

“Going Global” Strategy Research: Explaining the Theory of International Business Theory

Weiwei Chen

Sichuan University Jincheng College, Chengdu, Sichuan, 61173, China

Keywords: “Going out” Strategy; International Business; Financing

Abstract: The major changes in the international and domestic economic situation have caused China to think about the issue of “going out” of Chinese enterprises, namely foreign direct investment. Under the framework of international business theory, the article analyzes the policy theory and puts forward the status quo and problems of “going out” of enterprises, and proposes to promote Chinese enterprises from the government policy formulation, the improvement of intermediary services and the enterprise itself.

1. Introduction

With the continuous improvement of the degree of opening up to the outside world, especially after joining W1, O, the pace of China's economic field and international integration has greatly accelerated [1]. How to implement the “going out” strategy under the premise of following international rules is a major issue that must be addressed in the new historical period to improve China's opening up. At present, the research on the “going out” strategy in the “10th Five-Year Plan” proposal mainly addresses the basic meanings and discusses the Chinese enterprises as a whole at the policy level. In general, existing research has not yet been established on a unified theoretical platform, and most of them remain at the level of policy interpretation and publicity [2]. Moreover, some studies pay too much attention to the macro level, ignoring the in-depth theoretical discussion on the decision-making problem of “going out” of enterprises based on the research results in the international business field. [3] With the comprehensive advancement of China's socialist market economic system, Chinese enterprises are facing unprecedented opportunities and challenges in the profound transformation of the internationalization of the domestic market and the domesticization of the international market. Only by actively participating in international competition and occupying a favorable position can Chinese enterprises continue to survive and grow [4]. More and more Chinese companies have realized this and quickly joined the ranks of “going out”. However, there are many problems in the “going out” Chinese enterprises, many of which are deep-level institutional problems, which greatly restrict the development of Chinese enterprises' international operations [5].

2. Analysis of the International Business Theory Method of “Going Global” Strategy

According to international business theory, the “going out” strategy is to serve foreign markets, including exporting products, transferring technology and direct investment to set up factories for production [6]. In fact, the “going out” strategy in most cases refers to serving foreign markets through direct investment. Therefore, people refer to the “going out” strategy, often first defining the concept of broad and narrow sense, distinguishing between commodity level and capital level [7].

Enterprises “going out” for direct investment must have firm-specific ownership advantages, and the evolution of domestic corporate ownership advantages is clearly related to the domestic economic development stage of the country (ie home country) [8]. Dunning's investment development path or cycle concept establishes the relationship between the two. The investment development path reflects the correlation between the level of economic development of a country represented by per capita GDP and its international investment position (net foreign direct

investment stock, ie, direct investment outflow minus direct stock of inflows) [9]. There is a dynamic interaction between the level of economic development and investment development. Therefore, with the continuous development of a country's economy, the conditions faced by domestic and foreign companies will also change, thus affecting the inflow and outflow of direct investment. At the same time, the inflow and outflow of direct investment also affects the economic structure [10]. It can be seen that the investment development path emphasizes that foreign investment is generally constrained by the level of domestic economic development; on the other hand, it recognizes that the government can influence the conditions of a country by creating public goods that are dependent on competitiveness, thereby affecting direct investment in the country. And the ownership advantages of domestic companies.

3. Chinese Enterprises and the Strategy of “Going Out”

3.1. “Going out” strategy implementation status

In general, the trend of China's foreign direct investment in the past has been wave-shaped, and its speed has accelerated recently. Especially since the 1990s, overseas investment has fluctuated greatly due to the adjustment of national macroeconomic policies, as shown in Figure 1.

