



The Characteristics of Internationalizing Chinese Companies in the UK and Sweden

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Abstract

The internationalization of Chinese companies is an interesting phenomenon in the field of international business. China's economy featured inward foreign direct investment (FDI) in the past, but more recently, China has entered foreign markets with outward FDI. By introducing its "go abroad" policy in 2001, the socialist Chinese government has been providing formal support and encouragement to Chinese companies to embrace internationalization in many countries that significantly include European countries too. Literatures on generic characteristics of Chinese internationalization worldwide have been found developed and well acclaimed. However, literature on the Chinese internationalization specifically in the European market have been found insufficient which induced this research to depict the characteristics and classification of Chinese internationalization in the European market and also to identify their current stage of internationalization in the scale of ethnocentric, geocentric, and polycentric internationalization to learn whether the generic literatures of Chinese internationalization resemble the characteristics of Chinese multinationals that have been internationalising in the European market. The study has moved from a broader view of Chinese internationalization in Europe to specific issues of internationalization of a leading Chinese company in the European market applying deductive research approach on archival data that were collected through a longitudinal study. The paper principally has found that the majority of Chinese investment in Europe seeks resource and market in diversified industry with having long-term aim. However, Chinese multinationals which are more established have been seeking strategic assets and efficiency and progressing from ethnocentric to polycentric in internationalization in European market. The research would provide a clearer view of the degree of alignment of Chinese internationalization in Europe compared with generic theories of Chinese internationalization. Limitations in this study were generally related to the research generalization based on a few sources of data to represent all the Chinese companies invested in the UK and Sweden.

Keywords: Internationalization Stages; Entry Modes and Motives; China; Europe

1. Introduction

The internationalization of Chinese companies is an interesting phenomenon in the field of international business. China's economy featured inward foreign direct investment (FDI) in the past, but more recently, China has entered foreign markets profusely with outward FDI. By introducing its "go abroad" policy in 2001, the socialist Chinese government has been providing formal support and encouragement to Chinese companies to embrace internationalization in many countries that significantly include European countries too. Global FDI in 2008 fell by approximately 20%, but outward FDI from China nearly doubled to around USD 40.7 billion, whereas it was USD 24.8 billion in 2007 (OECD, 2008 cited in Davies, 2009). The number of Chinese companies, which invested in overseas markets, increased from 2000 in 2004 to an estimated 5000 in 2006, and Europe attracted one-third of these (Zhang, 2006).

After the initiation of the "go abroad" policy, Chinese companies such as Lenovo, Haier, Neusoft, Huawei, and ZTE have emerged with large-scale investments in technology-oriented industries. In this

phase of internationalization, these companies achieved stable growth. Child and Rodrigues (2005) have identified this phase as the third level of internationalization of Chinese firms and characterized it as “physical and organizational expansion of Chinese firms into overseas locations.”

Among larger outward investing Chinese companies, Haier, Lenovo, TCL, ZTE, and Huawei have established themselves in the world market as multinationals. Several of these Chinese multinationals such as Lenovo and TCL have been struggling to establish themselves in international markets. However, some other companies, including Haier and Huawei, have managed comprehensively in establishing a basis for internationalization and have been expanding with confidence. Chinese multinationals are comparatively latecomers to international markets and have yet to achieve competitiveness with global leaders. However, they frequently come into the forefront with some astonishing achievements such as Haier’s gain of 70% share of the wine cooler and 50% share of the compact refrigerator product sectors in the US market by 2003 (Kiran, 2004) and increase in Huawei’s sales in Europe by 15 times over 3 years from 2002 to 2004 (Ward, 2009). While Chinese multinationals are smaller in size and younger in maturity compared with those of globally leading multinationals, the above-mentioned instances of the achievements of Chinese multinationals have suggested that they could emerge as a threat to the world’s leading multinationals in the near future in both developing and developed markets.

The background discussed above urges to evaluate the potential of Chinese companies in doing business in the global market competing with already established global multinational corporations particularly in their home market. To begin with this broader purpose, the study intended to identify and evaluate the characteristics of internationalization of Chinese companies that entered into the European market within the first decade of Chinese go global policy which was introduced in 2001. The requirement has been met by a briefing of the recent progress of the internationalization of Chinese companies in the world and after that by identifying and evaluating the characteristics of the Chinese companies that entered into the European market in the mentioned time period based on “Ernst and Young European Investment Monitor,” “Think London,” and “Investment in Sweden Agency (ISA)” provided data regarding Chinese companies which have invested in the UK and Sweden.

