Contemporary Chinese Political Economy and Strategic Relations: An International Journal Vol. 2, No. 3, Dec. 2016, pp. 1095-1123

Export Brand Development of China: Lessons Learned and Implications for the Future

Xinxin **Bai**[*]
SW-Stahl GmbH, Germany

Ali **Öztüren**[**]
Eastern Mediterranean University, TRNC, North Cyprus

Abstract

This paper is a study of Chinese enterprises' export brand development process. It describes the measures for dealing with their weaknesses, using case study methodology combined with the comparative method, analyzes the development of key Chinese enterprises' internationalization, and summarizes three typically successful internationalization models currently used: Haier model, Huawei model and Lenovo model. Haier followed the "first easy later hard" approach, that means it went first to developed countries, and then entered the developing countries as the second step. Huawei on the contrary, followed the way of "rural surrounding the urban", which means that it went to the developing countries first, and then entered the developed countries second. Lenovo realized their enterprise and brand internationalization success by acquiring IBM PC division with its "innovative and entrepreneurial spirit".

Keywords: *export brand, internationalization, Chinese enterprises' internationalization models, development, strategy*

1. Introduction

As a hot topic in Western countries in the 1980s, brand research is still in the ascendant. Since the 1990s, China has formed a great mass fervor for the introduction and research of brands. On the other hand, there are few researches into China's export brand development at home and abroad; roles of export brands in China do not get enough attention and understanding.

The current world economy has stepped into the era of brand competition and brand internationalization, which will become the mainstream development direction of Chinese enterprises. Chinese enterprises will gradually shift from product marketing to brand marketing. Enterprises which have independent brands are less than 20% of total export of Chinese enterprises and have less than 10% of total export sales (MOFCOM, 2005). From the aspect of export structure, most of the processing trade or general trade is original equipment manufacturer (OEM) business. In terms of regions, the export volume of independent brands in Guangdong province, which is listed as the largest export province of China, is merely 3% of the total export amount. The independent brands of the first three largest export provinces are also less than 10% of the total export amount (*ibid.*).

China is the global leader in manufacturing operations, and globally the second largest economic power (Li, 2013: 4). The Chinese manufacturers understand their potential, and have started to buy the technology that Europeans use. This has allowed them the possibility to start parallel production of their own brands alongside European export brands (Segre Reinach, 2005: 52-53). Predominant status in the international market, powerful economic strength and considerably high economic development level of economically developed countries like USA, Japan and Europe are greatly attributed to brand awareness formed in the long-term market competition, the gradual establishment of brand concept and effective implementation of brand strategy. Thus, they boast a large group of world-class brand products and brand enterprises.

Export trade, few independent brands and especially insufficient independent brands with core technologies in China result in low added value and low economic benefit of export that greatly affect sustainable growth of core competence and export trade of Chinese enterprises. Therefore, it is necessary to study the developments of Chinese export brands. How Chinese enterprises, in the 21st Century, can change from "Made in China" to "Created in China" is the most urgent task Chinese enterprises face. Chinese enterprises would be unbeaten in global markets when they meet requirements of the era of brand competition and brand marketing to create the Chinese global famous brand.

The basic purpose of this study is to analyze and synthesize internationalization strategies that have been used by Chinese enterprises for entering overseas markets. Mainly, it has been hypothesized that Chinese enterprises' export brand building process is the process of internationalization of Chinese enterprises. With the improvement in the internationalization process, Chinese enterprises will gradually enhance their brand awareness and reputations in the world.

The competition between enterprises in China is not only at the national level, but also the international level. Faced with this international competitive environment, for sustainable development of enterprises to open up new markets and enhance their competitiveness on a global scale, product quality is important, but only on the basis of competition in the market. The key to victory is the brand. Product's competitiveness and enterprise competitiveness reflect ultimately into the brand competitiveness. With China's accession to the World Trade Organization (WTO), both in the Chinese domestic market or in the international market, Chinese enterprises are faced with a number of world-renowned brands and competitive situations. Experts and scholars at home and abroad on Chinese brand internationalization issues are not sufficient and tend to focus on only certain aspects.

2. Internationalization of Enterprises: Theoretical Background

Enterprise internationalization refers to a company's production and business activities that are not confined to one country, and is an objective phenomenon of a company's development within the world economy. Its main purpose is to meet sales targets in international markets, combined with factors of production, to maximize profits. For individual enterprises, this process includes the production, sales and management internationalization of an enterprise.

Based on the business activities, enterprise internationalization can be divided into inward and outward internationalization. Inward internationalization refers to an enterprise that is achieving its internationalization through directly or indirectly imported productive or non-productive elements, such as import trade, joint ventures, merger, purchase technology patents, becoming overseas subsidiaries or branches, etc. Outward internationalization refers to an enterprise achieving its internationalization through directly or indirectly exported productive or non-productive elements, such as export trade, overseas joint ventures, technology transfer, establishing subsidiaries or branches oversea, etc. Enterprises' international development strategy refers to enterprises participating actively in the world division system under economic globalization, which also includes strategies during the development from domestic to global businesses.

