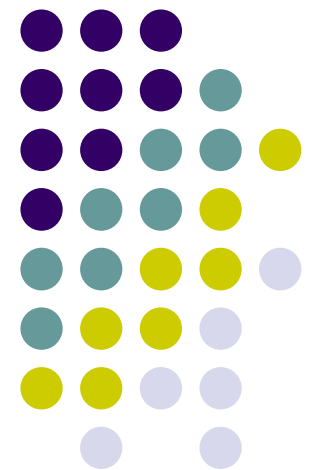
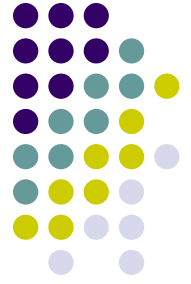


The Evolving Chinese Company Strategy: From Cost-Centered to Innovation-Focused

Mingfang Li Ph.D.
Department of Management
College of Business and Economics
California State University
November 2008





Personal Introduction

- Professor of Strategic Management
- Researching and Teaching in Strategic Management, Corporate Governance, Technology and Innovation, and Emerging Multinationals
- Collaborating with Several Universities in China to Examine Chinese Firm Strategies



Chinese Firm Examples

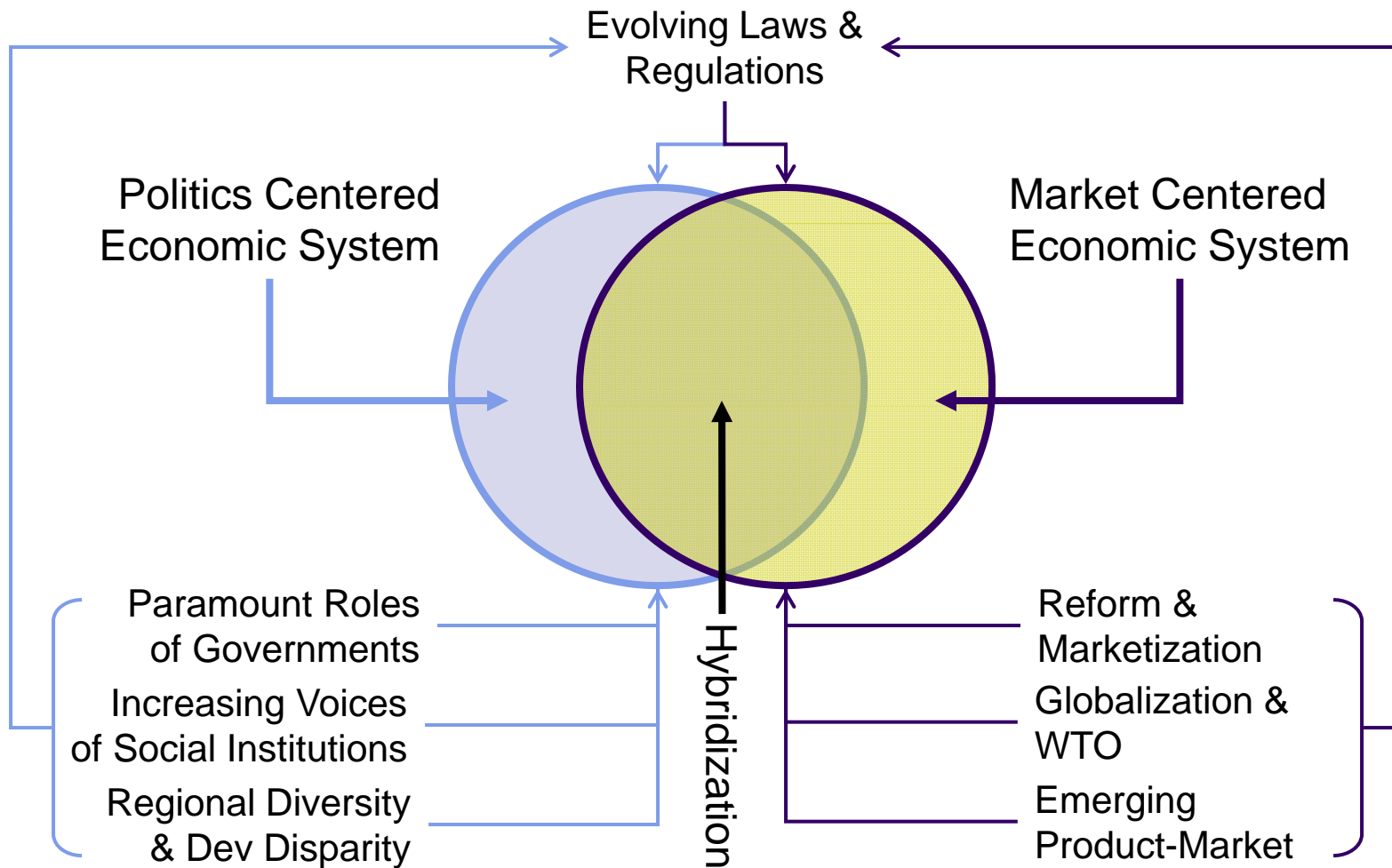
- Haier – An Electronics Business Group
- Lenovo – A Computer Firm
- CMCC – China Marine Container Corporation
- Aigo – A USB Device Manufacturer
- Huawei – A Telecommunications Firm
- Auto IJVs



