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1

Introduction

Ilan Alon

While the 19th and 20th centuries belonged to Europe and the United States, respectively, many observers of China believe that the 21st century belongs to Asia and, more specifically, China (also called the Middle Kingdom). Oded Shenkar of Ohio State University, in his book *The Chinese Century* (Wharton School Publishing, 2005), shows how China is already dominant in so many industries and claims that the “Chinese economic miracle” resembles more the rise of the United States in the 20th century, rather than the Japanese economic growth after World War II. To the first question, Shenkar shows that China is already the “world’s factory,” occupying a large share in the total production in many industries:

- Toys: 70 %
- Bicycles: 60 %
- Microwave ovens: 50 %
- Shoes/clothing: 50 %
- Televisions: 33 %
- Air conditioners: 33 %
- Mobile phones: 33 %
- Washing machines: 25 %
- Refrigerators: 20 %

China is the third largest exporter after Germany and the United States, and the fifth largest outward foreign direct investor (Child and Rodrigues, 2005).

China’s population is more than 10 times larger than that of Japan. This advantage gives it leverage with trade partners and abundant cheap labor for the foreseeable future. Secondly, China is a permanent member of the Security Council of the UN, with global ambitions for political leadership. Furthermore, the Chinese can import applicable knowledge and technology easily from Hong Kong, Taiwan, and overseas Chinese worldwide, and put these resources together using entrepreneurial ventures. Finally, China’s

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foreign direct investment (FDI) inflows have exceeded those of the United States, and are changing the economic landscape. China is leveraging the FDI inflows to climb up the technology ladder, upgrade its human resources, and expropriate know-how through piracy, counterfeiting, and the like.

Not only is China the most populous nation attracting the most FDI, it is also the world's largest producer of coal and steel, the largest consumer of aluminum, copper, and cement, the largest market for cell phones, and the largest holder of US treasury bills.

What's next for China? Nothing short of global leadership is sought by the government. In the economic sphere, the government has identified global champions that it hopes will become globally competitive. Under the social market economy (SME), the government has a rolling five-year plan that helps direct the economy¹ by ceding to market forces in the management of resources without forfeiting control. State-owned enterprises (SOEs) have sold shares in stock markets in China, Hong Kong, New York, and London, but the Chinese government still controls 50–90% of the shares, and appoints executives and managers.

The next frontier in the economic battlefield is the globalization of Chinese enterprises. Lenovo's purchase of the IBM PC division is a well-known example. Little, however, is known about why and how Chinese firms internationalize. On the one hand, they are governed by the market forces of demand and supply, but, on the other hand, they can be aided and injured by the political agenda of the Chinese government. For example, the government has helped Chalco, an aluminum producer, by shutting down small competitors in China and thus facilitating its quest for resources globally. The Chinese banking industry is still protected. Citigroup and HSBC cannot accept Chinese yuan (also called renminbi or RMB) deposits of more than US\$1 million. For the petroleum companies, the government has reduced the downside risks of exploration by developing oil and gas deposits and selling them back to the companies at a discount. The government also charges a lower income tax rate to domestic firms as compared to the rate charged to international oil companies. In the telecom industry, the government has set rates 5–10 times higher for China Mobile as compared to foreign competitors. In the utilities industry, Huaneng Power International gets expedited approvals for new power plants through strong relations in local and national governments (Yan, 2007).

Most studies of internationalization have been grounded in the paradigms of developed countries. However, it is increasingly apparent that the resulting theories may have to be adjusted when applied to China – which is one of a kind even among today's transition economies in terms of the emerging SME, uniquely controlled by market forces, government directives, and institutional constraints.

The globalization of the Chinese enterprises and the economy is a subject not well researched and is at the forefront of increasing attention. While research is scarce, notable articles exist. One such seminal article on examining the motives and patterns of Chinese multinationals was written by Child

and Rodrigues (2005) in *Management and Organization Review*. The authors found that to create competitive position in the marketplace, Chinese firms seek technological and brand assets. Firms in China simultaneously draw inward production capabilities through original equipment manufacturing, on the one hand, and seek out acquisition targets and organic growth abroad, on the other hand. Each strategy has its advantages and disadvantages. Original equipment manufacturers (OEMs) provide an opportunity for knowledge and technology transfer but risk the need to balance the powers of the foreign company. Acquisition is the fastest way into a market, but risks of overpaying and the liability of foreignness are high. Finally, organic growth facilitates localization and improves global operations integration, but is slow and requires high investment and a capacity to manage overseas operations.