From a macro point of view, the goal of international business development strategy is to cultivate the core competitiveness through enterprise system innovation, technological innovation, brand innovation, and nurturing talents to integrate into the international process. From a micro point of view, corporate internationalization strategy refers to the overseas target market selection, market entry model selection, competition model selection, and other specific marketing strategies.

The internationalization of Chinese enterprises is inevitable and would occur within the context of economic globalization. Nowadays, large-scale production networks have been formed worldwide, and the tradition of being dependent on natural resources and product-based division has been broken. The prominent role of international and multinational enterprises in world economic activity is becoming increasingly obvious. A new competitive landscape of "domestic markets internationalization, global competition domestication" has been formed.

The trend of globalization requires enterprises to become international businesses, which is irreversible, but also unavoidable. The best way to challenge multinational corporations is to become a multinational enterprise. As the CEO of the Haier group, Zhang Ruimin 張瑞敏, once said; if one wishes to "Dance with Wolves", one must become a "wolf"; otherwise the only result is to be eaten (Fan, 2006; Suo and Bardhan, 2013).

The internationalization of Chinese enterprises is the inevitable result of enterprise development. With certain industries and part of the domestic Chinese market becoming saturated, market price weakness has led to fewer market opportunities. Together with the development of larger market capacity, the capital, technology, and products of the enterprise accumulation need to be updated. After joining WTO, the business environment for Chinese enterprises has changed dramatically. Barriers of entry into overseas markets have been greatly reduced, greatly enhancing the international business environment in which Chinese enterprises operate, providing more room for their development. The era of Chinese enterprises competing within the global business environment has arrived. The enterprise internationalization strategy will be key initiatives of enterprises' survival and development in the future.

3. Case Study Methodologies

Case study analysis methodologies, also known as the Harvard case study method, were developed at Harvard University in the 1880s, and were used by Harvard University for training senior managers. It gradually became an important method for effective employee training by many companies (Eitington, 2002: 341-371).

Case study analysis refers to a study of a single object with a combination of literature sources and summarization of an individual with uncertain outcome (CAPAM, 2010: 1). Case study analysis methodologies for training can significantly increase employees' understanding of the company's business, develop good relationships between employees, and improve employees' ability to solve problems, as well as increase the company's cohesion.

A case study, as a general approach to understand phenomena, can involve many specific methodologies, which could be summarized into the following three approaches:

1. Comparative analysis;
2. External and internal factors evaluation analysis;
3. SWOT analysis.

Comparative analysis is the most commonly used method, representing a comparison between a chaotic management, operating mechanism and a well-managed, well-run company by observing their differences in the organizational structure and resource allocation. These differences will facilitate the discovering of the management essence of the differences behind it.

External and internal factors evaluation method is derived from the environmental analysis of strategic management. Each development would be subject to the surrounding environment. The environment here is the broader aspect and refers not only to the external environment, but also to the internal setting. The company's strategic management control model is determined by two factors: the uncontrollable external factors and internal controllable factors. The company's external uncontrollable factors include: government, partners (such as banks, investors, suppliers), customers, public pressure groups (such as the media, consumer associations, religious groups), competitors, and in addition, social, cultural, political, legal, economic, technical and natural factors that will restrict the company's survival and development. Thus, the external uncontrollable factors for the company are the coexistence of opportunities and threats. How the company benefits or reduces the hedge, to identify opportunities in the external factors, seize the opportunities, take advantage of opportunities, gain insight into the threats, and avoid risks are the matters of life and death for the company. The company's internal controllable factors include the technical, the financial, human resources, information and company culture.

In the ever-changing dynamic market, if a company has the ability of rapid response, the ability to adapt quickly to changes in the market, the ability of innovation and change, it has the potential for a sustainable development. The spirit of the company is an indispensable part of corporate strategy and strategic development. Internal controllable factors can fully demonstrate the strengths and weaknesses of a company. So when companies can know themselves, they play to their competitive advantages, determine their strategic direction and goals and achieve the best match between goals, resources and strategies.

SWOT analysis is a kind of self-diagnosis method of analysis and research on objectives which are facing a situation of uncertain outcomes. SWOT analysis is a combined analysis of an enterprise's internal and external environment of strengths, weaknesses, opportunities and threats, so as to find suitable business strategies and tactics of projects and the actual situation (Ebers and Wied, 2007: 5-8). As a strategic analysis, SWOT analysis can also be divided into four sub-strategies (CAPAM, 2010: 1):

- SO strategy – to rely on internal strengths, and utilize external opportunities;
- WO strategy – to overcome internal weaknesses, and utilize external opportunities;
- ST strategy – to rely on internal strengths, and avoid or minimize external threats;
- WT strategy – to overcome internal weaknesses, and avoid or minimize external threats.