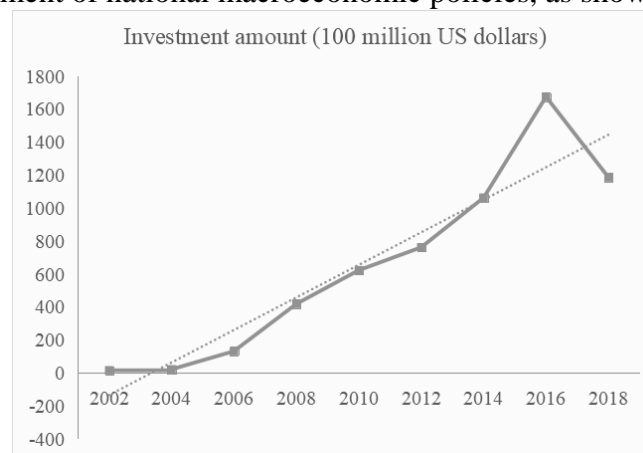


Fig.1. Foreign investment

China's overseas investment enterprises are distributed in the primary, secondary and tertiary industries. Among them, service trade, industrial production and processing, agriculture and agricultural product development, and resource development are relatively concentrated. From the perspective of business scope, China's multinational investment industry initially focused on Chinese restaurants, contracting projects, consulting, etc. Now it has begun to develop into deep-seated industries such as manufacturing and resource development, involving a wider range of industries and industries, including machine tools, machinery and other mechanical processing assembly and development of forest, fishery and mining. While Chinese trade overseas companies operate traditional import and export commodities, the investment industry has expanded to various trade-related industries, such as maintenance, transportation, finance, etc., and some even develop into productive areas. China's multinational corporations' non-trade projects have increased significantly, and product categories have expanded. In recent years, overseas processing trade has become the main form of Chinese overseas investment due to the encouragement of the state, and it has developed rapidly. Because China has certain advantages in the fields of textiles, clothing, shoes, furniture and jewelry processing, with low investment funds and quick results, the technical requirements are suitable for the economic and technological level and market demand of developing countries, and the processing industry has become China's production. A department with a relatively concentrated investment.

3.2. “Going out” to face obstacles

Since Chinese multinationals are still in the embryonic stage of development, most of them are

first-time investors, and policy makers are not familiar with the business environment around the world, and usually do not consider other alternative investment locations. Other information needed for overseas investment decisions is even more lacking. Therefore, Chinese enterprises' foreign direct investment decisions are always unsatisfactory. Chinese companies face international and domestic obstacles in their foreign investment. A careful analysis of these obstacles and the identification of coping strategies are important prerequisites for Chinese companies to successfully implement the "going out" strategy. The international obstacles are mainly the restrictions on foreign investment in certain countries, as well as political risks. Domestic obstacles can be divided into two categories. One is the obstacles faced by the company's own strength: one is the policy environment barrier, mainly the excessively strict overseas investment approval system, foreign exchange management system, and export management system.

Chinese companies generally encounter international obstacles such as political risks, restrictions on cross-border movements, cumbersome procedures, investment barriers, and poor social environment, and the obstacles encountered in different host countries vary. Developed countries generally have fewer restrictions on foreign investment, and government management is more standardized. However, the market is mature and the competition is fierce. It is not easy for Chinese enterprises to stand in the market competition, and it is difficult for Chinese employees to obtain visas. There are relatively few market gaps in developing countries, countries such as the former Soviet Union and Eastern Europe, but there are also many investment barriers, and the government management is not standardized and the social environment is not good.

Since international investment is conducive to the rational flow of global capital, resources, technology and other production factors, the Chinese government is paying more and more attention, and some enterprises also have the enthusiasm for foreign investment. However, at present, the government still has many problems in this respect: on the one hand, the relevant government departments have not yet formulated a specific and complete strategic guideline for guiding overseas investment by domestic enterprises; on the other hand, many existing policies are not clear enough, lack of operability, and are difficult to adapt. New development situation.

3.3. "Going out" implementation strategy

Investing in overseas investment is different from investing in China. It requires the government to formulate special policies and adopt special measures to support and protect it, such as providing appropriate incentives, providing overseas investment guarantees, and setting up venture funds. These incentives and protection measures can not only reduce the external risks of corporate investment, but also effectively guide the flow of overseas investment. For some projects with large investment scales, especially those projects that have long-term economic benefits but have long-term strategic significance and long-term benefits, the government not only needs to play a coordinating role, but also needs to directly support enterprises in terms of funds and policies. of course. The government's financial support and special protection measures must be based on specific needs and actual conditions, and should be conducive to the realization of the overall investment strategic objectives, and prevent such incentives from becoming mismanagement and operational benefits. Poor business care. At the same time, when the government formulates policies, it must also pay attention to the fact that it cannot interfere with the specific business operations of the company in the name of support.

The development of overseas enterprises in China should be combined with the national economic development strategic plan, give full play to the superiority of socialism and the comparative advantages of enterprises, and strive for the best operational benefits. It is imperative to formulate medium- and long-term development plans for Chinese multinational corporations, incorporate the development of multinational corporations into the unified planning of national social and economic development, and formulate long-term development goals. The state should implement a policy of key tilts to encourage enterprises to go abroad and implement transnational Business strategy. The main content of the plan should include the overall scale of foreign investment, investment area, industry choice, investment method, investment subject, financing

strategy, minimum entry scale and preferential policies that can be enjoyed, and provide guidance and assistance for transnational business operations.