無聲作品



Institutional Forces and Economic Systems





“是真，是假？是甜还是苦？”

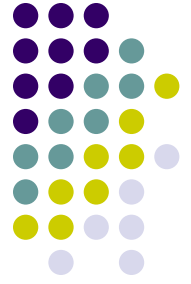


Challenges and Roots of the Problems



- Quality and Safety Problems
- Which are the Root Causes?
 - Total disregards of basic obligations
 - Inability to meet world standards
 - Inadequate designs by MNEs
 - Greedy entrepreneurs
 - Lax governmental regulations
 - Competitive pressures
 - Poor process designs

Cost-Based Strategies



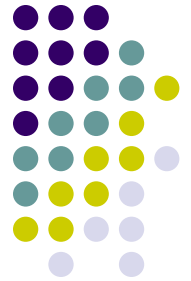
- Low cost nature and human resources
- Governmental subsidies
- Entrepreneurial instincts

Enhanced Awareness of Innovation Based Advantage



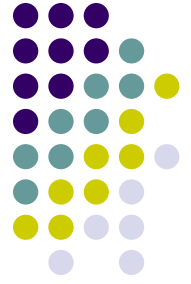
- Multinationals no longer see China as competitive as costs of living increase.
- Cost based competition creates opportunity for labor exploitation
- Human creativity allows more sustainable competitive advantage
- Chinese firms are capable of innovation and gain greater return from it.