For enterprises, SWOT analysis can support leaders to know the situation they face, and accurately find out enterprises' weaknesses and strengths, as well as opportunities and threats they face. Through analysis, enterprises can promote their strong factors, avoid advancing of their weaknesses, find problems and identify solutions, in order to take advantage of opportunities and eliminate risks, and draw up their future direction of development. The problems can be classified in priorities:

critical problems, urgent problems, tactical problems, postponed problems, etc. According to these priorities, enterprises can solve problems step by step.

The authors have discussed these strategic points with the managers of selected companies. The findings and the results of this study have been validated by their contributions and recommendations. The authors did not conduct any structured interview with the managers, but the discussions direct the case analyses and the results towards the reality.

4. Discussion

Since the beginning of the 21st century, economic globalization has developed more rapidly. The focus of Chinese enterprises' reform started changing from "export-oriented strategy" to "international business strategy", changing from "products export" to "brand export". Chinese economy and business internationalization have become an irresistible trend, which also birthed companies like Lenovo (聯想), Haier (海爾) and Huawei (華為). However, they still have distinctive features of the primary stage and the whole of international operations are relatively weak, due to Chinese enterprises' internationalization starting relatively late in comparison with other countries. Through analysis of the development of the enterprises of Haier, Huawei and Lenovo, it has been proved that Chinese enterprises' export brand building process represents, in fact, the process of the internationalization of Chinese enterprises.

The 2013 global Fortune 500 ranking list shows that 95 Chinese enterprises have a total revenue growth of 23.8% over the past year (*Fortune* China network, 2013; *Fortune* China network, 2012a). However, the average profit margins of these companies are down from 2012's 5.4% to 3.9%. In addition, among the 95 top enterprises, only 12 enterprises had profit margins of more than 10%, and 11 Chinese enterprises had losses. On the other hand, in the *Fortune* magazine's Fortune Global 500 list of the year 2015, China becomes the second largest country in terms of the number of companies listed in the ranking with a total of 106 companies on it, just behind the United States. The number of Chinese enterprises among the top 500 has increased by 16, 5 and 6 in 2013, 2014 and 2015 respectively. China is expected to catch up with or surpass the U.S. in 2020 if it continues to maintain this momentum.[1] Of the Chinese mainland finalists in the Fortune 500 ranking list, no one, in fact, has a real international brand reputation besides Huawei and Lenovo. Chinese enterprises among the top ten in the ranking list, such as SINOPEC (Sino Petroleum Corporation), CNPC (Chinese National Petroleum), China Power Grid and other companies, had a limited effect only in China, in respect of business distributions, profit sources and brand reputations. Only Huawei and Lenovo are remarkable; the other shortlisted enterprises are basically the real "Chinese national enterprises", because more than 80% of their business incomes came from China. There is still a big gap between those enterprises and the really global enterprises. Therefore, enterprises have to pay attention that they should not take internationalization steps just for the purpose of becoming famous without being well prepared. Opportunities will always belong to the ones who are prepared.

With the continuous growth of the economy, the national economy will gradually saturate. In order to continually keep the market leader position, most of the well-known enterprises started their internationalization steps. Since the last century, gradual emergences of international enterprises have been mostly from the United States, European countries, Japan, Korea, but since the last ten years there have been also some from China. Today, successful Chinese international enterprises initially have their own applicable internationalization sample models. These can be summarized into three models: Haier model, Huawei model and Lenovo model.

4.1. Models of Internationalization

4.1.1. Haier model

Since the 1999 Haier America Trading Company's unveiling ceremony held at the United Nations building, an overseas marketing network of Southeast Asia Haier, Europe Haier and the Middle East Haier has been formed that marked the start of the Haier internationalization stage. The Haier internationalization process is characterized by "First hard later easy". In the process of internationalization, Haier first entered Europe and America in the international economic arena, the heavy weight of the developed countries and regions. After the brand had been recognized widely in the developed countries' markets, as the second step, Haier started to enter potential developing countries and to use the Haier brand as the most important prerequisite for exports.

Haier continued to improve the global competitiveness of their products through extending to the markets in Europe and America and other developed countries. Meanwhile the corporate image and brand value have been increasing dramatically. In 2002, Haier's competitiveness in the global "consumer electronics and home appliances" rose to No. 5 in the world.[2] In 2003, Haier had the brand value of 53 billion RMB (8.6 billion US dollars) to become China's first brand. From 2009 onwards Haier has been listed in the 500 Top Chinese Enterprises; in 2014 Haier ranked No. 61 (*Fortune* China network, 2012b). In 2016, Haier Group acquired General Electric (GE) Appliances[3]:

> Haier Group has been recognized as the leading Major Appliances brand in the world for the seventh consecutive year by Euromonitor

> International, the world's leading independent provider of business intelligence on industries, countries, companies and consumers. According to data released by Euromonitor International, the brand achieved a 9.8% retail volume market share in 2015.[4]

Haier's international development goal is to become a successful world famous brand, through implementation of design, production and marketing of local-oriented goods and services, as well as to obtain local financing, local financial intelligence and local financial culture.