2. Literature Review/Research Gap

To adopt the Chinese government’s “go global” policy, Chinese companies have been trying to emerge from the bureaucratic circle of state ownership of socialist China. In consequence, new kinds of companies with mixed ownership of municipal government, local investors, and/or company managers have emerged. Zeng and Williamson (2003) attested that this kind of mixed ownership of Chinese companies such as Haier, TCL, and Lenovo helped them to become globally competitive by overcoming some of the deficiencies of Chinese systems.

Furthermore, analyzing the direction and degree of the growth of Chinese companies such as Haier, Galanz, and China International Marine Container, Zeng and Williamson (2003) anticipated that Chinese brands could soon become a global force in various industries worldwide. However, contrary to the success stories of some Chinese companies, other companies such as TCL and Lenovo have struggled which raise questions as to their capabilities and international competitiveness. Yasheng Huang, an international management professor of Sloan School of Business, has expressed doubts concerning the competence of Chinese companies in establishing their brands in global markets (Kelly, 2004). In a similar manner, Nolan (2001) considers that Chinese companies’ competitive capability is “painfully weak” compared with that of the world’s leading companies. To evaluate these contradictory assertions further, the literature review has been designed to compare the literature on Chinese internationalization with the generic theories of internationalization in appropriate fields.

2.1 Generic internationalization theories

Companies consider different motives and approaches to enter different international markets. Kotler and Keller (2008) explored that major motives for internationalization are taking advantage of the higher profit potential in foreign markets, reaching more customers to achieve economies of scale, minimizing

the risks of sole market dependency, and even as a counter-attacking strategy against multinationals which entered the home market. According to Hill (2010), a firm typically selects any of the following entry modes: Exporting, licensing, joint venture, turnkey projects, direct investment, or franchising.

Exporting, the initial step of international market entry, broadens the path of internationalization (Kogut and Chang, 1996). Later, Wolff and Pett (2000) characterized exports as a primary mode of internationalization as it offers the best degree of flexibility in combination with a minimal resource commitment. However, exports may appear uneconomical, despite its minimum resource commitment, due to transportation costs and tariff barriers (Buckley and Casson, 2010). According to Anderson and Gatignon (1986), licensing and franchising are two default modes of entry. In licensing, the licensee obtains access to already developed intangible assets and the licensor receives a royalty fee in return without a considerable financial or operational involvement. In franchising, a franchisee has to follow franchisor-defined rules of business where hybrid growth is possible in a short period at a minimum financial and operational involvement (Hill, 2010). Anderson and Gatignon (1986) have mentioned licensing as a low-level mode of entry, where the licensor remains at the potential risks of losing control over the licensed business components and is at the threat of competition at the end of the licensing term (Kotler and Keller, 2008). However, a franchisor has substantial control over the operations in franchising (Cross and Walker, 1987). A joint venture is an establishment that is owned mutually by more than one self-regulated company. This kind of collaborative mode of entry is for either capability enhancement or new capability development (Kogut, 1988). However, Hill (2010) argued that the share of control in joint ventures introduces a potential risk of conflict among the owner companies. Direct investment is a full-control entry mode, whereas joint venture, licensing, and franchising are shared-control entry modes. Direct investment is to enter a new market with a wholly owned subsidiary. It is the most costly and risky form of internationalization because it involves large-scale financial and operational investments in a distant country. In a kind of “turnkey project,” a company enters a country and develops an establishment on a contract basis on behalf of a company of the host country. The “key” of the project is handed to the host company after the completion of entire establishment. This kind of entry mode provides a good economic return for technical expertise. However, this does not provide a long-term interest in foreign countries and even diminishes the export opportunity if the project itself meets the needs of the local market (Hill, 2010).

As noted before, FDI or simply direct investment is one of the six entry modes. Based on an integrated view concerning existing FDI literature, Dunning (1993) proposed four motives for adopting FDI, which are resource seeking, market seeking, efficiency seeking, and strategic asset seeking. The resource-seeking motive could be elaborated on by the inclusion of labor-seeking, natural resource-seeking, and component-outsourcing motives (Yang, 2003). The natural resource-seeking motive has a long historical background, and one of the fundamental points of choosing a host country is its availability of natural resources (Navaretti and Venables, 2005). Labor seeking is another significant motive which helps a company to attain access to a labor prolific market and also facilitates exporting low-cost productions back to the home country or a third country with a cost leadership-based competitive advantage which reflects the concept of Porter’s (1998) generic strategy. Component outsourcing is a further extension of labor-seeking FDI when the main motives are cheap labor and high productivity. Moreover, Yang (2003) argued that countries with both comparative and absolute advantages in manufacturing attract a component-outsourcing kind of FDI more. Market seeking is the motive of an internationalizing firm toward foreign countries where market size is large, growth is high, and per capita income is demand inducing for its products or services (Dunning, 1993). Low production costs and higher transaction costs in foreign markets are also motivating factors for FDI. In addition, an internationalizing firm can serve its customers better due to its presence in its foreign markets. The efficiency-seeking motive examines the rationalization of a firm’s production, marketing, and placing through common governance, which increases economies of scale and leads to organizational efficiency (Dunning, 1993). Efficiency seeking also has some broader implications, and according to Dunning, an efficiency-seeking firm intends to supply products to various markets from its limited number of strategically located production bases. Moreover, strategic asset-seeking motives further enable firms to be able to sustain their existing international competitive advantage. As a whole, the