The domestic parent company should rid itself of the current domestic system management model for overseas subsidiaries, boldly introduce private enterprises and foreign business management mechanisms, actively try public-private business methods, establish an internationally-accepted corporate governance structure, and implement effective incentives. The mechanism, the restraint mechanism and the employment mechanism enable overseas enterprises to integrate with the operating rules of the local market and international practices as soon as possible. The overseas business operators must assume the responsibility of investing in capital preservation and appreciation for the parent company; give full play to the supervisory functions of the board of directors and the board of supervisors; improve the accounting system of overseas enterprises, implement the accounting accreditation system, and give full play to the host country registration according to international practice. The role of accounting firms; the implementation of an effective wage system in line with international practice, effectively linking the income of overseas business management personnel with corporate benefits; promoting market-oriented training and screening methods for multinational management personnel. For overseas enterprises with sound financial systems, sound financial data, and outstanding business performance, the domestic parent company may test the stock options and employee stock ownership system of managers according to the relevant regulations of the Ministry of Finance. In order to ensure the sound management of overseas investment projects, the Ministry of Commerce, the Ministry of Finance, the Export-Import Bank and the network of foreign-invested business offices should be established. Whether the report submitted by the enterprise is true, whether there is illegal transfer of domestic assets, and engaging in unauthorised investment projects or supervision of third country investment, accounting books and property handling. The year-end assessment of the overseas management personnel of state-owned enterprises shall be carried out in a timely manner. Conduct annual inspections on the operation of overseas investment enterprises, and suspend various preferential policies for enterprises that have not participated in the annual inspection or failed the annual inspection. The selection of financial personnel of overseas investment enterprises shall be jointly decided by the personnel and accounting departments of domestic investment units, and the registration form for financial personnel of overseas enterprises shall be filled out and reported to the financial department for record. If there is no justifiable reason for overseas investment enterprises to not recover the earnings of foreign investment, there will be no profit recovery performance for five consecutive years after the foreign investment or more than one year without continuous reasons for the continuous suspension of business for five consecutive years, and that the foreign capital will be digested for five consecutive years. The department will revoke its business certificate according to certain procedures, cancel its import and export operation rights, list it in the list of bad enterprises, and will investigate the economic responsibility of the investment project legal person.

The general associations and branches of various industry associations shall scientifically and fairly determine the qualifications required for enterprises to conduct overseas investment in accordance with the national and local overseas investment industry guidance catalogues: determine the target market according to industry advantages, product characteristics and investment motivation; strengthen domestic parent companies And the contacts, exchanges and communication between overseas enterprises, learning from the experience and lessons of overseas investment management; and reasonably determining the intensity of similar enterprises in the same target market.

4. Conclusion

The “going out” strategy has been implemented for a certain period of time in China and has achieved certain results. The article focuses on theoretical analysis from the perspective of international business, and evaluates the “going out” of existing enterprises. To solve the problem of “going out” requires the joint efforts of the government, enterprises and industry associations and

intermediaries to promote it. In order to promote the smooth implementation of the “going out” strategy, the government should adopt a medium- and long-term development plan for China's multinational corporations, establish a foreign investment management coordination agency, improve foreign investment laws and regulations and policy systems, and strengthen the construction of foreign investment information service systems. Intermediaries and industry associations should actively play the role of industry planning and information services, and provide world-class legal, accounting, and consulting services.

References

- [1] Michael B, Wojcik D, Arner D , Lin C, Tong W H S, Zhao S. What Determines M&A Legal and Financial Advisors’ Competitiveness in an International Financial Centre: Using China's Going Out Policy as a Natural Experiment. *Econstor Preprints*, 2015 749 (1) 51-56.
- [2] José Francisco Landaeta Olivo, Javier García Guzmán, Colomo-Palacios R, Stantchev V. IT innovation strategy: managing the implementation communication and its generated knowledge through the use of an ICT tool. *Journal of Knowledge Management*, 2016 20 (3) 512-533.
- [3] Technology transfers, foreign investment and productivity spillovers. *European Economic Review*, 2015 76 168-187.
- [4] Schepel, Harm. M. Sornarajah. Resistance and Change in the International Law on Foreign Investment. *European Journal of International Law*, 2015 26 (4) 1050-1052.
- [5] Johns L, Wellhausen R L. Under One Roof: Supply Chains and the Protection of Foreign Investment. *American Political Science Review*, 2016 110 (01) 31-51.
- [6] Malesky E J, Gueorguiev D D, Jensen N M. Monopoly Money: Foreign Investment and Bribery in Vietnam, a Survey Experiment. *American Journal of Political Science*, 2015 59 (2) 419-439.
- [7] Rogers D, Lee C L, Yan D . The Politics of Foreign Investment in Australian Housing: Chinese Investors, Translocal Sales Agents and Local Resistance. *Housing Studies*, 2015 30 (5) 730-748.
- [8] Sornarajah, M. Resistance and Change in the International Law on Foreign Investment || The precursor of neoliberalism: internationalization of foreign investment contracts. 2015 10 (2) 78-135.
- [9] Janus T, Riera-Crichton D. The output effect of gross foreign investment reversals. *Oxford Economic Papers*, 2015 67 (2) 356-379.
- [10] Wortman T, Donaldson R, Van Westen G. ‘They are stealing my island’: Residents’ opinions on foreign investment in the residential tourism industry in Tamarin, Mauritius. *Singapore Journal of Tropical Geography*, 2016 37 (2) 139-157.