4.1.2. Huawei model

Huawei Technologies Co., Ltd. started in 1988, mainly engaged in the research, development, production, and sales of communication network technology and products, specializing in optical networks for telecom operators, network solutions fixed network, mobile network and value-added business areas. Huawei is one of the main suppliers of the Chinese telecom market and has successfully entered the global telecommunications market[5]:

> UK consulting firm Brand Finance released its 2016 "Global Top 100 Most Valuable Brands," and Huawei ranked 47th on the list. Brand Finance's selection criterion for its "Global Top 100 Most Valuable Brands" include a brand strength index (BSI), brand loyalty and marketing investments. The international enterprises on this list boast outstanding comprehensive capabilities.[6]

> Dumping their previous business model of flooding the planet with cheap, unbranded cellphones, China's Huawei has risen to become a globally recognizable brand and a serious contender for Apple and Samsung. Advancing rapidly into new markets worldwide, Huawei is

now the world's number three smartphone brand, with an 8.3 percent market share.[7]

Huawei has four aspects to achieve its internationalization strategy model, respectively, as follows (Yin, 2005: 41-51):

(1) An international supply chain: Huawei realized internationalization by designing an international supply chain with internationally recognized products, research and development of small civilian switch, research and development of large-scale commercial operations switch, and material purchasing at Chinese oriented markets.
(2) Internationalization management system: As one of China's first-class enterprises, Huawei's management reorganization should learn from successful management experience of successful international enterprises.
(3) Marketing internationalization: After 10 years of international market development, Huawei has established a strong market system worldwide. Through strategic cooperation, OEM (original equipment manufacturer), SKD (Semi-Knocked Down), CKD (Completely Knock Down) and other joint ventures, Huawei achieved internationalization of marketing partners and channels, and promoted the company's market internationalization process.
(4) Research and Development: Huawei emphasized independent research and development by taking a very open strategy for the first-class partner of strategic cooperation, making Huawei able to use their limited R&D team and R&D technology to rapidly catch up to the world advanced level.

4.1.3. Lenovo model

Lenovo realized aspirations of the internationalization strategy through acquisition. In 1991, Lenovo set up a German company, which was the first signal of their internationalization steps. In 2004 Lenovo replaced their original English identity name of "Legend" and registered worldwide. "Le" is taken from the original word of "Legend", inheriting the "Legend" meaning; "Novo" implies innovation. This was undoubtedly its internationalization strategy, a crucial step in the process. Lenovo Group was originally founded in a dusty, two-room Beijing guardhouse in 1984. In 2004 Lenovo became an IOC global partner and since then, Lenovo has been widely recognized and praised internationally. In 2016, it is called "the largest PC maker in the world and a Fortune 500 frontrunner in smart connected devices with employees in more than 60 countries"[8].

Yang Yuanqing 楊元慶 , chairman and CEO of Lenovo, attributed today's position to Lenovo's clear internationalization strategy definition, innovative products, efficient business model, diverse teams and corporate culture, etc. Therefore, Lenovo's ideas and strategies were clear and desirable. Through the acquisition of the IBM PC business, Lenovo took a stable place to massively extend the overseas markets. After the enterprise's internal reorganization and rapid transition, Lenovo builds up successfully a Chinese export brand in the world.

4.2. Haier, Huawei and Lenovo: Internationalization Analysis

General challenges of these three companies can be summarized in the following points.

4.2.1. Lack of international brand awareness

Key and core of modern marketing is the international brand strategy. The current market is increasingly competitive, the commodities increasingly rich and the market competition has developed from price competition, quality competition, technological competition, sales competition to brand competition. At present, Chinese enterprises have still a lack of international brand competition awareness, no vigilante concept and no long-term brand strategic vision. Presence, absence or strength of the brand competition awareness is directly related to the company's future and destiny, but also determines the success or failure of the business.

Strengthening brand awareness is an important strategy of the enterprises' internationalization process. This strategy supports enterprises through markets to establish their own brand image, increase products' visibility and recognition, to create greater markets, increase market share and in the meantime also bring greater corporate profits.

Although Huawei, Haier and Lenovo are in international markets, in fact, internationalization of Chinese enterprises is still in the infancy stage. There are only few Chinese companies really involved in the process of internationalization. Chinese products flooded into the world market very early, but the development of own brands is more recent. In addition, Chinese enterprises' brand protection awareness is relatively weak. Their trademarks were often registered by foreign-funded enterprises in the past, resulting in a lot of trouble. If Chinese companies cannot properly protect their brands, they will lose their competitive advantage in the fierce international competition.

