ความเป็นนานาชาติของธุรกิจข้ามชาติจีนและกลยุทธ์การขยายตัวในประเทศจีน

Internationalization of CHINA Multinationals and Expansion Strategy in China

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ความเป็นนานาชาติของธุรกิจข้ามชาติจีนที่จะเข้าถึงตลาดต่างประเทศ เกี่ยวกับการให้สิทธิบัตร การส่งออกและการลงทุนร่วมค้าในการผลิตและการตลาดระหว่างประเทศ นโยบายของประเทศเจ้าบ้านจีนมีบทบาทสำคัญในการสนับสนุนการเติบโตของธุรกิจข้ามชาติ โดยทั่วไปจีนต้องการที่จะเข้าถึงโลกภายนอกประเทศจีน ในด้านเศรษฐกิจ วิทยาศาสตร์ การเมือง สังคม การแพทย์ วัฒนธรรม นิเวศน์วิทยาและด้านเทคโนโลยี จีนมีความกระตือรือร้น ในการประสานความพยายามทางด้านการค้า การเงิน สิทธิมนุษยชน สิ่งแวดล้อม อินเตอร์เน็ต การมีส่วนร่วมในการแบ่งปันความรู้ และมีส่วนเป็นสมาชิกในกลุ่มสิ่งแวดล้อม ผู้ได้รับสัมปทานข้ามชาติถูกดึงดูดเข้าสู่ตลาดทั้งหมดของประเทศจีน ภายใต้สิ่งแวดล้อมทางกฎหมายและความคลุมเคลือของจีน ยิ่งกว่านั้นธุรกิจข้ามชาติยังแสวงหาโอกาสขยายตัวระดับโลก ทำให้ประเทศจีนเป็นที่ดึงดูดความน่าสนใจมากขึ้น

Abstract

The internationalization of China multinationals to access foreign markets concerns licensing, exporting and joint venture investment in foreign production and marketing. China's home - country policies play an important role in supporting growth of its own multinationals. Generally, China needs to access the world outside China in the economic, scientific, political, social, medical, cultural, ecological and technological domains. He is very active in collaborative efforts on trade and finance, human nights, environment, internet, knowledge sharing, working with members in environment group. Multinational franchisors are attracted to China's overall market size under changing legal environment and China ambiguity. Moreover, multinational business seek global expansion opportunities, they make China all the more attractive.

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Introduction

The internationalization of PRC multinationals into foreign markets generally beginning with; indirect exporting; licensing; licensing and joint equity investment in foreign manufacturing; eventually, multinational marketing and production, A multinational means a firm with an output of goods or services originating in more than one country. The internationalization and global competitiveness of PRC industrial enterprises refers to different enterprise management systems and macro environments culture and structure and subject to a centrally-planned economy and tight government control both direct foreign investment and export. Industrial enterprises firms in China are the following categories :

- State-owned enterprise Enterprise which is under the control of government such as: Ministry of Petroleum, Ministry of Light Industry.
- Provincial Municipal enterprise Enterprise which is under the control of the municipal government or provincial.
- Collective township enterprise Enterprise which is under the control of rural authorities.
- Individual enterprise Enterprise which is privately owned.

The enterprises in categories 1 to 3 are the backbone of the Chinese economy and account for about 80 per cent of the total output in China. Under a centrally-planned economy enterprises in categories 1 and 2 must strive to meet the quota set by the state. Any surplus is able to be sold in the domestic market. The price of raw materials (input) for the product in the quota is much lower than the market price and there then, the price of the product in the quota is much cheaper than, that overthe quota. Enterprises in categories 3 and 4 must pay a higher price for raw materials (input) and the product (output) will be sold on the domestic market. China's outward direct investment is in the form of joint ventures, as Chinese executives do not have as much opportunity to travel overseas their counterparts from other countries. The PRC business has the following competitive advantages: The Chinese parent has a low-cost advantage by producing a grinder with a durable and strong main body. After-sales service by engineers from the original manufacturer can convince customer confidence and increase sales: the feedback from the customer is an important source for any change in future product design. The enterprise possesses another cost advantage: in addition to the sales manager sales engineers, storekeeper and receptionist who are domestically employed, the technical and president engineers all come from China.