Filling this gap in the literature, this book represents a selection of peer-reviewed and presented conference papers on the first-ever international conference focused solely on “The Globalization of Chinese Enterprises” held at Rollins College, Winter Park, Florida (November 2006), and cosponsored by Rollins China Center and Georgia Tech CIBER.

This collection of papers makes a singular contribution to a field so scarcely researched. This book divides the topic into four sections:

- I. Resources and Outward FDI
- II. Institutional Considerations
- III. Regional Implications
- IV. Case Studies

Section I: Resources and outward FDI: Strategic implications

In Chapter 2, Deng builds on the resource-based view (RBV) theory to develop a framework for understanding outbound Chinese FDI into developed countries. The foundation of the model is that asset-seeking FDI occurs for the purpose of enhancing a firm’s competitive advantages. Guided by the theoretical framework and by a critical review of the current Chinese business environments and institutional constraints, the authors have made several hypotheses related to asset-seeking motivations and the absorptive capability of the firm. According to the asset exploration perspective, FDI is viewed as a means to develop firm-specific advantages or acquire necessary strategic assets in host countries. Such asset-seeking FDI emphasizes that establishment of foreign subsidiaries via FDI can help enhance a firm’s knowledge base and competitive edge through resource accumulation and capability building.

To validate his hypotheses, the author uses a qualitative, multiple-case-study research method, with three iconic Chinese firms – Haier, TCL, and Lenovo. As leading Chinese firms in their respective industries, they are

regarded as the flagships of Chinese companies, thus constituting perhaps “best practices” in outward FDI from China. For the purpose of the research, both primary and secondary sources of data have been collected. The primary data were collected mainly in July and August 2004, and have been updated through numerous other personal communications thereafter. While the primary source was semi-structured interviews, secondary sources were also consulted through the corporate documents and websites. The secondary data enable the author to identify the key issues for the research, design the semi-structured interview questionnaire, and verify the validity of the primary data.

As a latecomer, Chinese firms appear to be in a more urgent position to engage in asset-seeking FDI for the purpose of addressing their competitive disadvantages and catching up with the incumbent global giants. Asset-seeking theories of FDI for Chinese firms must incorporate strategic and capability factors. Failure to incorporate either of the factors will lead to an incomplete picture of international expansion of Chinese firms. The chapter, therefore, makes an important contribution to the RBV theory as it relates to the globalization of Chinese firms and allows scholars of the globalization of China to assess variables of potential importance, for example, the absorptive capacity of the firm in incorporating new knowledge into their global portfolio. This chapter, therefore, supports the need for adapting theories to the Chinese institutional structure.

Chinese firms acquire knowledge and accumulate experience by increasing the involvement in international expansion. Yet little attention is given to the learning strategy of Chinese enterprises. In Chapter 3, three authors from Tsinghua University – Fang-cheng Tang, Xu-dong Gao, and Qiang Li – develop a conceptual framework describing the learning process in Chinese international business expansion. Their chapter, written from a Chinese pragmatic perspective, studies the sources of knowledge acquisition and learning strategies to help Chinese enterprises identify knowledge sources in different stages of globalization.

Through extensive reviews of the literature, three sources of learning were identified: (1) learning by inward internationalization, (2) learning by outward internationalization, and (3) learning by doing. To understand the flexibility of learning for Chinese enterprises in globalization, the authors further identify the difference in different stages of globalization of Chinese enterprises and offer its implication for government and Chinese enterprises. The globalization process of Chinese enterprises has been supported by the Chinese government. In the early stage of globalization of Chinese enterprises, a reactive learning strategy is adopted but in the later stage of globalization, a proactive learning strategy is adopted. The reactive learning strategy is government-led. The proactive learning strategy is market-oriented. The authors urge Chinese companies to move from reactive to proactive modes of globalization to speed up the development of Chinese multinationals.

The authors suggest that the Chinese government adopt a policy that assists firms in learning from multinational enterprises (MNEs), learning

from overseas direct investment, and learning by doing. For the government, such strategic moves should be used to favor firms in accumulating experiences and access to technology. Chinese companies can identify the stage of their globalization to adopt the appropriate learning strategy. However, these strategies should not be viewed in isolation; they are not mutually exclusive and can be used simultaneously to speed up the learning process to become more globally competitive.

