed in the global environment of today (Fischer, Lago, and Liu, 2015). According to BusinessWire (2015), Haier now has the largest market share worldwide in white goods (i.e., domestic appliances). Other SOEs such as those in resource-based industries (e.g., SINOPEC, State Grid) have also completely transformed their business models over the past thirty years to compete in the world market.

While many of China's SOEs have transformed into global players, China's private firms also flourished, driven by and taking advantage of the country's economic momentum, its vibrant business ecosystems, and the strong and robustly growing market demand over the past decades. As SOEs retreated from their inefficient multibusiness orientation to focus on their core business in order to improve their economic efficiency, non-core business opportunities emerged for small and medium-sized private enterprises (SMEs) to advance in these and other formerly restricted industries. Some privately owned enterprises (POEs) took over labour-intensive industries in textiles, rubber, medicines, general machinery, and printing that once were the domains of SOEs. Others took advantage of the business ecosystems that evolved in nonmanufacturing sectors. Some, surprisingly, even went after the high-technology industries.

The exemplary case of the last approach can be found in Shenzhen, a once idle and economically marginalised region north of Hong Kong that has now become the Silicon Valley of China. Shenzhen is home to Tencent, Huawei, BGI (genome research institute), BYD (automobiles and new energy), and ZTE (telecom) (He, 2015), and it boasts one of the highest concentrations of technology start-ups in China (Bloomberg News, 2016). According to the China Statistical Yearbook (2012), more than 60 per cent of the country's research-and-development (R&D) spending and, since 2012, 65 per cent of the country's patent applications came from POEs, making the private sector a highly contestable contributor to the Chinese economy as well as a strong player in the world market. Indeed, POEs such as Alibaba, Tencent, Huawei, Sina, and Baidu are vibrant players in the highly competitive IT sector, with Huawei making Interband's 2018 list of the best global brands.

1.2 GLOBALISATION OF CHINESE FIRMS

The rise of Chinese firms and their global footprints represent a new and salient phenomenon in international business and the global economy. Building on their manufacturing bases, many Chinese firms climbed up the value chain to become brand and patent holders taking advantage of the global market. As described in an article in Businessweek (Mahajan, 2014), while Lenovo sold only PCs and only in China ten years ago, 'Now it sells PCs, phones, tablets and servers in more than 160 countries'. Other firms, such as the auto-glass manufacturer Fuyao Group, are moving their factories outside of China in search of lower costs and better incentives, as China's wages have soared over the past decade (Mui, 2016). Whereas the rationale for going global may differ, Chinese firms are becoming MNCs in their own right, seeking the best opportunities globally to advance themselves.

This globalisation trend will likely continue as Chinese firms evolve and become more confident global players. A newly released report from the Boston Consulting Group (2018) listed the top 100 up-and-coming firms in the world. Among them were twenty-eight Chinese companies across various industries, including Alibaba Group Holding Limited, Citic Group, Dalian Wanda Group Company, Xiaomi Corporation, and China Eastern Airlines Corporation. The successful firms in China are outperforming their competitors; they are also increasingly buying foreign firms and expanding into new markets that provide them with opportunities not available within China (Zhu and Zhu, 2016). In sum, the trend towards globalisation among Chinese firms is a sustainable phenomenon, and its impact will be felt in the years to come.

As the 'going out' of Chinese firms becomes a sustainable phenomenon, it raises some interesting questions: What are the drivers and business models that allow these firms to grow and succeed in a relatively short time? Did they follow the classical globalisation models (e.g., Dunning seminal model) based on the experiences of MNCs in developed economies, or did they evolve new models based on the contexts in which they operate? Would these alternative models be relevant to firms based in other emerging economies? Of special interest are SOEs, as many globalising Chinese firms are state owned. Given their state ownership, SOEs often become a source of friction between China and its trading partners. Yet, what are the roles SOEs play in the Chinese economy, and how are they organised? How would the SOEs' experiences revive discussion regarding the advantages and pitfalls of state capitalism?

The globalisation of firms in China coincides with similar development of firms in other emerging economies. Firms such as India's IT giant Infosys, South Korea's LG Electronics, Mexico's global leader in building materials Cemex, and Brazil's world-leading producer of iron ore Vale, to name a few, are fuelling the next wave of economic growth as they seize shares in the global market. An interesting question is: What are the factors that enable and drive these firms to grow and prosper when they lack the country advantages enjoyed by MNCs from developed economies?