That the internationalization of PRC multinationals has only reached stage joint equity investment in foreign manufacturing. Concerning the competitive advantages, the PRC multinationals are limited toa cost advantage for certain products and, their expatriate technical staff. Moreover certain technology is as 'advanced' in developing nations. The critical reasons for investing overseas are: to increase the market share, to obtain feedback on production and marketing information and to acquire raw materials and new technology

The followings are example of inhibiting factors for the transnationalization of Chinese firms

1. The incompatibility of China's socialist system wherein the parent company is situated and the capitalist market environment wherein the subsidiaries have to operate

2. The lack of macro-economic policies and the inadequacy of existing policies in support of transnationalization

3. The intervention of government at various levels in management decisions of enterprises and the lack of autonomy of enterprises in making business decisions

4. A severe lack of expertise and human resources as well as entrepreneurial spirit

However China's home-country policies play an essential role in promoting the growth of its own multinationals. This policy evolves with the accelerated globalization of the world economy. The goals of the government in pushing for overseas investment remain the expansion of China's exports, obtainingand securing access to raw materials, and the promotion of international economic cooperation with both developed and developing countries China should establish and perfect his system of policy support so as to create favorable conditions for Chinese enterprises to invest overseas. In the same vien, CHINA ought to strengthen supervision so as to prevent the loss of state assets.

Foreign Direct Investment in CHINA

Foreign investment in CHINA has two categories : direct investment and other means of investment. The direct investment, includes wholly owned subsidiaries, cooperative joint ventures, equity joint ventures and foreign-funded shareholding companies. The other means of investment concern joint exploration, licensing, assembly arrangements and processing and counter trade. Foreignbusiness in CHINA is free to choose entry modes. A wholly owned subsidiary introduces advanced technology or exports its products. An equity joint venture is limited liability. The proportion of the foreign investment is generally no less than 25%. Cooperative joint ventures give more flexibility than equity joint ventures in terms of the form of organization, profit distribution and capital contribution.

Assembly and processing create when the foreign firm supplies raw materials or parts that the Chinese partner then assembles and processes according to design specifications. Eventually, counter trade is applied to cover any type of non-cash transaction such as barter, compensation trade, and counter purchase. China, government allows the formation of joint ventures in specific industries. This is the central government's plan to control such industries such as telecommunications. Moreover, asset inseparability, exists in the form of guanxi with government and parties in the value chain (distributors and suppliers). Control and integration with global strategy, all decisions in a joint venture are, review or by the Chinese partner. In the wholly owned subsidiary structure, the foreign investor can be better to integrate its local planning with its global strategy.

Chinese Trading Companies: Creating New Value

A trading company matches sellers and buyers and assists in subsequent transaction negotiations. Chinese trading companies are instrumental in facilitating China's explosive growth. Augmented apply of the Internet, easier access to the Chinese market for foreign trading companies. More than that, to the Internet, China's entry into the World Trade Organization (WTO) is also wreaking on the Chinese trading company industry. Under the terms of agreement of China's accession to the WTO, foreign enterprises can establish their own trading operations. In the sections below, we show multiple strategies tradingcompanies to operate in China. We will identify three business models for trading companies: product diversification, functional diversification, and geographic diversification.

1. Geographic Diversification : A trading company can select to either limit its activities to a certain region or expand its activities outside the region.

2. Functional Diversification : Companies that apply a functionally diversified strategy select to integrate into front-end services (e.g., warehousing and transportation) and back-end services (e.g., planning and product design).

3. Product Diversification : concentrates on offering either a narrow or a vast range of product lines to reduce risk and increase their market power.

The selection specialization in geographies, products, or functional skill depends on the customers' need and the firm's core competencies. There are three variety of areas that trading companies require to pay close attention to in order to develop a sustainable long-term value proposition:

1. Infrastructure implementation: Systems should be link the trading

company with its buyers and sellers in a seamless fashion to maximize the value added and make the trading company indispensable to its customers.