motives for adopting FDI are dynamic by nature and firm's motive shifts from one to another in the course of its maturity and experience. Resource- and market-seeking motives are typically observed in the initial stage of FDI, and these motives, after a certain level of maturity and experience, shift to efficiency-seeking and strategic asset-seeking motives (Dunning, 1998).

"Latecomer" is another recently emerged perspective of FDI where companies are defined in the contexts of "industry entry," "resources," "strategic intent," and "competitive position" (Mathews, 2002). According to Mathews, necessity motivates the "latecomer" companies to enter international markets. An additional characteristic of "latecomer" companies is that they enter foreign markets by strategically utilizing their initial competitive advantages.

2.2 Literature on Chinese internationalization

Mainstream internationalization theories studied above have been developed based on the internationalization of companies from Europe and the USA, and therefore, the theories have been considered western or capitalist models of internationalization. The debates continue whether mainstream internationalization theories, which were developed based on the internationalization of companies from developed economies, can equally address the internationalization of companies from developing economies such as China. With respect to this, scholars, including Buckley et al. (2007) and Child and Rodrigues (2005), have proposed a separate model to address Chinese internationalization comprehensively. In favor of a separate model, Dunning et al. (2008) have claimed that multinationals from emerging economies such as China distinctively fall behind of multinationals from developed economies in the perspective of competitive advantage. Furthermore, Rugman and Li (2007) have indicated that, contrary to Western firms, Chinese internationalizing firms have more country-specific advantages than firm-specific advantages. The above-mentioned differences demand a separate model to address Chinese internationalization. In an effort to conceptualize Chinese internationalization, sporadic studies have been conducted, which, however, have not been able to offer a unanimous model in the end. Some major works on Chinese internationalization have been reviewed in this section where, like generic internationalization theories, Chinese internationalization theories have also been thought to be diverse. Nonetheless, they are positively not too diverse, and therefore, an understandable yet incomplete image of Chinese internationalization may be evident.

With economic reforms since 1979, the opening up of China has encouraged the spread of Chinese investments throughout the world, and Chinese investments accelerated when their government undertook a "go global" policy in 2001. Child and Rodrigues (2005) have analyzed outward Chinese investments from the period of its inception to 2005 and categorized it into three levels: Entering into international business through exports in combination with low production-cost advantage of China and advanced technology adoption from foreign investors, exporting as production subcontractors for different foreign companies as Original Equipment Manufacturer (OEM), and establishing operation facilities of Chinese companies abroad being encouraged by the outward FDI policies of the Chinese government. The third level has been accelerating since 2001 due to the "go global" FDI policies of the Chinese government, which have persuaded and promoted Chinese companies to invest abroad with physical and organizational establishments. Furthermore, Child and Rodrigues (2005) have categorized the internationalization of Chinese firms in three modes, namely joint venture as an OEM approach, acquisition or takeover approach, and organic expansion approach.

Establishing independent overseas subsidiaries was a kind of entry mode for Chinese investors at an early stage. However, at a later stage when their project size increased, they turned to the joint venture mode to achieve better economic results (Child and Rodrigues, 2005). Joint ventures allowed Chinese companies to work closely in internal networks of partners and endorsed the transfer of tacit knowledge, which, as Simonin (2004) maintained, helped them to achieve international competitiveness. A characteristic of OEM approach is that manufactured products are exported for different brands in various markets. With partnership or joint venture mode, transnational acquisitions gradually become a major mode of internationalization for Chinese firms. In an organic expansion mode, subsidiaries have been established in various international markets through green field investments.

In an overall exploratory research, Tian and Deng (2007) identified that, during the initial phase of the internationalization of Chinese companies, “seeking resources and markets” was the major motive and, at a later stage, “seeking strategic assets and efficiency” was the major motive. Regarding the motives for Chinese internationalization, Cheng and Stough (2007) proposed push and pull factors. Resource-seeking, market-seeking, efficiency-seeking, and asset-seeking factors are described as pull factors. However, Dunning (1993) maintained a similar position from the perspective of Western internationalization. Furthermore, inward FDI flows to China work as a confidence-boosting factor for the outward FDI initiatives of Chinese firms (Lou and Tung, 2007). In addition, a few of the push factors for Chinese internationalization are a highly competitive home market, unrealized production capacities (Cheng and Stough, 2007), abundance of foreign reserves (Yeung and Liu, 2008; Deng, 2004), and government strategies for a global presence of China. Deng (2004) further suggested that pull factors are prominent over push factors in Chinese internationalization. In an overall consideration, Cheng and Stough’s (2007) proposed that motives for Chinese internationalization have been partially addressed by traditional theories, and for a complete view of the internationalization motives of Chinese companies, a theoretical extension is considered essential, which is also reiterated by Buckley et al. (2007) and Child and Rodrigues (2005).

