



起于三寸，以就万仞

Global Footprints Taking Root

2021 中资企业国际化报告

Report on the Internationalization of Chinese Enterprises 2021

2021年8月
August, 2021

起于三寸，以就万仞

Global Footprints Taking Root

2021 中资企业国际化报告

Report on the Internationalization of Chinese Enterprises 2021

Copyright Disclaimer

The “Report on the Internationalization of Chinese Enterprises 2021” was jointly launched by the International Business School at Zhejiang University (ZIBS) and the Cambridge Centre for Chinese Management at University of Cambridge in March 2021. It is based on the research findings of the Degree of Internationalization Index for Chinese Firms (DOI). All the written information and data presented in this report is protected by the copyright laws and regulations of the People’s Republic of China. Any reproduction or communication of this material by individuals or organizations without written permission may violate those laws and regulations.

Preface

The world is now, as pointed out by President Xi Jinping, witnessing “profound and unprecedented changes of a century.” A new international landscape is evolving as politics, economies, societies and cultures are all entering into a new era. The tidal force of globalization is, even with hiccups caused by the “deglobalization” in some regions, still connecting countries closely together reflected by more specific labor division and closer trade relations. This presents a great opportunity for China to construct its new development paradigm with a “Dual Circulation”, and also for Chinese enterprise to march faster and more steadily towards the overseas markets with stronger international competitiveness.

Dedicated by the International Business School of Zhejiang University (ZIBS) and the Cambridge Centre for Chinese Management (CCCM) in 2020, the “Degree of Internationalization Index for Chinese Firms (DOI) Report” was compiled for the critical goal of providing overall strategies and summarizing some of the best practices for Chinese companies to better compete in the international market and expand globally. This study, conducted by prestigious scholars from both Zhejiang University and University of Cambridge, has gathered business management elites from both academia and industry to form a strong research team composed of postgraduate researchers from Zhejiang university, University of Cambridge and several other top-notch universities. The project is aiming at establishing an index system (DOI) to quantify the internationalization performance of Chinese companies, which will facilitate the systematic research on the internationalization process of hundreds of Chinese companies, which can be leveraged by other companies to upgrade their overseas strategies and navigate in the international market.

The theme of this report is “Global Footprints Taking Root”, which is derived from a famous quotation from “Liu Zi, On Study”. “Taking Root” refers to the humble beginning of the internationalization of Chinese companies, during which some minor successes had been achieved; the “Global Footprints” refers to the ultimate goal of such efforts on internationalization, as we believe Chinese companies will inevitably become the major players in the international market with core competence. Along with the launch of our

report, we would “take root” by constantly polishing our work and endeavoring to promote the rigorosity and influence of DOI.

Contributions

We are seeking to devote The Degree of Internationalization Index for Chinese Firms (DOI) and its annual reports to readers to understand the evolution, the status quo and future trends of the internationalization of Chinese companies. The report will contribute from the following aspects:

1. Covering a wide range of industries. More than ten major industries are studied in this report, ranging from manufactures, retail sales to business services. The uniqueness of the internationalization process of each and every industry is studied and summarized, and the overall pictures for their different internationalization strategies are painted. Besides, this report offers comparisons between various industries to identify the commons and distinctions.

2. Analyzing best practice of internationalization. This report presents the evolution of internationalization and current status of Chinese companies mainly from 3 perspectives: Internationalization strategies, performances, and branding. For those Chinese companies who are already leading in the international market, this report provides in depth analysis of the key to their success, as a benchmark for the newcomers endeavoring to expand globally.

3. Building an index series to support Chinese companies. This report attempts to establish an index series and produce corresponding research reports on the internationalization of Chinese enterprises. Such effort will lay a solid foundation both in theory and in practice for the out-bound expansions of Chinese companies, and shed light on their future strategies to excel in the international stage.

Contents

| | |
|--|-----------|
| Preface | 3 |
| Contributions | 5 |
| Contents | 6 |
| Chapter 1: What’s DOI? | 7 |
| 1.1 Index Composition..... | 7 |
| 1.2 Sampling Procedures | 9 |
| 1.3 Data Collection | 10 |
| 1.4 Calculation Methods | 11 |
| Chapter 2: New Landscape: The Top 100 Most International Chinese Enterprises | 13 |
| 2.1 Overview: The “20+80+N” Landscape | 13 |
| 2.2 Internationalization Strategy: Industry Matters | 18 |
| 2.3 Internationalization Performance: MNC vs Resource-rich Enterprises..... | 19 |
| 2.4 Internationalization Branding: Consumer-goods Producers are Dominating | 20 |
| Chapter 3: New Strategy: Comprehensive Development | 21 |
| 3.1 Seize Post-Pandemic Opportunities by Opening Up | 21 |
| 3.2 Explore Market Opportunities of the “Belt and Road” Countries | 22 |
| 3.3 Build Brands with Innovation and Craftsmanship..... | 22 |
| 3.4 “Go Global” with Supports from Chinese Financial Institutions | 24 |
| 3.5 Export “Chinese Standards” by Leveraging FinTech Advantages | 26 |
| Case: New Zhejiang Merchants: Brave the winds and waves in the “important window” | 29 |

Chapter 1: What's DOI?

In this chapter, the methodology of DOI index, including index composition, Sampling procedure, Data Collection and Index Manipulation will be articulated.

1.1 Index Composition

The Index evaluates degree of internationalization (DOI) from three perspectives: Corporate Strategy, Operation Performance and Brand Building, and will be enriched continuously in consistence with accuracy and comparability.