Bases for Indigenous Innovation



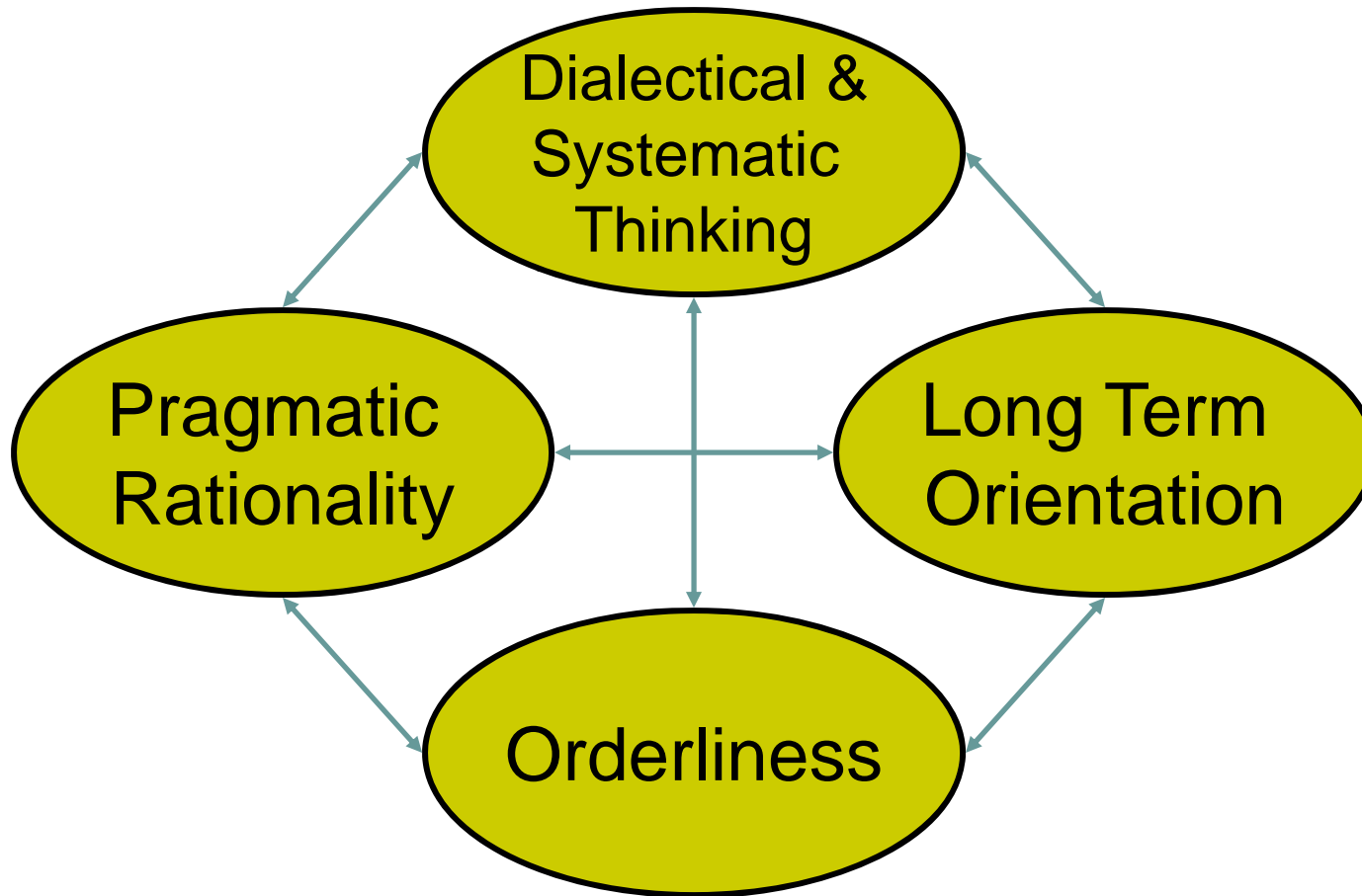
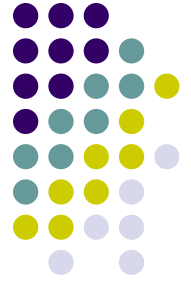
- Governmental Supports and Guidance
- Research Institutes
- Universities
- Public Technology Platforms