According to Buckley and Ghauri (1999), the possession of competitive advantages provides confidence in companies to internationalize. However, Nolan (2004) argued that China approached developed countries with FDI to seek assets but not to exploit. Sutherland (2009) has maintained a similar position. Child and Rodrigues (2005) have also maintained a similar position and further argued that, instead of competitive advantages, Chinese companies respond to the challenge of internationalization by addressing their competitive disadvantages in the field of capital knowledge and technology. Arguments by Child and Rodrigues (2005) have been thought to be more appropriate as Chinese companies have been internationalizing to developed markets to seek assets but not to exploit firm-specific assets that they lacked (Nolan, 2004; Buckley et al., 2007). When Chinese companies approached developing markets, particularly the markets which were below the level of China’s development, they usually entered by focusing on their typical competitive advantage.

Analyzing the internationalization of Chinese companies, Kang and Liu (2007) identified two major entry modes, which are “joint venture” and “resource (natural resource and capital knowledge) seeking.” According to them, the reasons for the reluctance of Chinese companies to green field investments are its requirements of large-scale initial investments and more knowledge and experience in international business and marketing. More than other benefits, Chinese companies engaged in joint ventures to attain benefits such as technology transfer and organisational learning (Peng, 2000). Through these strategic intentions, Chinese companies have created opportunities to strengthen their competitiveness in international markets (Guthrie, 2005). The study of Vaidya et al. (2007) suggests an improved comparative advantage in the Chinese high-tech sector by developing capabilities in the integration of international transfer of technology and learning.

Most of the characteristics of Chinese internationalization mentioned above were developed from the global perspective, and the study has been conducted to learn whether these characteristics also resemble the characteristics of Chinese multinationals that have been internationalizing in the European market. As the study intends to draw a detail characterization of Chinese internationalization specifically in the European market, the findings expect to give clear insights which contribute to learn comprehensively the strategies of Chinese companies adopted to internationalize in the European markets.

3. Methodology

The study was primarily concerned with the expansion (internationalization) of social units (Chinese companies in two prominent European countries). Deductive research approach was chosen for this study, following the proposition of Dubois and Gadde (2002), where generic internationalization theories were tested in the empirical data and then the findings were considered to either accept or reject the tested internationalization theories for particular settings which were two European countries in this study. The main research question of the study was, “What are the characteristics of internationalizing

Chinese companies in the UK and Sweden?”. Yin’s (2009) asserted that the “archival analysis” is a more appropriate research strategy for the research questions that start with “what”. Accordingly, the study adopted archival analysis as its research strategy. Moreover, research can be planned either by considering a “snapshot” of a particular point of time from a “cross-sectional” perspective or by a “diary-”like representation of a time span from a “longitudinal” perspective (Esterby-Smith et al., 2008 cited in Saunders et al., 2009). The study demanded to collect and analyze data of a particular time span, here from 2001 for a decade, for which longitudinal perspective of the time horizon was found more required where also archival analysis fitted in as a research strategy. Data regarding the characteristics of internationalizing Chinese companies in Sweden and the UK were collected from ISA (2007), “Think London (2007)” and Ernst and Young European Investment Monitor (provided by Think London). Data regarding the internationalization of Chinese companies in the world from the broader perspective were collected from the official documents and data archives of the World Investment Report published by the United Nations Conference on Trade and Development (UNCTAD). To ensure research validity, the study followed Yin’s (2009) principles, and the evidence of the study was collected from multiple sources and data from one source were compared with similar data from other sources to verify data consistency and to ensure data triangulation which synthesizes data from different sources and validates the reliability and credibility more precisely (Saunders et al., 2009). Moreover, in the selection of data sources, priority was provided to internationally recognized databases, magazines, and journals rather than Chinese databases, magazines, and journals to avoid ethnocentric exaggeration. However, data from sources of Chinese origin were considered when the required data were not found to be available in internationally recognized alternatives.

The study has been moved step by step from providing a broader view of Chinese internationalization throughout the world to digging down the specific issue of the internationalization of Chinese companies in the European market. First, a thorough overview of Chinese internationalization to the world from the inception to date has been presented depending on which the current trend and direction of Chinese internationalization are revealed where, more specifically, the characteristics of Chinese companies investing in Europe have been depicted.