The following table shows the three-tier measurement structure:

Table 1-1 Degree of Internationalization for Chinese Firms

| First Tier | Second Tier | Third Tier | Data Source |
|-------------------------------|--------------------------|---|--|
| Internationalization Strategy | Global Exposure | Number of countries and regions where the company has set up overseas branches | Company annual reports; Announcements of listed companies; Company websites |
| | | Cross-border index of the company (the average index of its overseas asset ratio, overseas revenue ratio and overseas staff ratio of the company) | " <i>Top 100 Cross-Border Chinese Companies</i> " published by the China Enterprise Federation and China Entrepreneur Association; Company annual reports; Announcements of listed companies; Company websites |
| | Cross-border Acquisition | The rank of the company in the " <i>China Cross-Border M&A Report</i> " | " <i>China Cross-Border M&A Report</i> " published by Hurun China and DealGlobe |
| International Performance | Operation Performance | Overseas asset of the company | " <i>Top 100 Cross-Border Chinese Companies</i> " published by the China Enterprise Federation and China |

| | | | |
|-------------------------------|-------------------------|--|--|
| | | | Entrepreneur Association; Company annual reports; |
| | | The rank of the company in the “ <i>CCG Report on Chinese Enterprises Globalization List</i> ” | CCG “ <i>Chinese Enterprises Globalization List</i> ” |
| | Comprehensive Strength | The rank of the company in the “ <i>Fortune Global 500</i> ” | “ <i>Fortune Global 500</i> ” |
| | | The rank of the company in the “ <i>Fortune China 500</i> ” | “ <i>Fortune China 500</i> ” |
| Internationalization Branding | Brand Awareness | The rank of the company in the “ <i>BrandZ Chinese Global Brand Top 50</i> ” | “ <i>BrandZ Chinese Global Brand Top 50</i> ” |
| | | The rank of the company in the “ <i>BrandZ Top 100 Most Valuable Chinese Brands</i> ” | “ <i>BrandZ Top 100 Most Valuable Chinese Brands</i> ” |
| | Social Media Influence | Number of followers of the company's official Twitter account | Twitter official account |
| | | Number of followers of the company's official Facebook account | Facebook official account |
| | Active Search Frequency | The Chinese name of the company frequency in Google search | Google |
| | | The English name of the company frequency in Google search | Google |
| | | The Chinese name of the company frequency in Bing(oversea) search | Bing |
| | | The English name of the company frequency in Bing(oversea) search | Bing |
| | Search Trend | The average search frequency of the Chinese short name of the company in the Google Trends during last 12 months | Google Trends |
| | | The average search frequency of the English short name of the company | Google Trends |

| | | | |
|--|--|--|--|
| | | in the Google Trends during last 12 months | |
|--|--|--|--|

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

1.2 Sampling Procedures

Ranked by the comprehensive competence and overseas influence, Top 100 Chinese enterprises, as well as thorough analysis, are presented in this report out of a pool with nearly 200 candidates including Huawei, Lenovo and etc.

Following are the sampling procedures:

1. Various well-established ranking lists from institutions and stock markets are used as the referential rankings of the pool, which includes but are not limited to the “*Top 100 Cross-Border Chinese Companies*” published by the China Enterprise Federation and China Entrepreneur Association, “*Chinese Enterprises Globalization List*” published by CCG, “*Top 100 Non-Financial Chinese Cross-Border Companies*” published by Ministry of Commerce, State Bureau of statistics and State Administration of foreign exchange, MSCI “*Top 150 non-financial stocks in China Index*” etc.
2. Enterprises which appeared twice or more in all the ranking lists are included in the sample pool in the first place.
3. Companies that appeared only once in all the referential lists are re-ranked considering their original position on the lists and the prestige of the lists, and top ones will be selected as samples.
4. Chinese companies listed on the U.S. stock market are chosen in order of their market value.
5. Top-ranked companies in each industry by market capitalization are also included in the sampling pool according to the “*Industry classification guidelines for listed companies*” published by the CSRC.
6. The pool of enterprises obtained following the above steps are included with duplicates removed. Then after multiple rounds of discussion and scoring by the experts panel, a few enterprises which are highly recommended by the panel are also included, yielding a final

sample pool of 162 enterprises.

1.3 Data Collection

Both traditional statistical methods and big data technologies are applied for data collection to improve both the coverage and the representativeness of our sample. The data sources were presented in Table 1-1.

(1) The annual reports, announcements and official websites of sample enterprises

The financial and structured data are mainly obtained from the companies' annual reports and the official websites, as well as the announcements published on the stock exchanges they are listed.

(2) Prestigious Rankings

A few prestigious rankings of corporate internationalization and business performance released by reputable institutions are also incorporated, including but are not limited to:

- *“100 cross-border company in China ranking” by China Enterprise Confederation and China enterprise directors’ association*
- *Hurun “China Cross-Border M&A Report”*
- *CCG “Chinese enterprises globalization ranking”*
- *Forbes 500*
- *Fortune China 500*
- *Brandz “Chinese Global Brand Builders ranking”*
- *Brandz “Top 100 Most Valuable Chinese Brands ranking”*

(3) The mainstream international media, search engines and social network platforms

A fraction of the data is retrieved from mainstream search engines such as Google and Bing, and social network platforms such as Facebook, Twitter, etc., by examining the social media brand awareness, the search engine brand awareness and the Google Trends brand awareness.

(4) The mainstream databases and sources

The disclosure of data on internationalization is not mandatory, which resulted in occasions of missing data. Some of them are obtained from reliable sources including but are not limited to www.cninfo.com.cn, Hithink Royalflush Information, Wind, investing.com, the official websites of the regulatory agencies (China Securities Regulatory Commission,

China Banking and Insurance Regulatory Commission, National industry associations, etc.), the companies' official accounts, news released by mainstream media, etc. The data retrieved this way has been cross-checked to ensure its credibility and validity.

1.4 Calculation Methods

(1) Data standardization

In order to compute the index, the following procedures are performed: cleaning, crosscheck and standardization of collected raw data. range.

There are three types of data:

1) For numerical data (e.g., overseas assets, number of followers of social media accounts, etc.):

For the variables which follow normal distribution: apply the Max Normalization Method;

For the variables which follow exponential distribution: apply the Max Normalization Method after taking logarithm of the variables.

2) For proportional series (e.g., transnational index, etc.):

The variables are directly multiplied by 100 to obtain the standardized score given that the original series are distributed within $[0,1]$ interval.

3) For ordinal series (e.g., the rankings, etc.):

The ordinal data are standardized following the methodology based on a proprietary patent of Academy of Internet Finance (AIF), Zhejiang University.