In Chapter 4, Alon, Herbert, and Muñoz develop a conceptual and practical framework for explaining the resource gaps that exist in Chinese management for successful globalization. To achieve their full potential as global competitors, Chinese business enterprises must identify and rectify deficiencies in their resources and capabilities. These authors offer an approach to improving globalizing capabilities through the lenses of multiple response levels, including ambient factors, the individual level, the intraorganizational level, and the interorganizational level. Identifying misalignment or poor strategic fit as well as needed capabilities, plus employing analysis from a RBV, allows the firm to assess areas of investment for developing a competitive advantage. Like Chapter 2, this chapter encourages the use of RBV theory.

The authors demonstrate the utility and value of a systematic analytical approach to identifying and assessing strengths and deficiencies in the capabilities and resources applied by the globalizing Chinese firm. Specific strategic actions, pertinent to each of the three tiers in the strategic fit model, are identified, and are able to be used as beginning points for executives. The RBV formally employed, then, allows each of the strategic actions to be assessed against the criterion of its potential for contributing to competitive parity or to competitive advantage, utility in funds allocation to competing strategies and initiatives. As such, the authors identify an approach that (although not an exhaustive treatment of all possible issues of relevance) provides what they believe to be a manageable range of issues, through which actionable areas of high return for the globalizing Chinese enterprise may be specified by the executives involved.

While Chapter 2 explains the process of learning in the Chinese multinational, Chapter 4 identifies areas where learning is needed and calls for comprehensive strategies aligned throughout the organization. RBV theories are explored in Section I and attention is brought to the institutional framework within which Chinese multinational operate. Government involvement in directing the economy, although decreasing, is still high and a residue of the old economic system remains.

Section II: Institutional considerations: New pathways

Chapters 5 through 7 highlight the importance of the institutional environment. A conceptual model is given in Chapter 4 by Xiaohua Yang, Queensland University of Technology, and Clyde Stoltenberg, California

State University – Long Beach. The authors offer a preliminary framework for understanding some of the underlying forces driving the internationalization of Chinese firms. First, they articulate historical periods in which outward FDIs by Chinese firms shared certain identifiable characteristics. An important measure in this process is whether the reasons for investing are internal to the firm or driven by external factors, and how this measure changes from one period to the next. Then, the authors summarize the existing literature on institutional change and development in the context of the Chinese economic reforms. Finally, they examine the evolution of outward FDI by Chinese firms in the context of changes in relevant institutional influences to relate the investment trends to the environment in which they occur.

Chinese outward FDI has been led by state-owned or state-controlled enterprises. Therefore, the role of the state has been significant, and government policies have done much with regard to controls and incentives. However, institutions – which have emerged as reforms have shifted the economy from a planned economy to one driven more by market forces – have been increasingly important change agents affecting outward FDI practices. Capital markets and their legal (regulatory) and financial institutions have had an increasing impact on decision making by Chinese firms, as have external environmental factors, such as the impact of World Trade Organization (WTO) accession and the globalization of the world's financial markets.

Continued change in both the internal and external environments within which outward FDI decisions are made make the analysis of the phenomenon a very dynamic one. Institutional theory, and particularly the impact of institutional change, will have significant power to explain this particular component of China's internationalization. Understanding how decision making by Chinese firms is increasingly impacted by institutions associated with a market economy, but still in the context of transition in terms of property rights and management practices, will have significant implications for both policymakers and all varieties of entities dealing with Chinese firms.

In Chapter 6, Peng, Sun, and Tan consider what the strategic management and international business literature has often ignored – the “latecomers” from periphery countries. What strategies for internationalizing do these latecomers have? How do they overcome severe “resource position barriers” with limited recourses? Based on data collected from China's listed companies, the authors analyze how (1) industry dynamics, (2) resource repertoires, and (3) institutional transitions affect the scale and scope of firms' reactions to globalization pressure. The authors try to answer how the focus strategy or diversification strategy, in combination with an internationalization strategy, relates to the performance of Chinese firms.

The authors collected a sample of 2189 Chinese listed firms from 2002 to 2004, and divided them into four different categories: (1) domestic focus firms, (2) domestic diversification firms, (3) international focus firms, and (4)

international diversification firms. The authors use a multivariate regression model to test the relationship between categorization and firm performance.

The authors find that a focus firm will gain more competitive advantage than a diversified firm during its initial internationalization in China. The intensification of competition in domestic markets and pressures from globalization under openness policies have significantly affected the scope of all four types of firms. The authors suggest that these firms follow a “build–borrow–buy” path for their internationalization.

