

# Chinese Global Champions: Phenomenon and Success Factors

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## Table of Contents

<b>Acknowledgements .....</b>	<b>II</b>
<b>Table of Contents.....</b>	<b>III</b>
<b>List of Figures.....</b>	<b>V</b>
<b>List of Tables .....</b>	<b>VII</b>
<b>List of Abbreviations .....</b>	<b>VIII</b>
<b>1 Introduction .....</b>	<b>1</b>
1.1 Background of the Dissertation: The Rise of Chinese Global Champions .....	1
1.2 Objective and Research Questions .....	2
1.3 Structure of the Dissertation .....	3
<b>2 Conceptual Foundations.....</b>	<b>5</b>
2.1 General Concepts.....	6
2.1.1 Organizational Performance .....	6
2.1.2 Specification of Terminology .....	12
2.2 General Success Factors of a Chinese Global Champion .....	14
2.2.1 General Success Factors based on Literature .....	15
2.2.2 Theoretical Approaches on the Drivers of Organizational Performance .....	19
2.3 China-Specific Success Factors of a Chinese Global Champion .....	28
2.3.1 China-Specific Success Factors based on Literature .....	28
2.3.2 Philosophies related to Chinese Economy .....	31
2.4 Research Deficits .....	34
2.5 Empirical Methodology .....	36
2.5.1 Expert Interviews .....	40
2.5.2 Case Studies.....	42
<b>3 Empirical Research .....</b>	<b>44</b>
3.1 Empirical Design of the Study .....	44
3.2 Results of the Expert Interviews: Research Model.....	51
3.2.1 Business Agility .....	53
3.2.2 Product Excellence.....	57
3.2.3 Business Talent in Domestic Market .....	61
3.2.4 International Skills .....	63
3.2.5 Cultural Cohesion .....	68
3.2.6 Audacity of Visionary Management .....	70
3.2.7 Governmental Favoritism.....	72
3.3 Case Studies and Discussion of defined Success Factors .....	74
3.3.1 Alibaba Group Holding Limited (BABA).....	74

3.3.2	Baidu Inc. (BIDU).....	77
3.3.3	Kingsoft Cloud Holdings Limited (KC).....	80
3.3.4	Zepp Health Corporation (ZEPP) .....	83
3.3.5	Canaan Inc. (CAN) .....	85
3.3.6	ZTO Express (Cayman) Inc. (ZTO).....	87
3.3.7	EHang Holdings Limited (EH).....	90
3.3.8	Hollysys Automation Technologies Ltd. (HOLI).....	95
3.3.9	NIO Inc. (NIO) .....	98
3.3.10	XPeng Inc. (XPEV).....	101
3.3.11	Li Auto (LI) .....	105
3.3.12	Niu Technologies (NIU).....	107
3.3.13	Kandi Technologies Group Inc. (KNDI).....	110
3.3.14	Daqo New Energy Corp. (DQ) .....	112
3.3.15	Canadian Solar Inc. (CSIQ).....	114
3.3.16	JinkoSolar Holding Co., Ltd. (JKS).....	116
3.3.17	ReneSola Ltd. (SOL).....	118
3.3.18	SPI Energy Co., Ltd. (SPI) .....	120
3.3.19	BeiGene Ltd. (BGNE).....	122
3.3.20	Zai Lab Ltd. (ZLAB).....	124
3.3.21	I-MAB Biopharma (IMAB).....	126
3.3.22	Legend Biotech Corp. (LEGN).....	129
3.3.23	Burning Rock Biotech Limited (BNR) .....	131
3.4	Empirical Results at a Glance.....	133
<b>4</b>	<b>Conclusion and Outlook.....</b>	<b>135</b>
4.1	Summary .....	135
4.1.1	Research Question 1: Which general success factors enable a firm to become a Chinese Global Champion? .....	137
4.1.2	Research Question 2: Which China-specific success factors enable a firm to become a Chinese Global Champion? .....	139
4.2	Implications for Future Research.....	141
4.3	Implications for Managers .....	147
4.4	Limitations .....	153
	<b>List of References .....</b>	<b>155</b>
	<b>Appendix.....</b>	<b>190</b>
	Index of Appendices .....	191
	<b>Statutory Declaration .....</b>	<b>302</b>

## List of Figures

Figure 1: Conceptual Framework.....	5
Figure 2: The Performance Pyramid (Cross & Lynch, 1989, p. 23). ....	9
Figure 3: The DuPont Model (Bititci, 2015, p. 254). ....	10
Figure 4: The Results and Determinants Framework (Fitzgerald et al., 1991).....	10
Figure 5: The Alibaba Ecosystem (Alibaba, 2022). ....	75
Figure 6: The search engine strongly resembles Google, the industry leader (Iqual, 2022, para. 1).....	78
Figure 7: Kingsoft Cloud listed on US stock exchanges with pride (Bamboo Works, 2022). .	82
Figure 8: Canaan produces among other things bitcoin mining machines (Chavda, 2021). ....	86
Figure 9: Electric Passenger-grade Autonomous Aerial Vehicle (Ehang, n.d.d.).....	91
Figure 10: EHang's centralized Command-and-Control platform (EHang, n.d.d.).....	92
Figure 11: Hollysys dominates the high-speed rail signalling market (Hollysys, 2021). ....	96
Figure 12: NIO eT7 model (NIO, 2021).....	98
Figure 13: NOMI, the world's first in-vehicle artificial intelligence system (NIO, 2021). ...	100
Figure 14: Xpeng launched the P7 electric sedan (Cvijetic and Tomazin, 2021, p. 12). ....	102
Figure 15: Xpeng aims to double their production capacity (Zachary, 2021, para. 1).....	103
Figure 16: Li Xiang does only have one model to sell, its hybrid SUV (LiXiang, n.d.).....	106
Figure 17: Li Auto does transport the branding image of a family car. (LiXiang, n.d.). ....	107
Figure 18: Built for speed easy-to-use smart features (Niu, n.d.). ....	109
Figure 19: NQi GTS reaches ranges of up to 161km, giving you unlimited urban travel options (Niu, n.d.).....	110
Figure 20: The K23 is a pure multi-purpose electric vehicle (Kandi, n.d.). ....	112
Figure 21: DAQO is positioned as the lowest-cost producer (Seekingalpha, 2017).....	114
Figure 22: Canadian Solar also attracts private persons with its residential products (Canadian Solar, n.d.a). ....	115
Figure 23: JinkoSolar expanded production capacity of high-efficiency products (Osborne, 2019, para. 1).....	117
Figure 24: ReneSola acts as a solar project developer (ReneSola Power, n.d.).....	119
Figure 25: SPI Energy provides a full spectrum of solar energy services (SPI Energy, n.d.). ....	121
Figure 26: BeiGene focuses on improving treatment outcomes and patient access to cancer therapy globally (BeiGene, n.d.). ....	123

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Figure 27: A scientist works in Zai Lab’s drug development laboratory in Shanghai (Ning, Ruikai & Bao, 2020, para. 2). .....	125
Figure 28: Growth Drivers of Biologics Market in China (I-Mab Biopharma, n.d.a., para. 2). .....	127
Figure 29: Legend Biotech is proud of its global research and development infrastructure and pipeline (Legend Biotech, n.d.b.). .....	130
Figure 30: Burning Rock Biotech receives CE mark for OverC Multi-Cancer Detection Blood Test (Verdict, 2022, para. 1). .....	132
Figure 31: Numbers of Chinese Firms on the Global Fortune 500 list (Fortune, 2022). .....	152
Figure 32: Average growth rate in % of China’s GDP, compared to the Chinese Global Champion’s revenue in the period from 2010 to 2021 (Fortune, 2022).....	153



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**List of Tables**

Table 1: Related terms and the definition used in the literature. ....	13
Table 2: Methodological profile of the expert interviews. ....	44
Table 3: List of conducted interviews. ....	45
Table 4: Criteria for analyzed Chinese Global Champions. ....	48
Table 5: Integration of the defined MIC 25 key technologies with selected Chinese firms.....	49
Table 6: Research Model based on Expert Interviews. ....	53
Table 7: Chinese Global Champion's Success Factor Model.....	137

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**List of Abbreviations**

AAV	Autonomous Aerial Vehicle
AI	Artificial Intelligence
AKP	Anna Karenina Principle
BEA	Break-Even-Analyze
C2C	Customer to Customer
CEC	China Enterprise Confederation
CEDA	China Enterprise Directors Association
CEO	Chief Executive Officer
CSF	Critical Success Factor
EI	Emotional Intelligence
EPC	Engineering, Procurement, and Construction
ESG	Environmental, Social, and Governance
GDP	Gross Domestic Product
GT	Grounded Theory
GTM	Grounded Theory Methodology
HR	Human Resources
IoT	Internet of Things
LCOE	Leverage Cost of Energy
MERICS	Mercator Institute for China Studies
MIC 25	Made in China 2025
OPEX	Operational Excellence
PIMS	Profit Impact of Marketing Strategy
PMM	Performance Measurement Matrix

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PRC	People's Republic of China
R&D	Research and Development
ROE	Return on Equity
ROI	Return on Investment
RONA	Return on Net Assets
SCM	Strategic Contingency Model
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SUV	Sports Utility Vehicle
UAM	Urban Air Mobility
UAV	Unmanned Aerial Vehicle
U.S.	United States
U.S. SEC	United States Securities and Exchange Commission
WM	Weltmeister (WM Motors)

## 1 Introduction

The following chapter outlines the initial situation and the background of this dissertation. After describing the objective and the research questions, the structure of the dissertation shows the methodological choice of literature work and empirical research.

### 1.1 Background of the Dissertation: The Rise of Chinese Global Champions

China emerged as a global economic power and is increasingly active in global markets (Lin & Milhaupt, 2013, p. 697). Chinese top performing businesses have a global impact on the economy and on consumer behavior. It is a current topic with high potential for discussion in management literature, in academic business journals, and in the media. Since the 1990s, the Chinese government has begun encouraging Chinese companies to go abroad (Rugman & Li, 2007, p. 341). Lin, Cai, and Li (2003) defined the economic growth of China since 1978 as ‘China Miracle’, as from 1978 to 2018 the economy has grown more than 40 times. Real gross domestic product rose at an average annual rate of more than nine percent. During this period, China’s exports were an important driver of economic growth, with membership in the World Trade Organization as a further key driver of economic growth (Qing-Ping, 2020, p. 1). Since the 1990s China strongly engages with globalization. China reached a primary role in global business and primary role as an export platform of a globalized Asian economy (Li & Ding, 2015, p. 2098).

A general phenomenon of Chinese economy can be observed. China transformed from the world’s factory to the emerging competitor of global market leaders. With its ‘Made in China 2025’ strategy, which is further analyzed in the empirical part of dissertation, China is redefining the rules for international competition (Hildebrandt, 2019, p. 122). China is a global power, as a huge total number of corporations can be found on the Global Fortune 500 list (McKinsey Global Institute, 2019, p. 1), and has the largest number of Fortune Global 500 companies in the world (Fortune, 2020). Not only has the private sector in China surpassed the state-owned sector in terms of numerical growth and employment, but it has also exhibited higher levels of productivity (Li & DaCosta, 2016, pp. 154-155). In 2003 Zeng, and Williamson (2003, p. 99) already claimed that several Chinese companies use the latest technologies to be able to develop products for the world market. The authors stated that in the near future these hidden Chinese dragons will be the biggest rival of the current Western winners.

The initial problem is that there is a lack of conceptualization for the definition and characteristics of these Chinese Global Champions. The rise of Chinese global competitors has become a significant and complex phenomenon in the contemporary global business landscape. With China's economic growth and its increasing influence on the global economy, a deep understanding of Chinese companies that have become global competitors is critical. However, a definite conceptualization and a clear definition of individuals qualifying as Chinese competitors are currently absent. Existing literature does not provide comprehensive evidence on how global economic power is promoted and which companies are the driving forces. Success factors play a crucial role in characterizing a successful company, but in the China-specific context, relying on secondary data might not offer a comprehensive understanding. Given this initial situation, the significance of understanding this phenomenon is high, both for research purposes and for management.

## 1.2 Objective and Research Questions

This dissertation aims to provide a thorough understanding of the rise of Chinese Global Champions based on theory and own empirical examination. The primary objective of this dissertation is to make a significant contribution to the existing literature in the field of successful international Chinese players. By providing a comprehensive analysis of the rise of Chinese Global Champions, this dissertation will offer valuable insights into the success factors that have enabled these companies to achieve global prominence. The findings will not only provide implications for research but also provide practical implications for managers seeking to engage effectively with Chinese companies in the global market, or managers from successful Chinese firms, that want to emerge as a Chinese Global Champion.

The performance perspective is the result of several factors, factors that need to be empirically evaluated. Many individual parts lead to business success or business failure. The value of this dissertation lies in the analysis of the implementation phase and the discussion of influencing variables in strategy and organization. A few existing empirical studies of success of Chinese companies imply the need of further examination. Further research should include and evaluate more industries (Zhang, Tansuhaj, & McCullough, 2009, p. 314), to support the generalizability (Ma & Jin, 2019, p. 228). This statement is closely connected to the stated call for research on more empirically proven success stories (Liu & Rieple, 2019, p. 125). From management perspective it is important to understand the strategic and operational characteristics of successful

Chinese firms. This dissertation addresses general characteristics that apply to companies from around the world, which are generally valid regardless of where the company comes from, and China-specific characteristics that apply to companies from China in particular.

The aim is to develop a theory of the Chinese Global Champion, and provide a thorough understanding of this phenomenon based on theory and own empirical examination. Identifying research gaps within the academic literature, while drawing inspiration from practice-oriented sources, leads to the formulation of two research questions. This dissertation aims to answer the following two research questions in particular:

1. Which general success factors enable a firm to become a Chinese Global Champion?
2. Which China-specific success factors enable a firm to become a Chinese Global Champion?

### **1.3 Structure of the Dissertation**

The following dissertation is structured into four main chapters. The first part is the introduction, which gives detailed information about the purpose and significance, the objective, the methodology, and in this subchapter, the structure of this dissertation is described. The introduction outlines the relevance, and actual situation of this topic, moreover which output this dissertation will deliver for research, and management.

The second chapter provides a detailed overview of the conceptual foundations. Relevant topics are mentioned, based on deep analysis, interpretation and summary of the literature. Insights into general concepts, general success factors, China-specific success factors, and the empirical methodology are discussed. Terminologies in this broad topic will be outlined. The literature provides an understanding of general success factors for success in business, which are then specified to China-specific success factors in a further subchapter. The primary aim of chapter two is not to conceive possible research questions. Well-researched theories are evaluated, and interpreted. Sources on China-specific recommendations for business will be summarized.

The theoretical understanding will provide an overview on how Chinese companies have reached the global top. The literary evaluation of the subject, together with provided expert interviews and case studies of Chinese top performer will evaluate the success factors in a more practice-oriented evaluation. Two different research methods were used in this dissertation,

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which are described in the subchapter methodological foundations in detail. The empirical methodology of expert interviews and case studies are interpreted.

The third chapter enters the empirical research. A research model is the result of the expert interviews, which is tested and further developed through case studies. The findings from theory, expert interviews and case studies together result in the Success Factor Model for Chinese Global Champions. The Success Factor Model is the central finding of this dissertation. The path to this result is described in detail, the expert interviews are interpreted, and the case studies are presented. To conclude this dissertation, the results were summed up in the fourth chapter, the conclusion. Recommendations, and an outlook for future research will help the reader to understand the subject, while possible future research objectives are stated clearly.

## 2 Conceptual Foundations

The following chapter evaluates the phenomenon of organizational performance and success factors in detail. To demonstrate the conceptual foundation, figure 1 shows the conceptual framework of this dissertation.

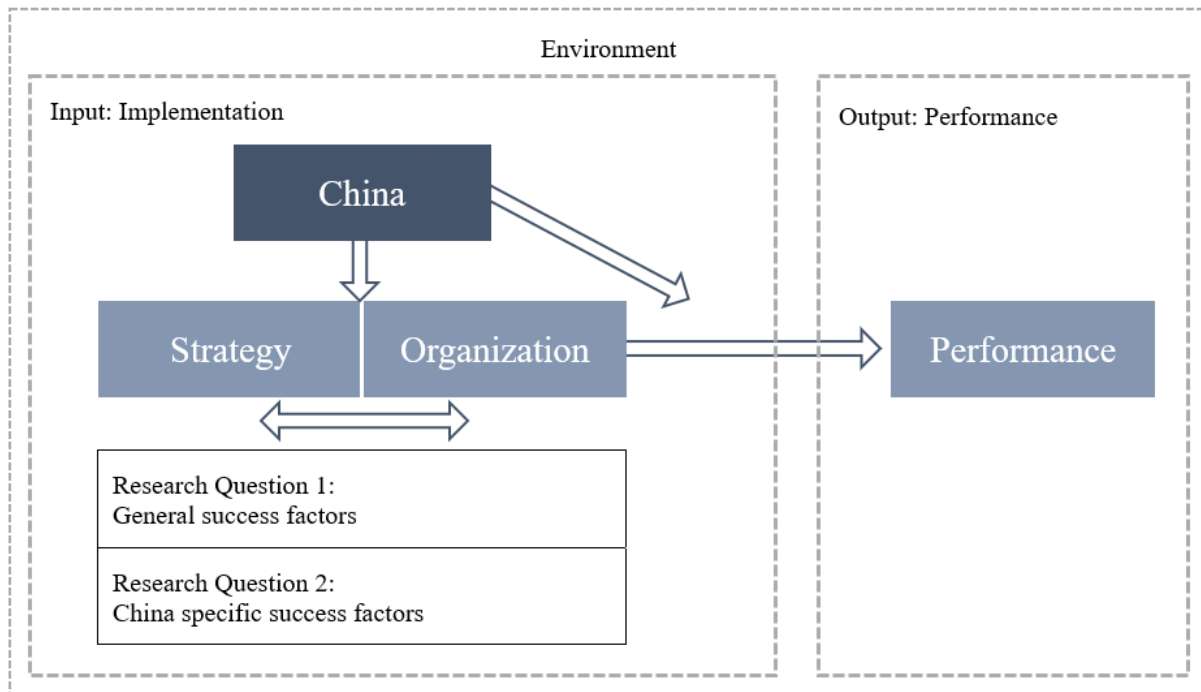


Figure 1: Conceptual Framework.

The strategic and organizational themes interact with each other, with China serving as the contextual factor in this dissertation. The conceptual framework distinguishes between strategy and organization, and also between general and China-specific success factors. This classification is also reflected in the final finding, the Success Factor Model. The way something is implemented directly impacts its performance, in other words, success factors precede success. Chapter 2.1 explains organizational performance, existing theories, and terminology. Success factors are explained and interpreted in detail in the following chapters. Management literature, academic journals, and online content serve as sources to present the insights that have already been stated in existing literature.



## 2.1 General Concepts

### 2.1.1 Organizational Performance

The Chinese Global Champion is characterized by success, the reason why this chapter evaluates the performance perspective. The relevant topics surrounding organizational performance that need to be addressed in order to be considered a Chinese Global Champion are described.

Conceptualization (Chapter 2.1.1.1) refers to defining the theoretical understanding of organizational performance, while operationalization (Chapter 2.1.1.2) involves translating those concepts into measurable and observable variables. Organizational performance refers to the evaluation of an organization's performance, and encompasses various aspects that are analyzed in this chapter. The measurement of organizational performance enables the adoption of suitable actions aimed at enhancing overall performance. Dess, and Robinson (1984) addressed that research on organizational performance has two fundamental principles: (1) the first is the choice of a conceptual framework for the definition of organizational performance, and (2) the second principle is to operationalize organizational performance in the way to identify accurate, and available measures.

#### 2.1.1.1 Conceptualization of Organizational Performance

This section provides an evaluation of the conceptualization of organizational performance, focusing on its theoretical foundation and definition. Through an analysis of the literature, the implications on both the strategic and operational levels was evaluated. Organizational performance is a crucial variable of interest for management researchers (Richard, Devinney, Yip, & Johnson, 2009, p. 718). Primarily, the definition of success needs clarification. One interpretation is that a company is successful when it achieves or surpasses its goals (Simon, 1996, p. 21). Peters and Waterman's (1982) book 'In Search of Excellence' aimed to define high organizational performance but faced criticism afterwards, as some competitive issues were neglected (Saunders & Wong, 1985, p. 119). Further empirical investigations and books emerged to describe and evaluate superior corporate performance (e.g. Clifford & Cavanagh, 1985; Goldsmith & Clutterbuck, 1984; Waterman, 1987; Peters & Austin, 1985). Kirby (2005, pp. 30-32) found the phenomenon complex to resolve, all empirical studies contribute to a better understanding in this topic.

Corporate success encompasses goals like competitiveness, customer satisfaction, profitability, and existence, while corporate success is used to describe the degree of target achievement (Fritz, 1996, p. 71). Superior organizational performance can be defined through product line diversity, effective planning, financial management, innovation, investments, reputation, and human resource practices (Varadarajan & Ramanujam, 1990, p. 463). According to Singh, Darwish and Potocnik (2016, p. 215) organizational performance is defined through financial indicators, customer outcomes, innovation, and internal processes.

Operational Excellence, or OPEX, is a term used by some authors (e.g. Mitchell, 2015; Bloom, 2014) to describe the level of performance that has to be achieved to sustain success in an operating enterprise. It requires dedicated leadership and engaged employees who are committed to excellence and success. Building a positive working culture further enhances operational excellence (Mitchell, 2015, pp. 7-9). On the operational level, it is important not only to set goals but also to define the means of accomplishing them. Failing to have a clear definition of these means is connected to underperformance (Bourgeois, 1980a, p. 227). The statements on the operational level of a company show that organizational performance is often a snapshot, whereas the long-term and sustainable success is of particular interest. Sustained success is challenging to record, as capturing companies' relative performance across industries, while identifying common drivers of success is a difficult task (Kirby, 2005, p. 30).

Bourgeois (1980b, p. 34) explores different approaches to capturing success, including subjective and objective measures. Objective measures typically involve accounting data, while subjective measures rely on personal perceptions of a firm's performance (Singh, Darwish, & Potocnik, 2016, p. 215). Dess and Robinson (1984, p. 270) recommend prioritizing objective measurements, especially for economic performance. Also, Richard, Devienne, Yip, and Johnson (2009, pp. 727-737) provide a review of organizational performance measurements, also distinguishing between objective and subjective measures. Objective measures include accounting, financial market, mixed measures, and the general firm's survival, with accounting parameters being the most commonly used tool. Subjective measurements are often associated with bias (Richard, Devienne, Yip, & Johnson, 2009, pp. 727-737). While many companies focus on stakeholder satisfaction, which is a subjective variable, objective measures, such as sales comparisons, are considered more meaningful. The performance pyramid (Crow & Lynch, 1989) aimed to overcome the limitations of financially focused performance measurement systems. In conclusion, objective measures, such as accounting data, are crucial for assessing organizational performance, while subjective measures can provide more qualitative

insights. Sales comparisons are considered more meaningful than subjective variables like stakeholder satisfaction.

Although there is no scientific consensus on the definition of organizational performance, variables influencing a company's success have been identified, including leadership, culture, innovation, engagement, planning, measurement, adaptability, and resources. Measurement and evaluation of organizational performance help identify strengths, weaknesses, and opportunities for improvement, which is further outlined in the following chapter. In this dissertation the term 'organizational performance' is used as the organization's effectiveness in achieving its goals.

#### 2.1.1.2 Operationalization of Organizational Performance

This chapter outlines the operationalization of organizational performance, which involves the process of defining specific metrics to measure and quantify the performance of an organization. Operationalization translates the conceptual aspects of organizational performance into tangible, observable, and measurable variables. The main focus of this dissertation is on identifying the factors that contribute to success and performance. However, understanding how success is conceptualized and measured is crucial for navigating the complexities of organizational performance and effectively communicating its nuances. A Chinese Global Champion is characterized by success, which reflects 'performance' according to the previous mentioned conceptual framework at the beginning of chapter 2.

'Figuring out who stands tallest is far from straightforward. It depends upon which yardstick you use' (Kirby, 2005, pp. 36-37). According to Richard, Devienney, Yip, and Johnson (2009, p. 742) in the majority of studies, high performance is determined by mathematically average, against an assumed performance distribution and the variation of outcomes across categories. Economic performance indicators include revenue, profit, and brand value. Organizational performance encompasses three specific areas, like financial performance, product market performance, and shareholder return (Richard, Devienney, Yip, & Johnson, 2009, p. 722). Many business analyses are conducted using traditional, monetary, and formal target-related ratios. Standard approaches include break-even analysis (BEA), profitability ratio systems, and specially defined ratio systems (Gladen, 2011, p. 61). Financial ratios such as return on assets (ROA), return on investment (ROI), and return on sales (ROS) are commonly used as performance measures but do not capture the complete picture of business excellence, as a company's

performance is multidimensional (Antle & Smith, 1986, p. 6; Lewin & Minton, 1986, p. 528). Lewing and Minton (1986, p. 520) proposed employing a multi-factor performance measurement model for evaluating organizational performance, which involves the synthesis and analysis of diverse perspectives in performance measurement (Chenhall & Langfield-Smith, 2007, p. 266).

To address the criticism associated with financially focused performance measurement systems, the concept of the Performance Pyramid was introduced by Cross and Lynch (1989), shown in figure 2. The pyramid integrates strategic objectives with operational performance dimensions, allowing for a hierarchical division of objectives and the derivation of operational steps.

Available from: [https://www.researchgate.net/figure/The-performance-pyramid\\_fig1\\_275713382](https://www.researchgate.net/figure/The-performance-pyramid_fig1_275713382)

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*Figure 2: The Performance Pyramid (Cross & Lynch, 1989, p. 23).*

The Du Pont model, originally developed by Du Pont, is another performance measurement system that integrates financial measures with operational indicators, demonstrated in figure 3. The model utilizes a Return on Net Assets (RONA) tree, linking accounting measures and financial ratios. Three components, including profitability, efficiency, and leverage, help to get insights into the sources of a company's RONA and helps identify areas for improvement (Bititci, 2015, pp. 256-257).

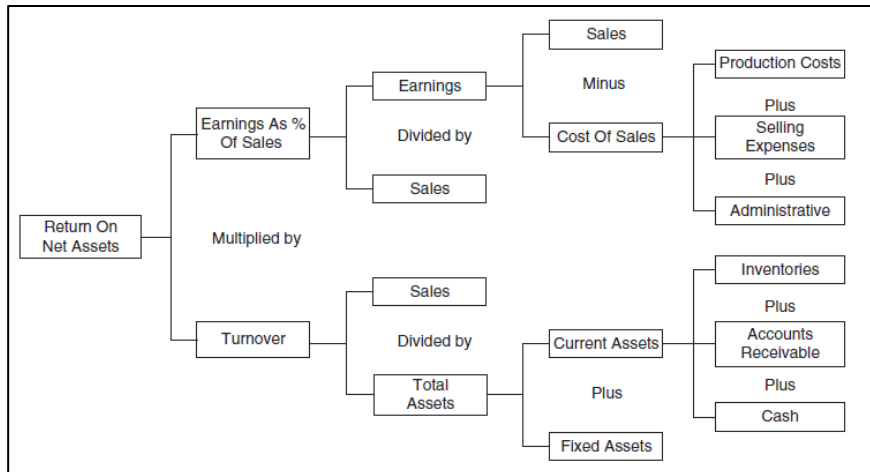


Figure 3: The DuPont Model (Bititci, 2015, p. 254).

Another concept was designed, known as the Results and Determinants Framework, and is based on six performance dimensions, classified under two categories, shown in figure 4. The first category is mentioned as results and comprises competitiveness, and financial performance. The second category is mentioned as determinants and comprises quality of service, flexibility, resource utilization and innovation (Fitzgerald, Johnson, Brignall, Silvestro, & Voss, 1991).

Available from: [https://www.researchgate.net/figure/Results-and-determinants-framework\\_fig2\\_235313528](https://www.researchgate.net/figure/Results-and-determinants-framework_fig2_235313528)

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Figure 4: The Results and Determinants Framework (Fitzgerald et al., 1991).

In contrast to organizational performance, organizational effectiveness is a broader term that encompasses additional parameters of internal performance outcomes. This includes analyzing the effectiveness and efficiency of processes and operations, as well as factors like corporate

social responsibility (Richard, Devienney, Yip, & Johnson, 2009, p. 722). While some performance measures facilitate comparisons between organizations of different sizes, profitability remains a commonly used measure for comparing firms efficiently (McKee, Varadarajan, & Pride, 1989, p. 25). When evaluating business performance, it is important to consider growth and profitability, but relying solely on traditional measures like profitability may be insufficient. It is also important to evaluate the quality of strategic decisions (Chakravarthy, 1986, p. 437). Following Homburg's model on brand success (2017, p. 645), performance can be systematized and categorized into potential-related performance indicators, market success-related performance indicators, and economic performance indicators. Popularity, image, and attitude are considered potential-related measures of success, while market share and customer loyalty are considered market-related measures of success.

Sink and Tuttle (1989, pp. 170–184) proposed a performance measurement model with seven criteria, demonstrating the interdependence, including effectiveness, efficiency, quality, productivity, quality of work, innovation, and profitability. In comparison, a similar model was developed with five facets, the Performance Prism. The principal of the Performance Prism lies in the five facets, including stakeholder satisfaction, strategies, processes, capabilities, and stakeholder contribution. The Performance Prism is a contemporary measurement framework addressing traditional system limitations, aiding in selecting suitable performance measures for diverse organizations (Neely, Adams, & Crowe, 2001, pp. 5-7, 12).

To establish the company's sustainability, it's important to consider commonly mentioned signs of success like market share, return on investment, and both qualitative and quantitative performance. However, a key factor lies in showing these measurements consistently over a long period (Simon, 1996, p. 21). This argument was also emphasized by Kirby (2005, pp. 36-37). When determining high performance, one of the biggest challenges is the time component. Analyzing high performance should be done over a period of time to determine who is a high performer.

Measuring organizational performance presents a significant challenge for empirical research, especially when aiming for sustainable measurement (e.g. Cross & Lynch, 1989; McKee, Varadarajan, & Pride, 1989). The sustainability of competitive advantages is critical for sustained success. Managers have to recognize when their competitive advantage becomes contestable, and again transform it into a sustainable advantage through multiple types of advantage. This is easier in gradually evolving industries, according to Ghemawat (1986, p. 58). In highly

dynamic markets, such as the Chinese technology sector, continuous success requires a holistic commitment to competency, adaptability, and flexibility (Ghemawat, 1986, p. 58; Merics, 2016, p. 19). Porter (1985, p. 11) outlines that performance can be understood in terms of sustainable competitive advantage, and he extends this by asserting that a generic strategy contributes to performance only when it remains resistant in comparison to competitors (Porter, 1985, p. 20).

Multinational companies face ongoing international competition and have to consider it in their performance evaluations (Sledge, 2009, p. 155). Firm rankings based on quantitative figures, such as revenue and market capitalization, are commonly used to assess performance. However, performance is multidimensional, and additional parameters need to be considered (Zhu, 2000, p. 123). The Fortune 500 ranking, Forbes Global 2000 ranking, and rankings from China Enterprise Confederation (CEC) and China Enterprise Directors Association (CEDA) utilize quantitative metrics like revenue, profit, assets, and market value. Contrary on that the Fortune World's Most Admired Companies ranking takes into account qualitative attributes of reputation, including talent attraction, quality of management, and social responsibility (Korn Ferry, n.d., para. 1-3). China Daily further analyzed the top ten most-admired Chinese companies based on this ranking on qualitative parameters (Chinadaily, 2019, para.1). This chapter highlights the importance of measuring success in organizational performance and integrating financial and non-financial indicators. Different models offer different perspectives, while considering criteria such as effectiveness, efficiency, quality, productivity, innovation, and profitability. Quantitative metrics like revenue are commonly used, but qualitative attributes like reputation and social responsibility are increasingly recognized in performance evaluations.

### **2.1.2 Specification of Terminology**

To effectively define the term 'Chinese Global Champion', it is crucial to interpret the definitions which were mentioned in the literature. In this chapter, an appropriate definition of these two terms for this dissertation is found. Per definition the term 'champion' refers to a winner (DWDS, n.d., para.1), and shows marked superiority (Merriam Webster, n.d., para. 1). A champion is someone, who has beaten all other competitors within his competitive arena (Cambridge Dictionary, n.d., para.1), and emerged informally out of the mass (Howell & Higgins, 1990, p. 317).

Winner profiles based on internationalization and product diversification include the local specialist, regional hero, international champion, and industry shark (Vizjak, 2010, p. 10). Simon (1996, p. 205) discusses other classifications, including the ‘Big Champion,’ focused on a leading global market position, and ‘Diversified Corporations,’ pursuing success across different business lines. Companies that are considered the best performers are characterized by high sales, market leadership, and exports. Global leaders are strong in prioritizing hiring, competition compliance, and fostering entrepreneurship for ongoing success (Müller, 2018, pp. 223-229). Miller (1981, p. 14) further defined the successful companies as maintaining their motivation and commitment even when faced with major, seemingly insurmountable hurdles. In addition, market leaders, due to their significant size and influence on buyers, suppliers, and competitors, can exert a disproportionate impact on the industry’s structure. Consequently, the power to shape this structure also affects the market leaders themselves (Porter, 1985, p. 8).

The identification of best performing companies involves a focused examination of key factors such as personality traits, leadership behaviors, and influence tactics (Howell & Higgins, 1990, pp. 317-318). However, employing precise terminology, avoiding narrow or inappropriate interpretations, is important when using the term ‘excellence’ (Varadarajan & Ramanujam, 1990, p. 466). Effective crisis management, adept handling of structures and processes, and a clear vision of the future further define the exceptional standing of a firm (Sell & Seibold, 2014, p. 74; Hamel & Prahalad, 1996, pp. 4-6). Sustainability emerges as another critical distinguishing factor, as already stated in chapter 2.1.1.1.

All the mentioned authors, mentioned in table 1, provide a definition of a champion in their specific constellation.

*Table 1:* Related terms and the definition used in the literature.

Market Leader	The goal is to become Number 1. The firm reaching the biggest market share is the market leader. Market leadership includes aspects like superiority in innovation, technology, key competences or trendsetting (Simon, 1996, p. 25).
Industry Leader	Industry leaders have large market shares, and due to their size and influence over buyers, suppliers, and competitors, they enjoy that their actions have a high impact on the whole industry (Porter, 1985, p. 8).
Hidden Champion	Hidden champions are niche-oriented global players. These companies achieve top three global market positions, or number one on the continent. They hold revenue below 3 billion €, and possess low levels of public awareness, so they are hidden. They are market leaders, hence real champions measured on market share (Simon, 1996, p. 14).



Born Global	Born globals follow their vision to become global right from the beginning. They often globalize their business quickly without an earlier long-term phase of domestication or internationalization (Gabrielsson, 2005, p. 199).
Future Champion - World market leader	Sales is EUR 5-50 million and the share of foreign turnover is greater than 40%. It is also expected that the global market leader category can be achieved due to the company's growth (Müller, 2018, p. 225).
International Champion	The international champion is a medium-sized industry pursuer, mostly with over a billion US dollars in annual sales. He is too small to be an industry leader or does not have the ambition to do so. He avoids product diversification but increases its internationalization within its product niche (Vizjak, 2010, p. 11).
Industry Shark	The industry shark is a large company, mostly with over 20 billion US dollars in annual sales. He is not the industry leader today, but his relatively high sales growth indicates that he is one of the three largest in its industry, at the end of the concentration process (Vizjak, 2010, p. 11).

The top-performing company can be described as a sustainable winner in its competitive area, meeting market demands, possessing a visionary plan, and demonstrating resilience in times of crisis. Its success is not solely determined by numerical metrics, rather, a successful firm is defined through qualitative parameters and characteristics.

A 'Chinese Global Champion' is a term used to describe a company that ranks among the top five in its competitive area, has achieved significant international success, and demonstrates the ability to compete with and outperform global competitors. In this dissertation, the term 'Chinese Global Champion' is used to refer to successful Chinese companies operating on an international scale, while success factors enable them to do so. This dissertation primarily concentrates on privately-owned Chinese firms, which benefit from favorable governmental conditions due to their presence in emerging industries.

## 2.2 General Success Factors of a Chinese Global Champion

Based on the Success Factor Research, this chapter aims to summarize and analyze success factors mentioned in the literature. In this dissertation, the term 'general success factors' refers to being applicable to companies worldwide. Success factor research focuses on identifying determinants that influence long-term company success (Haenecke, 2003, p. 13). It originated from the Profit Impact of Marketing Strategy (PIMS) study in the 1960s (Buzzell & Gale, 1989, p. 109), and aims to identify crucial factors for managers (Allegretti, Seidenstricker &

Kasseckert, 2018, p. 14). Daschmann (1994, p. 4) defines success factors as measures and activities that positively influence future success. While numerous factors contribute to success, formulated success factors are particularly significant (Daft & Buenger, 1990).

Various authors have formulated and summarized models for categorizing success factors. This literature review helps in identifying appropriate categories for success factors in the research model (Chapter 3.2), and the final Success Factor Model of Chinese Global Champions (Chapter 4.1). Fritz (1990) identified the most frequently mentioned dimensions of company success as: (1) Human resources, (2) Proximity to customers, (3) Innovation, (4) Product quality, and (5) Management style. Pattikawa, Verwaal, and Commandeur (2006) categorized these dimensions into: (1) Environment, (2) Strategy, (3) Organization, and (4) Processes, while Allegretti, Seidenstricker & Kasseckert (2018) utilized the following categories: (1) Strategy, (2) Market, (3) Culture, (4) Organization, (5) Product, and (6) Process. Lu, Shen, and Yam (2008, p. 972) identified 35 critical success factors, which are important for competitiveness. They then summarized these factors into eight groups: (1) Project management skills, (2) Organization structure, (3) Resources, (4) Competitive strategy, (5) Relationships, (6) Bidding, (7) Marketing, and (8) Technology.

Organizational performance is a crucial research topic in management literature, defined as the central outcome of implemented success factors within a company. Due to the breadth and depth of this management topic, limitations are necessary. Therefore, this chapter provides a summary of general success factors, based on an extensive review of the organizational performance literature.

### 2.2.1 General Success Factors based on Literature

The aim of this subchapter is to cover success factors based on extensive literature review. This review together with the findings from the expert interviews help the author to create the research model (Chapter 3.2). This subchapter is structured based on a widely used classification of internal and external success factors. This classification is also employed by the global brand consultancy Interbrand (n.d., para. 5) to assess global brands.

*Internal success factors*, such as firm resources, have a significant positive impact on organizational performance (e.g. Barney 1986, 1991; Peteraf, 1993; Grant, 1991; Penrose, 1959). Capabilities, as a component of resources, also contribute to organizational performance (e.g. Helfat & Peteraf, 2003; Krasnikov & Jayachandran, 2008; Grant, 1991), and refer to a firm's

capacity to effectively deploy resources and processes to achieve desired outcomes (Amit & Schoemaker, 1993, p. 35). Employees, considered as valuable resources, contribute to organizational success through their unique qualities (Kieser & Kubicek, 1992, p. 1). Strong managers or management teams in particular play a decisive role in corporate success (e.g. Appelbaum, Everard, & Hung, 1999; Dyer, Gregersen, & Christensen, 2009). The success of companies depends on the leadership of entrepreneurial champions with a strong drive for achievement (Howell & Higgins, 1990, p. 321). These strong industry leaders possess the influential power to shape markets and propel industry progress (Porter, 1985, p. 8; Market Business News, 2022, para. 1). Reputation, usually emerged by the employees, is closely linked to firm performance and long-term profit outcomes (Roberts & Dowling, 2002, p. 1077), while also marketing goals can foster positive reputation encompassing company awareness, service range, image, customer attitude, and satisfaction (Homburg, 2017, p. 438). The mentioned statements possess the ability to generate a substantial level of customer involvement (Siu, 2000, pp. 30-32).

A corporate culture that fosters a commitment to excellence and continuous improvement is critical for high organizational performance (Mitchell, 2015, p. 72), and it is crucial that those firm values are consistently lived (e.g. Peters & Waterman, 1982; Porter, 1980, 1985). A work culture that promotes engagement leads to operational excellence (Mitchell, 2015, p. 72), while the strategic importance of corporate culture is emphasized by Pittrof (2011, p. 100). Corporate culture plays an important role in aiding companies to effectively manage competitive pressure while also aligning with their own strengths (Sell & Seibold, 2014, p. 84).

Strategy, discussed by several authors (e.g. Welge, Al-Laham, & Eulerich, 2017; Ansoff, 1965; Porter, 1980), is a well-researched topic around organizational performance. Strategic planning with the followed implementation of the strategic orientation can be achieved through marketing activities, organizational adaptation, and processes (Kotler, 1980, 1991; Kieser & Kubicek, 1992). Strategic planning has further a positive and linear impact on the financial performance of firms, according to Miller and Cardinal (1994, p. 1649). Strategic orientations associated with performance are for example operational excellence and product leadership (e.g. Mitchell, 2015; Treacy & Wiersema, 1993, 1995). Product Leadership is linked to the topics of product quality, but also flexibility and innovation (e.g. Fitzgerald et al., 1991; Pattikawa, Verwaal, & Commandeur, 2006).

Innovation leads to superior future performance. It is a circle, as innovation opens the possibility to establish firm resources, and competitive advantage, which in turn can be used to further

expand innovation (Bowen, Rostami, & Steel, 2009, p. 1184). Organic growth and a clear commitment to innovation stand as primary drivers of long-term success (Raisch, Probst, & Gomez, 2010, p. 53). New product development excellence and organizational innovation contribute to overall corporate performance (Calantone, Vickery, & Dröge, 1995, p. 222), reinforced by superior product performance and differentiation (Friar, 1995, p. 33).

‘For understanding performance, a company has to beat the competition. The trouble is the competition has heard the same message’. Three critical areas where competition can be conquered are product innovation, production, and marketing (Ghemawat, 1986, p. 53). Distinctive competence offers customers added value that is superior to that of competitors, and thus leads to a competitive advantage in future (Sirmon, Hitt, & Ireland, 2007, p. 294), while valuable and rare competitive advantages further enhance success and mediate the relationship between rareness and performance (Newbert, 2008, p. 745). To achieve marketing excellence three priorities were summarized by Homburg, Theel, and Hohenberg (2020, p. 17): (1) marketing ecosystem priority, (2) end-user priority, and (3) marketing agility priority. Fostering these three priorities does lead to organic firm growth. Marketing capabilities have a stronger impact on performance compared to research and development and operations capabilities (Krasnikov & Jayachandran, 2008, p. 1), which was also proven by Vorhies, Morgan, and Autry (2009, p. 1329). Hawawini, Subramanian, and Verdin (2003, p. 1) scientifically proved the question on which factors are more important for performance, either the industry factors, or the firm-specific factors. They came to the conclusion, that only for the top and the bottom firm-specific factors are more important for performance. All the middle players do enjoy high influence of industrial factors.

*External success factors* must also be considered. One important area is market orientation, which has already been discussed by several authors (e.g. Narver & Slater, 1990; Day, 1994; Peters & Waterman, 1982; Chatain, 2011). Prioritizing customer orientation, competitor focus, and interfunctional coordination leads to long-term profits (Narver & Slater, 1990, p. 23). Day (1994) describes it as market-sensing capabilities that provide insights into customers, competitors, and the environment. The Performance Prism’s framework put focus on stakeholder satisfaction and stakeholder contribution, while the integration with strategies, processes and skills leads to success (Neely, Adams, & Crowe, 2001, pp. 5-7, 12). Customer Satisfaction is key for customer loyalty and can be achieved by understanding and meeting customer needs (e.g. Day, 1994, 2011; Homburg, 2017; Treacy & Wiersema, 1993, 1995). Sustained growth depends on assessing customer needs accurately (Levitt, 1960, p. 1). As mentioned above, employee satisfaction influences reputation and also customer satisfaction. Factors like product line capability,

customer knowledge, and economies of scope drive value creation (Day, 1994, p. 41; Chatain, 2011, p. 79). Operational excellence, customer intimacy, and product leadership are paths to market leadership. Operational excellence ensures smooth customer transactions, while customer intimacy focuses on meeting specific needs (Treacy & Wiersema, 1993, pp. 84-91). Success factors for hidden champions, a concept from Simon (1996) mentioned in chapter 2.1.2, include ambitious goals, focus, globalization, customer proximity, and innovation power, implemented by high-performance employees and managers (Bornemann, 2014, pp. 810-811). Simon (2019, p. 67) added that these successful firms have in-depth market knowledge and excel in customer proximity, which is particularly important in the digitalization era.

Day (1994, p. 46) also considers customer satisfaction and competitive orientation as important considerations, while Noble, Sinhar and Kumar (2002, p. 25) state that competitor orientation has a stronger impact on performance than customer orientation and interfunctional orientation. Understanding and adapting to the competitive environment is crucial for remaining competitive (Hitt & Ireland, 1987, p. 91; Porter, 1985) and influences overall business performance, employee commitment, and firm cohesion (Jaworski & Kohli, 1993, p. 53).

Innovation also plays a role in successful market orientation and superior business performance (Han, Kim, & Srivastava, 1998, p. 41), while industry-specific human capital and analyzing the competitive landscape are necessary to fulfill the mentioned market orientation (Mayer, Somaya, & Williamson, 2012, p. 1311; Bain, 1956, p. 329). The firm's environment plays an important role in organizational decision-making (Daft & Sormunen, 1988, p. 123). These environmental circumstances such as market turbulence, competitive hostility, and supplier power influence the relationship between market orientation and performance (Kumar, Subramanian, & Yauger, 1998, p. 201). The environment in which competition takes place and the resulting competitive behavior have an influence on performance, also confirmed by Chen, Lin, & Michel (2010, p. 1410). Superior performance can arise out of high-speed environments, like industries that change quickly (Davis, Eisenhardt, & Bingham, 2009). These hypercompetitive environments are somehow new (Thomas & D'Aveni, 2009, p. 387), often closely connected to uncertainty. Technological change, higher performance standards due to increased competition, or the differentiation of the own product line are the main reasons (Galbraith, 1974, p. 36). The unpredictability within high-speed environments contains threats but also high potentials for performance outcomes and rapid growth (Baum & Wally, 2003, p. 1108). Unpredictability is defined as a disorder or turbulence in the flow of opportunities, lacking consistent patterns. Velocity, complexity, ambiguity, and unpredictability are four dimensions of environmental

dynamism that impact performance (Davis, Eisenhardt, & Bingham, 2009, p. 424). Sirmon, Hitt, and Ireland (2007, p. 275) suggest that market leaders are masters of resource management, perfectly balancing unpredictable environmental conditions and trying to make the most out of appeared opportunities.

## **2.2.2 Theoretical Approaches on the Drivers of Organizational Performance**

The following theories have been selected because they are intended to help describe the phenomenon of the success of Chinese Global Champions. The following subchapters provide literature of theories on the drivers of organizational performance, commonly used in management literature.

### **2.2.2.1 Gestalt Theory in Management**

The Gestalt theory analyzes the complex relationships between environment, structure, and behavior within organizations (Miller, 1981, pp. 1-3). Gestalt theory, mentioned early in psychology, examines the effectiveness of stimuli as an interplay of stimulus constellations (Wertheimer, 2017, p. 302). The term Gestalt, derived from Gestalt psychology and theory, signifies that the whole is greater than the sum of its parts, presenting a holistic approach that captures multiple variables defining organizational reality (Hartung, 2014, p. 1). Gestalts are configurations that integrate logically, aesthetically, perceptually, or functionally. quelle

In relation to Gestalt theory, three interrelated practitioner's capabilities are vital: sensing, supporting, and sustaining (Chidiac, 2013, p. 472). To align with customers, the organizational structure should facilitate customer contact and identify necessary innovation steps (Saunders, 1987, p. 173). Gestalt theory, a common and valuable approach in strategic management, emphasizes the significance of the whole exceeding its parts, similar to Hartung's definition (2014, p. 1). It highlights the need for environmental responsiveness, appropriate support and challenge, and a focus on experimentation and learning for sustainable change (Chidiac, 2013, p. 458).

Management, within the framework of Gestalt theory, involves meaningfully designing successful interactions among social, sustainable, and economic parameters in a constantly changing economic world (Hartung, 2014, p. 90). This emerges in defined company goals serving as the starting point for the marketing strategy. These goals include corporate purpose, corporate goals, functional goals, and instrumental goals. Fulfilling numerous functional goals is

necessary to achieve corporate goals (Homburg, 2017, pp. 434-435). In summary, success is defined as the value-creating interaction of various components within the company.

#### 2.2.2.2 Resource-Based View

To focus on key themes, this dissertation includes subchapters on capabilities theory and business innovation as additions to the resource-based view. General statement about the resources that influence success are mentioned in this section. Firm's resources encompass firm-specific assets, capabilities, organizational processes, firm attributes, information, and knowledge that enable the establishment of strategies for efficiency and effectiveness (Barney, 1991, p. 101). These resources, both tangible and intangible (Wernerfelt, 1984, p. 17) should be rare, valuable, non-imitable, and non-substitutable to achieve sustainable competitive advantage (Barney, 1991, p. 116). Tangible resources, often referred to as physical resources, include equipment, land, raw materials, and waste products (Penrose, 1959, p. 24). On the other hand, intangible resources, such as intellectual properties and long-term product developments, are difficult to imitate or transfer among firms (Teece, Pisano, & Shuen, 1997, p. 516).

Human capital has been recognized as a potential source of competitive advantage and superior firm performance (Barney, 1986, p. 1239). Social capital, represented by the benefits embedded in relationships, involves trust, information transfer, and joint problem-solving (Uzzi, 1997, p. 61). The combination of human capital and firm performance has been extensively studied, demonstrating that actively participating in networks, developing unique resources and capabilities, and pursuing international growth opportunities can lead to faster internationalization (Vissak, 2007, p. 11). Additionally, corporate culture serves as another internal resource that indirectly influences firm performance (Pittrof, 2011).

Capabilities are a subset of resources that help organize and deploy firm's resources, integrating them into organizational processes (Amit & Schoemaker, 1993, p. 35). They are non-transferable firm-specific resources aimed at improving the productivity of other resources (Makadok, 2001, p. 389). Firm's resources serve as the source of capabilities, which, in turn, contribute to the firm's competitive advantage. Capabilities support specific activities and enable effective processes through the proper deployment and arrangement of firm's resources (Grant, 1991, p. 119). Resources and capabilities play a significant role in firm performance, as stated in existing literature. When properly adapted to the firm's circumstances, they can positively influence success. Success results from the effective interaction of diverse company resources.

#### 2.2.2.2.1 *Capabilities Theories*

Capabilities are defined as a complex bundle of skills and knowledge. Those bundles help to coordinate activities and to properly use firm's assets (Day, 1994, p. 38). Krasnikov, and Jayachandran (2008, p. 2) further suggested that general, marketing and research and development capabilities are positively associated with firm performance. Capabilities in general enable a firm to perform value-creating tasks effectively, and to achieve greater relative advantage in market performance. Morgan, Slotegraaf, and Vorhies (2009, p. 291) reveal that marketing capabilities have direct and complementary effects on financial growth rates. 'An organizational capability refers to the ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result' (Helfat & Peteraf, 2003, p. 999). (1) Employee knowledge and skills, (2) technical systems, (3) managerial systems, and (4) values and norms define four dimensions of core capabilities (Leonard-Barton, 1992, p. 111). 'Knowledge is an essential resource of the firms doing' (Silvula, Van den Boch, & Elfring, 1997, p. 122). The knowledge stock, learning processes, or skills are central parameters that lead to differences in the company's success. The knowledge-based view is understood as a further development of the resources-based view of a firm (Welge, Al-Laham, & Eulerich, 2017, p. 94). Various topics are examined in the knowledge-based view, for example the transferability of knowledge, also the willingness to share knowledge, or the ability to utilize external knowledge. The usability of knowledge needs to be ensured, also the willingness of a customer to share knowledge (Silvula et al., 1997, p. 127).

Dynamic capabilities theory is per definition an inside-out perspective, as it recommends the dynamic response to what happens externally. An outside-in approach to the market is needed, through adaptive capabilities (Day, 2011, pp. 187-188). Prahalad, and Hamel (1990, p. 85) identified the tangible link between core competencies and end products as the core products. The authors recommend that management should spend a significant amount of its time on competence building. Spanning capabilities are needed to connect the inside-out and outside-in capabilities. Strategic decisions, research and development, pricing strategies, or the quality of customer service are therefore critical activities. These activities need both outside-in and inside-out analyses (Day, 1994, p. 41). Dynamic capabilities are context-dependent, rather than general. More research on potential moderators of performance, as for example environment or strategic orientation, is therefore needed (Barreto, 2010, pp. 276-277). Capabilities tend to be specific to particular contexts, such as industries. Therefore, capabilities that can be applied



broadly across different industries are likely to be too abstract and offer limited practical guidance for managerial decisions (Ethiraj, Kale, Krishnan, & Singh, 2005, p. 43).

Teece, Pisano, and Shuen (1997, p. 516) refer to the ability to achieve new ways and interpretations of competitive advantage in the form of dynamic capabilities. They define dynamic capabilities as the firm's ability to change internal and external competences, in order to quickly answer to rapidly changing environments. 'Dynamic capabilities reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions' (Leonard-Barton, 1992, p. 116). Those dynamic capabilities help to extend, improve and create ordinary or substantive capabilities (Winter, 2003, p. 991).

Dynamic capabilities can be split into three components: "(1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets" (Teece, 2007, p. 1319). Examples of dynamic capabilities are product improvement procedures, resource allocation routines, cooperation and acquisition capabilities, but also processes for knowledge management (Kozlenkova, Samaha, & Palmatier, 2014, p. 5). Dynamic capabilities highlight the organization's ability to intentionally create, expand, or modify its resource base (Helfat et al., 2007, p. 1).

Environmental dynamism has a positive effect on the contribution of dynamic capabilities to relative firm performance. The heterogeneity of capabilities enhances the impact of dynamic capabilities on relative firm performance, while it holds less significance for ordinary capabilities (Drnevich & Kriauciunas, 2011, p. 254). Dynamic capabilities can show the organization's ability to create new and innovative forms of competitive advantage. Previous academic literature found high interest in this topic and examined innovative capabilities and business innovation to firm performance. Changes in the environment make regular skills less helpful but boost the positive impact of adaptable skills on a company's overall performance (Drnevich & Kriauciunas, 2011, p. 254). Capabilities lead to success, especially when they are dynamic and heterogeneous. Those firms who can use capabilities to respond quickly to rapidly changing environments have an advantage. Success is a dynamic creation of value from the company's capabilities.

#### 2.2.2.2.2 *Business Innovation*

Innovation is defined as a novel idea, practice, or object perceived as new by an individual or other adoptive entity (Rogers, 2003, p. 36). In the economic context, Schumpeter (1939, p. 84) was the first to introduce the concept of innovation, emphasizing its role in enhancing and sustaining a company's competitiveness. He characterized innovation as the introduction of new activities and approaches, as well as the reconfiguration of existing ones (Schumpeter, 1947, p. 149). Business innovation refers to the systematic planning, management, and control of innovations within and across organizations, encompassing products, services, processes, and business models (Hoffmann, Lennerts, Schmitz, Stötzle, & Uebernickel, 2016, p. 4).

From the customer's perspective, the term innovation holds particular significance and denotes the introduction of new products or processes that significantly differ from previous offerings (Homburg, 2017, p. 562). Building upon Robertson's (1971) framework, Binsack (2003, p. 24) distinguished three types of innovation: (1) continuous, (2) dynamic-continuous, and (3) discontinuous. Continuous innovations involve slight modifications to existing product categories without necessitating substantial changes in consumer behavior. Dynamic-continuous innovations, on the other hand, introduce new solutions to known functions and are comparable to existing products. Discontinuous innovations feature entirely new functions and cannot be compared with existing offerings, signifying a significant change in consumer behavior (Binsack, 2003, p. 271).

Product innovation plays a vital role in building brand equity, as evidenced by successful brand such as Apple, Dunlop Volley, Mini, and Gucci. Failure in new product development or brand extensions often arises from a mismatch between the required capabilities for success and a defined strategy. Effective brand extension strategies necessitate a thorough analysis of brand perception to avoid innovation strategy failures (Beverland, Napoli & Farrelly, 2010, p. 33). Innovative entrepreneurs exhibit five key skills, including associating, questioning, observing, experimenting, and networking. These skills are developed through learning processes, starting with skill comprehension, followed by practice, experimentation, and gaining confidence. Leaders who actively seek change and are willing to take risks are more inclined to engage in observation, experimentation, and networking, setting them apart from others (Dyer, Gregersen, & Christensen, 2009).

Schumpeter (1947, p. 149) emphasized that both engaging in novel activities and approaching existing activities differently contribute to gaining a competitive advantage. Troilo, De Luca,

and Atuahene-Gima (2014, p. 259) synthesized previous literature and highlighted radical innovation as a primary source of competitive advantage and long-term firm survival. Research further suggests that radical innovation can lead to above-normal returns, growth opportunities, and renewal. However, firms intending to pursue radical innovation must mobilize additional resources to incorporate new technologies, create new markets, and develop novel capabilities. Without these necessary resources, firms may face challenges in achieving radical innovation. Success lies in fully harnessing the potential of innovation sources. Through the theory of business innovation success is described as the creation out of the full potential from the source of innovation.

#### 2.2.2.3 Market-Based View

The market-based view perspective focuses outside the firm on the markets, in which it competes (Makhija, 2003, p. 437), and therefore competition, partners or customers provide information that can further be interpreted and used for firm-internal decisions. The inside-out capabilities are activated by market requirements, competitive challenges and external opportunities. Inside-out capabilities are for example, logistics and human resources (HR) management, including recruiting, training and motivating employees, financial management, cost control, technology development, and manufacturing processes (Day, 1994, p. 41). Out of literature three behavioral components of market orientation can be summarized as (1) customer orientation, (2) competitor orientation, and (3) interfunctional coordination (Narver & Slater, 1990, p. 21). A market-oriented company has dual vision, as it set a focus on customers and the competition simultaneously (Tokarczyk, Hansen, Green, & Down, 2007, p. 20). As mentioned, Narver, and Slater (1990, p. 21) interpreted to focus on customer, competitor and interfunctional coordination, while Day (1994) interpreted to focus on the market, competitor and general external opportunities. The scientific discussion of both concepts is very similar. Noble, Sinhar, and Kumar (2002, p. 37) summarized mentioned strategic orientations of market leaders on a broader basis and therefore included additional dimensions, such as (1) customer orientation, (2) competitor orientation, (3) interfunctional coordination, (4) profit focus, (5) long-term focus, (6) private label brand focus, (7) national brand focus, (8) production orientation, and (9) selling orientation. The Ansoff matrix distinguishes four strategic options for achieving growth: (1) market penetration, (2) market development, (3) product development, and (4) diversification (Ansoff, 1965). These strategic orientations demonstrate the source of growth, based on the information of what is needed outside the firm.

A business that increases its market orientation will improve its performance (Levitt, 1960, p. 1), also empirically proven by Jaworski and Kohli (1993). The business culture that creates superior value for customers in the most effective and efficient manner is market orientation (Narver & Slater, 1990, p. 20), and needs to be evaluated and maintained, through investing time and money (Slater & Narver, 1994, p. 53). Market orientation has a major influence on business success, together with production and employee orientation, followed by technology, innovation orientation, and social orientation. These mentioned dimensions of corporate leadership can be considered as success factors (Fritz, 1996, pp. 71-72). Those descriptions suggest a previous strategic decision, which are also stated in the previous subchapter (Chapter 2.2.1). Market-oriented business needs innovative capabilities to be converted into superior corporate performance (Han, Kim, Srivastave, 1998, p. 41). It is not the market orientation per se, but rather the definition of a business on the optimal degree of market orientation which lead to success. It is not only important to have an analytical view on the current environment, but also to have an analytical view on the expected market environment (Narver & Slater, 1990, p. 33).

The significance of the market-based-view is emphasized by this result-oriented perspective. Market-oriented corporate governance to the customer is linked to factors such as satisfaction, loyalty, and willingness to pay. This correlation contributes to the overall improvement in the company's performance (Homburg, 2017, p. 1284). Market orientation is an important determinant of profitability (Narver & Slater, 1990, p. 32), and that indeed makes it interesting to analyze why some companies achieved superior performance. In a previous chapter the PIMS-study was already mentioned (Chapter 2.2). According to Porter there are three internally consistent generic strategies for creating a defensible position in the long run, while outperforming competitors: (1) overall cost leadership, (2) differentiation, and (3) focus (Porter, 1980). It is evident that market orientation is a key driver of success. By gaining a comprehensive understanding of market needs and subsequently taking actions to fulfill those needs, success naturally arises. Success is the precise understanding of environmental variables along with the profitable actions derived from this understanding.