(2) Weighting Determination

Two steps are followed to determine the weights of each sub-index towards the upper-tier indices:

1) The Coefficient of Variation (CV) method is adopted to obtain the reference values for weights based upon the standardized data;

2) The weights determined from the first step are used as preliminary weights for the sub-

indices and the calculated rankings are assessed by the expert committee for improvement. The expert grading method is then used to modify the weights.

(3) Calculation of the indices

In order to obtain the internationalization index of each Chinese enterprises, the standardized scores of the indices are multiplied by the corresponding weights and then added up. The results include the overall index and the sub-indices for the internationalization strategy, internationalization performance, internationalization brand, respectively

(4) Index Update

The index framework, the statistical methods and weights of relevant indicators will be continually optimized and adjusted, to improve its validity and efficacy.

Chapter 2: New Landscape: The Top 100 Most International Chinese Enterprises

This chapter focuses on the overseas expansion of Chinese enterprises and presents the complete list of the Top 100 Chinese enterprises as well as the emerging leaders, in terms of internationalization performance according to the DOI ranking from three perspectives: internationalization strategy, performance and branding.

2.1 Overview: The “20+80+N” Landscape

According to the indices calculated, Top 100 firms are selected out of a sample of nearly 200 Chinese enterprises, 30 other enterprises with great potential for its international growth also stood out as emerging leaders. It is clear a "20+80+N" landscape has emerged.

Table 2-1 Top 20 Most International Chinese Enterprises, 2021

| Ranking | Enterprise | Ranking | Enterprise |
|---------|--|---------|---|
| 1 | HUAWEI Investment & Holdings | 11 | Xiaomi |
| 2 | Lenovo Group Limited | 12 | Mei Group Co., Ltd. |
| 3 | China Cosco Shipping Corporation Limited | 13 | Hangzhou Hikvision Digital Technology Co., Ltd. |
| 4 | Zhejiang Geely Holding Group | 14 | Alibaba |
| 5 | China National Chemical Corporation Ltd. | 15 | PetroChina Company Limited |
| 6 | Zhongxing Telecom Equipment Corporation | 16 | China National Offshore Oil Corporation Limited |
| 7 | China Communications Construction Group | 17 | Sinopec Group |
| 8 | Hisense Group Co., Ltd. | 18 | China Energy Engineering Group Co.,Ltd. |
| 9 | Haier Group | 19 | Tencent Holdings Ltd. |

| | | | |
|----|----------------------------------|----|---|
| 10 | TCL Technology Group Corporation | 20 | Power Construction Corporation of China,Ltd |
|----|----------------------------------|----|---|

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

The common features among Top 20 enterprises are their outstanding performance in manufacturing upgrade and technological innovation. On the one hand, Chinese manufacturers have been accelerating the process of transformation and upgrade, ready to expand globally. Among all the Top 20 enterprises, 12 are from manufacturing industry, of which 6 are from computer, communication and other electronic equipment manufacturers. On the other hand, the technological innovation being taken as the core driving force for internationalization, has become the consensus of leading international enterprises. There are 8 technology companies in the Top 20 list, all of which have made appreciable efforts to implement digitization and technological advancement as their core strategies.

The DOI Top 20 enterprises are well-deserved leaders in internationalization. They own 52% of the total number of overseas branches. Besides, their average number of overseas branches is 4.3 times that of the remaining 80 enterprises as depicted in Table 2-1. Speaking of overseas assets, 58% of the total overseas assets of all enterprises belong to these 20 enterprises, which amounts 5.7 times the average of the remaining 80 enterprises. Their internationalization strategies are well-backed by their foreign asset resources.

Table 2-2 Top 21-100 Most International Chinese Enterprises, 2021

| Ranking | Enterprise | Ranking | Enterprise |
|---------|---|---------|---|
| 21 | China Southern Airlines Company Limited | 61 | Aviation Industry Corporation of China (AVIC) |
| 22 | China Eastern Airlines Corporation Limited | 62 | Greenland Holding Group Co., Ltd. |
| 23 | CHINT Group | 63 | Suning Corporation |
| 24 | China National Aviation Holding Corporation Limited | 64 | China Three Gorges Corporation (CTG). |
| 25 | Wanxiang Group Corporation | 65 | Zhejiang Dahua Technology Co., Ltd. |

| | | | |
|----|---|----|---|
| 26 | Holley Group | 66 | Ctrip |
| 27 | China Mobile Communications Group Co., Ltd | 67 | Jinchuan Group Co., Ltd. |
| 28 | China Telecom Co., Ltd. | 68 | Hailiang Group |
| 29 | State Grid Co., Ltd. | 69 | China Gold Group Co., Ltd |
| 30 | China United Network Communications Group Co., Ltd. | 70 | China Baowu Steel Group Co., Ltd |
| 31 | China State Construction Engineering Corporation | 71 | Beijing Shougang Co., Ltd |
| 32 | SAIC Motor Corporation Limited | 72 | China Southern Power Grid Company Limited |
| 33 | BAIC Motor Corporation Limited | 73 | AUX |
| 34 | Sany Group Co Ltd | 74 | China Huaneng Group |
| 35 | Weichai Holding Group Co., Ltd | 75 | China Huadian Group Co., Ltd. |
| 36 | BYD Company Limited | 76 | Inspur |
| 37 | Bright Food (Group) Co., Ltd. | 77 | China Poly Group Corporation Limited |
| 38 | CRRC Corporation Limited | 78 | China National Machinery Industry Corporation |
| 39 | China Railway Construction Corporation Limited | 79 | China State Shipbuilding Co., Ltd. |
| 40 | Gree Electric Appliances, Inc. of Zhuhai | 80 | China Aerospace Science and Industry Group Co., Ltd. |
| 41 | ByteDance | 81 | China Aerospace Science and Technology Corporation (CASC) |
| 42 | Zoomlion Heavy Industry Science | 82 | China Dongfang Electric Group Co. LTD |