Chapter 7, written by Hui and Fatt from the University of Malaya, discusses the alignment of strategies with institutional influences by Chinese SOEs. The chapter examines how a Chinese SOE, Sinohydro Corporation, has aligned its business strategies with institutional influences, inherently dynamic, so as to successfully enter an international market. The setting of inquiry is the firm’s taking on a large international joint venture (JV) project based in the emerging market of Malaysia. Qualitative approaches are the major data collection methods. The authors suggest that both home advantages and heterogeneous foreign markets are important to the path of internationalization; a competitively priced factor embedded with multiple valuable characteristics can be better than the ones with mere low cost; and a salient nonprice capability may fall short of competition if other capabilities are also equally demanded at the same time.

On the practical front, this research suggests that possessing distinctive knowledge assets to bundle and leverage both price and nonprice dimensions of competition, subject to organizational internal and external constraints, is crucial to sustaining a globally competitive advantage position. Though some aspects of international institutional environment have provided Chinese firms with opportunities to establish a global position, more work needs to be done before they can take up a dominant lead position in the global marketplace. Chinese multinationals are perhaps in a better position to operate in other developing countries that may experience similar economic, social, and political environments.

Section III: Regional implications: Following or leading

Section III considers the regional impacts of China’s globalization. While some still debate whether China has emerged as a global leader, there is no question that regionally it has a large influence. In Chapter 8, Tom Lairson of Rollins College considers the case of Vietnam, analyzing it from a political science perspective. China’s economic miracle raises concerns for many countries in Asia. This chapter examines the potential impact of China’s globalization on Vietnam. One well-known approach in political science to the topic is the flying geese model (FGM), which sees industrialization transmitted from one state to another following the logic of comparative advantage. The author modifies the FGM to consider the new economic

environment defined by global production networks established by transnational corporations and the importance of governments in creating complementary assets capable of making low labor costs effective as a comparative advantage. This is applied to the dynamic changes in China from globalization and the potential implications for Vietnam.

Through a conceptual reworking of existing research on Asian economic development and the FGM, Lairson defines new forms for the shifting of industrial development across Asia. This is applied to China and Vietnam, thereby defining a distinctive set of expectations for the pathways for development in these states. In this way, the author demonstrates the importance of rethinking the nature and origins of comparative advantage as a basis for understanding how economic growth in one nation can affect the prospects for others. In the case of China and Vietnam, rising costs in China present a significant opportunity for both nations. For China, Vietnam is an opportunity to maintain a position in the low end of the value chain even while moving into higher value-added products and segments. For Vietnam, China's globalization is an opportunity to gain access to the resources of enormous global and regional production as well as knowledge and financial networks centered on China. Vietnam's government has taken many of the steps toward creating the complementary assets that can attract investment from transnational firms and Chinese firms seeking to relocate labor-intensive segments of the value chain. Considerable spillover of investment from China into Vietnam is expected in the coming years.

The chapter provides a set of expectations about future developments in China and Vietnam that is of interest to governments and firms as well as scholars of the Chinese political economy. Rather than seeing China's development as a threat, governments in the region should be developing local assets capable of creating comparative advantages able to link into these global and regional networks. The chapter establishes the importance of an approach based on political economy, that is, it demonstrates the need to understand how the governments of poor states are essential to creating comparative advantage and how transnational firms create networks of global resources that are also essential to understanding the origins of comparative advantage. This approach rejects the traditional assertion that understanding autonomous markets is sufficient. Rather, global markets must be supplemented by the capacities of firms and governments. States can create advantages in a world where capital, technology, and knowledge are available in *networks*. The FGM, when updated with the perspective of political economy, can be effective in demonstrating the potential benefits to Vietnam from China's globalization.

In Chapter 9, James Johnson explores the similarities and differences between the Korean and the Chinese paths toward globalization. While Chapter 8 explains the impact of a lagging economy, namely Vietnam, Chapter 9 compares Chinese international development to a leading political economy, South Korea. In the second half of the 20 century, the People's

Republic of China and South Korea followed separate paths of economic and political development. However, they share two principal features of their economic growth: heavy dependence on exports and the preferential treatment afforded certain domestic firms. Both of these features contributed to the extraordinary progress that these nations have achieved. To understand how this advancement occurred, the author first examines the cultural similarities and differences between China and South Korea and he then traces the economic development of each country over the past 50 years. Using RBV and institutional theory, Johnson discusses the growth and development of the Korean *chaebol* and Chinese SOEs that have emerged onto the global stage.