#### 2.2.2.4 Contingency Theory

There are context specific factors that lead to success (e.g. Hawawini, Subramanian, & Verdin, 2003; Lemak & Bracker, 1988; Bradshaw, 2009). The contingency theory is often associated with the phrase that "it all depends". Contingency theory describes the business context as a complex and rich paradigm, and fosters the ideas that every situation needs its own evaluations

and organization. Management literature suggests that there is one ideal way to organize (Bradshaw, 2009, p. 63), what is considered critical in this theory. The contingency relationships in organization theory were first expressed by Chandler. Chandler stated, that routines are the norm, while new forms of administrative processes and other innovative ideas deserve more attention (Chandler, 1962, p. 2). Chandler (1962, p. 383) further argued the importance of skills and learning for the enterprise. It is important to have trained personnel, “with manufacturing, marketing, engineering, scientific, and managerial skills” (Chandler, 1962, p. 2). According to Hall, and Saias (1980) it is the structure that later constrains the strategic choices a company may make. This phenomenon is complex and iterative. Hall, and Saias (1980, p. 161) stated the contingent, complex and iterative relation between structure and strategy.

Hickson, Hinings, Lee, Schneck, and Pennings (1971, pp. 221-225) described organizations as a collection of departments or functions that align together to cope with uncertainty. As the organizations stay in a very changing environment, the values of the independent variables change as well. The strategic contingencies theory describes the knowledge of how to manage and cope with uncertainty. It is not about preventive routinization. It is much more about defining major variables that play an important role in determining a company’s effectiveness or survival. The interpretation of the environment, associated with strategic responses may provide a stronger normative basis. It provides a suggestion for the design of a company to increase company performance, along with strategic and environmental contingencies (Daft, Sormunen, & Parks, 1988, p. 137).

Different branding strategies require adjustments in resources and capabilities. Four distinct approaches for innovation implementation based on product type are identified: (1) follower brands use incremental innovation and are market-driven, (2) leader brands use radical innovation and are market-driven, (3) craft-design-driven brands use incremental innovation while driving the market, and (4) product leader brands employ radical innovation within driving markets (Beverland, Napoli, & Farrelly, 2010, p. 33). Every business has to analyze and understand its own realities with regard to competitive markets, past commitments and anticipated requirements in order to sufficiently create an own successful structure of capabilities (Day, 1994, p. 40). Emotional intelligence (EI) is defined as the ability to recognize and further manage emotional cues and information, and is shown to have little to no effects in professional selling, however shows some moderating variables like working climate, context, and individual differences. The contingency model suggests that the effects of emotional intelligence are dependent on the mentioned contingent factors (McFarland, Rode, & Shervani, 2016, p. 109).

The contingency theory covers the criticism of the resources-based-view due to the almost forgotten dynamism, environmental contingencies, and managers' role. The management of firms' resources, especially in dynamic environmental contexts, consists of several components and they are individually important. To optimize value creation, they need to be synchronized and each component out of the resource management process must be efficient (Sirmon, Hitt, & Ireland, 2007, pp. 287-288). The dynamic capability perspective, as mentioned in the previous sub-chapter, focuses on the way how organizations react to a rapidly changing environment. New resources are often needed or even a renewed resources mix, to achieve the next step on the ladder of success (Teece, Pisano, & Shuen, 1997). The competitiveness within an increased globalized market environment depends on the corporations' ability to change and adapt their resources strategically. Often only details and new nuances of new markets gave hints on how to set strategic priorities (Caligiuri & Colakoglu, 2007, p. 393), while the contingent perception should not be underestimated in this context. Companies possess contingent firm- and industry-specific human capital that impacts their sourcing decisions (Mayer, Somaya, & Williamson, 2012, p. 1311).

There is no universal strategy on how to compete against competition. Different strategies are equally effective, influenced by different environmental conditions (Galbraith, 1974, p. 36). The relationship on influencing factors, like technology, structure, and organizational effectiveness is a complex and individual phenomenon in every company. Therefore, interactive, non-monotonic, and symmetrical parameters needs to be taken under consideration, when formulating a contingency theory on organizational effectiveness (Schoonhoven, 1981, p. 349). Schoonhoven (1981, pp. 350-351) further mentioned that contingency relations stand in interaction, and it is a back-and-forth interaction of involved factors. Miller (1981, pp. 21-22) criticizes contingency theory for oversimplifying organizational adaptation through linear extrapolation. He suggests embracing complexity with predictive taxonomies that consider multiple variables and non-deterministic factors. To summarize the contingency theory to the essence, success is understood as the value creation of context-specific influencing variables in the dynamics of one's business.

Exploring theoretical approaches on the drivers of organizational performance provides valuable insights into the various factors that can significantly impact a company's success. Examining these approaches shows the importance of aligning internal and external elements to achieve long-term profitability and sustainable growth.

## 2.3 China-Specific Success Factors of a Chinese Global Champion

This chapter focuses on providing insights from China-specific literature. This dissertation aims to highlight Chinese firms with the potential to emerge as leaders in the global market. All of the above-mentioned statements, which are relevant for business success, are important as preparation to answer the first research questions of this dissertation properly. China-specific literature helps to understand the phenomenon of the “China Miracle” (Lin, Cai & Li, 2003). Theoretical statements are summarized and interpreted. By narrowing the topic to a China-specific context, the analysis becomes more targeted and specific. The author of this dissertation assumes that Chinese Global Champions do need both in order to be successful. First, an understanding of proven general business strategies and success factors, and second, focusing on China-specific success factors.

### 2.3.1 China-Specific Success Factors based on Literature

First the internal, then the external China-specific success factors are described, similar to chapter 2.2.1. *Flexibility, and speed* are prerequisites to be economically successful in China. Compared to Western markets, the Chinese market is considered less mature. Responsiveness, improvisation, flexibility, and speed can be stated as success variables in this market (Hout & Michael, 2014, p. 103). Notably, there exists a positive correlation between flexible high-performance work systems and organizational success, particularly among companies operating in China. This study further defines a high-performance work system as a bundle of employment security, employee participation, employee selection, employee development, and compensation (Liang, Marler, & Cui, 2012, p. 55). Human capital is relevant to hypergrowth because the unique skills of the founder play an important role in leading new, high-growth startups and innovations (Jinzhi & Carrick, 2019, p. 3383). Considering these factors, it becomes evident that adaptability and the right talent pool are significant for thriving in the dynamic landscape of the Chinese market.

The *innovation potential* of the young generation in China is very high. There is also a strong willingness to learn and the ability to quickly integrate ideas and approaches. Visionary attitudes are closely connected to pragmatism. Functional practice can be interpreted as an overarching goal. It should be functionally good, therefore to ultimate and overdevelop solutions is not the goal (Zirkler, 2017, p. 250). Foreign ownership in China has a positive impact on external knowledge acquisition crucial for innovation (Yang & Wei, 2019, p. 151), while formal

manufacturing firms show a higher rate of innovation in response to informal competition (Pérez, Yang, Bai, Flores, & Heredia, 2019, p. 173). Another successful approach for achieving growth in China is the prospector strategy. This strategy involves companies adopting a wide-ranging product portfolio and actively seeking to introduce new products and enter untapped markets. By employing the prospector strategy, businesses can significantly boost their market share while operating in China. Moreover, investments in innovation and research and development play a crucial role in driving increased sales of new products on a global scale (Ma & Jin, 2019, p. 213). Furthermore, Western companies initially saw Chinese firms as attractive suppliers and production partners, because of cost advantages. The last years have shown that China developed as an interesting sales market and recently also as an innovation driver (Metz, 2017, p. 366).

Some of the following statements seems obvious and standardized, however, they are implemented more successfully in Chinese companies than in Western companies. Chinese companies (1) are shaped by a contextual mindset and planning, (2) recognizes achievements, (3) their orientation is aimed at identifying opportunities, (4) investment, trade and cultural exchange are signs of respect, (5) rapid adaptation to changing circumstances are the basic requirements for further sustainable growth, and (6) Chinese companies dare to take on visionary projects and can also implement them (Hildebrandt, 2019, p. 126). In China, an increasingly self-confident generation is growing up that is clearly distancing itself from the previous command-and-control structures. This generation strongly believes in harnessing its full potential and demonstrates a high level of reflexivity. Moreover, young Western leaders find the fusion of Western and Eastern leadership approaches remarkable and worth exploring (Zirkler, 2017, p. 250).

Not all dimensions in Chinese economy have translated into global integration. There is still a big sum of revenue generated from the home economy of China (McKinsey Global Institute, 2019, p. 1). Yuan (2011) put effort in his work to analyze China's top companies compared to its level of awareness globally. China's leading companies are not exclusively renowned on a global scale. While some of them enjoy widespread recognition within China, they may not have the same level of fame internationally. They are not world-famous, as they operate more domestically. According to Gabrielsson (2005, p. 199), born global firms are characterized as organizations that, right from their establishment, actively strive to achieve a global presence. These firms typically expedite their international expansion without first going through a prolonged phase of domestic or international growth. Born global firms are statistically different from traditional firms measured on three dimensions. These dimensions are defined as: (1)



international learning capability, (2) international networking capability, and (3) international experience (Zhang et al., 2009, p. 292).

Li, and DaCosta (2016, pp. 159-164) summarized factors associated with Chinese entrepreneurial development and mentioned personal characteristics and motivation as the most important internal success factors. Personal characteristics specify the impact of social networks on entrepreneurial success in China. This phenomenon cannot be ignored, and should not be underestimated. As one example, Guanxi is a very important component of Chinese society. Guanxi has a major impact on business, but also on the private side of life, which is also analyzed in the following chapter about Chinese philosophies (Chapter 2.3.2). There is a significant importance of personal connections, called Guanxi, in business activities in China. Board business connections, as one example, have positive influence on firm profitability (Liu, Xie, & Xu, 2019, p. 1954). Partnership marketers tend to be high performers in Chinese business context, compared to production and prospecting marketers. Successful Chinese small firms set little importance on marketing philosophies, but set high importance on trust, and creditworthiness, personal, and social network, and personal, and company reputation (Siu, 2000, p. 29-33). Corporate social capital, considered as another crucial element for success, refers to the pool of relational resources that a company can access through its network of social relationships (Junwei, Haiyan, & Lijun, 2007, p. 139). Motivation was further explained by Li, and DaCosta (2016, pp. 159-164) and refers to people's attitude towards success, and failure. This attitude on handling success, and failure, has been quite different from what it was in the 1980's, and earlier. There are huge differences in income between entrepreneurs, and non-entrepreneurs. This financial aspect motivates many more to become an entrepreneur. Many entrepreneurs believe they will have high status, and respect in the society after successful entrepreneurial activities. Money and appreciation also play crucial roles in driving aspiring entrepreneurs to start their own ventures.

Also, some specifications on *management, leadership style and strategies* can be summarized. The principle of caring leadership applies in China, as the Chinese population prefer clarity in the management situation. There is a clear division of roles between the employees and the manager. Both sides are in charge of rights and obligations arising from this relationship (Müller & Yuan, 2017, p. 3). Müller, and Yuan (2017, p. 6) further explained that as a boss in China you take the role of a teacher. It is expected that all tasks can be assessed and explained in all essential details theoretically and practically. If the manager does not offer these competencies, they lose respect within the working group. Seelmann-Holzmann (2017, para. 2-7) summarized

recommendations for managers on how to lead Chinese employees as: (1) create clear hierarchies, (2) instruct, and control, (3) do not view meetings as a discussion forum, (4) communicate less directly in employee appraisals, (5) take measures against the high fluctuation rate, and (6) train employees professionally.

Top management team heterogeneity of Chinese listed companies is negatively related with firm performance (Zhang, 2007, p. 123). Research by Wei, and Wang (2002) also indicated the same statement. Top management team heterogeneity means different variations of demographics, cognitive aspects, values, and experiences. It can also be summarized as the difference among team members. Top management team homogeneity refers to similarities among team members, as the opposite. Similarities refer to the above-mentioned dimensions (Finkelstein & Hambrick, 1996). Wang, Hon, and Cullinane (2015, p. 291) stated, that a combination of human resources departments' client relationship management, and human capital improves organizational performance in China. Schneider (2017, p. 377) summarized China-specific negative examples of management. As a theoretical guide in particular the concept "The Five Dysfunctions of a Team", originally from Lencioni (2002), helped to organize the findings: (1) absence of trust, (2) fear of conflict, (3) lack of commitment, (4) avoidance of accountability, and (5) lack focus on results. Behaviors such as avoiding conflict and saving face, are typical to Chinese culture. For this reason, the effects of the individual malfunctions are more pronounced, even if those five dysfunctions do not appear to be China-specific (Schneider, 2017, p. 387).

*External success factors* for Chinese entrepreneurial, mentioned by Li, and DaCosta (2016, pp. 159-164) comprise institutional conditions, and changing economic conditions. Since the 1990s, the Chinese government tried to build an attractive system for private enterprises. The improved business climate includes fundamental reforms in taxation, financial system, and legal system. Strategic alliances, also defined as strong relations with the government, help to managing new high-growth start-ups, and innovations (Jinzhi & Carrick, 2019, p. 3383). In the literature, these facts about government support are still rare, but expert opinions are clear in this regard (Chapter 3.2).

### **2.3.2 Philosophies related to Chinese Economy**

This chapter describes China-specific philosophies, which are relevant for this dissertation with regard to Chinese economy. The mentioned philosophies are Guanxi and Confucianism.

*Guanxi* is an important personal relation, which was also mentioned when analyzing the Chinese management style (Chapter 2.3.1). Chang, Chou, Huang, and Wang (2016, p. 311) stated that “*Guanxi* is one of the most important success factors in China”. *Guanxi* is a social network, all of the members benefit from an established social capital (Hitt, Lee, & Yucel, 2002, p. 353), and it can be defined as a relation or a relationship (Bian, 1994). According to Yang (1994), *Guanxi* can be defined as connections between individuals that are founded on mutual interest and mutual benefit. *Guanxi* takes a special significance in Chinese societies and it is a cultural construct (Dunning & Kim, 2007, p. 339). *Guanxi* promotes personal trust, and is based on factors that promote shared social experience between, and among individuals (Farh, Tsui, Xin, & Cheng, 1998, p. 473), and therefore enhances firm performance (Peng & Luo, 2000, p. 486). Wang (2007, p. 82) describes *Guanxi* as filigree threads that touches the entire social life of every Chinese person. These threads invisibly connect the partners involved in the social interaction with one another. Not every relationship automatically has *Guanxi*. Sternquist, and Chen (2006, p. 249) distinguished three different interpretations of *Guanxi*: (1) *Jia-ren Guanxi*, which exists between family members and has obligatory connections, (2) *Shou-ren Guanxi*, which consists of relationships with friends, neighbors, or classmates, and is characterized by reciprocity, and (3) *Sheng-ren Guanxi*, which describes relationships with strangers such as business partners who are primarily purpose-oriented.

Zhou, Wu, and Luo (2007, p. 673) stated that *Guanxi* also can support small and medium enterprises (SMEs) when it comes to internationalization. Through *Guanxi* they have the chance to overcome resource and capability deficiencies, and to strengthen the competitive advantage (Hitt, Lee, & Yucel, 2002, p. 354). *Guanxi* also has shown that firms can acquire knowledge of foreign market opportunities and learn how to conduct cross-border business operations, through those special relationships. This positive effect on internationalization was shown in several studies (Ellis, 2000, p. 11).

*Guanxi* possesses significant potential for fostering innovation. It exerts a comprehensive and positive impact on the innovation of high technology start-ups, owing to its multi-dimensional constellation that promotes beneficial influences (Liu, Woywode, & Xing, 2012). If people have good relationships where they work together towards similar goals and trust each other, they can quickly get precise information. This helps in creating innovations that can be easily commercialized. However, building and maintaining these relationships requires a lot of effort and ongoing commitment (Wang, 2017, p. 264). In the business context, it is evident that *Guanxi* leads to improved performance (Li & Zhang, 2007, p. 791). In the corporate context,

Guanxi influences various important areas. It has a significant impact on innovation and internationalization potential. The strong connection between Guanxi and improved firm performance highlights the importance of trust and positive interactions, making them crucial factors.

*Confucianism* is the basis of Chinese values, which is still heavily influencing Chinese life (Holtbrügge & Puck, 2004, p. 20). Confucianism is evaluated in this dissertation, since Confucianism is known to have a pervasive influence on the social interactions and work relationships in several Asian countries. Different aspects or themes allowed people to have various understandings and interpretations of Confucius and his philosophies (Yao, 2000, p. 27). In Confucianism, a central idea is the shift from personal growth to being motivated to benefit the public (Tu, 1985). The dynamic relationship between addressing individual needs and promoting the collective welfare presents a remarkable perspective on business rationale. Confucianism, in contrast to Western leadership styles, exhibits a notable divergence in this regard.

Confucius, a Chinese philosopher, described “adulthood as a four-step transition from an inner-focused sage to an outer-focused king”. This outer-focused king referred to a great person (Fung, 1948). Eastern Confucian teachings represent this viewpoint, many followers of Confucianism wish to achieve this idea, but few can achieve it (Li & Liang, 2015, p. 595). In collectivist cultures like China, the aspect of keeping face determines large parts of the behavior of the individuals. Mien-tzû is defined as the reputation a person has due to their social standing, their prosperity, their skills, and their successes, but also through their own self-profiling (Hu, 1994, p. 45). The degree of mien-tzû depends on the whole situation and can be increased through personal factors, for example success at work, and nonpersonal factors, for example luxury products. A person’s prestige is only influenced by nonpersonal factors (Ho, 1976, p. 870).

East Asian culture, influenced by Confucian traditions, values hierarchy, morality, continuous intellectual growth, and long-term vision. In the corporate environment, it encourages creativity, team collaboration, and a self-disciplined approach. In contrast to that flat management involves small-team orientation, integrating innovation with business, effective communication, work liberty and flexibility, working with top talents, and fostering a collegial workplace (Lee, 2014, p. 87). The contrast of these China-specific peculiarities is relevant when analyzing the characteristics of Western leaders. Flat management, originated from Western business culture, leads to business success and sustainability, also for Chinese companies.

Li and Liang (2015, p. 595) conducted an analysis on Chinese private-firm entrepreneurs' involvement in political engagements. These entrepreneurs have two roles. First, they are representing their firms, regardless of ownership or founding, and secondly, they are pursuing personal goals. Many entrepreneurs engage in politics for economic interests, but Confucian doctrines suggest that such engagement also reflects a desire for social influence to contribute to the greater good. The political connection is even more interesting for Chinese entrepreneurs during the pre-success stage in order to gather information on ongoing economic conditions, to search for door openers for new resources, or other issues supporting the firm survival and success (Li & Zhang, 2007, p. 791). A combination of Western self-model of adult development, and Confucian prosocial motives would positively influence, and drive political pursuits (Li & Liang, 2015, p. 595). Confucianism, which emphasizes the pursuit of the public good, has a significant impact not only on the economy but also on policies and various networks. It involves interpersonal and political connections, the interaction to achieve personal goals, and the mission for a better common good. Understanding these aspects is crucial for addressing China-specific business matters.

## 2.4 Research Deficits

Two major research deficits were addressed by this dissertation and are described in this subchapter. The combination of these two identified research deficits brought the initial problem situation. In these two areas, it was difficult to gain a full understanding regarding the phenomenon of Chinese Global Champions, this shows the importance of this research project. The quest to understand the journey to success has become an increasingly significant effort in contemporary academia and management literature. However, despite the wealth of research on this subject, there are research deficits in the literature, which this study seeks to address.

This observation brought the identification of the first research deficit, *the lack of comprehensive understanding of organizational performance*. The existing literature, as mentioned above, provides valuable insights into various aspects on the subject to improve organizational performance. It is a multifaceted topic and various perspectives are included. Collectively all these facets contribute to the understanding of this phenomenon. Nevertheless, it is crucial to recognize the limitations of existing literature, which focuses primarily on the study of individual factors. The lack of a comprehensive view allows to find isolated factors, without showing us the whole picture. Some authors formalized categories of success factors to provide a good

overview on organizational performance, as precisely analyzed in Chapter 2.2.1. These sources helped build the theoretical foundation of this dissertation, however, these sources are unable to comprehensively answer the research questions described above. These research gaps are not just academic concerns, they also have practical consequences. It is uncertain whether assembling all individual success factors results in a comprehensive overview or if crucial success factors are absent. Without a comprehensive picture, it is challenging to advise other Chinese companies on how to become a global leader. It also affects Western companies trying to compete with Chinese firms. Many studies analyzed specific factors in specific situations, leaving us with unanswered questions about how widely they apply. Only a few recommendations out of the literature are applicable across various industries. This emphasizes the necessity for a more comprehensive approach to understand what makes Chinese Global Champions successful.

This is closely connected to the second identified research deficit, *the generalizability of existing success factors with the context factor 'China'*. The limited exploration into the understanding of key elements contributing to the success of Chinese Global Champions raises questions about the transferability of these findings across different industries and circumstances within the Chinese context. This statement can also be found in the contingency theory, which describes that context specific factors lead to success, while every situation needs to be evaluated itself. For instance, we might learn about one thing that helps a company succeed in a certain industry, but that might not apply to a different context. This incomplete context specific understanding makes it difficult to figure out why some Chinese companies become global giants while others do not. In this dissertation, 'China' is used as a contextual factor, and this is shown in the conceptual framework (Figure 1). China-specific literature brought further insights into aspects of success for Chinese firms from a scientific standpoint. As written in Chapter 2.2.2.4, which deals with contingency theory, success factors are inherently contingent on the specific context in which they operate. The Chinese context, especially in the context of a market leader, has been explored in existing literature and previous studies. Literature suggests that China-specific success factors include flexibility, speed, and innovation, a strong commitment from the workforce, hierarchical roles influenced by Guanxi, and support from the Chinese government. A Chinese Global Champion demonstrates global excellence with the influence of Chinese philosophies like Guanxi and Confucian values. There are individual scientific works on the specifics of China's economy. A research gap shows that too little is known about success factors of a Chinese Global Champion comprehensively and context specific. There is still no

scientific work that comprehensively evaluates the success factors of Chinese Global Champions.

The significance of this dissertation become clear. This dissertation aims to establish the bridge between the comprehensive view of several success factors to the generalizability in different contexts. The central outcome attempts to consolidate all these aspects and answer the question of why some companies succeed in becoming Chinese Global Champions while others do not. This dissertation aims to provide insights on how Chinese companies become Chinese Global Champions and also provide insights Western competitors.

## **2.5 Empirical Methodology**

Methodological foundations of the empirical work of this dissertation are demonstrated here. Existing literature help to understand the methodology of expert interviews and case studies. The summary and interpretation of topic-specific secondary data from existing information sources is supplemented by self-collected primary data that are precisely tailored to the information needs (Homburg, 2017, p. 263). The first part of this dissertation focuses on literature evaluation. Chapter 2, the theoretical part of the dissertation, focuses on thematic sources of literature to create strong theoretical background knowledge as a preparation to answer the research questions. The determined literature is derived from academic and management journals. The researched literature is based on academic literature, as for example peer-reviewed articles, studies and academic journals. Due to its high economic relevance, practice-oriented literature, such as books, magazines, online articles and media, were examined. To reflect the current situation, both specialist literature and online sources are considered. The elaborated theoretical part is empirically proven in the next chapter (Chapter 3). The theoretical part of this dissertation focuses on literature research, based on logical and deductive analysis also called the principle of logic deduction, where general assumptions and principles were derived to concrete theory points. It is the derivation of concrete phenomena from a general rule according to the rules of logic. The outcome should not be additional information, it is more a several times available theoretical part, where relevant parts are interpreted in accordance to the dissertation' objective (Lechner, Egger, & Schauer, 2008, p. 45). Goulding (2005, p. 296) emphasizes, that literature research can stimulate new thoughts or further drive theory building. For example, new questions can arise with the help of the literature research or previously undiscovered connections in the data can examined.

*Qualitative market research methods* were used to investigate the topics of this dissertation. In qualitative studies, an interpretative paradigm is required as research guiding mindset (Mayring, 2016, p. 10). The main difference between qualitative, and quantitative research is the way in which data is collected, closely linked to this is the logic of research. *Inductive procedure* describes the way of the quantitative method, where first hypotheses are formed from the theory, which are then evaluated by means of data collection and statistical evaluation procedures. *Deductive procedure*, however, describes the way of qualitative research logic, which has a theory-building intentions (Steffen & Doppler, 2020, p. 11).

Qualitative studies are non-standardized surveys and help to answer specific questions in the area of idea generation or causal research. Qualitative surveys are usually conducted with small samples as part of an exploratory study. The time and financial effort per survey case is usually significantly higher than with standardized quantitative survey forms. The output of qualitative studies often provides implications for future qualitative studies (Altobelli, 2017, p. 357; Steffen & Doppler, 2020, p. 3). After the conceptualization of the research construct, as well as the literature-based research, it is important to generate testable empirical data (Giere, Wirtz, & Schilke, 2006, p. 683). The qualitative change (in German ‘Die qualitative Wende’), a term coined by Mayring in 1989, describes the increasing interest in qualitative market research. Qualitative research methods represented a major change, especially in social sciences, and are still a common way of collecting primary data (Mayring, 2016, p. 9). Statistical representativeness is less the goal compared to quantitative methods. Characteristic content, as well as idea generation, is what qualitative research strives for. The complex coding and evaluation of qualitative information are classic features of qualitative research (Altobelli, 2017, p. 357). Qualitative research is optimal for studying complex organizational phenomena. Many management studies are oriented towards qualitative surveys to analyze complex processes, the business environment or to find answers to management questions (Gephart, 2004, p. 545).

If the same reproducible data are collected when a study is repeated, this is referred to as *reliability*. *Validity*, however, aims to keep the influencing factors in the survey situation as low as possible in order to be able to make objective and uninfluenced statements (Steffen & Doppler, 2020, pp. 27-28; Krippendorff, 2019, pp. 24-25). Both points are essential for the quality of research. In the area of market research, qualitative research still has a lower status or, for some, even a pre-study character (Steffen, & Doppler, 2020, pp. 1-2). This statement suggests that qualitative research has the potential to influence the direction of the research, while generating new ideas or new characteristic issues.



Qualitative market research has received a lot of criticism, for example that the term ‘qualitative’ is difficult to define, or qualitative studies sometimes lacking in scholarly rigor (Gioia, Corley, & Hamilton, 2012, p. 15). A uniform structure, which is also called as ‘dichotomy’, is difficult to follow. Qualitative research is therefore not always useful, while ‘mixed methodologies’ (Mayring, Huber, Gürtler, & Kiegelmann, 2007; Bennet, 2004, p. 20; Creswell & Plano Clark, 2018, p. 12) are recommended. In this dissertation both research methods are qualitative, but the idea of mixed methodologies is precisely pursued.

*Content analysis* was chosen as appropriate in this dissertation, as many advantages occurs. Advantages, also outlined by Weber (1990, p. 10) as the content analysis is done with transcripts from human communications, while communication is the central of social interactions. Content analysis was conducted for expert interviews (Chapter 3.2), and for Case Studies (Chapter 3.3). Content analysis is a method that involves categorizing textual material, condensing it into more pertinent and manageable pieces of data (Weber, 1990, p. 5). In order to be able to conduct qualitative content analysis, the data must be available in a usable format. Formats that can be read by the computer are recommended, this provision of the usable format is called text encoding (Weber, 1990, p. 43). Krippendorff (2019, pp. 27-30) described further, that texts, as basis for the content analysis, cannot be considered a standardized objective source and describes the following reasons: (1) Texts have no reader-independent, or objective, qualities, (2) Texts do not have single meanings, (3) The essential message of a text must be shared, or at least be recognizable for the receiver, (4) Meanings within a text could address various feelings or behavioral changes, (5) The purpose of a text does influence the meanings, and (6) Inferences out of texts are made, and strongly influences by contextual circumstances.

Content analysis originally comes from journalistic roots, but nowadays has a great importance in various fields of science. The deployment of content analysis is present in our daily life, because in times of search engines, like Google, our expectation regarding systematic content analysis is high (Krippendorff, 2019, p. 23). The existing techniques of content analysis led to valid and theoretically interesting results for many problems (Weber, 1990, p. 40). Stability, reproducibility, and accuracy are three major forms describing the reliability of results out of content analysis (Krippendorff, 2019, pp. 130-154). Documents occur, and this is relevant for the case studies (Chapter 3.3), from different origins of purpose. Content analysis then helps to summarize and interpret those several sources to make inferences to one specific topic or research issue. A scientific relevant point of the case studies is, that the content analysis occurred from cases studies out of several sources is, that the sender is not aware that he is analyzed, this

is different to interviews (Weber, 1990, p. 10). During expert interviews the expert knows that he or she will be analyzed, and the content will be summarized and interpreted.

The term ‘qualitative analysis’ refers to procedures for processing qualitative data, whereby interpretative, interpretative or hermeneutic procedures can be distinguished. *Hermeneutics* is also called the art of interpretation. In the literature, qualitative analysis is sometimes equated with hermeneutic analysis. Hermeneutic analysis procedures are primarily applied to texts (Heinze, 2001, p. 15). Hermeneutics is the art of interpretation, while hermeneutic is also another word for interpretive (Heinze, 2001, p. 1). Hermeneutic circles are often joined by the socially and culturally conditioned understanding of the interpreter. This phenomenon is also called interactive-hermeneutic, a systematic interpretation of texts (Krippendorff, 2019, p. 23). The theoretical and interpretative classification of individual statements is already a hermeneutic procedure with all the chances and risks of such procedures (Heinze, 2001, p. 45).

This dissertation utilizes *grounded theory* as a further methodological approach, offering a comprehensive exploration of the subject. Theories are created based on the collected data, rather than starting with hypotheses and then testing whether they are true or false. Grounded theory is a widely used approach to qualitative research (Bryant & Charmaz, 2010; Straus & Corbin, 1997), and was first developed by Glaser and Strauss (1967). Grounded Theory (GT) is a cyclical process that alternates data collection and data analysis with the goal of developing a theory (Birks, Fernández, Levina, & Nasirin, 2013). Glaser and Strauss (1967) were pioneers in integrating qualitative research in social sciences (Kvale & Brinkmann, 2009, p. 11). In grounded theory different forms of data collection are recommended when conducting such studies (Glaser & Strauss, 1967). It is an approach to the systematic collection and analysis of primarily qualitative data with the goal of theory generation. This approach emerges out of a strong desire for theoretical explanation of specific research areas. The demonstrated lack of theoretical insights reported in the previous chapters lead to the decision to use the grounded theory approach (Glaser, 1978; Glaser & Strauss, 1967; Birks et al., 2013) within this dissertation. The grounded theory approach requests researchers to manage and further evaluate pre-conceptions (Birks et al., 2013). Grounded theory can be understood as a package of research methods, with a constant comparative analysis of collected data (Strauss & Corbin, 1997, pp. 1-2). The reason for doing grounded theory is the aim of theory creation (Glaser & Strauss, 1967). Within this dissertation the aim is to properly answer the research questions using grounded theory as methodological base.

In today's psychology, the Grounded Theory Methodology (GTM) is widely used. Originally, the idea was used in sociology, since the GTM allows to perform a systematic analysis based on clearly defined steps. There is still a small scope within the scientific field for the researcher to do little maneuver in the application (Ruppel & Mey, 2015, pp. 174-175). The basics of correct scientific conducts of qualitative studies must be maintained, but nuances in applications should be adjusted to understand the reality and complexity of social phenomena. Scientific rules of the game are significance, compatibility of theory and observation, generalizability, consistency, reproducibility, precision, and verification (Corbin & Strauss, 1990, p. 418). In this study, a cyclical process of empirical evaluations was conducted. Different methods of data collection were employed to gather qualitative data. Following the data analysis, it is possible to answer the research question based on the studies conducted. Expert interviews are instrumental in gaining insights into the phenomenon, while case studies are employed to prove the findings from the literature review, in conjunction with the insights from the expert interviews.

### **2.5.1 Expert Interviews**

The use of interviews as a method in qualitative market research is one of the most commonly employed approaches (e.g. Altobelli, 2017, p. 358; Steffen & Doppler, 2020, p. 29), whereas the expert interview, as one form of interviewing, is the most common procedure in empirical social research (Meuser & Nagel, 2009, p. 465).

The definition of the expert interview is relatively imprecise. It is mostly conducted using semi-structured interview guidelines and is less descriptive of the content or methodological focus. Expert interviews define themselves only in terms of the group of people to be interviewed (Misoch, 2019, p. 119). In-depth interviews describe more the methodological focus that is presented here. The author of this dissertation claims that one does not exclude the other. Special questioning techniques are used to consciously address the unconscious. Unconscious feelings, emotions and prejudices towards certain brands, services or general situations are to be determined in the so-called in-depth interview (Misoch, 2019, p. 96). The main goal of the in-depth interview is to gain deeper insights into the subject of the investigation, using psychologically skillful questions to help understand the interviewee's ways of thinking, feeling and acting. The questioning in the in-depth interview is usually semi-structured on the basis of a specific list of topics, which still allows the interviewer flexibility. This list of topics is also described as an interview guide (Homburg, 2017, p. 264). Qualitative interviews are a very

preconditioned, and therefore also costly instrument for data generation (Pfadenhauer, 2009, p. 459), with the possible outcome of theories emerged (Bryman, 2012, p. 10).

There are three different levels of standardization: (1) The free (non-standardized), (2) the partially standardized, and (3) the fully standardized interview. The most common form is the partially standardized interview, as it combines several advantages. Partial standardization allows the interviewer to ask intermediate questions, as well as specific probing questions (Meffert, Burmann, & Kirchgeorg, 2012, pp. 163-164). The interview guide has a controlling and structuring function (Misoch, 2019, p. 65). For partially standardized, and fully standardized interviews, a pre-prepared interview guide ensures that the content of the results can be compared. For scientific questions, the questions asked must be related to the previously identified theories from the literature review. Semi-structured interview forms are particularly suitable for interviewing experts (Steffen & Doppler, 2020, pp. 30-38), and all the subject areas from the semi-structured interviews must be addressed (Misoch, 2019, p. 13). A distinction is also made between open and closed questioning (Meffert, Burmann, & Kirchgeorg, 2012, p. 163), while qualitative interviews use open questions (Steffen & Doppler, 2020, p. 3). Whether open or closed questioning are used is dependent on the goal of the research. Closed questions, where several answer options are given, or questions with answer ratings based on scales are the most common form of questioning, especially in quantitative surveys, but not in qualitative expert interviews. In expert interviews, mainly open questions without answer categories are used in order to give the interviewee as much freedom as possible for intuitive answers (Meffert, Burmann, & Kirchgeorg, 2012, p. 163). Qualitative research primarily collects texts, but not quantitative data (Aghamanoukjan, Buber, & Meyer, 2009, p. 417), while the major aim is to conduct qualitative interview as openly as possible (Altobelli, 2017, p. 358). The interview guide acts as a red thread for the collection of the qualitative, verbal data. Four major functions of the interview guide were summarized by Misoch (2019, p. 66): (1) Thematic framing and focusing, (2) listing of all relevant topics which need to be addressed in the interview, (3) better comparability of data through thematic framing, and (4) structuring of the entire communication process.

Expert interviews aim at the reconstruction of expert knowledge. This knowledge is related to the interest of the research object. Thus researchers aim to discover this explicit knowledge from experts (Pfadenhauer, 2009, pp. 451-452). Different terms are common, and one term does not exclude the other. However, different forms have different dimensions and criteria. Qualitative interviews are often described as narrative interviews, expert interviews, structured or

semi-structured oral interviews, in-depth interviews, or projective interviews (Aghamanoukjan, Buber, & Meyer, 2009, p. 417). Guided interview and in-depth interview are used as synonyms, whereby one speaks of an expert interview as soon as the interviewee is understood as an expert of the object of investigation (Meffert, Burmann, & Kirchgeorg, 2012, pp. 163-164). Who is an expert is decided by the researcher, but is entirely based on the object of investigation. This expert selection process can be understood as a lack of methodological reflection, and has already been criticized in existing literature (Aghamanoukjan, Buber, & Meyer, 2009, p. 422).

### 2.5.2 Case Studies

A case study involves a thorough examination of a singular unit with the objective of gaining insights into a broader category of similar units. An observation or analysis is done based on several relevant dimensions, also called as variables (Gerring, 2004, p. 341). Case studies offer the opportunity to look at the complexity of life. By means of small and easily digestible cases, the big and whole phenomenon is analyzed (Thomas, 2016, p. 17). Case study research brings several advantages, such as the development of historical explanations for specific cases, high construct validity, and models of complex relationships or multiple interaction effects created through generalization (Bennett, 2004, pp. 19-22). A major positive outcome of case studies are new hypotheses. Through a dynamic use of inductive approaches, and deductive approaches it is possible to identify new hypotheses (Bennett, 2004, p. 19).

Case studies have the capability to provide an analysis that is exceptionally vivid and inspirational, representing the highest level of insight that an inquiry can present. Great insights have been discovered through case studies, as analysts like Einstein, Newton, or psychologists, doctors, and sociologists have already used case studies successfully many times (Thomas, 2016, p. 17). Case studies are good complements to statistical methods, which positively emphasizes again, that multimethod research is recommendable (Bennett, 2004, p. 19).

According to Eckstein (1975), a case is characterized as a phenomenon where only a single measure on any relevant variable is reported and interpreted. Bennett (2004, p. 20) identifies Eckstein's definition as problematic, as it supposes that every case only offers one possibility of observation on dependent variables, however, shows many independent variables. He therefore defined case study methods in two directions: (1) a within-case analysis of single cases, and (2) a comparison to other cases (Bennett, 2004, p. 21). As in any study, the method should

not be chosen according to methodological preference, it is much more important to select the method adapted to the object of study to be investigated (Thomas, 2016, p. 24).

In any non-random selection of cases, there is selection bias, this issue has already attracted considerable scientific interest (Bennett, 2004, p. 19). The critic of selection bias has huge impact on the outcome of the study. As with any empirical work, the selection of the object of study is particularly relevant. Bryman (2016, p. 10) further mentioned that the number of cases researched is smaller, compared to huge quantitative surveys. Sampling concerns should be minimized through a suitable selection based on criteria pertinent to the research. The sum of a number of 'single case studies' leads to a 'multiple case study'. The risk is that researchers believe that they have understood every facet of a single case study after conducting the single case. A strict methodology is therefore required for the selection of the criteria to be investigated in order to ensure methodological high quality (Yin, 2006, p. 6). Multiple case studies aim to develop a theoretical generalization, not to be mistaken with statistical generalization (Buber & Holzmüller, 2009, p. 244). In a single case study, the focus is entirely on the individual case. Depending on the objective, the study can then be continued using mixed methods or hermeneutically (Thomas, 2016, p. 24).

In order to generalize individual cases, the basis of the generalization must be clearly defined. individual cases provide specific insights rather than general insights. It must be clear out of the analysis why something might have happened, and why something is the way it is (Thomas, 2016, pp. 18-19). Based on this theoretical foundation, the two data collection methods are applied in this dissertation. The next chapter presents the empirical design and provides detailed results.

### 3 Empirical Research

Chapter 3 first describes the empirical design of this study (Chapter 3.1). The results of the expert interviews (Chapter 3.2), as well as the case studies (Chapter 3.3) are precisely evaluated and described in detail.

#### 3.1 Empirical Design of the Study

The objective of this study was to examine the key factors contributing to the success of Chinese Global Champions. To achieve this, two specific empirical research methods were carefully chosen to ensure the appropriate execution of this dissertation. This chapter aims to outline the research design and elaborate on the process employed to conduct the empirical research within this dissertation. Gray, Williamson, Karp, and Dalphin (2007, p. 34) defined research design as the holistic planned process of a study. The strategy and tactics are clearly defined so that the collection and analysis of data is clearly guided by the research design.

The empirical research of this study was split in two phases, (1) the expert interviews, and (2) the case studies. The aim of the expert interviews was to discover success factors, which were then empirically tested in the case studies. The methodological profile of the expert interviews is shown in Table 2. The research employed semi structured expert interviews, where interviewees were chosen based on their occupational involvement with the Chinese economy, either directly or indirectly. The selection criterion ensured that the experts possessed relevant knowledge and insights, making them suitable candidates for the interviews. The assumption based on the profession and online research is that they are knowledgeable about the topics studied, and are able and willing to communicate about them. A heterogeneous group of respondents includes journalists, professors, private business managers, politicians, and researchers. When selecting interviewees, the focus was on maximize diversity with regard to experiences about successful Chinese companies. To identify interview candidates a comprehensive online analysis was done. A purposeful sampling approach was carried out in order to obtain the most diversified knowledge possible. Nineteen semi-structured expert interviews were conducted to gather the data, details are demonstrated in the following two tables.

*Table 2:* Methodological profile of the expert interviews.

<b>Form of collection</b>	Personally conducted expert interviews with recording for later analysis
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<b>Interviewed persons</b>	Experts for the phenomenon of successful Chinese firms (Journalists, Professors, Authors, private Business Persons, Politicians)
<b>Instrument of collecting data</b>	Interview guideline with open questions
<b>Enquiry period</b>	January 2021 to April 2021
<b>Number of interviews</b>	19 conducted expert interviews
<b>Analysis</b>	Qualitative content analysis with Grounded Theory

Table 3: List of conducted interviews.

Initials	Transcription	Profession	Description	Interview partner's location	Date of the interview
D. A.	Appendix A	Politician	Leading position in Swiss-Chinese political society	Switzerland	13 January 2021
M. P.	Appendix B	Private Sector	Swiss entrepreneur located in China	China	27 January 2021
W. N.	Appendix C	Private Sector	Entrepreneur operating with Chinese firms	Switzerland	28 January 2021
Z. J.	Appendix D	Politician	Leading position in the ministry of commerce (MOFCOM)	China	14 March 2021
Z. P.	Appendix E	Professor	Professor and researcher at the Sociological Institute	Switzerland	17 February 2021
N. R.	Appendix F	Professor	Director of the School of Economics/ Focus China	Switzerland	26 January 2021
J. Y.		Professor	Professor at the School of Economics/ Focus China	Switzerland	
T. V.	Appendix G	Researcher	Analyst for the Mercator Institute for China Studies (MERICS)	Germany	1 March 2021
K. T.	Appendix H	Professor	Professor at the Institute for International Management/ Focus China	Switzerland	3 May 2021
S. F.	Appendix I	Journalist	Journalist, correspondent, documentary filmmaker and author/ Focus China	China	21 April 2021
S. M.	Appendix J	Professor	Professor of China's economy and society	Germany	8 March 2021



W. B.	Appendix K	Politician	Leading position at the Switzerland-China Chamber of Commerce	Switzerland	24 March 2021
X. N.	Appendix L	Private Sector	Author and speaker on the Chinese technology sector	China	9 March 2021
L. T.	Appendix M	Private Sector	Expert in sociological, cultural and economic activities in China	Germany	10 March 2021
T. J.	Appendix N	Private Sector	Speaker and expert for Digital China and Asia Tech Strategy	Thailand	23 March 2021
K. D.	Appendix O	Private Sector	Leading position in an international bank and an expert in investments	Switzerland	30 March 2021
N. W.	Appendix P	Professor	Professor, author and researcher for leadership and change management/ Focus China	Switzerland	25 March 2021
B. J.	Appendix Q	Private Sector	Leading position in a global business consultancy	Belgium	6 April 2021
C. L.	Appendix R	Professor	Director of the Emerging Markets Institute	Spain	13 April 2021
G. M.	Appendix S	Private Sector	Expert in global early-stage venture capitals	Singapore	26 April 2021

Based on the theoretical part of this dissertation an *interviewing guide* was conducted, which can be found in the appendix (Appendix U). The catalog of questions for a semi-structured form of interview was split into two sections, the first one deals with the Identification of Chinese Global Champion, while the second part deals with the analysis with the focus on the reasons of success. Interviewees were first asked about their personnel definition of a Chinese Global Champion and the associated characteristics with Chinese Global Champions. These introducing questions were defined as important, to know the starting position of the conversation. It was also important to find out whether the interviewees define a difference in comparison to successful companies with a different origin. This attitude was again questioned with examples in order to be able to better classify the statements as a recipient of the message. Within the second part of the interviews, in the section ‘Analysis’, the questions were already more in depth of the researched phenomenon. The questions of the second part focused on the

identification of the success factors, these were tried to find out by means of different question techniques.

The interviews were held within a four-month time span, conducted primarily in English language, partly also in German language. The interviews were recorded via two different apps on the mobile phone, the voice memos app ('Sprachmemos') on the iPhone and the recorders app ('Rekorder') on a mobile phone with android software. The interviewees were promised anonymity in order to ensure in-depth and informative interview responses (Gioia, Corley, & Hamilton, 2013, p. 13). The interviews lasted one hour on average, and the recordings were transcribed afterwards. The few interviews that were conducted in German were translated into English after the transcription. The transcripts, 97 pages in total, were written manually and precisely by the doctoral student. Through this intensive and monotonous work, the first subtleties of the statements were already recognized. Analysis was done through an inductive, and abstracting approach based on grounded theory (e.g. Corbin & Strauss, 1990; Glaser, 1978; Ruppel & Mey, 2015), with the core of the qualitative content analysis (Weber, 1990; Krippendorff, 2019). Both approaches were interpreted on their theoretical basis in the previous sector on the empirical methodology (Chapter 2.5).

After conducting and fully analyzing the contents of the qualitative interviews, the aim and the construct for the *case studies* were defined. The goal of the case studies is to validate the capabilities of Chinese Global Champions. The success factors of the research model are adjusted and partly deleted, but no new factors are added. Theoretically, it was not excluded that new success factors are added. As Yin (2006, p. 6) mentioned, the selection of proper criteria for the particular case study is crucial. It is especially important to make a good preparation. Otherwise, there is a risk of making a wrong execution by means of inappropriate criteria. The sum of the individual cases forms the total statement of the case studies, insofar as the criteria are wrong, this error is multiplied. A characteristic unit must be clearly defined in order to know what an adequate case is. This adherence to characteristics must be observed, but has no meaning. The characteristics of a case are relevant if they can be related to an analytic category or theory (Thomas, 2016, p. 26). Therefore, the criteria of case selection are shown in Table 4. The findings of the expert interviews are helpful and should be examined primarily by means of concrete case studies. Case studies describe companies from China that are perceived as successful in one form or another. That and the question of 'Why' should be answered first and foremost.

*Table 4:* Criteria for analyzed Chinese Global Champions.

1.	In alignment with Made in China 2025 (MIC 25) key industries
2.	Listed on U.S. Stock exchanges
3.	Private
4.	Top five according to market capitalization (US\$ mil)

‘In alignment with Made in China 2025 (MIC 25) key industries’ does refer to the top ten technologies defined by the Chinese State Council, and the Chinese National Bureau of Statistics. Merics (2016, p. 19) is the abbreviation for Mercator Institute for China Studies. They summarized these ten key technologies as:

1. New generation information technology
2. High-end computerized machines and robots
3. Space and aviation
4. Maritime equipment and high-tech ships
5. Advanced railway transportation equipment
6. New energy and energy-saving vehicles
7. Energy equipment
8. Agricultural machines
9. New materials
10. Biopharma and high-tech medical devices

A motivation for the selection of the second criterion ‘Listed on U.S. Stock exchanges’ was the work of Doidge, Karolyi, and Stulz (2004). They showed that firms that cross-list their shares in the U.S. are valued higher than firms in the respective country that are not listed on U.S. exchanges. This applies for firms worldwide (Doidge, Karolyi, & Stulz, 2004, p. 235). A publication from the U.S.-China Economic and Security Review Commission (2021), entitled ‘Chinese Companies Listed on Major U.S. Stock Exchanges’, was central to the second criteria for analyzing Chinese firms which is defined as ‘listed on U.S. stock exchange’. Chinese companies which are listed on NASDAQ, New York Stock Exchange, and NYSE American, are state on this list. These are the three largest U.S. exchanges, and the list which was used for this analysis was updated in May 2021. 248 Chinese companies are on this list with a total market capitalization of \$2.1 trillion. At that time there were eight national-level Chinese state-owned

enterprises (SOEs) listed on the three major U.S. exchanges, but those were not included for the analysis. This exclusion describes the third criteria for analyzing Chinese firms, named ‘private’ (Table 4). The companies are ranked according to the size of their market capitalization, and ‘Top Five by Market Capitalization (US\$ million)’ was chosen as a delimiting and fourth criterion for analyzing Chinese firms. As a basis for this list is interesting which company is declared as ‘Chinese firm’. Three relevant criteria were defined by U.S.-China Economic and Security Review Commission as: “(1) it has been identified as being from the People’s Republic of China (PRC) by the relevant stock exchange; (2) it lists a PRC address as its principal executive office in filings with U.S. Securities and Exchange Commission; or (3) it has a majority of operations in the PRC, including companies structured offshore but whose value is ultimately tied through a relationship in the PRC” (U.S.-China Economic and Security Review Commission, 2021).

Qualitative online research was conducted to determine whether and in which of the mentioned ten key Made in China 2025 categories the company operates. The document ‘Chinese Companies Listed on Major U.S. Stock Exchanges’ shows other sector classification than the listed Made in China 2025 sectors, for this reason an interpretation was made with the help of online research. For some sectors there were fewer than five Chinese firms mentioned, for some none at all.

*Table 5: Integration of the defined MIC 25 key technologies with selected Chinese firms.*

<b>Selection of cases relevant to this study</b>				
	<i>Symbol</i>	<i>Name</i>	<i>Market Cap (US\$ mil)</i>	<i>Sector</i>
New generation information technology (AI, IoT, smart appliances)				
1	BABA	Alibaba Group Holding Limited	\$614,827	AI research
2	BIDU	Baidu, Inc.	\$68,229	AI research
3	KC	Kingsoft Cloud	\$9,400	Cloud services for AI und IoT
4	ZEPP (prev. HMI)	Zepp Health Corporation (Huami Corporation)	\$608	smart wearables
5	CAN	Canaan Creative	\$2,064	supercomputing and AI/ semiconductors
Robots, agriculture, aerospace, maritime, railway, new materials				
6	ZTO	ZTO Express (Cayman) Inc.	\$26,650	Air freight / courier service

7	EH	Ehang	\$1,238	aerospace
8	HOLI	Hollysys Automation Technologies, Ltd.	\$808	rail und e-components
Energy savings and green vehicles				
9	NIO	NIO Inc. American depository shares	\$61,789	e-vehicles
10	XPEV	Xpeng	\$22,461	e-vehicles
11	LI	Li Auto	\$17,025	e-vehicles
12	NIU	Niu Technologies	\$2,564	e-scooter
13	KNDI	Kandi Technologies Group, Inc.	\$406	e-vehicles
Energy equipment (production and sales of energy)				
14	DQ	DAQO New Energy Corp.	\$5,626	solar energy
15	CSIQ	Canadian Solar Inc.	\$2,324	solar energy
16	JKS	JinkoSolar Holding	\$1,568	solar energy
17	SOL	Renesola Ltd.	\$582	solar energy
18	SPI	SPI Energy Co., Ltd.	\$151	solar energy
Biopharma and high-tech medical devices				
19	BGNE	BeiGene	\$28,363	biopharmaceutical
20	ZLAB	Zai Lab Limited	\$14,341	biopharmaceutical
21	IMAB	I-Mab Biopharma	\$4,261	biopharmaceutical
22	LEGN	Legend Biotech	\$4,046	biopharmaceutical
23	BNR	Burning Rock Biotech	\$2,984	biopharmaceutical

After precise selection of firms, a unified analysis was made. The author of this dissertation developed an analysis guide with the purpose of providing equal illumination to all companies. The structure according to which the analysis is made is as follows:

1. Facts and Figures

- a. Firm's mission

- b. Stock market performance (% growth in 1 & 5 years)
  - c. Market share (China & global)
  - d. Number of employees working for R&D (and %)
- 2. Exploratory Data (according to factors in the research model)  
Categories: Business Agility, Product Excellence, Business Talent in Domestic Market, International Skills, Cultural Cohesion, Audacity of Visionary Management, Governmental Favoritism
  - a. F-20 form: risk factors
  - b. F-20 form: competitive landscape
  - c. Empirical secondary data
  - d. Information from the media
  - e. Statements about future development

A detailed text analysis of the annual reports provided good insights into the company's mission, risk factors, competitive environment, and facts and figures on research and development. The report used was the respective 20-F form, requested by the United States Securities and Exchange Commission (SEC), that every foreign company listed on the U.S. stock exchange has to publish (SEC, 2022). Marketscreener.com was used as the sole platform for stock market data. The data from the financial market was not taken in parallel with the elaboration of the case studies, but at the same time. This ensures better comparability. Especially in current times with global crises, stock market data is very volatile. All financial figures covered to refer to the U.S. stock exchanges. Secondary empirical data is sparse, and sporadic. However, every chosen firm was examined in this regard as well. Information from the media is more frequently available, and corresponding statements were also used. The results, as well as the summary and interpretation can be found in chapter four.


### **3.2 Results of the Expert Interviews: Research Model**

The main purpose of the conducted expert interviews was to understand, and explain the phenomenon of Chinese Global Champions. Statements from interviewed experts were summarized, and interpreted. The identified research gap of a missing holistic examination of success factors of Chinese Global Champions was closed one step further. This summarized, and interpreted model should satisfy the demand of researchers who criticize generalization (Zhang et al., 2009; Ma & Jin, 2019), especially generalization across success factors in business context.

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Table 6 shows the recommended constellation which reinforce success for Chinese firms, in the general and China-specific context. Out of qualitative answers from the expert interviews, together with the findings of the literature review the mentioned research model was conducted. A comparison between mentioned statements of the literature, together with the explanation of findings from expert interviews are analyzed. The success factors were grouped into categories. This research model is proven through case studies afterwards.

Table 6: Research Model based on Expert Interviews.

		Strategy	Organization
<i>Categories of success factors</i>			
Research Question 1:  General Success Factors	<b>Business Agility</b>	Speed of innovation	Speed of reaction, and learning
		Continuous adjustment of long-term strategy	
	<b>Product Excellence</b>	Dedication to research and development	Exact adherence to customer needs
	<b>Business Talent in Domestic Market</b>	Competitive skills	
	<b>International Skills</b>	Cross-cultural branding capabilities	Management of language, and cultural differences
		Talent to deliver international quality standards	
Research Question 2:  China-Specific Success Factors	<b>Business Agility</b>	Hyperflexibility	
	<b>Product Excellence</b>	Excellent price-performance ratio	
		Usability factor	
	<b>Business Talent in Domestic Market</b>	Detailed differentiation strategy within China	Economies of scale within China
	<b>International Skills</b>	Global talent diversity	
		Pre-experience in small or similar markets abroad	
		Involvement of diaspora	
	<b>Cultural Cohesion</b>	Hybrid values of Confucianism and western philosophies	
		Authoritarian corporate culture	
	<b>Audacity of Visionary Management</b>	Entrepreneurial willingness to take risks	
		Pragmatic decision making	
	<b>Governmental Favoritism</b>	Alignment with the government's core strategy	
		Networking skills in political circles	
		Benefit of Guanxi connections	

### 3.2.1 Business Agility

#### 3.2.1.1 Speed of Innovation

The findings reveal that Chinese firms excel in high-speed environments, demonstrating a remarkable capacity for innovation and achieving success by outpacing the competition. They



exhibit exceptional agility in adopting new systems, driving new developments, and introducing new products at an accelerated pace. Speed of innovation was declared as more strategic, while speed of reaction and learning (Chapter 3.2.1.2) was declared as more operative.

As already mentioned in the theoretical part (Chapter 2), innovation has positive impact on firm's performance. Schumpeter (1939) was the first, who stated the importance of innovation, while many authors followed (e.g. Hoffmann et al., 2016; Homburg, 2017; Han, Kim, & Srivastava, 1998). The speed of innovation is crucial. Being the first holds significance as it prevents competitors from gaining an advantage. In today's environment, speed is considered a norm. Above all, these high-speed environments offer many possibilities on superior performance, as already discussed earlier in this dissertation (Chapter 2.2.1). It was mentioned that Davis, Eisenhardt, and Bingham (2009), and Thomas, and D'Aveni (2009) interpret a positive relation between speed and innovation. The question behind success is about the speed of innovation. Another interpretation is the speed of reaction or the speed of learning (T.,J., expert interview, 23 March 2021, Appendix N), as discussed within the next success factor.

The market is changing quickly, and no firm can control the market. Therefore, the chance of success can be found in the speed on how fast the firm is to adopt. A small window of time provides opportunities of success. One example is TicToc, as they went internationally before competitors could do that. TicToc knew the exact window of time before locals in the new countries had the chance to copy of what they did in China. In combination with that long-term orientation matters and for most decisions one must think five years plus. An example for this statement is Starbucks, as Starbucks went to China and lose money for the first eight years, but then success was the result (T.,J., expert interview, 23 March 2021, Appendix N). When a project in a Chinese firm is planned for exemplarily seven to eight months, they can do it within four months in exceptional cases. A Chinese characteristic is that they are extremely fast, also when talking about new systems, new developments, or new products. Those firms have the resources to act in such an incredible speed, while making rapid progress. A common strategy is that those firms launch a few dozen products onto the market, observing which of those products are successful, and a quick response to quickly remove the unsuccessful products. The customer has the power to decide where the journey is going (M.,P., expert interview, 27 January 2021, Appendix B). These statements of the expert cover important details. Mentioned is also the continuous adaptation of the strategy, the adaptation of the product portfolio, as well as the power of the customers, or the customer request. These arguments are analyzed further in the category 'product excellence'.

### 3.2.1.2 Speed of Reaction, and Learning

Based on the analysis, it is evident that in China's business landscape, a firm must prioritize operational speed, covering reaction and fast learning, in order to achieve success. This assumption will be further tested later in the part of case studies. Chapter 2.2.2.2 describes the capabilities theory, whereas the term 'dynamic capabilities' emphasizes the opposite of a rigid system. Dynamism is important for business success, this was already discussed in previous literature (e.g. Leonard-Barton, 1992; Winter, 2003; Teece, Pisano, & Shuen, 1997; Helfat et al., 2007). The word 'dynamism' describes very well the category of business agility, and was also confirmed by some experts.

More, and more Chinese leading enterprises have entered the global top 500 and that is no coincidence, as three common characteristics of their leaders have been analyzed: (1) act quickly, (2) learn fast, and (3) take risks. The 'Chinese Speed' is a characteristic which allows Chinese firms to surpass multinational companies. The parts of research, and development, design inputs, product innovation, active listening, and implementations in the expansion strategy are extremely fast compared to other international companies. Chinese firms learn extremely fast, with the premise to enhance the competitiveness in main business. They focus on the main business when learning from failures and this phenomenon is one main reasons for long-term success (Z.,J., expert interview, 14 March 2021, Appendix D). A successful firm needs to have "a system which acts fast in challenges, a clear strategy to win, and build products, ensure to solve every problem, execute faster than competition, build a better product which is cheaper, and provide more value to the customer" (G.,M., expert interview, 26 April 2021, Appendix S). The expert's statement underlines the already covered statement that a hypercompetitive environment in nowadays business world, is somehow new and more dynamic (Thomas & D'Aveni, 2009, p. 387).

### 3.2.1.3 Continuous Adjustment of long-term Strategy

An honest error culture, as well as the phenomenon to know the aim, however quickly adapting the path to new opportunities, seem to be China-specific. While these statements may appear obvious, to the high extent that successful Chinese companies operate in this manner, it is a China-specific success factor. As already mentioned in chapter 2.2, strategic planning does influence firms' performance (e.g. Miller, & Cardinal, 1994; Welge, Al-Laham, & Eulerich, 2017; Ansoff, 1965; Barney, 1986; Chandler, 1962; Porter, 1980). In parallel, dynamic

capabilities and their positive influence on firms' performance have already been discussed extensively in earlier literature (e.g. Winter, 2003; Helfat et al., 2007). Fast strategic decision-making predicts firm growth, profitability, and mediates the impact of dynamism, munificence, centralization, and formalization on firm performance (Baum & Wally, 2003, p. 1107). The statement that strategic planning, continuous adaptation, and dynamic responsiveness are particularly significant has already been validated by Zeithaml, Varadarajan, & Zeithaml (1988, p. 37), and Lemak, and Bracker (1988, pp. 522-523). One expert described an easy example. Chinese firms start with an exemplary product red and if that does not work, they easily change it to green. Compared to Germany where big analyses are made if the product should be red or green. This western approach derives from the mentality that they want to make well-evaluated and protected decisions. The Chinese flexibility is closely associated with an open and honest error culture. In western business cultures employees don't like to talk about their mistakes, or they have difficulties admitting a mistake to the boss. In China, mistakes are clearly defined and identified so that they can be solved, which again emphasizes the interrelationships of the dynamic adaptation of the long term strategy (L.,T., expert interview, 10 March 2021, Appendix M). Mentioning the overarching, and long-term goal, it can be observed, that the long-term vision has always a leading role. In western firms there are also long-term plans, often expressed through quarterly figures. In China there is a plan for the next 20 years. In-between there is free space and no strict guideline, as a Chinese business man you look for your way and make work-arounds, in order to be successful, Chinese business people prefer to choose the rocky road (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F).

#### 3.2.1.4 Hyperflexibility

Comparing statements from literature with those of the experts, it is obvious to realize that in China it is not flexibility as it is written in the book. It is another level, resulted in the term 'hyperflexibility'. The Chinese hyperflexibility in combination to a distinctive speed of reaction in certain business circumstances foster the way to success. This agility can also be observed in strategic decisions and long-term strategy. Successful companies are not afraid to adapt the long-term plan to react to current market needs, and consequently reach the top of success.