| | | | |
|----|---|----|--|
| 43 | Zoomlion Heavy Industry Science | 83 | China Hongqiao Group Co., Ltd. |
| 44 | SF Holdings Co., Ltd. | 84 | China Railway Group Limited |
| 45 | China National Building Materials Group Co., Ltd. | 85 | Ansteel Group Co., Ltd. |
| 46 | China General Nuclear Power Corporation | 86 | China Tourism Group Corporation |
| 47 | Tsingtao Brewery Co., Ltd. | 87 | TravelSky Technology limited |
| 48 | WH Group Limited. | 88 | Shanghai Electric Group Company Limited/ Shanghai Electric |
| 49 | CITIC Group | 89 | China Shipbuilding Industry Company Limited |
| 50 | Zijin Mining Group Co., Ltd. | 90 | Youngor Group Co., Ltd / Youngor |
| 51 | Orient International (Holding) Co., Ltd. | 91 | Tsingshan Holding Group Company Limited |
| 52 | COFCO Corporation | 92 | Fosun International Limited |
| 53 | China Sinochem Group Co., Ltd | 93 | Shandong Energy Group Co., Ltd |
| 54 | Kweichow Moutai Co., Ltd. | 94 | China first heavy industries |
| 55 | China Aluminum Group Co., Ltd | 95 | China National Pharmaceutical Group Co., Ltd. (Sinopharm) |
| 56 | Hengtong Group Co., Ltd. | 96 | Zhejiang Longsheng Group Co., Ltd/ Zhejiang Longsheng |
| 57 | China Minmetals Group Co., Ltd | 97 | CHINA MOLYBDENUM CO., LTD. (CMOC China) |
| 58 | State Power Investment Corporation Limited | 98 | Transfar Group Co., Ltd |
| 59 | China Electronics Corporation | 99 | Lens Technology Co., Ltd. / |

| | | | |
|----|--------------------------------|-----|---|
| | | | Lens |
| 60 | BOE Technology Group Co., Ltd. | 100 | Aero Engine Corporation of China (AECC) |

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

An additional group of 30 Chinese enterprises have also exhibited great potential and momentums in their international development and been elected as 30 emerging leaders.

Table 2-3 List of emerging leaders in internationalization, 2021 (in no particular order)

| No. | Enterprise | No. | Enterprise |
|-----|--|-----|--|
| 1 | China General Technology (Group) Holding, Ltd. | 16 | China Vanke Co.,Ltd. |
| 2 | China Energy Conservation and Environmental Protection Group | 17 | China North Industries Group Corporation Limited |
| 3 | Shenhua Group Corp. Ltd. | 18 | Wanhua Chemical Group Co.,Ltd. |
| 4 | VALIN Group | 19 | New Hope Liuhe Co., Ltd |
| 5 | Jiangsu Shagang Co., Ltd. | 20 | NINGBO JOYSON ELECTRONIC CORP (NJEC) |
| 6 | HBIS Group Co., Ltd (HBIS) | 21 | ENN Group |
| 7 | Grand Industrial Holding Co.,Ltd | 22 | Futong Group Co.,Ltd. |
| 8 | China State Railway Group Co., Ltd. (CHINA RAILWAY) | 23 | Anhui Conch Group Co., Ltd |
| 9 | China National Aviation Fuel Group Limited | 24 | XIAMEN C&D INC. / C&D INC. |
| 10 | JD.com, Inc. | 25 | Zhejiang Rongsheng Holding Group Co. LTD |
| 11 | Baidu | 26 | Wolong Holding Group Co. LTD |
| 12 | Netease | 27 | HANGZHOU GREATSTAR INDUSTRIAL CO., LTD / GreatStar |

| | | | |
|----|----------------------------------|----|--|
| 13 | Hainan Airlines Holding Co.,Ltd. | 28 | Zhejiang Shangfeng Holding Group Co. LTD |
| 14 | TAL Holding Limited | 29 | Beijing Capital Group Company Limited |
| 15 | Guangdong Investment Limited | 30 | Macrolink Group |

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

2.2 Internationalization Strategy: Industry Matters

The globalization strategies should be designed in accordance with the industry-specific features of enterprises.

Regarding the number of countries and regions the Chinese enterprises branched into, the top five industries covered within the sample are air transport, manufacture of special purpose machinery, civil engineering, postal services, as well as internet and related service industries. In addition, internet companies have also been accelerating their international expansion and seeking for greater overseas opportunities. Meanwhile, by leveraging their technological advantages, these companies have been continuously exporting internet as well as digital infrastructure services. For instance, Alibaba Cloud has built 49 zones ready for use in 18 regions around the world, including Europe, North America, South East Asia, and the Middle East, making it the largest cloud computing platform in Asia. Huawei has established 26 research and development (R&D) competency centers across the globe and equipped itself with more than 700 mathematicians, above 800 physicists and over 120 chemists. It is worth mentioning that industries such as air transport and postal services are “born international” with their routes and operations located all over the world. These industries, therefore, have internationalization innately embedded in their company strategy.

Table 2-4 Ranking of the average number of countries and regions where the company has set up overseas branches

| Rank | Industry | Average number of countries and regions covered (unit) |
|-------------|--|---|
| 1 | Air Transport | 89.0 |
| 2 | Manufacture of Special Purpose Machinery | 69.5 |
| 3 | Civil Engineering | 63.0 |
| 4 | Postal Services | 55.0 |
| 5 | Internet and Related Services; Software Information Technology Services | 50.0 |
| 6 | Manufacture of Electrical Machine and Equipment | 44.6 |
| 7 | Wholesale and Retail Trade | 41.4 |
| 8 | Manufacture of Computers, Communication and Other Electronical Equipment | 39.3 |
| 9 | Manufacture of Chemical Raw Materials and Chemical Products | 27.6 |
| 10 | Extraction of Petroleum and Natural Gas | 13.3 |

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

2.3 Internationalization Performance: MNC vs Resource-rich Enterprises

Ownership of overseas assets alone does not guarantee greater success in globalization. While the paths of internationalization for Chinese enterprises diverge, two types of companies emerged as majorities. Type I are multinational corporations such as Huawei Investment & Holdings, Lenovo Group Limited, which can be featured as “large and open”. This type of companies tends to own appreciable amount of overseas assets and are early starters on overseas development, which has granted themselves edges in promoting both the scope and depth of their internationalization performance. Type II are resource-rich companies, holding a large amount of overseas resources but are less international. Typical examples include mining companies such as Luoyang Luanchuan Molybdenum Industry Group Co., Ltd and Yankuang Group Co., Ltd. Although companies within this sector tend to be well equipped in overseas assets and do operate globally, their brand recognition tend to be limited within their niche market.