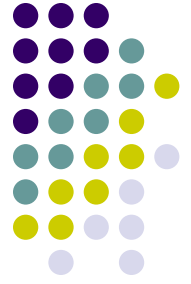
Evolving Chinese Firm Strategy



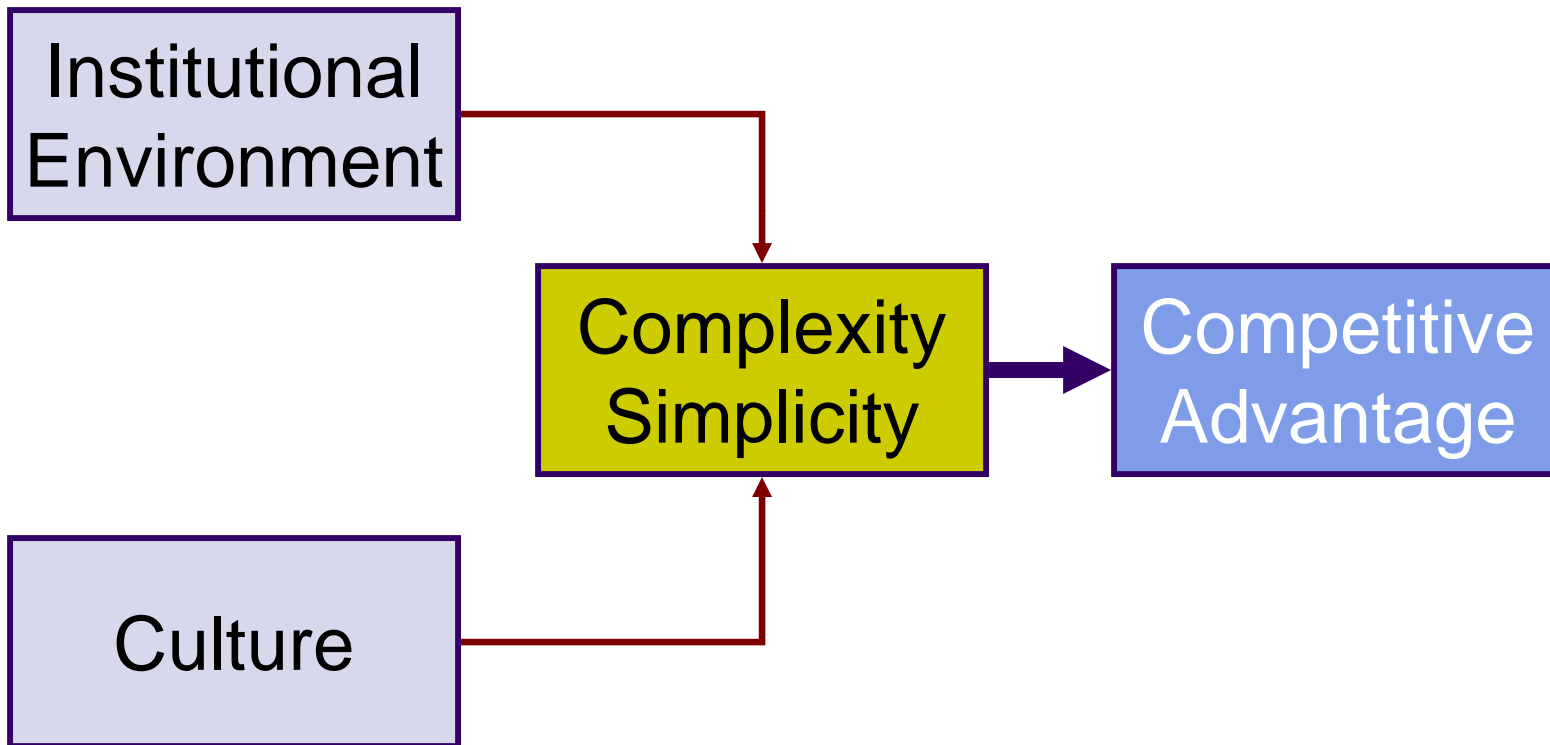
- The world's manufacturing base?
- Cost innovation
- TIM and open innovation