2. Organizational structure : Trading companies must create an organizational structure that provides decision rights, establishes performance measures, and sets incentive schemes that help maximize profits for the company.

3. A focused set of activities : Trading companies should develop a unique value proposition for customers. This proposition requires to be delivered to the customer through a set of activities that meets all of the needs of the target customer segment.

Chinese trading company rarely has incentive structures and the right management teams that permit it to compete in the market economy and build a sustainable business. Managers always do not have formal business management training, and financial, strategic, and marketing models and theories are not readily applied. In consequence, decision making is opportunistic and reactive to customer need. This lack of management and business hinders the ability of the company to make strategic, long-term, sustainable business decisions. To be successful in the future, trading firms must concentrate their managerial efforts on profitability. Such a change will need a fundamental incentive structures and organizational training or focus efforts on activities that maximize shareholder value. Specific incentives can provide to guarantee that managers are continually thinking about providing value-added services to meet customer needs and reduce their total cost of ownership. Information technology (IT) systems can aid manager is customers procurement and ordering process, and expanded its ability to source from countries outside of China.

Expansion Strategy in CHINA: Franchising

Gaining entry into China's market is an essential attractive proposition for multinational franchisors because of China's overall market size, its long-term growth potential, and rise in disposable income among its rapidly expanding urban population. Indeed, its status as the world's largest consumer market and the country's growing affluence have attracted many established foreign brands to open franchisors stores in China. Despite these opportunities, multinational franchisor still face challenges in establishing a presence in China, whether it is working with ever changing legal environment and China ambiguous, identifying the most suitable marketing or selecting a legal structure for franchising, logistics strategies and financing. Franchising concerns a business relationship between two parties franchisee and franchisor that can be broadly characterized by three fundamental criteria. Firstly, franchisee is granted the right to apply the franchisor's name and trademark. In exchange, the franchisor exercise every levels of provide assistance to the franchisee and control. Lastly, the franchisee ought to make needed payments to the franchisor in the form of royalties and fees. In this topic, we show the opportunities and analyze the barriers that exist in pursuing a franchising strategy in China. To understand the key decisions new entrants in China must make, which are enjoying growing popularity and acceptance in the country. Numerous factors contribute to the market potential of casual-dining franchisors in China. Growth in theoverall dining market as disposable incomes continue to grow. Chinese consumers have a very interest in sampling non-Chinese cuisines. Western fast-food restaurants that meet the demand for cleanliness and convenience local fast-food restaurants have failed in the domain of hygiene are to boost the popularity of multinational food chains among Chinese consumers. Indeed, for multinational casual dining business seeking global expansion opportunities, these factors make China all the more attractive.

Franchising in China Benefit

With China becoming a highly attractive market, the apply of franchising to capitalize on this business potential is an attractive solution for many new entrants. We have showed six key attributes and benefits of the franchising model that are relevant in China.

1. RAPID EXPANSION

Compare with a company-owned, where all expansion is funded by the china store parent, franchising generally permits for rapid expansion with limited capital investment from the franchiser. Franchise expansion is finance by the private funds of the entrepreneur and its creditors.

2. MINIMIZATION OF AGENCY COSTS

Franchising minimizes agency costs by aligning the economic interests of franchisee/owner with the interests of the franchisor. China's diversity pose significant challenges in promotions and directing operations form a centralized headquarters. Through franchising, operation are able to be decentralized, allowing for reduced costs and flexibility in responding to the needs of the local market.

3. HISTORY OF PRIVATE RESTAURAN OWNERSHIP

The restaurant sector was one of the first domains the government opened to private ownership in the early 2001.

4. A WIN-WIN PROPOSITION

Franchising in China agrees with the western know-how of franchisors with the local market expertise of franchisees. By entering into a franchise, Chinese entrepreneurs can obtain the necessary training, support, financing and operations manuals to begin their own business. In return, the franchisor benefits from the experience with local conditions and franchisee's entrepreneurial instincts and personal relationship, or guanxi.