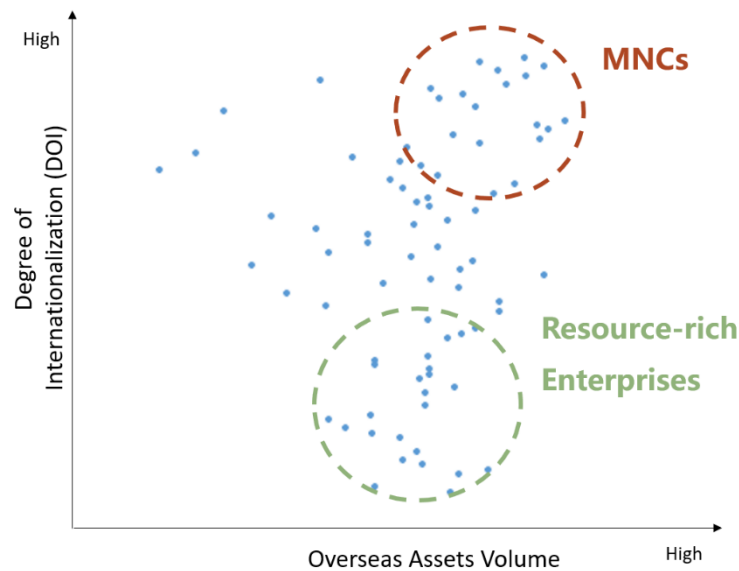


Figure 2-1 Correlation between the overseas assets volume and the degree of internationalization (DOI)

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

2.4 Internationalization Branding: Consumer-goods Producers are Dominating

Consumer goods companies tend to have easier access to international brand recognition. Our study suggests that 7 out of the 10 most international companies in DOI are from this category, which also encompasses the top five companies in terms of social media (Twitter and Facebook) followers. Yet only 58 and 68 of the DOI Top100 companies have set up official Twitter and Facebook accounts, respectively. More efforts are called upon for Chinese enterprises to further promote and publicize themselves through mainstream international social media platforms.

Number of followers on Twitter and Facebook accounts of Top 5 Chinese Enterprises

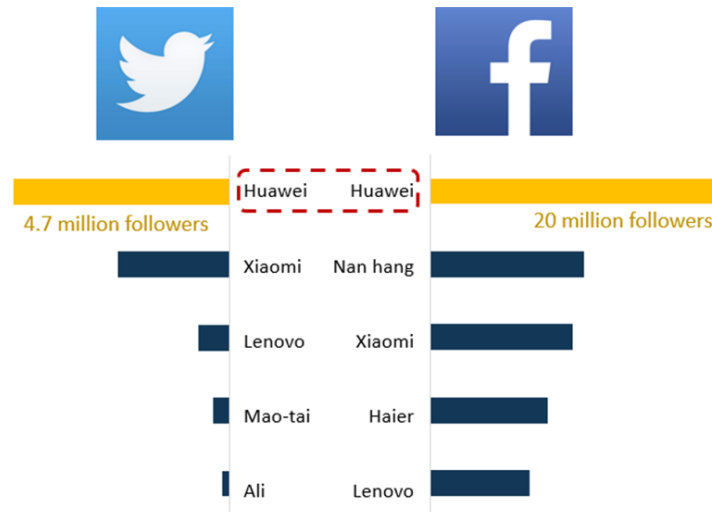


Figure 2-2 Number of followers on Twitter and Facebook accounts of the Top 5 Chinese enterprises

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

Chapter 3: New Strategy: Comprehensive Development

For Chinese enterprises to truly “go global”, it is crucial to take a comprehensive approach and promote their internationalization development from strategies and positioning, ecosystem collaboration to international impact.

3.1 Seize Post-Pandemic Opportunities by Opening Up

The new development paradigm of China is featured by the “Dual Circulation”, where “domestic circulation plays a leading role and international circulation supports.” Chinese enterprises must embrace this new paradigm as it brings about great opportunities through multilateral cooperation initiatives such as the “Belt and Road Initiative” and the “Regional Comprehensive Economic Partnership (RCEP)”. With such policy dividends, the timing is favorable for Chinese enterprises to collaborate with their overseas counterparts as long as

a thorough due diligence and a risk control plan are executed beforehand.

3.2 Explore Market Opportunities of the “Belt and Road” Countries

The international expansion of Chinese enterprises must not be haphazard especially when globalization is facing backlash risk. A wise strategy will be focusing on the “Belt and Road” countries which had promoted communications among multiple countries ever since its launch in 2015. The reason is that, on one hand, the population of “Belt and Road ” countries accounted for 62.4% of the world’s total (2019), which opens access to an enormous market for Chinese enterprises; On the other hand, investments from China to these countries are already burgeoning since 2015: the total amount of investment to the “Belt and Road ” countries accounted for 12.6% of the overall out-bound investment of China in 2015, and raised to 13.6% in 2019; construction contracts value accounted for 44.1% of the overall oversea contracts in 2015 and raised to 59.5% in 2019. With such experiences Chinese enterprises will be dealing with relatively lower level of risks.

3.3 Build Brands with Innovation and Craftsmanship

“Go Global” strategy is committed to supporting Chinese enterprises investing worldwide and those persistently focusing on developing their competitive edge are able to go forward further by building greater brand reputation in the global market. Huawei puts more than 10% of annual income into research and development, and its R&D staff accounts for 49% of the company’s human resource; Geely registers more than 1000 patents all over the world every year; Lenovo established its research institution back in 1999 and is working on the pioneering technologies of the information and communication industry ever since. To constantly nurture their business success and brand growth in the global market, the Chinese enterprises must be highly professional, extremely cautious, and fully dedicated to the product quality, which are the key elements of the so-called “craftsmanship”.