4.2.2. Ignoring corporate culture

Corporate culture is one of the key factors of an enterprise for sustainable development. Nowadays, under the challenging conditions, corporate culture reflects enterprise's aim to increase corporate competitiveness and to enhance the cohesion of the employees. Therefore, culture accumulation is a carrier of market competition. The core competitiveness of enterprises is manifested ultimately at the level of the cultural accumulation competence within their operations.

A lot of Chinese enterprises, both those "already operating overseas" and those which "are going overseas", have a lack of integration of corporate culture, affecting the competitiveness of enterprises themselves. If enterprise ignores corporate culture building, it is like a person without a soul, having no direction and standards of actions. In fact, the corporate culture is not a slogan, a system, a complete text, but is necessarily top-down for a long period of time, driven by accumulation of time and practice injected into the blood cells of both company and employee, so that staff goals and business goals consciously merge into one. In this regard, Huawei is a good example. A few years ago, Huawei has drawn together basic regulations and values forming a corporate "Constitution". It not only regulates the conduct of enterprise managers and employees, but also laid the groundwork for future development of Huawei's everlasting foundation.

4.2.3. Lack of high-level international talents

With the development of economic globalization, China has gradually joined the tide of the world economy; going out to the global markets has become an inevitable choice for many Chinese enterprises. Although affected by the financial crisis, "going out" is still the general direction of Chinese enterprises. In the process, the key of the issues to be faced is the lack of the necessary international talents of international development.

The mistakes in internationalization strategy are often attributed to cultural conflicts and the conflicts in business philosophy. However, many enterprises often do not know what kinds of international talents they really need. Lack of proper understanding of talent demand will lead to lack of clear direction for staff recruitment, selection, training etc. and finally will inevitably lead to a futile situation.

In addition, the majority of Chinese enterprises, with backward management skills, are lacking in international business experience and high-level international talents. Although most enterprises realize that company competitiveness is the talent competition, there are only few Chinese enterprises really putting staff as a source of enterprise strategy. The emphasis on talent of European and American companies, in general, is much more widespread than in Chinese enterprises. Therefore, the current overall quality level of Chinese overseas enterprises' staff has a wide gap as compared with real internationalization business needs. Lenovo has made efforts in this regard. In order to make the management team into a real international team, Lenovo has poached five executives from the most outstanding competitor, Dell, and kept the unity and stability of the team.

Although Lenovo's performance in Europe is still far behind the Asian market performance, its international integration effect has come into play. Lack of senior management personnel resulted in the appointment of senior management personnel, which led to differences in internationalization competitive advantage. However, staff needs to be trained and developed. Relying on high salaries to compete is an expedient measure. The permanent solution will be to develop and train their international talent team to enhance their competitive advantage.

4.3. Chinese Enterprise Internationalization: Status Analysis

Globalization in the 21st century has become an irreversible trend. How Chinese enterprises catch opportunities in the process of global economic integration to compete with other countries has become an important topic of Chinese economic development. Nowadays, the worldwide production of large-scale social network has been basically formed. The role of multinational enterprises has increasingly become evident in the world.

The Chinese international brand development has gone from nothing to today's level, having a place in international markets. Nowadays, the worth of the world's largest manufacturer's, China's, global outward foreign direct investment (OFDI) stock is larger than USD 1 trillion, with OFDI surpassing USD 140 billion that represents nearly 10% of global OFDI flows (Hanemann and Huotari, 2016: 2). Although Chinese international business has achieved certain results, in fact, the international development of Chinese enterprises is still in the start-up and development stage.

Many restrictive factors of Chinese multinational enterprises still exist. Such as, of a total of 27 selected countries from the 2013 "World Top 500 Brands" list, the United States accounted for 232 of the 500 seats and was the first in the ranking list. France and Japan were ranked second and third respectively, while China has only 25 brands selected. But to compare with the 1.3 billion inhabitants, China is clearly still in the third level of world brand. Therefore, the stage of Chinese enterprises' internationalization is an unstoppable trend. In this process, also, emerged influential enterprises like Lenovo, Haier and Huawei, etc. Although they opened and occupied overseas markets and achieved an unbelievable success, it also reflected the weakness of Chinese enterprises in multinational management, finance and technology power and human resource management, technology innovation and applications, etc. There is still a gap in comparison with enterprises of developed countries.