4. Findings

4.1. The current trend of Chinese internationalization in the world

From the empirical data of the overview of the Chinese investment in the world, it has been observed that Chinese FDI projects around the world are growing larger and becoming complex which is evident in its USD 64 billion capital investment to the world in 2014, which was USD 19 billion and USD 21 billion, respectively, in 2012 and 2013 (FDI Markets, 2015).

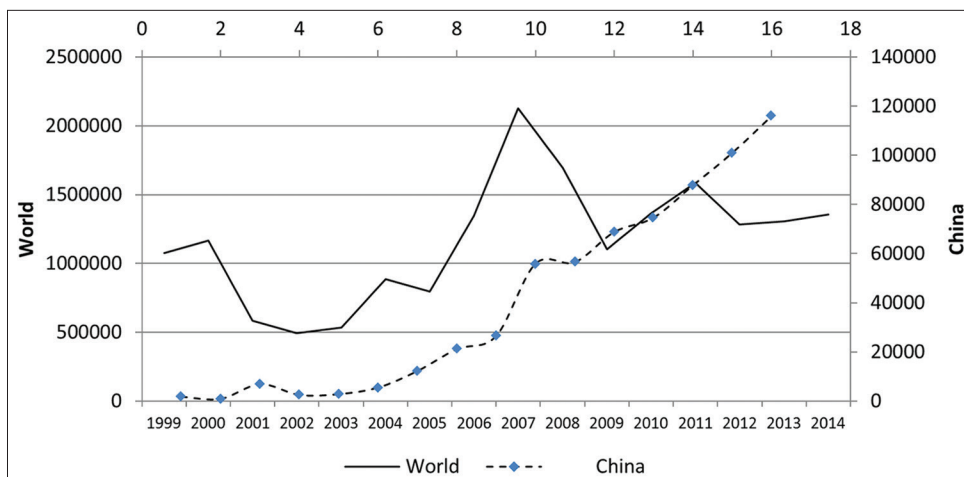
Due to the economic recession, the strong growth of FDI in the world since 2002 began to decline in 2008. Despite this, outward FDI flows from China to the world continued with a steady growth [Figure 1].

In accordance with the ‘go global’ policy, Chinese companies such as Lenovo, Haier, Neusoft, Huawei, and ZTE have begun large-scale investments in technology-oriented industries. Child and Rodrigues (2005) found the “physical and organizational expansion of Chinese firms into overseas locations” remarkable and included it as the third level of Chinese internationalization. In the context of FDI projects and capital expenditure around the world, China attained the 21st position in 2006, and in just 4 years, China moved to the 13th position in 2010 (World Bank, 2011). These data indicate that Chinese FDI projects have been growing larger over the time.

Chinese outward FDI has characteristically been gradual but consistent. However, the intensity of China’s outward FDI projects has been changing from the Asia-Pacific region to North America and Europe. In 2006, Europe alone attracted 26% of China’s FDI that increased to 30% in 2010. Similarly, North America attracted 9% of China’s FDI in 2006, and it increased to 15% in 2010. Eventually, Chinese FDI in Asian countries was reduced to 40% in 2010 (World Bank, 2011).

The total FDIs of China reached USD 56.53 billion in 2009 as per the data published by the Chinese Ministry of Commerce. In the same year, accumulated Chinese FDI stock amounted to USD 245.75

Figure 1: Outward foreign direct investment flows from china and from the world as a whole from 1999 to 2014 (billion USD)