Flexibility was stated in the previous section as important on the path to becoming a champion (e.g. Fitzgerald et al., 1991; Calantone, Vickery, & Dröge, 1995), however, in China it is a different level of flexibility. Chapter 2 describes flexibility as one of several important dimensions for business success. The positive interplay between flexibility, and speed (Hout &

Michael, 2014, p. 103), as well as the positive interplay between flexibility, and high-performance work systems (Liang, Marler, & Cui, 2012, p. 55) was recognized in the previous chapter (Chapter 2.3). These journal article dealt with Chinese business context, also demonstrating the China-specific business flexibility. Hout, and Michael (2014) wrote about ‘A Chinese approach to management’, while Liang, Marler, and Cui (2012) followed the topic ‘Strategic Human Resource Management in China: East Meets West’.

Chinese flexibility means that Chinese firms and their employees are truly flexible, and it does not mean a stated flexibility on a firm’s website, like probably most firms on this globe will mention. Chinese firms, and their employees are truly flexible, and they are flexible even if they are big, while they do not stick to the old formula (N.,W., expert interview, Switzerland, 25 march 2021, Appendix P). To compete within the Chinese market full flexibility in each step must be noticeable. The Chinese market plays a big role, due to it is a big market war, and a completely different working atmosphere. Market conditions are more aggressive compared to the West. The processes take place much faster, everything is more fluid, within an unbelievable speed. It can be difficult for companies that are new to China because they cannot imagine the pace that has to be set. Flexibility is one of the main factors. It does not pose a hurdle for Chinese business people to quickly renegotiated if something is not as effective as it could be. In the West, people are much more oriented towards the legal system and existing contracts. Conditions are met and contracts are adhered to. The willingness to renegotiate supports some projects that would be considered as failed in the West (Z.,P., expert interview, 17 February 2021, Appendix E).

### **3.2.2 Product Excellence**

#### **3.2.2.1 Dedication to Research and Development**

Successful Chinese companies focus on research and development and show significant investments in these areas. They are flexible, learning from others while drawing from their own experiences, shifting from imitation to innovation, and achieving better business performance worldwide.

Critical activities to business success were mentioned before (Chapter 2.2), covering research and development, strategic decisions, pricing strategies, and the quality of customer service, according to Day (1994, p. 41). It is striking that successful Chinese firms do plan an

outstanding high sum of budget for research and development, the example at the top from China is Huawei. The highest level of a successful company would be to offer a technology that pioneers new frontiers on an international scale (S.,F., expert interview, 21 April 2021, Appendix I). The significant investment in research and development at Huawei is evident, with nearly 50 percent of the workforce dedicated to research and development activities. The interview partner N., R. believes that there are unique factors for business success in China. The path to success is always evolving, never standing still. If a company achieves success, the possibility of unlimited success is within reach. (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). Chinese firms are known for their agility in responding to market needs without falling into the trap of over-engineering. They prioritize pragmatic product development and efficient delivery services, leveraging smart technologies for improvisation and customer satisfaction (S.,F., expert interview, 21 April 2021, Appendix I).

China has successfully established a lot of Champions in a lot of interesting areas. A further upcoming trend is the growth of the research institutions in China, due to tremendous leadership is coming out. A rumor that Chinese firms do copy western products is strengthened by a new trend. They started to copy better. While innovating the product features a copied product from a western company is produced cheaper and better in China (G.,M., expert interview, 26 April 2021, Appendix S). The Chinese style of copying products can neutrally be formulated as a learning from others. They combine these learnings with their own experiences (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). The interview partner B., J. stated that China is no longer a copycat model, it is much more an innovative model while playing at the front edge. Conversations often are about Tesla, but the game is within NIO. Comparing the intelligence in platforms, NIO is extremely fast (B.,J., expert interview, 6 April 2021, Appendix Q). High investment in research and development leads to excellence in new product development, which is closely related to business performance (Calantone, Vickery, & Dröge, 1995, p. 222). This output of R&D increases the sales of new products across the globe, which Ma, and Jin (2019, p. 213) also found when they dealt with success factors for product innovation in China's manufacturing sector.

### 3.2.2.2 Exact Adherence to Customer Needs

Interpreting the statements from the literature and several expert opinions it seems that successful Chinese companies meet customer needs more accurately compared to the rest of the world. As already mentioned, customer satisfaction is connected to corporate performance (e.g. Day,

1994, 2011; Chatain, 2011; Narver & Slater, 1990; Homburg, 2017; Treacy & Wiersema, 1993, 1995; Fritz, 1996). Chinese Global Champions are intelligent when it comes to meeting the customer need exactly (N.,W., expert interview, 25 march 2021, Appendix P), as the firms that effectively meet consumer demands will emerge as winners. Meeting the customer's needs precisely is the art of success (W.,B., expert interview, 24 March 2021, Appendix K), while it seems that Chinese firms are able to offer added value that is superior (Sirmon, Hitt, & Ireland, 2007, p. 294).

This implies that a Chinese company's success lies in its ability to deliver a product that precisely meets customer needs. Chinese companies specialize in offering products and services for the lower-income population, which sets them apart from Western companies. While Western companies often aim to target customers who can afford higher prices, Chinese companies supply to individuals with limited purchasing power, thereby reaching the broad mass (C.,L., expert interview, 13 April 2021, Appendix R). Typically, it is not possible to make a Chinese Global Champion with only one product, it is expected to have a well-established and healthy product portfolio. The key to success, as already mentioned, is the investment in new technology. In the long-term this is a major issue for success. Current examples where research and development plays a big role are chips and semiconductors, new material science, or pharmaceutical researches (N.,W., expert interview, 25 march 2021, Appendix P). Another relevant statement is that Chinese firms are able to deliver products with exceptional speed and at remarkably low costs. Making a summarized calculation, the final product from China is simply a lot cheaper compared to European products. Compared to that there is an interesting evaluation on the costs of a product engineer. Highly talented staff cost as much as in Europe. Exemplarily mentioned there is a robotics company in China which has opened a development office in Zurich in Switzerland. In overpriced Zurich they found qualified staff. The companies that are willing to pay more to launch correspondingly good designs and new developments will ultimately be successful (M.,P., expert interview, 27 January 2021, Appendix B). Innovation in Chinese firms is often done more incremental, not radical, that is a difference to western firms. Certain Chinese companies are agile, entrepreneurial and innovative, comparing them to strategic western companies (K.,T., expert interview, 3 May 2021, Appendix H).

This phenomenon is close to the continuous product, and marketing optimizations, strengthened by very big financial pockets. The focus is strictly on fulfilling customer needs, simplify life, while making processes more digitized, and more practical. And it is not only to fulfil basic needs anymore, it is also about sustainability, which can be described in two ways. The first

one is the sustainable improvement of the current life, while the second one means that requirements on environmental protection, and environmental compatibility must be fulfilled more and more. A further requirement on today's products is the component of lifestyle. A product not only has to deliver clear, measurable performance, but also self-portrayal, self-expression, and self-discovery (W.,N., expert interview, 28 January 2021, Appendix C).

### 3.2.2.3 Excellent Price-Performance Ratio

Another interpretation is the excellent price-performance ratio, as successful Chinese firms are able to build a better product which is cheaper, and provide more value to the customer (G.,M., expert interview, 26 April 2021, Appendix S). Chinese firms offer phenomenal price-performance ratios, that is the Chinese specialty anyway. These firms are not too shy to pay massive upfront costs (N.,W., expert interview, 25 march 2021, Appendix P), which again underline the importance of investments in research and development. The interviewed expert N.W. (expert interview, 25 march 2021, Appendix P) summarized the success factors for Chinese Global Champions as follows: (1) Price-performance, (2) aggressiveness, (3) speed, (4) dynamism, (5) continuous product, and marketing optimizations, and (6) very deep pockets.

Contrary to the above-mentioned statement discussed by Buzzell, Gale, and Sultan (1975, p. 101), Chinese Global Champions seem to deliver a better product with a cheaper price to the broad mass. Buzzell, Gale, and Sultan (1975, p. 101) claim that market leaders enjoy the outcome of unique competitive positions out of the combination of higher prices, and higher quality. Porter's competitive advantage strategy is considered as a standard in management literature, and distinguishes between cost leadership, targeting a broad target, and cost focus, targeting a narrow target (Porter, 1985, p. 12). There are also statements to the contrary, which do not focus on cheap prices and mass products, but rather on market orientation, which increases customer satisfaction, customer loyalty, and also the willingness to pay a higher price (Homburg, 2017, p. 1284). These authors concentrate on the Western economy in their study and may demonstrate the difference to the Chinese economy, proven by expert interviews.

### 3.2.2.4 Usability Factor

It indicates that distinct patterns emerge, in the context of expectations towards the product. Western companies rely on customer loyalty to command higher prices, while Chinese Global Champions capitalize on short-lived mass products. This completes the cycle, highlighting the

contrasting strategies employed by these two markets. The ‘Usability factor’ is a combination of the mentioned ‘Dedication to Research and Development’, and ‘Exact adherence to customer needs’. Chinese firms want to reach customers, and give people a benefit to make their lives easier. In product excellence the usability factor is the most important one (L.,T., expert interview, 10 March 2021, Appendix M). In China there is less tendency towards quality because the customer base is oriented towards changing the product within a shorter period of time (M.,P., expert interview, 27 January 2021, Appendix B).

Summarizing the statements regarding product excellence it is visible that successful Chinese Global Champions are able to meet the exact accordance to the customer need, more than any other internationally successful company. A high usability factor for products from the bottom of the pyramid strengthen the pace to success. This phenomenon can be reached through very high investments in research, and development providing a continuous product improvement.

### **3.2.3 Business Talent in Domestic Market**

#### **3.2.3.1 Competitive Skills**

Competitive toughness is needed to stay ahead in this hypercompetitive market, so Chinese Global Champions only show the tip of the iceberg. Chinese Global Champions, the winners of the competition, are no longer about survival, but much more about superior performance.

As mentioned above, competitive skills are relevant for corporate performance (e.g. Day, 1994; Lu, Shen, & Yam, 2008). This also depends on the industry in which the firm competes (Porter, 1980), while specific industry skills foster performance (Mayer, Somaya, & Williamson, 2012, p. 1311). “The Chinese market is very hypercompetitive and creates positives, and negatives. Positives are that they must move quickly, they have to change quickly and also adopt quickly. Negatives are that this makes the business environment rather toxic” (X.,N., expert interview, 9 March 2021, Appendix L). Every success of a Chinese Global Champion is based on another’s grave (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F), as the competition in the domestic market is absolutely tough (W.,N., expert interview, 28 January 2021, Appendix C).

If a company achieves success on a national level in China, it is highly probable that it will also attain global success. Similar to the United States, China aims to leverage its domestic market as a springboard for international expansion. Notably, the difference lies in the substantial shift



occurring as Chinese companies start to emerge victorious by emphasizing the quality of their services and products (B.,J., expert interview, 6 April 2021, Appendix Q).

### 3.2.3.2 Detailed Differentiation Strategy within China

The Chinese market is very big, and very diverse. China is as diverse as Europe, which means that even the domestic market in China is international from this point of view (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). “I am not sure if you can call China as a single country. Within China the diversification is high [...]. China is organized as a maximal centralization but as a minimal centralization as well. A lot of companies are in big cities, so there are many more global cities in China than in the rest of the world. Again, comparing Belgium to a city in China, that is the same” (B.,J., expert interview, 6 April 2021, Appendix Q). Every province in China demands an own distribution system, different channels in each province, different tiers of distributors, and different partners (K.,T., expert interview, 3 May 2021, Appendix H). Narver, and Slater (1990) mentioned the topic of differentiation strategy earlier, but the provincial differences within one country is specific to China. This diverse management of several provinces forces a Chinese firm also to have deep insights of those provincial differences.

### 3.2.3.3 Economies of Scale within China

The massive domestic market drives revenue, scalability, and local opportunities in China. The business talent within the Chinese domestic market provides good indicators to assess a firm’s future success on an international basis. Some experts mentioned terms like springboard, economies of scale, hypercompetitive market, or provincial differences. If a Chinese firm is successful on a domestic level, it was able to manage some hurdles, like provincial differences, or hypercompetitive circumstances.

A substantial amount of revenue is still generated from the home economy of China (McKinsey Global Institute, 2019, p. 1), as China itself is huge. Many companies from China have to need to internationalize or to globalize. The home country is big enough. An increase of market share is still one of the most important goals, perhaps also because there is a positive correlation between return on investment and market share (Welge, Al-Laham, & Eulerich, 2017, p. 250). A major reason for the positive correlation of market share and ROI are described by Buzzell, and Gale (1989, p. 67) as economies of scale, as the absolute cost advantages in all cost items.

The massive domestic market is unique to China (D.,A., expert interview, 13 January 2021, Appendix A), economies of scale is therefore important to mention. Chinese firms are able to produce high quantities at the decreasing price, based on the amount (M.,P., expert interview, 27 January 2021, Appendix B). The scalability is unique in China. If there is a good product, there are 1.4 billion potential customers. There are many business people who started with small quantities, who earned money extremely quickly, and that is because of the size of the country. The scalability is also a major factor for the high number of unicorns in China (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). The Chinese market itself is huge, even if you have a small market share, it is very lucrative. Not every Chinese firm aims to become a global champion, as the local potentials and opportunities are high. “Once a firm has conquered the Chinese market, the rest is not that difficult anymore. Alibaba and Amazon, the two have never met as rivals in the world. Alibaba is just beginning to set up some logistics centers in Europe, and there will definitely be some changes globally” (L.,T., expert interview, 10 March 2021, Appendix M). The scalability was mentioned before, so Chinese business people often rely on the objective fact of large numbers. If a firm assign 10,000 engineers to a problem, then there is a good chance that some very good engineers were selected, who are able to solve a problem (K.,D., expert interview, 30 March 2021, Appendix O). Also the interview partner G.,M. confirms that some Chinese companies do not aim to go international at all, due to the domestic market is huge and they have the potential to grow fast (G.,M., expert interview, 26 April 2021, Appendix S). A lot of information can be found about Huawei, but this is no typical example of a successful Chinese company. Huawei is organized very globally. However most Chinese firms are not. Most of the workforce operates in China, to take full advantage of this culture with speed, scale and costs. Probably every European automobile company is more globalized than these Chinese companies (M.,P., expert interview, 27 January 2021, Appendix B).

### **3.2.4 International Skills**

#### **3.2.4.1 Cross-cultural Branding Capabilities**

An additional factor when Chinese companies go international is the need to adapt resources and capabilities crucial for successful global branding strategies. Resources, and capabilities need to be adjusted for every single branding strategy (Beverland, Napoli, & Farrelly, 2010, p. 33). Chinese companies which can provide a global brand will play a major role in international business. The question is if a company is able to offer products for both areas, and another

question is if a company is able to adapt existing products to international standards (M.,P., expert interview, 27 January 2021, Appendix B).

The Brand Equity of Chinese Companies is still very low. Internationally seen this is a big hurdle, however companies which manage to prove the opposite will be successful. There is still a lot to be done in the context of marketing development of Chinese goods (B.,J., expert interview, 6 April 2021, Appendix Q). There are little of fully internationalized Chinese brands like Huawei and Xiaomi. “If you ask an American to tell you five Chinese brands, they probably cannot do it. There is no McDonalds, there are no brands out of China which are known at the rest of the world” (T.,J., expert interview, 23 March 2021, Appendix N). Contrasting the previous discussion on economies of scale in the Chinese domestic market, Chinese companies encounter significant challenges when expanding abroad. The next chapter examines cultural cohesion as a means to address these challenges, presenting an opportunity within the difficulties. Firms that effectively navigate localization strategies while meeting foreign cultural requirements will achieve success.

#### 3.2.4.2 Management of Language, and cultural Differences

Really being multinational is difficult. Linguistic, cultural, and regulatory barriers are core issues, most management teams do not know how to manage them multinational. Most of the Chinese management team members never worked outside of China. In Europa there are a lot of global talents, who already worked in Asia, and America. It is normal that they moved across countries in their career. The Chinese often do not have the necessary skill set. Huawei is an exceptional example of a Chinese successful, and multinational company. Huawei systematically move their employees around the world. They want to train them in doing business internationally (T.,J., expert interview, 23 March 2021, Appendix N). Chinese companies, which aim to go internationally need to overcome the language barrier. This phenomenon cannot be analyzed internationally, but also locally. There are numerous of Chinese language styles, this issue was already mentioned in the sector business talent in domestic market. There are huge provincial differences, also within the Chinese domestic market (B.,J., expert interview, 6 April 2021, Appendix Q). Not only the differentiation strategy mentioned above, but also the content of these differentiated strategies shows further hurdles. Linguistic challenges, but also cultural difficulties have to be overcome.

### 3.2.4.3 Talent to deliver international Quality Standards

Chinese Global Champions are already real competitors on the global market. Some large western companies have already recognized that it is possible to produce reliably, and cheaply in China. Western companies that rest on this assumption will lose, because the new generation of visionary Chinese companies has started. It is rather the case that those Western firms have to really think about how to secure their own business life. As already mentioned, delivering international quality standards poses a significant challenge (Liang, Marler, & Cui, 2012, p. 55; Yang & Wei, 2019, p. 151). Zirkler (2017, p. 250) emphasized the strong willingness and the visionary attitudes to learn, and the ability to quickly integrate ideas, and approaches. He also emphasized the high innovation potential of Chinese firms. Expert X., N. mentioned that in the past China was the producer, nowadays western firms should be aware of new generation companies, which do have their own strong brands. These firm can act as an independent supplier, not just as a subcontractor. An example for this is Shean Cangzhou Corp Ltd, a company with in-depth industry machine experience (X.,N., expert interview, 9 March 2021, Appendix L). Western firms moved some outsourcing activities to China, opened offices, started to produce in China, hired quality managers and delivered the results back to the West. The Chinese companies were more locally oriented, and they were not ready to go abroad at this moment. At the beginning, these were companies that had already reached a certain size in China, and then they dared to take the step into internationally business. They then invested, hired western people who knew the language and cultural aspects (M.,P., expert interview, 27 January 2021, Appendix B). Especially in southern China the combination of innovation, production facilities and a financial center can be found. In this combination it is unique in the world, that in one location products are invented, financed, and produced. This phenomenon also increases the Chinese speed and efficiency (S.,F., expert interview, 21 April 2021, Appendix I).

Rather, the Chinese companies have been invited to go abroad as if they had done it on their own. It was the West that recognized that they are able to produce cheaper and get cheaper products in and from China (M.,P., expert interview, 27 January 2021, Appendix B). China has a huge ecosystem for all of manufacturing issues. Major manufacturing is done in China (T.,J., expert interview, 23 March 2021, Appendix N), and so many manufacture is from China, the end user is not even aware of it (W.,B., expert interview, 24 March 2021, Appendix K). There are many Chinese manufacturers who produce high quality, and reliable products for western brands. One example is Voxcom Inc., as those security systems are designed in California, and made in China (D.,A., expert interview, 13 January 2021, Appendix A).

#### 3.2.4.4 Global Talent Diversity

A novel trend has emerged wherein global talents exhibit a preference for joining Chinese firms, while these firms demonstrate a profound enthusiasm and dedication towards fostering the growth of international talents. This fusion of diverse talents creates a stimulating and attractive environment. Kieser and Kubicek (1992, p. 1) previously mentioned, that employees are highly valuable resources, and it is recommendable to focus on human resource management (Varadarajan & Ramanujam, 1990, p. 463). The classic management literature, evaluated in detail in Chapter 2, the conceptual foundations, the importance of human resources came clear already. Fritz (1990) set human resources on the first place of importance for firms' success. Followed by the proximity to customers, Innovation, product quality, and the management style. Meanwhile the global roles are changing. China has a lot of capital surplus and the money must be reinvested. Chinese companies are increasingly investing in foreign companies. The acquisition of western parts will continue to the extent that the West allows it, based on its own geopolitical considerations (K.,D., expert interview, 30 March 2021, Appendix O).

Human resources are another success factor. Qualified and global talents are no longer cheap. It starts with the great wish of many Chinese families that their children can go to the best university on this globe. In the West there is currently a lot of potential in very well-educated young people who have studied around the world. Then these global talents come back, and these great potentials are promoting technology industry leaders (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). The Chinese market grew faster than they were able to train specialists. For this reason, the demand is enormous (D.,A., expert interview, 13 January 2021, Appendix A). Some Chinese companies have not been able to grow globally because of the culture and language barrier. Many of them have to combine local and global talents, especially also at the management level (G.,M., expert interview, 26 April 2021, Appendix S).

#### 3.2.4.5 Pre-Experience in small or similar Markets abroad

Chinese firms adopt a distinctive approach to international expansion by initially focusing on achieving domestic success and then targeting similar, overlooked markets in developing countries, thus avoiding competition with economic superpowers. In China you have to be successful in the domestic market in order to step into a new country. However, if you have been successful in China, you have already achieved a lot (W.,B., expert interview, 24 March 2021, Appendix K). When starting to go internationally, many Chinese firms are going to developing countries

first. It is easier than going head-to-head with Amazon.com. Exemplarily mentioned, if you are number one in China, then you can go to for example Mexico losing money for the next 10 years, and nobody will care. McDonald, as an example from the West, started exactly with this strategy (T.,J., expert interview, 23 March 2021, Appendix N). Expert L.,C. reinforces this argument. Chinese companies do is first expand in China and then in other markets, often in Latin America. Often they try their products and services in markets that are (1) similar to them, like Brazil or Chile, (2) have a similar economic situation, and (3) are not that prominent in the sense that you make a mistake in Brazil and nothing happens for the total business (C.,L., expert interview, 13 April 2021, Appendix R). Chinese expanding companies often focus on marginal market from a global perspective. This means that they often choose countries, which are forgotten by other economic superpowers, like countries in Africa or Middle East (X.,N., expert interview, 9 March 2021, Appendix L). This type of going abroad is interesting to analyze. It was not only one expert, who mentioned this phenomenon. Using the forgotten countries that are somehow similar to the Chinese market, which also has the advantage that you do not face the other economic superpowers as rivals.

#### 3.2.4.6 Involvement of Diaspora

Chinese firms utilize the Chinese diaspora when expanding globally, benefiting from the trust, connections, and networks of their compatriots in foreign markets. Chinese diaspora is used a lot when Chinese firms starting to go abroad, as they trust their own compatriots. Diaspora is very important, as these firms move to where they know the Chinese emigrants and the Chinese community (C.,L., expert interview, 13 April 2021, Appendix R). Diaspora is one of the reasons for success, as clearly can be seen in India. The companies that have Chinese members on the management board are exciting to watch, as the Chinese board members have innumerable connections and networks, which are then mainly used for international expansion (B.,J., expert interview, 6 April 2021, Appendix Q). Using diaspora when going abroad is mentioned in previous literature, however concrete formulations towards Chinese firms starting to go abroad were not found. As cultural differences should not be underestimated it is a good and somehow save solution for Chinese people to gain international experiences.

### 3.2.5 Cultural Cohesion

#### 3.2.5.1 Hybrid Values of Confucianism and Western Philosophies

A favorable corporate culture is achieved when Western and Eastern values are combined and integrated, influenced by factors such as Confucianism, Guanxi, Western flat management style, or openness towards technological innovations. As stated in the theoretical part of this dissertation, Chinese firms can achieve cultural cohesion by effectively combining Western and Eastern leadership approaches (Zirkler, 2017, p. 250; Seelmann-Holzmann, 2017, para. 2-7; Li & Liang, 2015, p. 595). Chinese life is still heavily influenced by Confucianism, which expresses the basis of Chinese values (Holtbrügge & Puck, 2004, p. 20). Contrary on that one first step could be the integration of western flat management styles (Lee, 2014, p. 87). The success of combining Western and Eastern cultures is not only evident in literature but also supported by experts. It is suggested that a promising difference can be made by integrating traditional top-down and modern bottom-up management approaches. A clear illustration of this difference can be observed when comparing Jack Ma, the founder and head of the Alibaba group, with Jeff Bezos, the founder and Executive Chairman of the Western Amazon.com, Inc. Chinese working culture places significant importance on teams and teamwork, while also exhibiting a hierarchical approach influenced by Chinese Confucian culture. While top-down management has been the traditional norm, there is a new wave of team management emerging in China, led by younger managers like Jack Ma. Despite initially experiencing years of losses, Jack Ma's strategic vision enabled him to achieve exceptional profits from the beginning (K.,T., expert interview, 3 May 2021, Appendix H).

Guanxi plays a big role, as mentioned above. In China this sense of networking is much broader, a network of relationships, also different companies with each other and not just companies with politics. This is specific to China, and is considered as a different system (S.,M., expert interview, 8 March 2021, Appendix J). An additional cultural aspect is that not only the Chinese companies are very young, in terms of the company's history, it is also the workforce which is very young (W.,N., expert interview, 28 January 2021, Appendix C). Chinese economic reform is only 40 years old (W.,B., expert interview, 24 March 2021, Appendix K), the standards are not yet clearly defined. China is a young economy in the modern sense. There are stable reference points in the west, not yet in China (D.,A., expert interview, 13 January 2021, Appendix A). The Chinese population is much more open to technology and jump on new trends much faster. This fosters a demand pull of technological innovations. During the Covid-19 crisis, a

lot of people are ordering online, which opens completely new opportunities. Also there, in Europe we are still reluctant, however in China the technological progress is much faster (L.,T., expert interview, 10 March 2021, Appendix M). Digital affinity in the home market delivers additional speed into the progress. In general, dealing with electrical things in daily life is fully implemented in China and further innovations can be implemented very quickly. There are electrical things that are quite normal in China, however, in Europe there is not even a provider for this things (D.,A., expert interview, 13 January 2021, Appendix A). Peters, and Waterman (1982) defined corporate culture as a soft fact having high positive influence on organizational performance, as stated in a previous chapter (Chapter 2.2.1). Cultural competence in Chinese business environment is complex. Guanxi as the intangible personal connections between people is a key component. The difference to western business connections is that Guanxi is much broader. There is an invisible line between people, it is untouchable and there is a huge amount of trust. As the western and the Chinese business cultures grow together on an increasing base, a consensus has to be found also on the cultural level.

### 3.2.5.2 Authoritarian Corporate Culture

Expert interviews indicate that a rigid management style expected by the Chinese workforce is an exciting phenomenon, especially in the international sense. The patriarchal Chinese culture promotes things such as taking the company mission to heart, or the leader being perceived as a kind of teacher.

The owner and founder of a Chinese firm plays a major role. It is like ‘I have a dream’, where the way there is clearly traced. Those visionary founders are really ambitious (N.,W., expert interview, 25 march 2021, Appendix P), the commitment towards the job in general is higher in Chinese firms (Müller & Yuan, 2017, p. 6). In chapter 2 it was already discussed that a powerful leader is responsible for entrepreneurial success (e.g. Appelbaum, Everard, & Hung, 1999; Dyer, Gregersen, & Christensen, 2009), and this person exhibited a strong drive for achievement and a moderate desire for power (Howell & Higgins, 1990, p. 321). An opposite interpretation was stated by interview partner C.,L., as she mentioned that the Alibaba Group, and Huawei Technologies Co., Ltd. are exceptions on that. Usually there is a top team, a team that works well, also on the leadership level. The big, big leader is more likely to be associated with western companies (C.,L., expert interview, 13 April 2021, Appendix R).



The boss of a Chinese firm is like a teacher (Müller & Yuan, 2017, p. 6). The Chinese people have a very patriarchal culture shaped by their father and family, also confirmed by the expert interviews. This culture shows consequently that a manager has to lead very strongly in China. This description can be interpreted as a strong micro-management (M.,P., expert interview, 27 January 2021, Appendix B). The micro-management not only relates to operational activities, but also to strategic orientations. Ultimately, the mission and vision become ingrained in people's DNA. In China, employees see the mission statement everywhere, and every day. The corporate culture as a whole is exemplified from top down rigidly, and the vision is dictated to all of these employees. As a comparison to Swiss companies, of course they also have a mission and a vision statement. It can happen that these statements are put in a folder or hang framed on the wall, but not every detail is lived out as Chinese firms would do that. In China, the corporate culture is made of one piece, it is prescribed, strict attention is paid to the fact that these values of the company are lived (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). Expert T.,J. mentioned that in today's Chinese business the quantity alone does not lead to success. "The last 30 years the definition was big. This definition changed in the last 5 years. [...] The metric was always size, now we talk about quality and other things. [...] Now we talk about big and smart" (T.,J., expert interview, 23 March 2021, Appendix N). The corporate culture becomes part of the DNA, and is not filed away in a folder, as is the case with many Western companies.

### **3.2.6 Audacity of Visionary Management**

#### **3.2.6.1 Entrepreneurial Willingness to take Risks**

Successful Chinese companies thrive on risk-taking, embracing uncertainty and adapting swiftly to drive growth. This culture of active learning from failures is led by strong, risk-ready leaders. The experts further mentioned, that the successful Chinese companies have a 'risk appetite' far beyond most multinational companies, and they will sign big deals based on intuition. Sometimes this is because there is no other choice, due to the fierce competition. The safe middle course no longer exist (Z.,J., expert interview, 14 March 2021, Appendix D). Uncertainty, and unpredictability contain high potential for rapid growth, and surprising corporate successes (Galbraith, 1974, p. 36; Baum & Wally, 2003, p. 1108), confirmed in a previous chapter (Chapter 2.2).

Certainly, there is another risk culture in Chinese business environment. They just try and if it is doable than it is fine, if not they try something different (D.,A., expert interview, 13 January 2021, Appendix A). Chinese business people do not mind in failing. As a comparison, companies from the United States try to establish a competitive advantage and afterwards they grow. Chinese companies build their competitive advantage in a circular way, meaning they start immediately and try the product. If the product does not work than they adjust it and move it, this is part of the business culture (C.,L., expert interview, 13 April 2021, Appendix R). If a company is unsuccessful or goes bankrupt, it is not as disastrous as it is for western business culture. Chinese business people just found a new company, and this procedure is not perceived as a total failure, as it would be in Europe (S.,M., expert interview, 8 March 2021, Appendix J). This accepted risk culture and active failure culture can also be observed on the operational level. Expert D., A. mentioned an example on a false delivery. The Chinese company immediately sent another delivery. They did not spend a lot of time on searching the source of the problem, they looked ahead, and did not waste time on any past circumstances (D.,A., expert interview, 13 January 2021, Appendix A). In accordance on that, literature also mentions the phenomenon of the entrepreneurial high willingness to take risks is primarily lead by strong leaders. They show a personal characteristic, as a need for achievement, persuasiveness, or a willingness to take risks (Howell & Higgins, 1990, pp. 321-322). One almost speaks of an impatience to succeed as a reason to take high risk (Jarosiński, 2012).

### 3.2.6.2 Pragmatic Decision Making

Chinese companies thrive on pragmatism and risk-taking, embracing unconventional ideas and making fast decisions in a competitive market. Baum, and Wally (2003, p. 1107) mentioned fast strategic decision-making, which was confirmed by expert interviews. Chinese pragmatism is a key success factor in a class of its own. They change quickly, look for new ways, and fully live the try-and-error principle (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). Generally mentioned, Chinese leaders are really risk takers. They interpret life as a risk, that is why they try things that seem crazy to the West. “I think we can still learn a lot there. You see that not only with entrepreneurs, but also with banks, which are also more willing to take risks than in Europe” (M.,P., expert interview, 27 January 2021, Appendix B). As previously noted, the success of one company often depends on the failure of another in the hypercompetitive market, fostering a mindset that accepts failures as inherent to the system. In this landscape of countless ideas, competitors, and products, a culture of risk-taking becomes crucial as

standardized approaches no longer guarantee success. Chinese Global Champions emerge by embracing unconventional ideas and demonstrating a willingness to take risks. Chinese decision-making, characterized by pragmatism, stands in contrast to the well-evaluated and extensively studied decisions dominant in the Western context.

### **3.2.7 Governmental Favoritism**

#### **3.2.7.1 Alignment with the Government's core Strategy**

Chinese private firms often benefit from government support or protection, especially in key industries aligned with the Made in China 2025 initiative. The above statements on government support from the literature were confirmed by experts. An attractive system for private companies is supported by the Chinese government, there is no other country where this is the case to such an extent (Jinzhi & Carrick, 2019, p. 3383; Li & DaCosta, 2016). The big players have been bred by the Chinese industrial policy. In the first step they were successful from an intrinsic power, but in the second step they received a good portion of government funding (K.,D., expert interview, 30 March 2021, Appendix O). Supposed private Chinese companies, do have influence from the state somewhere. Behind any corner they are state-owned or receive state support at least. Therefore the clear distinction of what is a 'Chinese private firm' is not that easy as it is in western culture (W.,B., expert interview, 24 March 2021, Appendix K). Chinese private firms are not private in the sense, as we know it from the West. These firms enjoy at least passive protection or passive support from the Chinese government (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). These statements underline the importance of the chosen category from the case studies 'in alignment with Made in China 2025 key industries'. As confirmed by experts, it seems to be clear that a preferable system is built around certain industries, which is a success factor for firms accounted to these industries.

#### **3.2.7.2 Networking Skills in political Circles**

Networking in political circles is a success factor. This is not only confirmed by the expert interviews, it was also mentioned in the literature (Li & Liang, 2015, p. 595). This should not be understood as the western lobbying with the aim to change framework conditions. It's a kind of mutual giving and taking, Chinese business men are well connected to politicians. Exemplarily governmental core strategies are the 'belt and road initiative' or the 'go global initiative'. Entrepreneurs must recognize the relevance of the mentioned statements and adhere to them,

as refusing to do so could lead to long-term disadvantages within the Chinese system. Chinese firms strategically choose to follow the guidance, even if it may not seem ideal at the moment, in order to position themselves favorably for future opportunities. The support provided by the Chinese government is undeniably an external success factor for these firms (Z.,P., expert interview, 17 February 2021, Appendix E).

Interview partner S.,M. mentioned a major motivation behind networking in political circles. Chinese firms must be networked in order to somehow get funds. The local political networking, that is, that a firm gets money from local authorities, gets land, or is well connected to companies. Guanxi, which is mentioned later, plays a big role. These companies just manage to look for opportunities to be open and flexible for all possibilities (S.,M., expert interview, 8 March 2021, Appendix J). Chinese Global Champions are somewhere linked to the state, precisely because they are in the category where China would like to achieve world domination. The interviewed expert K.,D. struggled to find a current Chinese Global Champion where the state has not pushed along, or where the state made sure that this current Chinese Global Champion has achieved a position like a monopoly (K.,D., expert interview, 30 March 2021, Appendix O).

### 3.2.7.3 Benefit of Guanxi Connections

The importance of the China-specific attitude of Guanxi connections for firm performance is confirmed, and is mentioned to be broader than Western lobbying. As mentioned above, Guanxi improve performance (Li & Zhang, 2007, p. 791), while similar statements connecting Guanxi to firm performance can be found (Siu, 2000, pp. 29-33; Liu, Xie, & Xu, 2019, p. 1954). Lobbying in the western understanding is when companies go into politics, trying to chance something. In China it is much broader, a network of relationships, also with other industry player, and not just companies with politics. China shows a different system. Planned economy was a big topic, as the supply was always less than the demand. Industrial policy tried to satisfy this demand. As soon as the freedom in economy was there, the privatization, that private business was allowed, then new ideas emerged from this economy of shortage. A noticeable important issue is that nowadays entrepreneurs are sticking more closely to regulators because there is a risk of being sued for corruption. Networking and corruption are a flowing story, consequently the distinctive networking skills in business affairs do have limits in regulatory affairs. There are laws where the distinction between networking and corruption is stated, in truth it is fluid (S.,M., expert interview, 8 March 2021, Appendix J).

### 3.3 Case Studies and Discussion of defined Success Factors

The case studies presented serve as empirical evidence for the previously developed research model of Chinese Global Champions together with findings from the literature and expert interviews. The goal of the case studies, as described above, is to validate the capabilities and success factors of Chinese Global Champions. The success factors are adjusted and partly deleted, but no new factors are added. Theoretically, it was not excluded that new success factors are added. These case studies provide specific insights that refine the research model. The analysis focuses on 23 selected Chinese companies, which for more clarity will be briefly referred to as ‘the company’ or ‘Alibaba’, referring in each case to the official names as given in the headings of the respective case studies.

#### 3.3.1 Alibaba Group Holding Limited (BABA)

##### 3.3.1.1 Facts and Figures

“Our mission is to make it easy to do business anywhere”, this is the clearly defined mission of the firm (U.S. SEC, 2020a, p. 61). The product development expenses are 42% of total costs, followed by general and administrative expenses, and marketing and sales expenses (U.S. SEC, 2020a, p. 127). The stock’s value in October 2022 was 72.18 USD, an annual decline of 59.38% compared to October 2021. One comparison shows this decline is roughly the same than the decline of the last five years of 59.29% (Marketscreener, 2022a).

##### 3.3.1.2 Discussion of Characteristics according to Chinese Global Champion’s Success Factors

The Alibaba ecosystem is complex on a high scale, and the network effects within this ecosystem need to work interlocking to positively affect the business. A strong network among consumers, merchants, brands, retailers, and other participants is to the success. To this extent of the Alibaba ecosystem, several factors are relevant. The balance of several interests must be met, this includes consistently high quality in products, services, and content, internally, as well as externally. It is not only important to attract, moreover to retain a wide range of stakeholders, while the continuous adaptation to changing demands of the market is crucial (U.S. SEC, 2020a, p. 7). New technologies of network coordination, and data intelligence fostered Alibaba’s success. The Alibaba ecosystem is faster, smarter, and more efficient than traditional business

infrastructures (Zeng, 2018, para. 1). “Smart business emerges when all players involved in achieving a common business goal” (Zeng, 2018, para. 3), which is one of the key success factors of Alibaba. Consumption, Cloud, and Globalization are three strategic areas for the firm in which it operates, which is demonstrated in figure 11 (Alibaba, 2022, para. 1).

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*Figure 5: The Alibaba Ecosystem (Alibaba, 2022).*

Marketline (2022a, p. 5) summarized the Alibaba story in a SWOT-Analysis. To the major strengths were interpreted within three pillars, the focus on research & development, the growth in revenue, which improves investors’ confidence in the company, and the presence across the entire e-commerce value chain. Increasing liabilities were pointed out as the prominent internal weakness. External opportunities are the positive outlook for global online retail market, and global cloud computing market, and strategic initiatives. The external threats refer to tightening tax compliance from sellers on the website, intense competition, and compliance with regulations. Alibaba’s vision is split into three major pillars: (1) ‘Meet @ Alibaba’, (2) ‘Work @ Alibaba’, and (3) ‘Live @ Alibaba’. Commercial and social interactions should be combined for all members and people involved. A well-established infrastructure for commerce, and new technology should empower the ecosystem participants. The visionary aim is that the products and services become central to the everyday lives of the customers (U.S. SEC, 2020a, pp. 61-62). Three main strategies will allow the firm to grow: (1) Drive user growth, and engagement, (2) empower businesses to facilitate digital transformation, and improve operational efficiency, and (3) continue to innovate (U.S. SEC, 2020a, p. 67).

The strong cultural competence of the firm positively influenced the success. The cultural values were strongly defined by the firm’s mission, vision and values (U.S. SEC, 2020a, p. 7). The

fundamental way on how the firm operates, recruits, evaluates, and compensates are six clearly defined pillars of core values, summarized as: (1) Customers first, employees second, shareholders third, (2) trust makes everything simple, (3) change is the only constant, (4) today's best performance is tomorrow's baseline, (5) if not now, when? If not me, who?, and (6) live seriously, work happily (U.S. SEC, 2020a, pp. 61-62).

Digital companies need to have a network to realize their vision. The leader of such companies plays a major role to inspire the employees, partners, and customers. These visionaries form almost religious properties, are called evangelists or preachers. At the highest level, the digital visionaries must understand what the future will look like on a societal, economic, and technological way. It is no longer about to manage a firm, it is much more to enable workers, as 'leaders' most important job is to cultivate creativity. The big difference of digital visionaries is that they have to increase the success rate of innovation, while traditional managers rather improve the efficiency of the operation (Zeng, 2018, para. 4). To fulfill these visionary goals, top individual talents, and also experienced global talents are recruited locally, and overseas to foster the core technologies for online, and mobile commerce, and cloud computing. Advanced training programs were designed specifically for new campus hires (U.S. SEC, 2020a, p. 151).

The years-long isolation policy from international digital competition by the Chinese government has led, among other things, to the success of Alibaba. Google, or Amazon could not develop as in other Western countries, controlled by Chinese protectionism. State support is considered a key success factor for Alibaba (Walbaum, 2018, para. 2). High market entry barriers in Western markets also apply to Alibaba. Amazon has a very strong market position in the B-to-C area, and is very well positioned. However, experts' forecasts show that the Western market will be divided between U.S. big concerns, and competitors from China. B-to-C activities of Alibaba in the Asian region cannot be easily scaled to Western markets. The high level of market knowledge applies to the respective core market, and not for the global scale (Walbaum, 2018, para. 3). The ongoing geopolitical conflict, may have an adverse effect on the core business. International trade or investment policies can change, which could lead to a delisting from U.S. stock exchanges, or other radical determinants (U.S. SEC, 2020a, p. 12). Complex evolving domestic, and international laws and regulations harm the operative business of the firm. Uncertain interpretations could lead to claims, regulatory investigations, penalties, or major increased cost of operations. As a result, user growth, or engagement could be at risk (U.S. SEC, 2020a, p. 23). The Alibaba ecosystem covers countless examples of how a large company operates successfully, with the reservation that the daily barriers, and grievances are probably

not covered in the given sources. This huge ecosystem is a holistic predominant independent ecosystem. Predominant means that the Chinese government does have an eye on the firms doing, as mentioned in this chapter. Clearly stated was the visionary management of the firm. The founder Jack Ma fostered his highly visionary motivation towards the Alibaba group. Nonetheless the firm's offered smart technologies, and the huge sum of money invested in research, and development promises the positive ongoing of the Alibaba group.

### **3.3.2 Baidu Inc. (BIDU)**

#### **3.3.2.1 Facts and Figures**

"Our mission is to make the complicated world simpler through technology.", as stated on the firm's website. Baidu defines itself as a leading Artificial Intelligence (AI) company. Since 2010 huge sums of money was invested in AI technologies. The breadth, and depth of Baidu's AI capabilities provide the differentiating foundational technologies that power the firms core businesses (U.S. SEC, 2020b, pp. 65-66). Approximately 24,000 employees work in research and development department, which is 58% of the total employees (U.S. SEC, 2020b, p. 153). In August 2005 Baidu, Inc. went public to U.S. stock exchange with a starting exchange rate of 6.6 USD. In the last 12 months Baidu, Inc. stock had a decline of - 48.64%, summed up the five years it was a decline of - 65.56%, and a decline of - 19.77% mentioning ten years (Market-screener, 2022b).

#### **3.3.2.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors**

The technologies in which Baidu focused are rapidly changing. The firm has to follow this pace in order to be successful in future. The ability to respond to rapidly changing technologies are the key to success. The products, and services have to fit to evolving industry standards, which need to be discovered early (U.S. SEC, 2020b, p. 13). Baidu is an early adopter of artificial intelligence. Baidu Brain is the core AI technology engine, to develop new AI businesses. The firm operates in two main segments. 70% of the revenue is done in the Baidu Core sector, 30% of the revenue is done with iQIYI, the video-on-demand provider (Baidu, 2022a). The offered products and services are versatile and create a complex mobile ecosystem. The Baidu app, the app Haokan, and the app Quanmin are the platforms for users. In addition to AI solutions and knowledge and information-centric products, Baidu offers Baidu Health to support doctors and



hospitals in their online presence. DuerOS is a leading smart assistance, integrated in Xiaodu smart products, while Baidu maps offers travel-related services (Baidu, 2022b).

Three growth engines empower the Baidu Core business: (1) Mobile Ecosystem, (2) AI Cloud, and (3) Intelligent Driving & Other Growth Initiatives. The mobile ecosystem is a portfolio of several apps, that aggregates a wide range of AI building blocks, and helps communities connect, and share knowledge, and information. Baidu's AI Cloud is full with cloud services and solutions, while intelligent driving & other growth initiatives mean that major business can emerge in this sector as well. Intelligent driving, which include self-driving services, including maps, automated valet parking, and autonomous navigation pilot, intelligent electric vehicles, and robotaxi fleets, show big growth potential. Until now Xiaodu smart devices counts to category 'other growth initiatives', however should not be underestimated (Baidu, 2022a). This brand is discussed on the next page.

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*Figure 6: The search engine strongly resembles Google, the industry leader (Iqual, 2022, para. 1).*

The firm is very proud of its newest technologies in the area of artificial intelligence, autonomous driving, multi-sensor fusion systems, knowledge-enhanced artificial intelligence models with deep learning, and intelligent production of digital humans, such as voice, semantics, and vision (Baidu, n.d.).

The overseas operations rely on language hurdles, especially in this industry sector. The services of Baidu were launched in Chinese language in several countries. It is uncertain if the

Chinese services have success potential at all. Also, network services, and data center hosting services rely on Chinese telecommunication operators, and the systems for these international products, and services are not redundant across different regions, and data centers. The foreign internet infrastructure, and the data centers show big challenge for international success. The availability of Baidu's services internationally depends on the local internet infrastructure there (U.S. SEC, 2020b, p. 30). This theme is not only known in the motivation to go international, but also locally, in the Chinese market. The Chinese government regulates the internet, and related industry extensively. Licensing, and permit requirements are essential for the firms' operations. Internet-related laws, and regulations are relatively new, and evolving. Interpretations and enforcement involve significant uncertainty (U.S. SEC, 2020b, p. 41). The internet search engine is provided in Chinese language. The services are provided through the website Baidu.com. Online information includes news, images, web dictionary, video search, documents, and multimedia files. Additional services include entertainment, social networking, photo storing, and sharing, music products, and location-based services. China, the US, Cayman Islands, Hong Kong, Thailand, Indonesia, Brazil, and Japan are the countries in which Baidu operates (Marketline, 2022b, p. 3). Without a doubt, the understanding of the language is essential in order to take advantage of an internet search engine platform. Baidu's success depends on the infrastructure, and its regulations on the one hand, and on the linguistic understanding of its customers on the other. Language is fundamental to search engines, unlike physical products for everyday use.

The success, as the same for all other firms, lies within highly skilled personnel. The retainment, the motivation, and the hiring are essential for further profit from those talents (U.S. SEC, 2020b, p. 24). Global talents are collected internationally. Baidu already has a leading edge, since research is not only done in the Chinese headquarters, but also in Silicon Valley, and Seattle (Baidu, n.d). The research, and development resources highly focus on Xiaodu. Xiaodu is a brand within the Baidu ecosystem, which develops smart speakers. Baidu invested significant resources in the brand, and the research, and development of Xiaodu smart products. The development of smart products is very uncertain and represents the greatest growth opportunity for Baidu, but also a high risk if the market develops in a different direction than planned (U.S. SEC, 2020b, p. 15).

In terms of the structure of a search query, the search engine is strongly reminiscent of the industry leader Google. Both Google and Baidu derive their financial income from search engine marketing. Baidu is one of the top 5 websites worldwide, with a market share of almost

two thirds in China. Foreign companies that want to be active in China must take Baidu into account in their marketing mix. As already described, Baidu offers content almost exclusively in Chinese, unlike the industry leader Google. Baidu, on the other hand, is repeatedly accused of filtering content that is or could be regime-critical (Iqual, 2022, para. 1). The search engine Baidu works closely with the authorities in China, automatically making itself an instrument of state control over the content published, and available on the Chinese internet portfolio. Google had bought two percent of Baidu shares in 2004, but discarded any motivation to become strong in the Chinese market in 2010. Almost impossible that Google could reach the desired market shares in China (Ryte, 2021, para. 3-4). As the market leader in search engines in China, Baidu has good contacts with government agencies and administrative authorities and enjoys a certain goodwill. From the outside, it is often interpreted that the Chinese government exerts influence on the content of Internet services. The accusation is directed at censorship, so that no content can be found on Baidu for certain stimulus words. The accusation is also directed at Baidu, in the sense that the company is involved in state-organized internet control. However, conclusive verification is not possible (Fuchs Media Solutions, n.d., para. 7). The governmental connection is particularly important for Baidu; everything depends on the Internet infrastructure. This close cooperation is often accused of censorship and state-organized Internet control. The language is also crucial, which is why the global successes are still manageable. The almost exclusively Chinese content keeps international customers away.

### **3.3.3 Kingsoft Cloud Holdings Limited (KC)**

#### **3.3.3.1 Facts and Figures**

The firm's mission is to empower enterprises with cloud services (U.S. SEC, 2020c, p. 55). To ensure the quality of their products, they invest in research and development above average. 59% of the total employees working for research and development, that are 1,286 engineers, researchers, programmers and computer and data scientists in total (U.S. SEC, 2020c, p. 55). In May 2020 Kingsoft Cloud Holdings Limited (KC) went public to U.S. stock exchange with a starting exchange rate of 20.4 USD. Over the last 12 months the firm's stock had a decline of 91.77% (Marketscreener, 2022c).

### 3.3.3.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

Kingsoft Cloud acts as the largest independent cloud service provider in China. As mentioned above, the firm strongly pushes research and development, and as the firm is fully independently operating, they mobilize resources to push the business models and provide high-quality services. As Kingsoft Cloud is independent, they therefore earn additional trust from more and more customers (Kingsoft Cloud, n.d.a, para. 3).

To empower enterprises with cloud services, as stated by the firm's mission (Kingsoft Cloud, n.d.a, para 1), the need for such services must be seen. The benefits of cloud services came clear more, and more in this new sector, the opportunities are high. Cost reduction, flexibility, scalability, and reliability, are the main benefits compared to traditional on-premise IT models. A structural shift from traditional on-premise IT models to a cloud-based model can be observed, which offers huge potential in this sector. The growth potential for this industry is tremendous, as stated by the firm. The China's cloud market is at an early stage, and much lower than the cloud market in the United States (U.S. SEC, 2020c, p. 55). The components offered by the firm consist of cloud infrastructure, cloud products and industry-specific solutions across public cloud, enterprise cloud, and IoT cloud services. Several categories, like networking, security, video services, database, data analysis, and storage and delivery are covered by the firm's cloud products (Sustainalytics, 2022c).

Applications for multiple industries are offered by Kingsoft Cloud as fully solutions. Five main areas in which the firm operates are demonstrated here: (1) Medical, and Healthcare Solution, (2) Supply Chain Finance Solution, (3) E-Government Solution, (4) Integrated Service, and (5) Kingsoft Cloud Gaming Service (Kingsoft Cloud, n.d.b., para. 3).

The firm is motivated to develop talents globally to improve the employee's all-around capabilities. 'We wish to grow together with our employees', a wide range of opportunities for training and incentives were established (U.S. SEC, 2020c, p. 71). Although the firm is already motivated to establish global talents, geographically, the firm operates in China. All descriptions on customers, projects, and strategic plans are oriented on China. At this time, the firm has not identified the motivation to operate internationally. The ESG Risk Rating stated a medium risk for buying shares from Kingsoft Cloud (Sustainalytics, 2022c). China is the second-largest cloud market behind the market of United states. The international opportunities are high. The firm's management still sees the digital transformation in the economy as its greatest

opportunity. The estimation is that the Chinese cloud market will triple in size within the next three years to \$90 billion. The Chinese cloud market was timely short after the United States market, and started the process later. In forecasting the development in the United States, it is noted that there is good potential for profit on the Chinese market (Ballard, 2022, para. 2-3). On a long term it is predicted that this is a safe win, if there were no competitors. Some of the existing competitors, also including potential competitors from the West, enjoy greater brand name recognition, longer operating histories, and more established customer relationships compared to Kingsoft Cloud. It is possible that those competitors may be able to respond more quickly and effectively to new opportunities, technologies, standards or customer requirements (U.S. SEC, 2020c, p. 7).

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*Figure 7: Kingsoft Cloud listed on US stock exchanges with pride (Bamboo Works, 2022).*

The whole industry is strongly regulated from Chinese government, as already stated. Some areas in which a high focus is set on are the regulation on value-added telecommunications services, regulation related to internet security, and privacy protection, regulation related to employment, social insurance, housing fund, tax, merger and acquisition rules, and overseas Listings (U.S. SEC, 2020c, pp. 73-80). Kingsoft Cloud operates independently, however after

reading these main areas on governmental regulations, it comes clear that the freedom to move in this business is markable small.

### 3.3.4 Zepp Health Corporation (ZEPP)

#### 3.3.4.1 Facts and Figures

“A smarter way to manage health. For everyone, everywhere.” This is what Zepp Health Corporation stands for. Accessible solutions to empower consumers, businesses, and providers to realize their health, and wellness needs is the core intent of Zepp Health Corporation (Zepp Health Corporation, 2021, para. 1). 887 employees work for research and development, which is 58% of the total staff of 1,507 employees (U.S. SEC, 2020d, p. 99). The current stock of Zepp Health Corporation is worth 1.17 USD, which shows a decline of - 87.28% over the last 12 months. Four years ago, the firm went public to U.S. stock exchanges with a starting value of 12 USD (Marketscreener, 2022d).

#### 3.3.4.2 Discussion of Characteristics according to Chinese Global Champion’s Success Factors

Cavenagh (2022, para. 3) stated that Zepp Health Corporation is an early mover in the industry. There is a global trend towards smart wearables and smart devices, therefore the firm’s potential is high. Zepp Health Corporation (2021, para. 2) stated four key interpretations on how to win with its products: “(1) Dig deeper & push boundaries, (2) Inspire positive change in the world, (3) Are accurate, reliable & rigorously tested, and (4) Seamlessly integrate & are accessible to all.” The product portfolio established a world-leading health, and fitness ecosystem. Core elements include smart wristbands, smartwatches, sports headphones, treadmills, weight, and body fat scales, shoes, clothing, and other accessories. Two major areas of growth strategies are mentioned by Zepp Health (2021, para. 2): (1) Smart consumer health, and fitness devices, and (2) Data analytics services. Connect health with technology, this was the vision why Zepp Health was founded in 2013. End of 2020, Zepp Health had nearly 40 million active users. The gathered information has empowered the firm to develop data analytics services. This pool of information should support population health managers and medical researchers.

The firm is very proud that media shows the mentioned statements: ‘The most intriguing product I’ve tested is the Amazfit GTR 3, a rival to the Apple Watch that feels more sophisticated

as a health device’, or ‘If there’s one thing you can’t knock Zepp Health for it’s that it’s really pushing the boundaries of how good affordable smartwatches can look.’ (Zepp Health, 2021, para. 5). The ESG Risk Rating was determined as medium risk for stock shares of Zepp (Sustainalytics, 2022b).

Zepp Health Corporation is China-based, and its smart-wearables and its cloud-based services are mainly merchandised through Xiaomi. Xiaomi and Zepp have signed a strategic agreement. Zepp Health Corporation is the Designer and Developer, while Xiaomi does the distribution (Cavenagh, 2022, para. 1). Xiaomi has to pay back the total development expenses, while the companies share net-profits from sales in a 50:50 agreement (Cavenagh, 2022, para. 2), moreover, Xiaomi supports general capabilities in research and development, and supply chain issues from Zepp. Xiaomi already operates in South East Asia, and India. Xiaomi has very strong distribution networks in these markets, from which Zepp benefit from. They’re both growth potentials are high. (Cavenagh, 2022, para. 3). If Xiaomi suffer reduction of sales, this would have bad consequences for Zepp Health Corporation (U.S. SEC, 2020d, p. 16). The accurate forecast of consumer demand is in the full responsibility of Xiaomi (U.S. SEC, 2020d, p. 24), which underlines the importance of a professional and trustworthy cooperation.

The alignment with governments core strategy does impact a lot. In China there is heightened political risks for technology and internet companies. One example is that Zepp collects user data through the wearables, which might draw political attention (Cavenagh, 2022, para. 5). The regulations of Chinas government have huge impact on the doing of the firm. One example is that in the area of acquisitions there are already strict regulations, while another change could affect the business a lot. Also, the acquisition activities by foreign investors are more time-consuming, and complex. Zepp Health Corporation may want to enlarge the business through mergers and acquisition, and mention the corporate regulations as high risk (U.S. SEC, 2020d, p. 63).

On the network platform LinkedIn promotes itself as global, moreover location from which the company is, was stated as California, United States (Zepp Health, 2021). On the company’s own website in the rubric investor relations, the China address with two different subsidiaries Zepp Health Corporation, and The Piacente Group, Inc., as well as a subsidiary in California, The Piacente Group, Inc. (Zepp Health, 2021, para. 3). Why is it kept quiet that it is a China-based firm? Zepp Health Corporation seem somehow obvious that the firm will win in the near future. However, the area in which the firm operates is highly dynamic. Smart wearables are

just one technology, easily it could happen that a new innovation reshuffles the cards. As mentioned above Zepp Health Corporation is highly dependent of his partner's sales. The strong partnership to Xiaomi shows high potentials, as well as risks in several areas.

### **3.3.5 Canaan Inc. (CAN)**

#### **3.3.5.1 Facts and Figures**

Canaan Inc is a developer of supercomputing chips, and the manufacturer of digital blockchain computing equipment. The firm is already internationally, as it sells its products in China, the United States, Hong Kong, and other small foreign countries. China is the biggest market for this firm (Sustainalytics, 2022a, para. 1). Canaan describes its products delivering superior cost-efficiencies and performance, while they are striving to advance today's world with powering transformative technologies. Limitations of computing hardware needs to be solved first (Canaan, 2022, para. 1). The major key points of this firm get clear in the first sentence of the firm's own description. The research and development team comprises 85 members, which is 34.3% of our total employees (U.S. SEC, 2020e, p. 50). The stock of Canaan Inc. is worth 3.23 USD, and started with 12.6 USD. The difference compared to 12 months ago is -60.37% (Market-screener, 2022e).

#### **3.3.5.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors**

"Super Computing is what we do – Social Enrichment is why we do" is the slogan on the firm's website (Canaan, n.d.). One product category is artificial intelligence accelerator chips, the newest one is called Canaan K510. Canaan Inc. is introducing a new version of this chip with more performance at the World Artificial Intelligence Conference. Even with the previous model, named Canaan K210, the company played in the premium segment. These chips accelerate neural networks in AI programming, but are problematic in product availability, as the demand is higher than supply (Tam, 2021).



Available from: <https://www.cryptotimes.io/hive-to-purchase-new-4000-bitcoin-mining-machines-from-canaan/>.

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*Figure 8: Canaan produces among other things bitcoin mining machines (Chavda, 2021).*

Hive which is a specialist firm for mining facilities located in Canada bought 4,000 bitcoin mining machines from Canaan Inc, which represent another product category of the firm. This order was only a further one, as big sums already went through their business partnership. Firms outside of China noticed this successful competitor, as Canaan Inc entered foreign markets successfully. The non-Chinese firms now invest high sums of capital to defend the crypto mining sector in their local markets, especially defend it from powerful Chinese competitors like Canaan Inc (Chavda, 2021). Significant investment in research and development is required to remain competitive in this area. The company itself claims that it is unlikely to be able to invest the required amount (U.S. SEC, 2020e, p. 13).

Sustainalytics (2022a, para. 1) provides the Environmental, social, and governance (ESG) risk ranking. Canaan is ranked on the 272<sup>nd</sup> place out of 312, while the first place would be the best and demonstrates the lowest risks. In the semiconductor industry this firm is rated low, with a severe risk. Five categories, mentioned as negligible, low, medium, high, and severe risk. These are risky industries in which Canaan has won high sales in the short term. The industries in which Canaan operate are characterized by constant change (U.S. SEC, 2020e, p. 10). Significant revenues derive from Bitcoin mining machines. If the interest for Bitcoin mining machines drops than the firm needs to have a brilliant second plan. The second pillar of Canaan Inc is focused on Artificial Intelligence, an insanely competitive market, where it is not clear yet in which direction this theme will develop. It is a somewhat 'anything is possible' industry (U.S.

SEC, 2020e, pp. 8-9). Although the firm already operate internationally, most of their sales come from China. It is feared that changes in regulations will mean financial ruin (U.S. SEC, 2020e, p. 12). This again underlines the importance of the Chinese government's rules of the game. As of today, it is realistic that a drop in bitcoin price will definitely mean a drop in interest in bitcoin mining machines, which could effectively lead to the end of this company. The same applies to the very dynamic market of Artificial Intelligence.