4.3.1. Existing problems of Chinese enterprises in internationalization process

- *Poor Corporate Brand Image*: Chinese enterprises' brand has, generally, a lack of products' core technology, a lack of independent intellectual property rights and a lack of competitiveness. Chinese export commodities are mainly labor-intensive products, low-end products, low-tech products and lower-brand-value products, which makes it difficult for them to win worldwide recognition.
- *Inadequate Attention to Cultural Differences*: Across companies, countries and regions, there are many cultural differences. The cultural differences cannot be integrated, which is a major challenge encountered in Chinese enterprises' internationalization strategy process. For example, in the case of Haier's unsuccessful acquisition experience with Maytag in 2005, it failed because of cultural differences. Haier redefined overseas acquisitions as a secondary position, making the transformation from a manufacturing to a marketing company.
- *Unclear Strategy*: From a strategic point of view of international development goals, internationalization strategy selection, product planning, brand creation and system management are a complex scientific process, which requires bold exploration and needs much rigorous advance planning. A clear development strategy is needed in the process of Chinese enterprises' internationalization, such as when Haier adopted the distribution strategy; they found a good partner in the United States for their distribution.

Although Chinese enterprises' business strategy has done a lot, it is not common that Chinese enterprises did build up a successful international brand in accordance with the modern strategic theory, really reaching up to the international level, combining with China's national conditions, having a development strategy target of internationalization and outperforming their competitors.

- *Lack of Qualified Talents*: At present, many Chinese enterprises have foreign managers, mostly in foreign language expertise or administrative affairs departments, who have had relevant work experience, but are lacking in professional knowledge and skills in international trade, investment, finance, senior management and other areas. In fact, lack of qualified talents makes it difficult to effectively implement enterprise internationalization strategy, even though there are increased risks of the enterprises' operations.

4.4. SWOT Analysis of the Chinese Enterprises

With the rapid development of China's economy over the past decade, there have been many enterprises similar to Huawei, Lenovo and Haier. They broke through the highly competitive Chinese market and succeeded in the world market. The surviving firms have their own strengths and weaknesses, as well as opportunities and threats, to compare with developed countries' enterprises, such as those from the United States, European countries, etc.

Table 1 and Table 2 use this approach to find out the advantages and disadvantages of Chinese enterprises, which factors are worth promoting and which are to be avoided, as well as problems and solutions, and look for future development directions (Ebers and Wied, 2007: 1). Overall, SWOT can be divided into two parts: the first part is SW, which is mainly used to analyze the internal conditions; the second part is OT, mainly used to analyze the external conditions. According to this analysis, problems can be classified according to priorities, such as urgent problems, matters that can be delayed and obstacles of the

Table 1 Basic SWOT Analysis of Chinese Enterprises' Internationalization

	Internal Factors	
	Strengths	*Weaknesses*
	• Low overall costs • Strong technological innovation ability • Diverse product lines and products • Sufficient funds • China domestic sales as backing • Supports of Chinese government in terms of policy or funding	• Lack of international management talents • Internal management to be standardized and improved • Lack of core technology • Lack of competitiveness • Brands have no or only limited reputation in international markets
External Factors	*Opportunities*	*Threats*
	• Rapid development of Chinese markets • Recovery of international markets • International market entry barriers reduced • Globalization makes the global optimal allocation of personnel, finances and resources possible • Increasing influence of the brands	• International quality standards • Competitions are much more intensive in international markets • Competitors' overall costs have also been reduced due to globalization

Source: Authors' own illustration.

Table 2 Strategy-oriented SWOT Analysis of Chinese Enterprises' Internationalization

	Strengths	*Weaknesses*
	• Low overall costs • Strong technological innovation ability • Diverse product lines and products • Sufficient funds • China domestic sales as backing • Supports of Chinese government in term of policy or funding	• Lack of international management talents • Internal management to be standardized and improved • Lack of core technology • Lack of competitiveness • Brands have no or only limited reputation in international markets
Opportunities	*Opportunity-Strength Strategy*	*Opportunity-Weakness Strategy*
• Rapid development of Chinese markets • Recovery of international markets • International market entry barriers reduced • Globalization makes the global optimal allocation of personnel, finances and resources possible • Increasing influences of the brands	• Use advertisements, lower price and constant innovation to capture overseas markets, achieve target of increasing sales revenues, increasing brand awareness, increasing market shares.	• Improve international talents • Optimization • Improve international reputation of the brand
Threats	*Threat-Strength Strategy*	*Threat-Weakness Strategy*
• International quality standards • International markets and industry competitions are much more intensive • Competitors' overall costs have also been reduced due to globalization	• Professionalize products line • Positioning customers base	• Acquisition of or merging with the local enterprises • Set up distribution, marketing and service networks • Hire qualified international talents

Source: Authors' own illustration.

strategic objectives. All subjects of the analysis are listed in accordance with the matrix form, systematically analyzed according to various factors matched up with each other and drawn together as a series of corresponding conclusions. The conclusions can help leaders and managers of enterprises to make the right decisions and plans.

Opportunity-Strength strategies refer to using strengths to take advantage of opportunities. This means that Chinese enterprises shall use advertisements, lower price and constant innovations to capture overseas markets, achieve targets of increasing sales revenues, increase brand awareness and increase markets shares.

Opportunity-Weakness strategies refer to overcoming weaknesses by taking advantage of opportunities. This means to improve international talents optimization and to improve brand international reputations.