China's political leaders face a variety of challenges to the nation's future economic development. They must maintain a high growth rate, deal effectively with the rural workforce, restructure the financial system, and continue to reform the SOEs, foster the productive private sector, promote better international cooperation, and change the role of the government in the economic system. Despite the strong similarity between Korea's growth trajectory in the 1980s and 1990s and the trajectory that China seeks to follow today, with its emphasis on a combination of SOEs in resource-dependent industries and private firms in consumer products, Johnson concludes that Chinese firms need to leapfrog the Korean model of incremental globalization through organic growth. It can do this, Johnson suggests, by acquiring external strategic resources and by relying more on inward FDI to provide the key technologies and the critical management skills that China will need in order to compete in the 21st century.

Lawton and Lin from Chung-Hua Institute and Imperial College London, respectively, in Chapter 10, describe another leading political economy in the race of globalization and in particular focus on the internationalization of Taiwanese SMEs. Their study investigates domestic interfirm network utilization in the internationalization process of Taiwanese SMEs. Given the cultural and national similarities between Taiwan and mainland China, much can be learned by examining the Taiwanese case. Taiwanese SMEs use domestic interfirm networks in their internationalization process. The authors argue that internationalizing through domestic interfirm networks is positively correlated with firms' limited nonfinancial resources, perceived uncertainties and risks associated with internationalization, and dependence on home partners. They contend that the technology level of firms and deficiencies in local knowledge and experience do not have a significant impact on decisions to utilize domestic interfirm networks in the internationalization process.

In Chapter 11 Jun Kurihara from Harvard University examines the globalization of Northeast Chinese firms as a Chinese regional case study. The purpose is to investigate the global strategies of the electronics multinational companies (MNCs) in Northeast China and to discuss policy implications for the region. The author collects data and information for the study through

first-hand visits to the region and contact with key authorities, extensive interviews and document surveys in China, Japan, and the United States. The interviewees include top executives of electronics companies in the above-mentioned countries, experts in the electronics industry in the business and academic communities, and policymakers in the Chinese and Japanese governments.

Kurihara's contribution to the literature is fourfold. First, the chapter highlights regional differences: those actively expanding and those with little industrial agglomeration. The actively expanding region includes the Northern Coastal Region (Beijing, Tianjin, Hebei, and Shandong), the Yanzi Delta (Shanghai, Jiangsu, and Zhejiang), and the Zujian Delta (Gangdong) while the other consists primarily of Northeast China. Second, the chapter discusses the strengths and weaknesses of the electronics MNCs located in Northeast China. Northern China has three characteristics: a rapidly growing software industry, its geographical proximity to Japan and South Korea, and the strength of traditional SOEs and local academic communities. Third, the chapter examines a prospective role played by Japan's electronics MNCs to help Northeast China's electronics MNCs become internationalized. They can help Dalian become a Chinese "multilingual" Bangalore, and they can help SOEs by an active interplay with them and through privatization. Fourth, the chapter identifies obstacles prohibiting both Japanese and other foreign MNCs from actively engaging in the interplay with Northeast China's electronics MNCs: a lack of strong leadership in the Liaoning Province and a lack of an active secondary region (either Jilin or Heilongjiang).

In sum, Section III describes regional variations and shifting of economic resources both between and within countries in Asia. The rise of China has a strong economic influence on lagging countries, like Vietnam, which China is pulling into prosperity, and on developed countries, which now increasingly rely on China as a source of inexpensive production and a host of a large and growing marketplace. In addition, the globalization of China has benefited some regions that are connected to the global marketplace and neglected others, causing wide income fluctuations within China, an area of increasing emphasis for policymakers there.

Section IV: Case studies: Selected industry sectors

Section IV describes the experiences of specific industries and companies. In Chapter 12, Fetscherin and Sardy from Rollins College examine the Chinese automobile industry. Prominent Asian and Western auto manufacturers have for many years considered the competition and the marketplace to be fairly well defined. China, the newest market for automobiles, has already developed into one of the largest consumer markets and the growth has just begun. Most of the automobiles consumed in China are domestically produced by local, regional, or national manufacturers. The skills and expertise that Chinese automotive firms have developed on their own or through JVs

have prepared them for expansion beyond the borders of China. The authors propose a framework for identifying which Chinese auto manufacturers are most likely to export vehicles. They identify the current JVs in place with foreign partners and the sectors in which the most aggressive exporters will be found.