Summarizing the high relevant risk factors of Canaan Inc leads to the following five statements: (1) fluctuation of the Bitcoin price, (2) general development of Bitcoin, (3) general development of AI technology, (4) performance and product excellence, (5) production capacity, (6) investment in research, and development, (7) COVID-19 pandemic, and (8) the regulatory environment (U.S. SEC, 2020e, p. 66). The excellent price-performance ratio of Canaan products cannot be maintained if components of the firms' products increase in price (U.S. SEC, 2020e, p. 18). Canaan modules are problematic for people without Chinese language skills and local contacts. Those who do not speak Chinese face major challenges. Nevertheless, the extremely high performance and the low price of the chips compared to Western solutions make the component seem attractive (Tam, 2021). This author mentions some essential topics, on the one hand she emphasizes the importance of the management of language and cultural differences, on the other hand she talks about local contacts, networks in the Chinese market. She also mentions the excellent price performance ratio, as well as the product excellence, all topics of the above-mentioned success factors result from the expert interviews. Canaan Inc proofs its international skills, its business talent in the domestic market, as well as pre-experience in small or similar markets, which was mentioned in the Success Factor Model, resulted from the expert interviews.

### **3.3.6 ZTO Express (Cayman) Inc. (ZTO)**

#### **3.3.6.1 Facts and Figures**

"Our mission is to bring happiness to more people through our services." The corporate goal focuses ambitious on becoming a leading Logistics Services Provider in the world (ZTO express, n.d.a, para. 1). ZTO Express (Cayman) Inc. went public in October 2016 with a share value of 18.40 USD to U.S. stock exchanges. Since the last 12 months the decline was -30.66%, with a current value of 21.44 USD. Comparing the last five years, ZTO Express had a growth of 37.44% (Marketscreener, 2022f). ZTO Express is one of the leading express delivery

companies in China, and is proud to show a market share within the domestic market of 20.4% in the year 2020. Express delivery services are direct beneficiaries of the growing ecommerce market. Those parcels delivery services not only are passive beneficiaries, furthermore they are key enablers of China's fast-growing e-commerce market, and therefore participate in an active role. ZTO express established itself as a trustful partner. Major e-commerce platforms from China, such as Alibaba, PDD, and JD.com, enjoy the reliable service of this company (ZTO express, n.d.b, para. 1). Edwards (2021, para. 1) stated that several analysts had a closer look to the ZTO express shares and the consensus pointed to a rating of 'Buy'. The future is rated as very positive, further characteristics of the firm are discussed in the next chapter.

### 3.3.6.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

Not only the steady growth of e-commerce within the domestic market, but also the growth of domestic economy, does have positive impact on the growth of the delivery market. The dynamic competition, combined with price competitions in this industry continued to evolve. ZTO always tried to not forget the kind of innovation and the continuous development of infrastructure. Corporate Values were lived by heart and the cultivation of trust and loyalty by its network partners, was prioritized in the past. Customer satisfaction rankings showed very satisfactory results. ZTO focuses on its long-term strategy, while executing high quality of service. The differentiating services across logistics landscape promise a market leading position in the next three to five years (Apex Insight, 2021, para. 1). Since 2016, ZTO Express has established a digital product innovation system with eight major digital product lines. This continuous product system comprises product lines of (1) end-to-end online and offline processes for customer engagement, (2) customer care, (3) franchisee enablement, (4) sorting hub operations, (5) transportation, (6) finance, (7) smart mobility equipment and (8) e-collaboration (U.S. SEC, 2020f, p. 65). The accordance with customer need appears to be logical in delivery service industry, as customers do expect timely and proper delivery. A failure in satisfying individual customer needs would lead to customer complaints. A strong and reliable personnel in the customer service department is crucial and also responses to customer complaints must meet expectation (U.S. SEC, 2020f, p. 17). ZTO Express promotes its price advantage, while offering the services to fair prices. The company uses its own channels and tracks parcels in order to guarantee security (ZTO Express, n.d.c, para. 1). With regard to continuous product improvement ZTO Express set focus on efficient delivery solutions using drones. During a comprehensive testing

phase, the company wanted to optimize the efficiency of last-mile delivery. The testing phase successfully demonstrated that delivery can shave 60 percent off traditional delivery times using drones. Comparing drones to traditional ground transportation, the delivery would have taken approximately 50 minutes, when considering traffic conditions, gate checks, or waiting times for elevators. The drone was able to do the delivery in less than 20 minutes. Huge potential of delivery with drones is predicted in the rural area to improve accessibility, and reduce logistical costs and delivery time of the entire network (ZTO Express, 2017, para. 1). The economic situation of a delivery service company differs from consumer products producing firms. However, those partner firms together with potential future worlds leader of e-commerce do have the chance to benefit on an indirect base. ZTO Express does show effort in innovative developments and this could foster the way to market leadership as well.

Major e-commerce platforms, such as Alibaba, Pinduoduo and JD.com, may foster their own in-house delivery capabilities, which feels as one of the biggest competitive threats today. This could cause big losses in market share and volume of parcels shipped. Today more than 90% ZTO's delivered parcels do come from cooperation with the mentioned three big players. The future success of ZTO Express is highly dependent on the development of the e-commerce industry and the emergence of new retail in China. There are some further leading domestic express delivery companies in China (U.S. SEC, 2020f, p. 9). YTO Express, STO Express, Yunda Express, Best Express, SF Express and the express delivery services provided by China Post are mentioned as major current competitors. Competitive advantage is emerged from trust and liability of network partners, best-in-class operational services, and cost leadership. ZTO Express believes in a further strong competitive advantage, derived from the mentioned parameters. Further focusing on partner attraction of the mentioned three major Chinese e-commerce platforms will strengthen the power. It is possible that those providers will invest in in-house delivery infrastructure, as mentioned earlier (U.S. SEC, 2020f, p. 66). This is a risk, however this is not expected immediately as ZTO Express is one of several express delivery companies that has benefited from investment from Alibaba (NikkeiAsia, 2020, para. 1).

Provincial differences in the delivery service sector can be observed in provincial governmental regulations. Provincial governments in China, including Shanghai and Beijing, released local rules on administration of road transportation. This statement shows that a change from current provincial regulatory on road transportation operation permits could have huge impact on ZTO's success (U.S. SEC, 2020f, p. 73). Another issue with regard to provincial differences is the geographic diversity of network partners. Not only the number of networking partners

increased, moreover the variety increases (U.S. SEC, 2020f, p. 17). Governmental supervision and regulation by the relevant People's Republic of China governmental authorities, including the State Post Bureau and the Ministry of Transportation, do underline the importance of sensitivity in political matters (U.S. SEC, 2020f, p. 14). Product innovation and continuous improvement of services quality does include the motivation to foster the use of drones. ZTO Express need to get a license from the government in order to use drones for commercial purposes, and again the future success of ZTO Express does rely on various sources. As delivery time could be reduced by 60 percent, the added-value to the economy can be stated (Pymnts, 2017, para. 1). The combination of managing the competitive framework, as well as the innovative progress, together with strong networking skills in political circles will differentiate ZTO Express from its competitors.

Technically it is possible for ZTO Express to conduct shipments within five to eight days from China to Europa. Within eight to ten days, it would be possible for ZTO Express to conduct deliveries to North and South America. (ZTO Express, n.d., para. 1). With its value-added logistics services, ZTO Express serves customers globally (Bloomberg, n.d., para. 1). The continued international expansion initiatives do require to fully understand new target markets where the current operational experience is limited. Several different political and economic differences have to be managed (U.S. SEC, 2020f, p. 22). The choice with regard to the MIC 25 accordance is not immediately obvious. Value-added business services, the whole part of logistics, and the role of beneficiaries brought a combination that was worth analyzing the company.

Furthermore, EHang, which is the next analyzed Chinese firm according to the mentioned criteria, describes ZTO Express, together with JD.com, as the two major competitors in the field of express delivery service by Unmanned Aircraft. (EHang, 2020 b, para. 1).

### **3.3.7 EHang Holdings Limited (EH)**

#### **3.3.7.1 Facts and Figures**

EHang's mission is to make safe, autonomous, and eco-friendly air mobility accessible to everyone. On a visionary view they aim to become the world's leading authority on intelligent aerial vehicles (EHang, n.d.a, para. 3). In December 2019, they went public on Nasdaq as EHang Holdings Limited (EH). The stock's value in October 2022 was 3.9 USD, an annual

decline of -85.03% compared to October 2021 (Marketscreener, 2022g). EHang declares it-self as world's leading autonomous aerial vehicle, as shown in figure 15, (AAV) technology platform company (EHang Holdings Limited, 2021, para. 6). 56.4% of the employees of EHang work in research and development, that is 128 employees out of a total of 227 employees (U.S. SEC, 2020a, p. 107).

*Available from: <https://www.ehang.com/ehangaav/>*

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*Figure 9: Electric Passenger-grade Autonomous Aerial Vehicle (EHang, n.d.d.).*

### 3.3.7.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

EHang operates in a new and evolving industry. Future success depends heavily on the willingness of customers to adopt on passenger-grade autonomous aerial vehicles and air mobility solutions, which means that the development of customer needs in near future with regard to mobility solutions is not yet entirely clear (U.S. SEC, 2020g, p. 9). The speed of innovation, the development of new products, as well as the speed of reaction to new market circumstances are of decisive importance for this emerging new industry. Lifecycles of existing products are expected to be very short. Product lines, operating systems and infrastructure need to be continually adapted and the introduction of new generation of the aerial vehicles will be essential (U.S. SEC, 2020g, p. 11). Aviation researchers and engineers suggest that one major solution of fast urban on-demand mobility will be innovative personal aerial vehicles, which combine advantages of airliners and ground transport (Liu, Kreimeier, Stumpf, Zhou, & Liu, 2017, p. 53). EHang defined five characteristics which will foster success of urban air mobility (UAM), in their opinion: 1) autonomous services, 2) quick & hassle-free usages, 3) a centralized platform, 4) shared economy, and 5) green energy (EHang, 2020 a, p. 12). EHang takes a pioneering role in terms of a centralized platform, due to only the EHang autonomous aerial vehicles are

controlled by a centralized Command-and-Control platform, as demonstrated in figure 16 (EHang, 2020 a, p. 9).

*Available from: <https://www.ehang.com/ehangaav/>*

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*Figure 10: EHang's centralized Command-and-Control platform (EHang, n.d.d.).*

With regard to product excellence, it is also not quite clear if EHang will meet the customer need exactly when it comes to technology platform, including AAVs, in-flight operating systems and on-the-ground infrastructure, as expectations on maintenance may differ from EHang's offered services (U.S. SEC, 2020a, p. 8). The unmanned aerial vehicle (UAV) industry, divided into passenger transportation and logistics, is also competing against traditional industries providing similar solutions, such as aircraft and ground transportations services. Established traditional industry players have greater experience in technical questions and proven skills in marketing and sales. Monetary resources of traditional competitor are expected to be significantly higher. These strengths lead to price pressure in this sector, aiming on excellent price-performance ratios. Many of the traditional competitors do have international experience and profound customer base (U.S. SEC, 2020a, p. 10), which EHang does not have to this extent. However, significant advantages in terms of time saving and cost reduction are predicted. Delivery time is expected to be reduced by 40% to 60%, cost reductions are expected for up to 50%, compared to traditional logistics (EHang, n.d.c, para. 4). Safety is the top priority in operations with UAMs, in development of such vehicles and in consequent customer benefits. Smart transportation, improved efficiency, greater mobility and accessibility in disperse living areas, and sustainability are further major advantages which will change people's life (EHang, 2020 a, p. 29). Another passionate and future oriented aspect is that EHang

autonomous aerial vehicles use electric green power in order to reduce environmental harm caused by emission. This forward-looking attitude does fit to current global discussions on sustainability and climate change (EHang, n.d.d, para. 6). EHang developed a structure for medical emergency flights (Penner, 2020, para. 1), and not just medical care, but also medical staff can be quickly transported to the required location in emergency situation. Drones, also from other manufacturers, are equipped with a parachute rescue system. The combination of emergency transportation of goods and medical staff, with the EHang 216 model, also de-signed for passenger transport, is a further highly promising approach (Penner, 2020, para. 3).

Government and regulatory bodies will have huge impact in further development of urban aerial mobility. Military authorities, civil aviation regulators (for example the FAA, the EASA, or the CAAC), and local-level entities like police, security and public transportation management services are further seen as critical influencing participants within this fundamental development (EHang, 2020 a, p. 26). A regulatory approval is a starting point for the development of an urban aerial mobility ecosystem. This raised a big challenge also for government to establish laws for this rapidly growing new industry. Safety, traffic control, sound control, and airspace planning are examples where the industry has to work closely with government in order to fulfil a common big goal (EHang, 2020 a, p. 38). EHang is an industry leader in this sector, and China in general will hold huge market share as liberal policies support innovation and such developments (EHang, 2020 a, p. 25).

Some further companies are developing passenger-grade electric vehicles, but EHang was the first one who delivered passenger-grade autonomous aerial vehicle and provided fully autonomous passenger-carrying public flights (U.S. SEC, 2020a, p. 62). Scheuer (2019, para. 4) stated that more than 150 companies around the world are working on concepts for the best aircraft. Aerial taxis have become a symbol of an ambitious bet on the future. Competitors to the well-established EHang 216 model, out of the top aerial taxi producers worldwide, are, Volocopter GmbH from Germany with the Volocopter 2x, Astro Aerospace Ltd. from the United States with Astro Elroy, Kitty Hawk Corp. from the United States with Kitty Hawk Cora, Workhorse Group Inc. from the United States with Workhorse SureFly and Lilium GmbH from Germany with Lilium Jet (Weiss, & Nicola, 2019, p. 72). The Chinese drone manufacturer EHang presented its first vehicles at the Consumer Electronics Show 2016. At this point, just 2 years after it was founded, EHang has already raised around \$ 52 million in venture capital (AudioTech, 2016, p. 39).



A lack of experience in international business in combination with operational risks and risks on monetary resources does not support EHang in its expansions abroad. If EHang is able to cope with issues such as branding, networking, dealing with trade restrictions and dealing with diversity management, there will be positive effects on the operational result and international business (U.S. SEC, 2020a, p. 12). Branding capabilities have huge impact on the business and customer engagement is one of the key parts of successful branding. To promote high-quality AAVs and AAV commercial solutions, branding capabilities are closely connected to the ability to establish a community of engaged online and offline users (U.S. SEC, 2020a, p. 14). EHang started early to step into international business. Including passenger-carrying flights, they conducted approximately 10,000 autonomous trial flights in eight different countries and 40 different cities in Asia, Europe and North America, by end of 2020. During the trial flights in Korea various scenarios were demonstrated including urban transportation, emergency medical services, and aerial sightseeing. End of 2020, the Civil Aviation Authority of Austria granted approval for the EHang 216 model trial flights, which enable the trial operation of unmanned flights in Austrian national airspace. After completing a Specific Operational Risk Assessment (SORA) procedure under the supervision of the Civil Aviation Authority of Austria several test flights were conducted in St. Martin im Innkreis, Austria, with the EHang 216 vehicle. EHang also started a strategic partnership with a subsidiary of Greenland Hong Kong Holdings to conduct air mobility services, such as aerial sightseeing and aerial media show services. In terms of express delivery services via unmanned aircraft in China, EHang focuses on partnerships with industry-leading players such as JD.com and ZTO Express in order to jointly define the new standard (EHang Holdings Limited, 2021, para. 4). A further example from Europe is a cooperation with Norway, where EHang has received an operating license for its two-seat passenger drone EHang 216. Projects in Spain were already started in parallel (Zwerger, & Steinke, 2020, para. 1). At the beginning of 2017, Heim (2017, para. 1) reported that the drone market is dominated by Chinese manufacturers, that the market is growing rapidly and that it primarily affects industry, agriculture and the cultural sector. Interesting statements from research and development in the area of drones emerged from Switzerland. The country has developed an excellent international reputation for its research and development skills, therefore also possessed the nickname ‘Drone Valley’. The ‘Eidgenössischen Technischen Hochschulen’ in Lausanne and Zurich presented new applications for drones, also the ETH Zurich showed further examples (Heim, 2017, para. 4).

Potential is huge and the visionary and passionate statement from EHang suggests future success: ‘We are pioneering the future of transportation through our proprietary developed autonomous aerial vehicles, or AAVs, and related commercial solutions for urban air mobility including passenger transportation and logistics, smart city management and aerial media solutions. [...] Setting a new milestone in the deployment and proliferation of AAV technology in the global urban air mobility industry, we continue to explore the boundaries of the sky to make flying technologies benefit our life in smart cities’ (EHang, n.d.b, para. 1). Smart city management will comprise aerial ways of transportation, as a pioneering initiative in Dubai shows. A prognosis on the near future suggests, that many smart cities are going to follow aerial modes of transportation (Dawam, Feng, & Li, 2018, p. 1497). According to Frost and Sullivan, huge increase in revenues is expected. With a compound annual growth rate (CAGR) of 95% the global market of unmanned aerial vehicles is expected to grow up to US\$103.7 billion by 2023 from US\$3.7 billion in 2019. The growth rate in the urban aerial mobility market was expected to surge up to 531%. This development has its origin, among other things, in the support of the Chinese government, positively mentioned by EHang (EHang, 2020 a, p. 25).

### **3.3.8 Hollysys Automation Technologies Ltd. (HOLI)**

#### **3.3.8.1 Facts and Figures**

‘Automation for better life.’ is the mission of Hollysys. The visionary statement is to build the most valuable automation company through stable and sustainable growth. Three major specializations describe the focus of Hollysys: (1) Industrial Automation, (2) Railway Transportation Automation, and (3) Mechanical and Electrical Engineering. The second sector concentrates on railway and the signaling system and further products gained international safety standard. One of the key products in this sector is the 350km high-speed railway, combined with train safety systems (Hollysys, 2021, para. 1-3). The stock’s value in October 2022 was 15.58 USD, an annual decline of -22.1% compared to October 2021. One comparison shows the growth within the last three years of 9.26% to the growth within the last ten years of 50.82% (Marketscreener, 2021h). This growth which is not constant over the last years also offers room for discussion. A traditional way for financial consultants to analyze stocks is a constant growth and an assurance of making profit each and every year. Considering these statements, which are properly old fashioned, it might be that the stocks of Hollysys are not attractive to buy (Wall, 2021, para. 1). Remarkable low are the investments in research and development, compared to

other analyzed potential Chinese Global Champions. Approximately six to eight percent of the revenue is spent on research and development each year. At the end of the fiscal year 2020 Hollysys had 3.598 employees and 718 out of them worked for research and development (U.S. SEC, 2020h, p. 60).

*Available from: <https://hollysys.com.sg/corporate-profile/>*

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*Figure 11: Hollysys dominates the high-speed rail signalling market (Hollysys, 2021).*

### 3.3.8.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

When discussing the business model of Hollysys it is noticeable that they are a leading automation control system solutions provider in China. They do overseas operations already in eight countries or regions throughout Asia (U.S. SEC, 2020h, p. 49). The firm specialized in subway and high-speed rail businesses, out of the sector of industrial automation, leveraging the core competence while putting effort in research and development capabilities. Hollysys has already established a key position in the high-speed rail signaling market (U.S. SEC, 2020h, p. 50). This was one of the key criteria for the author of this dissertation to analyze firm based on the defined core industries according to Made in China 2025.

Hollysys believes that the business development of its industrial automation business increase by more than 30% year-over-year (Cision, 2021, para. 2). The firm was founded in 1993 and put high focus on technical expertise and innovation in the sector of automation control. Investments in research and development made it possible to provide integrated automation control system solutions for customers in diverse industry verticals. Experiences in several industrial

sectors established a leading market position in the area of power, petrochemical, high-speed rail, and urban rail. (Cision, 2021, para. 3). An analysis brought the conclusion that Hollysys uses a lot of forward-looking statements and forward-looking terminology such as ‘believes’, ‘expects’ or similar expressions. These formulations express unknown risks and uncertainties, based upon the current beliefs and expectations of Hollysys’ management. These assumptions, risks and, uncertainties may prove to be incorrect (Cision, 2021, para. 4). The firm does have the potential to be a future Chinese Global Champion, based on previous mentioned factors. Overseas expansions are planned in the near future, and expressed hurdles defined by Hollysys are described in the next passage.

Hollysys is convinced that they already managed the hurdle to comply with international standards offering strong product safety and reliability. Leading functionality and quality, offered with comprehensive services and a highly flexible customization. The firm’s goal is to provide cost-effective products (U.S. SEC, 2020h, p. 49). Hollysys intend to achieve the firm’s mission of ‘Automation for better life’ through the successful execution of the key elements of the development strategy. Generally mentioning a strong market leadership with expansion of market shares is one key element with the combination of the further expansion of the automation solutions matrix. The goal is to further invest in research and development and to take the opportunities to explore international business in order to defend high market position overseas (U.S. SEC, 2020h, p. 62f). Analyzing the purpose of overseas expansions show several hurdles which were clearly defined by the firm. The uncertainties in political and economic situations together with complying foreign laws, accounting and legal standards, infrastructure, regulatory requirements, tariffs and other barriers, are mentioned to be standardized when going abroad. However, the connection and localization of applications in foreign countries is considered as a specified hurdle in Hollysys’ operation sector. The localization of applications does also bear financial risks and specified regulatory requirements, and local competition will not easily accept a new player (U.S. SEC, 2020h, p. 16). When going abroad Hollysys also consider the ongoing trade war between China and the United States as a potential escalation internationally. Hollysys’ business operations in the United States may be strongly affected (U.S. SEC, 2020h, p. 32). In domestic Chinese market Hollysys facing less competition from multi-national companies. Hollysys is one of the three entities that supply signaling products to China’s high-speed rail market. Within the 200-250km/h segment the firm faces competition of China Academy of Railway Science and Zhuzhou CRRC, and within the 300-350km/h segment the firm faces competition of CRSC and China Academy of Railway Science (U.S. SEC, 2020h, p. 58).

Hollysys should not be underestimated when analyzing potential future Chinese Global Champions. The firm has huge potential to be a beneficiary in the area of Made in China 2025 initiative.

### 3.3.9 NIO Inc. (NIO)

#### 3.3.9.1 Facts and Figures

In September 2018 NIO Inc. (NIO) went public to Nasdaq with a starting exchange rate of 6.00 USD. Currently the exchange rate is 11.21 USD, and the growth within the last three years was 632.7% (Marketscreener, 2022i). The Chinese name, Weilai (蔚来), means Blue Sky Coming, and reflects the commitment to a more environmentally friendly future (U.S. SEC, 2020i, p. 61). This summarizes the mission and guiding philosophy in a brighter, positive future, and a more sustainable tomorrow. This statement drives the company every day and across the globe. The key segments provided by the firm are divided into the building of smart electric vehicles, as exemplarily shown in figure 12, the provision of premium services and the creation innovative charging solutions (NIO, 2020, para. 1). 2.213 employees, out of total 7.763 employees, working for product and software development. The future global orientation can also be shown in the various product and software centers in China, northern California, Munich and United Kingdom (U.S. SEC, 2020i, p. 125).

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*Figure 12: NIO eT7 model (NIO, 2021).*

### 3.3.9.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

'Everyone talks about Tesla, but actually the game is within NIO. Comparing the intelligence in platforms, NIO is extremely fast' (B.J., expert interview, 6 April, Appendix Q). NIO was the world's first firm, which released an in-vehicle artificial intelligence, NOMI, in 2018, shown in figure 13. Standard infotainment and navigation functions are already provided by several providers. NOMI goes beyond and provide closer emotional engagement with the users, and provides charming face-like interface that swivels and blinks its eyes to address its vehicle drivers directly. NOMI facilitates a greater emotional connection between users and their vehicle and has a learning algorithm. NOMI uses the five senses, like touching, seeing, listening, speaking, and smelling. In March 2021 NIO won the Artificial Intelligence Excellence Awards program, and was recognized for NOMI, the in-vehicle artificial intelligence (NIO, 2021a, para. 1). A future promising feature within product excellence is the autonomous driving systems using High-Definition maps, which is remarkable and not standardized in this sector. These High Definition (HD) maps are particularly built for self-driving purposes and have extremely high precision at the centimeter level (NIO, 2021b, para. 1).

Especially important is the issue of exact accordance with customer expectations for these future oriented vehicles (U.S. SEC, 2020i, p. 10). This goes close together with the consumers' willingness to adopt to electric vehicles. The huge potential of driverless and autonomous vehicles out of future possibilities delivers a lot of hurdles in order to meet the exact customer need. Future automobile sales depend to a large extent on general, economic, political, and social conditions. The introduction of new vehicles and technologies can be influenced heavily by political circumstances (U.S. SEC, 2020i, p. 17), the importance of the alignment with government's core strategy can be clearly shown. The willingness to take risk is shown in the fact that, since the company foundation in the year 2014, NIO has not been profitable, and has only recently started to generate positive cash flows from operation (U.S. SEC, 2020i, p. 7).

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Figure 13: NOMI, the world's first in-vehicle artificial intelligence system (NIO, 2021).

'Founded in 2014, we have experts from all around the globe to work toward our mission' (NIO, 2020, para. 1). NIO started early to go abroad, and it was not the main aim to show domestic business talent first. The firm has a clear overview on which hurdles to overcome in order to be successful in foreign countries. Capabilities to realize international quality standards, design and product safety, as well as branding capabilities in order to build a well-recognized and respected brand are mentioned first. The expansion and the establishment of the customer base does require high resources. The appropriate product or product package, together with an appropriate pricing and service strategy is known to be complex to meet the diversified requirements of several foreign market. Global talents are needed to guarantee global market success, the risk is to make mistakes to attract, retain and motivate talented employees. All the mentioned factors have to be guaranteed to be changing according to changing market conditions in order to stay competitive (U.S. SEC, 2020i, p. 8).

As mentioned in the introduction the strong global vision of NIO was demonstrated early on. Norway is a world leader in terms of electric vehicles. In 2020, three out of four new cars sold in the Scandinavian country were electric. The customer base is ready to adaptation and sales figures of electric vehicles already are high. NIO will jump into this huge potential with a clear expansion strategy towards Norway. One further remarkable issue is that NIO, exemplarily mentioned, is listed on the New York Stock Exchange, products are designed in Munich, innovated in Silicon Valley, and produced in China (NIO, 2021c, para. 1). This however, stays in contrast to the statement of Expert S., F., as he mentioned that Chinese firms do often have a combination of innovation, production facilities and a financial center. This combination is still a Chinese specialty and does no longer exist anywhere in the world. At one location there is Innovation, Finance and Production (S.,F., expert interview, 21 April 2021, Appendix I).

Competition in the automotive industry in general is very intense and evolving. As mentioned in the previous sector, the customer base, as well as the political strategy are major influencing factors with regard to future development of the automotive industry. Many factors and circumstances will lead to evolving electric vehicles market. It will start with basic thoughts, as for example the expansion of charging infrastructure. NIO summarizes primary competitive factors as follows: ‘(1) pricing, (2) technological innovation, (3) vehicle performance, quality and safety, (4) service and charging options, (5) user experience, (6) design and styling, and (7) manufacturing efficiency.’ The automotive industry in general is heavily competitive. NIO entered the niche of premium and smart electric vehicles, where competition is still relatively low, compared to other segments. This niche is expected to become more competitive in near future. It is further expected that the competition with international competitor will emerge quickly, including Tesla (U.S. SEC, 2020i, p. 75). Summarizing NIO’s strengths, the five pillars describing the roof of ‘User Enterprise’, self-defined by NIO, need to be mentioned: (1) NIO is an intelligent EV company, providing smart electric vehicles, (2) a holistic charging experience provides power on either swapping batteries within three minutes (NIO Power Swap), to a Home Charger (NIO Power Home) up to BaaS (Battery as a Service), (3) excellent service through a one-tap from its signature app, (4) tactical experience at the Points of Sale like NIO House or NIO Space, and (5) NIO has built a big and active community of Users (NIO, 2021d).

### **3.3.10 XPeng Inc. (XPEV)**

#### **3.3.10.1 Facts and Figures**

In August 2020 XPeng Inc. (XPEV) went public to U.S. stock exchange with a starting exchange rate of 23.10 USD. Today the exchange rate is 8.13 USD (Marketscreener, 2022j). The firm counted 5,084 employees in 2020, 2,063 of them working for research and development, which is 40,6% from the whole workforce (U.S. SEC, 2020j, p. 62). ‘We strive to transform smart electric vehicles with technology and data, shaping the mobility experience of the future.’, with this statement they position them strongly on the electric vehicle market. The firm not only set focus on in-house research and development, however they also set focus on intelligent manufacturing (Xpeng, 2021a, para. 1).



### 3.3.10.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

Xpeng (2021b, para. 1) declares itself as one of the proven leaders in the rapidly growing electric vehicle market. Their smart electric vehicles showing attractive design and high performance, with an attitude on being environmentally-friendly. The vehicles should reach high popularity, therefore safety and reliability are key to reach this project. The wide range can be achieved through focusing on middle-class consumers in China. Quality, continuous improvement, flexibility and high operating efficiency, these parameters in manufacturing can also be observed by main competitors in this sector (Xpeng, 2021b, para. 1).

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*Figure 14: Xpeng launched the P7 electric sedan (Cvijetic and Tomazin, 2021, p. 12).*

The firm Nvidia is a supplier of Xpeng providing a centralized compute architecture for autonomous vehicles. The P7 sedan model from Xpeng, which was launched in April 2020 uses Nvidia Drive AGX Xavier for its automated driving system. The Nvidia Drive AGX compute platform enables applications such as perception, localization, mapping, planning and control. This new model of Xpeng does have twelve ultrasonic sensors, five high-precision millimeter-wave radars and 14 cameras for 360° perception. The forward-looking distance of the Sedan P7 model is 200 meters and is able to consider foggy, rainy and hazy conditions. This safety system promises high potential as is able to be further adapted with other features in future (Cvijetic and Tomazin, 2021, pp. 12-14). In addition to that, Xpeng does show much more research and development capacities than the peers (Xiaopeng & Mackenzie, n.d.). In terms of excellent price-performance ratio Xpeng is able to take a leading position. Compared to the Western competitor Tesla, Xpeng is able to sell one of their electric vehicles for 160,000 yuan, the

equivalent of around 21,000 euros. More than the double price is a current price of a Tesla vehicle in Europe. However, this comparison lags, as no one yet exactly knows to which price a Xpeng vehicle will be sold in Europe. Probably the difference will be not that high, calculating import charges and taxes (Futurezone, 2021, para. 1). In combination to the planned production capacity of Xpeng the potential can be calculated high. At the time of August 2021 Xpeng produced 100,000 vehicles a year extrapolated. At that time Xpeng puts a lot of effort and resources to expand their production capacity at its factory and claims to double this production amount to 200,000 electric vehicles a year. Not only the product excellence skills are high, but also networking skills in political circles. Xpeng announced that it signed an agreement with Zhaoqing Municipal Government and the Zhaoqing High Technology Industry Development Zone. The firm stated that they received financial and land use support from the local government, which can be positively highlighted to receive governmental support (Zachary, 2021, para. 1).

*Available from: <https://cleantechnica.com/2021/08/20/xpeng-to-double-production-capacity-to-200000-evs-a-year/>*

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*Figure 15: Xpeng aims to double their production capacity (Zachary, 2021, para. 1).*

‘We offer an innovative mobility experience through our Smart EVs, software and services.’, the business model of Xpeng seems to be straight in achieving vehicle sales as the primary

source of our revenues. Xpeng will continuously introduce new models to expand their product portfolio and customer base (U.S. SEC, 2020j, p. 78).

In an interview the CEO of Xpeng, Mr. Xiaopeng, stated that there will be consolidation of electric vehicles firms within the next two years, bigger companies will emerge. This will show a big revival for tesla, as Xpeng will be able to better compete, not only domestically, but also on the global market. Investors will have the chance to invest in big and stables opportunities. Many investors are interested in this new and smart industry, but they are more conscious than before. Government can also have an influencing factor in terms of trade negotiations, taxes and charges as a result. Governmental protection will support Xpeng in a short-term period (Xiaopeng & Mackenzie, n.d.). In terms of unit sales, China shows already the lead of the electric vehicles market. Despite the negative impact of the pandemic on the automotive industry in general, the electric vehicles market continues to grow. This strong Chinese position is also supported by Chinese government. Electric vehicle firms are popular stocks, promising the bright future as the world is shifting to greener technologies. The Xpeng stock can be a right choice as it is expected to show stronger earnings, new electric vehicles models and monetary investments from governmental support (Pankratyeva, 2021, para. 1). At the beginning of 2021 Fox (2021, para. 5) stated that the future looks bright for electric vehicle makers, also for Xpeng. However, given the position of Xpeng relative to its peers, it is safe to say that Xpeng is not a leading stock so far. Xpeng prepares its expansion to Europe, planning the right infrastructure, sales and services, and the right brand recognition. It should not be a drop of hundreds of vehicles to a new country, moreover it should show a well-evaluated step (Randall, 2021, para. 7).

As mentioned in the previous two chapters, the Chinese government has relevant threads for business in hand. Investment funds linked to the city of Guangzhou, and the surrounding province, Guangdong, were signed by the company. Xpeng also received preferential terms on land, low-interest loans and tax breaks, and state subsidies. This governmental support does differentiate to the big Western revivals in this sector. The governmental stated primary targets also include the electric vehicle sector (Schuman, 2021, para. 2-10). The risk in this whole sector of electric vehicles is that alternative technologies are introduced, exemplarily mentioned advanced diesel, ethanol, fuel cells or compressed natural gas. The electric vehicle market is expected to be bright in near future, however the risk that the mobility business develops in a way, where Xpeng does not currently anticipate, exists (U.S. SEC, 2020j, p. 14). Three further electric vehicles producers are described and analyzed in the next chapters. The head-to-head

running in this industry will be interesting to follow. Without a doubt this sector will reach top shares.

### 3.3.11 Li Auto (LI)

#### 3.3.11.1 Facts and Figures

Li Auto Inc. started in July 2020 on U.S. stock exchange. Currently they show 14.99 USD per share. This is a decline of 54.13% within one year (Marketscreener, 2022k). 34,1% of the working force does work for research and development, these are 1,424 employees from total 4,181 employees from the whole company (U.S. SEC, 2020k, p. 97). ‘The Company designs, develops, manufactures, and sells premium smart electric vehicles. Through innovations in product, technology, and business model, the Company provides families with safe, convenient, and refined products and services’ (Li Auto, n.d., para. 1). The companies’ profiles in this industry seem to be comparable. Details and distinguishing factors are discussed in the next subchapter.

#### 3.3.11.2 Discussion of Characteristics according to Chinese Global Champion’s Success Factors

The brand logo ‘LI’ is inspired by the initials of the English name ‘Leading Ideal’, which suggests that users’ needs and investment in technology, research and development are a focus (Chinapev, n.d., para. 2). This sector of electric vehicles shows limited operating history. Li Autos was founded in 2015, just after its competitors NIO Inc. or Xpeng, both were established in 2014. The first production of Li Auto was in 2019. This is also slightly behind mentioned competitors NIO Inc. and Xpeng. The missing historical data do lead to hurdles and challenges which need to be handled (U.S. SEC, 2020k, p. 5). Li Auto specializes in Extended Range Electric Vehicles (EREVs), which does not cover the big whole, it is somehow a niche product. Most other electric vehicle manufacturers do focus on full electric vehicles. Li Auto can be operated with either electricity or gasoline. These vehicles show two major valuable distinctions. The first one is that Li Auto claims that the infrastructure for charging electric vehicles is not yet fully developed in China, there are still far too little stations. The second highlighted point is that Li Auto will facilitate vehicles for new customers in this sector. The combination of electricity and gasoline will help consumers to easier decide for electric mobility. These hybrid engines of Li Auto do promise high potential (Barrett, 2020, para. 3). This hybrid SUV, with all-wheel drive, and a wide display landscape in the futuristic cockpit can be bought at a

comparatively low price (Lang, 2020, para. 1), which suggest and excellent price-performance ratio.

*Available from: <https://ir.lixiang.com/investor-faqs>*

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*Figure 16: Li Xiang does only have one model to sell, its hybrid SUV (LiXiang, n.d.).*

The LI ONE is the first model from the Chinese electric car start-up Li Auto. With its Sports Utility Vehicle (SUV), Li Auto is a new star in the start-up scene. With a choice of six or seven seats, in three rows, Li Auto does attract families. The electric motor also does have a range extender and thus offers an impressive range of up to 800 kilometers (China Auto News, 2021, para. 1). This hybrid driving systems consists of a 1.2-liter gasoline engine with turbocharger and two electric motors. The 1.2-liter petrol engine does not drive the wheels, but is used exclusively as a range extender to charge the battery. This is a unique selling point, compared to hybrid models, which are currently available on the market (China Auto News, 2021, para. 3). Li Auto met the right time for launching LI ONE in 2019, as with the sales of 32,000 units in 2020 the company was able to take the lead in sales of electric SUVs in China. Competitors such as NIO, Xpeng and WM Motors did not show such sales figures (China Auto News, 2021, para. 4)

At the beginning of 2021 critical voices summarized a neutral standing towards LI Auto. Li Auto primarily targets large middle-class families in first-tier cities, however its design is not pioneering. Based on the product and corporate strategy, LI Auto is considered as a rather conservative electric vehicles player. Moreover, going international is neither a focus, nor a talent of LI Auto. The company seems to be relatively static on its move. A further interesting

criticism is the audacity of the management, which is rated to be low. Conservative business decisions seem to bring safe business development, however big growth opportunities are not noticed (EqualOcean, 2021). LI Auto is the latest China electric vehicle manufacturer, who joined the U.S. stock market. The firm entered at a time when Chinese stocks were faced greater scrutiny in the U.S. (Barrett, 2020, para. 4). Summarizing these facts, LI Auto is an interesting player to watch. Criticism gets loud when thinking about the competitiveness compared to other electric vehicle players in this sector. Undisputed, LI Auto shows strengths in addressing local middle-class families, which appeals the mass, providing a vehicle suitable for families.

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*Figure 17: Li Auto does transport the branding image of a family car. (LiXiang, n.d.).*

### **3.3.12 Niu Technologies (NIU)**

#### **3.3.12.1 Facts and Figures**

Niu Technologies started with 8.5 USD per share on US stock exchange in October 2018. The decline within the last 12 months was minus 89.03%, compared to the decline of minus 70.97% within the last three years. At a current point the Niu share can be bought for 2.72 USD (Marketscreener, 2022l). ‘Our mission is to redefine urban mobility and make life better. Our vision is to become the number one brand for urban mobility, powered by design and technology.’ Niu Technologies established a new market category to redefine urban mobility. With smart electric two-wheeled vehicles Niu Technologies strives to chance the world of mobility (U.S. SEC, 2020l, p. 45). With 172 employees, out of total 623 full-time employees, they foster the

power in research and development. These are 27.6% from total workforce working for research and development (U.S. SEC, 2020l, p. 104).

### 3.3.12.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

The first mentioned risk in the 20-F form from Niu technologies was their success depends upon the continued strength of the brand. Due to high branding capabilities, Niu technologies was able to change the perception of the smart electric two-wheeled vehicles market. Before Niu technologies this market did not exist in China, or was perceived low-end. The brand NIU hast to support this success story further on (U.S. SEC, 2020l, p. 45). Niu technologies titled himself as the global leader in micro mobility solutions. Last mile delivery, rental, and free-floating sharing services should make life easier for customers around the world. NIU set high focus on its brand, which stands for a global urban mobility brand, conveying the feeling of technology, style, and freedom. International success can also be seen in world-renowned design awards such as the German red dot, German IF, and American IDEA. NIU concentrates on four major functions link a maximum range, a battery longevity, reliability, and user safety (NIU Fleet, n.d.a). Compared to the period the year before, the company sold 179.6% of vehicles in the fourth quarter in 2020. NIU was able to sell more than 10 thousand e-scooters in international markets in this mentioned period. Europe shows strong increase in orders of these vehicles. In 2019, NIU pushed aggressively to open new stores in Europe to expand distribution (Kharpal, 2021, para. 2).

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*Figure 18: Built for speed easy-to-use smart features (Niu, n.d.).*

At the beginning of 2020 Niu technologies brought its Vespa-style electric mopeds in the United States. US lag behind the electric scooter revolution as has to watch foreign companies. O’Kane (2020, para. 1-3) claims that it is possible that US consumers might not commit to a Chinese start up, which has another understanding of collecting data. Mentioning this concern as the US government increased resistance to companies like DJI and Huawei. Another interesting point, which expresses the dependence of US companies in this sector from the eastern partner is that the US company LIME, located in California, operates with mopeds manufactured by NIU (Hawkins, 2021, para. 2).

‘Whether for vehicle rental, last mile delivery service, residential or corporate vehicle sharing, or free-floating sharing service, NIU Fleet provides full flexibility and capability to help our clients excel in their business.’ The platform, which NIU Fleet uses, is adapted frequently to the business needs of its clients. The flexible and modern system provides user-friendly service and is further developed on a regular base (NIU Fleet, n.d.b). As mentioned above the sales in the fourth quarter in 2020 were high. This led to a general growth of more than 40% year-over-year. At that time shares of Niu Technologies rose quickly. In China Niu Technologies pushes new product launches, while fostering locally successful products on a global base. In 2020 the company launched the new e-bicycle MQi2 and the entry level e-bike G0 (Kharpal, 2021, para. 2). Financial Times (n.d.) emphasized that the Niu technologies stocks have enjoyed a boom of more than 400% growth during Covid pandemic. This number needs to be considered with



caution as the downwards trend can be observed within the last months (Marketscreener 1, 2021). Liu technologies expands its product portfolio in a quick and professional way. It is not long that the product mix from LIU has also been expanded to e-bikes. Together with the e-scooters, the motivated strategy promises high market potential. Founded in 2014, Niu technologies aims to become the world's leading supplier of intelligent urban mobility solutions (Beckendorff, 2021, para. 2).

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*Figure 19: NQi GTS reaches ranges of up to 161km, giving you unlimited urban travel options (Niu, n.d.).*

### **3.3.13 Kandi Technologies Group Inc. (KNDI)**

#### **3.3.13.1 Facts and Figures**

Kandi technologies focuses mainly on the development, production and distribution of the electric vehicle, electric vehicles parts and off-road vehicle products. Compared to the mentioned competitor in the previous chapter, Kandi also produces parts and off-road vehicles, exemplarily mentioned golf carts. 89 employees out of total 638 full-time employees are working for research and development, which is significantly fewer, compared to competitors. With 14% of employees working for research and development, the company does not invest much resources in further development (U.S. SEC, 2020m, pp. 1-5). Analyzing the U.S. stock market, the Kandi technologies share can be bought for 2.78 USD, seeing a decline of more than 35% within the last twelve month. Kandi technologies is one of the companies listed in America for a long time. The listed time in U.S. is significantly longer than for mentioned competitor. At the listening phase in 2008 on the U.S. stock exchanges, the share was 2.53 USD, and has experienced strong fluctuations until now (Marketscreener, 2022m).

### 3.3.13.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

In the literature research it is noticeable that little information is found for this company. There isn't even a website for Europe, and the locale focus for China becomes clear, but also the focus for America, with Kandi America. Kandi America is the U.S. subsidiary of Kandi Technologies, doing business under the name Kandi America (Kandi America, n.d., para. 1). One of the four criteria for companies to be included in this case studies is that the primary business purpose is in alignment with the Made in China 2025 strategy, as written in chapter 5.3. by the author of this dissertation. Kandi technologies stated this clearly: 'Local governments in China are pushing for new electric vehicle adoption with strong policy support [...] As one of the beneficiaries of the new energy vehicle industry take-off, Kandi has become one of the front runners in China's electric vehicle industry' (U.S. SEC, 2020m, pp. 1-5)

The global automobile market is already dominated by China as one of the big markets. The mentioned governmental support also comes from the local scarcity of fuel reserves and the richness of natural resources of electric power. Kandi trusts in the Chinese talent to be the most prospective market for pure electric vehicles. This also has as a result that there is huge potential for Chinese electric vehicles producer to expand and to enter new international markets. Kandi sees itself as a leading player in the areas of the manufacturing of electric vehicles and core parts. Compared to competitors, also including conventional fuel vehicle manufacturers, Kandi states that especially conventional fuel competitors are larger in terms of size, manufacturing capabilities, customer bases, financial, marketing and human resources. The challenges for the conventional fuel vehicle manufacturers rise significant. Environmental pollution and petroleum resource dependence are the major reasons for the changeover towards the electric vehicle market (U.S. SEC, 2020m, pp. 1-5).

Available from: <http://en.kandivehicle.com/carinfo?id=2855>

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Figure 20: The K23 is a pure multi-purpose electric vehicle (Kandi, n.d.).

Kandi technologies was the first company introducing a battery swapping system, instead of battery loading. A real-life monitoring supports the system. The company promotes this swapping system to be time-efficient. Kandi technologies provide 24 hours' drive-in possibilities to swap batteries, and they are convinced, that this highly efficient system has high potential for the future (Kandi Group, n.d.). Compared to the mentioned competitors above, Kandi technologies does not give the impression to be an aggressive player in this upcoming industry. As they are experienced players, also in the U.S. stock market, they possess high market coverage. In terms of innovation and visionary statements Kandi technologies are more cautious compared to competitors.

### **3.3.14 Daqo New Energy Corp. (DQ)**

#### **3.3.14.1 Facts and Figures**

Daqo New Energy Corp's segments include polysilicon, and wafers. The company produces, and sells polysilicon to manufacturers of photovoltaic products, and offers wafers through its photovoltaic product manufacturing business (Marketscreener, 2021n). 452 employees out of total 1.896 employees are researchers and engineers. 'We have one of the leading research and development teams among polysilicon manufacturers in China.' (U.S. SEC, 2020n, p. 52). Shares on the U.S. stock exchange can be bought for 48.38 USD. The drop within one year is

minus 36.53%. Since October 2010, the time when Daqo New Energy Corp entered the U.S. stock market, there was a huge rise. The starting price of the stock was 9.98 USD, the growth within the last ten years was 6041% (Marketscreener, 2021n).

#### 3.3.14.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

When analyzing Daqo New Energy Corp in the literature, it quickly becomes clear that the firm does not appeal private customers. The company's website, which can be retrieved for Europe, is not attractive and long outdated. Daqo is a leading manufacturer of high-purity polysilicon for the global solar photovoltaic industry and was founded in 2008. On the website the firm pronounces its excellent price performance ratio and stated that it is one of the world's lowest cost producers of high-purity polysilicon (Daqo New Energy, n.d., para.1). The following statements promise a bright future. Globally seen photovoltaics is one of the proven and most rapidly growing renewable energy sources. The power of the sun is converted into electricity, photovoltaic effect and, through concentrated solar thermal technologies (U.S. SEC, 2020n, p. 45).

The dependency on governmental support is stated clearly by Doqa. The development of the photovoltaic industry is supported through subsidies and incentives. This background creates a safe development of the company, but the risk is that a break in this support can significantly impair the company's success. International trade conflicts could impose tariffs for solar photovoltaic. To support local companies, or other renewable energy sources and products, the international barriers to expand can rise quickly. A quick projection of cost-effectiveness, performance and reliability of photovoltaic products compared to conventional energy production, could also harm the image and the further development. A long-term calculation shows the opposite of cost-effectiveness. Wind power, hydroelectric power and biofuel are also alternative energy resources and can be defined as competitive sectors (U.S. SEC, 2020n, p. 7). The initial setup cost for a typical PV system is twice that of wind. Comparing to that, the cost of operations for solar energy is low. The leverage cost of energy (LCOE), includes all the costs incurred such as construction, financing, maintenance and fuel. When pronouncing costs issues of various alternative energy sources, it is important to use the LCOE metric for objective comparison (Seekingalpha, 2017, para. 3). Within the sector of photovoltaic products, Doqa defined six factors, which define the success or the failure of a competitive player: (1) product quality; (2) price and cost competitiveness; (3) manufacturing technologies and efficiency; (4) manufacturing reliability; (5) economies of scale; and (6) reputation. Compared to other players in this

segment, Daqo shows strong cost and price competitiveness, high product quality, and the power of research and development, as well as manufacturing efficiency (U.S. SEC, 2020n, p. 85). The major polysilicon customers included operating entities of Longi, JinkoSolar and Shangji Automation (U.S. SEC, 2020n, p. 74), JinkoSolar will be analyzed further in the next chapters.

*Available from: <https://seekingalpha.com/article/4104631-daqa-new-energy-lowest-cost-producers-will-survive>*

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*Figure 21: DAQO is positioned as the lowest-cost producer (Seekingalpha, 2017).*

Solar energy will be widely adopted, while silicon-based cells will remain the most widely used solar photovoltaic cells in the near future (Seekingalpha, 2017, para. 1). Comparing several statements, Daqo new energy shows high potential. The major competitive factor is the excellent price-performance ratio. As the company does not address private customers, the firm is not well-known. This is an interesting point to not forget supplying companies that are among the leading companies worldwide, exemplarily mentioned when buying stocks.

### **3.3.15 Canadian Solar Inc. (CSIQ)**

#### **3.3.15.1 Facts and Figures**

The shares from Canadian-Chinese solar company Canadian Solar can be bought for 31.85 USD on the U.S. stock exchange. The shares show an increase of 1197% within the last 10 years, which is a huge jump. At the beginning of listing on U.S. stock exchange the share had a starting value of 15.52 USD in November 2006 (Marketscreener, 2022o). ‘We are one of the world’s largest solar power companies and a leading vertically-integrated provider of solar

power products, services and system solutions with operations in North America, South America, Europe, South Africa, the Middle East, Australia and Asia.’ The power is stated clearly within the company’s description. The company focuses on several areas, like solar ingots, wafers, cells, modules and other solar power products. Their power lies within the design, the development and the manufacturer (U.S. SEC, 2020o, p. 34). 408 employees are working for research and development. This is a noticeable little number when comparing to total 12,774 employees. Three percent of employees working for research and development, compared to competitors it is very low (U.S. SEC, 2020o, p. 89).

### 3.3.15.2 Discussion of Characteristics according to Chinese Global Champion’s Success Factors

It is noticeable that the company’s website is more attractive, compared to the previous mentioned firm. Canadian Solar offers utility, commercial and residential products. Therefore, they want to attract a broad customer base, also including private persons. The company advertises to have a full product and project pipeline. The global orientation gets clear easily, the company is active in 160 countries and has subsidiaries in 23 countries. The manufacturing power is divided between America and Asia (Canadian Solar, n.d.a).

*Available from: <https://www.csisolar.com/productsforresidential/>*

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*Figure 22: Canadian Solar also attracts private persons with its residential products (Canadian Solar, n.d.a).*

Pioneering effort is shown with the launch of new products, exemplarily mentioning a 600W+ high power solar module based on 210mm mono PERC cell in May 2021. Canadian Solar has 2,250 authorized patents worldwide until the end of 2021 (Canadian Solar, n.d.b). The Canadian-Chinese solar company Canadian Solar wants to benefit from higher sales prices for solar modules (Ecoreporter, 2021a, para. 1). One important issue within the whole industry is the governmental support, as governments may revise, reduce or eliminate subsidies and economic incentives (U.S. SEC, 2020o, p. 7). The company underlines the power of innovation and fully filled pipelines on its website. When comparing facts, it suggests that competitors may overtake the power within this industry sector. The prognosis of what will happen after the end of 2021 stays unclear, one of the reasons for dropping share values.

### **3.3.16 JinkoSolar Holding Co., Ltd. (JKS)**

#### **3.3.16.1 Facts and Figures**

JinkoSolar is listed on U.S. stock exchanges since May 2010 and started with a value of 11 USD. The current value of the share is 49.89 USD, showing a decrease of minus 12.03% within the last 12 months (Marketscreener, 2021p). The firm shows total 24,361 employees. A remarkable number is that the number of employees has doubled since end of 2018. In 2020, 1,078 employees are working for research and development, which is 4 percent of the whole workforce (U.S. SEC, 2020p, p. 133). The stated mission of JinkoSolar is to optimize the energy portfolio and take responsibility for enabling a sustainable future. Comparing to the visionary perspective, JinkoSolar aims to be an industry leader, while providing a one-stop solution for clean energy (JinkoSolar, n.d., para. 1).

#### **3.3.16.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors**

'We are a global leader in the photovoltaic industry based in China. We have built a vertically integrated solar power product value chain, manufacturing from silicon wafers to solar modules' (U.S. SEC, 2020p, p. 62). The market of photovoltaic products is highly competitive and rapidly evolving. One major step to leadership of JinkoSolar was the extension of production capacity to increase the numerical output of its products. Competitors however, also invest in these areas to expand production capacity. Some of the current and potential competitors have a longer operating history. The highly competitive industry has to deal with financials, brand

recognition, access to raw materials, relationships with customers and economies of scale in production. All those components need to be handled in order to provide high product quality with consistency, excellent price-performance ratio, a timely delivery and the ability to fulfil large orders. Customer support services do have high influence on the reputation of the brand. JinkoSolar claims to be competitive, especially in terms of high-quality products, low manufacturing costs and easy access to key resources. The industry of photovoltaic currently develops and manufactures solar power products based on new technologies. This game changing new technologies have the potential to completely change the rules of the game of photovoltaic products. These new alternative products may cost less, while achieving the same or similar levels of conversion efficiency in the future. Not to forget that the solar industry still competes with other renewable energy and conventional energy sources (U.S. SEC, 2020p, p. 74).

*Available from: <https://www.pv-tech.org/jinkosolar-doubles-shipments-aims-to-reach-70gw-of-module-manufacturing-capacity-by-year-end/>*

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*Figure 23: JinkoSolar expanded production capacity of high-efficiency products (Osborne, 2019, para. 1).*

JinkoSolar was able to achieve record breaking energy conversion rate and has therefore invested a high sum of resources in research and development. The firm declares itself as the world's leading photovoltaic company. JinkoSolar sees itself as a promoter of Chinese photovoltaic companies to become the top class globally (JinkoSolar, 2021, para. 1). The international market increases demand and continues to generate rapid and sustainable growth. JinkoSolar underlines its strong global distribution network, which will help to increase overseas businesses. In particular high-efficiency mono products are in high demand. Those products are continuously in short supply, so the ability to deliver will bring success (Osborne, 2019, para.1). 'Building your trust in solar', with this slogan JinkoSolar promotes its image. Founded in 2006,



JinkoSolar now sells products to customers in more than 80 countries worldwide. High efficiency, reliability, and safety are three major pillars for the success of JinkoSolar. The highest industry standards in the design, performance, and processing are delivered by JinkoSolar (Siblik, n.d.). Two more competitors in solar energy, coming from China, are analyzed further. As mentioned in this subchapter, it is a good composition of several components, which need to be met in order to be a market leader.

### **3.3.17 ReneSola Ltd. (SOL)**

#### **3.3.17.1 Facts and Figures**

The current value of ReneSola stock on U.S. stock exchanges is 4.35 USD, comparing this value to the starting value of 66.55 USD in the year 2008 it is noticeable low. Within the last twelve months, the ReneSola stocks had a loss of 52.46%, however the increase within the last three years was 186.2%, and the increase within the last five years was 53.17% (Market-screener, 2021q). The firm has total 147 employees worldwide, and a number on employees working for research and development is not available (U.S. SEC, 2020p, p. 53). The Company focuses on solar power project development, construction management and project financing services. It develops and sells solar power projects and owns and operates solar power projects and sells the electricity generated by its operated solar power plants (Reuters, 2021, para. 1). Compared to the above-mentioned competitors this number of total employees is very low and appears as a little company. The company's mission does differ from the above-mentioned firms. ReneSola acts as a project developer and an independent power producer. The firm is proud of its local professional teams in more than 10 countries around the world (ReneSola Power, n.d.).

#### **3.3.17.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors**

ReneSola identified tremendous growth opportunities with high-quality projects on especially profitable markets, including the U.S. and Europe. The focus of the company will follow this recognition. ReneSola offers two basic project development models: (1) Build-Transfer, and (2) Project Rights Sale. The Build-Transfer projects focus on the development of solar power projects, which are sold and delivered after being connected on grid. The Project Rights Sales concentrate on the early involvement in development stages to secure land and roof with

interconnection capacity and sell project rights, which need to be proceeded further. Characteristics, which are typical for ReneSola projects, and also lead to previous success, are mentioned further: (1) the focus lies on solar power and also on storage, (2) high margin, (3) monetization within the full project cycle, (4) Focus to find the most attractive phase within the development cycle, in order to achieve the highest risk reduction, and the highest capital efficiency, (5) the initial investment aims to be small, and (6) the period to monetization aims to be short (ReneSola Power, n.d.).

As ReneSola acts as a solar project developer, it is critical to know all the laws and regulations, in order to comply with all the guidance. Being international may foster this challenge (U.S. SEC, 2020p, p. 29). Not only the laws and regulations have critical impact, also government subsidies and incentives are crucial. The growth of the solar energy depends largely on the availability and scale of government subsidies and economic incentives. The cost of solar power exceeds the cost of electricity generated from conventional fossil fuels such as coal and natural gas. Without governmental monetary support it would not be possible to handle these costs (U.S. SEC, 2020p, p. 75).

*Available from: <https://thebambooworks.com/renesola-grows-on-shift-to-solar-power-production/>*

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*Figure 24: ReneSola acts as a solar project developer (ReneSola Power, n.d.).*

In 2020, ReneSola made big changes in its major operation area. The firm transformed from a money-losing equipment maker to money-making, and asset-light solar project developer. ReneSola switched the long-term growth strategy from focusing on traditional market in China to a global expansion roadmap. These changes made big imprints in the firm's history. The focus now lies in the United States and Europe, as identified high promising markets. A

completely new management team was recruited within this year. The project development business continues to be the important strategy for the foreseeable future (U.S. SEC, 2020p, pp. 42-43). ReneSola defines its competitors in a very broad way. Traditional utility companies, solar manufacturers, state-owned companies, and financial institutions enter the solar market. Also, other renewable energy companies and non-renewable power industries, including nuclear energy and fossil fuels such as coal, petroleum and natural gas, counts to the competitive environment. The location of competition also stays broad, as local and international operators have influence to ReneSola's business (U.S. SEC, 2020p, p. 53). The Chinese solar project developer ReneSola earned significantly less in the third quarter of the financial year 2021. This means they missed its own expectations and the market forecasts (Ecoreporter, 2021b). One year before, in the third quarter of 2020 the numbers appeared differently. Since October 2020 share value increased heavily and stopped to increase at the beginning of December 2020. The Chinese solar park developer ReneSola suffered less from the corona crisis in the third quarter of 2020 than feared. ReneSola is a small company with unclear future prospects and a stock market price that is prone to fluctuations (Ecoreporter, 2020, para. 1). Opinions on ReneSola's development differ. A complete reorientation of the business idea is associated with great risk, but has hidden huge opportunities. The share price shows that the development is not yet clear. ReneSola is definitely exciting to observe further within the next months.

### **3.3.18 SPI Energy Co., Ltd. (SPI)**

#### **3.3.18.1 Facts and Figures**

SPI Energy Co., Ltd. operates within the sector information technology, and is associated to the industry of semiconductors, and semiconductor equipment (Benzinga, 2021, para. 1). SPI Energy operates in the solar energy products and services segment. The firm wants to handle the whole process from engineering, procurement, and construction services. This procedure is known as EPC, which stands for engineering, procurement, and construction. Other areas include the sales of photovoltaic solar systems, the sales of electricity from power purchase agreements, photovoltaic solar component trading, pre-development project sales, and financial services (Marketscreener, 2021r). SPI Energy has 78 employees in total, spread in the United States, in United Kingdom, Italy, Greece, Hong Kong, Australia, and Japan. The half of employees working for managerial functions, while the second half is working for operating functions (U.S. SEC, 2020r, p. 84). 1.4 USD is the value of the current share. Within the last twelve

months the share got decline of 74.22%. The firm started in 2017 on the U.S. stock exchange with 15 USD per share (Marketscreener, 2021r).

### 3.3.18.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

The visionary view of SPI energy is to provide smart power, in order to innovate to renewable greener world. SPI energy offers solutions for business, residential, government, logistics, and utility customers. The company provides a full spectrum of engineering, procurement, and construction services (EPC) to third-party project developers. The company's description sounds as a powerful international big group providing solutions for every concern and customer group. Considering that the firm only has 78 employees is astonishing (SPI Energy, n.d.). The Company develops solar photovoltaic projects that are either sold to third party operators or owned and operated by SPI energy for the sale of electricity in multiple countries in Asia, North America and Europe (U.S. SEC, 2020r, p. 48). SPI Energy promotes to invest in the firm for several reasons. Some of them are mentioned further: (1) the company sees itself as well positioned in the fast growing energy market, especially the electric vehicle and renewable energy market, (2) since 16 years they act in global market with proven success, (3) strong revenue base, with near-term and long-term profitability, (4) SolarJuice and Phoenix Motor as its subsidiaries are ready to initial public offering, while SPI retaining controlling ownership, (5) leading renewable energy solution provider for residential market in Australia and USA, and (6) strong, experienced international management team (SPI Energy, n.d.).

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*Figure 25: SPI Energy provides a full spectrum of solar energy services (SPI Energy, n.d.).*

Secondary data does not offer a lot of information from SPI energy company. It is not clear in which direction it will evolve. As mentioned above, SPI energy's description sounds as being a leader of global renewable energy market. Experts on stock and finance market assess the firm as interesting with a consensus of buy (Marketbeat, 2021, para. 4).