Threat-Strength strategies refer to using strengths to avoid threats. This directs to the professionalizing of products lines and positioning of customer bases.

Threat-Weakness strategies refer to minimizing weaknesses and avoiding threats. This signifies the acquisition of or merging with the local enterprises, setting up distribution, marketing and service networks, hiring qualified international talents and avoiding barriers and risks.

5. Conclusions and Recommendations

Brand building relies mainly on independent innovation. This means not only to have a spirit of brand creating, but also need the resources of brand creating. The former is a prerequisite; the latter must have an innovative management model as protection. In the Chinese enterprises' internationalization processes, the Chinese brands adhere to continuous innovation in learning and have gradually formed a unique brand development model in line with Chinese national conditions. Meanwhile, the Chinese brands' need to be further amplified. China wants to become a global brand country. Not only does it need to make their brands and products known throughout the global market, but also needs people worldwide to understand and agree with Chinese brand culture and brand origins. In order to be invincible in the international market, Chinese enterprises should not only be based on Chinese domestic markets, but also need to actively participate in international competition, grow up and develop in competition.

Chinese enterprises' development is a process of comparative advantage to competitive advantage. They can effectively enter the international markets by using the niche strategies with which they shall avoid direct conflict with competitors. They shall choose the markets, where competitors have ignored; the demands have not been met, but there are profit potentials. Niche strategies can also be causes of success for small and medium-sized enterprises.

Niche strategy is a complex strategy and uses specialization strategies as base, and can be an option of gradual competitive improvement of multinational business enterprises. The essence of the strategy is to combine the strengths, find market niches, concentrate on market entry and professional development, become a market leader, achieve market penetration, while setting up a variety of barriers and improving the enterprises' international competitiveness. For example, Haier used niche strategy well in the United States market. Haier did not directly attack GE, Whirlpool and other enterprises which had their advantaged large 200L freezer, but innovatively developed new designs of 60L to 160L small freezers and wine coolers in various types, and then started the full penetration of the U.S. markets. This strategic choice has certain significance for many who are or will be moving forwards to become market internationalization enterprises.

The general objectives of enterprises' internationalization are reducing costs, overriding tariff barriers, using resources, protecting environment, extending international markets and promoting exports. The targets will be changed and adjusted according to international situations and economic development. The criteria of enterprises' suitable investment location selection are to avoid or reduce enterprises' investment risks, bypassing trade barriers, stimulating and promoting national exports and getting the best investment return. In the process of internationalization, companies should pay high attention to maintenance and development of good relationships with local communities, such as local government, trade unions, dealers, etc. and try to form a common interest entity. Thus, a common interest entity may become the umbrella of Chinese enterprises to help them to work together if they are faced with the threat of political barriers.

Why do a large number of overseas projects have difficulties to make a profit? How to select overseas investments in order to achieve a reasonable capital return? Diverse answers are given by different parties, but one thing is very consistent: if enterprises are not prepared, they should be very careful in using the essentials of internationalization. The level of Chinese enterprises' internationalization is still at a primary stage. On the one hand, Chinese enterprises have a lower proportion of overall investment and investment income, as compared with those of the United States or Japan. More importantly, on the other hand, the brand and investment scales are disproportionate. From an enterprise development point of view, big but not strong is a very serious phenomenon.

Nowadays, many Chinese enterprises spend huge amounts, breaking through developed countries' political barriers, cultural barriers and technical barriers, with strength of strong rivals to compete for developed countries' markets. They should look behind at the broad developing countries and re-examine the opportunities. Indeed, most Chinese enterprises have been "occupied" on the market in developing countries, before expanding to developed countries. Even if they are at the monopoly position of the market, they still fail to make good profits, because their products in developing countries are often relatively low-end and small value-added in nature. This is one of the reasons why they turned their strategic objectives to developed countries' markets. However, there exists a strategic blind spot that is a huge upgrade space and demand in the developing countries. Chinese enterprises can actively participate in the development of the target markets in these countries and be appropriate allure to their consumers. In any circumstances, it is undeniable that Chinese enterprises have a great advantage in relatively low-end developing countries' markets. When getting access to developed countries' impassable roads, today's leading Chinese enterprises should not forget to look back behind at "rural" (developing countries)! Perhaps, there is a nice view.