5. ALLEVIATION OF LEGAL OVERSIGHT

A franchise is able to allow the franchisor to sidestep legal restraints typically placed on foreign-owned companies. Since a Chinese national runs business, the franchisor may avoid certain restrictions such as the size of potential local joint venture partners, import maximums, and other restrictions defined in the Foreign Investment in Retailing Provisions although these requirement ease with World Trade Organization (WTO) entry.

6. BRAND CONSISTENCY

Because franchisors need strict adherence to company operating policies and procedures, questions about brand consistency are eliminated. Franchised products possess consistent quality, enabling franchisors to apply the same marketing for all of their stores.

Franchising in China Challenges

Although the benefits of franchising in China are ambiguity there are challenges that potential entrants should consider. The common obstacles are the extensive knowledge gap relative to western economies. Problems such as educating all relevant parties in the process and working within an ambiguous legal system are able to pose severe challenges to entrants who are unprepared. There is some confusion and contradiction among these participants: such as entrepreneurs, law makers, and consumers that has resulted in the following challenges to franchising in China.

1. Return on Investment Criteria

The investment and payout period for a franchisor may be longer in China than in other countries. Potential entrants should be understand and patient that the economic reality of establishing a presence in China may deviate especially from initial expectations McDonald's for example has been in the China market for approximately ten years and has expended significant resources to building its brand in China. Although franchising is a well established cultural and economic problems unique to China may need to take a step back and rethink its existing strategy when traditional approaches fail. Tricon's open the Pizza Hut in Beijing in 1990 want to enter the Chinese franchising market early, Tricon solicited the partnership of a master franchisee that had a successful franchise track record in Thailand. But, having limited experience in China, the franchisee sold his license to a local Chinese government operator, In consequences, Pizza Hut experienced severe quality and brand image problems that affected menu selection, dining services and image consistency. One Pizza Hut even went so far as to create a makeshift karaoke bar as an main restaurant. To address this problem, Tricon repurchased all franchising licenses. Instead of withdrawing from the market, it decided to develop Pizza Hut (and KFC) using corporate stores until the franchising market matured.

2. Intellectual Property

The protection of intellectual property rights in China, franchisors must be especially sensitive to intellectual property considerations related to trademarks. Imitators who supply inconsistent quality and service can negatively impact the brand's image, an image that the franchisor has built through extensive promotional activities. KFC and Starbucks take efforts to discourage trademark infringement within current markets, especially within the major markets of Beijing, Shanghai, and Chongqing. Starbucks is currently in a copied the U.S.-based company's name and logo. Moreover, these companies believe the legal infrastructure in China is sufficient for purposes of intellectual property protection and have had positive results in getting imitators to desist and cease. Strategies for deterring unwanted imitators are shown:

1. Providing intellectual property training throughout the franchisee's local staff and management.

2. Including in the contract a requirement that the franchisee, distributors and suppliers report the infringing of outlets or products.

3. Taking legal action against both the imitators and the entire support system,including the distribution channel and manufacturer.

4. Constant monitoring of franchisee, marketing channels and distribution for product infringement.

Protecting intellectual property is able to be expensive consumer financial resources and valuable human.

3. Ambiguous Legal Environment

The legal framework in China for franchising is extremely ambiguous and preparing franchise agreement needs a thorough understanding of the Chinese legal system with regards to contracts, leases, trademark rights and debt collection. The Ministry of Internal Trade established law in November 1997 entitled the "Circular of the Ministry of Domestic Trade Concerning the Promulgation of the Measures forthe Administration of Franchising Operations" This was designed to standardize franchise operation for franchise agreements, and set the basic right and duties of both the franchisors and franchisees. It is apply only to domestic transactions between Chinese citizens and not to foreign master franchise agreements. The Ministry of Internal Trade guidelines led to diverse interpretations of the legality of franchising in China. They expect that their franchising strategy with the expectation that future guidelines will permit even more opportunity and flexibility.