### **3.3.19 BeiGene Ltd. (BGNE)**

#### **3.3.19.1 Facts and Figures**

'We are a global, commercial-stage biotechnology company focused on discovering, developing, manufacturing, and commercializing innovative medicines to improve treatment outcomes and expand access for patients worldwide.' BeiGene declares its mission clearly. The firm is a fully integrated global company, operating in several regions, including China, the United States, Europe and Australia. The mission has the motivation to provide access to high-quality, innovative, impactful, and affordable medicines to billions more people globally. The concept what is different is stated many times. The effort goes for affordability for the big mass. The competitive advantage is set in the field of research, clinical development, manufacturing and commercialization (U.S. SEC, 2020s, p. 5). The current share value is 176.23 USD, with a minus of 52.33% within the last 12 months. BeiGene went public to U.S. stock exchange in February 2016 with a starting value of 28,97 USD (Marketscreener, 2021s). The number of employees working for research and development is not stated by the firm, however 39.6 % of total expenses, which is a sum of 1,294,877 USD is spent for it (U.S. SEC, 2020s, p. 120).

#### **3.3.19.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors**

Initially BeiGene was founded as a research and development company in 2010. The start was with some scientists and developers. Today, a global team, a rich pipeline, strong partnerships, and commercial products describe the success of the firm. This success story made them self-confident, while describing a bright future (BeiGene, n.d.a, para. 3). The strategy is clearly defined as the focus on research and innovation, and the provision of world class clinical development. Regarding market share, BeiGene sees itself as the China commercial leader, and one of Global leaders. A broad accessibility should further be strengthened by good reputation (U.S. SEC, 2020s, p. 5). BeiGene is not a single component, as they entered enriching partnerships. The development and commercial capabilities of BeiGene supported the entrance into

collaborations with world-leading biopharmaceutical companies such as Amgen and Novartis. The aim is to develop and commercialize innovative medicines globally collaborative (U.S. SEC, 2020s, p. 5). Some of the world's leading oncology companies are based in Basel in Switzerland. Also, some leaders in biotechnology industry are located there. As many global life science companies control their business activities from Basel, BeiGene therefore established a regional headquarters set up in Basel (Basel Area, n.d., para. 3). Novartis also headquartered in Basel signed a deal with BeiGene to bolster immunotherapy pipeline. Novartis has entered an option, partnership and license agreement for BeiGene's anti-cancer therapy, supporting with a huge sum of monetary support upfront. BeiGene should therefore be able to bolster its research and development in immuno-oncology (Verdict, 2021).

*Available from: <https://www.beigene.com/>*

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*Figure 26: BeiGene focuses on improving treatment outcomes and patient access to cancer therapy globally (BeiGene, n.d.).*

Pharmaceutical and biochemical industry is highly dependent on governmental regulations. Government authorities regulate, among other things, the research and clinical development, testing phases, manufacture, quality control, approval, labelling, packaging, storage, advertising, and distribution. Export and import issues have clear guidelines, and some jurisdictions also regulate drug pricing. The obstacle is, that those regulations differ in each region, link in the United States, in China, or in Europe jurisdictions requests other details to fulfil. From the product idea to products launch, probably no way is that tricky as the way for pharmaceutical products. Considerable data demonstrating its quality, safety and efficacy must be obtained. Each regulatory authority has a say in terms of review and approval (U.S. SEC, 2020s, p. 32). The requirements relating to the conduct of clinical trials, drug licensing, pricing and reimbursement vary from country to country. This phenomenon within the pharmaceutical and biochemical sector has huge impact on the success of each single firm (U.S. SEC, 2020s, p. 53).

In the fiscal year 2020, BeiGene nearly doubled the number of employees to over 5,000. The increase in number of employees can be observed further (U.S. SEC, 2020s, p. 84). The firm's values are described as: (1) Patients first, (2) bold ingenuity, (3) collaborative spirit, and (4) driving excellence. BeiGene has the motivation to stand up for more affordable medicines for patients everywhere. The motivation goes beyond to challenge the status quo of science to deliver medicine which once thought to be impossible, while making bold commitments. Foster teamwork and respect individual differences to strengthen the collaborative spirit. Through excellence BeiGene want to make a lasting impact in the world. A good portion of communicating urgency and agility will help to follow the goal of science (Beigene, n.d.b, para. 3). The IDEA Pharma Innovation Index was also made in the year 2021. IDEA Pharma defines innovation versus invention as follows: (1) Invention is to bring ideas or technologies together in a novel way to create something that did not exist before, while (2) Innovation is the return on invention and the creation of meaningful value from invention. On a global ranking, BeiGene receives the place 27 in the innovation raking, however the place 5 in the invention ranking (Mukherjee, 2021, para. 1-2). Summarizing BeiGene's characteristics, this firm promises a bright future. The spirit and motivations seem to be unstoppable, while past success stories increase the trust.

### **3.3.20 Zai Lab Ltd. (ZLAB)**

#### **3.3.20.1 Facts and Figures**

The current share value of Zai Lab on U.S. stock exchange is 28.57 USD. In September 2017 the firm went public on U.S. stock exchange with a starting value of 18 USD, with a plus of 5.7% within the last five years, and a minus of 67.04% within the last twelve months (Market-screener, 2021t). 'Our Mission is to become a leading global biopharma delivering innovative, transformative medicines to patients in China and around the world.' The long-term goal of Zai Lab is to leverage the China-based competencies and resources to enable and impact human health worldwide (Zai Lab, n.d.a). This definition itself shows the different standing, compared to BeiGene. An impressive number is the increase of employees. Within the last 24 months they recruited 1,100 employees, to have total 1,800 on a global scale (Zai Lab, n.d.b, and U.S. SEC, 2020t, p. 106).

### 3.3.20.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

Zai Lab has a broad and validated late-stage pipeline in oncology, infectious disease and autoimmune. Over 28 assets are in the portfolio of Zai Lab. Four products are licensed to commercial in China and five products are approved in the United States. 13 assets are in late stage, and 11 assets to own global rights (Zai Lab, n.d.c, para.1). The firm declares itself as a well-known global partner in oncology, autoimmune disorders, infectious diseases and neuroscience, and research and development, as well as manufacturing. For oncology topics they entered partnerships with, exemplarily mentioned Amgen, Blueprint Medicine, Bristol-Myers Squibb or Cullinan Oncology (Zai Lab, n.d.b).

*Available from:* <https://www.businessinsider.com/r-china-biotechs-coming-out-party-masks-long-road-ahead-2017-10>

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*Figure 27: A scientist works in Zai Lab's drug development laboratory in Shanghai (Ning, Ruikai & Bao, 2020, para. 2).*

'We are an innovative, research-based, commercial-stage biopharmaceutical company focusing on discovering or licensing, developing and commercializing proprietary therapeutics that address areas of large unmet medical need in the China and global markets'. The focus area of Zai Lab is oncology, infectious and autoimmune diseases. The mission is to address needs of patients in China, and to utilize the China-based competencies, insights and expertise, to improve patients' lives worldwide. China has historically lacked its drug development infrastructure. Some pharmaceutical companies were established for this reason of shortage. Zai Lab proudly states that this is one of the reasons for the company's foundation. The access to many innovative therapies available in the rest of the world was very limited for China in the last years. An intensive need to bring new and transformative therapies to China emerged. Also,



government recognized this issue and focused therefore on promoting local innovation (U.S. SEC, 2020s, p. 54).

There are some reasons to buy Zai Lab's shares. Marcaida, Worner, and Bruns (2021, para.1) define Zai Lab as a fast growing 'Gateway to China' in terms of being a unique opportunity for global biopharma companies to invest there. The authors discuss if Zai Lab also has the potential to be China's next biotech superpower. Currently the firm only offers four products on the market, however a strong pipeline will change this situation near-term. The huge spectrum of healthcare is still a focus of Chinese government. Due to this priority in governmental sense, it somehow will be easy to grow new superpowers in this area. Zai Lab has a strong market capitalization, as its shares are listed on New York and Hong Kong stock exchange (Marcaida, Worner, & Bruns, 2021, para. 1). This bright future has no uniform voice. Sustainalytics (2021a, para. 1) declares Zai Lab shares for high risk, according to the ESG Risk Ranking. ESG does stand for environmental, social, and governance risks, and is evaluated on a long-term perspective. Within the industry group pharmaceuticals, Zai Lab is ranked on place number 257 out of total 1028. This ranking considers the place number one as the lowest. According to the ESG exposure score Zai Lab is rated medium. This exposure score considers the subindustry and company-specific factors, for example the business model. Also, the management team was rated, which refers to how well a company is managing its issues, the robustness of the company, its practices and policies. This score was only considered as weak (Sustainalytics, 2021a, para. 3). Various comments from different authors occur regarding Zai Lab and its bright versus dark future. The potential is high, and the governmental support will be a springboard. Critics however emerge when analyzing the firm's facts. There are many firms in this sector, which are considered as more robust and promising.

### **3.3.21 I-MAB Biopharma (IMAB)**

#### **3.3.21.1 Facts and Figures**

'We are a clinical-stage biopharmaceutical company committed to the discovery, development and commercialization of novel or highly differentiated biologics to treat diseases with significant unmet medical needs, particularly cancers and autoimmune disorders.' The motivation of innovation belongs to transformational medicines (I-MAB Biopharma, n.d.a., para. 1). The current share value is 3.61 USD, which means a decline of 93.72% the last twelve months. With the stock starting with 14.75 USD in January 2020, the value has risen sharply since it opened,

with a strong decline since the pandemic started (Marketscreener, 2021u). The expenses for research and development grew clearly the past years and doubled within the last two years. The total percentage on expenses spent was 71%, which in numbers is 150.9 million USD. The sum is in comparison to competitors high and shows an impressive number (U.S. SEC, 2020u, p. 181).

### 3.3.21.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

Since January 2020, the date of the first public offering, the firm created game changing success stories. I-MAB showed rapid progress in pushing the pipeline projects. In these processes they achieved a series of critical clinical milestones, and gathered many points of success. To stay competitive, the firm entered some collaborations on a global scale. One of the most favorable is the collaboration with the global partner AbbVie. The current status as a clinical stage biotech firm will be changed dramatically within the next years. To be a fully integrated biopharma within the next three to four years is the aim. Concrete steps are defined. I-MAB pronounces its listening skills, as well as the successful capital market performance. The potential and the motivation are clear. I-MAB sees itself as a biopharmaceutical leader in China near-term (U.S. SEC, 2020u, pp. 67-70). Two major reasons made the firm growth. The first one is that, as mentioned in the previous chapters, the growing biologics market in China, due to the lack from the past. This creates a huge pull of demand, also demonstrated in figure 28. The second reason is the revolutionary scientific breakthroughs in cancer and autoimmune disease medicines (I-Mab Biopharma, n.d.a., para. 1).

*Available from: <https://imab.gcs-web.com/news-releases/news-release-details/i-mab-provides-business-and-corporate-updates-and-reports-1/>*

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*Figure 28: Growth Drivers of Biologics Market in China (I-Mab Biopharma, n.d.a., para. 2).*

Several reasons for the growth drivers of biologics market in China are demonstrated in figure 34. The increasing prosperity of the population, as well as the need to innovation for biologics targeting oncology, foster the demand pull within China. The governmental support in this area gets important to reach favorable environment for innovative drug approvals. Another major issue is the monetary support from government, which lead to growth in biologics market in China (I-Mab Biopharma, n.d.a., para. 2). China, with a population of more than 1.4 billion people, is the world's second-largest pharmaceutical market. Historically the focus of Chinese pharmaceutical markets was to produce generic drugs, active pharmaceutical ingredients, and traditional Chinese medicines. Now, the medical need in this huge market is high, and the incidence and mortality of cancer in China is higher compared to the United States and globally. The approved cancer medicine from United States and Europe is not yet available in China. The reason why the Chinese biologics market is growing faster than the global biologics market gets clear. Another major influencing factor is that the talent pool within China increases clearly. In terms of developing first-in-class and best-in-class drugs, I-Mab has a full pipeline with projects fulfilling this motivation (BioPharma Dealmakers, 2019, para.1). In November 2021, Sustainalytics (2021b.) rated the I-Mab shares as high risk. This appears as somehow opposite. According to the ESG risk ranking the part of exposure is rated medium. The medium rating is comparable to the above-mentioned competitor Zai Lab. The part of management was rated as average, which is stated as better, compared to Zai Lab.

AbbVie has entered into a global collaboration agreement with I-Mab to develop and commercialize an immuno-oncology therapy. I-Mab discovered and developed a monoclonal antibody, which rose the interest for AbbVie. This monoclonal antibody is for treating patients with various types of cancer. The agreement provides AbbVie with an exclusive license to develop and commercialize this achieved product globally, except China. I-Mab keeps all rights in China, Macau and Hong Kong. Several clinical trials with this monoclonal antibody are planned in this partnership. The deal is worth two billion USD (Verdict, 2020). The statement that Chinese pharmaceutical firms will succeed within the near-future is clearly stated in several sources. The major question is which firms will make the run. Exemplarily mentioned I-Mab invests huge parts of resources for its discovered monoclonal antibody. The opportunities are great, as are the risks.

### 3.3.22 Legend Biotech Corp. (LEGN)

#### 3.3.22.1 Facts and Figures

Legend Biotech is another global, clinical-stage biopharmaceutical company engaged to solve unmet needs in cell therapies for oncology, and other indications. The focus lies within the discovery, and development of novel cell therapies, to generate, test, and manufacture next-generation therapies (U.S. SEC, 2020v, p. 82). 388 out of 882 employees are engaged in research and development activities, which is a percentage of 44 (U.S. SEC, 2020v, p. 162). The current share value is 51.50 USD, with an increase of plus 7.16 % in the last year. This growth is strikingly high compared to other firms, and competitive partners. Mid of 2020 Legend Biotech started to go public on U.S. stock exchange. The starting value of one share was 37 USD (Marketscreener, 2021v).

#### 3.3.22.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors

Legend Biotech sees itself as the upcoming worldwide leader for CAR-T therapies. These therapies combine the characteristics of all three innovative forms of therapy, the immune, cell and gene therapies. The CAR-T therapies aim to treat hematologic malignancies, solid tumors and infectious diseases. A rapid advance of the pipeline, while leveraging the global clinical development strategy is essential. Registration trials and the approval for the treatment globally is a further milestone, as well as the focus on international skills to expand the global leadership in the cell therapy field. These intentions go together with the expansion of manufacturing capabilities, and the establishment of the firm to be a preferred global partner. Cancer is the second leading cause of death worldwide, and Legend Biotech defined its clear plan to fulfil (U.S. SEC, 2020v, pp. 85-86).

Available from: <https://legendbiotech.com/research-development/>

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*Figure 29: Legend Biotech is proud of its global research and development infrastructure and pipeline (Legend Biotech, n.d.b.).*

Legend Biotech is very proud of several proven characteristics: (1) The research and development infrastructure and pipeline is robust, and already globally oriented, (2) Clinical assets are advancing rapidly, (3) The speed to market of clinical compounds through global partnerships, (4) Partnerships with leading clinicians, (5) The reduced risk in clinical trials by leveraging data through global research and development network, (6) Attractiveness as an employer for global talents, with extensive experience in all stages of clinical development, (7) Focus on proper compliance throughout clinical development, (8) The global manufacturing network, and (9) The fast growing commercial footprint to build the most efficient and effective go-to-market model to maximize the reach of cell therapy (Legend Biotech, n.d.b). A highly motivated description which promises a bright future of the firm. Legend Biotech itself is part of one of four GenScript subsidiaries. The vision of GenScript is to become the most trustworthy Biotech company in the world. They further outlined that they focus on development opportunities to offer their employees different ways to their personal professional goals, while creating a long-term value for society (GenScript, n.d.). It is particularly striking how the importance of employees is emphasized within the corporate vision.

As other industrial attendants Legend Biotech has entered into a worldwide collaboration and license agreement with Janssen Biotech. This pharmaceutical firm belongs to the big Western Johnson & Johnson group. The collaboration aims to develop, manufacture, and commercialize together. A research collaboration was established with Beth Israel Deaconess Medical Centre (BIDMC), an academic medical center, which belongs to Harvard Medical School (Legend Biotech, n.d.a). A collaborative research and licensing agreement was concluded with Noile-Immune Biotech, a Japanese Biotech company. The collaboration focuses on advancing the next generation of T-cell products for the treatment of solid tumors (GenScript, 2020). GenScript itself position its business within four major subsidiaries: (1) Life Science Services and Products, (2) Biologics Development & Manufacturing, (3) Synthetic Biology, and (4) Cell

Therapy (GenScript, n.d.). Those international collaborations aim to compound success on a global scale.

### **3.3.23 Burning Rock Biotech Limited (BNR)**

#### **3.3.23.1 Facts and Figures**

Guard life via science is the big mission of Burning Rock Biotech Limited (Burning Rock Dx, 2022, para. 1), which is a quite common formulation of firm's missions in this sector. However, the content differs somehow from those other competitors, as the firm focuses on next generation sequencing (NGS) technology in the field of precision oncology. The core business is split in two sectors, the first is the NGS-based therapy selection testing for late-stage cancer patients, added by the second focus, the cancer early detection, which promises groundbreaking solutions (Burning Rock Dx, 2022, para. 2-3). Employees count in total 938, most of them are located in China, and some of them are already located in the United States. 188 employees in total are working for research and development, which is 20% of the total workforce. This sum does not appear extremely high, however the focus on early cancer detection, with the aim of developing pan-cancer early detection products seems that the R&D's focus could lead to a brilliant future of the firm (U.S. SEC, 2020w, p. 44). Shares on the U.S. stock exchange can be bought for 1.9 USD. The drop within one year was 85.97%. The starting price of the stock was 22.80 USD mid of 2020 (Marketscreener, 2021n).

#### **3.3.23.2 Discussion of Characteristics according to Chinese Global Champion's Success Factors**

'Burning Rock Biotech's multi-cancer detection test receives CE mark'. That headline rushes through several medial articles. The aim is to detect and localize multiple cancer types in patients aged 40 to 75 years on a very early stage. The OverC Multi-Cancer Detection Blood Test is a qualitative next-generation sequencing (NGS)-based in vitro diagnostic device. The device has been designed to detect DNA methylation markers using human blood (Verdict, 2022, para. 1).

*Available from: <https://www.medicaldevice-network.com/news/burning-rock-biotechs-multi-cancer-detection-test/>*

*The inclusion of the image in the online version of the dissertation is not permitted due to copyright restrictions.*

*Figure 30: Burning Rock Biotech receives CE mark for OverC Multi-Cancer Detection Blood Test (Verdict, 2022, para. 1).*

There is intense competition on the market, not only for turnover, but also for qualified individuals. Competitors include numerous biotechnology, and pharmaceutical companies, universities, governmental entities, and other research institutions. There is a very high challenge to attract, and retain suitably qualified individuals (U.S. SEC, 2020w, p. 10). Money generated will be used to invest further in research and development and in obtaining government approvals for new products to select cancer therapies in China (Breen, 2020, p. 1). Government regulations may bring up new burdens on the firm's efforts to commercialize products and services (U.S. SEC, 2020w, p. 17). The company describes it as a risk, contrary to the claim that the 'Made in China 2025 initiative' will positively influence the entire industry. The consistent statement is that the Chinese government has high power and influence on individual firm's output.

Financial regulators in the United States and China have reached an agreement that will allow regulators to audit the financial statements of Chinese companies traded on exchanges in the United States. This has already been a long-running dispute that is now likely to end. This new agreement has hurt some Chinese stocks, but Burning Rock Biotech has remained strong. Combined with the previous COVID-related restrictions, the shares remain high risk, although the company is generally performing well (Berkowitz, 2022, para. 1-3).

The mentioned OverC Multi-Cancer Detection Blood Test is manufactured in US, and China facilities (Verdict, 2022, para. 1), which mentions the already existing international way of this firm. Global pharmaceuticals firm including AstraZeneca, Bayer, and Johnson & Johnson, and also Chinese firms like Sino Biopharm, and BeiGene entered a partnership with Burning Rock Biotech Limited for clinical trials, and research studies (Breen, 2020, p. 1). On the one hand,

this means that the company is very strong in international networking, on the other hand, it may involve the risk that the successes have to be shared in the second step.

The firm was founded in 2014 and states itself that limited operating history bears huge risks. For them it is difficult to give statements with regard to future performance (U.S. SEC, 2020w, p. 3). This phenomenon is not new, there are some more firms stated above with a short operating history. On the other hand, this contains high potential, especially if the firm has a business case which is similar to a quantum leap.

‘The approval of CE mark for the OverC test is of much significance for the commercialization, and compliance process of Burning Rock’s multi-cancer early detection technology, and marks a breakthrough in the company’s global business strategy’ (Verdict, 2022, para. 1). Burning Rock Biotech Limited sounds very promising. Cancer is one of people’s biggest worries, and fears. The company that offers the fastest, and most reliable solution will win. All the other areas are exciting, some of them are luxury goods or technologies that make daily life easier. The company that manages to eliminate the issue of cancer will win. That’s why the Chinese government has also jumped on the bandwagon, and the chances are good that a Chinese Global Champion will overtake the Western pharmaceutical giants.

### 3.4 Empirical Results at a Glance

Major results of the empirical research (Chapter 3) are demonstrated here on a very high level. These findings are outlined in detail in the following chapter on conclusion and outlook (Chapter 4).

- The Chinese Global Champion’s Success Factor Model was developed in this dissertation with literature, the conducted expert interviews, and the case studies.
- A ‘Chinese Global Champion’ is a term used to describe a company that ranks among the top five in its competitive area on an international scale, while success factors enable them to do so.
- Central statements of the Chinese Global Champion’s Success Factor Model are the Chinese hyperflexibility, the real utility factor for the broad mass, offered with a world-class price-performance ratio, hybrid values in corporate culture, and governmental favoritism strengthen through Guanxi. Whether certain factors are more important than others, and what they are, would be interesting to examine in future work. However, it



appears that the Anna-Karenina Principle applies, which suggests that several factors must be fulfilled for something to succeed, but only one missing factor leads to failure (Shugan, 2007, p. 145).

- With this dissertation, the Chinese Global Champion phenomenon has been proven once again. There are global economic players, which will or have already overrun proud Western winners.
- The literature discusses China-specific success factors as: (1) flexibility, speed, and innovation, (2) a high commitment of the workforce to the job, (3) strong hierarchical division of roles with great influence of Guanxi, and (4) a strong relationship to the Chinese government.
- Through extensive literature review in combination with the two empirical studies, the expert interviews and the case studies, the author was able to answer both research questions.
- The ‘China miracle’ described by Lin, Cai, and Li (2003) in terms of China’s rapidly growing economic power is again highlighted in this dissertation. Any future empirical work in this research area is very valuable and exciting.

## 4 Conclusion and Outlook

The final chapter of this dissertation consists of four subchapters. These subchapters address the research summary, present recommendations derived from the findings for managers, and discuss the limitations of the study. Additionally, there is a comprehensive discussion on potential areas for future research.

### 4.1 Summary

The Chinese Global Champion's Success Factor Model is the essence of this dissertation, established out of the literature, expert interviews, and case studies. The author's own *definition of a 'Chinese Global Champion'* is used to describe a company that ranks among the top five in its competitive area, has achieved significant international success, and demonstrates the ability to compete with and outperform global competitors. In this dissertation, the term 'Chinese Global Champion' is used to refer to successful Chinese companies operating on an international scale, while success factors enable them to do so. This dissertation primarily concentrates on privately-owned Chinese firms, which benefit from favorable governmental conditions due to their presence in emerging industries.

*The identified research gap highlighted* the limited understanding of the specific characteristics that define a Chinese Global Champion's performance. The rise of China as a global economic power and its transformation into a formidable competitor lacked a clear conceptualization for Chinese Global Champions. Despite its extensive presence in global economy, existing literature falls short in providing a comprehensive understanding of the global economic power of these successful Chinese companies. Bridging this knowledge gap is important for both research and management, especially considering the distinctive success factors within the China-specific context.


*The objective*, distinctly outlined in the initial chapter of this dissertation, was to formulate a theory of the Chinese Global Champion and provide a comprehensive understanding of this phenomenon through theoretical frameworks and own empirical examination. This dissertation aimed to respond to and resolve two specific research questions:

1. Which general success factors enable a firm to become a Chinese Global Champion?
2. Which China-specific success factors enable a firm to become a Chinese Global Champion?

This dissertation encompasses intensive *literature review*, *expert interviews*, and *case studies*. The literature review thoroughly analyzed the organizational performance literature. In the subsequent analysis, success factors mentioned in the literature were summarized and interpreted. The distinction between ‘General’ and ‘China-specific’ was already considered during the literature review. After an extensive literature review, the methodological foundations of the expert interviews and the case studies were demonstrated. This study conducted semi-structured expert interviews with 19 diverse participants, including politicians, professors, journalists, and business leaders, chosen for their expertise in the Chinese economy. Qualitative content analysis and grounded theory were used to analyze the data. In the second stage of the empirical examination, the case studies served to empirically prove the research model. The case studies focused on Chinese companies in key industries outlined in the ‘Made in China 2025’ initiative. The analysis covered all categories of success factors from the research model, which were limited to the final five categories, mentioned in the final Chinese Global Champion’s Success Factor Model.

The *Chinese Global Champion’s Success Factor Model* distinctly shows the first and second research question. A fundamental contribution of this dissertation is the explanation why some factors are considered ‘General’ while others are ‘China-specific’. The China-specific success factors are particularly noticeable among Chinese Global Champions. It is not excluded that these factors may also apply to Global Champions from outside of China. The entire empirical work of this dissertation suggests that it is precisely in these factors that Chinese Global Champions excel. To provide a clear overview, the success factors are grouped into categories and further allocated into strategy and organization, serving as a guiding framework rather than absolute divisions. This approach of categories allows a better understanding and facilitates targeted improvements in both strategic planning and operational efficiency. The success factors behind the five categories have served to answer the two research questions of this dissertation.

Table 7: Chinese Global Champion's Success Factor Model.

		Strategy	Organization
<i>Categories of success factors</i>			
Research Question 1:  General Success Factors	<b>Business Agility</b>	Speed of innovation	Speed of reaction, and learning
		Continuous adjustment of long-term strategy	
	<b>Product Excellence</b>	Dedication to research and development	Exact adherence to customer needs
	<b>International Skills</b>	Cross-cultural branding capabilities	Management of language, and cultural differences
		Talent to deliver international quality standards	
Research Question 2:  China-Specific Success Factors	<b>Business Agility</b>	Hyperflexibility	
	<b>Product Excellence</b>	World-class price-performance ratio	
		Utility factor for the broad mass	
	<b>International Skills</b>	Global talent diversity	
		Pre-experience in small or similar markets abroad	
		Involvement of diaspora	
	<b>Cultural Cohesion</b>	Hybrid values of Confucianism and western philosophies	
		Authoritarian visionaries as leaders	
	<b>Governmental Favoritism</b>	Alignment with the government's core strategy	
		Guanxi networking skills in political circles	

#### 4.1.1 Research Question 1: Which general success factors enable a firm to become a Chinese Global Champion?

General success factors apply to companies from all over the world and are generally valid regardless of where the company comes from. These insights into general success factors primarily originate from the existing literature. These findings serve as recommendations for companies that want to achieve global success. The primary focus of this dissertation, however, distinctly focuses on Chinese Global Champions. Consequently, the aim was to distinguish these insights from the existing literature. In management literature, numerous works have already addressed the question of how to increase corporate success. Some studies analyze specific situations in detail, while others attempt to define an overview of various success factors.

The broad topic of organizational performance was extensively evaluated, while the insights extracted from the intensive literature review are context-specific, aligned with the research question of this dissertation.

The main difference between the China-specific success factors lies in the importance and prominence of these China-specific success factors when analyzing Chinese companies. General success factors, on the other hand, are universally applicable. It does not preclude the possibility that China-specific success factors may also apply to Western companies that achieve global success. The essence of this dissertation lies within these insights, the categorization of whether a success factor is classified as ‘General’ or ‘China-specific’.

The general success factors have been grouped into three categories in the Success Factor Model. Business Agility, Product Excellence and International Skills form the categories for answering the first research question. The success factors of each category build specific recommendations and explanations.

1. Business Agility:

- *Speed of innovation*: The speed of innovation empowers firms to quickly develop and introduce new products, services, and technologies to meet evolving market demands.
- *Speed of reaction and learning*: Chinese Global Champions demonstrate speed of reaction and learning, quickly adapting to market changes, embracing new trends, and leveraging their experiences to stay ahead on a daily and operative level.
- *Continuous adjustment of long-term strategy*: Successful Chinese firms possess the ability to continuously adjust their long-term strategy in response to shifting market dynamics, emerging opportunities, and potential challenges.

2. Product Excellence:

- *Dedication to research and development*: Chinese Global Champions prioritize product excellence. They exhibit a strong dedication to research and development, making substantial investments in research and development activities to foster innovation and improve the quality and performance of their products and services.
- *Exact adherence to customer needs*: These firms demonstrate exact adherence to customer needs by closely aligning their offerings with the specific requirements, preferences, and expectations of their target customers.

### 3. International Skills:

- *Cross-cultural branding capabilities*: The strong cross-cultural branding capabilities, enable Chinese Global Champions to successfully expand into international markets, while adapting their branding and marketing strategies accordingly.
- *Management of language and cultural differences*: Successful Chinese companies invest in building the necessary language and cultural competencies to operate in international markets. They establish effective communication channels, employ local talents, and develop a deep understanding of the cultural contexts in which they operate.
- *Talent to deliver international quality standards*: Chinese Global Champions attract and retain talents with the skills and expertise to ensure their offerings are competitive on a global scale.

#### **4.1.2 Research Question 2: Which China-specific success factors enable a firm to become a Chinese Global Champion?**

The essence of this dissertation can be found in this chapter. As previously indicated, the insight of this dissertation lies in addressing the second research question. The emphasis is on the ‘China-specific’ because it concerns to understand the phenomenon of Chinese Global Champions. The second research question highlights the distinctive characteristics, as well as the particularly striking success factors in the China-specific sense. A highly detailed and multi-phase examination of the literature has delivered numerous insights into the increase of companies’ success, both in the general and the China-specific context. The expert interviews and case studies have further assessed these findings. Certain new insights were gained as a result.

This section clearly describes why each single success factor serve the purpose of addressing the second research question rather than the first. This is an interesting unveiling where the distinction between general and China-specific success factors was made. It is not excluded that companies outside of China may also benefit from these success factors, but through repeated examination, we now know that these factors were particularly prominent among successful Chinese Global Champions. The China-specific success factors are notably strong for Chinese Global Champions.

The previously mentioned *contingency theory*, Chapter 2.2.2.4, also demonstrates its significance here. Success factors lead to success only in the right context. In this dissertation, the contextual factor is ‘China’. This insight in addressing the second research question primarily

comes from China-specific literature together with the insights gained from the expert interviews. The interview guide was clearly oriented toward successful Chinese Global Champions. This insight was cross-verified and refined through case studies. The China-specific success factors therefore unveil the phenomenon of Chinese Global Champions.

China-specific success factors that enable a firm to become a Chinese Global Champion are summarized in five categories. These specific characteristics apply to companies from China in particular:

1. Business Agility:

- *Hyperflexibility*: The level of flexibility exhibited by Chinese Global Champions is particularly notable, this is how the term ‘hyperflexibility’ was created. This exceptional degree of adaptability enables them to promptly and effectively react to dynamic market changes and capitalize on emerging opportunities.

2. Product Excellence:

- *World-class price-performance ratio*: Chinese Global Champions focus on delivering products and services that provide world-class price-performance ratio, offering competitive pricing without compromising on the customer’s expected quality. The price-to-performance ratio in China is considerably more favorable to customers when compared to Western competitors.
- *Utility factor for the broad mass*: High utility value serves the needs and preferences of a wide range of consumers. These products provide added value to the customer’s daily lives. Chinese Global Champions possess the ability to offer solutions to the broad mass, which is reflected in their quantity or scale. This is closely connected to their ability to provide a world-class price-performance ratio.

3. International Skills

- *Global talent diversity*: An observable phenomenon is the global talent diversity. Chinese Global Champions increasingly attract talent from around the world with diverse skill sets and perspectives. Western competitors may also possess this ability. What distinguishes it as China-specific is that this new phenomenon has become particularly prominent in successful Chinese companies in recent years.

- *Pre-experience in small or similar markets abroad:* A certain advantage is gained by many Chinese Global Champions as they gain experience and insight by expanding into smaller or similar markets before venturing into larger and more competitive global markets. They first expand either in China or in other markets, such as Latin America, with similar economic situations.
- *Involvement of diaspora:* They further leverage the knowledge and networks of Chinese diaspora communities to facilitate international business expansion and market penetration.

#### 4. Cultural Cohesion

- *Hybrid values of Confucianism and Western philosophies:* Chinese Global Champions exhibit a fusion of hybrid values, combining traditional Confucian principles such as harmony, respect, and loyalty, with contemporary Western business practices and principles. This integration allows them to strike a balance between cultural heritage and modernity.
- *Authoritarian visionaries as leaders:* Chinese Global Champions are often led by visionaries who adopt an authoritarian leadership style, providing clear direction and inspiring employees to strive for ambitious goals.

#### 5. Governmental Favoritism

- *Alignment with the government's core strategy:* Chinese Global Champions align with the government's strategy, benefiting from support and policies.
- *Guanxi networking skills in political circles:* They utilize Guanxi networking in political circles, fostering business growth. Networking contributes to their success in establishing a strong presence and visibility. The issue of Chinese Guanxi networking differs from Western lobbying, as it's not about changing the framework, but more of a give and take.

## 4.2 Implications for Future Research

The findings of this dissertation can serve as a foundation for future conceptual and empirical investigations in the field of Chinese Global Champions. By considering the following implications and outlining future research directions, this chapter provides a roadmap for researchers



interested in understanding and promoting global success, particularly in the Chinese business landscape. The central result of this dissertation is the Chinese Global Champion's Success Factor Model (Chapter 4.1), covering five categories of success factors: (1) Business Agility, (2) Product Excellence, (3) International Skills, (4) Cultural Cohesion, and (5) Governmental Favoritism.

Future research should examine the interrelationships between the factors in these five categories: Are they compensatory in nature or are they connected in such a way, that firms need to score high on each factor to become a champion? With regard to this question an analogy can be drawn to the *Anna-Karenina Principle* (AKP) (Diamond, 1994, 1997). 'All happy families are similar, but each unhappy family is unhappy in its own special way' (Tolstoi, 1873, p. 1). This sentence mentioned at the beginning in Tolstoi's novel about family psychology was widely used, and is now discussed in various fields, including economic sciences as the Anna-Karenina Principle. There is no single-factor explanation for success in complex undertakings (Diamond, 1994, p. 4), while the success primarily emerges from the successful avoidance of many separate causes of failure (Diamond, 1997, p. 157). The AKP suggests that several factors must be fulfilled for something to succeed, but only one missing factor leads to failure. In other words, no factor guarantee success, but many guarantee failure (Shugan, 2007, p. 145). The success therefore depends on many success factors, and each single factor is important (Gilbride & Allenby, 2004, pp. 401-402). The following research questions encompass the open research area. To further explore and delve into these inquiries, the subsequent research proposals should be addressed within the framework of future research. The proposed research proposals offer opportunities to fill existing knowledge gaps and generate new insights. It is recommended that future research efforts aim to address these open conceptual and empirical investigations in the field of Chinese Global Champions, thereby making a substantial contribution to knowledge development in this field.

**Research Proposal 1:** Future research should examine, whether and how the Anna-Karenina Principle (AKP) applies in the context of the Chinese Global Champion's Success Factor Model, indicating that 'All Chinese Global Champions demonstrate similar success factors, but each unsuccessful Chinese company is unsuccessful in its own special way'.

A second future research proposal relates to dynamic effects. More specifically, longitudinal studies should be conducted to analyze the dynamic nature of success factors, combining the

issue of the *continuum of Chinese Global Champion's market leadership*. It is not possible to present the potentials of the future Chinese Global Champions, and the dynamics of the global market in a single scientific paper. This dissertation demonstrates a profound basis for this further analysis. The main objective of this dissertation was to scientifically define success factors for Chinese Global Champions. In a long-term research project, the following research questions would be particularly relevant in the scientific discussion to be answered:

**Research Proposal 2:** Future research should investigate the dynamic aspects of success factors for Chinese Global Champions, exploring the elements that contribute to their sustainable success.

A potential area for additional research involves observing *interaction effects among success factors*. Analyzing the success factors of Chinese Global Champions may reveal various interaction effects. Additive effects could occur when the combined impact of factors exceeds the sum of their individual influences. Synergistic interactions may arise when the interaction of multiple factors amplifies success. Antagonistic effects could occur if the presence of one factor diminishes the positive impact of another. Interaction effects in the form of moderation may be evident when the relationship between factors varies depending on a third factor, while mediation effects could manifest when the success of one factor is mediated by another. A comprehensive analysis of these interaction effects is crucial for understanding the dynamics of success in the context of Chinese Global Champions. The Gestalt theory, for instance, describes the combined influence of multiple variables with interdependent relationships. This research aims to identify pairs of factors that mutually reinforce or weaken each other, such as exploring the interaction between strategy-related factors and organizational factors out of the Chinese Global Champion's Success Factor Model. Within strategic topics, there are potentially positive and negative interaction effects among various factors, similar to those within organizational themes. It is important to understand which factors mutually reinforce each other and to explore the complex interplay of factors that may weaken each other.

**Research Proposal 3:** Proposed research aims to explore different interaction effects among success factors of Chinese Global Champions.

The Success Factor Model for a Chinese Global Champion has been statically delineated in this dissertation. In the dynamism of the market, it is exciting to examine which factors become more important and why. For instance, the evolving significance of international competencies in the future poses an intriguing consideration. Furthermore, the future imperative of agility and

bold decision-making in navigating the complexities of the global economy underscores the need for examination. Exploring the societal, technological, political, and economic developments that lead to the increased or decreased importance of specific success factors, and illustrating the reasons behind these shifts, constitutes an interesting future research proposal.

**Research Proposal 4:** Future investigations should focus on exploring the evolving significance of specific success factors within the Success Factor Model of the Chinese Global Champion.

**Research Proposal 5:** Future investigations should be directed toward exploring the declining importance of specific success factors within the Success Factor Model of the Chinese Global Champion.

Factors frequently discussed in general business and organizational performance literature, such as competitive orientation in the company's external view and marketing activities in the company's internal view, were extensively evaluated in Chapter 2, the theoretical framework of this dissertation. However, these factors could not be confirmed in the empirical part. In the context of Chinese Global Champions navigating a fast-paced market, firms often allocate the limited resources to priorities like product excellence fulfilled through true hyperflexibility. Once a firm has analyzed what the competitor is doing and interpreted actions out of that analysis, it is probably already outdated. To handle the dynamic in today's market, it is more important to focus on the firm's own issues. The necessity to prioritize product excellence and true hyperflexibility became particularly evident during the empirical analysis of the Chinese Global Champions. It describes the shift from an external market focus to an internal focus on the firm, highlighting the necessity to concentrate on product excellence and true hyperflexibility, as evidenced in the empirical analysis of Chinese Global Champions. If these hypotheses are validated, they would present a noteworthy contrast to many market-oriented recommendations in previous management literature.

**Research Proposal 6:** In today's dynamic market environment, the current role and relevance of competitor orientation, especially in terms of comparing strengths and weaknesses with competitors and deriving actions from such analyses, should be examined.

**Research Proposal 7:** To what extent true hyperflexibility and product excellence, both oriented toward delivering comprehensive solutions for customers, serve as a sufficient strategy to conquer the market is a further interesting research proposal.

The second parameter mentioned that was missing was *marketing activities*. It can be argued that in the future, allocating corporate resources to areas other than traditional marketing activities could be a bold and beneficial approach. Furthermore, the talent to deliver international quality standards may hold greater relevance than conventional marketing activities. Delivering first-class value for money and value to the masses are the critical issues of the future. The path to the customer will be created primarily by a new combination of pull and push marketing. Push marketing activities are needed to push products into the market, and make them available, while pull marketing activities to the end customer have the aim to reinforce a demand pull (Homburg, 2017, p. 889). A new combination of push and pull strategy can be observed (Bruhn, 2019, p. 83). It would be interesting to investigate whether classic marketing, in which the manufacturer presents its products with all their benefits, will still be needed in the future. The voice of the customer appears to hold more influence than the opinion of the manufacturer.

The fact that the marketing phenomenon is evolving from product-centric to customer-centric has been discussed in the literature already. In this dissertation the claim is one step further. In terms of product excellence, meaning providing an excellent solution to the customer, the product will find the way to the buyer itself through voice of customer and new dynamics. Past marketing literature speak of customer centricity, customer orientation (e.g. Homburg, 2017; Kotler, 1991), or customer-focused comparison (Welge, Al-Laham, & Eulerich, 2017, p. 414). A statement from the expert interviews sums up this discussion well, ‘Chinese Global Champions are driven more by the engineer on the product side, as they are not very good at intangibles such as marketing and brand equity’ (B.,J., expert interview, April 6, 2021, Appendix Q). While other companies are analyzing big marketing plans and establishing concepts, the successful Chinese Global Champion has already reacted hyperflexible and quickly to the next market trend and is thus already one step ahead again. One implication of this dissertation is that firm’s resources should be investigated to respond quickly and hyperflexible to customer needs, while watching the self-raised phenomenon that the voice of the customer drives new sales.

**Research Proposal 8:** The significance of the voice of customers in driving new sales within the context of global firms should be explored.

**Research Proposal 9:** Another intriguing area of exploration involves examining how the significance of manufacturers' traditional marketing activities has evolved in response to the dynamic conditions of today's global market.

Expert X. N. (expert interview, 9 March 2021, Appendix L) stated that a major underestimated success factor is *sustainability for the environment* and environmental issues. If it is the case that market leadership is won with sustainability, environmental protection, and environmental compatibility, then the Chinese will win before the Americans, but not before the Europeans as things stand today (W.,N., expert interview, 28 January 2021, Appendix C). Other new research thoughts are investments or buildings of Chinese subsidiaries abroad (G.,M., expert interview, 26 April 2021, Appendix S). The question of *mergers and acquisitions* is much broader. Merging Chinese Global Champions, such as two biotech companies, can lead to a significant increase in power. However, the dynamics may vary when they merge with overseas companies, raising the question of whether China or the West will have the upper hand in such a merger.

The new finding of this dissertation is the Success Factor Model for Chinese Global Champions, which is (1) context-specific (context factor 'China'), and (2) kept general, thus providing a valuable basis cross-industry. A context-specific discussion was the 'Cultural Cohesion' and the job committed workforce, which should not be underrepresented in further empirical work in this field of research. "Nobody works as hard as Chinese companies do. Not everywhere in the world such harsh labor standards would be accepted" (X.,N., expert interview, 9 March 2021, Appendix L). The urge for success, fame and fortune is very high in China, what is reflected in very high employee's commitment (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). There is a will, and a must to earn money, as the pressure to survival is given. However, many successful and interesting business ideas have already emerged from this need for survival (N.,R., and J.,Y., expert interview, 26 January 2021, Appendix F). All these mentioned statements confirm the dissertation's findings. Another surprising finding was that 'Governmental Favoritism' is significantly underestimated. In particular, the 'Made in China 2025 initiative' summarizes emerging industries well. So far, the Chinese governmental support has served as a sober description of the Chinese economy, but it is the decisive factor.

The robustness of the results is based on the fact that the findings from the literature review together with the findings from the empirical work were condensed, interpreted, cross-analyzed and the quintessence was obtained in the redefined Success Factor Model for Chinese Global Champions. With the literature review and the case studies, the experts' statements can be

confirmed. This confirmation also represents an added value. As mentioned at the beginning of the dissertation, the literature on Chinese Global Champions is not comprehensive. On the one hand, too little is known about individual factors, and on the other hand, there is literature on isolated factors that does not sufficiently present the interactions between individual factors. ‘China’ is a context factor, but the management literature is very broad and general on how to make a company successful, context specific discussions are underrepresented. This dissertation offers a checklist for superior success in the Chinese context, while the mentioned implications on future research would support the findings.

### 4.3 Implications for Managers

This chapter presents two central sets of recommendations. The first part of recommendations is for Chinese firms who want to become a Chinese Global Champion. The second part of recommendations is directed towards Western competitors, offering crucial insights into what they should be attentive to and how they should adapt in response to the rise of Chinese Global Champions.

“Every company should be eager to learn from other successful companies” (Simon, 1996, p. 23). As mentioned above, the China-specific success factors and the recommendations derived from them are analyzed here. These insights provide valuable guidance on the essential strategies and considerations necessary for their journey towards global leadership. Detailed explanations of general success factors are limited, as they are assumed to be clear to readers familiar with management literature. The primary focus of this empirical work lies in identifying the China-specific success factors, which are considered as the valuable findings of this study. Understanding and leveraging these factors can empower managers to make informed decisions and develop effective strategies to thrive in China’s unique business landscape.

Based on this dissertation, the following China-specific success factors enable a successful Chinese company to become a Chinese Global Champion. These recommendations apply to managers of successful Chinese companies who want to become a Chinese Global Champion:

1. Embracing Hyperflexibility:

Authentic and true hyperflexibility should be reflected in the corporate culture and processes. Adaptability and quick responses to market changes are essential to capture emerging opportunities and stay ahead of competitors in China’s rapidly evolving business environment. Being

pragmatic is a key component of this hyperflexibility, emphasizing the importance of practical and effective responses to dynamic market conditions. Fostering a corporate culture that not only encourages but celebrates hyperflexibility at all levels enables the organization to navigate uncertainties with agility. This holistic approach, where pragmatism and flexibility are integral parts of the organizational DNA, not only enhances responsiveness but cultivates an environment where innovation and adaptability thrive.

## 2. Striving for World-class Price-Performance Ratio:

Managers should strategically emphasize economies of scale and efficient supply chain management while maintaining a balanced approach to research and development. Fostering a corporate culture of adaptability and pragmatism, coupled with a keen awareness of global market positioning, is crucial for successfully delivering high-quality products with a competitive price-performance ratio. The pursuit of an outstanding price-performance ratio is a distinctive strength in the Chinese business landscape. Renowned for their emphasis on economies of scale, Chinese Global Champions strategically invest in extensive research and development without being subject to the potential overengineering pitfalls often seen in European companies. This approach allows these companies to deliver high-quality products at more accessible price points, catering to a broad market segment. By capitalizing on economies of scale and fostering a pragmatic and innovative approach to research and development, these firms stand out for their ability to offer superior value without compromising efficiency or quality.

## 3. Targeting the Broad Mass with Utility Factor:

Managers should focus on providing products and services that meet the customer's need exactly. Utility-driven offerings that fulfill essential requirements of the target audience can lead to widespread acceptance and market penetration. Chinese Global Champions manage to successfully sell mass products, products that customers are really looking for. To effectively target the broad mass with a utility-driven approach, managers should prioritize market research and customer insights. Understanding the diverse and evolving needs of a wide consumer base is crucial for tailoring products and services that precisely meet these demands. Implementing agile and customer-centric product development strategies, rooted in adaptability and innovation, will ensure the delivery of offerings that resonate with the utility factors sought by the broad consumer market.

## 4. Embracing Global Talent Diversity:

Managers should prioritize building a diverse and inclusive workforce that welcomes talents from various backgrounds and cultures. Embracing global talent diversity offers numerous advantages, fostering creativity and innovation. Chinese Global Champions recognize the opportunities presented by young Chinese talents studying abroad and returning with valuable insights, while also attracting Western business talents working for them. Recognizing the value of diverse perspectives, these companies position themselves as leaders in a globalized marketplace. By actively embracing global talent diversity, organizations not only enhance their adaptability to change but also strengthen their capacity for navigating the complexities of an interconnected world. This strategic investment in a diverse workforce propels companies, like Chinese Global Champions, to the forefront of innovation and success in the global business arena.

#### 5. Leveraging Pre-experience in Small or Similar Markets Abroad:

Managers should recognize the value of experiences in small or similar markets abroad. Such pre-experience can equip the team with valuable insights and strategies that can be adapted and applied in the Chinese market. Drawing on the lessons learned from navigating smaller markets, teams can develop a nuanced understanding of consumer behaviors, regulatory landscapes, and competitive dynamics before touching the big Chinese market. In conclusion, recognizing and leveraging pre-experience in small or similar markets abroad is a key strategic pillar for Chinese companies aiming for success in their home market. It is not merely about applying existing formulas but about distilling valuable insights and fostering an innovative mindset that propels organizations toward sustainable growth and market leadership.

#### 6. Involving Diaspora for Market Insights and New Customer Base:

Engaging the diaspora involves connecting with people who originally come from China and now live in other countries. They can be potential customers or partners. By involving them, you can benefit from their insights about the market and their understanding of different cultures. Beyond merely viewing them as potential customers or partners, the aim is to tap into their wealth of insights about the Chinese market and leverage their unique understanding of diverse cultures. Engaging with the diaspora is akin to opening a window into a diverse array of perspectives and experiences. Furthermore, the Chinese diaspora serves as a valuable bridge for companies seeking to expand their customer base globally.

#### 7. Balancing Hybrid Values:



Balancing traditional Confucian values and Western ideas in a company's culture holds a key to success. This mix can create a strong bond with employees and customers worldwide. Harmonizing traditional Confucian values, which often emphasize hierarchy, respect for authority, and collective well-being, with Western ideas that champion individualism, innovation, and autonomy, creates a unique cultural position. This synthesis accommodates the best of both worlds, fostering a workplace environment where employees feel a sense of belonging and purpose, irrespective of their cultural background. This is a powerful tool for attracting and retaining top talent from diverse cultural contexts, closely connected to the previous mentioned 'Embracing Global Talent Diversity'.

#### 8. Cultivating Authoritarian Visionaries as Leaders:

Consider the potential of authoritarian visionary leaders who can drive decisive actions and lead teams effectively in China's competitive landscape. The balance between authority and fostering a collaborative work environment is important. Chinese patriarchal culture demands strong leadership, which can be considered as micro-management in Western culture. The potential advantages of authoritarian visionary leadership lie in its capacity to drive decisive actions in response to the fast-paced nature of China's business landscape. Their ability to articulate a clear vision and mobilize teams towards common goals aligns with the demands of a market that thrives on agility and adaptability.

#### 9. Aligning with the Government's Core Strategy:

Managers aiming to become a Chinese Global Champion operate preferably in an industry, which is also covered by the Chinese government's core strategies. Favorable conditions and regulatory support are the reason for this recommendation. The Made in China 2025 initiative (MIC 25) is the current core strategy from Chinese government, where ten industry sectors are privileged in several processes, as mentioned in a previous chapter (Chapter 3.2). The combination of governmental support with the Confucianist Chinese values of each individual results in an incredible pull for success. To balance these two factors, a Western company would need a large number of resources that it would be better off investing in other areas. The Chinese Global Champion starts at a base that every high alpine climber would wish for.

#### 10. Developing Guanxi Networking Skills:

Cultivate effective Guanxi networking skills, especially in political circles, to build strong relationships and navigate China's complex business environment. Strategic networking can open

doors to valuable resources and partnerships. This Chinese Guanxi networking issue is not lobbying as it is in the West to change the framework, but more of a give and take. Guanxi, deeply embedded in Chinese culture, represents a complex web of personal connections and relationships that extend beyond mere professional interactions. Understanding and navigating this nuanced network is crucial for building strong relationships that can be instrumental in overcoming challenges and seizing opportunities in the competitive Chinese business landscape.

The second level of *'Implications for Managers'* concerns *Western competitors*. In an era where global business dynamics are continually evolving, these recommendations serve as a compass, ensuring that Western competitors know where they should be attentive to and how they should adapt in response to the rise of Chinese Global Champions. Western companies that rest on past success have already lost. The competitors from the West have to learn to be more successful in China. To stay competitive, they have to recognize the dynamism of the Chinese market and adapt to the changing global landscape. In order to perform within this dynamism, they must not miss the China-specific success factors.

Business success in the Western world operates differently from the level achieved by Chinese Global Champions. To truly compete on a global scale, Western companies need to embrace novel business concepts and foster collaborations. Leadership in critical areas like solar energy, modern mobility, and communication is increasingly shifting away from the West. Chinese Global Champions have the right solutions, but geopolitical challenges often slow down their implementation. Chinese Global Champions surpass in price-performance ratio and product excellence, surpassing Western companies that still believe they hold the advantage. Defending the Western home market is now a crucial economic concern.

This dissertation provides an in-depth exploration of the phenomenon of Chinese Global Champions, serving as a valuable resource for managers aiming to compete with them. For Western firms, challenging Chinese Global Champions in the technological arena with cost-efficient mass products and high utility factor is a very difficult task. The special mix of Chinese hyperflexibility, Confucian values, and the exceptional drive of Chinese workers can't be copied just by attending seminars. Achieving the economic benefits from such attributes requires a comprehensive systemic approach.

To thrive in China's competitive landscape, Western companies should tap into the dual perspective of Chinese workers, who possess an evolving global mind with a strong patriotic identity. By combining global understanding with local values in the workplace, businesses can

create an energetic atmosphere. Experts indicate that the Chinese workforce is increasingly international while maintaining a strong patriotic identity, especially when returning to China after staying abroad. On the home market, they are highly motivated to engage in the economic battle. However, Western firms will always face the limitation of lacking the political support that the Chinese government provides to its current and future Chinese Global Champions.

The following two graphs underline the dissertation's findings. Figure 31 illustrates a rapid increase in the number of Chinese Global Champions on the Fortune Global 500 list, strengthening the China's leading position with the highest representation of companies on the list (Fortune, 2020). The McKinsey Global Institute (2019, p. 1) also highlights this growing global power of China as a warning signal. The potential of Chinese technology remains highly underestimated (X., N., expert interview, 9 March 2021, Appendix L), while projections suggest that total Asia will surpass the combined economic significance of Europe and America, accounting for two-thirds of the world's gross domestic product by the mid-century (K., D., expert interview, 30 March 2021, Appendix O).

*Available from: [https://fortune.com/global500/2022/search/?fg500\\_country=China](https://fortune.com/global500/2022/search/?fg500_country=China)*

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*Figure 31: Numbers of Chinese Firms on the Global Fortune 500 list (Fortune, 2022).*

The global Fortune 500 list shows an average of eleven Chinese companies entering the list and six companies dropping out each year. The message is that when a Chinese company makes it onto the list, another company has to give up its place. An even more remarkable revelation is presented in figure 32, which outlines the average growth rate over the last 12 years. The comparison is made between the average growth rate of China's gross domestic product (GDP) and the average growth rate of the above-mentioned Chinese Global Champion's revenue (Chapter 3.3). This comparison provides valuable insights into the impressive economic performance of the Chinese Global Champions in recent years.

Available from: [https://fortune.com/global500/2022/search/?fg500\\_country=China](https://fortune.com/global500/2022/search/?fg500_country=China)

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*Figure 32: Average growth rate in % of China's GDP, compared to the Chinese Global Champion's revenue in the period from 2010 to 2021 (Fortune, 2022).*

#### 4.4 Limitations

This dissertation shows some minor limitations, which are outlined in this chapter. One limitation is the exclusion of *topics related to the world's economy, particularly the political disputes* of global economic powers. The focus of this dissertation was to analyze the economy, with less emphasis on political themes. Such complexities go beyond the scope of this research project. Some of these unanswered questions include the political impact of Chinese Global Champions on the world economy but also the political impact of the world economy on the success of the Chinese Global Champions. Expanding on these limitations, it's crucial to understand that the global economy is a constantly changing and complex landscape. There are many different factors when it comes to how countries interact economically, especially when talking about the big global economic players. Poletti's (2021, para. 1) statement that 'Chinese stocks listed in the U.S. are dangerous' summarizes the escalating concerns surrounding the international economic landscape, drawing attention to the evolving relationship between China and the United States. The U.S. is already creating new barriers that make it harder for Chinese companies to compete on the U.S. markets. It is important to emphasize that this statement is not isolated but rather an example of a broader geopolitical trend, often referred to as 'China-bashing', also mentioned in an expert interview (S., F., expert interview, 21 April 2021, Appendix I). These points describe the complexity of the political component, which naturally has significant interactions with economic issues. Geopolitical tensions, especially with the U.S., remain unexplored.

There are only a few state-owned enterprises from China listed on U.S. stock exchanges (U.S.-China Economic and Security Review Commission, 2021). This dissertation focuses on examining private companies and the state-owned enterprises from China were not analyzed based on the scope of this dissertation. The question regarding the *influence of the Chinese government on privately owned enterprises* was analyzed both in the literature review and in discussions during expert interviews but not comprehensively presented. To answer this research question precisely, a more specific analysis would be necessary. Additionally, China's unique variety of capitalism, often referred to as state capitalism, warrants more in-depth and precise examination (Meyer, 2011, p. 15). As in Ma and Jin's study, this dissertation also proposes to examine the relationships between government regulations, infrastructure, and various variables of firm performance (Ma & Jin, 2019, pp. 228-229). However, the thematic focus of this dissertation did not encompass general socio-political issues in China's economy, leaving an area of research questions unexplored. By widening the focus to include these socio-political aspects, researchers can offer a more holistic understanding of China's economic landscape, encompassing not just market forces but also the complex interactions between the government, society, and businesses.

*The information on Chinese companies lacks transparency*, presenting a challenge in analyzing specific success factors for each individual firm among Chinese Global Champions. The case studies in Chapter 3.3 faced limitations due to the restricted availability of information on the selected Chinese companies. Academic journals often provide limited coverage of success stories or successful Chinese companies. Although financial market platforms may analyze their development, literature and media resources on the topic remain scarce. Conducting empirical research on the behavior, processes, and strategies of Chinese Global Champions proved challenging.

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## Appendix

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**Index of Appendices**

- A Expert Interview with D. A.
- B Expert Interview with M. P.
- C Expert Interview with W. N.
- D Expert Interview with Z. J.
- E Expert Interview with Z. P.
- F Expert Interview with N. R. and J. Y.
- G Expert Interview with T. V.
- H Expert Interview with K. T.
- I Expert Interview with S. F.
- J Expert Interview with S. M.
- K Expert Interview with W. B.
- L Expert Interview with X. N.
- M Expert Interview with L. T.
- N Expert Interview with T. J.
- O Expert Interview with K. D.
- P Expert Interview with N. W.
- Q Expert Interview with B. J.
- R Expert Interview with C. L.
- S Expert Interview with G. M.
- T Qualitative Content Analysis
- U Expert Interview: List of questions

## A Expert Interview with D. A.

### Introduction

1. How would you describe the connection to China in your work?

After my MBA, I went to China and managed marketing and corporate communication for Schindler. Moved to Switzerland in 2009, co-founded a company where we invest in sustainable real estate in Asia.

### Identification Chinese Global Champion

2. What distinguishes a successful company?

This has several dimensions, a company that is economically sound, adds value to society in general, has various accomplished employees and is certainly properly positioned in terms of sustainability.

3. Who is a Chinese Global Champion in your intuitive description? WHY?

A company that is certainly economically successful, i.e. makes a profit, and is positioned in such a way that it will still be important tomorrow or the day after tomorrow. Companies **that are innovative and practice-oriented in** terms of their products. I think good **corporate governance is** part of it. By that I mean that companies do their thing according to international standards. It is certainly also part of it that they take internal action against conspiracies. China is still a young economy in the modern sense, and standards are not yet so firmly anchored. There are always conscious and unconscious pushes. I think a successful company does a lot to ensure that these standards are lived by, and that if there are violations, they are also punished.

4. What measurable parameters capture the success of a Chinese Global Champion?

From my gut feeling, I would say that there are companies that can grow steadily, and that certainly includes economic figures such as profit, turnover, turnover increase, how the brands work, what market shares they have, these are very similar components to ours. And then, of course, if we look abroad, the acceptance outside of China, they distinguish between

companies that are successful in China, in the Chinese market, and then those that are successful outside of China with the product and the brand. One example is Huawei, which is now having problems because of security concerns and political considerations. I would see other companies as the third category, the successful manufacturers. Designed in California, made in China,

like Voxcom. There are many Chinese manufacturers who produce high-quality and reliable products for Western brands.

5. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

I think it is very similar in China. One big difference is definitely the **time to market**, or how quickly Chinese companies manage to **adapt to new situations and needs**. And to be on the market very quickly with a product or a service. I think that's generally something where Chinese companies have to be faster than companies from Europe or America, otherwise very similar. I think it has a lot to do with the speed in the market. When I lived in China, the growth was still in double digits. If you compare that, you realize that the whole environment is developing 5 times as fast as we are used to in Germany, Switzerland or here. Certainly, there is also a different risk culture. **They just try**. If it works, ok, if not, we do something else. If something is successful, it is shown very quickly, so that has to **do with the size of the market**. When something new comes onto the market and is well received, millions of people find out about it.

6. Do you know of any examples of success stories of companies from China?

I once spoke to a shareholder of TSG. TSG is a Swiss company that makes protective helmets for skaters and racers and they have them produced in China, just as an anecdote. They have a very good relationship with the manufacturer regarding reliability. Then a wrong delivery arrived and he immediately accepted it and sent a new delivery. They **didn't look long and hard at what the problem was, but simply looked ahead** and said, "OK, this is a good customer of ours, we would like to continue delivering, we are uncomplicated. What I find interesting is the reverse. The most successful companies were those that managed to combine Western quality structures with Chinese needs for speed. One anecdote is that the Japanese manufacturers were very successful. Take the example of lifts. They worked even if not everything was perfect. I worked for a Swiss manufacturer. The lifts worked perfectly when they were perfectly assembled, like clockwork. But when they weren't perfectly assembled, they didn't work properly. The Japanese were intelligent enough to realize this, to have lifts assembled by non-specialists. **The thing is that the market has grown faster than it has trained specialists**. It should be possible for non-specialists to assemble it. If a mistake happens, it still works.