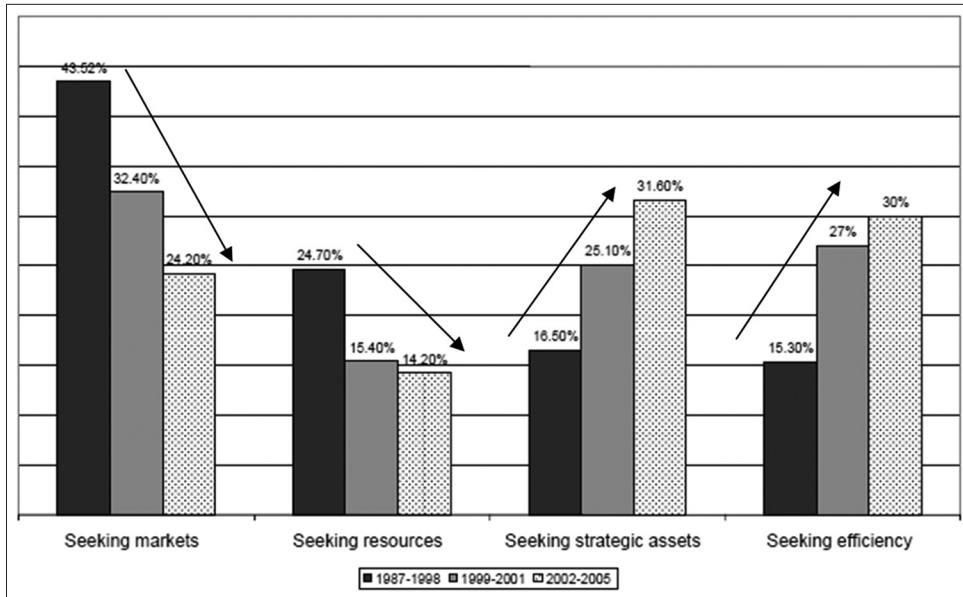
billion, and there were more than 13,000 Chinese companies financed in over 177 countries and regions around the world. The Mainland China ranked 17th in the world among outward investors in 2005, and in just 5 years, in 2009, it ranked 6th after the United States, France, Japan, Germany, and Hong Kong (China). The volume of FDI from Mainland China was USD 52 billion in 2008 against USD 48 billion in 2009, and the decrease was due to the continuing financial and economic crisis. Despite being ahead in outward FDI, China lagged behind India in the cross-border Merger and Alliance (M and A), and Chinese companies finalized only 450 cross-border M and A deals between 2000 and 2009, whereas Indian companies finalized 812 deals (UNCTAD Stat, 2015).

Just within 5 years, the major modes of Chinese internationalization have appeared to be China's 'go global' policy, exceeding export, and the transnational acquisitions. In 2006, FDI outflows from China in merger, and acquisition amounted to USD 4.74 billion which was 36.7% of the total and, in 2009, this amounted to USD 23.8 billion which was 40.3% of the total (MOFCOM, 2010). Warner et al. (2004) considered that the acquisition efforts of Chinese companies only became possible due to government-supported funding.

Export was the first level of the internationalization of Chinese companies which has resemblance with the generic internationalization theories (Child and Rodrigues, 2005). The intensity of exports has established China in a remarkable position in the global export market. In 2009, China was placed 3rd with the USD 133.129 billion global exports, just behind Germany (USD 134.803 billion) and the USA (USD 156.151 billion), whereas it was positioned 26th in 1980 (UNCTADstat, 2015).

In March 2001, the Chinese government launched the "go global" policy to encourage Chinese companies to expand abroad with FDI. The Chinese government adopted the policy mainly for two reasons. One reason was its intention to build Chinese multinationals, as the government believed that it would help China become an economic superpower. The other reason was to utilize its huge amount of "China dollar," which was the largest in the world in 2006, in a more profitable but safer way. In the World Factbook (2010), published by the Central Intelligence Agency, it was revealed that China's foreign exchange and gold reserves of December 31, 2010, were USD 2.622 trillion which amounts to about 22% of gross domestic product in China. With its huge stock of foreign exchange, China has set up an investment fund and started to provide support for the internationalization of Chinese companies.

In collaboration with the HEC Montreal Business School, Tian and Deng (2007) extensively studied the modes and motives of the top 500 Chinese internationalizing companies. The study further analyzed their collected data and found that 79.46% of the top 500 Chinese companies adopted "export" mode for internationalization. 29% of those companies have entered international markets through establishing

Figure 2: Distributions of the internationalization motives of 297 Chinese companies

sales subsidiaries. 12% and 14% of the sample companies have entered through M and A and joint venture establishments, respectively. Wholly-owned firms and factories were established in overseas markets by, respectively, 7 and 8% of the sample companies. Entry through R&D establishments and strategic alliances was undertaken by 9 and 4% of the sample companies, respectively.

Therefore, it can be considered that the internationalization of Chinese companies is broadly in an initial stage as their most prevalent entry mode is “export.” Overseas sales subsidiary establishment is in second place after the export mode. Key indicators of the advanced stage of internationalization are joint ventures, M and As, and wholly-owned establishments in international markets, and all of these possess a very small proportion compared to export mode. Moreover, wholly-owned establishments are almost half of M and A and joint venture projects. Apart from the above-mentioned modes, the long-term strategic intents of Chinese companies can also be evaluated by their entry through R&D establishments and strategic alliances. Latent objectives of entry through R and D establishments and strategic alliances are to obtain advantages of the world centers of advanced technology and to learn from more established organizations. Therefore, the assumed strategic intent of Chinese companies with overseas R&D establishments and strategic alliances is to engage actively in global business by developing strategic efficiency and competence.