Through review of the literature and comparison with historic behavior of several other Asian automotive manufacturers that have become strong exporters, Fetscherin and Sardy develop a model of the current competitor's value strategy within the Chinese market. A sales-based model is then proposed to identify those firms most likely to develop a strong export strategy. When considering the direction that Chinese automobile manufacturers will take over the next decade, it is fairly clear that their initial focus will be on the domestic market. It is quite probable that the economies of scale and the manufacturing insights gained from JVs in the local market will help China become an effective global competitor. The export of Chinese brands is more likely to take place among firms that manufacture their own brands rather than those producing for their JV partners. It is likely that early exports of Chinese cars will be small cars competing primarily on price. How Chinese automobile manufacturers deal with quality issues and brand perception may determine how effectively and how quickly they become global competitors.

The authors identify two groups of Chinese automobile manufacturers: state-owned national enterprises and local government or independent automobile manufacturers. Their analysis shows that the latter are more prone to internationalization in the near future, concluding that it is no longer the question of "if" Chinese manufacturers will produce cars for foreign markets but of "when" and "where." The chapter provides a window into the early development of what promises to be one of the largest automobile markets in the world and potentially one of the world's largest automobile exporters.

In Chapter 13, Simmons presents the case of Huawei as a globalizing Chinese firm. The chapter examines how a Chinese MNE, Huawei, has grown to become China's largest telecommunications equipment provider and a significant international competitor. It further looks at what issues exist for its future, particularly as they pertain to US market penetration. The chapter provides background on the company's history and approach to international expansion and examines its entry attempts into the US market. Public, secondary sources are used for data collection.

The case offers several insights. An MNE must continue to evolve and change tactics to remain competitive and grow in the international marketplace. Specifically with regard to the US market, a competitive low price structure and an attempted Western management approach are not necessarily sufficient for success, particularly when aggressive R&D tactics have created a negative perception of the enterprise in the market. Despite some weaknesses in developed countries and particularly in the American market,

Huawei is a model for other Chinese firms' internationalization. Going forward, its approach to the US market may have far-reaching implications for how Chinese and US companies interact.

In Chapter 14, Gilbert presents the Wuliangye Distillery case as a wonderful example of the new Chinese global consumer company. This MNE has captured the hearts and wallets of Chinese customers for years and now competes with the largest firms in the world for shelf space for spirit beverages. The purpose of the case is to gain insights into a world class manufacturing firm within mainland China that has embraced a multinational business strategy. The Wuliangye brand is prized in China as its Wuliangye Spirits liquor brand is used for toasts at official state functions with heads of state and dignitaries from all over the world. The firm has won 39 gold medals in worldwide competitions. The Yibin plant produces 4 types of distilled products in 25 varieties and 50 specifications of liquor with its primary brands.

The methodology for this case study is mainly secondary source materials available on the Wuliangye Group of firms and its marketing and promotion arm, the Push Group. The author finds that Wuliangye is the largest, most prestigious, and most profitable of the Chinese distillers of spirits. Its international success has spurred the firm toward other global markets, such as automobile mold design and fabrication. These new multinational manufacturing thrusts are all looking beyond the Chinese borders toward global markets. The company already competes in markets as diverse as the United States, the United Kingdom, Italy, Spain, New Zealand, Japan, Laos, and Taiwan. The authors look specifically at the Wuliangye Distillery plant in Yibin, China, but also take a peek at its many other businesses within its corporate strategy. This case gives a first insight into the international strategy of the Wuliangye Group and offers a glimpse at this major player in the distilled spirits market.

Conclusions

Collectively, the authors have developed models to enable international business as well as China scholars and business people to better understand the strategic directions that Chinese firms will take in the process of globalizing their businesses, and the impacts these decisions will have. RBV and institutional theories seem to be growing in importance in explaining the internationalization of Chinese enterprises. However, traditional Western theories of international business need to be adapted to the Chinese context or new theories altogether are necessary.

Note

1. The 11th five-year plan (2006–2010) calls for upgrading the industrial structures, developing of rural and western areas, becoming environmentally friendly,

opening markets up further, investing in science, education, and human resources, and constructing a harmonious socialist society. (China.org.cn, retrieved 2006).

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