The difference between China and Japan, well one thing you can say. Actually, the cultures don't like each other. There is already racism because of the history. Conversely, Chinese customers trust the Japanese product. I don't know if it's still like that today. 10 years ago, if you had the opportunity to buy 2 same products from the factory in China and from the factory in Japan, **you would rather buy the one from Japan, from the Chinese point of view**. More in the direction of consumers, consumer goods.

The Japanese success story is already several years old. Japan has managed to build up a brand of high quality with its car industry and electronics. There won't be much more to come. China simply has an economy that is not yet as developed and a market that is so big. **China has two advantages: Local suppliers can grow very quickly**, because of the home market with the speed in the market very quickly. They can innovate and because of this speed, and because of the volume, they are able to **offer a completely different pricing**. I'm thinking, for example, of the whole solar energy or construction sector. I know it from the construction market. I expect a lot of innovation in energy, sustainability, to come from China. For example, vertical solar panels that can be mounted vertically on houses. Because China **has** such a **volume, the unit prices drop** and then suddenly Chinese suppliers come. That gives China an advantage. If China then manages to gain a foothold in higher-value industries, it will also happen there. In the **pharmaceutical industry**, we know that research is great, but the production of highly complex products is not yet possible in China. We also know this about chip production. China itself is still dependent on foreign chip production. If China succeeds in gaining a foothold in these complex productions, we will certainly see many more innovations.

The other area that we must not neglect is the use of **electrical things in general life**. I have observed that Chinese consumers are not yet so stuck in their ways. They are not familiar with it yet. We are moving from the Stone Age into the digital age. That's exactly when innovations can be implemented very quickly. There are things that are already quite normal there, and we don't even have a provider for them. There will certainly be more to come. Chips are everywhere, for example in cars. This production is highly complex, I think it also involves high-purity silicone. China is not yet in a position to do that.

China has consciously said, ok, we can't be perfect everywhere, so I guess they have decided not to do a lot of basic research. They simply bought such products. Now also with the increasing tensions, political **tensions and various exponents from Europe, America and China**.

This is now becoming a boomerang. **But it will also certainly accelerate the capacity and know-how in China.** China will certainly be able to produce these chips more quickly.

Behind every successful company are **people**. It's **more a question of where are the successful entrepreneurs?** You won't find one right now, of course, Jack Ma, but that is of course an outstanding entrepreneur.

That is certainly the human component. The companies have a high state share, but the champions will come from the private sector. And there it is the entrepreneurs who will handle the success because of their actions. This again has to do with the market, with the speed and the size, that something will happen very quickly.

### Analysis

7. What are the differences between successful national Chinese companies and Chinese Global Champions?

You would have to look at that, because there aren't that many yet. Alibaba is certainly a good example, Tencent, and then I think in addition to their own success, the political perspective also plays a big role. I'm not sure to what extent private companies are already accepted and allowed? Huawei is a good example. They were innovative and successful. They were certainly one of the first Chinese companies with very good technology that went around the world with mobile telephony. They were able to establish themselves very well, then in the last two years you can see that they are being pushed back again. It's **most likely to be industries that are less likely to allow it in terms of political considerations**. So, chip manufacturers, you could say, are the next champions. But products with Chinese chips will have a hard time being successful in Europe or America. There will be similar fears as with Huawei. There could be backdoors where spying would be possible. When it comes to consumer goods, for example automobiles, there will certainly be a lot happening, and then certainly technology areas, such as mobile phones, etc. Xiaomi is a good example. It is also certain that what will happen over time is that old industries, like tourism or so, will change a lot.

It is quite difficult. The political situation and the **acceptance of the China label**, where there are still hurdles. People are still negatively inclined. A spontaneous definition of a Chinese Global Champion is a successful company that is well known. An American example would be Apple. These are then global leaders. There will be several. Alibaba is close to it. It's interesting

to see what percentage of Swiss online trade goes through the Alibaba platform. That could still be impressive.

8. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

Champions in today's world, no matter where they come from, are those who are successful with their services and products. And have the trust of the consumer. Who attract good employees. National borders play less of a role. In China in particular, there are the challenges of political tensions. I think champions from Europe, America or Japan have to do exactly the same.

9. Which internal success factors are essential?

Companies that have good corporate governance, that have a good corporate culture, that care about their employees. Sustainability is certainly part of it, acting according to certain standards.

10. Which external success factors are essential?

I think you have to distinguish between international success and domestic success. Domestic success certainly includes the fact that the company is simply very fast. Being able to offer products at good prices at good quality. There must be no compromises on quality. Not to go too far out on a limb. This is an extreme example but Jack Ma went too far out on a limb. He strangled the whole company.

External factors are then certainly even more very good corporate governance, ethical principles, I think a negative example, although it was a long time ago, who stretched the milk powder with melanin. They also took it for granted that children would fall ill or die for the sake of profit. These are, of course, unforgivable measures.

Jack Ma can't be found at the moment. There are some internal audits going on at the company. He spoke negatively against regulators at a conference last year. Something along the lines that it was an old men's club. That they regulate companies too much rather than making them future-proof. That was too much then, that's what I mean by that. It's an open secret in China that the very successful entrepreneurs who become too successful, then they are, then they are cut back.

## Forecast

11. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

Certainly, the **technological area**, unbelievable how quickly these developments have spread. All the infrastructure buildings, etc. How that also changes the whole behavior, so you don't pay cash any more. Everything is done via Alipay or WeChat Pay. A great example is Xiaomi, which is known for mobile phones, but also does a lot of other things. For example, the **Intel-ligent House**, so you can cover the whole house with Xiaomi devices. The kettle and ventilation are all controlled with smart home technology.

12. What forecast would you make today for the development of successful companies from China over the next 5 years?

I think we will continue to see innovations from China. These will be driven primarily by domestic demand and consumption. And in some areas accelerated by the international situation. **What I hope is that China succeeds in promoting the private sector more. Ideas and innovations that thrive and grow. Not under state control.** You don't have to go to China, SBB or Swisscom in Switzerland are not particularly innovative companies either. China is no different. What we all expect, where a lot will happen, are prominent companies that have been opened up, e.g. the financial industry. On the one hand, this will favor foreign companies, but at the same time it will also support Chinese companies. In the second step, we will also see very innovative companies from China becoming active in this area, finance etc. in the Western market. Basically, I am very positive. It will certainly depend a lot on the political agenda what happens. The change of power with America, how Europe reacts, what Japan does, are there any unplanned incidents, e.g. Covid. Basically, China has made a lot of progress.

13. How can you recognize future Chinese Global Champions?

**I would go to China and ask young people what they buy.** It changes so quickly. I would do it systematically and do research there. When you grow up in Europe, you know stability. Since 1945, Europe has been a stable history, maybe grandparents still lived through the war. The world today is not that much different from the world of the previous generation. We have very stable reference points where we reference what is good, what is bad, what we like, what we don't like. In China, it's all much more open at the end. The people who are now 30-40 years old, their parents grew up in a completely different country. Whether they buy a car, whether they go on holiday, whether they like eco food, want ready-made food, it can all change very



quickly. That's why the statements have to be constantly reassessed. Today a company can be identified as a champion, will it still be the same in 2-3 years? It simply needs time to market, it has to adapt quickly.

#### 14. Where does the future lie for the current Chinese Global Champion?

Complexity is increasing, and those who have already been able to make great leaps in growth will also be able to do so when everything is even more complex in terms of customer needs.

### B Expert Interview with M. P.

#### Introduction

##### 1. How would you describe the connection to China in your work?

I have been in China for 16 years. We have a company in Switzerland that deals with filtration technology. I thought it would be interesting to analyze the Chinese market in more detail and so we started to export. I then decided to set up a representative office. The idea was to do engineering, sales and service here in China. That didn't work out, I didn't find anyone to match that, it needed someone to come here. After a while, myself and family decided, we'll go ourselves. Two years later we bought a factory, we are still producing there.

The **mentality** is one of the main differences. Everyone wants a home and something to eat. It's the same everywhere, but it starts with the upbringing. The Chinese have a **very patriarchal culture** shaped by the father and the family. Of course, the father state has a big role, much more than we know. You can see that well in the pandemic, the state says something we all follow. In the West, we argue about everything. We do it because the state says so, and then it will be right. **In China, you have to lead very strongly, you do very strong micro-management.** That's a big change for me. In Switzerland, I can come up with an idea and say "look at this", and they will arrange it. You can do that here too, but you have to be more specific about how you want it. In Switzerland, they would come and say "wait a minute, we're going to have a problem." This mentality has an effect on business life. It carries over into sales, "we want to sell something new there", then they go off and do it without much discussion, you just have to define it clearly beforehand.

#### Identification Chinese Global Champion

2. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

**speed, size and cost.** In addition, they are particularly willing to take risks. As for speed, I also see that in production. We have an idea, we discuss it and then we work, even until 10 o'clock in the evening, weekends are no problem anyway, we work until it's finished. In Switzerland there are very clear guidelines, here people are willing to work. They have no interest in sitting at home. They also know much less about what to do with themselves. When I ask them what they did at the weekend, they say sleeping and eating, those are typical activities. The worst thing for people is when there is little to do. They prefer to work 30 days a month, 12 hours a day. The state doesn't allow that any more, you have a 40h week, quite normal, but that's just not the case. At least 6 days and 8h, are then 48, you prefer 50-54h per week.

If you want something from someone, they are extremely fast. When we build a plant, we calculate 7 to 8 months, but in exceptional cases they can do it in 4 months. But we're also talking about new developments, new products, where they have the resources and can make fast progress.

What I also mentioned are **economies of scale, i.e. sizes**. This has to do with the home market, which is already large. This means that a company can produce in large quantities and do so cost-effectively. Then there are costs, not just labor costs, which have also risen significantly here in Shanghai in recent years. But you have to look at the entire value chain. You are also dependent on suppliers and their suppliers. The entire supplier chain is very trimmed. You get the products very quickly and very cheaply. If you add it all up, the end product is much cheaper than in Europe. Then I mentioned **risk**. There is a patriarchal leader at the top who says how the shop should be run, and then everything runs according to his liking. There is no great democratic discussion about whether it is good or not. They just do what they say. This person above is very willing to take risks. They see life as a risk, which is why they do things that seem crazy to the West. I think we can still learn a lot from that. You can see that not only with entrepreneurs, but also with the banks, which are also more willing to take risks than in Europe.

3. Why have some companies made the breakthrough to Chinese Global Champion?

**The Chinese companies have been encouraged to go abroad, as if they had done it on their own.** Actually, it was the West that said OK, here we can produce cheaper and get products cheaper. And then they transferred some outsourcing activities to China. They **opened offices**

here, asked themselves who could produce what, **hired quality managers and** started to buy products and deliver them to the West. The Chinese companies were rather local, they didn't even know English. They were not prepared to go abroad. Only when they realized that there was a market abroad. Then they thought, "Well, how can we do that? At the beginning, these were companies that had already reached a certain size in China and then dared to take the step. It was a certain challenge and there were only a few that had done it well. They then invested, then hired Western people who knew the language and everything. I know of a few examples who were sent to China for a few years to get to know the culture and were then sent back out into the world.

4. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

**Most Chinese companies are still very China-centric.** There is a lot of talk about Huawei, but it's not typical. It is very globally organized. It also has development subsidiaries, for example in Switzerland. These companies often have sales offices abroad or other localization activities. But the majority of the workforce is in China to take full advantage of this culture of speed, scale and cost. Probably any European car company has more globalism than these Chinese companies.

When you look at success factors, the brand becomes very important in China. Price and delivery time are still the main success factors in China. **In Europe, quality and reputation are also important. That is less important in China.** I know a company that produces GPS devices and they export 90% of them. It's quite clear why, because they only use premium products and components and that is geared to export. They produce with the best manufacturers. The products have a shelf life of 10 years, but they are expensive. In China, there is less of a tendency towards quality, because the clientele is geared towards changing the product every two years.

5. What are the differences between successful national Chinese companies and Chinese Global Champions?

**We actually have to ask whether a company can offer the products for both areas?** Or does the company have to adapt the products? The manufacturers have to be clear. If they want to be successful in the home market, they have to make certain concessions in terms of costs and prices. Or they work with small margins, they have to go down with profits and compensate

that with volume. These companies then often produce broad, simple products to offer in large quantities. Here in the West, they like to adapt the products to different situations, which of course drives up the costs.

#### 6. What characteristics define a Chinese Global Champion?

In local companies, everything revolves around costs, every screw is turned. This often leads to many mistakes. Those who only look at costs tend to just copy products and don't even think about whether it makes sense. This results in many products that are of poor quality. Successful companies are prepared to invest in development. **They also hire people who cost more. This is also an important factor.** Labor costs have an enormous range. A normal factory worker is a few hundred francs to a thousand. A product engineer costs as much as here in Europe. A robotics company in China has opened an office in Switzerland, **a development office in Zurich**, and they get employees there cheaper than in China. Now you have to imagine that. That has to do with the fact that **good people are very rare in China. There are enormous ranges.** The companies that are willing to pay more to launch good designs and new developments are the ones that succeed in the end.

#### 7. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

The development is insanely shaped by **how quickly everything ends here. It already starts with the laws, e.g.** environmental laws. A few years ago, there was no regulation, today it's just the opposite. **They also deal with it unscrupulously.** Companies are closed down by the state if they are not willing to invest. Patents and IP, intellectual property, the state has realized that it has to protect the companies that do development and research. So, it then provided a patent system that also works. The whole infrastructure has improved massively. Especially in the Tier 1 cities like Shanghai, Beijing, etc., it is enormously high. The quality of the public transport network is enormously high. You can get from A to B relatively efficiently. This has an impact on the economy to be able to work economically at all. The companies have reinvented themselves again and again. They are always ready to respond to the market and come up with new products. **In the past, they thought about what the customer might like, then they brought two products onto the market. Now they launch a few dozen products, see what goes well and then discontinue the rest.** That way, you leave it up to the customers and the market to decide where the journey goes. There are so many demands on development and production, just the launch of several products at the same time.

8. What forecast would you make today for the development of successful companies from China over the next 5 years?

The Chinese market will come under great pressure because costs are rising sharply, especially in the conurbations. This raises the question of how the model can be continued. The **state is also asking itself this question and knows that it has to promote basic research**. We will see a lot more of this. We will certainly see that products produced in China are becoming more and more of a competitor for the Western markets. China is certainly moving more and more into the area of delivering value added, and thus also more complex products. We are talking especially about **car companies, e-automobility. The engineers come from the best universities in the West. They are investing intensively in this area**. These are really new and complex products. Until now, the Chinese have tended to concentrate on simpler products. You can see that in the fact that these are the industries that hire a lot of Westerners, so we're going to see a lot more of that.

9. How can you recognize future Chinese Global Champions?

Certainly, the companies **that have the courage to invest in development**, until now a lot has been invested. Many Chinese also have no confidence in their own products. If I ask them which company car, they would never mention a Chinese manufacturer. If you look further west, then maybe more so, where money plays a bigger role. The **Chinese don't see copies as bad**, so a good copy is just as good then. But it doesn't bring the company any further, maybe you can conquer a small market share. But if you copy, 20 others will come along at once. It always takes 10 years for the market to condense. Then you recognized the better and the worse. The better ones naturally think, why do we do it this way? Why do the others stand still? Because they don't have the human capacity to **take these products further**.

**The role of the state should not be underestimated**. We don't know that from the West. Every company is on its own and has to see how it can get ahead. If something is needed, it is usually money, and that comes from banks. In China it's different. The West also likes to criticize when it comes to the state being able to intervene or get information out of companies. **I am convinced that there is a close connection between members of the government and private companies**. A company comes into being, grows and when it reaches a certain size, the government members start to take a look at it. Watch them and then a company becomes so important that they say, ok now we need to know more. Often the government puts someone on the board of directors so that the information is known. That way they also have control.

This is reciprocal, it can also be the case that the company then has an impact on regulations from the state. The government can also adapt to new situations in this way. The Chinese are enormously fast in this respect. In the West, this takes up to several years, in China it can happen within a few weeks. This keeps the companies very agile. The state can adjust subsidies, also tariffs, although tariffs don't work so well nowadays. They can also give state orders to the companies so that they grow. They can regulate so well who should grow. Also, when it comes to granting licenses. Also with Alibaba, WeChat and Tencent. I am convinced that they have always been promoted in such a way that 1 2 3 players can develop who are successful on the market. The government certainly has far fewer scruples than here in the West. On subsidies in countries like Africa, for example, this is often tied to deliveries from China, for example, and so Chinese manufacturers are promoted again and can gain experience abroad and grow there. **Like a tentacle, they grow abroad.**

## **C Expert Interview with W. N.**

### **Introduction**

1. How would you describe the connection to China in your work?

I am on the road with Chinese colleagues every day, and consume media with a focus on China every day.

### **Identification Chinese Global Champion**

2. Who is a Chinese Global Champion in your intuitive description? WHY?

You can see that the CC were successful in their domestic market. They have certainly benefited from compartmentalization, have very quickly oriented themselves to trends and technologies on the world market and have then been able to develop, test and very quickly succeed in the "Chinese domestic market" in a laboratory environment. In this way, they were able to conquer foreign markets step by step. Now they are all into digitalization and technologies and enjoy the western markets.

3. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

These are really very young companies, not only in terms of their history. The staff is also very young. **They are really intensively involved with technologies, or you could say with the digitalization of everyday life.** These are all areas that haven't been around that long. If you take a closer look at their topics, you notice that they are really familiar with them, they have never done anything differently. That is certainly different from the Western companies. The American companies also have much longer company histories, in some cases the roots go back much longer. The Chinese just jumped right into the topic and then focused very strongly on it.

#### 4. What characteristics define a Chinese Global Champion?

They have a real affinity for technology, electronics from the very beginning. They are privately founded and very strongly owner-managed. They have a very young workforce, but also a very young technology portfolio. They are often lateral entrants, relatively young, between 40 and 50 years old. So they haven't quite experienced the cultural revolution themselves. They only know the opening policy, which began to bear fruit in the early/mid 90s.

#### 5. Do you know of any examples of success stories of companies from China?

Baidu, Alibaba and Tencent are clear. Xiaomi is more interesting. They have also developed in the direction of household appliances, with a very innovative marketing strategy that is now global. Then there is NIU, which makes electric scooters with good global market penetration, but still focuses on China. Then there is NEO, which produces electric vehicles. I find these 3 examples very remarkable. Then there is JD.com, they are primarily in China. They have actually been able to hold their own against Alibaba and have achieved really good market shares there. Then there are many successful ones that have been bought up by BAT.

#### 6. Do you know examples of failure of companies from China?

Since the topic of bike-sharing, OFO and there used to be dozens of start-ups, the cities in China were flooded with these bikes. This has never been able to establish itself as sustainable. A lot of things have been bought up, they certainly didn't end up on the scale that had been imagined. Alibaba also believed it could leave a significant footprint in the US as a competitor to Amazon. That clearly failed. Huawei is clearly feeling the trade war and geopolitical considerations. ZTE, chips from China, have also been massively cut.

### Analysis

7. What are the differences between successful national Chinese companies and Chinese Global Champions?

There are a number of smart-home providers dominating the South-East market China, India, The hard school of the Chinese domestic market, now for example, very high competitor pressure and a very dynamic market.

8. What hurdles have current Chinese Global Champions successfully overcome?

**A very, very good price-performance ratio.** That is the Chinese specialty anyway, a phenomenal price-performance ratio. Very aggressive marketing strategies, they are not too shy to pay massive upfront costs. In terms of marketing and market development, reaching out to other market competitors, all the things that have already been successful in China, but have then been able to be implemented very successfully, primarily in emerging markets.

9. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

Price-performance, aggressiveness, speed, dynamism, continuous product and marketing optimizations and very deep pockets.

10. Which internal success factors are essential?

Very intense **zeal for work** and **hunger for success**. That goes straight to the top. Coupled with very deeply rooted **entrepreneurship**. Political and state mechanisms, almost planned economy. Chinese are absolute entrepreneurs at heart. The Chinese then create a space where they can really be entrepreneurial. Eagerness to work, a thirst for enterprise and entrepreneurship through and through - for me, these are the biggest success factors, plus flexibility. Constantly optimizing, even starting with the first step, knowing that you have to readjust or correct your course.

11. Which external success factors are essential?

price-performance ratio, so they are very attractive and very aggressive marketing methods. It's a mixture of internal and external now, but they are willing to invest in market access for the long term. They are really there to establish a long-term, sustainable strategy in the market.

**Forecast**



12. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

Sure, that there have been smartphones in these broad masses, the whole thing has only been around since 2012, also that there are local applications. The introduction of the 3G infrastructure was certainly decisive. Certainly, the development of wealth, the iPhone as a status symbol, and the whole development of purchasing power. **The whole Chinese consumer society is very young, so they are not stuck in certain habits, they have adopted new technologies extremely quickly.** Culturally, like a blank slate in terms of consumer society, they are basically open to new things, their thoughts are very flexible, curious, and they quickly adopt something new. Anything retro is of less interest. It only really got going in 2012, actually very late.

13. What forecast would you make today for the development of successful companies from China over the next 5 years?

**Digitization of all areas of life** will continue to develop, in some areas it will also slow down, in technologies it will continue to be above average. It will lead to certain consolidations; state intervention will increase. Certain sectors have high relevance in system maintenance, then entrepreneurship etc. is negative again and there will certainly be something there. Then, at some point, the peak of growth and innovation will be reached and we will enter a new phase, which is still growing but the dynamics will decrease. The innovative power will be throttled back. The internationalization strategy will be all the more important for these companies, but there is also a lot of headwinds internationally at the political level. It will not be easy in the West, so China will concentrate on Africa, South-East Asia and India.

14. How can you recognize future Chinese Global Champions?

**They appear out of nowhere.** That's just the crazy thing. I would look where **the next stage of digitization is to be expected.** There are still many areas that have not yet been fully developed. **Healthcare is one topic, but also lifestyle nutrition, housing,** there is still a lot that is possible. There are certainly still some areas that will be developed even more digitally, and that's where you will certainly find the next important companies, the future CCs. **Mobility** is also one of those things, I would search with search fields in terms of sectors and categories.

15. What would you recommend to a potential company to become a Chinese Global Champion?

As always, starting from consumer needs, simplifying life, digitalizing processes and making them more practical. Always very much based on **practical benefits**, that's one thing, and the other is the issue of **sustainability**. The demands are increasing, it's no longer about covering basic needs. I would divide sustainability into two categories: the first is improving current life in a sustainable way, and the second, and increasingly so, is environmental protection and environmental compatibility. Practical benefits and increasingly addressing sustainability. Something third is definitely lifestyle. A product must not only provide clear measurable benefits, but also self-expression, self-discovery. The Europeans are also very focused on energy efficiency, environmental protection, where the overall social needs often count, while the Chinese are still more focused on themselves and their immediate environment. I want it to cause damage within my home, my family, relatives, that is the more urgent need. The superordinate is still like downstream, but they will come. The Americans, there it's different again. I don't have the feeling that they are already moving in the direction of the common good, the Chinese are much further ahead. The Chinese are very sensitized to the health effects of food and furnishings, etc. In a ranking, I would put the Europeans at the top, they have seen the big picture by now. Social demands in terms of sustainability, etc. Then the Chinese, who are even more at the level of the individual, and then the Americans are lagging behind. You notice a big difference between private individuals and companies, who perhaps are more in line with government requirements. Especially when it comes to climate protection and environmental protection, regulations are being enforced more and more rigorously. The Europeans have had the regulations and laws for 30 years, the question is always who enforces them. They are now being enforced more and more rigorously, and the Chinese government is also very keen to move away from heavy industry towards high-tech. This is really being followed up. This runs parallel on the governmental, regulatory level, and on the individual level, of course, one's own health and integrity are in the foreground. Ultimately, it all comes together.

16. Where does the future lie for the current Chinese Global Champion?

**The bigger you are in China, the greater the danger that the government will put the brakes on you again. We have** seen this again with Alibaba and the failed IPO of ANT, the tax office. I think BAT, 1, 2, 3, will not change so quickly. A lot will happen below that and that will be exciting. BAT is still very much software-driven, there are a lot of hardware-driven companies. So there will be a coming and going. Those who don't have a stable software and platform, that will be like ebb and flow. That seems to me to be less sustainable. Services is top.

## **D Expert Interview with Z. J.**

### **Introduction**

#### **1. Brief personal introduction**

Deputy Director of the Academic Committee of the Chinese Academy of International Trade and Economic Cooperation, Professor, PhD supervisor.

#### **2. How would you describe the relationship to China in your daily business?**

Mainly research international economy, especially international regional cooperation, China's foreign investment and sustainable development. Prof. Zhang Jianping is the Director, Center for Regional Economic Cooperation and the Deputy Director of Academic Steering committee of Chinese Academy of International Trade and Economic Cooperation, MOFCOM. He is also the Vice President of China Research Association of Social and Economic System, the Prof. in Economics of PKU and the PhD adviser of the University of International Business and Economics, the Member of Expert Panel, MOFCOM and State Forestry Administration, PRC, the member of China National committee of PECC, China Council for the Promotion of International Trade, Chinese People's Institute of Foreign Affairs and Chinese Association for international Understanding, the commentator of CCTV, Phoenix TV, CRI and CNR. He specializes in International Economics. He has chaired more than 50 study projects and offered international consultancy many times for UN, WB, ADB, APEC, DAVOS etc. Especially, in 2015 he has introduced the BRI to the media circle invited by the State Council information office of the PRC. In 2012 he provided consultancy for the Vice Premier of Russia on 2012 APEC Agenda. He presented in the events of ICTSD, CSIS, Adam Smith, ADBI many times. More than 100 papers and 6 books have been published. He has achieved the third-class academic awards (Ministry Level) from NDRC and MOFCOM 6 times and the first-class prizes three times (2008-2010) in Academy of Macro Economics Research, NDRC. He obtained the Bachelor Degree and the Master Degree in Science from Peking University, PhD in Economics from Chinese Academy of Social Sciences. He was also the post doctor of National information Center, China.

### **Identification Chinese Global Champion**

#### **3. What are the characteristics of a Chinese Global Champion?**

In recent years, a large number of Chinese enterprises have grown and become internationalized rapidly. More and more Chinese leading enterprises have entered the global top 500. We analyzed a group of corporate leaders and found that they have three common characteristics:

1. Act quickly. These companies have surpassed multinational companies with their "Chinese speed" (research and development design input, product innovation, listing and expansion extremely rapid).
2. Fast Learning and focus on their main business. These entrepreneurs are good at learning from failure, but the premise is to come up with innovative ideas while learning quickly, keep Enhancing Competitiveness in Main Business for a Long Term.
3. Take risks. These companies have a risk appetite far beyond most multinational companies, and they will make big bets based on intuition. Sometimes this is because there is no other choice. Due to the fierce competition, the safe middle ground no longer exists. If the company fails to succeed, it will be a complete failure.
4. Who is a "Chinese Global Champion" in your intuitive description? Why?

Huawei in the telecommunications equipment industry, Xiaomi in the mobile phone industry, Tencent in the entertainment industry and social networking platform, Ping An in the financial industry and China Merchants Bank of China in the financial industry, State Grid of China in the power industry, BYD in the new energy industry, Huada gene in the biomedical industry, e-commerce platform Alibaba, and ByteDance in the Internet entertainment industry.

For example Huawei, as a high-tech private enterprise in China, Huawei relies on technology research and development. It has a highly educated and high-quality research and development team. According to the patent authorization data released by the State Intellectual Property Office in 2019, Huawei ranked first with 4,510 authorized patents. In addition, according to statistics from the European Commission, Huawei's R&D expenditure in 2017 ranked sixth in the world. The second is a huge market share, ranking first in the world in the communications industry. It serves more than 100 countries and one-third of the population of the world, and it supports more than 2 billion people making calls, surfing the Internet, and texting. Especially in the field of 5G, Huawei has surpassed American companies, and its chips and core components are also produced by Huawei itself. The third is to have a huge volume, providing a huge number of jobs, operating profits and taxation.

5. What is a successful company? (In a very broad definition)

China's leading enterprises should have a good reputation and influence in the market. Their core competitiveness based on innovation and technological progress should be continuously improved and their market share should be constantly expanded. Their R&D investment should be continuously increased. Their products and services should be particularly focused on the quality and cost-effectiveness of their products and services so that their customers could be more and more loyal. For a listed company, its valuation should continue to increase. A successful company must first become an industry leader and must at least become one of the top companies in the segmented industry. This is the primary indicator of success. The second is sustainable growth. The company's revenue and profits must be sustainable growth, and each year has a significant increase over the previous year. The third is to have social status, not only must be respected by its own employees, but also respected by the industry and by society. During this period, I will experience looking for a strategic development direction, achieving a single product champion, and then being able to operate multiple products at the same time, and finally building my own ecosystem; such a company has high profits, high income, and a large number of high-frequency users. It is a good company.

6. Which measurable parameters determine the success of a Chinese Global Champion?

The first is to formulate correct business strategies and business model. In order for the company to be successful, it must develop the right business strategy to ensure that the company is on the right track and continues to scale up. Assets scale, revenue, tax and other indicators are critical. The second is to have the ability of independent innovation, which is the core competitiveness of enterprise development. To make the company bigger and stronger, it is necessary to improve the independent innovation ability of company employees. Having core intellectual property rights, core patents and standard indicators are important. The third is to operate with integrity and establish a brand. Enterprises must take honesty as the first criterion and do not deceive consumers. At the same time, the brand of the company must be established. The brand effect is the continuation of the company's corporate value, and the establishment of the brand is also the best way to test whether the company is honest. Goodwill and valuation of a brand are measures. The fourth is to improve the quality of managers and employees. People in an enterprise are the basis for determining everything. The comprehensive quality and technical level of enterprise managers and employees determine the height of the enterprise's development. The employees' remuneration, quality of management personnel, proportion of international talents and other indicators of a company shall be of great importance. Fifth, they must keep up with the trend of the times. As a successful company, whether it is a management

model, a business model, a sales model, a promotion model, etc., they must always keep up with the pace of the times.

7. What describes a Chinese Global Champion in terms of performance?

Several key indicators of a company's success include its brand reputation and influence, sustained innovation, industry competitiveness and sustainability, revenue and tax contributions. Among them, innovation capability includes innovation investment and independent intellectual property rights, which reflects a company's core competitiveness in its technology field. Competitiveness reflects a company's ability to predict the development prospects of the industry and make correct decisions, as well as the company's leading position in the world and the industry. Sustained growth is reflected in the company's turnover growth rate and profit and tax growth rate.

8. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

Overall, China's leading companies are relatively young, with only a few decades of experience. The leading companies in developed countries like Europe, America and Japan are both century-old companies and emerging technology companies. By comparing the top 500 companies in the world compiled by Fortune in 2020, the United States has a higher proportion of the top companies on the list, and the number of Chinese companies on the list is larger. In the sub-industries, American companies are more evenly distributed, with high proportion of scientific and technological innovation enterprises, while Chinese companies are more concentrated in the upstream sectors of infrastructure, such as energy, chemicals and infrastructure. Revenue scale and profitability of American companies are stronger. The average operating income of Chinese companies on the list has increased compared with 2019, which is lower than that of the United States. Chinese companies on the list are Chinese state-owned enterprises as the main body, and the proportion of private enterprises continues to increase and shows a good growth trend. The difference between successful Chinese and American companies is that traditional industries still dominate, but emerging technology industries are maintaining a good momentum of stable and rapid development. For example, Alibaba and Tencent, thanks to reform and opening up, have grown from startups to industry giants in just 20 years. And gradually reached the top of the world, becoming a world-renowned business giant.

9. If you imagine current Chinese Global Champions, what would you say has led to their success?

In addition to the development of their own internal core competitiveness and the formulation of correct strategic decisions, the factors for the success of Chinese companies are that they have experienced the rapid development of China's 40 years of reform and opening up. An extremely important factor in the development of enterprises is market demand. The rapid development of China's economy provides enterprises with growth points. These enterprises have grasped the precious development opportunities in the Chinese market and the international market, with the appropriate business model, through timely investment and M&A to achieve leapfrog development. For example, Shanghai Automobile merger and acquisition of British Rover, China's Putzmeister of Germany, America's acquisition of Kuka, Geely merger and acquisition of Volvo. At the same time, the development of the overall supporting industries also helps enterprises to make breakthroughs in their specific technical fields. Enterprises go out of the country, participate in international market competition, promote enterprise management models and technical personnel training through efficient market competition, further promote the reform of enterprises themselves, and promote enterprises to enhance their international competitiveness.

10. Do you know any examples of company success stories from China?

Huawei is China's most successful technology company by far, and it has come under pressure from the United States. Huawei's core factor for its success is continuous innovation. In particular, technological innovation is Huawei's core competitiveness and the cornerstone of Huawei's growth. Huawei's R&D investment has been maintained at more than 10% of sales revenue, and its international patents The number of authorizations has also remained at the forefront. As an important initiator of China's 5G research, Huawei uses its strength to play the role of core technology innovator. The other is product innovation. Huawei's business layout covers the information and communication industry, including mobile phones, computers, broadband networks, servers, and cloud computing. Huawei's success in overseas markets also benefits from its advanced base station business. At the same time, Huawei continues to carry out system innovation and management innovation, adopting a rotating CEO management model, and management continues to be democratized and scientific. Huawei has also adopted an employee stock ownership plan to organically integrate corporate development and employee efforts to enhance corporate cohesion. More importantly, Huawei continues to expand

its talent team, and continuously absorbs outstanding overseas technical talents in the process of international business deployment, realizes the localization of management and technical personnel, and makes it more quickly adapt to the overseas investment environment.

11. Do you know any examples of failure of companies from China?

For example, in the case of failure, the direct cause is the break of the capital chain. When the sharing economy was just emerging, it received the enthusiasm of capital, which quickly popularized its business scope and gradually became a rigid demand for daily travel by the public, and the company achieved rapid expansion and profitability. However, with the intensification of market competition and the increase in product maintenance costs, capital support is not long-lasting, and the company's own revenue capacity is insufficient, which finally leads to the break of the capital chain. At the policy level, the state has gradually put forward requirements for the supervision of the emerging sharing economy, which not only guides the industry to formal development, but also increases the challenges faced by enterprises. Then there is the full realization of shared bicycles. The initial investment is relatively large. Now the body advertising is not allowed, which reduces advertising revenue. And overseas business in Europe is restricted by the General Data Protection Regulation (GDPR), which increases business risks. Another very important point is that misappropriated user deposits for financial investment, which touched the bottom line of corporate operations and affected the normal operation of the company's capital pool. This is the root cause of the break in the capital chain. The rise of the sharing economy has driven the development of an emerging industry and has also brought new growth paths to the capital market, but its industry supervision and standardization of corporate operations still need to be improved.

### Analysis

12. In your opinion, are there specific success factors for companies from China? If yes, which ones are they?

First of all, Chinese leading companies, including Huawei, Geely, and BYD, have already occupied a certain share in the international market. In the process of their continuous struggle and expansion in the global market, they have shown a tenacious spirit of struggle and a spirit of innovation for constant change. If there are specific factors that make these companies go abroad and break new ground, then I think it must be innovation. Take Huawei as an example. As a high-tech company, Huawei is developing and growing through continuous organizational



system innovation and corporate scientific and technological innovation. It can be said that Huawei's core is the spirit of continuous innovation, and it is constantly market-oriented to its own organization. The system and technology are reformed to improve the company's market competitiveness.

13. What hurdles have current Chinese Global Champions successfully overcome?

The leading Chinese companies headed by Huawei have overcome many difficulties. From a domestic perspective, the leading Chinese companies have witnessed the gradual take-off of my country's economy. Since the reform and opening up, the leading Chinese companies have focused on technological talents, corporate management, and institutional reforms. And other aspects are oriented to adapt to the times, and continue to make major breakthroughs. For example, Huawei executives once asked McKinsey & Company to provide organizational system reform plans for Huawei, which was in the bottleneck period of development at that time, to push Huawei forward. From an international perspective, Chinese leading companies need to face the complex changes in the international economic situation. The "black swan" and "gray rhino" incidents in the international market will have a significant impact on the process of Chinese leading companies going overseas; secondly, Chinese leading companies need to face In response to complex changes in the international political environment, such as the inclusion of Huawei on the list of entities in the Sino-US trade war, the United States has dealt a major blow to Huawei's business in the US market; in addition, the "going global" process of leading Chinese companies also requires talents and supporting services. Very high, including international legal talents, international management talents and large financial institutions that can undertake international financing needs.

14. What are the differences between successful national Chinese companies and Chinese Global Champions?

In my opinion, Chinese national leaders include Huawei, Xiaomi, Tencent, BGI and other outstanding companies, and global Chinese leaders include CP Group, TSMC, ZOOM, Foxconn, Temasek and other companies. Both meet the needs of emerging and developed markets through localized innovation. At the same time, they can also provide flexible and diverse customized solutions according to customer needs, establish long-term cooperative relationships, and continuously promote business growth. For example, high-tech companies such as Huawei and Xiaomi, as well as Chia Tai Group and TSMC, have combined product features with local culture in the company's internationalization process to meet the needs of the local market.

The main difference between the two is that although China's reform and opening up introduced a market mechanism, the strong support of national policies has created a fair and competitive market environment for private enterprises. After China's reform and opening up, the efficiency of human, capital, technology and other factors has been improved to promote national enterprises. For example, the market competition between Huawei and ZTE has promoted the development of science and technology; but only forty years have passed since the reform and opening up. This has led to a short time for the development of Chinese national enterprises. Therefore, although there have been successful Chinese national enterprises in the international market, it has a place in the market, but Chinese national enterprises still need to continuously reform and innovate and accumulate experience in the process of internationalization.

Secondly, compare the main business areas of Chinese national companies that have successfully gone overseas and global Chinese leaders. Although both Huawei and TSMC are in the electronics industry, Huawei's main business is communications, while TSMC's main business is semiconductors. Foxconn, as a global Chinese leader, although it belongs to the manufacturing industry, the main profit model is through OEM processing. CP Group obtains profits through the traditional retail industry, while the Chinese national enterprise BYD makes profits through new energy vehicle manufacturing, and Xiaomi uses mobile phones, IoT, and new retail. Wait for business profit. After comparison, it can be found that the sub-industries between the two are staggered, and this characteristic also leads to differences in business models and brand management between the two.

15. Why have some companies made the breakthrough to become a Chinese Global Champion?

This is because these companies have the awareness of innovation and intellectual property protection, a clear understanding of the market, and a relatively clear corporate culture. Take Alibaba as an example. Jack Ma looked at the broad development prospects of China's e-commerce market at that time and created Alibaba. The development of Alibaba's e-commerce platform has experienced many difficulties, but they are always inseparable from innovation and struggle, especially Alibaba's corporate culture, "there is no difficult business in the world" clearly expresses the spirit of struggle of Alibaba. The same is true for Huawei. It has repeatedly made important breakthroughs in the development process of Huawei. Based on market awareness, breakthroughs in the organization and management system, and understanding of economic globalization, it first occupied foreign markets, then domestic markets, and made

breakthroughs. Mobile phone business bottlenecks, etc. These cases all reflect the characteristics of China's leading companies such as innovation, market awareness, and unremitting struggle.

16. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to your mind?

I thought of the following keywords: innovation, hard work, competition, intellectual property protection, global value chain, economic globalization

17. Which internal success factors are essential?

One is the scale of the enterprise. In the process of business operation, scale is often considered one of the more important factors. Especially in traditional industries, a larger scale of business operation will produce economies of scale and reduce costs. At the same time, a large enterprise can also improve the ability to resist risks. For example, Huawei, a representative of Chinese private enterprises, was subject to U.S. trade sanctions during the Sino-U.S. trade war, which had a serious impact on the company. However, due to Huawei's vast business scope and a large market share in its main business, the U.S. sanctions It did not cause a fatal impact.

The second is business management and innovation: As a successful national enterprise, it must have its own unique experience in business management. As the scale of the enterprise gradually grows, the interest relationships between parent company and subsidiaries, between departments and departments, and between subsidiaries and subsidiaries are complex. At this time, a set of systems can efficiently coordinate the interest relationships of the company and handle different stakeholders. The management mechanism of differences formed by different interests will be particularly important. When a company enters the process of internationalization, it needs to promote the innovation and reform of the organizational system in accordance with the new market environment, new development stage, and new market environment. For example, Huawei once specifically asked McKinsey & Company to issue a reform plan on organizational system reform. Promoting changes in the governance system, and this decision has also created huge benefits for Huawei.

The third is corporate strategy: corporate strategy involves the choice of corporate direction, and will affect the choice of corporate business model and the improvement of profitability, so it is a very important part of the expansion of corporate scale. The choice of corporate strategy helps companies to accurately determine the market environment, clarify the direction of

market development, and avoid market risks; at the same time, strategic management can also optimize and integrate corporate resources, improve the efficiency of corporate element flow, and form part of corporate soft power; finally, through corporate Strategic analysis can clarify its core competitiveness, grasp the main business, and make adjustments according to the future market direction. For example, DJI is the industry leader in the field of consumer-grade civil unmanned aircraft, and gradually extends to other business areas.

The fourth is the business model: the business model is also a very important aspect of shaping a successful company. A successful business model is not only suitable for the company and down-to-earth, it can also bring unique value to customers through the combination of products and services. With the development of Chinese national enterprises in many fields, diversified and differentiated business models have gradually formed. For example, Xiaomi's asset-light model is responsible for its own R&D, design, after-sales service, etc. The production, logistics and distribution links are all outsourced, eliminating the most capital-intensive asset part; at the same time, the business direction has become the two main lines of mobile phones and IoT., From hardware extension to software and service profit.

#### 18. Which external success factors are essential?

The first is the global value chain. Economic globalization has made the international division of labor more detailed and the company's collaboration more refined. First, it developed from the division of labor between industries to the division of labor within the industry, and then to the division of labor within the product. The division of labor within the product is also called vertical specialization and process division. It is very important to build a global value chain. The core foundation. Different countries can give play to their comparative advantages in the global value chain, choose the link that they are best at cost-effective to participate in, optimize product cost-effectiveness, and fully enhance the effect of scale economies. By participating in the global value chain, multinational companies can make full use of the industrial advantages of various countries, realize economies of scale, and obtain cost advantages.

Secondly, economic globalization has promoted the opening of the international market and created a good platform for national enterprises to go overseas. First, economic globalization has prompted countries to optimize the domestic and international business environment, creating a fair and competitive market environment, and promoting the internationalization of Chinese national enterprises; second, national enterprises benefit from the improvement of the business environment in the process of internationalization. , Enjoy the internationalized talent

service and resource allocation, promote the development process of the international market of enterprises; finally, economic globalization also promoted the formation of world and regional economic cooperation organizations, greatly promoted trade liberalization, and expanded enterprises Business space.

The other is the company's scientific and technological innovation. For companies in the Internet and electronics industries, technological leadership is a vital part. Through technological innovation and continuous iteration of technology, we can continuously meet the new needs of customers, reduce technical costs, and gain an industry leading position. For example, the development of Internet technology has promoted the rise of e-commerce and entertainment giants such as Alibaba and Tencent; high-tech companies in the communications field represented by Huawei have competed with multinational companies on the road to internationalization and become the industry's No. 1. China is facing a new round of technological revolution. New business formats, new models and new technologies are constantly emerging. Chinese companies need to accelerate the process of internationalization by promoting technological and organizational system innovation.

### **Prognosis**

19. What has been the most striking development in the last 5 years with regard to successful companies from China?

In the past five years, the number of Chinese companies listed in the Fortune Global 500 has continued to increase, and the influence of Chinese companies has continued to expand. In the 2020 list of the world's top 500 companies, the number of Chinese companies shortlisted exceeds that of the United States. China's top 500 companies have participated in the formulation of 7,571 international standards, and corporate technological innovation continues to improve. At the same time, China's outstanding enterprises have made significant progress in many fields, involving e-commerce, biopharmaceuticals, machinery manufacturing, electronic equipment and other fields to further seize market share. Secondly, Chinese companies have gradually exerted a strong influence in the process of internationalization. They have improved their brand reputation and corporate influence by improving product quality, building global industrial chain supply, and assuming social responsibilities.

20. What forecast would you give today for the development of successful companies from China over the next 5 years?

In the next five years, Chinese companies will still need to conform to the actual situation and be aware of market laws and the direction of the country's major policies. First of all, scientific development and technological innovation will be the top priority for the development of outstanding Chinese enterprises in the future. On the one hand, R&D investment will be gradually increased to increase basic R&D efforts. On the other hand, it is necessary to achieve technological independence, improve the technological industry chain, and minimize the dependence of technological manufacturing on other countries. Second, the development of high-end manufacturing companies and infrastructure companies will be the focus. On the one hand, it is to optimize the company's supply chain system and increase core technology public relations. On the other hand, outstanding Chinese companies in the fields of new energy and communications will continue to increase their business scale and expand their international market share. Finally, the development of the digital economy will be the top priority. With the development of high technology, new models and new business formats will continue to emerge. In the next five years, there will be an international technology innovation center, forming a regional cluster effect, and an outstanding Chinese company in the digital field. , Such as Ali, Tencent, and unicorn companies in the field of cloud computing and medical big data, etc., will have a broad space for development.

21. What skills and resources does a company need to be successful?

The success of a company requires a lot of resources and skills, such as business management, company strategy, technological innovation, human resource management, marketing, supply chain management, and supporting financial services. Excellent management ability is one of the necessary qualities of a successful company. Excellent management ability can coordinate the interest relationship between different interest groups, maximize the company's efficiency, improve the company's ability to resist risks, and improve the liquidity of funds and inventory turnover. Ability; human resource management, marketing, and supply chain management are an important part of business management. Through good human resource communication and coordination, the company's work efficiency is promoted, and the company's market competitiveness is improved through marketing and supply chain management. Cost to expand market share; with the gradual acceleration of the iterative speed of the technological revolution, technological innovation has become more and more important, and the level of scientific research and development and technological innovation have gradually determined the company's long-term development and core competitiveness; supporting financial services include listing, Bond issuance, financial leasing and other methods can meet the cash flow required during the

company's expansion, improve the company's ability to resist risks during expansion, realize a virtuous cycle of capital flow, and ensure the company's strategic execution.

22. How can you identify future Chinese Global Champions?

Excellent companies have the following qualities: First, they formulate correct business strategies, which can promote the continuous improvement of the company's competitiveness and ensure the normal development of the company's business; secondly, the continuous improvement of independent innovation capabilities. Excellent national enterprises are inevitable. Will continue to increase the investment in scientific and technological research and development and technological innovation to ensure the company's core competitiveness; in addition, outstanding companies will inevitably not escape the continuous optimization of business models, the improvement of economic levels, changes in customer needs, and different stages of company development will all lead to the innovation of business models, excellent companies can adapt to the iterative market environment and promote the modernization of the management structure; finally, keep up with the trend of the times and continuously innovate business models. A successful company will continue to innovate business models, including management models, Business model, sales model, etc., choose according to the company's development status and financial situation. For example, Xiaomi chose a light asset operation model in the face of the fiercely competitive mobile phone market to get rid of the heavy asset burden, while Huawei's Across the mobile phone field, based on its own technological innovation as a profit point for the mobile phone business, excellent companies have their own business models and will continue to optimize them according to the situation.

23. Which multi-dimensional construct is required to be a future Chinese Global Champion?

In the process of enterprise internationalization, it is not only necessary to measure the pros and cons of the enterprise from the traditional economic scale, market share, profitability, etc., but also to focus on the analysis of the enterprise's brand influence, technological advancement, and governance structure. As China's economic strength continues to rise, it will gradually focus on the development of high-end manufacturing, digital economy and other high-tech industries. While consolidating traditional industries, it must continue to promote technological innovation and industrial structure optimization to enhance China's global value chain Advantages and status in China. The emergence of new technologies will promote the continuous emergence of new business forms and new models, which means that China's leading companies in the future will also include more fields, such as cross-border e-commerce, cloud

computing, and big data. Therefore, the future development of enterprises will not only focus on traditional profitability, market share and other indicators, but also focus on the development of technological innovation, brand maintenance, and governance structure optimization. Through advanced technological innovation, continuously optimized governance structure, and courage Undertake social responsibility, continuously enhance the reputation of the brand, increase market share and profitability.

24. What would you recommend to a potential company to become a Chinese Global Champion?

Leading enterprises in China in the future include Huawei, Xiaomi, BYD, Huada Gene, Ningde Era and other large high-tech enterprises, as well as a number of growing unicorn enterprises, and other growing enterprises, including DJI, ByteDance, Meituan, Didi, Pinduoduo, Xiaopeng Automobile, Shangtang Technology and other growing enterprises.

Potential companies need to continuously improve their core competitiveness to become China's leading companies. The core competitiveness of an enterprise mainly includes the following aspects: first, increase investment in research and development, increase the intensity of scientific research, reduce dependence on foreign technology, and increase management and scientific research talents, promote corporate governance modernization, and help improve the company's scientific research level; It is necessary to ensure integrity management, improve product quality, and continuously improve product service quality and brand reputation; in addition, it is necessary to focus on protecting the ecological environment, participating in the construction of a global green value chain, and paying attention to fulfilling corporate social responsibilities, actively participating in social welfare activities, and caring about society Actively give back to the society and increase the company's social influence; finally, we must pay attention to the physical and mental health of employees, strengthen employee education and training, improve the overall quality of employees, and promote the establishment of a fair competition workplace atmosphere.

25. What is the future of current Chinese Global Champions?

At present, China needs to focus on cultivating a large number of world-renowned multinational companies, including Huawei, Tencent, Ali, BYD, etc. They need to continuously achieve technological breakthroughs and product optimization and innovation, improve intellectual property protection and talent incentive systems, and improve business competition and operation



of enterprises Manage competitiveness, have the courage to assume social responsibilities, realize the expansion of international market share, the continuous optimization of business models and governance structures, and the continuous improvement of their status in the global value chain supply chain, and promote leading companies in the traditional manufacturing and high-tech industries. Coverage, driving the growth of the economic scale of its upstream and downstream industrial chains, and promoting the further expansion of the regional clustering effect of the international independent innovation demonstration zone. The brand products and services of China's top enterprises are recognized and accepted by the world, and can compete with the first-class in developed countries such as Europe, America and Japan Global multinational companies compete on the same stage and compete fairly. These companies need to survive and develop in the fierce global competition, while contributing to the global competitiveness of China as the world's second largest economy and the world's largest economy in the future.

## E Expert Interview with Z. P.

### Introduction

1. Who is a Chinese Global Champion in your intuitive description? WHY?

**The path to becoming a champion is a market-driven one, but also much more from the perspective of the developmental state.** Apple's success is based on start-ups, a certain ecosystem and state framework and a lot of venture capital. China is fundamentally different. **The goal of the Chinese government has always been to create such champions.** The model is Japan, where it was done in the 60s and 70s, when it was called administrative guidance. This means that the private sector and the state sector work closely together to achieve a goal. This is very often achieved by means of **credit control**, which was already the case in Japan at that time. For example, it was a **mixture of competition and control**. They said, you get the credits and the necessary foreign currency. The company that has the biggest market share in video tapes in five years gets the credits. These are very intelligent forms of control that we don't know in the West. Japan did the same, but in Taiwan it's completely different. Taiwan is a country of SMEs, there are very few huge conglomerates, like Samsung in Korea or Mitsubishi in Japan. The point, if you want to understand CC, is the mixture of market process, but you also used the nice word "burn in a cage". **So birds evolve in a very big cage, that's the Chinese**

**policy.** In China, companies are made to merge. If they say 5 is too many, you have to merge. That's top-down, but in China it's just the mix and that's the special thing about how these CC are created. Huawei is just as much an example, a **combination of selection and market economy.** Step by step and in the end you even have a global champion. There are always three paths, firstly Apple, the American path, then Airbus, the European path, which is also a mixed form with politics. And then there is the East Asian way, Japan, Korea, China. Three different ways to get to such champions. You have to take that into account, it's not just economics, not just management, but political-economics. There are a lot of subsidies, research and development, etc. behind it.

Of course, there are the **national champions, i.e. within the framework of the national market,** but it was clear from the beginning, and the Chinese government also says so, that the goal is to follow the Japanese model. China wants to create these Arezu, or business conglomerates, based on this model, global, competitive companies. And then they do it very pragmatically, they don't know the right mix of methods, so they create it first. You then also allow a **wild growth,** many start-ups, you then see where can be promoted, then there is just the mixture of selection and market. **I would define CC as a Chinese company that is competitive on the global market.**

## 2. What characteristics define a Chinese Global Champion?

There is not yet much CC, which is being prepared in terms of industrial policy, these are companies that **offer world-class technology. But at much lower prices.** There are already many companies in the **Belt and Road** Initiative. The ones that are pushing the electrification of certain countries or also the railway sector. It's always a bit more advanced than Japanese, European or American companies, which is also not desired. It is then much cheaper because it does not meet the top standards. That is also an advantage, not simply a weakness. Like Huawei doesn't want to displace Apple, that's a western luxury segment, but we're doing the very big market. I think future champions will also be positioned the same way. Not like Apple, but Huawei is the ideal type.

## 3. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

The Chinese simply do everything. No matter what it is, they just make a new mix of strategies. You will find examples for everything. Maybe you know **Victor Nie's book "Capitalism from**

**Below"**, the phenomenon has been around since the 90s. He calls it a very wild regime, that these start-ups have emerged in a wild way, and that is what is allowed to happen. **Some companies have emerged from this wild growth.** Some of them have succeeded. They attracted attention and were then given preferential treatment. On the one hand, through **state contracts, procurement and public procurement, and on the other hand, through credit control.** Then comes this phase where the companies are pushed. They say, keep going until you reach a certain size. It is also possible to become very big in China. Some countries have a much harder time because they don't have the size of their own market. In China, the government said "go global", helped with loans and that's how these companies came about.

### Analysis

#### 4. Why have some companies made the breakthrough to Chinese Global Champion?

That's the crux of the matter, some people find it very difficult. Huawei has made it, that's the exception. There are also countless tech wars. The USA has pulled the emergency lever, but the Chinese politicians are making everything possible and trying everything, lobby etc., so that this doesn't happen. We won't find any espionage cases involving Huawei, that would be far too risky. If it only takes one case and Huawei is gone, then the whole China plan is gone, so they won't do it and we can't find anything either.

#### 5. What measurable parameters capture the success of a Chinese Global Champion?

I suspect that this is also not defined from the Chinese point of view. They see it pragmatically. It's more in the direction of what market share do we have and how do we behave towards the biggest competitor, in this case Samsung? I don't think there are absolute measurements. Especially in China, everything is open towards the top. They are globally positioned, it's about the whole market. Africa is in between Huawei. How far they will get into the western market is an open question.

#### 6. Do you know of any examples of success stories of companies from China?

It's a cluster phenomenon, these technologies are often connected. The really brilliant thing, where no one can keep up, is the connection of platforms, e-commerce, online trade, apps, hardware and this connection. Now also with cash, you have a problem there as a foreigner. How they transplant that in an easier and cheaper way to Africa, that's unique and no other country can do that. They have really come to the top of the world. It's probably with the giant infrastructure companies, very often state contractors. They will do it but the quality is not there

yet. It has been defined. China 2025, this industrial policy plan, these are the 10 key industries. They will succeed in electromobility, but they are not quite there yet. There are 4 or 5 companies that get orders with Belt and Road, and they are always the same ones. There are also several hundred thousand Chinese employees working in Africa. **I will soon publish a book** on African-Asian relations, which is about China and also a bit about India. There we have studied some of these companies and how these Chinese are stirring up the market. What I have recently learned is that in all communication topics, such as apps and streaming, the Chinese are at the forefront in Africa.

In the West, it is extremely important to have data and to be able to view it transparently. Transparency, in order to be able to make good investment decisions, also has a significant influence on the stock market price. This is very important, how we value a company, these are very important feedback mechanisms for the market, for investors, etc. In China, this is more controlled. In China it's more controlled, so the stock market is not, it's really wild. It's a lottery, it's crazy what the private sector is doing. With the state, when it comes to credit control, it's clearly different. They analyze it very carefully, but the transparency systems are very different from those in the West. We are often concerned with information for investors; **in China, there is much less transparency**. That is not a main mechanism either. The authorities who are interested have access to everything. **There is no data protection in China**. The government knows everything, there is no possibility to apply for data protection or to hide something. You always have to compare the different systems, also in terms of transparency etc., then you know why they are the way they are.

7. Do you know examples of failure of companies from China?

**It is important to understand the system, there are 100, then 10, then 5, then 3 and then the government decides again who will merge and then we have 2 leading providers. It is often not a question of entrepreneurial failure.** Maybe in the earlier phase, but in the later phase it is already a result of control and the market. That is typical. There are a lot of failures, 100 become 2. That's the principle, you find that in every field. They are not always happy either, they compete with each other. If, from the state's point of view, the point comes that it's okay to merge now, there are loans for that, then you go global. So there is no alternative, it is not an individual entrepreneur who decides, but rather the management, they prepare the strategy. Fundamentally different system. There are also cases of very wild start-ups that have suddenly become big. Alibaba, for example, is also an exception. It developed this way because

the Chinese authorities also saw it as going in the right direction. They always have constant monitoring. We experienced a different direction with the IPO of ANT, the Chinese emergency brake. They said at the last moment that it was not going in the right direction. That could have system-changing effects and then the emergency brake comes. If it looks like it's a free market, then the government feels it's going in the right direction. Otherwise, the emergency brake comes. It's not an accident, it shows that this analysis is correct.

**You want to be the world market leader, so the companies have to be able to keep up in terms of patents, intellectual property, research and development.** That takes a lot, it's very difficult. For example, **Huawei's research capacities.** The Chinese are always thinking in terms of the next generation, they don't want to be as good as Samsung, in this example, they want to be the leader in the next round. They are already thinking about the next round, where they want to be more advanced than the other companies and that means they wanted to lay the foundations now for the next round, to be number 1 then.

China is not really efficient. In the sense of the ratio of the use of resources to the result. A western company wants to tell the possible efficient result. In China, that doesn't matter so much, loans are spread out by the state. 10 get a loan, 8 go under, that's a huge loss. There is no shareholder who would sue for burnt money. In return, there are 2 leading companies at the end, it is effective but not efficient. At the end, there is the achievement of objectives, that is the point.

8. What are the differences between successful national Chinese companies and Chinese Global Champions?

In the 90s, the aim was to make clones, clones of successful Western companies, adapted to Chinese conditions, but not necessarily of the same quality. In Switzerland, for example, ABB. They simply placed a clone next to it in China, i.e. they simply placed the same thing next to it, so that the technology transfer would also work. But that's high-precision work, you can't just make 5% less, that's turbines etc. That won't work. The point was to make clones that do the same thing. Danone succeeded with Chinese yoghurts of almost the same quality and much cheaper. This strategy was not enough, the leap to the top of the world had to be made. So many state-owned or supported companies have tried to do that. After all, it's also a race for patents, so sometimes they succeed. From a traditional economic point of view, it is difficult to explain, but it is there before our eyes.

9. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

**I think it's this mixture of rampant free enterprise and state selection and promotion. It's very specifically Chinese.** There are three types, American, European, East Asian. Jack Ma is the big exception, he's a genius, he did it from the bottom up. **Normally, there is a whole army of hard-working managers who understand the principle, who are also in good contact with government agencies.** They also benefit personally; they are connected to the fate of the company. But they are all interchangeable. Most of them are relatively interchangeable. There are many successful entrepreneurs in China who know that if they don't deliver success, they are out of business, not because of shareholders but simply because others are better and the state realizes that they are not going in the right direction.

As an entrepreneur, you have to think much more politically, and you can't get in the way. Japan has a freer system. In China, the system of "I'm not interested" does not exist, only when the sector is uninteresting, like the dairy industry. The leading sectors in China, there would be no such thing.

One can absolutely claim that **networking in political circles is a success factor.** But it is not like lobbying in the West to change the framework conditions. There is much more exchange and then the question of function arises. It is a kind of **give and take.** If the Chinese government says something "belt and road" or "go global". If that is relevant to them as entrepreneurs because they are in the energy business, then they do that. They don't have the option to say "no", then they would have disadvantages in the Chinese system in the long run. Because they don't react to these incentives, where the direction is set. Then they are under pressure to acquire such a project somewhere in the world. Even if it doesn't seem to fit at the moment, they do it anyway because it is required. In order to be there again in the next step.

10. Which external success factors are essential?

The Chinese **government back-up** they should have. The Chinese also do much riskier projects. You wouldn't do that in the West because the risk is too high or the political system doesn't fit. It's not a cut-throat system, the Chinese simply do things that you wouldn't do in the West. As we know, nobody wants to mess with China. So nobody will do anything that doesn't suit these companies. And then there is the **flexibility.** If something doesn't work out, they renegotiate, no problem. In the West, people are much more oriented towards the legal

system. Conditions are fulfilled and contracts are honored. The willingness to renegotiate brings some projects forward that would be considered a failure in the West.