A change of trends in the motives for Chinese internationalization has been observed when the motives for the period from 1987 to 2005 were evaluated by dividing it into three periods - 1987–1996, 1999–2001, and 2002–2005 [Figure 2]. It has been identified that market and resource seeking motives were downward trends, whereas strategic assets and efficiency seeking motives were upward trends. This is an indication that Chinese companies are entering a mature stage of internationalization from their export-based initial stage of internationalization. Moreover, motives such as strategic asset seeking and efficiency seeking are more related to M and A, joint venture, wholly-owned overseas establishment, strategic alliance, and R&D establishment types of entry modes. Therefore, it can be inferred that Chinese companies have increasingly been adopting the above-mentioned entry modes of advanced stage, as their strategic assets and efficiency seeking motives are upward trends.

4.2. Characteristics of Chinese companies that entered the UK and Sweden within a decade after adopting go global policy

The empirical data showed that Chinese investment into Europe was highly promising and growing. In 2014 alone, China had 153 separate investments worth USD 18 billion which was almost double of that in 2013. Country-wise top destinations in Europe are the UK, Italy, the Netherlands, Portugal, and Germany in order which ranges between USD 5.1 billion and USD 1.6 billion in 2014. Sector-wise distributions of Chinese investment in Europe are agriculture and food, energy, real estate, automotive, and financial and business services in order which ranges between USD 4.1 billion and USD 1.7 billion. It has been further identified that strategic investment by state-owned entities of China is significantly high in Europe for the past 3 years though it was drastically low in 2013 (Baker and McKenzie, 2015).

4.2.1. *The UK absorbs the most Chinese investment in Europe*

The data sourced from Ernst and Young European Investment Monitor (2007) showed that more than 37% of Chinese FDI investment in overall Europe went to the UK in the period of 2001 to 2006 where Germany was positioned second. The UK share of Chinese investment remained almost the same nearly 35% in 2014; however, Germany went to the fifth position as a recipient and Italy replaced Germany as the second top recipient (Baker and McKenzie, 2015). Therefore, the UK could be considered as a representative country of whole Europe on the issue of Chinese investment. Hong Kong remained as a colony of the UK for a long time and this might be reason that many Hong Kong based investment projects have been destined to the UK. In the period of 2001–2006, approximately 24% of FDI in the UK was from Hong Kong. Till 2005, the accumulated FDI from China to Denmark was 13.31% that ranked Denmark third. However, in 2014, the Netherlands was placed third as Chinese investment recipient (Baker and McKenzie, 2015).

4.2.2. *ICT dominates in the industry-wise investment in the world but in the Europe business and financial service sector dominated earlier and agriculture and food sector later*

Industry-wise Chinese investment in Europe is highly diverged where business and financial service sector has the highest 18% industry share in 2006. ICT follows with 17% share. Retail and wholesale sector and electronic sector are positioned third and fourth with 15% and 12% share, respectively. In comparison to the worldwide internationalization of Chinese companies on the basis of an industry cluster, it has been observed that business and financial service cluster dominates in Europe, whereas ICT, which is marginally behind in Europe, dominates in the worldwide scenario (Loco Monitor, 2007). However, in 2014, finance and business services sector went down to the fifth position in Europe and investment in agriculture and food industry has been placed top with USD 4.1 billion investment which was 28% of total (Baker and McKenzie, 2015). Although finance and business services went to the fifth position, its investment in ratio has not fall too low. In 2006, it was 18% when it was ranked first, and in 2014, it was 12% when it was ranked fifth. It can be assumed from here that Chinese investment in Europe is becoming more concentrated which was before too diverse.

4.2.3. *Industry-wise investment is diversified, but activity-wise Chinese investments in Europe are cohesive toward marketing and sales.*

So far, it has been found that industry cluster-wise investment of Chinese companies in Europe is highly diversified, but activity-wise Chinese investment in Europe tends to move toward sales and marketing activities mostly. For instance, more than 50% of Chinese investment in the UK in the period of 2001–2006 was based on sales and marketing activities. For instance, in 2004 Ningbo Elite cycle Ltd., a private company in China that manufactures baby walker, baby stroller, etc., launched its offices in London that trades and distributes its products. Moreover, in the following 2 years, more than 16 Chinese companies also launched their sales and marketing subsidiaries or offices in different parts of the UK.

4.2.4. Propensity of establishing regional headquarters in the UK seems long-term strategic move of China into Europe

It has also been observed that Chinese investment showed a tendency of establishing regional headquarters which is 25% of the Chinese investment in the UK. Growing trends of establishing regional headquarters are the indication of Chinese companies' long-term business expansion strategy in the European region.

4.2.5. Investment with own subsidiary establishment dominates by a larger margin

More than 70% Chinese companies investing in the UK and Sweden have been entered with establishing own subsidiaries. Smaller investment size and narrowed aim of market expansion might be the main reasons of preferring own subsidiary establishment.

