



Study on the Strategy and Countermeasures of Chinese Private Enterprises Transnational Operation Development

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Abstract

In the economic globalization and market competition becomes increasingly fierce environment, multinational business strategy implementation of China's private economic development has become an inevitable trend. This paper analyzed the Chinese enterprise transnational management present situation and the existence question; put forward the corresponding strategies, in order to promote the further development of private enterprises.

Key words: Transnational corporation; Transnational management; Private enterprise; Internationalization

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1. ANALYSIS ON CURRENT SITUATION OF CHINESE PRIVATE ENTERPRISES CROSS-COUNTRY DEVELOPMENT

1.1 Transnational Businesses of Private Enterprises Developed Rapidly

Foreign investment in private enterprises started late, but in recent years, the speed of overseas investment in private enterprises significantly accelerated, such as Wanxiang Group, Eastern Group, FEIYUE Group, Haier Group, Midea Group, TCL, etc., which Oriental Group has 12 multinational companies in the United States, Japan, Russia and other countries, FEIYUE Group has

opened 18 branches in overseas, and Wanxiang Group has 25 overseas subsidiaries through establishment, mergers and acquisitions, equity participation, etc., its exports are more than 100 million U.S. dollars each year from 2009. Haier Group, Midea Group, TCL Group have been initially established its global production and sales network, beginning with a multinational shape. By the end of 2012, China has 2119 of large-scale private enterprises, which 989 are export enterprises, accounting for 46.67%; 62 enterprises has established companies in foreign countries, accounting for 2.93%; 47 enterprises has set up research and development institutions in foreign countries, accounting for 2.22%. The total annual exports of \$ 33.949 billion, increased by more than 70% compared with \$ 8.62 billion in 2001, with an average annual growth of 24%. Chinese private enterprise has import and export autonomy, its transnational operations primarily through direct exports products to achieve, and most do not get the import and export autonomy dependent on a number of specialized private enterprises engaged in foreign trade business of state-owned foreign trade companies to achieve its export trade. In addition, license trade, compensation trade, contract co-production, processing and assembling international trade, project contracting, etc. are gradually becoming popular in private enterprise. At present, private enterprises have become an important export growth of China's foreign trade.

1.2 Most Chinese Private Enterprises are Still in the Initial Stage of Multinational Operations

According to multinational enterprises operation stage theory, multinational enterprises should be considered as a development process, namely the initial foreign markets from accidental sporadic products exports; with the increase in export activities, parent enterprise know more information and contacts in overseas markets, export markets began to stabilize by foreign agents; With further increase in market demand and expand overseas business, the parent company decided to establish its

own sales subsidiaries in overseas; finally, When the market conditions are ripe, the parent company began to take foreign direct investment and establish overseas manufacturing base. The above process is summarized as follows: irregular export activities, export through agents, established overseas sales subsidiaries, engaged in overseas production and manufacturing. These four stages is a continuous and gradual process, represent a business involvement degree in overseas markets, or progressive approach to transnational business degree. Chinese private enterprises in the process of cross-border business development, although there are also a part of the strength of private enterprises have begun to try using mergers and acquisitions, RTO and other modern foreign investment into overseas markets, but these enterprises invest and build factories in overseas, mainly to expand export markets, develop of foreign trade and build raw material production base using comparative advantage. So, most of Chinese private enterprises is still in the primary stage of multinational operations.

2. THE MAIN PROBLEMS OF CHINESE PRIVATE ENTERPRISES IN TRANSNATIONAL OPERATION

2.1 Most Private Enterprise has Small-Scale, less Quality Products, Low Brand, Core Competitiveness Is Weak

Although Chinese enterprises foreign investment overall is big, but the truly multinational enterprises are few, poor ability to open up the local market. And private enterprises investment in research and development is not high, only 1-2% of its R & D costs of product sales revenue, while 500 companies worldwide research and development costs accounted for 5-20% of its sales revenue. Backward technology and low levels of research and development leading to private enterprise product technical content is very low, such products also lack competitive in the domestic market and highly competitive international market. And private companies rarely create their own brand, a common way to enter the international market is OEM production, lack of branding, not only makes profit are very low, and not conducive to establish a good image of Chinese enterprises and Chinese products

2.2 Chinese Private Enterprise Financing Difficulties has Become a Major Obstacle in International Operations

Chinese financial system and related discriminatory policies limit the financing channel of private enterprises and utilization foreign capital scope and scale. China's financial services system has only faced to the state-owned enterprises and foreign-funded enterprises. In addition to short-term credit financing, alternative sources of financing for private enterprise in the low degree of

openness. Equity financing, debt financing, industry funds, project financing does not open to private enterprise. Injustice makes private enterprise should be difficult to obtain credit, insurance, guarantees and so on.