11. Which internal success factors are essential?

The market plays a bigger role there, it's the fiercest market fight. It is certainly more aggressive than what we know in the West. The processes take place much faster, everything is much more fluid, all the stops are pulled out, legal, semi-legal or illegal, and everything happens at an incredible pace. If a Swiss entrepreneur wants to work in China, he has to go into a pressure chamber beforehand, like when diving, so that he can keep up with the speed. Completely different working atmosphere. For companies that are new to China, it's difficult, they can't imagine the speed at which you have to work.

**Forecast**

12. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

I don't see a big change. Rather that the strategy of the 90s and 2000s is now producing results. That is, this mixture of wild market processes, political controls and selection has worked. The only thing that was hit hard was the chip industry, the rest of the tariffs and ideas were absorbed by the Chinese like nothing. It must also be said that control with tariffs, that is 19th century. China would never do that, they have understood that if you want to control, then with other regulatory measures. For example, you have to re-certify everything in China. That hurts, but it works. The best example is **medical technology**, and suddenly they're gone because it's a strategic area from China. It's cynical, but that's a success factor for Chinese companies when others are excluded. We will have 2 giant companies in a short time, similar to Huawei, in medical technology.

**Made in China was a stigma and there is still a lot of mistrust in our markets. That has already changed, with all the apps and mobile phones.** Take Africa, for example, that has a super quality. That influences the whole population. For Africa, China is the whole world of mobile technology. A new generation is growing up there. But not in our markets, the mistrust will continue for a long time.

13. What forecast would you make today for the development of successful companies from China over the next 5 years?

**The Chinese don't understand the fuss about MIC25.** They say we've always done it that way, what's the fuss about? ABB builds super robotics and is very successful. If you know China's plan, you know that in the near future we will have 2 leading Chinese companies in robotics, and that is to be taken very seriously. Electric mobility, transport, aviation for example, but also technology areas in agriculture. Next generation in agriculture. China will play a central role in robotics and medical technology.

14. Where does the future lie for the current Chinese Global Champion?

I was not one of those who said China always wins, but they are always reassured. One in 100 will make it. A Western argument is that if you are at the top of the world and you want to make a leap, you need a free system, academically and culturally. The Chinese approach works, whether we like it or not. Big companies only disappear when they start to rest. Chinese companies work differently, they are already preparing for the next disruption. They know it's coming and are already thinking about how to win the next round. Switzerland once thought it was the industrial champion, then the Japanese and Koreans came along. Maybe big companies are disappearing, but in industries that are being phased out, like coal and steel. That is also controlled.

15. What would you recommend to a potential company to become a Chinese Global Champion?

They grow up under certain conditions and cannot choose them. In the West, there is good communication between associations and authorities, which does not exist in China. People in China do not believe in recipes, e.g. liberalism. China is deeply not liberal. The freer the market, the better the result - in the West this would be signed immediately, but in China no one would. It's the result that counts and all means that lead there are right.

Don't assume that China is the same. It's a completely different system, right down to the company level.

## **F Expert Interview with N. R. and J. Y.**

### **Identification Chinese Global Champion**

1. Who is a Chinese Global Champion in your intuitive description? WHY?



RN: A CC is a company that is very innovative and very present on its home market and has been active internationally for years or rather only recently. One characteristic is that they are usually large compared to Swiss, or even Western companies, that they are always very fast and **have an incredible speed, which distinguishes size and innovation**. The third characteristic is that they are not private, as we know it from the West, but that they **enjoy at least passive protection or passive support from the Chinese government**.

YJ: Another point is that among the top 500 companies worldwide, there are many Chinese companies. **A lot of them are also monopolies, state-owned enterprises, I won't take that as a CC, I would count on the private nature**, which have put themselves on their feet. Innovation industry, e-commerce or more traditional e.g. car or household manufacturer. **Big banks or other huge state-owned enterprises are actually beneficiaries of the system**. For your research, it would be more interesting to see who are the CC in the private sector.

2. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

RN: I am referring to my own experience regarding Huawei. I have been to Shenzhen several times, visited Huawei's headquarters several times, did MBA classes, at Chinese universities, where we talked about Huawei. Then feedback came from Chinese students "What is actually Huawei's recipe for success compared to other (European or American) champions?". I think a key factor is the **corporate culture**. All companies have a corporate culture, but Huawei is characterized by a corporate culture **that has been rigidly lived down to the top, or I should say imposed on all these employees**, I mean Huawei today has 80 thousand employees in the headquarters alone. In the West, one would say that maybe Siemens, Google or Deutsche Bank have 20 thousand and also a corporate culture. But there, it's all of a piece, it's prescribed, it's rigidly ensured that these values of the company founder are lived and you could almost say that these are clever people, not party soldiers, but they really have something like, one is really almost slavishly behind the CEO of Huawei. There are 100s of thousands wanting to go to Huawei, so there's a radical selection. This leads to **200 thousand employees pulling together, having a clear line and a clear goal, and you don't see this clout in European companies or in the US**. There, you lose clout when you get bigger, but that's not the case with Huawei.

YJ: In the East, the corporate culture is much more democratic, that's a leadership, they play a big role. I think the CC have learned that you allow employees to be proactive. The devotion to

the corporate culture is very strong. Even now, for example, overtime and working hours, that is much more common in China.

RN: CC really know how to run organizations. The Chinese are known for copying, you can say that neutrally, for learning from others. **They combine these learnings with their own experiences** and are humble enough to act like that. That's different from American companies, when they are top, you also have the feeling that they are top, that doesn't happen so quickly to a Chinese company. **Always the will to learn and to become better, I think that's another success factor. The third success factor is having a clear vision and being very ambitious.** Every Swiss SME has a mission statement and a vision, and very often it is simply filed in a folder or pinned up on the wall. In China, this mission statement, for example at Huawei, can be seen everywhere and every day. **That gets into people's DNA at the end.** Let me read something to you: Huawei headquarters "bring digital home to every person and organization to fully connected intelligent world. " that's a clear statement. Then they have a total of 188 thousand employees, in 170 countries, of which 80 thousand work in R&D. **You can say almost 50% of the workforce works in R&D, that's insane.**

3. Do you know of any examples of success stories of companies from China?

YN: A number of CC can be found in e-commerce, internet business. Alibaba, Baidu and Tencent, the three techno-brutes. Also in the automotive sector, we have Geely, they bought up the traditional Swedish company Volvo. But also some household appliance manufacturers, like Haier, Lenovo is also part of it. They were state-owned enterprises until they almost went bankrupt at the end of the Cultural Revolution. But they wanted to be successful, they drummed that into the people and 20 years later they are world market leaders. If you don't continue as a company, you end up in poverty, people didn't want that. Success came out of necessity, it was a frustrated situation.

RN: **That's really interesting, that something comes out of necessity.** Probably the pressure of suffering is so great in China that they do everything they can to succeed.

YN: That is the **survival need.**

RN: The founder of Huawei comes from the People's Army. By the way, I am a Swiss patriot, I don't want to glorify China, not at all. I don't want to celebrate Chinese values and say this is the Western downfall. I want to ask, why is it like this? What are the contributing factors? Suffering and pressure to survive is something. Now also the founder of Huawei, they take a

socialization, but also a way into the company, that's already inside. This is exemplified and results in a specific culture. In the West or in Switzerland, people wouldn't accept something like that, it wouldn't go down well.

#### 4. Do you know examples of failure of companies from China?

RN: You can see the difference between the state's own and state-owned enterprises, and those who are not close to the party, who had to look for themselves. A failure is certain if the party apparatus interferes too much, then it doesn't turn out well. Or it is an industry, keyword steel industry, that has to be kept alive in certain provinces. Because this simply causes too much damage to society. Then you keep the company alive. As an example, German coal in the Ruhr area is also a failure factor. In China, as everywhere else, geography plays a role. It makes a difference whether you open a business in Harbin in the very north or in Shenzhen. In Harbin, they have the harshest winter for several months. Shenzhen is an immigration city, there has never been a family or party cadre network there, the Chinese themselves say that is why the city is so innovative. In Harbin, it is the opposite, a failure, when the planned economy is dictated too much by party cards, when the party is not able to create a special economic zone, as in Shenzhen.

YJ: CC have just managed the transformation from socialist planned economy to free market economy well. A hundred years ago, before the bourgeois revolutions, there are still remnants. The city is responsible for doing something about it, but there is no initiative of its own. As an example, many Swiss SMEs want to become hidden champions, they have clear directions. There are also many in China, but they have lost the vision, they just wanted to earn money and go to the stock market. The values got lost along the way, that is a failure for potential CC. Another example is a beverage company, which was bought up by Danone and then went bankrupt because it was all about money.

RN: I do believe that there are unique factors in China. It's simply the **course of success**, not standing still, having success and then really boundless success, that's what I find unique, at the level of the company. Then there is the **commitment of the employees, which has to do with selection**, and also with China's economic development. You simply have to have a certain threshold in order to have a reasonably good life. As paradoxical as it sounds, there is no welfare state in China. You are poor, and then you are miserable, or you earn money. When you deal with these people, you can tell. Personally, I wouldn't want to live there, simply the will and the must of earning money without having a guilty conscience, even at the expense of others,

that is also unique. Somewhere the power to act is with the entrepreneur. The CEO tells the employees what to do, that is quite directive and autographic. And if there are well-educated employees, then they should hurry up, so they then start their own business. **There is already pressure on companies to keep people happy.** The Chinese are very entrepreneurial, in our country, when you train young people and ask them, what do you want to do after your bachelor's degree? They all want a permanent job. The Chinese simply want to earn money, if the company is OK, then fine, otherwise they go into business for themselves. **There is no country that thinks more about money than communist China.**

YJ: If you compare it to the West, it's like a **spirit of optimism**, like America 200 years ago. There are some things that are very Chinese. The urge for success, for fame, for wealth.

RN: A spirit of optimism and scalability, that is also unique. In China, they have a good product and then 1.4 billion potential customers. There are a lot of people who started small, who are making money extremely fast and that's just because of the size of the country. There are so many Unicorns.

## Analysis

5. What are the differences between successful national Chinese companies and Chinese Global Champions?

YJ: That is actually the orientation.

RN: The short answer is, there is no difference. Why? The Chinese market is so big and so diverse. China is the size of Europe and just as diverse as Europe, which means that even the domestic market in China is international in that sense. On the one hand, there is the declared goal of Chinese companies in the direction of the domestic market, and then the declared goal of the opposite, i.e. a global orientation, i.e. becoming world champions. I think this has to do with the industry. Now, for example, Big Data or 5G, that's what Huawei is doing. It makes sense to do this for the international market. Of course, it also has to do with the wage structure. Chinese companies have grown massively in some cases, simply because they were able to offer products much more cheaply than others.

YJ: Many new Chinese companies are export-oriented because they depend on the rich West.

6. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

RN: Innovative strength, i.e. constantly questioning and quickly adapting the business model. A success factor in a class of its own is Chinese pragmatism. Change quickly, look for new ways, **try and error**. In this respect, the Chinese are much faster than Swiss companies. **Time to market in** Shenzhen from idea to market maturity is a few days, in Switzerland it is a year and more. **Agility, innovativeness, pragmatism**, these are the soft factors, nowadays. It's not about better technology. It's also not about just cheap. I believe that a Chinese company is always supported by the state abroad. You have the support of the Chinese Embassy, the Confucius Institute, there is perfect orchestration. It comes from a single source, so to speak. There is a big plan behind it and that is also a success factor.

YJ: Another success factor is **human resources**. They are no longer cheap. It is still a great wish of many Chinese families that their children can go to the best university. We have a lot of potential here in very well-educated young people who have studied around the globe. Then you come back, that's also a potential point of technological industry leaders, human resources issue.

7. Which internal success factors are essential?

RN: **This all-pervasive corporate culture**. We were in Shenzhen in a medium-sized company, 300 employees. Then you walk through the production halls, everywhere there are these slogans that swear the employees to loyalty, quality, all these things. Like in every company, there is a showroom where the products are displayed, in the West you would have a showroom, then 2 photos about the history. In this Chinese company, on one side it was the history of the company, on the other side it was the history of the Party. The founder then said that he only got the approval because of that and secondly, the city of Shenzhen supported him financially. This simply shows again that it is not only the interest of the company in these corporate cultures, but also the interest in these Chinese values.

YJ: Party loyalty is already drilled in. The party always makes sure that party control is not lost.

8. Which external success factors are essential?

RN: Chinese society is changing very quickly, they are extremely dynamic. What you could earn good money with two years ago no longer works today. E-commerce is the best example. There is a lot of pressure to always be in line with the market, to be faster than the competition. I think in the West the pressure is not like that, this customer pressure! The Chinese people are extremely technology-savvy. If you compare a Western city with a Chinese city, you might

think they are 10 times faster. Simply because all the inhabitants do everything on their mobile phones. This forces companies to adapt their business model. The average age in Shenzhen is 34.

### Forecast

9. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

RN: We have made the transition from low quality to medium quality, also from the workbench to our own innovations. That is the case in most industries. Companies can only grow when purchasing power increases. Simply, these millions of people who can afford it have contributed to the fact that many companies have developed in this way.

10. What forecast would you make today for the development of successful companies from China over the next 5 years?

RN: Many companies soon hit the ceiling. That's a hypothesis, but I wonder if certain things will last. For example, this **exaggerated loyalty**, or whether there will be a **saturation point**, more competition, more tourism, more criticism. Companies will no longer grow at this pace and in this straightforwardness. Especially since the foreign competition has begun to prick up its ears. **It's always good not to stand out. Then you can grow quickly.** Now everyone is talking about Chinese companies. Now they say you have to be careful, investment control, so life is no longer made so easy for Chinese companies, even internationally. I don't believe that it will continue to this extent. The dynamic will remain.

11. How can you recognize future Chinese Global Champions?

YJ: Certainly **artificial intelligence**, they have potential. Also future technology, i.e. **renewable energy** etc.

RN: There are **these 8 strategic fields** that the Chinese government has defined in its 5-year plan, where they want to invest. One hypothesis is that it is an announcement for the Chinese population that these sectors will be the center of attention in the next few years. Where can I develop, where do I have career opportunities, where can I earn money? Then it would be exactly these 8 fields.

YJ: All these CC are beneficiaries, they have identified the direction correctly. Globally, there are certain trends, but in China it is still driven by the government.

RN: That is the government's focus on certain fields. Then that is defined, then that is declared by all provinces, the economy takes that up. That makes it easier for the individual to plan and assess. Where do I have to commit myself so that I can be successful with my company in 5 years? **And so the circle closes: you can't mess with the party.**

YJ: Now also in the direction of failure. They say there is so much competition and you can say that every success of one CC lies on the grave of another. So others were not successful so that another one could develop like that.

12. Where does the future lie for the current Chinese Global Champion?

RN: They probably don't grow as fast anymore, the focus on these 8 fields, taking up the project of the new Silk Road. Attracting foreign companies. That works very well in Africa, in South America too, in Serbia too, I see potential there.

YJ: Honestly, the near future is called post-pandemic! I'm sure there are some who are better positioned. Who are like on the verge of a departure.

RN: The latent weakness of the West again leads the strength of China, especially post-pandemic.

1. What would you recommend to a potential company to become a Chinese Global Champion?

RN: **What the Chinese are always good at is 1) learning from others, 2) having a clear plan, 3) this plan has to be in line with the Chinese plan, 4) getting all staff committed to it.** There is also a saying that the Chinese have a plan, but in situations where something else presents itself, they do not deviate from the plan. But the overall goal is never lost sight of. In the West, people also have plans, which are very often quarterly figures. In China, you have a plan, you want to be there in 20 years, there is an open field in between, you look for the way and make detours. You walk in a stone river. I have heard this so often from Chinese people, life brings so many imponderables, you always have to realign yourself, nothing is set in stone. This is expressed in this flexibility and pragmatism. You look for the next stone so that you can cross the river. How should one put it, China can stick to a plan for 20 years, also because you always have the state behind you. In Switzerland, you can't afford to stick to a plan for 20 years, even if you're already in the red for the first 5 years. Chinese companies have this security.

## **G Expert Interview with T. V.**

## Introduction

### 1. Brief personal introduction

I am an analyst with Merics, specializing in Chinese politics and society. My research focuses on party politics and Chinese global entrepreneurs, particularly in the tech sectors. Before joining Merics, I had worked for a decade as a broadcast journalist and China correspondent with Bloomberg and then Channel news Asia in Hong Kong, Beijing and Shanghai, covering Chinese companies and consumers. I conduct research and analysis on China and Chinese companies.

### Identification Chinese Global Champion

#### 2. What are the characteristics of a Chinese Global Champion?

I can only assume that by Chinese, you're referring to a company or person from mainland China. That is because the term Chinese can also refer to a racial group and can be used to refer to companies in Taiwan, Hong Kong or even overseas Chinese. So one has to be very careful. That is why I try to refrain from using "Chinese" unless as a second mention after "China". Then by "Champion", you mean a company or person that is ahead of others in a particular field or industry. So far, in my research, I have stuck to "national champions" which are successful mainland Chinese companies who have been earmarked by Beijing as trailblazers of industries which the country wants to become self-reliant in and global market leaders. Since you've singled out "Chinese" one can assume that the term "Chinese Global Champion" is used in a global context. So based on that, a **"Chinese Global Champion" has to be a Chinese company/person which/who has global stature and influence, has made inroads into international markets be it through M&A, IPOs, sales and other forms of investments.** One would also want to differentiate between a state-owned enterprise (SOE) and a private enterprise. For this interview, I assume your focus is on private Chinese companies.

#### 3. What is a successful company? (in a very broad definition)

A general non-exhaustive list of factors should include:

- sustained sales and income growth
- Market leadership for highly successful companies
- Market influence
- Innovator, offering in-demand, one-of-a-kind products and services



- Global stature to some extent, but not compulsory

4. Which measurable parameters determine the success of a Chinese Global Champion?

Well, measurable factors that contribute to a Chinese company's success. Resources in terms of funding - the more funding a company has, the more resources it can utilize to fend off its competitors. Ride-hailing apps, food delivery apps have used this "cash burning", race to the bottom price strategy to compete and succeed. Another parameter would be the China's economic growth - if China's economy is stable, a Chinese Global Champion is likely to be successful.

5. What describes a Chinese Global Champion in terms of performance?

For sure a sustained high net growth in income, the domestic market share, the Global market share, also Global rankings for its products and services, and the size of user base and annual sales figures.

6. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

In China, the **Communist Party has a huge say** in how the state interacts with the firms, and thereafter how the firms interact with the market. In Europe and US, the free market governs the relationship between the firms and its customers, and the government is the regulator of the market.

7. If you imagine current Chinese Global Champions, what would you say has led to their success?

**Macro factors** (again, not meant to be exhaustive, but these are the primary ones):

**China's massive consumer market** - means that there is never a shortage of demand for innovative goods and services. For example, China is the world's largest market for mobile phones, autos, robots and solar panels. It has the world's largest internet population.

**Huge low-cost working-age labor market** - no long sustainable now because of ageing population but this propelled China's manufacturing sector during the country's rapid growth period.

**Protectionism from Beijing** - censoring Google, blocking Facebook, layering bureaucratic hurdles for Uber; mandatory joint ventures for foreign companies in China

**China's economic liberalization pre and immediate post WTO membership** - opened the door for foreign goods and companies to enter the Chinese market albeit with conditions, but provided opportunities and rooms for innovative entrepreneurs like Jack Ma.

**Economic growth of global, markets** - leads to growth in demand for consumer products and therefore growth of manufacturing sector in China

**Globalization** - Hikvision is a good example. It is one of the world's market leaders of surveillance cameras by market share. It purchases parts and software from the US, assembles them in China and then sells its products and services to the global market. Subsidies from the Chinese government - electric vehicles is a prime example and solar panel producers;

**Individual factors**, referring to the entrepreneurs and the companies:

**Risk-taking entrepreneurship;**

**Innovative services specifically** catered to the local mainland Chinese market;

**Deep knowledge of domestic market**

**Exposure to overseas businesses and markets** through education and/or work - this is especially true for founders of Bytedance, Alibaba and Sensetime

**Fierce domestic competition** - Forced out of the domestic market, Huawei had to seek overseas customers for its products and services.

**Relationship with the government** - tech companies forced to censor their content according to Beijing wishes; monitoring and persecuting critical content for the government.

8. Do you know any examples of company success stories from China?

Yes. Many. Alibaba, Tencent, Bytedance, DJI, BYD, Meituan, Sensetime, Hikvision, Huawei Bilibili, Xiaomi, DiDi, Fosun, are examples which came to my mind.

9. Do you know any examples of failure of companies from China?

Ofo, Mobike, Danke apartment, all the P2P companies, Hainan Airlines Analysis

10. In your opinion, are there specific success factors for companies from China? If yes, which ones are they?

**China's massive consumer market** - means that there is never a shortage of demand for innovative goods and services. For example, China is the world's largest market for mobile phones,

autos, robots and solar panels. It has the world's largest internet population. Innovative services specifically catered to the local mainland Chinese market; Deep knowledge of domestic market; Protectionism from Beijing - censoring Google, blocking Facebook, layering bureaucratic hurdles for Uber; mandatory joint ventures for foreign companies in China; Subsidies from the Chinese government - electric vehicles is a prime example that have helped solar panel producers and electric vehicles.

11. What hurdles have current Chinese Global Champions successfully overcome?

**Image and quality issues** - When expanding to overseas markets, Chinese products have always been regarded as inferior in quality and design. Huawei smartphones is a good example that, that is no longer the case. Innovation - Many Chinese tech firms have caught up with companies in Europe and US in offering market-leading innovative products and services. TikTok, Huawei, Hikvision are good examples. Party control - despite constraints on censorship, Bytedance has managed to thrive

12. What are the differences between successful national Chinese companies and Chinese Global Champions?

I assumed you're asking about Chinese companies which are only successful at home versus those who have expanded overseas. Global financial market and overseas investors - provided funding for Chinese firms to expand overseas Chinese, includes mainland travelers and Chinese students or employees working overseas - they provide a sizeable market for Chinese companies to expand their services overseas.

13. Why have some companies made the breakthrough to become a Chinese Global Champion?

By offering a product and service that is unique that the market has not seen before. By aligning with government policies, for example solar panels and electric vehicles, AI.

14. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to your mind?

Innovative service or product like no other - TikTok is a good example, also risk-takers, government subsidies by Beijing, and protectionism by the Chinese government.

15. What has been the most striking development in the last 5 years with regard to

successful companies from China?

I would say being able to conquer and gain huge market share and became market leader in global markets. Bytedance, Xiaomi, OnePlus, Hikvision are prime examples. Bytedance's TikTok has been a global phenomenon, with users in far-fetched countries in South America.

16. What forecast would you give today for the development of successful companies from China over the next 5 years?

A slowdown is expected as Beijing tightens its grip over domestic companies through political means. Xi Jinping has called for more mandatory party education and loyalty in and from Chinese private firms. That has resulted in a climate of uncertainty shrouding China's private sector and some extent, a constrain on innovations and creative entrepreneurship as businesses are forced to wait and take instructions from the party or innovate according to what the party wants, instead of pursuing groundbreaking innovations on their own. And most, if not all Chinese companies are likely to oblige as I see no easing of trade tension between China and the US, meaning Chinese firms may face more hurdles trying to expand overseas into America and Europe, so they will turn to their own domestic market at home, which means they will have to play by the party rules in order to survive and succeed. I am closely watching the ongoing anti-trust investigations on Alipay as an indication of whether China is truly improving the regulatory climate over the tech industry, specifically the fintech sector, or are the laws used by the party as a personal punishment on Jack Ma and Alipay for his criticism of the system.

17. What skills and resources does a company need to be successful?

Knowledge of the market and your competitors. Best engineers, market research team. Funding from investors. A good innovative leader. Resources in terms of funding and manpower and the right manpower for example, engineers, designers at tech companies at that. Resources for marketing as well

18. How can you identify future Chinese Global Champions?

I would look at the products and services they are offering. Are they bringing something new the market has not seen before. Do they have the resources to go up against competition? Competition can be stiff in China. Innovative products and services can be replicated very quickly. Also, is the company tapping into an unserved segment of the market.

19. What is the future of current Chinese Global Champions?

There is a lot of uncertainty with the **global pandemic** and the tightened party control. Domestic consumption in mainland China has been hit as economic growth slows. Restrictions in US mean Chinese companies would have to rely on the domestic mainland market.

## **H Expert Interview with K. T.**

### **Identification Chinese Global Champion**

#### **1. Who is a Chinese Global Champion in your intuitive description? WHY?**

There is also the concept of national champions from the Chinese policy makers. They know exactly who is a national champion. National champion but on a global level. State Grid, that is already strategically planned to be so successful. But State Grid does not compete in the international market. They are strategically important in the domestic market, maybe there are projects in Belt & Road but actually they are not national champions in that sense. China Telecom, China Unicom and China Mobile, the 3 oligopolies or monopolies from China did not buy their equipment from Huawei, but from state-owned companies. At the beginning there were 100 companies like Huawei, Tencent, Alibaba, then there comes a point where it suddenly becomes interesting and they become national champions. Then there is access to funding and facilities. That is the pivot point. That's what the Koreans and the Japanese do, but Apple and Google probably also do it that way. Also Volkswagen in Germany or "what's good for GM it is good for America". **Each state has its own criteria from when a company is supported.** Google is important for America, the whole thing is not something where we say this is specifically Chinese or "the Chinese state behaves differently". These companies create jobs and it's so interesting. Every company wants to be in a state system or supported directly and indirectly. National champion is clear, you have a certain size, a certain profitability and a certain technology. There is competition for these resources. But it's not that before someone is a national champion, the Chinese state supports it or gives extra support. National champions come and the states continue to support, it's not that the state builds the national champions. If it were otherwise, it would be a huge risk that you take or promote the wrong one.

But what is different in China is that there are **provincial champions**. That is a different concept. SEIC Shanghai Electromotive Industrial Corporation, that's SEO but not from the whole state, it's local. Shanghai is a province. In the first step, the province supports the company so that it is successful within China. This means that even if they are not successful globally, when

they are, they might not get the support from the state. Why? Because they are too dependent on the province. The state as a whole cannot say that it now favors Shanghai, i.e. only one province, because there would immediately be objections. There is much more competition between provinces in China than between federal states in Germany. That's why the state can't say I'm now supporting provincial to national champions. Domestically, it is then a pressure. Someone who is provincial champion will not make it to national so quickly.

2. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

Huawei, Lenovo, Xiaomi are all very much tied to an ecosystem. The competitive system in China is the ecosystem, not the individual company. In the West there is an iPhone and nothing comparable. Everything that existed before, like Nokia, Siemens, have disappeared because they are individual companies. When they are no longer doing well, they disappear. There are many brands but within one ecosystem. There is one Tesla but 500 companies that produce electric vehicles.

Innovation is more incremental, not radical, which is important. Certain Chinese companies are incredibly agile, entrepreneurial and innovative. Not as strategic as Western companies. They are certainly more strategic in certain areas.

### **Analysis**

3. What hurdles have current Chinese Global Champions successfully overcome?

You have to find a place in the ecosystem. Everything is very sales-oriented. Also the distribution system, different channels in each province, different tiers of distributors, different partners.

4. Which internal success factors are essential?

Chinese teams, teamwork, are incredibly important. In a Confucianist sense, a very hierarchical way. Top down, more traditional. In China, a new wave of team management is coming, including younger managers like Jack Ma. Top-down and bottom-up, so the combination will make it.

If you compare Jack Ma and Jeff Bezos, you have the answer. Jack Ma made extreme profits from the beginning, Jeff Bezos made losses for years, but he knew where he wanted to go.

Strategies are abstract, intellectual and visionary, but in China they are much more practical and experimental.

5. Which external success factors are essential?

Luck, too, for sure. At the same time, you need the right technology on the market at the right time. You have to have that in mind, you need the financing. The government's strategic planning, for example, the environment is important at the moment. In the past, everyone built and everything didn't matter. They polluted the air, today that's no longer possible. The Chinese government is currently very radically committed to the environment.

### **Forecast**

6. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

Value creation, also according to the elite quality index. We measure the elite here at the HSG, that means the value creation potential of the companies, we do that with partners worldwide. The most impressive thing was that China brought such value-creating companies into the world in order to scale them. That is not easy for a country that is classified in the middle income bracket.

7. What forecast would you make today for the development of successful companies from China over the next 5 years?

What I showed you (graph in the index). China will continue to grow and develop in the next 10 to 15 years. External factors like a cold war with America or something, we don't know, but apart from that, China will continue to develop.

## **I Expert Interview with S. F.**

### **Identification Chinese Global Champion**

1. Who is a Chinese Global Champion in your intuitive description? WHY?

Certainly the market share in China, which plays a central role. If you have a certain market share in an industry, then you are successful. Increasingly, the topic of innovation is important and as the third, I would say: is it a technology that also breaks new ground internationally.

That would be the highest level of a successful company. I would put Huawei at the top as an example.

2. What characteristics define a Chinese Global Champion?

These companies are usually **very young**. They are very digitalized and have a high market share. In some industries, for example infrastructure, the ones that make the high-speed trains, these are old railway companies. But they have little to do with the structure they had 20 years ago. The exception is Maotai, which is a very successful Chinese company that produces liquor.

3. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

The big difference is a very fast rise. They are younger, more agile, faster and are becoming more and more innovative. Chinese companies are much more nimble than European ones, they **are much quicker to adapt to new developments** and to develop a corresponding product. Also the speed of start-ups. If I have it right in my head, the time to IPO is twice as fast as in Silicon Valley.

4. Do you know of any examples of success stories of companies from China?

Without end. High-speed trains, Tencent, Alibaba, Huawei, I Hang (flying drones), autonomous driving, there's a whole series of companies. For example, Auto Ex, which offers cars much more cheaply. In general, we see a historical upheaval, CATL is one player and **BYD is the other**. **Huawei** is really the only company that has managed to be successful internationally and also to build a brand name. Tencent has not managed to do that with WeChat by a long shot. Huawei is the world leader in 5G, the telecommunications infrastructure.

5. Do you know examples of failure of companies from China?

There's no end to them, but they're forgotten. There are a lot of unsuccessful car companies because they don't find the niche. But unlike in the West, failure is more respected in China, so fail-hard, get up and move on. If you look at the success stories of the big ones, they were not all easy paths, where in the end it's all about persevering.

**DJI**, the drone manufacturer, is a great example, it now has 80% of the world market.

## Analysis



6. In your opinion, are there specific success factors for companies from China? If so, which ones?

Yes. First of all is the underdeveloped market. You have an extreme demand pull. You have to remember, China is on a low average income. There is still a lot of room for improvement, even if it sometimes looks different. This means that new products are in demand. This pent - up demand means that there needs to be an openness to new technologies. We no longer have this in the West. It is even stronger in the USA than in Europe, but it is much stronger in China.

China has an extremely efficient economic policy. It has understood how to create political frameworks for new technologies in which competition can flourish. The planned economy does not consist of planning a product, but of creating clusters in new industries, e.g. artificial intelligence, very quickly and very efficiently. Innovation clusters that are also supplied with money and know-how, that compete against each other. This is the competition, and under certain circumstances the state intervenes again by merging the clusters or changing the rules of the game. Or the state intervenes if a company is so successful that it endangers the stability of the country, for example Alibaba. They are so big and have developed such big monopolies and have invented a business model about these micro-loans that is able to shake the Chinese financial system, given the small financial reserves on which these loans are based. Then the state says - this is about the public interest - and then intervenes again. So the role of the state is to initiate the process, then to sort it out, and if the general interest is at risk, then to intervene. The interventions are also moderate. But it is a change in the rules of the game. Alibaba has been fined 2.8 billion, the highest fine ever imposed on a company, but when you know that the company has cash reserves of 70 billion in short-term investments and that profits rise by more than 20% every year, that is moderate. Alibaba is being forced to play by stricter financial rules.

So: underdeveloped country, open customers, state, that is the central mix.

A fourth factor, especially in South China. The combination of innovation and production sites and financial center. This combination no longer exists anywhere else in the world. That one invents, finances and produces in the same place. Production no longer takes place in America, but in Asia. Inventions are made in Silicon Valley and financed in New York, 4.5 hours away by plane. If you have all that together, you save an incredible amount of time. People know each other and the situation, which increases speed. When innovation and production are together, it naturally leads much faster to the creation of everyday products that are suitable for

the masses. Pearl River Delta, Greater Bay Area, is very likely to become the new innovation center of the world.

#### 7. Which external success factors are essential?

Added to this is the stable macroeconomic situation. This has been the case for decades. This has to do with the fact that the pace of development is high, but the government does not put all its eggs in one basket. For example, China has no national debt. They would have had plenty of opportunities to let international ones in, to borrow money from international banks. But that would create a dependency that could lead to the collapse of the Chinese financial system in a crisis, which is what happened in 1997 in Asia, in the Asian crisis, like Thailand, South Korea. They made products there and borrowed money in US dollars. Then the exchange rates came under pressure and they could no longer pay the debts. The economy collapsed and that also affected China.

That was a lesson and has led to China having no foreign debt. The financial system is thus not vulnerable to international attack. Another thing that leads to macroeconomic stability is that you always sell more than you buy. This was done wrongly in the 1980s, when it was not yet understood. Then they started printing money, they thought they were so successful they could afford it. In 1988 there was an inflation of 30%. We learned from that that a balance sheet surplus is essential for economic stability. The third thing for stability is radical traffic controls to prevent what happened in Russia in the 1990s from happening in China, namely that there is a money trade. That successful companies move their money abroad and thus undermine China. These are the three factors. The fourth factor is a very efficient system of planning. An annual plan, a 5-year plan, a 20-year plan - in China it's much better to think about where you actually want to go. This is then implemented, but at the same time the path can be corrected if there are other possibilities. Then there's the fact that you network economically with your neighbors. Integration is the Road & Belt Initiative, the other is RCEP, the new free trade zone. The biggest and most diverse in the world. None other has so many different religious preferences, political systems, different stages of development.

#### 8. Which internal success factors are essential?

First, strategy and an extreme R&D budget. Then the extreme agility to adapt to the needs of the market. And the ability not to fall into the over-engineering trap. Most of the time, the last 20% of the product takes 80% of the time. Then a product comes out that is top-notch, but that

the customer doesn't need in this depth of development or doesn't want to pay for in this depth of development. In China, there is a greater pragmatism in developing products in the market and not in developing at home until nothing goes wrong.

Our delivery services in the West have huge logistics centers. The Chinese do it highly efficiently with smartphone networking and every street corner. There is a truck and then 30 tricycles. The supplier knows who gets which package, and the driver knows which package he has to have. This ability to improvise together with pragmatism.

9. What are the differences between successful national Chinese companies and Chinese Global Champions?

Is there a difference? The competitive heat is greater internationally. You saw that in Japan, they were mega successful as long as they were local. When it became international, the speed of development became much slower. The language barrier, the cultural barrier and especially the political level. Because of course everyone is trying to slow down the upstarts by all means. The subject of China-bashing. The English did the same with the Americans at the turn of the 20th century. Or the English with the Germans, so the Germans became more technically successful. Of course, the established countries always try to denigrate the up-and-comers in order to maintain their own position for as long as possible.

10. Why have some made the breakthrough?

Quite simple. Some then have a product that we don't want to do without. For example, drones or 5G. Now they have the problem that the air is cut off politically. In the end, international products are always successful when they meet people's needs.

11. What hurdles have current Chinese Global Champions successfully overcome?

The most important hurdle is to develop a product that pleases the international customer. You need cultural and technological competence. You have to be able to network internationally and build up marketing structures.

## **Forecast**

12. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

Companies are more international, oriented towards the international market. They have learned better how to do targeted R&D. They are better at marketing.

13. What forecast would you make today for the development of successful companies from China over the next 5 years?

The last 20 years have been interesting but certainly boring compared to what we will experience over the next 20 years. Why? The last 20 years have been about catching up with modernization. It was about China being the factory of the world. China was making very high-quality Western products, from shirts to cars. Then there was a balance of power. The Chinese had the manufacturing know-how. We in the West had the technology and innovation. That is shifting. The Chinese now have the market, the manufacturing know-how and they are becoming more innovative. The challenge for the West is getting much bigger. Probably a period of 500 years is coming to an end in which the West, economically as a minority, could determine the rules of the game for the majority. A pretty deep cut. No stone will be left unturned. All rules will be reviewed, adapted and questioned by the majority.

14. How can you recognize future Chinese Global Champions?

In the end, you recognize them by the right product. If the champion has a product that is in demand worldwide, then he just has to roll it out globally. A product that makes our lives easier, more sustainable or more efficient. If the product is good, then comes the speed of development and the financing, and the political framework - that's downstream. The pivotal point is the product and not the invention; it is the mass product that everyone wants.

15. Where does the future lie for the current Chinese Global Champion?

If they remain innovative, they will become bigger and bigger. They will have a bigger and bigger impact on world affairs. Despite the political resistance.

## **J Expert Interview with S. M.**

### **Identification Chinese Global Champion**

1. What distinguishes a successful company?

That it can make a profit, that the employees like working there, maybe that it does something good for society.

2. Who is a Chinese Global Champion in your intuitive description? WHY?

Actually, also similar. Profit generation is the basis, then you can think about the stakeholders, the customers, the suppliers, society, if you think about CSR here. CSR already has a special meaning in China, I would say that the companies are integrated into society. If they are large companies, then they are also expected to be active in this area. Smaller companies are not, I think there is a big difference between small and large.

3. Why have some companies made the breakthrough to Chinese Global Champion?

If the business idea fits, they do what is needed, they do it well. If they are innovative.

4. What characteristics define a Chinese Global Champion?

The big companies come to mind. Quite different from these German Hidden Champions, which are rather the medium-sized companies. Spontaneously, these are the "Go Global" companies, Huawei, Alibaba, Tencent.

In state-owned companies, the state is indirectly involved in management, more so than in privately run companies, but these tend to be the ones that have something to do with **infrastructure**. The private companies tend to cover the market. StateGrid or big banks, energy, etc.

Market orientation, fast, flexible, extremely customer-oriented are the characteristics.

5. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

The points mentioned above. I associate Europe above all with quality and high technology.

6. Do you know of any examples of success stories of companies from China?

For example, Gili as a car company, I think the founder was previously a farmer, Li Shufu. It has become bigger and bigger, now it is so big that it has bought up Volvo and has a stake in Mercedes and Daimler. So it holds a whole block of shares. Of course, they are all internet companies like Alibaba and Tencent. On the one hand, they are successful because they are in an area that the state has closed off. The state helped by not allowing international competitors to be on the Chinese market. The flexibility is simply much stronger than in Europe. Huawei is also such a successful company. It certainly plays a big role that the employees have a stake in the company, that's very important. That also triggers motivation, commitment and pride.

7. Do you know examples of failure of companies from China?

If you look at history, you see that state-owned enterprises were often not profit-oriented. If they didn't produce what the market wanted, they couldn't be kept, that was at the end of the 1980s. They produced things that nobody needed, inefficiently and in poor quality. Many employees, but the productivity was lacking. This was also one of the reasons why China only gradually let foreign workers into the country. Actually, almost all the current CC came out of the reform. People were then able to set up businesses on their own. That is clearly part of the reform, away from the planned economy and state ownership. The relaxation in this direction clearly led to an explosion of new enterprises. This has taken place in China over the last 40 years. This extreme market orientation, the state support etc. have contributed to this. Only then did it develop in such a way that this high technology was promoted. Everybody is mobilized to be active in this area, even universities are called upon to research something and to co-found companies. This economic reform is very important.

### Analysis

8. In your opinion, are there specific success factors for companies from China? If so, which ones?

So as I said, the extreme market orientation, flexibility and that they implement changes quickly. I have the feeling that everything goes on much longer here. In China, changes are implemented much more quickly.

9. What are the differences between successful national Chinese companies and Chinese Global Champions?

I think that they were all successful nationally before and only then globally. This can be well explained by the huge Chinese domestic market, i.e. the large population. Chinese companies have only gone global since the **Go Global Policy**. Before that, Chinese companies weren't known at all, and that was then wanted by the state. Now it's the **Belt and Road Initiative**. It was also created on the basis of existing national companies that often-had overcapacities and then had healthy opportunities abroad and the government as a tailwind.

10. Which internal success factors are essential?

The state-owned enterprises have long been favored in terms of loans. It was easier for them to obtain funding. In the case of the private companies, it is certainly also due to networking. They have to be networked in order to somehow get financial resources; the banks hardly financed them at all. They tended to do it locally. Local networking, i.e. getting money from local

authorities, getting land, working together with companies that you know. Guanxi plays a big role. They simply manage to look for opportunities, to be open and flexible. Even to change something if one is not successful. And if someone is not successful or goes bankrupt, it's not such a disaster as it is here. Then you just start a new company. It doesn't have this "total failure" like here in Europe. In China it's different. Lobbying in our country is when companies go to politicians. In China, it is much broader, a network of relationships, also with each other and not only companies with politicians. Also companies with each other or with institutions, it is simply broader. China comes from a different system. In the planned economy it was like in the GDR. The supply was always less than the demand, there was a lot needed, but there wasn't that much. Then you had to make sure you could get hold of it. Out of the economy of scarcity, the need was greater and people were more used to it. As soon as there was freedom, privatization, and private businesses were allowed, new ideas emerged from this economy of scarcity. Private farmers were allowed, final collectivization and partial denationalization of companies.

### **Forecast**

11. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

The strong focus on economic policy, technology policy, promotion of innovation, anti-corruption campaigns certainly had a great influence on the economy. There has been a stronger search for regulations. Entrepreneurs have become more cautious and now adhere more closely to regulators because there is a risk of being sued for corruption. Networking and corruption is a fluid story. At what point is it just networking and at what point is it corruption? There are laws that define this, but in reality it is fluid, it has become really rigid. In certain regions, this means that the economy slows down. For example, import/export shipments often get stuck because you can't bribe the customs officials anymore. Whenever you have to deal with bureaucracy, you used to invite the banks or give them gifts. That's no longer possible, a lot of things don't happen at all or it takes longer. There are good and bad things about it, but it was certainly necessary, but state control has become excessive. People are monitored more closely than here, but it's not the way it's presented here. Many Chinese would not accept that either, they want to feel free.

12. What forecast would you make today for the development of successful companies from China over the next 5 years?

It will continue to grow, but not as fast as before. The global economy is currently shrinking, also this year, in relation to Covid. The Chinese companies are pursuing a new strategy, i.e. dual circulation, both for exports and the domestic economy. This policy is not entirely new, they have been doing it for a long time. The domestic economy has often been emphasized to increase domestic demand. Wage prices were also adjusted, care was taken to ensure that housing prices did not rise ad infinitum, and then all the money was poured out to the farmers to stimulate them.

13. How can you recognize future Chinese Global Champions?

Certainly to analyze which companies are successful in China and whether they have products that would be of international interest. The many unicorns and start-ups are being promoted, there is a lot of capital in China to promote them. Especially in the MIC25 sectors, there is a lot of potential where China will be successful. Huawei has problems because of American policy, and that will not change in the near future. So it's the American containment policy. You simply have to work together because of the problems in the world. A lot of what comes out of China is a result of the containment policy. China doesn't do everything right, but a lot comes from this geopolitical situation. In many areas, China is simply very strong and has the potential to become stronger and exert influence.

14. Where does the future lie for the current Chinese Global Champion?

I think they will continue to develop, but they will also be looked at very closely by the state. They are almost monopolies, the state sees a power emerging that is perhaps powerful beyond it. It will exercise very strong control. There is a similar situation in America with Facebook and Google, which are also monopolies, where they are trying to do something to counteract them or to disentangle them a little. So that you have an influence again, just later in China, but it's just the same there. But it also only became so intense in the short term. Alibaba wanted to launch an IPO on the Hong Kong stock exchange and had to call it off at the last moment because the Chinese government intervened. It's about fintechs and there are still few regulations from the government's point of view to get a grip on them. We have Bitcoins, which is also somewhere in the grey area, and it is the politicians' turn to set up regulations for this in order to avoid inflationary situations that could end in an economic collapse.

**K Expert Interview with W. B.**



**Recording was not desired by the interview partner, therefore taken down in note form.**

## **Introduction**

1. How would you describe the connection to China in your work?

SCCC - Swiss Chamber of Commerce China;

Answer questions at corporate level on taxes etc. Networking with relevant contacts - for initial difficulties with Chinese companies wishing to set up in Switzerland

EU versus Switzerland specifically - It does make a big difference whether a Chinese company wants to set up in the EU or in Switzerland.

Not only trade, but outlets, R&D etc. so really a multinational company

Identification Chinese Global Champion

2. Who is a Chinese Global Champion in your intuitive description? WHY?

Wouldn't strike me as private, In the past state-owned and then privatized - so what now? It is usually the case that the supposedly private companies behind the 7th corner are still state-owned or receive state support from somewhere.

3. What characteristics define a Chinese Global Champion?

Market leadership position in the relevant industry. Topics or industries that the government also supports as national champions (financially and simplified business handling) can also be e.g. a critical industry

4. What measurable parameters capture the success of a Chinese Global Champion?

Define parameters and in this are the CC, can be Government support, Background, Founder, Industry, ...

5. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

China: Government offers more support, favorable conditions

Historically, as China has only been active for 20-30 years.

There is also a timing effect - there is only McDonalds, Coca Cola... who knows what else will come from China. Based on GDP - China is the largest economy, so much comes from China,

the normal user is not even aware of it. Many suppliers, individual parts, etc. So that the end consumer is not even aware that something comes from China.

6. When you think of current Chinese Global Champions, what would you say has led to their success?

Alibaba had the right vision early on, then good leadership, how the vision was spread, culture, timing! price was very competitive at the beginning, and now also quality.

Tech heavy companies: currently very important - they are further ahead than Europe when it comes to technology. Very technology heavy - Electro vehicle, Face warning system, Face system...

Didi, Opo, Xiaomi: all have products that serve the needs of customers and they deliver what they promise

Lenovo: Success through clever acquisitions

7. Do you know examples of failure of companies from China?

Not on a large scale, Huawei for example had big problems because of cultural problems of how to deal with each other; Addax: wrong handling on C-level or board level - prison

### **Analysis**

8. What hurdles have current Chinese Global Champions successfully overcome?

The localization thing - you have to adapt locally; Operationally adapt; Many finance themselves through the parent company! As with any expansion

9. Why have some companies made the breakthrough to Chinese Global Champion?

In China, you have to be successful in your own market and then venture into a new country.

10. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

Business model, technology, investors from China, confirmation of success from China, because the market is big. If you are already successful in China, you have already achieved a lot.

11. Which internal success factors are essential?

Culture, vision, strategy implementation, R&D, human capital, partners

12. Which external success factors are essential?

You already have cheaper human capital, wages are lower, the Chinese have more of an urge to be successful and make money, in Europe people are often too cosy, in China everyone is much more ambitious, from factory workers to bosses, the instinct to survive is much more pronounced, historically shaped, China comes from a poor time, everyone still has that in mind. It will get better with Generation Z to Y. There are 1.4 billion people who are competent.

**Forecast**

13. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

Technology, cashless payment; Basically, in the last few years: People wanted to lift X people out of poverty and generate more work - political direction

14. What forecast would you make today for the development of successful companies from China over the next 5 years?

Big Data, Technology, Supply, Quality will improve - Price will adjust; Machine learning Big Data - there is still a lot to come

15. How can you recognize future Chinese Global Champions?

Everything technological, AI, innovation, ... here is the focus; if I am looking for a company where I would like to invest, I would look there, then the question is: listed or not?

16. Where does the future lie for the current Chinese Global Champion?

South East Asia and Europe, USA is and remains difficult, the answer is simple, those who manage to answer the consumption needs will win.

**L Expert Interview with X. N.**

**Identification Chinese Global Champion**

1. Who is a “Chinese Global Champion” in your intuitive description? Why?

Chinese’s Champion is a special word. In English there is the term national champion. And when you use this term in front of officials, they often use national champion and this means it

is state owned. The government has decided to make the leader for a particular industry. When you tell me CC it gives me somehow the feeling of being state owned company. Like state grid or Sinopec or China telecommunications. In your purpose you talk about globally successful companies. In the Chinese's context the word Champions covers something official.

2. What are the characteristics of a Chinese Global Champion?

1 Scale, they are big. Why? because of the size of the Chinese domestic market. Bank of China, Stategrid and Sinopac. 2 Most of these globally successful companies are doing business in China, it means most of their business is in China. With very few exceptions. Most of those companies are still doing most of their business within China. They are not globalized companies. There are very few truly globalized companies like Google or Facebook. 3 These companies are relatively young. China's economic reform is only 40 years old. By far they are not 100 years old. 4 Many are state owned. Many are in energy, telecommunication, natural resources, banking. If you look at the Fortune 500, those are the companies that make the top list. Not necessarily the globally successful tech firms. And we usually think of Alibaba and Tencent.

In Chinese language, official documents use the term "champion" or "national champion" as state owned company. I do immediately think of state-owned companies. These are the companies which are state owned and monopoly in a certain sector. But these companies fall out of the scope which you want to study here. Because they are obviously not globalized companies.

3. What is a successful company? (in a very broad definition)

Normally, and 5 years ago, you said the company which makes the most money. The sentiments are changing. Very few reflections on the single mindedness and focus on profit. Nowadays people think of companies they should play multiple roles. They should be social responsible entities. They should make money but in parallel being responsible to the environment. Be responsible for your staff, to the social impact. Being mindful and making everything they can do that the employees are taking care of. So that all stakeholders are benefiting from the kind of business. Not only profit. Often the only thing what companies do is to maximize the shareholders' value. This is a very controversial and questionable standpoint nowadays. It should be the impact. It should be positive impact to the environment, so social, to the community and to the whole industry.

4. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

Many of the state owned big companies tend to be the result of the regulatory of monopoly. They are generally low tech. They are pretty standard in terms of technology they use. In China there are also some exceptions like tic toc of Huawei. They do a real progress in terms of technology. If you look at Alibaba, Tencent, JD, ... they are mostly domestic market centric. Their business is done in China. Versus American big companies they are truly globalized. They get a lot of their money from outside of US. Amazon, Facebook, Twitter, being the local leader in many parts of different regions of the world. In different countries. This is not the case for Alibaba and Tencent. You can barely find areas where Chinese tech companies are the local leader. The Americans are the leaders of technology; the Chinese are still the followers. They follow the directions set by Americans. For example, Amazon planned to launch completely cashier free retail store. They had the initial idea and we see Alibaba and Tencent which are establishing their own interpretations of cashier free retail stores. Americans therefore set the directions and the innovations, Chinese are following. Huawei is as an example the most globalized company. Huawei is really the exception here. Alibaba and Baidu, most of their money come from China. TicToc since they are not listed yet, I think more revenue is made in China, than in other countries, but this is growing rapidly.

There is actually a new generation of Chinese companies. I give you two types. **The marginal globalized companies:** Marginal because they are focusing on the marginal markets globally. They are not focusing on the European or American Markets. They are focusing on markets which are forgotten by other companies. Or markets where other companies do not pay a lot of attention, like Africa or Middle East. One example is Hise Holdings. This is a Chinese Smartphone maker, they are the largest smartphone seller in Africa. They represent the new generation of Chinese Companies were expanding into regions which play to their advantage. JCL is another example producing electronics or TVs. They have the biggest market share in Africa in Televisions. **New Chinese Brands:** In the past they often were the producer, f. e. they produce the Nike shoes for Nike but they are not owning the brand. They make iPhones for Apple but they do not own the brand. Or other things for Western brands. Nowadays we often see that they also own the brand. One example is Shein, this is a brand called the online version of Zara. They are selling fashion to young people around the world. They are very successful and their markets is mostly outside of China. They are really globalized, but the difference is that they no longer produce things for other brands, they have their own brands. I see these 2 categories of new generation of Chinese companies, which will be successful in near future and going forward.

TCL and Xiaomi are two other examples. They really focusing on end consumers. They know how to expand their business, their target group is also price sensitive. TCL is very successful in North America, their products are really high end, they are not necessarily big in Africa, cause it is such a luxury product they are making.

5. Do you know any examples of failure of companies from China?

The most prominent example is HNA, they are now in bankruptcy and restructuring. Obviously they bought too much assets overseas and they took on too much debt. The most prominent example of failure, especially due to their overseas expansion. There are different types of failure like black and coffee, they are really bad in their reputation due to fraud. Also bike sharing companies, there was a real hype two years ago. Now we see that they did not provide what they promised originally. Mobike is far away of what they used to be, Ofo is near bankruptcy. Also consumer brands, which tried to move globally and failed. One example is Li Ning a prominent sports brand. It was founded by an Olympic gold medalist and it was a successful brand in China. When they went globally they did not really succeed. It was really a trial on globalization. Many Chinese companies also tried to buy other companies and they then failed. The financial part of Alibaba tried to be an American company called MoneyGram. Another thing are AI companies. It was not clear for a long time which direction they will use, now it is clear that they are not that successful as they tried to be.

Analysis

6. In your opinion, are there specific success factors for companies from China? If yes, which ones are they?

I usually think of the following: **hard work, smart people and hypercompetitive market.** Hard work is easy to understand. Nobody works as hard as Chinese companies. Especially in the technology sector there are so many super smart and hardworking people. It is amazing how smart they are. The Chinese market is also very competitive. That creates positives and negatives. Positives are that they have to move quickly, they have to change quickly and also adopt quickly. Negatives are that this makes the business environment rather toxic. Some companies therefore need to do shortcuts or motivates them to do fraud. There is a high rate of fraud cases in China. This is so competitive that many people ran out to compete and do something which is not legal.

7. What hurdles have current Chinese Global Champions successfully overcome?

Some have overcome a brand recognition challenge, as Made in China is near to being poor in quality and being cheap. Many brands had to overcome this consumer awareness and bias against Chinese brands.

### Prognosis

8. What forecast would you give today for the development of successful companies from China over the next 5 years?

I think in ten to twenty years we are in a completely different world where China will be the biggest economy and Chinese tech companies will become more powerful but not being Google or Facebook being the type of powerful around the world, but because they are successful on Chinese market. Chinese market will also emerge quicker than American ones. One example is 5G. They are really ahead in this technology. In terms of 5G technologies China is moving very rapidly. Also in terms of AI applications, IoT all these things. China is really exceeding their expectations in terms of their future growth and potential.

I think people do underestimate the potential of Chinese technology overall. Even if we think of the worst case scenario, we would say most of the economies are close the Chinese companies. We will see the biggest Ecommerce market, which is already a Chinese one, there is no question about that. We will see more and more, for example the biggest 5G company obviously will be a Chinese company. This goes to many other sectors like Syntech, where China is already the dominant player. Nowadays we see in certain markets that China is leading. We are going to a time where we see that China will lead more and more markets, being the biggest, being the fastest growing market.

As I studies Chinese technology I appreciate this future trend much, much more than other people. But many people do underestimate this.

9. How can you identify future Chinese Global Champions?

This is hard to answer, TicToc was not estimated to be such successful 5 or 6 years ago. Especially in technology it is hard to say which will be the winning product. But as I mentioned the upcoming two new categories of Chinese companies.

Perhaps we will not see an AI company as the world leader coming from China, because this is very special in terms of how the technology is supplied. I also don't see an IoT Chinese globalized successful company, because it is so closely linked to infrastructure, to public entity like

electricity or transportation control. I see those companies to be focusing on local market. For me it is hard to imagine that in those upcoming sectors there will be truly globalized successful companies.

10. What would you recommend to a potential company to become a Chinese Global Champion?

I have some components in my head, the first one is consumer demand. If you are a consumer facing company, everything needs to be around consumer demand. These are two golden words. It is all about your product design, your positioning, your target audience, everything should be around consumer demand. One example is Zara, they all communicate everything around value to the customer, everything is really cheap but the quality is good. They are popular with young people everywhere. They have designed everything around consumer demand.

Other examples where companies failed is the culture. There is a very different culture in terms of working culture. Truly globalized companies should really put focus on how they bridge the cultural gap. They have to be more adaptive to the local market. Chinese companies also did not perfect in terms of labor practices, because not everywhere in the world such harsh labor standards would be accepted. Those are things that Chinese companies did not done well. They need to improve to be successful outside of China.

## **M Expert Interview with L. T.**

### **Identification Chinese Global Champion**

1. Who is a Chinese Global Champion in your intuitive description? WHY?

China used to be known as the manufacturer of the western world. Now there are brands in China that are also perceived as such. There are then still discussions about whether the chips from China should now be installed in the West or not. Xiaomi is a good example in the lifestyle sector. They are already the market leader in Spain and former Yugoslavia. Also all the gadgets for sports etc. Now they want to open a branch in Europe to better serve the market here.

2. What distinguishes a successful company?

I work closely with a Chinese company in the area of share economy. This is already known in Europe, but in China it's a different story. There's a trend there right now to lend out clothes.



High-quality clothing or accessories when you go to an event. That will certainly be the next trend in Europe, coming from China. The important thing is that the technology is there.

What connects best with the customer, so not just I want to sell something but how can I benefit the customer. User-friendliness is the decisive factor. Xiaomi, Google, Tesla are cool brands, but they are also at the forefront of user-friendliness. I recently rented a car in Germany from VM and there were so many buttons, I thought it could be made easier. You only need the accelerator, steering wheel and indicators. With Tesla, there's a big screen and then you start driving.

### 3. What characteristics define a Chinese Global Champion?

The basics are there. So the technology, the infrastructure, that this can work. If you look at the mobile phones of the Chinese, they do everything with them. They can do much more with it, for example with WeChat, the app combines everything. Technically much better combined, so it's as small-scale as ours. A solution that offers many solutions.

### 4. What measurable parameters capture the success of a Chinese Global Champion?

Of course how many people use it, but above all how many more people use it. The Chinese are much more open to technology and jump on new trends much faster. On the subject of TikTok, this has also spilled over to us. Now also in the crisis, a lot of people are ordering online, which opens up completely new possibilities where we in Europe are still reticent.

### 5. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

We have a lot of the old economy in Europe. Cable cars are made in Switzerland, traditional machines, printing presses or tunnel boring machines in Germany. The Chinese are going digital, and that's where the technology champions are emerging. They are world leaders, not only in the media market. They offer entire infrastructures to build networks, so no one can really get around them. There are also champions in logistics, tourism and airlines.

In the European media it is always reported as if everything is so monitored, etc. It is not like in Germany where everyone has a say and can raise objections. It's not like in Germany where everyone has a say and can raise objections. Actually, it's easier to set up a company in China than in Europe, because then there's the tax and the government. In China you have much more freedom, you just let people do what they want. The state lets people do things. In Germany,

the tax comes right away, etc. It's easier to set up a company in China. In China, the structures are completely different, also in terms of **mentality**. In Germany, everything is profit-driven, often at the expense of the employees. China thinks longer-term. People also say "**locust**" in the sense that Chinese and American companies come and eat up everything, buy up companies, etc. The Chinese buy companies, but the Chinese try to buy them. The Chinese buy companies, but they also try to develop them further, clearly sustainably. In China, there is a tailwind and freedom for start-ups.

The Chinese market itself is so huge that if you get a small share of it, it's very lucrative - not everyone has to become a global champion. Once you have conquered the Chinese market, the rest is not so difficult. Alibaba and Amazon, if you think about it, the two have never met as rivals in the world. Alibaba is also just starting to set up some logistics centers in Europe, so there will certainly be some changes.

### Analysis

6. What are the differences between successful national Chinese companies and Chinese Global Champions?

Simply those that adapt to European needs. Fashion, e-mobility, etc. They don't present themselves as Chinese entrepreneurs, but rather as European or in the country where they want to be. They then do research locally, etc. Volvo has been taken over by the Chinese, but is still perceived as Swedish. Xiaomi wants to open a headquarters in Germany and also be perceived as European. Huawei is doing a lot of lobbying to gain influence but also to assert its interests.

In the orientation, if they are Ur Chinese, they have then developed products that would not go down well in Europe, just as an example of food, that Europeans would not drink or eat at all.

7. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to mind?

The mentality that you want to reach customers, give people value so that you make their lives easier, **usability factor** is most important.

8. Which internal success factors are essential?

The Chinese work much more than we do. In Europe we have comfortable working conditions, in China you work far more than 40 hours if you want to be successful. The structures are also much faster, in Europe you first have to apply for everything, then they check it and then it

takes 2 years to get started. In China, you start with a red product and if that doesn't work, you change it to green. In Germany, analyses are done forever, whether red or green. In Europe, they want to hedge their bets. A good example is that Tesla is currently building a production facility in Germany, and you could learn something from their speed. The whole culture of mistakes, in Germany people don't like to talk about it or they have difficulties admitting a mistake to the boss. In China, **mistakes are clearly defined and found out** so that they can be corrected and not suppressed. It's a Western culture, also in politics, where people are quick to say that everything is fine.

9. Which external success factors are essential?

The product must meet the expectations, people don't look at where it comes from, but the **benefit** must be given, then it is also successful.