Chinese Culture Visualized





A Theoretical Framework



The McGraw-Hill Companies

BusinessWeek

NOV 21, 2011

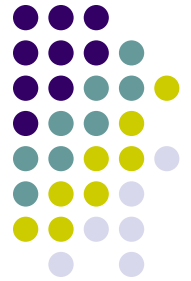
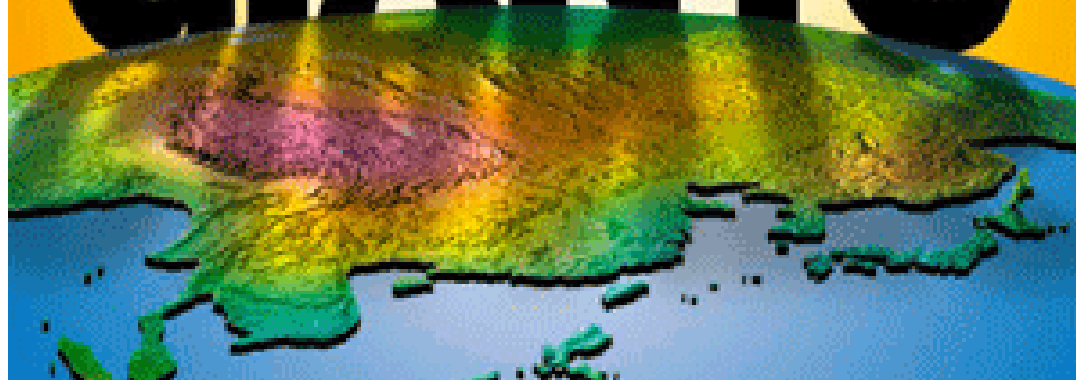
www.businessweek.com

The New Multinationals

They're smart and hungry, and they want your customers. Be afraid. Be very afraid.

BY PETE ENGARDIO (P. 40)

EMERGING GIANTS



The New Contenders

Boston Consulting Group has identified 100 emerging-market companies that have the potential to reach the top rank of global corporations. From a variety of industries, here are 25 players and their strategies:

TAKE BRANDS GLOBAL



Establish primacy at home, expand in neighboring nations, then move to the West.

TARGET A NICHE



Focus on an industry, build scale, and expand globally by acquiring smaller players.

ENGINEERING TO INNOVATION



Tap ample low-cost talent at home, then develop innovative products.

LEVERAGE NATURAL RESOURCES



Take advantage of domestic oil, mineral, or timber resources to attain a cost edge, then go global.

ACQUIRE OFFSHORE ASSETS



Become a global player by buying oil and mineral reserves or partnering with other developing-nation companies.

EXPORT BUSINESS MODEL

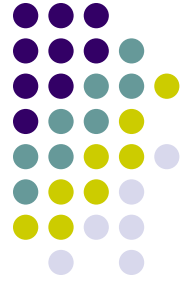


Hone a management system, then replicate it globally through acquisitions.

COMPANY	COUNTRY	INDUSTRY	REVENUES in billions	STRATEGY color-coded
América Móvil	Mexico	Telecom services	\$170	■
Cemex	Mexico	Building materials	15.3	■
China Mobile	China	Telecom services	30.1	■
CNOOC	China	Oil and gas	8.7	■
CVRD	Brazil	Mining	15.1	■
Embraer	Brazil	Aerospace	3.8	■
Gazprom	Russia	Oil and gas	48.9	■
Haier	China	Home appliances	12.8	■
Hisense	China	Electronics, appliances	4.2	■
Huawei Technologies	China	Telecom equipment	5.9	■
Infosys Technologies	India	IT Services	2.0	■
Koc Holding	Turkey	Diversified Industries	18.0	■
Lenovo Group	China	Computers, IT components	13.4	■
MMC Norilsk Nickel	Russia	Nonferrous metals	7.2	■
Mahindra & Mahindra	India	Tractors, Autos	2.9	■
Orascom Telecom	Egypt	Telecom Services	3.3	■
Petrobras	Brazil	Oil and Gas	56.3	■
Ranbaxy Laboratories	India	Pharmaceuticals	1.2	■
Sadia	Brazil	Food and beverages	3.6	■
Severstal	Russia	Steel	4.9	■
Shanghai Baosteel	China	Steel	15.8	■
Tata Consultancy Services	India	IT Services	2.8	■
Tata Motors	India	Autos	5.8	■
Techtronic Industries	Hong Kong/China	Power tools	3.0	■
Wipro	India	IT Services	2.3	■

Data: Boston Consulting Group, company reports, Bloomberg BusinessWeek





Summary and Q&A

- Described the evolution of Chinese company strategy over the last thirty years.
- Used case examples of well-known Chinese firms to illustrate these changes, and describe the nature of Chinese economic transition, and emerging thinking and practices of company strategies as innovation-focused.
- Concluded his talk with some speculations of the future directions for Chinese companies