Researchers have only recently begun to recognise the contributions of emerging-market MNCs as game changers in international business. Despite their lack of country advantages, these firms are devising new globalisation models and leveraging characteristics of the digital economy to drive their growth and build global businesses (Chattopadhyay, Batra, and Ozsomer, 2012). This book investigates MNCs in China with the goal of contributing to this effort to understand emerging-market MNCs, as these firms strike a globalisation path relevant to the context that gives rise to their growth.

1.3 ORGANISATION OF THE BOOK

This book is organised into four parts. The first part examines the salience and implications of globalising Chinese firms. There are two chapters. Chapter 1 provides an overview of this new yet salient phenomenon, while Chapter 2 traces Chinese firms' global footprints, including their momentum and directions. Both SOEs and POEs will be examined.

The second part contains the core section of the book, exploring the different models of firm globalisation and their exemplary cases. It begins by laying out in Chapter 3 the classic globalisation model, whereby firms extend globally to take advantage of the competitive edge they have gained from operating in their home country. While it is the classical model that represents the basic approach to globalisation and has been used successfully by MNCs originated from developed economies, it may not be as applicable to firms originating from emerging economies. It is in this context that we propose, in Chapters 3 and 4, three alternative models undertaken by Chinese firms: the national developmental need model, the springboard model, and the mixed model. Rather than leveraging the competitive advantages built up from their home-country operations, these Chinese MNCs take their lack of competitive advantages as an incentive to reach out globally for resources, technology/expertise, or a global brand name that they cannot source within the home country. These models are used primarily by resource firms/SOEs, banks, and POEs. Chapters 3 and 4 outline and describe each model and then illustrate it using detailed case studies of firms that have either pioneered the model or applied it in their globalisation efforts. The firms examined include Haier, Chalco (national developmental need model), China Merchants Bank (CMB) (springboard model), and Huawei (mixed model). These alternative models represent a paradigm shift in international business.

The third part is another key section of the book. Whereas the second part takes a macro view of globalisation models, the third part takes a micro view and examines the specific failures and challenges faced by globalising Chinese firms. Some of them are faced with difficulties setting up niche markets, while others have difficulties executing mergers and acquisitions. As China is an emerging economy, the challenges faced by Chinese MNCs are new, and the approaches to overcome these hurdles are highly unique. Chapter 5 reports comprehensive cases of TCL, Lenovo, and Citic Pacific Mining to illustrate the challenges these MNCs face and the steps they take to overcome these challenges. Meanwhile, practically all of these firms are faced with, at different degrees, the challenges imposed by an unfavourable country image. The label 'made in China' carries with it negative connotations such as low wages, poor working conditions, low quality, and unsafe products that affect not only consumer attitude, but also consumers' purchase decisions. These negative stereotypes are especially ingrained in the minds of consumers in developed countries. In addition to resolving production problems, Chinese MNCs need to identify the consumer segments in developed countries that are most open and receptive to firms and products from China (Chapter 6).

There are many accounts of MNCs undertaking corporate social responsibility (CSR) activities to attempt to build a relationship with and engage locals in the host country. Most of the accounts in international business concern developed-economy MNCs working in emerging-economy host countries. The issues faced by Chinese MNCs are as follows: How would host market consumers view an emerging economy MNC, and what types of CSR would be appropriate to undertake? Should they undertake CSR activities similar to developed market MNCs? Should they differentiate between developed economy and emerging economy host countries? As data from Chapter 7 show, while CSR activities may help improve the image of Chinese MNCs in the eyes of developed-economy consumers, the first priority should be product safety, which exerts a more significant effect. Chapter 8 wraps up the issue of managing national image by tracing China's image in the international community over the past decade and the issues that affect positive or negative worldviews on China. In addition, the chapter traces the effects of two campaigns initiated by China to attempt to improve its image among major trading partners.

As one would expect, Chinese firms have their fair share of globalisation challenges and failures. Thus, these chapters discuss the weak spots of the Chinese firms. They centre on several types of challenges they face and how some of them have failed. Their weak spots include inexperienced global management, lack of high-value-added capabilities, and lack of knowledge in managing overseas country issues. In addition, the international community has exerted fair and equitable demands for Chinese firms to be good global corporate citizens. Given the economic power of these Chinese firms, failure to meet these standards is increasingly questioned by the host country and the global community. These chapters also discuss how the Chinese firms are addressing these issues at both the country government level and the corporate level.