The Japanese are more German, they are very different from the Chinese. Toyota is no longer even considered Japanese, they are very local. The Japanese are much more conservative, much more structured. The Japanese and the Chinese are not so good at talking to each other. Japanese companies in China have also been portrayed less well, almost boycotted.

**Forecast**

10. What has been the most striking development for you in the last 5 years in terms of successful companies from China?

Especially the technology sector. A few years ago, China was the workbench for the whole world. Everyone produced there, and now innovations are also coming from there. Infrastructure, too, the new Silk Road, belt and road, that is changing the whole world. We must also honestly bear in mind that the future of the world may not be made in Europe. Switzerland is independent, but Europe is not so strong in positioning itself clearly. The future will be more in America and the Pacific on the other side, the USA and China.

11. What forecast would you make today for the development of successful companies from China over the next 5 years?

The whole thing is becoming much more independent and with all products, they are really trying everything. Food, clothing, technology, the big goal is to be independent of China and not dependent on other countries.

12. What multidimensional construct is needed to be a future Chinese Global Champion?

You really have to reach people and customers in trade or technology. There is enough money. It's really about development. To reach a broad mass as well. I have to reach many people, offer a solution to many.

13. Where does the future lie for the current Chinese Global Champion?

We are in an exponential covid right now. In the next few years, we will see even more change in the world than in the last 100 years. The Chinese companies that want to be globally successful in the future must accept the challenge of meeting the individual needs of all countries. People and language areas are different everywhere. Those who manage to do this will be successful.

I don't know whether TicToc, Huawei and Alibaba are already at the top, but in China they have already achieved a lot, opened up a lot. In Europe, there is still a lot of potential to displace the others.

14. What would you recommend to a potential company to become a Chinese Global Champion?

Actually, it is always about the fact that the service and the product are always oriented towards the customer, so that the customer has a benefit. "If I use it, I have an advantage". The food on the hook must taste good to the fish and not to the angler. User usability is crucial. There is still so much potential in existing markets that they can be made better. Also in food, currently there are Migros and 2 others in Switzerland, if then suddenly Alibaba comes with an automated supermarket, why not. I can well imagine that this will work. It's not about who delivers a good product, but about politics and structures. The Chinese will have to deal with it intensively. There is resistance and lobbying. Germany also says no to the expansion of Huawei because the Chinese secret service is behind it.

## **N Expert Interview with T. J.**

### **Identification Chinese Global Champion**

1. What is a successful company? (in a very broad definition)

I come from a financial and management perspective so we talk about shareholder value and the creation of economic value. There are people who believe in community value, but I don't

believe in that. So the question is what makes a company successful to create shareholder value. It is a lot about the terrain where you are playing. If you are in Coca Cola than being successful does mean creating a good product and a competitive position, so classical strategy. If I talk about Elon Musk establishing Tesla and SpaceX, he is really on the frontier of a rapidly changing environment. So for him Success is not about creating something about economic or competitive strengths. It is only about speed of innovation. The question is what terrain are you on.

A third category could be the speed of reaction, like in the media area. As the market is changing quickly and the question is on how fast are you to adapt. It is probably speed of learning. You cannot control the market. I think most companies are doing one of those three categories.

## 2. Who is a Chinese Global Champion in your intuitive description? Why?

I mostly talk about digital companies in China, but there are a lot of different types. Traditionally when people talked about champions they are talking about growth. Who is the biggest? First in China, then globally like Huawei. The last 30 years the definition was BIG. This definition changed in the last 5 years. In some cases, it is better to be a smaller company but much more profitable. The metric was always size, now we talk about quality and other things. Like more manufacturers it is all about growth, this is the way how you win. But being a luxury brand, selling more is not what makes a great luxury brand. Often being smaller but prestigious is more important or innovative. Now we talk about big and smart.

State owned entities are their own thing. They play in another field and operate for other objectives like political issues. There are state and private objectives. Many private firms are producing things like shoes, sportswear, smartphones. Now they often say: We don't want to produce the cheapest smartphones, but we want to produce the best ones. I would put the SOE in a separate category.

## 3. What are the characteristics of a Chinese Global Champion?

I think we see some waves. The first one was the manufacturing, 1990-2000. This is when Chinese produced a lot, and then put it on a ship. Those companies were very successful in simple products like shoes, socks etc. Then they got better, they made laptops, hair conditioners, much more advanced products.

Another wave we saw in 2005-2010, where Chinese companies went abroad to secure resources. A lot of state owned companies were very active in Africa, Latin America, Australia.

They are buying iron or agriculture. They tend to search resources to bring them home. But very successful. You can see those companies everywhere.

The third wave was the last 10 years in infrastructure, much about the belt and road initiative. Chinese companies are building roads and highways all over Jamaica. Building railways all over east Asia. This is really that Chinese companies are building infrastructure over the whole of the world, the whole belt and road initiative. They are very successful.

Two categories we haven't seen, which are interesting. We haven't seen a lot of consumer products. There are little of real Chinese brands like Huawei and Xiaomi. If you ask an American to tell you 5 Chinese brands, they probably can't do it. There is not McDonalds, there are no brands out of China which are known at the rest of the world. We know TicToc and probably this is one of the first ones. It is still all about manufacturing than anything else.

There are a lot of companies, they act in their backyards and are very active in Asia. When they enter new countries, you don't see them. You can also do another distinction. Some companies expand their business in developed economies in a total other sense than they do it in a non-developed economy. Africa, Middle east or Mexico are destination before they entering USA or Europe. That is pretty common. It is an easier way for the companies, it is easier than going head to head with amazon in the US. Mexico or Brazil, there it is a smaller market but the competition is also much less. That is the most of why. They are going to the developing economies first. You cannot find major players like Amazon in the Philippines, but you find them in California. Chinese Companies often go to eastern Europe and Russia right now.

It is hard to say why we don't not famous brands coming from China. If you sell basketballs than it is easy, you go to the Walmart. Examples from Japan are Sony or Toyota. TicToc was one of the first brands coming from China. But there are no restaurants, no luxury things.

4. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

**China has two advantages: 1) they have a massive domestic market.** If you are Number one or two in China than you are really successful. If you are Number one or two in Italy, this is no comparison. And if you are number one smartphone seller in China, then you can go to Mexico and lose money for the next 10 years, nobody cares. Historically seen these were the US companies, who had a big size advantage. McDonalds could go to other countries and losing money for some time. No problem.

**2) Manufacturing:** they have a huge ecosystem for all of that. Major manufacturing is done in China. It is so difficult for India manufacturers to compete with Chinese manufacturers as they are so much bigger. These are the two major natural advantages.

If an infrastructure company from China wants to build a bridge in Mexico, they say “we built 200 of them the last years”. To European or American company has this experience. Big population, big country.

### Analysis

5. Why have some companies made the breakthrough to become a Chinese Global Champion?

If you talk about manufacturing, then it is easy to go global, as you only have to put your products to a ship. If you are talking about opening a restaurant, then you have to fly to this country, hire a bunch of people. Much harder path and takes lots longer. Going global with products is easy, going global with services takes much more time. Becoming a true multinational is not easy, but they are getting there slowly. Banks are somehow locally based, health care, media, but this is pretty local anyways. Digital is very interesting, as per definition a digital company can globalize very easily like YouTube. But there are not many Chinese mobile Apps going global. Has a lot to do with language. Alibaba did somehow, TicToc did, WeChat did not.

6. What are the differences between successful national Chinese companies and Chinese Global Champions?

Manufacturing only is easy and clear. There are also other companies making their money in China and buying companies elsewhere. Specially in Germany. The third would be the true multinational. Acquisitions is an interesting point to focus on as Chinese companies buying a lot of companies. Lot of manufacturing companies in Germany. Ports, etc. It is a very long fight. It took McDonald decades to be international. Also for Starbucks.

Rhodium from New York <https://rhg.com/> it is a non-profit. They started with cross bordering out of China. They track everything that Chinese companies are buying around the world. They have a long history; it is really useful.

7. What hurdles have current Chinese Global Champions successfully overcome?

Really being multinational is really difficult. Language and culture and regulatory, most management teams don't know how to do multinational. Most of them never worked outside of China. In Europa you know a lot of people who worked in Asia and worked in America. It is normal that they moved across countries in their career. The Chinese often don't have the necessary skill set. Huawei is an example which have for sure. They systematically move their employees around the world. They want to train them in doing business internationally. Most business in China is focusing on China, it is really inwardly. The same is in America. If you work for multinationals in Amerika, then you get trained on that. People coming from small countries are typically very successful in doing international business, as their home is so small. They had to learn this very early in their career. Everybody in Singapore and Dubai is an international business person. You have to be.

8. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to your mind?

Natural advantages. So you typically don't go to a market where you have the biggest opportunity, but the biggest advantage. Chinese can easily be doing things in tourism as so many tourists are Chinese's. They understand them to use the knowledge. "What is your advantage what others can't do in the new country?".

9. Which internal success factors are essential?

Natural advantage, management team, culture, expertise, international business expertise, timing. There is a window of time where you are gone have opportunities of success. TicToc is an example that they went internationally before competitors could do that. They knew that had a window of time, before locals copy of what they did in China. They moved very very quickly. Long term orientation also matters. You have to think five years plus. Starbucks went to china and lose money for the first 8 years, now they are successful.

### **Prognosis**

10. What has been the most striking development in the last 5 years with regard to successful companies from China?

Smart manufacturing products. Smart devices. Also hair conditioners are getting smarter, also a fridge, also a hospital bed. Chinese smartphone makers did it extremely well the last 3 to 4 years. Also Television, drones, smart homes, cameras, surveillance all that is done well by Chinese. I think it will not go to airplanes or electric cars, but the simpler stuff is done exceptionally



welly by Chinese. Smartphone producers from China went to India and did get a market share from 80% within one year. TCI, Xiaomi, Opo, Hisense, definitely Huawei.

11. What forecast would you give today for the development of successful companies from China over the next 5 years?

Smart connected devices, all the simple stuff of your daily doing is getting smarter. They are putting Chips in it, smart shoes and smart underwear, smart tables with screens embedded in it and this connects with the mobile phone. China has huge advantage as they already have the manufacturing base and a huge domestic market. Also smart washing machines, industrial robots, more mobile Apps like TicToc. Ecommerce and logistics is pretty interesting. The big logistics systems which are connected to the rest of the world. Cloud companies, the top 6 are divided into 3 from China and 3 from US. Who gets to be the cloud company of the world? Infrastructures, all the bridges, the roads, the railways, Chinese companies are building a huge amount of all things around the world, especially in the developing world like Pakistan, Myanmar, Sri Lanka.

12. How can you identify future Chinese Global Champions?

I would search for every company which is profiting from the rise of middle class from China. Middle class Chinese families. Like the middle-class families from America in the last decade. Everything which directly serves them has a huge tail wind behind them.

13. Which multi-dimensional construct is required to be a future Chinese Global Champion?

A great example is Huawei, they are big and they are spending more money to R&D than anybody. Also speed of innovation, investing money in R&D to getting smarter. Bydance, which make TicToc is exceptionally fast. They make a new mobile app like every week. Size or Speed, you probably have to play one of those games. Or a combination. Minisou <https://asia.nikkei.com/Business/Retail/Chinese-retailer-Miniso-beats-Uniqlo-and-Muji-at-their-game> is a small Chinese Retailer, but no one else went that fast internationally as they did. This was an unbelievable pace. Bydance will be international very quickly. The question of those smart things will be does it use a Xiaomi operating system or does it use a iPhone operation system? Amazon, Google already tries this with Alexa. There are interesting dynamisms on smart connected devices. The heart was coming from China.

14. What is the future of current Chinese Global Champions?

Alibaba, Tencent, Didi, these are top tiered companies. These are as good or better than anything you see in the US. Alibaba is pretty far ahead of Amazon in ecommerce. WeChat is much better than Facebook or Twitter, or Social Media in the West.

The limitation which they might have 1) they are operating in Chinese language. 2) also political topics, and this is not for selling shoes, but for information or much more complex topics.

Most companies are oriented really local. I mean WeChat never went international. Their focus is China. There is naturally no reason why they really should go international. For those companies it can be useful to go abroad but it is definitely no requirement.

## O Expert Interview with K. D.

### Identification Chinese Global Champion

1. Who is a Chinese Global Champion in your intuitive description? WHY?

I can tell you how I see it from my **macroeconomic perspective**. I am the Chief Economist at UBS in Switzerland. In terms of terminology, CC is like a national champion. These are the big companies from China, where industrial policy plays a big role, are strongly promoted, operate in a huge market, have huge market scales. The big players have also been bred up by China. They were certainly successful themselves, but they were brought there with a good portion of state support. The ones we know like Alibaba, Tencent ... yes, they have simply outstripped us in the areas of technology and e-commerce. Or payments, everything with retail and merging into retail. The example of Didi, how they became big, the whole thing is so dynamic, but often also runs through the adoption of Western technologies.

Categorization: China is very capitalistically organized. The further up it goes, the more it is in the direction of SOE, and most CC are state-owned or partly state-owned. The CC are all linked to the state, precisely because they are either in the category where China wants to achieve world domination, and was built that way. These champions, often without "national", have been brought there by the state. I find it difficult to define a CC where the state has NOT pushed and made sure that it has achieved a monopoly position. From a Western perspective, you can already see that the **state has often used subtle steering to get companies where they are**. A lot of state control, often for protection. You can categorize it by sector. Especially in technology, there are only Japanese or Chinese Global Champions. Telecommunications: Huawei is

the model example. There are certainly some CCs in old economy sectors, coal-fired power plants, steelmakers, etc.

2. How do Chinese Global Champions compare to successful companies from Europe or America, for example?

In China, there are already 1.4 billion inhabitants, so with state help, it is easy to create scaling around this market. In the West, of course, industries are also promoted, and Trump's "America first" statements can be seen. In the West, companies often have to deal with competitors. Amazon started as a bookseller, very small, and then worked its way up. They don't make much money with online services, but they do with retail, but there's not much sign of state support. The network effects and **"the winner takes all" industries** (*definition!*) also came from monopolistic positions. In China, it is much more state-directed. America also has a huge domestic market but is X times smaller than China. China has advantages because it can often exploit scales very easily, if you think about big data etc. If they are successful in their home market, they will be able to expand. If they are successful in their home market and then take that to the outside world, that's what sets them apart.

China has been a technology follower for decades, copying and appropriating technology from the West by various serious means. They then applied this to their home market, also by closing off and taking over Western companies. In many areas, China is about to take the lead. There is also a backlash from America. They have realized that the integration of China into the WTO etc. means that China can transform itself into a global economy with Western guidelines. The Western market is now completely shocked that China is now coming along in a completely different way. The CC are very powerful, especially in 5G they are superior to the West and are spreading the technology there. The whole Silk Road discussion, the whole **Belt and Road Initiative, is heading in a** similar direction. China is running a **colonized economy with it**.

3. When you think of current Chinese Global Champions, what would you say has led to their success?

A colleague of mine was at the Huawei headquarters, where a four-lane motorway runs in both directions onto the site. You know the masses, programmers, engineers, computer scientists who train them. They do it with size, with mass. Their innovation system is certainly not as efficient as that in Silicon Valley. China relies on the law of large numbers. **If you put 10,000 engineers on a problem, there is a good chance that you will have 2-3 very good ones who**

will then solve the problem sensibly. They have always been very good at copying, but then they have also developed it further themselves, which has worked well. They were able to close the gap within four decades.

#### 4. What characteristics define a Chinese Global Champion?

It also has advantages if you can start on a greenfield site in some technologies. In the West, a lot has grown in terms of infrastructure. In China, we have seen technologies that were able to leapfrog 2 or 3 technology generations. There is certainly a reason to describe this phenomenon.

I also heard that someone from the West wanted to do business in China and they were spied on. There is an example of a security company that built a factory in China, then it went on for 1 to 1.5 years and then the Chinese rebuilt this factory 1:1 and siphoned off the technology 500 meters away. That's how it works, and that's how it worked for years. China invests a lot in training, further development and with mass.

In the field of semiconductors, Chinese companies have not been able to get off the ground. Semiconductor technology, chipmaking, there is almost a duopoly in the world. The Taiwanese are very strong there, another company in the UK and Intel has also missed the boat. The chips are already so small that if you want to build a factory there, you are talking about an investment of 20 billion for the next generation of this technology. The Taiwanese have already taken over the production of chips in the pressure gauge area.

#### Analysis

5. In your opinion, are there specific success factors for companies from China? If so, which ones?

I am an economist, not a business economist. Size of the market is certainly an advantage. China is also scientifically best off when it comes to technology. One example is the payment story, they laugh at Americans today who still walk around with hand-signed cheques and credit cards. That's a legacy issue that they can't skip. They brought the population onto mobile phones in one fell swoop and did the same with payment, which has an advantage if you can build on a greenfield site.

If you have managed to get close to the state and have been chosen as a national champion, then that is already a success factor. You first have to get into that position.

In China, there is currently a biotope of start-ups that often try to imply or imitate Silicon Valley.

There are examples where the pandemic has also helped. Telemedicine in China, it's unbelievable what they are doing now, within a very short time. In the West, we are miles away from that.

### Forecast

6. What forecast would you make today for the development of successful companies from China over the next 5 years?

One can also be an opponent of **industrial policy** and say that the state certainly doesn't know any better which companies are successful on the market. **But the example of China shows that it has worked well.** The reaction of the West, including Trump's statements, is exciting to observe in relation to the threat of China's superiority. If you compare the purchasing power, the Chinese already passed the Americans two years ago in terms of the size of the economy.

There is certainly still growth potential in e-commerce, finance, the pharmaceutical industry, right across the economy, also electrification of the economy or more environmentally friendly energy production.

7. How can you recognize future Chinese Global Champions?

In the domestic market, the Chinese quickly create a national domestic champion, also through protectionism. Technical or price leadership is then needed to outdo Western suppliers.

Big Tech Divide (gap) is how it is often discussed. The fact alone that you can no longer install Android operating systems on Huawei devices. They want to isolate themselves. China will perhaps be on its way in its **own technology world**, it is already known that if you want to go to China, you can't just pay with your own credit card. You have to have a Chinese payment system and open an account. **Two universes are** crystallizing here, a drifting apart of both technological worlds, Chinese and Western. One trend is clearly that the Chinese are buying up Western companies. Volvo is a good example. The Chinese are now building electric cars on the Volvo platform. China is integrating more and more into the rest of the world, through acquisitions, for example. Kuka, robot manufacturer, a strategically quite interesting takeover. There are then more and more Chinese companies that have bought into Europe. That can all

be positive, it just sounds negative. People will also make sure that the Chinese don't get too involved in critical basic technology.

**A tightening of investment controls** is being discussed at the parliamentary level. People are aware of this, there are defense mechanisms in the meantime. That is a **question of philosophy, do we have a liberal open market?** After all, China has a lot of capital surplus and the money has to be reinvested, including abroad. It's as if it's natural for the Chinese to acquire Western parts and then buy them. The purchase will continue to the extent that the West allows it to continue.

There are also very different opinions on this in the West. Trump's supporters claim that China is the big rival that is trying to pull away the market by illegal means. And thus also overtake it economically. This is perceived as a threat from the West. That depends on how the geopolitical issue with China develops and what it then allows. China is becoming more influential and powerful and will also be able to take over more and more companies.

The threat is not perceived in the same way in Europe. If you look at technology or e-commerce, Europe is nowhere to be found. The only European company was Wirecard, and we all know what happened to it. Spotify comes to mind/Sweden, otherwise Europe, with SAP, has no well-known technology company. So you can say Europe has nothing to fear, so yes we still have good companies in car manufacturing or engineering, but at this level there is only USA and China, maybe a Korean with Samsung. Europe doesn't have to fear a loss of dominance, that happened a long time ago.

If you look at the three big ones in Switzerland Nestlé, Roche and Novartis, they are still in broad public distribution and have not yet been bought up by China. But even they are already globally oriented, if you look at their positioning. Syngenta was a sensible purchase for the Chinese, they simply bought the technology they still needed themselves.

#### 8. Where does the future lie for the current Chinese Global Champion?

What we can already observe is a massive shift of economic power from the West to Asia. China, Indonesia, Japan, Vietnam, Thailand, if you add it all up, have made extreme progress in the standard of living of average incomes in recent years. By mid-century, two-thirds of the world's GDP will happen in Asia. We are in a tradition right now where Asia is becoming the center of the economy. Europe is a sideshow and the US is on the decline, certainly still a big player militarily and economically. The Chinese are also thinking very strategically. They

probably laughed at Trump. There will also be intra-Asian development and that will be enough for some companies. Asia will be twice as important as Europe and America together. We with European glasses think we are the navel of the world.

The current champions can still grow. When will we get to a point where the state, out of **anti-trust, says**: these companies have such a powerful position and we have to break them up, also so that these network effects don't get out of hand. This is increasingly being discussed. Comparisons are being made again and again with earlier very large oil companies that were created in the USA and then broken up because they were too powerful. The question is whether this will ever be the case in China, because at the end of the day they have grown these companies themselves. Whether this big position has to be broken up by regulation.

## **P Expert Interview with N. W.**

**Recording was not desired by the interview partner, therefore taken down in note form.**

### **Identification Chinese Global Champion**

1. What are the characteristics of a Chinese Global Champion? Who is a Chinese Global Champion in your intuitive description? Why?

If you search for top performer at a global setting you will not find a lot. But national champions there are a lot. Alibaba is a national champion. The only truly global company is Huawei, the money come from outside of China.

All my answers are anchored at the national champions. SOE are another category. But there it is difficult to get data for a dissertation.

Chinese market is large enough, in terms of revenue.

National champion: Number 1 and 2 in China

Like automotive, they will find a dealer out of China.

Truly multinational companies do have factory, operating staff outside of China, but there aren't a lot of those companies.

If they only do export than they are not truly multinational. Do Chinese run it or do they just export it?

SOE are another animal, they have money to back them up. Like Illumina (China), they do have lots of things in Africa. Oil and Gas, they don't rely on external parties. They are really global but not in such a definition. It would not be interesting to research on SOE.

The challenge is "Where do you get information from?"

Use case studies, there is a lot written there. Qualitative data.

A lot of Chinese companies bought German technology companies, this would be really interesting to further research, but also qualitative. What they buy, how they buy and what they get. Go there and interview them medium sized enterprise. You can make money out of this as they are all interested in this. Chinese want to know about this.

SOE are all listed and they do not give information, in the end they are paranoid in this sense.

Example: Illumina/SOE are listed. They are everywhere, but you don't know how they are operating in other countries, this information is not provided e.g. in the annual report.

2. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

So as mentioned there are few worldwide companies from China, so again focusing on national champions. 1) Product 2) Technology 3) It is not possible to make a national champion with only one product, it is expected to have a Product Portfolio, health of Portfolio 4) China Market is big enough – therefore they don't have a lot of internationalized companies. 5) extremely innovative 6) with regard to customer need – they do that really clever 7) Flexible – truly Chinese! Even if they are very big, they are very flexible. Chinese do not stick to the old formula.

3. Do you know any examples of company success stories from China?

All Tech companies are extremely ahead regarding innovation compared to the rest of the world.

4. Do you know any examples of failure of companies from China?

Competition in China is huge. 1 company is winning, so all the other 99 companies are losing. We only remember the winners. We do not track the losers. It is a stupid competition. Most of those stories are written in Chinese language – you will not find them.

Luckin coffee – there you find English literature.



<https://www.food-service.de/weltweit/news/chinausa-luckin-coffee-meldet-insolvenz-an-47402>

Do not analyze what others already analyzed, and they analyzed... do case studies!

### **Analysis**

5. What hurdles have current Chinese Global Champions successfully overcome?

1) A lot of competition, that is clear! 2) Price topic is always the thing. You need to overcome the payments for staff etc. this is a tough topic. 3) invest in Technology – in the long you are successful: Chips, new material science, pharmaceutical

China can do consumer products easily; this technology is easy.

6. What are the differences between successful national Chinese companies and Chinese Global Champions?

According to my definition Huawei is the only global company.

7. Why have some companies made the breakthrough to become a Chinese Global Champion?

- Luck is truly important.
- Owner and founder plays a major role. Like “I have a dream”. They are really ambitious.

8. Which internal success factors are essential?

Founder!

9. Which external success factors are essential?

It is an unbelievable opportunity.

### **Prognosis**

10. How can you identify future Chinese Global Champions?

I would not invest my money into manufacturers and consumer goods, they are only cash cows. Interesting are the growth potentials. AI e.g.

11. What has been the most striking development in the last 5 years with regard to successful companies from China?

All around digital, artificial and automotive is taking place. China saw a digital revolution.

Life Sciences, Chips, content computer, 5G (US is talking about 6G), medical devices

It truly depends on the technology hurdles, if Chinese will rock the world.

Make research on the front – ask CEOs.

No one wrote about it. Or what do Germans think, when Chinese buy them? What was the end? Were they successful? I would be really interested about that.

What experience do you have when having Chinese owners? How do you experience Chinese owner? What to learn from them?

Your dissertation is a challenge, as it is difficult to get the information. You only can do case studies, and my opinion is that they are all one sided.

## **Q Expert Interview with B. J.**

### **Brief personal introduction**

I have been working in consultancy in entrepreneurial finance and strategy for 30 years. I spent 28 years at McKinsey in the global institute. I am working for United Nations for looking at start-ups, also for different consultancies. We look a lot on China versus Europa and USA, like High-tech, Biotech, Semiconductors, so high-tech intensive industry.

### **Identification Chinese Global Champion**

1. Who is a “Chinese Global Champion” in your intuitive description? Why?

First you need to understand China. I am not sure if you can call China as a single country. Within China the diversification is high, also a lot of start-ups they are than clustering into eco system. China is organized as a maximal centralization but as a minimal centralization as well. A lot of companies are in big cities, so there are many more global cities in China than in the rest of the world. Again, comparing Belgium to a city in China, that is the same. China decides that this city will specialize on b2b ecosystem while another city will specialize in something else. It is not important if a company is global or only successful in China, as there are several other regions within China, just to be aware on that. So the important thing is that a Chinese Global Champion can measure up in whatever sector with the best practiced companies we

have in Europa and America. This is my definition of a CC. They are in a scale that we call global firms. Typically, 5 to 10 billion. China has different Metrics to measure up.

I think that China will globalize in the next years much more, as globalization takes place in all the mentioned strategic sectors. For the definition of a CC it is not important. When you think of high tech services, semi-conductors. India is also really globalized.

2. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

I think there are 3 things. You have to look from evolution point of view. What China does (we already know it from the Asia of the past) in the time of 1980s, which was called the Asian Tiger. It was much more India and Korea. At that time China was not part of the game. The government was the largest customer of these companies, they supported to get more export in terms of branding, or dumping.

What is interesting to observe in the new evolution of China is yes, the government has still equity in the largest companies but what define them as successful is no longer the corporate governance elements, which was possibly a negative one. What today's Chinese companies have in common is that they have a link to the government but much more that the government is the largest customer. The firms have a connection to the government but in another sense. They knew what is important for the companies but they do not have a large part of the equity. The third one is that they are extremely innovative. They engage extensively in R&D, they boost it significantly.

Successful companies nowadays from China, they grew extremely fast. In the top they have a huge amount of patents. China is moving ahead quite dramatically. They tend to control the value chain much faster than Europa and America. So they are good but they are not plopping the value chain. Baidu compared to Google, both are search engines, but Baidu is much faster and much more innovative, the quality of result from the search engine is better than that one from Google. Also Alibaba, they did a B2B platform much better than anything else in the rest of the world. When all the firms go digital, as seen in Covid, then those firms play a fantastic game ahead of all those others. Alibaba invest a lot of money in infrastructure, also on airports etc. as it is often about infrastructure in B2B. They will take over this infrastructure but are also ahead with their own platforms. They create a fast integration of vertical model. China was also the first one who wanted to analyze the big data. China is no longer a copycat model, it is an

innovative model and they are at the front edge. Everyone talks about Tesla, but actually the game is within NIO. Comparing the intelligence in platforms, NIO is extremely fast.

3. Do you know any examples of failure of companies from China?

When asking in the European sense, why is it not possible to develop ourselves in these technologies as fast as China? The complaint was: We are too fragmented and we are no risk taker. The first observation you have to know is “How you spend the money”. 50% of the money in Europe is spending on the tax. But the government is never the biggest client to these ventures, but in China there is. The Chinese government creates a competition for the best companies. The European Commission is never working in that way. There is a lot of failure, compared to China but we don’t know it. This is already killed by intensive competition on the domestic market.

What made the success of America was the great domestic market, great culture of spending, so they get the chance to get a donor. Europe has a lot of start-ups, a lot of talents, Silicon Valley is not better. By the way Silicon Valley is better cause of India and Chinese guys they are than returning to China.

The number of start-ups in China and the intensity is really high. Local start-ups CC are already well ahead when we look at frontiers of technologies. Watch out on that as they beat on threat decentralized ecosystem. Only 30% of China is developed, 70% is not. China is still a developing market, there is still a lot of culture base, or ineffectiveness. China has to deploy itself. There are a lot of sectors in China. Europe is as talented as USA, but it does not scale up very easily. What we see what scale up is that they buy the companies. When we come in the mid-market, it is well organized across the top 5 European markets. The Performance is very high because of talented people employed and when we talk about innovation or risk taking then the level is very low. When we watch at big companies, they established long time ago, they tend to be trend seeker, then being extremely innovative. Obviously we have innovation in Europe, but we do not have innovation in the core sector like semiconductor, like High-tech. There is Siemens but elsewhere the chance is gone. Also B2B and engineering, there are some good companies in Switzerland, also when you talk about Biotech and Pharmaceutical. EU does further not operate as a client, only as a regulator.

What China does was that they copycat a lot of innovative start-ups from the world and is moving quite nicely in defining these global champions. The Government is supporting them,

not financially, but as creating significant client base. Cleverly enough not gaining privileged by creating a network of companies that compete against each other to win. This is a leading edge, called the governance.

### Analysis

#### 4. What hurdles have current Chinese Global Champions successfully overcome?

The Brand Equity of Chinese Companies is still very low. There is still a lot to be done in the context of marketing development of those goods. China is or was the copycat, therefore people still have the idea that China has low quality. The marketing is changing and pricing is changing. China has to overcome the language barrier. Chinese is a tons of language, this is not one. If somebody tell you he speaks Chinese than you have to ask which one?

Chinese's Management also don't go to the classical schools that we have. So we get there to be there. There are a lot of good people in China to be honest. Also on the governmental party or people on those levels, most of them have PhDs and are well educated. Russia also does that well. To be honest, if you look at German parties, there you can't find a lot of PhDs or engineered people in government. The business understanding is small.

Also in R&D, those people are still very good in bypassing regulatory issues like patent or regulations like that.

For US it was easy to come to Europe. The financial system was centralized. The Chinese People had reorganized a lot in the financial flows with middle-east, with Africa and all those things to decrease hurdles.

#### 5. What are the differences between successful national Chinese companies and Chinese Global Champions?

If you are nationally successful in China than it is likely to become globally successful. The aim of China (like USA) is to use the local market as a springboard to the international market. And as I said, the difference is significant, as the Chinese guys starting to win, based on the quality of services and product they do.

#### 6. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to your mind?

I told you government as a client, every competition within the country help to be under the best in the world, massive R&D shift compared to the past, aggressive cooperation,...

There are 3 success factors that are lacking still, or 4.

1. Chinese Global Champion are more driven by the engineer on product side, they are not very good in intangibles like marketing and brand equity.
2. Organization structure is getting more and more flexible, but actually they are still very rigid in this structure. They basically have a file and go after a hierarchy, we also saw that in Japan.
3. Internal factor, it is still very male oriented, so like 20 years ago. Also the one child regulation is now getting a problem for China. The population is getting older and they have to search for the talents to be able to create middle successful economic future. Which today mean to integrate much more different cultures into the Chinese culture. If they want to continue to be more global for the future.
4. External factor, they got the beauty of let's call it export strategy, a great pool of skills, they learned very fast. The government play a role in the external element of that deployment.

### **Prognosis**

1. How can you identify future Chinese Global Champions?

If you look at the global and international patent, you easily find out who those companies are from China also in new verticals. By doing that you will see new kids on the blocks that you never have seen before. There are really many databases, often US-centric but which basically select all that information and you basically see Chinese ecosystem being built all over the place. That is easy to get all this information. If you look at the Honkong or Shanghai market, all which are listed, there are for sure some of them the future global champions. Simply look at the strategic plan, which is done every 5 years by the government.

Look at some of the private equity guys in the US, on the Silicon Valley side. Look at those who have a few Chinese people on their boards. They have a tons of relationships there, when they invested there. Diaspora is one of the reasons for success, as you saw in India.

The center of gravity has been moving east. They rolled out the market. In terms of growth they got a great competing growth for the future of the world and it is a good chance for Europe.

Europe stuck between two leaders. China is a fast mover, fast developer and the benefit of China tomorrow is being a benchmark, as an alternative of the US and possibly a major opportunity if they open to the world and to Europa as a significant growth potential.

## **R Expert Interview with C. L.**

### **Identification Chinese Global Champion**

1. Who is a “Chinese Global Champion” in your intuitive description? Why?

Chinese companies are different in measuring, first they want growth, they prefer to grow instead of profit. The domestic market is so important and so big, yes they want to go globally but the key is that the domestic market is so important for them. Alibaba, Tencent, Ping An, State Grid, i3C, they are global, innovative, big, real champions. It does not play a role if they are state owned or not.

2. What are the characteristics of a Chinese Global Champion?

I forgot one Huawei, they with respect are the best one with communication regarding smartphones and technological things and telecom suppliers. They are very successful in a very innovative sector. This is a difference with western companies. There it is very important to be successful in a variation of market, while for Chinese companies it is not.

3. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

Many of the European companies are listed, so short term profits, short term valuations are very important for most of them. Everybody keeps an eye on the market capitalization in western companies. The pressure from shareholders is dramatic. While in China it doesn't. The companies are planned more long-term versus US companies. Profits are important, probably because some are state owned, but not a priority. Market capitalization is very important in US companies like Facebook, Google, Amazon, Walmart, - very, very important, also this is not important for Chinese companies, often they are state owned and they always have a long-time view. Chinese companies are very young, all of them. So, they make mistakes, they learn from them and they go global. Chinese companies do always have products and services for the bottom of the pyramid, that again is a difference to western companies. A western company wants a maximum of the client to pay while Chinese companies will provide things for those with low purchasing power. Chinese companies focus on revenues, because they want growth, versus US

companies focus on profits and market capitalization – one long term, the other one short term. Chinese companies are focused on numbers, they want to be big.

4. Do you know any examples of company success stories from China?

I already mentioned Tencent and Alibaba, both are responsible for the explosion of mobile technologies, much more advanced than in Europe or US. Chinese people are used to pay with the phone. Ping An uses AI to process the claims very, very fast. This is the biggest insurance company in the world, bigger than AXA. NIO with electrical vehicles.

### Analysis

5. What hurdles have current Chinese Global Champions successfully overcome?

They don't mind in failing, young companies normally they fail. US companies, they have a competitive advantage and they grow. Chinese companies build their competitive advantage in a circular way, meaning the take off and try the product. If the product doesn't work than they adjust it and move it. This is part of the culture. An excellent company proves itself internationally, so that has been not always easy for Chinese companies to go global. Chinese government has helped the national champions. This is an advantage but also a hurdle. The government controls everything. The central government always keeps an eye on you even if you are a private company or if you are a public one, in the sense that you are on the stock market. This is a thing that Chinese companies have to leave with and have to overcome.

6. What are the differences between successful national Chinese companies and Chinese Global Champions?

That is interesting. For every company to go global, they also have to be successful domestically. I look more to the global ones, as this are the ones that we know. Usually, it goes parallel so domestically and globally. Baidu search engine is a good example of being successful locally but not internationally. Alibaba and Tencent went globally, but the game mean subsidiary. They have to adjust locally with language or regulations, that is not always easy.

7. When I tell you the title "Success Factors Chinese Global Champions", what keywords come to your mind?

It is always a teamwork, while in US companies you often find a big leader. Jeff Bezos in Amazon, Bill Gates for Microsoft. In China there is leadership as well, Jack Ma in Alibaba but thus not always the thing. Most when I talk to companies, it is a top team at the top and also the



wages in China, also for top managers, is not very high like in US. It is more a teamwork, than a big, big leader. Also for Huawei there is a leader. But what I mean is that there is more a team that works well.

8. Which external success factors are essential?

Another thing what Chinese companies do is first expand in China and then in other markets, often in Latin America. Often what they do is try their products and services in markets that are 1) similar to them (Brazil, Chile) 2) similar economic situation and also not that prominent in the sense that you make a mistake in Brazil and nothing happens. If you make a mistake in US than it is very public and very bad. First China moves to natural market, so Asia, but they know this very well. Also they use very well the Chinese diaspora. They trust their own.

Diaspora, this is very important, they move to where they know, like the natural markets. If they don't have natural markets, they use for instance Latin America. They use Chinese emigrants, Chinese community.

### Prognosis

9. What has been the most striking development in the last 5 years with regard to successful companies from China?

- 10 year ago there were 40 big companies from China. So now we have in the Fortune list 124. So the extremely development of Chinese companies in the last 10 years.
- The globalization: It is very difficult to do M&A in China, only since 2014. In 2014 they started investing globally.
- More and more innovation started, a good example is Huawei. According to the European Union, Huawei is the third company in the world in investments in R&D.
- Diversification of geography, the Chinese companies prefer to diversify.

10. What forecast would you give today for the development of successful companies from China over the next 5 years?

Chinese companies are very, very big and powerful, so they will continue to do so. What I see is that all over the world the next 5 years will be very domestic. In the sense of looking at M&A data, Chinese companies merge internally, so for example two big chemical companies. However, the acquisitions are brought (looking at the first quarter on 2021) have gone down, like in the US. I see a future that is more domestic and yes, they will go abroad but in a more conscious way.

## 11. How can you identify future Chinese Global Champions?

Always technology, electrical vehicles, AI, mobile payment, things related to innovation. But also aviation/Luftfahrt, airlines, so Chinese airlines becoming stronger. Mainly related to technology, also green energy.

### **S Expert Interview with G. M.**

#### **Identification Chinese Global Champion**

##### 1. Who is a “Chinese Global Champion” in your intuitive description? Why?

Obviously the area I know is the tech area. I think there are two types of incredible successful Chinese Global Champions. Companies who have a single market focus rapidly grew, that is one. The other area is that one who incredibly successful started to do business in the rest of the world.

##### 2. Why have some companies made the breakthrough to become a Chinese Global Champion?

Some companies don't even care about going global. Cause the market is so big and they grow so fast. Some companies haven't been able to grow globally because there is culture and language barrier. Many of them have to combine local and global talent in their management. Local or Global, it can also simple be that Sales Reps started abroad. The second point is structure. There are companies who expanded organically, like Huawei or Xiaomi. Others successfully invested in companies abroad. Definitely Tencent, this is a perfect operator but also a very good investor. They invested in some of the world's best companies from US, South East Asia and Europe, with a high success rate.

##### 3. How do Chinese Global Champions differ from successful companies from Europe or America, for example?

Chinese companies have a few different advantages. They have an incredible working culture, they really work hard. If you are a very successful person in China, then it means you are really good but on the top of that you are really in, so 60 to 70 hours a week, especially in the tech industry. There is also an intense amount of competition in China. Whenever someone has a great idea there will raise hundreds of other companies who try to do the same thing. If you find out that the end product will turn out as really good, so listen well, good product with a good price. The internal competition serves well the force to go globally. Another big point is the

growth of the research institutions in China. Really tremendous leadership is coming out. The last thing to mention is that the home market delivers such high revenue, if you make it well, then you have access to capital resources.

4. What are the characteristics of the CC?

Incredible leadership, you need to have a system which acts fast in challenges, a clear strategy to win and build products, ensure to solve every problem, execute faster than competition, build a better product which is cheaper, provide more value to the customer, ...

5. Do you know any examples of company success stories from China?

The very best is Tencent – other companies learn from them operationally but they are also one of the best investing machines. Bydance is doing incredible. Huawei and Xiaomi but they actually ran into regulatory hurdles. Tencent is really outstanding, they are coming in, taking the stake in leading industries and all western markets. Then they combine it with the existing ecosystem. This gives the companies which are acquired usually huge advantage. They also do this in a way that they maintain the brand name where they are going into. For example, in South East Asia the largest gaming platform, so Tencent is the owner, but they operate under the brand name sea group. Google is also a good western exception as they brought themselves into several product categories. But in general western companies focus on 3-4 value creating product lines. This leaves a lot of value on the table.

### Analysis

6. In your opinion, are there specific success factors for companies from China? If yes, which ones are they?

First of all, you need to succeed in China. In order to do so you need to execute incredibly fast. You need to constantly adapt the product, much faster than the competition. This needs to acquire smart people, work hard. Also gaining an existing business earlier than the others as a backer. That means you get the mass early and step into their business.

Major two factors are strategically applying yourself upon the winners and incredible execution and access to best talents.

7. Which internal success factors are essential?

Working extremely hard, being agile, keep creating a business model and being quicker and better than competition. Also acquiring global talents.

8. Which external success factors are essential?

If you can align yourself with capital from the existing winners, which are only a few, and that will also vary by space. If you want to expand globally you should try on the capital sight, to get some of the best US companies to support you. Cause it will legitimize you in the US, it will also legitimize you in the rest of the world. Also helps you with US regulations for example.

Another thing is that you really need to know how other markets are different. And it must be a really balanced decision if you want to build or if you want to invest in Western companies. In the Tech Space I know that companies are more successful if they invest or acquire abroad than building abroad.

To succeed in China you need to work closer to the government.

9. What are the differences between successful national Chinese companies and Chinese Global Champions?

The willingness to go global. A lot of companies do not have an interest on going outside of China, cause the local market is so big. The same is also within US companies, as the market itself is tremendous. The successful ones also combine local talent to global talent, which is either Chinese spend serious time abroad or the other way round. People who have strong connections to China.

10. What hurdles have current Chinese Global Champions successfully overcome?

There is a language hurdle. You see it in very successful Chinese and Japan companies, they don't feel that at all. But if you go one level below you know that immediately as the translations are really bad.

The other one is culture. The way of selling, the social aspect ...Chinese's companies haven't struggled yet with regulatory issues. Really CC are for sure really active in investing and merger & acquisitions.

## Prognosis

11. What has been the most striking development in the last 5 years with regard to successful companies from China?

China did establish a lot of true champions in a lot of interesting areas. They also started some kind of coping better. Take western products and making them cheaper and better in China. While innovating the product features. China also set a milestone in evolution like Artificial intelligence and networking.

The last decades US or Europa was clear the leading area of research and development. But this is not clear now. That is not the case anymore.

12. What forecast would you give today for the development of successful companies from China over the next 5 years?

A lot is intangible. A lot is left in the hands of politicians. I am quite positive, I do believe that US and also China will do great things. Nowadays it is a bit of aggression on both sides. Hopefully that will soften. The biggest Chinese companies will provide products with high value to the rest of the world.

13. How can you identify future Chinese Global Champions?

You need to see them very early as this changes extremely fast. You can build a big business in China in 1-2 years. If you don't set importance on investing in business talents early than it can be too late.

14. What is the future of current Chinese Global Champions?

It really depends on the political issue how big they will become.

## T Qualitative Content Analysis

	Inter-view	
Types/ Definition/ Categories of CC		
Manufacturer	1	Designed in California, made in China, as Voxcom.
SOE <u>versus</u> private firms	11	Hinter den vermeintlich privaten Firmen steckt dann doch der Staat oder staatliche Unterstützung
	15	Ich habe Mühe einen CC zu definieren, wo der Staat NICHT mitgepusht hat [...] oft mit subtiler Lenkung
	6	unter den Top 500 Unternehmen weltweit sind auch viele Monopole Staatsunternehmen, die sind jedoch nur Nutzniesser vom System und für diese Forschung nicht interessant
national <u>versus</u> global	6	es gibt keinen Unterschied zwischen diesen Firmen [...] China selbst ist so gesehen schon international
	11	Du musst zuerst in China erfolgreich sein, bevor du dich in ein anderes Land wagst; Wenn man in China erfolgreich ist hat man schon viel geschafft
	2	Die meisten Firmen sind sehr China-lastig, Huawei ist wirklich eine Ausnahme
	9	Gibt es überhaupt einen Unterschied? (zwischen nationalen und globalen CC)
	14	What does it mean to do global? To put the products on a ship? Going global with products is much easier versus services; per definition a digital company can globalize very easily
listed <u>versus</u> not listed	11	
Champion	12	Could be misinterpreted, gives the feeling of being state owned - better: Winner or Hero
winner-takes-all market	15	<i>"a market in which a product or service which is only slightly (1%) better than the competitors gets disproportionately large (90–100%)"</i>
intern		

Product: Usability factor	11	Die, die es schaffen den Konsumbedarf zu beantworten werden gewinnen
	17	CC are driven by the engineer on product side (CC are not very good in intangible things like marketing, branding)
	18	products and services from the bottom of the pyramid
	19	building better products which are cheaper and provide more value to the customer
	9	Eine Technologie, die international neue Wege geht
	3	kontinuierliche Produktoptimierung [...] sehr, sehr gutes Preis-Leistungsverhältnis
Speed: Time to market  Dyna- mism/Flexibility	1, 2, 3, 6	
	4	Chinese speed
	13	In China probiert man das Produkt rot, wenn es nicht klappt macht man es grün; In DE werden Anträge gestellt und ewig analysiert, ob rot oder grün besser ist
	14	Speed of innovation, Speed of reaction, Speed of learning
	14	There is a window of time where you have opportunities of success (before competitors have the chance to do so)
	19	execute incredibly fast and constantly adapt the product, much faster than the competition
	5	Das ist der ärgste Marktkampf, die Prozesse sind viel schneller, alles ist viel fluid - ein Schweizer müsste vorab in die Druckkammer
	4	fast learning while focusing on the main business
	16	Flexibility is truly Chinese, even if they are big they are flexible
Culture of risk	2	Es werden ein paar Duzend Produkte auf den Markt gebracht um zu schauen, was funktioniert
	1	Die probieren einfach [...] bei Falschlieferung, gar nicht lange nach dem Problem gesucht, sondern einfach nach vorne geschaut
	10	Wenn jemand bankrottgeht, dann ist das nicht so ein Desaster wie im Westen

	13	Fehler werden klar definiert und herausgefunden, damit man es abstellt und nicht versucht zu unterdrücken (wie in westlicher Kultur)
	18	Chinese don't mind in failing [...] they build their competitive advantage in a circular way, they take off and try, then they adjust it and move it
Corporate Culture	10	Guanxi spielt eine sehr grosse Rolle
	6	Corporate Culture wird top down rigide gelebt und ist verordnet worden [...] dass die Werte des Firmengründers gelebt werden
	6	Mission und Vision geht den Mitarbeitern in die D N A
Mentality	2	sehr patriarchalische Kultur in China [...] Es braucht Micro-Management, da sie es gewohnt sind das zu machen, was Vater Staat sagt.
	13	Die Mentalität, dass man die Kunden erreichen will [...] den Menschen einen Nutzen geben, damit man deren Leben erleichtert
	6	Im Westen gibt es Quartalszahlen [...] in China gibt es einen 20 Jahres Plan, dazwischen freies Feld, man sucht sich Wege und macht Umwege
	8	konfuzianistisch: sehr hierarchisch top-down und Teamwork ist wichtig [...] Kombination aus top-down und botton-up wird es in Zukunft werden
	3	Die Unternehmensgeschichte und auch die Belegschaft sind sehr jung
	14	The last 30 years the definition was BIG, now we also talk about quality and profitability: <b>big and smart</b>
	2	Qualität spielt keine so grosse Rolle, weil es die Leute gewöhnt sind, Produkte alle 2 Jahre auszutauschen
Smart people / HR	2	Hire well paid talents
	6	Chinesische Familien wünschen sich, dass deren Kinder an den besten Unis rund um den Globus studieren können und dann wieder zurückkommen
	3	strong owner led
	16	founders are really ambitious, like "I have a dream"



	18	there is a top team, a team that works well (in western companies there is a big, big leader, exeptions are Alibaba and Huawei)
Pragmatism	9	Fähigkeit nicht in die Over-Engeneering Falle zu tappen [...] hoher Pragmatismus in China [...] letzten 20% der Produktentwicklung brauchen 80% der Zeit
	6	Chinese pragmatism: rasch umstellen, neue Wege finden, Try and Error
R&D: innovation meets copy cat	6	80 TSD Mitarbeiter (50%) der Belegschaft arbeitet für R&D bei Huawei [...] Erfolgskurs des nicht Stehenbleibens
	16	invest in technology, as on the long term you are successful
	19	A big point is the growth of the research institutions in China, really tremendous leadership is coming out
	6	Sie kombinieren kopiertes Learning mit eigenen Erfahrungen und [...] haben immer den Willen zu lernen und besser zu werden
	17	China is no longer a copycat model, it is an innovative model and they are on the front edge
	19	China started to copy better [...] take Western products and make them cheaper and better in China with innovated product features
	8	Innovation ist mehr inkrementell, nicht radikal, das ist wichtig
strategy for going abroad	14	They are going to developing countries first [...] it is easier than going head to head with Amazon [...] if you are number 1 in China, then you can go to Mexico loosing money for the next 10 years, nobody cares (like McDonaals)
	18	Try products and services in markets which are similar to them, similar economic situation. If you make a mistake in Brazil, nothing happens compared to making a mistake in US.
	17,18	Diaspora is one of the reasons for success [...] Chinese people in the boards have tons of relationships
long term planning	18	companies are planned more long term [...] market capitalisation is not that important in China, but growth is important
	9	extrem effiziente Planung , Jahresplan, 5-Jahresplan, 20-Jahresplan mit der Möglichkeit zu korrigieren

networking in political circles	5	Das ist ein Erfolgsfaktor und nicht zu verwechseln mit dem westlichen Lobbying, mehr Austausch und Geben/Nehmen
	10	westliches Lobbying ist, wenn Unternehmen zur Politik gehen, in China ist das viel mehr ein Beziehungsnetz [...] aber: Networking und Korruption ist eine fliessende Geschichte
extern		
Massive domestic market	1, 7, 10, 12	
	2	economies of scale
	6	Skalierbarkeit, bei einem guten Produkt gibt es 1,4 Mrd. potentielle Kunden
	13	Wenn man den chinesischen Markt erobert hat, dann ist der Rest dann gar nicht mehr so schwer
	15	Gesetz der grossen Zahlen, wenn man 10.000 Ingenieure auf ein Problem ansetzt ist die Chance hoch, dass 2 oder 3 dabei sind, die es lösen
	17	Within China diversification is high [...] I am not sure if you can call China as a single country
	8	jede Provinz hat andere Kanäle, verschiedene Tiers an Distributoren, verschiedene Partner
	17	use the local market as a springboard to the international market
	19	Many CC don't even care about going global [...] home market already delivers high revenue
	12	hypercompetitive market: Positives= change and adapt quickly, Negatives= toxic business environment also many fraud cases
Digital affinity in home market	1	Innovationen können schnell umgesetzt werden (Nachfrage)
	13	... springen viel schneller auf neue Trends auf
Instinct to survival/ hard work	11	Chinas Bevölkerung ist viel ehrgeiziger [...] es competen 1,4 Mrd Menschen [...] Wird besser mit Generation Z and Y
	3	Sehr intensiver Arbeitseifer und Erfolgshunger
	6	Aus der Überlebensnot sind schon viele wirklich interessante Unternehmen entstanden

	6	Empolyees Commitment: Es gibt den Willen und auch ein Muss Geld zu verdienen [...] sonst ist man arm, mausarm [...] Es gibt keinen Wohlfahrtsstaat China
	12	nobody works as hard as Chinese companies [...] not everywhere in the world such harsh labour standards would be accepted
	2	das Schlimmste für sie ist, wenn es wenig zu arbeiten gibt
	19	incredible working culture [...] they really work hard
geopolitical con- siderations/ passive state protection/ macroeconom- ics/ industrial policy	11	Die Regierung bietet vereinfachte Business Handhabung/ favorable conditions für bestimmte Themen und Branchen
	5	Es ist ein Erfolgsfaktor, wenn andere ausgeschlossen werden (z.B. neue Zertifizierungen für Medizinaltechnologie ausländischer Firmen)
	17	Government is supporting them, not financially, but as creating a significant client base
	9	extrem effiziente Wirtschaftspolitik [...] bei neuen Technologien einen Rahmen schaffen, in dem Wettbewerb gedeihen kann
	13	Es ist einfacher in China ein Unternehmen zu gründen, [...] es gibt Rückenwind und Freiheiten, [...] in Europa kommt dann gleich die Steuer und die Regierung
	15	Die grossen Player sind von China hochgezüchtet worden [...] Anti-trust/Kartellrecht
	14	Manufacturing: China has a huge ecosystem for all of that
	9	Kombination aus Innovation, Produktionsstätte und Finanzzentrum, ein Ort an dem alles passiert
	9	stabile Makroökonomie seit Jahrzehnten [...] China hat keine Auslandsschulden [...] seit der Inflation 1988 hat man immer auf Bilanzüberschuss geachtet
	6	CC ist nicht privat, mindestens geniessen die passiven Schutz und Support der chinesischen Regierung
	15	In China bekommen die noch schnell einen National Domestic Champion hin, auch mittels Protektionismus [...] technische und preisliche Führerschaft braucht es dann um die westlichen Anbieter auszusteichen

"Aufbruchsstimmung"	6	Wie Amerika vor vielen Jahren [...] Drang nach Erfolg, Ruhm und Reichtum
	10	Aus Mangelwirtschaft war die Notwendigkeit viel grösser und viele neue Ideen sind entstanden
	15	China hat einen Vorteil, da manche Technologien auf die grüne Wiese gebaut werden (kein Legacy Thema wie in USA)
	9	Unterentwickelter Markt: man hat einen extremen Nachfrage-Sog, noch sehr viel Luft nach oben
Hurdles		
Acceptance of China-Label	1, 17	Brand Equity is still very low
Ability to provide a global product	2	
Tough competition in domestic market	3,6	Jeder Unternehmenserfolg liegt auf dem Grab eines anderen
little of real Chinese brands	14	like consumer brands [...] an American can't tell you 5 really Chinese brands [...] there is no restaurant, no luxury brand
global working experience	14	Most of Chinese people never worked outside of China. In Europe it is normal that people moved across countries in their career.
Big Tech Divide	15	... dass man auf Huawei Geräten keine Android Betriebssystem mehr installieren kann [...] zwei Universen, ein Auseinanderdriften beider Technologiewelten, China und Westen
tightening of investment controls	15	Der Einkauf von China in den Westen wird weitergehen, soweit wie der Westen es weiter zulässt [...] geopolitische Überlegungen vom Westen
language barrier	17	within China, there are tons of Chinese languages
barriers abroad	19	language and culture barriers - you therefore need local and global talents in management
Future		
potential future CC	1	Die werden aus dem privaten Bereich kommen [...] da ist auch die Frage, wo sind die erfolgreichen Unternehmer

	2	Die, die in Entwicklung investieren
	3	dort, wo die nächste Digitalisierungsstufe ist
	5	Ein CC entsteht aus der Kombination zwischen Selektion und Marktwirtschaft [...] es wird industriepolitisch vorbereitet, z.B. mittels Belt & Road Initiative [...] und China 2025 [...] go global strategy
	5	"Capitalsim from below" - aus dem Wildwuchs an Start-ups haben sich einige durchgesetzt, die werden bevorzugt durch Staatsaufträge, öffentliches Beschaffungswesen und Kreditlenkung [...] aus 100 werden 2
	5	[...] 10 bekommen Kredite, 8 gehen unter, 2 gewinnen - das ist effektiv aber nicht effizient
	12	two golden words: <b>consumer demand</b> ; customer facing company: product design, positioning, target audience
	14	every company which is profiting from middle class Chinese families
increasing competition for the west	5	Chinesen denken immer in der nächsten Generation, sie wollen nicht mit Samsung konkurrieren, sondern in der nächsten Runde führend sein
	6	Für China war es immer gut, wenn man nicht auffällt, da kann man schnell wachsen [...] der Westen ist jetzt hellhörig
	12	China is really exceeding their expectations in terms of their future growth and potential
	15	Integration von China in die WTO 2001 [...] China betreibt mit der Belt & Road Initiative eine kolonialisierte Wirtschaft
	15	massive Verschiebung der wirtschaftlichen Kraft nach Asien
	16	It truly depends on technology hurdles if Chinese will rock the world
	17	huge amount of patents, China is moving ahead quite dramatically
	9	die letzten 20 Jahre waren langweilig im Vergleich zu dem, was uns die nächsten 20 Jahre erreichen wird [...] <b>China-Bashing</b>

	9	Wahrscheinlich geht eine Zeitspanne von 500 Jahren zu Ende, in der der Westen wirtschaftlich als Minderheit die Spielregeln der Mehrheit bestimmte.
new thoughts		
Regulation when power is too high	1,3	
China is a young economy	1	China ist eine junge Volkswirtschaft im modernem Sinne, da sind die Standards noch nicht so stark verankert [...] Wir im Westen haben stabile Referenzpunkte, die in China nicht
	11	Chinas economic reform is only 40 years old
political turbulences	1	Das wird die Kapazitäten und das Knowhow in China beschleunigen
Public welfare	3	Die Chinesen sind da weit voraus, die Amerikaner hinken stark hinterher und die Europäer ganz oben
	12	Companies only focusing on maximising shareholder`s value are controversial and questionable nowadays/ social impact, social responsible entities
race for patents	5	
political party loyalty	6	
near future is post-pandemic	6	
China as supplier	11	Aus China kommt so viel, ganz vieles ist dem Endkonsumenten gar nicht bewusst (Einzelteile etc.)
marginal globalized companies	12	focusing on marginal market globally, countries, which are forgotten by other countries (Africa or Middle East)
New Chinese brands	12	In the past China was the producer [...] new generation companies do have their own brands f.e. Shean
German technology companies	16	Takeover from China: It would be interested to study on that as Chinese are really interested on such information
Silicon Valley	17	they are "better" cause of India and Chinese guys they then are returning to China

merger	18	Chinese firms will merge internally, e.g. 2 big chemical companies
US partner	19	if you want to expand globally you should try to get some of the best US companies to support you (capital sight), also for US regulations [...] it will legitimize you in the rest of the world
provincial champions	8	Zu Beginn gibt es von der Provinz Unterstützung, damit sie in China erfolgreich sind [...] jemand, der provincial ist wird nicht so schnell national champion, der Gesamtstaat kann nicht eine gewisse Provinz unterstützen, das würde Einsprüche geben; Binnenpolitisch grosser Druck
elite quality index	8	Wertschöpfungspotential der Unternehmen (Grafik und Index)
Pearl River Delta	9	Pearl River Delta, Greater Bay Area, wird sehr wahrscheinlich das neue Innovationszentrum der Welt

## U Expert Interview: List of questions

### Expert interview

#### Catalog of questions for a semi-structured form of interview

The phenomenon of successful companies from China is examined in the following research project. The term *Chinese Global Champion* is defined as a preliminary working definition at the University of Bern as follows:

“A Chinese Global Champion is a company from China with top performance. It belongs to the top group worldwide and is one of the leading companies in its competitive arena. In his success story, he has effectively implemented success factors. His actions as well as his resources, and strategy predict future success. ”

#### Introduction

- Brief personal introduction
- How would you describe the relationship to China in your daily business?

#### Identification Chinese Global Champion

1. What are the characteristics of a Chinese Global Champion?
2. Who is a “Chinese Global Champion” in your intuitive description? Why?

3. What is a successful company? (in a very broad definition)
4. Who is a Chinese Global Champion in your intuitive description? Why?
6. Which measurable parameters determine the success of a Chinese Global Champion?
7. What describes a Chinese Global Champion in terms of performance?
8. How do Chinese Global Champions differ from successful companies from Europe or America, for example?
9. If you imagine current Chinese Global Champions, what would you say has led to their success?
10. Do you know any examples of company success stories from China?
11. Do you know any examples of failure of companies from China?

### Analysis

12. In your opinion, are there specific success factors for companies from China? If yes, which ones are they?
13. What hurdles have current Chinese Global Champions successfully overcome?
14. What are the differences between successful national Chinese companies and Chinese Global Champions?
15. Why have some companies made the breakthrough to become a Chinese Global Champion?
16. When I tell you the title “Success Factors Chinese Global Champions”, what keywords come to your mind?
17. Which internal success factors are essential?
18. Which external success factors are essential?

### Prognosis

19. What has been the most striking development in the last 5 years with regard to successful companies from China?
20. What forecast would you give today for the development of successful companies from China over the next 5 years?
21. What skills and resources does a company need to be successful?
22. How can you identify future Chinese Global Champions?
23. Which multi-dimensional construct is required to be a future Chinese Global Champion?
24. What would you recommend to a potential company to become a Chinese Global Champion?
25. What is the future of current Chinese Global Champions?

### Follow-up

Do you know other potential contacts for such expert interviews?



## Statutory Declaration

### Selbständigkeitserklärung Einzelarbeit

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