Table 3-1 Positioning, R&D Capabilities and Major Brands of the Most International Enterprises

| Enterprise | Time of Establishment | Positioning | Mission | R&D | Major Brands |
|-----------------------------|-----------------------|---|---|--|--|
| Huawei | 1987 | ICT (Information and communications technology) infrastructure and smart terminal providers | Building a fully connected, intelligent world | <ul style="list-style-type: none"> • More than 10% of sales revenue is invested in R&D • R&D personnel account for 49% of the company's total workforce | • Kirin- Mobile Phone Chip |
| | | | | | • Baron - Baseband Chip |
| | | | | | • Kunpeng- Server Chip |
| | | | | | • Tarzan - Server Platform |
| | | | | | • Synergy- Router Chip |
| | | | | | • Ascend - Artificial Intelligence Chip |
| • Harmony- Operating System | | | | | |
| Geely | 1986 | Innovative technology enterprise (design, R&D, production, sales, service). Automotive Complete Vehicles, Powertrain, | Let the world be filled with happiness and prosperity, bring Geely to the world | <ul style="list-style-type: none"> • Thousands of patents registered worldwide every year • Five R&D centers worldwide • Five styling centers worldwide | • Geely Auto - Fine Cars |
| | | | | | • Geometry Auto - High-end Pure Electric Brand |
| | | | | | • Proton Cars - Malaysia Brand |

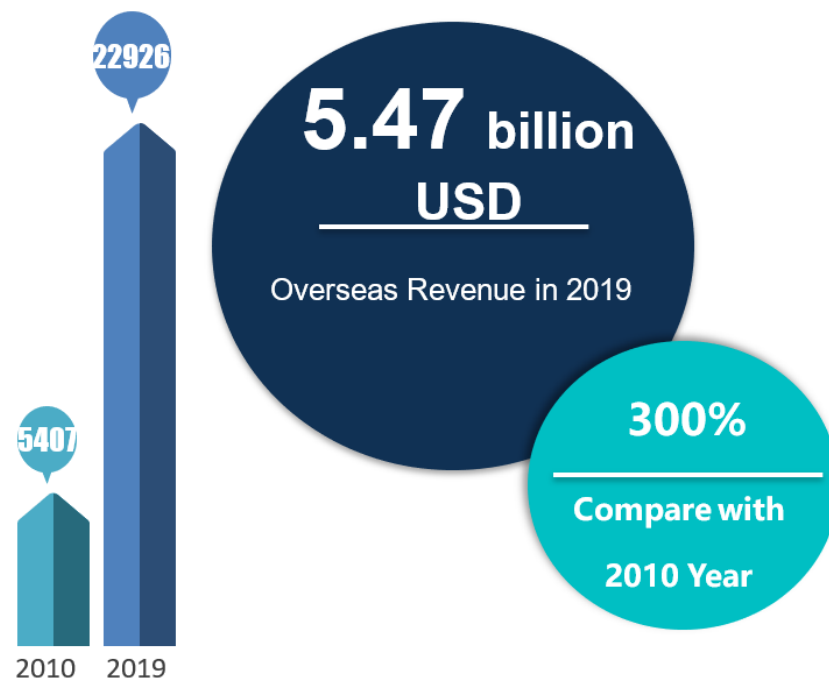
| | | | | | |
|--------|------|--|-------------------------------------|---|---|
| | | Key components | | | <ul style="list-style-type: none"> • Volvo - Swedish brand • London Electric Vehicle - New Energy City Commercial Vehicle • Cao Cao Travel - Travel Service |
| Lenovo | 1984 | ICT (Information and communications technology) enterprise | Intelligence, for every possibility | <p>In 1999, Lenovo Research was established to focus on</p> <ul style="list-style-type: none"> • Artificial intelligence, device innovation • Cloud Computing, 5G <p>•Empowerment Center (e.g., user experience, scenario design, etc.)</p> | <ul style="list-style-type: none"> •Lenovo-Computers, Cell Phones, Smart Devices •ThinkPad-Computers •Motorola-Cell Phones • Baiying - Enterprise IT Service Platform |

Source: Zhejiang University International Business School (ZIBS)

3.4 “Go Global” with Supports from Chinese Financial Institutions

Chinese financial institutions had formed a great driving force during mere decades of

internationalization. In the “2020 Bank Internationalization Index” released jointly by Academy of Internet Finance (AIF) and Academy of Finance Research (AFR) of Zhejiang University and University of Macau, it shows that in 2019, the overseas assets value of Chinese banks had reached 2.29 trillion USD with 54.7 billion USD overseas revenue, tripled the number in 2010. Such strong influencer must not be ignored as it will give financial edges to Chinese enterprises during their overseas expansions.



Overseas Assets of Chinese Banks

(Thousand Million on USD)

Figure 3-1 Overseas Assets Volume of Chinese Enterprises

Source: Zhejiang University International Business School (ZIBS), Zhejiang University Academy of Internet Finance (AIF), Zhejiang University Institute of Finance Research (IFR), University of Macau: “Will De-globalization Disrupt Banks’ International Expansion? Bank Internationalization Report——2020 Bank Internationalization Index”