The fourth part, including Chapters 9 and 10, offers a summative view of the foregoing issues and their future impacts on the globalising firms. Chapter 9 discuss the three aspects that China's government has set up, including a large pool of tech talents, trade relationships with other nations and the Belt-and-Road initiative (BRI). These three aspects exert salient impacts for the Chinese firms. Chapter 10 assumes a summative and futuristic view of the issues discussed in the book. It discusses the challenges that the globalising Chinese firms offer to the world economy as well as the impacts that the world economy exerts on the Chinese firms. The chapter ends with implications for other emerging economies and firms from these economies. If, indeed, the globalisation of Chinese firms is an unprecedented phenomenon in corporate history, it would be highly valuable to ascertain what new business models can be learned from it.

1.4 TARGET AUDIENCE

The book is targeted at three major groups of readers: managers, management (MBA) students, and policymakers. Among managers, it is useful to those who already have some basic knowledge of China, its economy and its firms, as well as managers interested in working with Chinese firms. The book presents useful and relevant overarching frameworks for readers to understand and extrapolate insights from the contextual facts and exemplary company practices. Accordingly, the contents may help deepen the readers' understanding of how Chinese firms in selected sectors develop and grow to become global players using alternative models, as well as, when applicable, how these firms provide benefits to consumers in host countries.

To managers working in firms originating from other emerging economies, such as Brazil, India, Russia, South Africa, and some other Asian countries, the success of Chinese firms' globalisation as outlined in this book provides much-needed encouragement and insights. By understanding the humble beginning of many successful Chinese firms and their refusal to accept global industry norms, firms in other emerging economies may obtain a glimpse of their corporate future and boost their confidence in their globalisation efforts. The overarching frameworks and exemplary company practices outlined in this book also provide, to a lesser extent, models of globalisation for these managers to emulate and reflect upon. However, while some of the Chinese firms' practices can offer insights, we hasten to point out that their successes are unique and may not be repeatable in other contexts in a rapidly changing global landscape.

The book also provides insights to policymakers, both from China and from other countries. Recognising that the globalisation of Chinese firms will persist and that the development over the past ten years is a mere prelude of the firms' momentum, policymakers need to develop a full understanding of the workings of these firms, as well as their behaviours and aspirations. Regarding policymakers in China, they may need to devise guidelines to ensure that outgoing Chinese firms behave properly in host economies and markets to address issues brought about by the presence of Chinese firms that are pertinent to the host countries and cannot be relieved by CSR efforts alone. The policies or guidelines may include alignment with global standards to deter corruption and product hazards and to ensure food safety, as well as good employee practices and local community engagement. These devices are essential for the long-term viability of Chinese firms, their globalisation efforts, and host market acceptance.

For host-country policymakers, the challenges in integrating Chinese firms into the local community and business ecosystem need to be balanced with the benefits these firms may bring to the host country. As noted in the various company cases in this book, many of the global Chinese firms are inexperienced in the global arena. Nevertheless, they are highly flexible as they learn about the workings of the host countries. Thus, the best way forward for both parties may lie in co-developing meaningful and effective policies to channel the entrepreneurial energy that Chinese firms have and translate it into benefits for consumers and employees in the host country. Compared to established global corporations, young Chinese firms may be more accommodating and more willing to work with host-country policymakers, accepting these adjustments as part of their learning curve. We posit that an in-depth knowledge of these corporations may help define a co-development path that is mutually beneficial. This path is especially salient for emerging and developing economy host countries into which many Chinese firms are expanding.

1.5 SPECIAL FEATURES OF THE BOOK

Chinese firms are complex and game-changing organisations in the global economy. Driven by their sociocultural predispositions, they are unique in many ways. Here, we outline three essential elements that characterise these firms. First, it is important to recognise that leading Chinese firms that have gone global have broken established protocols in firm globalisation approaches. Amid the harsh reality where many of the industries in which these firms venture were already filled with powerful, established MNCs, the Chinese firms' success in establishing global footprints has rewritten industry standards and redrawn global market structures in certain industries. The achievements of these leading Chinese firms are remarkable.

Second, in spite of their enviable achievements, these firms are young and are learning organisations. These characteristics allow them to readily adapt to the new digital economy. While being young has advantages, including being less rigid and highly entrepreneurial, it also has the disadvantages of growing pains and many blind spots. Externally, these firms have limited international experiences. This is especially pertinent when they deal with host governments and other stakeholders, whose expectations of firm behaviour may diverge substantially from the expectations of stakeholders in the home market. Internally, many of these firms have yet to acquire global standard practices to allow the headquarters to govern properly the actions and behaviour of their international branches and subsidiaries. It is therefore inevitable that their international operations make 'naive' and clumsy mistakes.

Third, up to this point, Chinese firms' desire for global expansion is driven more by their ego than their economic needs. Except for smaller, specialised Chinese firms that have identified the overseas market as the key provider of their future growth, many Chinese firms remain focused on the domestic