4. Educating Participants

The franchisor should educate government officials, creditors, potential franchisees and consumers on the basics of franchising, a process that can consume significant energy, time, and funds. The number of owners, who possess the management expertise to deal effectively with the high volumes (of revenues, customers, documentation and employees) and strict adherence to consistency typically associated with fast-food franchising, is significantly smaller. Basically, the individuals franchisee always are not willing to put in the exhaustive work necessary to build the business, while the work ethic and entrepreneurial spirit always are enable to accumulate the capital necessary to acquire the franchise rights. We also find that many of the attendees were laid-off workers from state-owned business who were simply seeking employment and who lacked even a basic knowledge of franchising.

The Franchising Decision: A Conclusion

There is much benefit to pursuing a franchising strategy in China. Franchising gives the opportunity to combine the operating, financing and marketing business knowledge of the western franchisor with the local market expertise and entrepreneurial spirit of the franchisee. Legal ambiguity creates the possibility for unforeseeable hurdles and difficulties; trademark protection can be costly and time consuming; educating the franchisor's on the franchising concept is able to be a drain on financial and human resource; and traditional return on investment criteria used to appraisal investment opportunities in other nations may not be applicable in China. But, after considering these pros and cons, China still be a company's best choice for global expansion. Then, the next step can be deciding which type of franchise agreement to enter into.

Choosing a Franchise Structure

Determining the appropriate franchise agreement or legal structure ultimately comes down to the problem of control the franchisor should retain a suitable level of financial control and legal in the arrangement or have enough trust and confidence in its local partner to permit the franchisee monitoring in carrying out the mission of the business. There are four critical franchise available direct franchise, joint venture, master franchise and, area development. The franchisor can choose elements from two or more of these legal structures to create an agreement that best fits its business. For final decision, the franchisor requires to weigh the weaknesses and benefits of each structure.

1. Direct Franchise

The direct is the most basic type of franchising structure, the rights to franchise are granted on a store-by-store basis to individual franchisees. The franchisor requires training potential franchisees or offers a concept that does not need high volume growth.

2. Joint Venture

A joint venture is an contractual agreement between two or more parties to undertake a business venture in which profits and losses are shared equally. The franchisor is able to establish its brand in China and accumulate knowledge about the market. With his type of arrangement, the franchisor has more monitoring to improve operational procedures, customer experience, and back office functions, thus offering future franchisees a more profitable and consistent brand.

3. Master Franchise

The master franchise arrangement gives the franchisee the right to run and open units. The master franchisee has the right to subfranchise to other franchisees and thus assume the role of franchisor. Themaster franchise arrangement is clearly the least capital and time-intensive structure, but the trade-off is diminished monitoring this regard, it is crucial that the master franchisee be an enterprise or partner that the franchisor trusts explicitly. Without a previous a high degree of trust or relationship, companies are ill-advertised to pursue a master franchise structure, especially early in the entry strategy.

4. Area Development Franchise

The franchisor grants the right of franchising for a specific geographic region to a Chinese-based franchisee. Area development supplies less control than a joint venture or a direct franchise arrangement because the franchisee is responsible for such decisions as plans and locations for growth. The franchisee should be well capitalized to meet the franchisor's growth goals. The franchisee has on the responsibility of control the day-to-day operations of each of its stores while the franchisor follows the traditional western model of building loyalty and brand awareness. KFC ensures that only the most qualified franchisees are permitted to participate in the program and can maintain tighter control over brand perception and customer experience.

Key Strategies for Success

Franchising strategy include choosing, local partner, selecting an initial market, supply and developing a distribution network, and settling problems of financing.

1. Selection an Initial Market

Multinational enterprise should select a geographic region of China in which to enter. Franchisors ought to start in Beijing to establish critical relationship with national government officials and take advantage of the high tourist volume each year. Shanghai is the area's probusiness atmosphere, the high level of tourism, the openness of consumers to western products, and the market's significant long-term growth potential. Existing marketing infrastructure and management in Hong Kong is able to be leveraged in nearby markets.

2. Choosing the Local Partner

One of the most crucial elements to an entry strategy in China is choosing a local partner. The right partner is able to make a significant difference in speeding up expansion and entry time and in minimizing sizeable miscellaneous costs.

3. Building a Supplier Network

Sourcing inputs that meet the franchisor's standards for quality and consistency without disrupting profitability are able to pose an essential challenge to potential entrants in China.