2.3 Private Enterprises Lack of Laws and Regulations to Protect its Transnational Operation

Chinese government has yet to develop "private enterprise Basic Law", "Overseas Investment Act", "Overseas Investment Insurance Law", "multinational law" and basic laws of protection foreign investment and the laws and regulations of protection private enterprise market competitiveness, in the aspect of financial lending, technology development, talent introduction, foreign investment, overseas investment insurance, which is not conducive to guide and encourage private enterprises to conduct cross-border operations.

2.4 The International Environment Restricts the Development of Chinese Private Enterprises

From the Chinese private enterprises export product structure, mainly are labor-intensive products, there is a serious isomorphism which with South Korea, ASEAN, India and other countries export products. Chinese goods cheap promotional marketing strategy not only compress their profit margins, but also easily lead to international trade friction in the international market, often lead to dumping prosecution of the host country. Meanwhile there is a huge difference which in terms of political, economic, legal, social, natural environment, cultural habits of the international market and domestic market, these are the problem of private enterprises must face in transnational operation.

3. STRATEGIC OF TRANSNATIONAL DEVELOPMENT OF CHINESE PRIVATE ENTERPRISES

3.1 Strategic Choice of the Main Body of Cross-Border Investment

In order to effectively enhance their competitiveness and prevent operational risks, the main body of China's development should be a large multinational enterprise groups, industry and trade. Choose the strength of large enterprise groups, combined in accordance with industry and trade, technology and business, banking and trade, import and export, combined science and technology, finance and other economic organizations engaged in cross-border investment and business activities. Currently, household appliances, textile, petrochemical, automotive, aviation, non-ferrous metallurgy, iron and steel, foreign trade, commerce, telecommunications, finance and other industries has been initially completed or has begun to form enterprise groups. On the other hand, after 20 years of development, Some Chinese private enterprises have carried out cross-border operations and overseas

investment, such as Wanxiang Group, New Hope Group, Huawei, Kelon, Eastern Group, etc.

3.2 The Strategic Choice of the Target Market

Chinese enterprises should not place undue reliance some countries and regions in cross-border investment, should establish the concept of diversification, to consider the target market or strategic investment location according to their business objectives, level of technology and strength. Overall, there is a gap that China's enterprise strength, technological level and competitiveness of their products compared with developed countries. China has a comparative advantage in developing countries, especially neighboring countries in Southeast Asia as well as beneficial to bypass the restrictions of trade protectionism barriers in developing countries. As these countries and China are similar economic level, low investment costs, huge market potential, investment preferential policies, conducive to comparative advantage of Chinese enterprises. Meanwhile, investment in developing countries, Chinese enterprises also enter to the markets of developed countries. On the other hand, the United States, Japan, Europe and other developed countries; these countries are more social and political stability, mostly to implement policies to encourage foreign investment, to provide a variety of low-interest loans for investors, which provides a good opportunity to enter these markets for Chinese enterprises. Especially since the 1990s, the developed countries began another round of restructuring, to continue transfer from labor-intensive to capital-and technology-intensive industries, which will provide opportunities for Chinese enterprises play to the advantage participate in international competition, carry out foreign investment. Investment in these countries, one can get advanced technology and management experience of developed countries by investing, and to provide information of the latest international scientific and technological achievements for domestic enterprises, this can promote the development of domestic technology. On the other hand, can avoid trade restrictions of regional groups, help enterprises to maintain and further expand the market.

3.3 The Strategic Choice of Cross-Border Investment Industry

China is a developing country, its industrial structure is behind, in a disadvantageous position in the international division of labor, to change this situation, China must rely on correct guidance of national policy. The Chinese enterprises should scientifically select transnational business sectors or projects, taking into account the stage of development of the different industries at this stage, Chinese enterprises overseas investment focus should include relocation of a mature industry, and industrial upgrading and so on.

3.4 The Strategic Choice of Transnational Investment Style

Chinese enterprises due to lack of funds and a comprehensive understanding to international markets and the lack of advanced management tools, the most prevalent for cross-border mergers and acquisitions should not be widely used. Through direct investment, can control over their risks. And through joint ventures, in favor of transnational corporate investment, help enterprises to absorb and use local partners advantages and strengths, compensate for the lack of cross-border investment of Chinese enterprises, and also can effectively prevent business risk, improve operational efficiency.