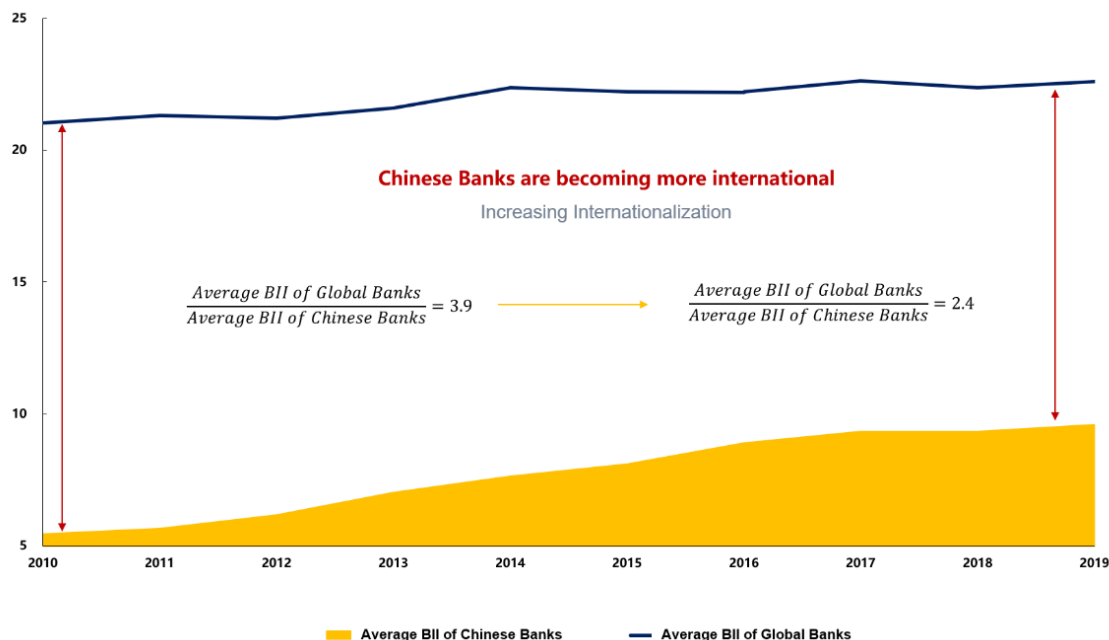


Figure 3-2 Degree of Internationalization (DOI) of Chinese Banks

Notes: BII has been tracking the international development of nearly 150 banks. This graph shows the average BII of 8 Chinese banks and 44 global banks (selected based on data availability) in the past decade.

Source: Zhejiang University International Business School (ZIBS), Zhejiang University Academy of Internet Finance (AIF), Zhejiang University Institute of Finance Research (IFR), University of Macau: *“Will De-globalization Disrupt Banks’ International Expansion? Bank Internationalization Report—2020 Bank Internationalization Index”*

3.5 Export “Chinese Standards” by Leveraging FinTech Advantages

Lately, the internationalization of Chinese enterprises mainly focuses on outward product sales and foreign investment. While this path allowed Chinese enterprises to accumulate certain branding and technological advantages, these enterprises tend to fall short on setting and exporting well-recognized industry standards. Therefore, it is important for them to enlarge their international impacts and export "Chinese standards" into the global market.

According to the “Global FinTech Development Report 2020” released jointly by Zhejiang University- Ant Group FinTech Center, the Academy of Internet Finance (AIF) and International Business School (ZIBS) of Zhejiang University, China has become one of the three global FinTech giants (China, US, UK) with its demand-pull model of FinTech development.

Specifically, there have been more than 800 million digital payment users up to 2020 in China and many representative FinTech hubs, such as Beijing, Shanghai, Shenzhen and Hangzhou. Therefore, it is of vital significance to encourage Chinese FinTech enterprises to go global, and to promote not only their products as well as brands, but also technologies and standards.

Table 3-2 Key Facts of FinTech Development in China, US and UK

| Country | CHINA | US | UK |
|---|----------|----------|----------|
| Global FinTech Industry Ranking | 2 | 1 | 3 |
| Number of highly financed but unlisted FinTech enterprises(pcs) | 206 | 292 | 79 |
| Total funding for highly funded but unlisted FinTech enterprises (\$ billion) | 928 | 675 | 197 |
| Number of listed FinTech enterprises(pcs) | 60 | 38 | 6 |
| Total market capitalization of listed FinTech enterprises (\$ billion) | 1295 | 12570 | 31 |
| Global FinTech User Ranking | 1 | 3 | 4 |
| Digital payment users (million) | 83477 | 24685 | 5523 |
| Global FinTech Ecology Ranking | 3 | 1 | 2 |
| Total GDP (\$ trillion) | 14.3 | 21.4 | 2.8 |
| Population (billion) | 14.3 | 3.3 | 0.7 |
| Sum of market capitalization of TOP500 global financial institutions (\$ billion) | 28066 | 34703 | 4103 |
| Sum of market capitalization of TOP500 global technology enterprises (\$ billion) | 42899 | 146537 | 1711 |
| Mobile phone penetration rate (%) | 93.5 | 94.9 | 94.5 |
| Internet penetration rate (%) | 54.3 | 87.3 | 94.6 |
| Number of secure servers per million people (pcs/million people) | 735 | 124014 | 35990 |
| Scientific research capability index (percentage scale) | 80.6 | 84.5 | 71.1 |

| | | | |
|--|------|------|------|
| Policy and regulation index (percentage scale) | 69.9 | 70.8 | 87.3 |
| Number of global FinTech hubs | 4 | 3 | 1 |

Source: Sinai Lab from Academy of Internet Finance (AIF), Zhejiang University,
Hangzhou Moses Technology Co., Ltd., The World Bank, Statista

Case: New Zhejiang Merchants: Brave the winds and waves in the “important window”

At a time when the international landscape is transforming and the forces of globalization and counter-globalization are intertwined, Chinese enterprises are aware of the urgency to seize the opportunities and enhance their internationalization performance. They should therefore identify an approach customized to fully exhibit their unique strengths.

Our study can be used to identify the strengths and weaknesses as well as directions for improvements of the selected Chinese firms. By examining their internationalization status systematically, not only from their international strategies, but also their international performance and branding, the study also sheds light on the approaches for future improvements.

Based on the DOI index, the study also looks into the internationalization development of the so-called “New Zhejiang merchants”. It is of strategic importance to take a closer look at this province as it is positioned as an “important window” to fully demonstrate the superiority of the socialist system with Chinese characteristics in the “new era” by President Xi Jinping. Policy recommendations are also provided afterwards.

Zhejiang is the frontier of China's opening up, so openness is a characteristic of its economy, and internationalization is an important feature of its business in the “new era”.