Notes

* Dr Xinxin Bai 白欣鑫 holds a Doctorate of Business Administration from the Institute of Graduate Studies and Research, Cyprus International University, Nicosia, Northern Cyprus. In her career, she has accumulated professional experiences within which the latest organizations and her positions are as follows: project manager/product manager, SW-Stahl GmbH, Germany (08/2015 – present); assortment manager (lighting), EMIL LUX GmbH & Co. KG (a member of the OBI Group), Wirmelskirchen, Germany (06/2011 – 08/2015); project management, DT&SHOP GmbH, Germany (10/2003 – 09/2005); specialist, Tengelmann Group (10/2002 – 09/2003). <*Email: xinxin.bai@hotmail.com*>

** Dr Ali Öztüren (corresponding author) is an Associate Professor at the Faculty of Tourism at the Eastern Mediterranean University, Gazimagusa, Turkish Republic of Northern Cyprus (TRNC, via Mersin 10, Turkey). He has a Ph.D. in Tourism Management. His research interests include tourism and hospitality management; quality management, sustainable tourism management, collaborations in tourism and hospitality industry. *<Email: ali.ozturen@emu.edu.tr>*

1. *http://en.people.cn/n/2015/0804/c98649-8931199.html*
2. *http://www.haier.net/en/about_haier/honors/ppry_13.shtml*
3. *http://www.geappliances.com/our-company/*
4. *http://www.haier.com/uk/newspress/pressreleases/news2016/201603/t20160322_302830.shtml*
5. *http://www.cnii.com.cn/2002czqyxi/3401.htm*
6. *http://www.huawei.com/en/news/2016/3/Brand-Finance*
7. *http://www.forbes.com/sites/wadeshepard/2016/05/25/chinas-huawei-growing-up-to-become-the-worlds-number-one-smartphone-brand/#4b7c33dd589a*
8. *http://www.forbes.com/sites/jnylander/2016/03/20/how-lenovo-became-the-largest-pc-maker-in-the-world/#4852ef6026fa*

References

CAPAM (2010). Overview of case study models and methodology. *A Shared Library of Public Administration Case Studies* (CAPAM/Commonwealth Secretariat Project). Commonwealth Association for Public Administration and Management (CAPAM), April.

Ebers, M. and Wied, S. (2007). *SWOT analysis: Robert Mondavi and the wine industry*. Munich: GRIN Verlag GmbH.

Eitington, Julius E (2002). *The winning trainer: Winning ways to involve people in learning*. 4th edition. Boston: Butterworth-Heinemann.

Fan, Y. (2006). The globalisation of Chinese brands. *Marketing Intelligence & Planning*, Vol. 24, No. 4, pp. 365-379.

Fortune China network (財富中文網) (2012a). 2012年財富世界500強排行榜 (World Fortune 500 list 2012). URL: *http://www.fortunechina.com/fortune500/c/2012-07/09/content_106535.htm* (Retrieved August 14, 2013).

Fortune China network (財富中文網) (2012b). 中國500強 (Chinese 500 ranking list). URL: *http: //www.fortunechina.com/fortune500/node_4302.htm* (Retrieved June 13, 2013).

Fortune China network (財富中文網) (2013). 2013年財富世界500強排行榜 (World Fortune 500 list 2013). URL: *http://www.fortunechina.com/fortune500/c/2013-07/08/2013G500.htm* (Retrieved September 11, 2013).

Hanemann, T. and Huotari, M. (2016). *A new record Year for Chinese outbound investment in Europe*. Berlin/New York: Mercator Institute for China Studies (Merics)/Rhodium Group, February.

Li, Ling (2013). The path to made-in-China: How this was done and future prospects. *International Journal of Production Economics*, Vol. 146, No. 1, pp. 4-13.

Ministry of Commerce of the People's Republic of China (MOFCOM) (2005). Guidance on supporting export brand development, *Shang Shang Mao Fa* 商商貿發, No. 124.

Segre Reinach, S. (2005). China and Italy: Fast fashion versus prêt à porter. Towards a new culture of fashion. *Fashion Theory*, Vol. 9, No. 1, pp. 43-56.

Suo, C. and Bardhan, N. (2013). Charting the waters of globalization: An analysis of Haier's strategic organizational discourse. *International Journal of Strategic Communication*, Vol. 7, No. 3, pp. 186-206.

Yin, Q.J. (2005). Huawei international strategy study. Unpublished dissertation. Business Administration program, Economics and Management School, Wuhan University, China, pp. 27-58.

Websites:

http://www.cnii.com.cn/2002czqyxi/3401.htm

http://www.forbes.com/sites/jnylander/2016/03/20/how-lenovo-became-the-largest-pc-maker-in-the-world/#4852ef6026fa (Retrieved June 22, 2016)

http://www.forbes.com/sites/wadeshepard/2016/05/25/chinas-huawei-growing-up-to-become-the-worlds-number-one-smartphone-brand/#4b7c33dd589a (Retrieved June 22, 2016)

http://www.geappliances.com/our-company/

http://www.haier.com/uk/newspress/pressreleases/news2016/201603/t20160322_302830.shtml (Retrieved May 2, 2016)

http://www.haier.net/en/about_haier/honors/ppry_13.shtml

http://www.huawei.com/en/news/2016/3/Brand-Finance (Retrieved June 22, 2016)

http://en.people.cn/n/2015/0804/c98649-8931199.html (Retrieved April 14, 2016)