4. The Supplier and Distribution Network

To choose a local partner and an initial market, expansion in China needs the development of a comprehensive, nationwide supplier and distribution network. Nowadays, domestic supplier and distributors are ill to handle the level of service demanded by highly competitive business. Moreover, outsourcing logistics is new concept for many retailers and manufacturers in China. Therefore, with China's accession into the WTO, both domestic and foreign firms realize the crucial that logistics and the supply chain play in permitting them to reach market penetration.

5. Financing

Financial considerations importance surface throughout different stages of the franchising process, from the time of the market entry decision through executing the expansion plan. The problems center around three areas: lack of equipment leasing options, capital availability for franchisees and availability of real estate, and repatriation of capital to the stateside parent.

6. Infrastructure Constraints

When supplier problems are resolved, the franchisor ought to arrange the transport of goods between its distribution centers, supplier network, and end markets. This challenge is able to be a formidable one, as the logistics market in China is highly fragmented. Although local partners offer the advantage of local knowledge and current relationship, they are able to be expensive and cumbersome. One option is to build relationships with trusted third-party logistics firms to capitalize on a foreign distributor's desire to grow and develop in the Chinese market.

It is crucial that any chain seeking international expansion perform an in-depth evaluation of the risks and opportunities associated with entering China by way of franchising.The franchisor ought to find trustworthy and competent local partners, control brand consistency and deal with an ambiguous legal system. The recommendations in this topics will help firms successfully enter China's vast market through this strategy.

Summary

China has finally settled its great debate about what it wants to be and where it wants to go. China's government has lost of control over the information people can spread and receive. China's economy will miss out on the potentially beneficial impact that a truly free press could have. Laws continue to improve across the board and change. In consequence, businesses both foreign and domesticwill benefit as they do. There will never be a true end to all the distortions and inequities produced by a politically dominated legal system. Moreover, China's resistance to currency liberalization may be the most difficult to sustain. His exchange rate policies and convertibility restrictions have a direct impact on foreign economies. Having joined the world, a manufacturing base for products created and designed elsewhere in the world, the government knows this, and embarks on an all-out campaign to foster innovation. It intends to modernize his increase spending on corporate and science establishment, governmental R&D programs, and academic. It seek to incentivize creativity. This needs profound changes in a rote-based education system that fosters conformity rather than innovation, and vast improvements in its intellectual property rights regime. The benefits of doing business in China are hard to discern through the thickets of a complex bureaucracy, legal system, and distinctive culture.

Increasing of globalization, opportunities and complexities of managing an international business has become a critical knowledge area that every manager must understand. MNEs have many locations in mind for expansion therefore it is important to understand the reasons for the information and expansion needed to assess the benefits and costs of the various alternatives. Global managers must be familiar with the political rules and economic of the nation in which they are planning to expand. They must also be familiar with the cultural dictates or informal rules of the nation Both of areas concern in the light of the strategic rationale for international expansion. After considering these factors, they shall be in a better position to understand the reasons for particular contracting and managementcontrol choices. Business environment problems facing MNEs that enter China, while political problems were not the most important consideration, other factors such as guanxi, protection of intellectual property and employee problems were considered to be more critical in decision making MNEs must have good communication and relationships with the relevant government officials and focus on business problems.

Increasing profitability for foreign affiliates, rising import and export growth, and strong domestic consumer demand indicate the growing importance of China's sustained growth for the global economy. This growth is essential for CHINA to managing the problems of both agricultural and urban unemployment and economic restructuring. Obstacles restricting the sustainability of China's economic growth are auto, petrochemical, aluminum, light industry, cement, and steel industries are plagued by excess capacity and inefficiency. The ability of the industrial sector to restructure successfully will be crucial in ensuring continued growth in a stable environment.

In CHINA, exploiting the cheap labour and rich natural resources they exact super-profits by grabbing low-priced mineral products and farming, dumping their industrial goods, carrying on an exchange of unequal values and strangling national industries. In the last period 'MNC' was a strange name in China. As the investment from MNCs in China and as China's opening continues augments, China begins to learn about MNCs.

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