4.2.6. Majority of the Chinese investments are kind of "market seeking" and only a few leading are both "market" and "strategic asset" seeking

Tian and Deng (2007) mentioned that the main motive in the early stage of internationalization was "resource and market seeking." Chinese companies in Europe have been found that they have more dominance in sales and marketing activities. And thus, it can be asserted that Chinese companies were in the early stage of internationalization in Europe. However, only a few Chinese companies such as Haier, TCL, and Lenovo which are establishing production bases and R&D centers in Europe are in Tian and Deng (2007) who mentioned latest stage where major motives are "strategic assets and efficiency seeking."

Chinese companies' preference toward sales and marketing activities along with retailing and wholesaling in Europe falls nowhere of the Yan (2005) mentioned three main areas of China's overseas investment, and thus, it is required to add "establishing subsidiaries in the aim of market seeking for the products manufactured in China" as the fourth area of China's overseas investment. On the other hand, Zeng and Williamson (2003) categorized internationalizing Chinese companies in four kinds which are (1) national champions, (2) dedicated exporters, (3) competitive networks, and (4) technology upstarts. A substantial number of internationalizing Chinese companies are small in size. These companies tend to internationalize in Europe by establishing own subsidiaries for mainly sales and marketing activities. This urges to add fifth kind of Chinese companies as "individualized market seekers" after the four kinds of companies suggested by Zeng and Williamson.

5. Conclusion

To justify the internationalization of Chinese companies, it is required to include 'listing abroad' and "R&D institutions establishment" as entry modes in the list of Hill's (2010) proposed entry modes, namely exporting, licensing, joint venture, direct investment, turnkey project, and franchising. The entry modes of Chinese internationalization could be even clearer if "licensing" and "franchising" entry modes are disregarded from the list as none of Tian and Deng's (2007) surveyed 297 Chinese companies entered international markets in these modes.

To address the Chinese internationalization even more clearly, Yang's (2003) and Dunning's (1993) proposed motives need to include "strategic asset seeking" and "efficiency seeking" motives as these were found prominent in Chinese internationalization. This has also been reflected in the concept of Yan (2005) that China's investment abroad is to attain advanced technology, management, and brands by establishing production plants in developed countries.

In regard of Chinese internationalization in Europe, it has been observed that both inward FDI into Europe and outward FDI from China to the world are in rising trend which indicates that Chinese investments in Europe would also rise in similar proportion or more.

Industry-wise Chinese investment in Europe was found significantly diversified in the first half of the first decade of 21st century, which later found becoming more concentrated. Activity-wise Chinese investment in Europe has been observed more cohesive toward mostly sales and marketing activities.

Significant investment, around 25%, in establishing regional headquarters in the UK is the indication of Chinese companies' long-term business expansion strategy in the European region. 70% of Chinese companies have entered mainly into the UK and Sweden by establishing own subsidiaries and the motive behind their investment was primarily "market seeking".

Most of the Chinese companies which have invested in the UK and Sweden in the period of 2001 to 2006 could be termed as "market seekers" as apparently their main motive is "resource and market seeking" and only a few of the Chinese companies such as Haier, Lenovo, TCL, ZTE, and Huawei which are establishing production bases and R&D centers in Europe have the motive of "strategic assets and efficiency seeking."

6. Limitations of the Research Study

Limitations in this study were generally related to the research generalization based on a few sources of data to represent all the Chinese companies invested in the UK and Sweden.

7. Contributions of the Research Study

From the analysis of characteristics of Chinese companies investing in Europe, it has been identified that several existing theories are needed to expand to be fitted with the current trend of internationalization of Chinese companies. For instance, Zeng and Williamson (2003) categorized internationalizing Chinese companies in four kinds which are (1) national champions, (2) dedicated exporters, (3) competitive networks, and (4) technology upstarts. Internationalization trends of "small in size but many in numbers" Chinese companies with mainly sales and marketing activities in their own subsidiaries in Europe urge to add the fifth kind there as "individualized market seekers."

Another instance is that Chinese companies' preference toward sales and marketing activities along with retailing and wholesaling in Europe falls nowhere of the Yan (2005) mentioned three main areas of China's overseas investment, and thus, it is required to add "establishing subsidiaries in the aim of market seeking for the products manufactured in China" as the fourth area of China's overseas investment.

8. Future Research

To achieve more research validity, further research has been suggested to expand the sample size including countries such as Germany and emerging Poland to have even clear characteristics of Chinese companies internationalized in Europe. Furthermore, how well natural resource seeking Chinese investment contributes in supplying raw materials to Chinese manufacturing industries would also be an interesting area for further research.

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