4. CONTERMEASERS OF CHINESE PRIVATE ENTERPRISES TRANSNATIONAL DEVELOPMENT

4.1 Consummates the Laws and Regulations System, Strengthens the Government to Support Dynamics

China government should formulate "Foreign Investment Law" with the international law and the international convention trail connection as soon as possible, as the fundamental law of adjusts our country foreign direct investment the fundamental law, at the same time, should begin to formulate foreign investment risk management method, stipulates the risk management working routine, thus causes the transnational Investing enterprise to have legal support, has a legal basis. The transnational merger and acquisition is not pure enterprise behavior, but is relates our country economy sustained development and our country international competitiveness promotion. Therefore, the government should take the thought of "commercial diplomacy" treat the transnational merger and acquisition, through establishes a coordinated mechanism, enables each related functional departments to maintain prompt communication and coordinated. May obtain specifically from the following three aspects:

(1) Sets up the special management structure about overseas merger and acquisition and so on transnational direct investment, carries on macroscopic coordinated and global administration to our country enterprise overseas merger and acquisition, and formulates corresponding policy.

(2) Encourages the bank and the large enterprise marries freely, composition large-scale transnational enterprise, participation transnational merger and acquisition activity, implements bank-business union or strategic cooperation, carries on for the enterprise decision-making consults and provides the financing service.

(3) Consummation international tax revenue system, establishes the foreign investment insurance system. In order to maintain Chinese enterprise transnational merger

and acquisition question and so on national treatment and most-favored nation treatment as well as investment security benefits, promotion merger and acquisition development, the government should use the economic potentiality and the soft strength which grows unceasingly signs the investment agreements with the more host country and avoids the dual taxations. Simultaneously establishes the corresponding risk safeguard mechanism, and guarantee foreign investor's benefit safety.

4.2 Chinese Private Enterprises Transnational Global Competition Tactics

In China, the following some big enterprises have met the transnational operations requirement, will develop gradually first generation of Multinational corporation that take China as the base, participates in the global competition: first, the specialized Foreign trade company which already had the good internationalization foundation and strong business capacity and Chinese-funded trade group which in Hong Kong and Macao. Second, the enterprise or the enterprise group which have the suitable technical strength and the business capacity; third, the industry trade company, the technique trade company, the agricultural trade company, financial trade company or group. Fourth, Financial syndicate and service industry company which has the abundant capital strength.

The reality choice of Chinese Enterprise carries out the global competition to be:

(1) Take above four kind of Major industries to carry on the transnational operations, forms the base of the Chinese Enterprise implement the international competition gradually.

(2) Cultivates the small and medium-sized enterprise internationalization, the market rule urges many small and medium-sized enterprises to speed up own development and through union, annexation inevitably and becomes enterprise group which has the formidable strength and the rich competition experience.

(3) Unifies the small and medium-sized enterprise and the big enterprise, major and medium slightly develops simultaneously, forms the network shape enterprise series structure.

4.3 The Government Should Accelerate the Reform of the Management System

Face of complex and volatile world markets, the Chinese government should reform the management system, change of government functions, reduce the government's administrative intervention to multinational business, the government should as a market organizer and regulators to accelerate establishment of management institutions and systems that adapt to economic globalization, create a new relationship between government and enterprises, plan, direct and coordinate to the industrial structure, geographical distribution, the scale of investment, so that the cross-border business activities healthy and orderly development.

4.4 Improve the Modern Enterprise System

Chinese multinational enterprises should change operating mechanism, enhance the core competitiveness of enterprises, diversification of investment, establishment of efficient decision-making system, implementation of effective incentive and restraint mechanisms, establishment of excellent manager team.

4.5 Seeking Differential Advantage, and Enhance the Enterprises Competitiveness

Differential advantage is a competitive advantage in the international market, this advantage may be technology advantage, research and innovation strengths, and it also be organized and managed technical advantages, and marketing management advantages and so on.

4.6 Research and Development Localization of Products

Chinese enterprises should research and develop localized brand, not only to create an international brand, but also to make the brand "localization" in multinational operations. Chinese enterprises can learn from the successful experience of foreign countries in the transnational business, establish R & D centers in c invested countries and regions, put on new product research and development in the first place, to cultivate brand of Chinese enterprises, to develop local consumers identify core products of Chinese enterprises, on the basis of further open up new business and expand market share.

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