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

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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
Institutional Forces and Economic Systems

Politics Centered Economic System

Market Centered Economic System

Evolving Laws & Regulations

Hybridization

Paramount Roles of Governments
Increasing Voices of Social Institutions
Regional Diversity & Dev Disparity

Reform & Marketization
Globalization & WTO
Emerging Product-Market

Emerging Product-Market
“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

Dialectical & Systematic Thinking

Pragmatic Rationality

Long Term Orientation

Orderliness
A Theoretical Framework

- Institutional Environment
- Complexity Simplicity
- Competitive Advantage
- Culture
Business Week

The New Multinationals
They’re smart and hungry, and they want your customers. Be afraid. Be very afraid.

BY PETE ENGARDO (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:

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

Data: Boston Consulting Group, company reports, Bloomberg, Business Week
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.