Table 1 TOP 20 Most International Zhejiang Enterprises

| Enterprise Internationalization Ranking | Enterprise | Region of Registration | Core Businesses |
|--|---------------------------------------|-------------------------------|---|
| 4 | Zhejiang Geely | Hangzhou | Automotive Vehicle, Powertrain and Key Components Design, Research, Production, Sales and Service |
| 13 | Hangzhou Hikvision Digital Technology | Hangzhou | Integrated Security, Big Data Services and Smart Business |
| 14 | Alibaba | Hangzhou | Core Business, Cloud Computing, Digital Media & Entertainment, and Innovation Business |

| | | | |
|-----------------|----------------------------------|----------|--|
| 23 | CHINT Group | Wenzhou | Smart Electric, Green Energy, Industrial Control and Automation, Smart Home and Incubator |
| 25 | Wanxiang Group | Hangzhou | Auto Parts Manufacturing and Sales, Clean Energy, Agriculture (Seed Research, Offshore Fishing and Deep Processing of Marine Products) |
| 26 | Holley Group | Hangzhou | Medical and Health Services and Precision Medical Services, Clean Energy and Internet of Things, New Materials, Innovation and Entrepreneurship Services |
| 65 | Zhejiang Dahua Technology | Hangzhou | Video Surveillance Solutions, Systems and Services |
| 68 | Hailiang Group | Shaoxing | Education, Non-ferrous Material Intelligence, Health Industry |
| 73 | AUX | Ningbo | Home Appliance, Electric Equipment, Medical, Real Estate, Financial Investment |
| 90 | Youngor Group | Ningbo | Garment Manufacturing, Textile, Real Estate, Health Tourism, Financial Investment |
| 91 | Tsingshan Holding Group | Wenzhou | Stainless Steel Industry |
| 96 | Zhejiang Longsheng Group | Hangzhou | Chemical, Steel Auto Parts, Real Estate, Financial Investment |
| 98 | Transfar Group | Hangzhou | Chemistry, Chemical, Logistics, Technology |
| Emerging Leader | Netease | Hangzhou | Internet Technologies, Services and Applications |
| Emerging Leader | Ningbo Joyson Electronic | Ningbo | R&D and Manufacturing of Intelligent Driving Systems, Automotive Safety Systems, New Energy Vehicle Power Management Systems |
| Emerging Leader | Futong Group | Hangzhou | Optical Communication, Metal Cables, New Materials, New Energy |
| Emerging Leader | Zhejiang Rongsheng Holding Group | Hangzhou | Petrochemical, Chemical Fiber, Real Estate, Logistics, Venture Capital |
| Emerging Leader | Wolong Holding Group | Shaoxing | Electric Motors and Drives, Real Estate and Financial Investments |

| | | | |
|-----------------|----------------------------------|----------|--|
| Emerging Leader | Hangzhou Greatstar Industrial | Hangzhou | R&D, Production and Sales of Hand Tools, Laser Products, Smart Tools, Service Robots and other Products |
| Emerging Leader | Zhejiang Shangfeng Holding Group | Shaoxing | Paper Products Packaging and Printing, Property Development, Cement Building Materials, Industrial Investment, Landscaping |

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

According to our ranking, a total of 13 Zhejiang enterprises entered into the top 100 most international Chinese enterprises, including Geely, Hikvision and Alibaba, which made into the TOP 20. In addition, 7 Zhejiang enterprises have been chosen as emerging leaders. Among the 20 most international Zhejiang enterprises, more than half (12) are from Hangzhou, while Shaoxing (3), Ningbo (3) and Wenzhou (2) are well matched. Most of the top 20 Zhejiang enterprises are clustered in the manufacturing industry while some are exploring more diversified business models evolving around their core business.

In the future, Zhejiang merchants should focus on three key drives for their international developments. To begin with, they should work on building the so-called “New Zhejiang Merchant Spirits” based on “Zhejiang manufacturing”, “Zhejiang design” and “Zhejiang creation” .

They should also target at areas of manufacturing with comparative advantages as well as digital-driven enterprises as priorities for overseas expansion. It is also crucial for Zhejiang government to enable and sustain the "home-abroad circulation" by supporting its merchants to "go abroad" through favorable policies, financial support and capacity building , and actively attract Zhejiang merchants abroad to reciprocate and contribute.



Figure 1: International Expansion of Zhejiang Enterprises

Source: Zhejiang University International Business School (ZIBS), The Cambridge Centre of Chinese Management (CCCM)

Acknowledgements

Organizations:

International Business School, Zhejiang University

The Cambridge Centre for Chinese Management, University of Cambridge

Research Team:

Prof. Ben Shenglin, Prof. Peter Williamson, Prof. Yi Yiding

Prof. Song Huasheng, Assistant Professor Lei Linan

Luo Man, Luo Dan, Gu Yue, Lv Jiamin, Liang Xiaolin, Chai Jia Yee, Liu Jiashuo, Lu Qian, Qian Yiou

About Us

International Business School of Zhejiang University (ZIBS)

Our newly founded business school has accelerated ZJU global initiatives and is set to become a leading global business school in the era of the new economy. ZIBS is headquartered in the Yangtze River Delta, a hub of innovation and one of the world's most dynamic regions.

Our vision is to become a leading global ecosystem with business education as one of its core pillars, with a particular focus on new technologies, new economy and new finance. We believe that by successfully fulfilling our responsibilities as global educators, new generations of business leaders and entrepreneurs will in turn fulfill their social responsibilities and contribute to the wellbeing of business and society as a whole.

By cooperating with the Academy of Internet Finance and the Institute of China Studies, ZIBS currently offers an International Master of Business Administration (iMBA) program with two formats: part-time and full-time, and the Master of China Studies, designed specifically for international students. Our Executive Education Center provides programs across a wide range of topics, both for open enrollment and customized corporate needs in China and outside of China.

The Cambridge Centre for Chinese Management (CCCM)

The Cambridge Centre for Chinese Management (CCCM) is a research centre based in Cambridge Judge Business School. It has been established to study unique business phenomena in China and the management practices and strategies pursued by Chinese firms.

In the past three decades, Chinese firms have been actively learning from their more advanced Western counterparts on how to establish and run a modern enterprise. In recent years, a growing number of Chinese firms such as Huawei, Alibaba, Tencent, JD, Lenovo, DJI, Haier and so on have succeeded in catching up or even surpassing their western

“teachers”.

Most of these successful Chinese firms have invented management practices which are significantly different from those of the western firms. Some of them have created a hybrid management system that combines the strengths of both the western management philosophy and practices and that of the Chinese one. These Chinese management practices have not only contributed to the rapid rise of Chinese firms, but also provided fertile ground for theoretical exploration which may genuinely contribute to the enrichment and development of management theories in general.