

## CMNEs Overseas Expansion: Structural Embeddedness or Relationship Embeddedness?

--A Case Study of Sichuan Changhong Electric Co., Ltd.

Chen Qiqi<sup>1,a</sup>, Shi Xuanya<sup>1,b</sup> and Du Yifei<sup>1,c,\*</sup>

<sup>1</sup>School of Management and Economics ,University of Electronic Science and Technology of China, Xiyuan Avenue, West Hi-Tech Zone, China

<sup>a</sup>806855171@qq.com, <sup>b</sup>245549129@qq.com, <sup>c</sup>duyf@uestc.edu.cn

\*corresponding author

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**Abstract.** In the face of “liability of outsidership”, proper embeddedness way is crucial for CMNEs to break down potential market barriers and integrate into the host country market environment. Based on the network embeddedness perspective, this paper takes a case study of Changhong’s overseas expansion in the United States, Indonesia and Europe, analyzing the impact of structural embeddedness and relationship embeddedness on the overseas expansion of CMNEs and looking for the general model embedded in overseas markets. The research finds the following points. Firstly, under the condition of owning certain advantage, the structural embeddedness method can promote overseas expansion relatively quickly. Secondly, relationship embeddedness is a necessary condition for CMNEs to overcome the “liability of outsidership” and achieve continuous expansion. Thirdly, what structural embeddedness and relationship embeddedness are used concertedly can achieve the balance between business development and relationship maintenance accomplishing the virtuous circle of overseas expansion. This paper reveals the impact of network embeddedness on the overseas expansion of CMNEs and summarizes the general model of network embeddedness which can provide theoretical guidance for the overseas expansion of other Chinese companies.

### 1. Introduction

Ramamurti and Hillemann (2018) proposed the concept of CMNEs(Chinese Multinational Enterprises), Pointing out that CMNEs have significant differences with multinationals coming from other countries.<sup>[23]</sup> In the process of reform and opening in the past forty years, CMNEs have grown from weak to strong. After decades of accumulation, they gradually got rid of the “liability of latecomer”. However, the resistance of CMNEs internationalization has not decreased with the elimination of disadvantages such as technology and scale, and even the resistance has further increased, such as the US sanctioning against ZTE and Huawei. Because of ideology and national interests, the overseas expansion of CMNEs faces a greater “liability of outsider” than other multinational enterprises.

The traditional overseas expansion theory based on multinational enterprises in developed and emerging market countries thinks CMNEs overcome the “liability of outsider” from the perspective of latecomer advantages, inward internationalization and mergers and acquisitions. For example, the Uppsala model emphasizes the gradual overseas expansion process.<sup>[16]</sup> “Springboard Theory” proposes a radical internationalization model.<sup>[18]</sup> OLI paradigm emphasizes comparative advantage.<sup>[10]</sup> Buckley's “world factory” theoretical solution.<sup>[7]</sup> The LLL model emphasizes linkages to host markets and leveraging external resources and learning new knowledge.<sup>[19]</sup> These findings largely explain the overseas expansion paths and patterns of CMNEs. However, the overseas expansion of CMNEs has both a radical approach and a gradual one. It includes both external expansion under comparative advantage and expansion without comparative advantage. It not only attaches importance to the establishment of market connections with host countries, but

also emphasizes the maintenance of network relationships. Therefore, there are other ways for CMNEs to expand overseas markets, and further research is needed to supplement the original results. Wang Guoshun and Liu Ruosi (2009), Du Yifei, Shi Xuanya and Chen Qiqi (2018) and other scholars believe that they should be included in the social network theory.<sup>[1,3]</sup> Further research should be from the perspective of social network theory to study the uniqueness of CMNEs overseas expansion, three ways to overcome the “liability of outsider” and the inner strength. On this basis, based on the research results of previous scholars in this field, this paper studies the overseas expansion behavior and mode of CMNEs from the perspective of social network.

## **2. Literature Review**

### **2.1. Literature Review of Network Embeddedness Theory**

Granovetter (1985) argues that economic activity is embedded in social networks and subdivides network embeddedness into network relationship embeddedness and structural embeddedness.<sup>[13]</sup> Relationship embeddedness refers to the binary transaction relationship between network participants based on mutual benefit, including the mutual understanding and trust<sup>[5]</sup>. The strength of the relationship is measured by the frequency of interaction, intimacy, emotional intensity, and reciprocal exchange<sup>[12]</sup>. Structural embeddedness refers to the network relationship structure formed by the location of network members and the relationship between them. And It impact the economic behavior and output. Structural embeddedness allows two or more parties to form a larger network<sup>[2]</sup>, and in which they occupy location nodes to achieve cooperation. Network density and concentration are common measures to measure whether a structured network is beneficial to a network's main body.

Later, scholars conducted more in-depth research on the basis of Granovetter. McEvily and Marcus (2005) studied the relationship between relationship embeddedness on trust, information sharing, and joint problem solving and corporate competitiveness.<sup>[20]</sup> Wang and Altinay (2012) believed that network relationship embeddedness had a positive impact on entrepreneurship.<sup>[24]</sup> Burt (1992) proposed the “structural hole” theory on the basis of structural embeddedness and believed that the position of the subject in the network was in contact with other non-directly related subjects, that is, the location of the structural hole, which could bring Advantages of information and resources.<sup>[8]</sup> On the contrary, there were some disadvantages in the position of unstructured holes. McEvily and Zaheer (1999) studied the impact of embedded structural positions on actor behavior and performance.<sup>[21]</sup>

With the expansion of the influence of network embeddedness theory, it was quickly adopted by international business scholars. Al-Laham and Souitaris (2008) believed that the international organization embedded in the local network relationship could obtain a higher reputation level.<sup>[6]</sup> Wang Guoshun and Liu Ruosi (2009) proved that network embeddedness had a positive impact on CMNEs exports.<sup>[3]</sup> Du Yifei, Shi Xuanya and Chen Qiqi (2018) proposed the “network embeddedness-resource connection” model of CMNEs internationalization.<sup>[1]</sup> They argued CMNEs used the network embeddedness method to enter the global network, actively released the connection, and obtained key resources to achieve international breakthrough, in the internet era.

### **2.2. Literature Review of the Internationalization Process Research.**

The traditional internationalization theory argues that the internationalization of MNEs (Multinational Enterprises) is a process of expanding from the local to the overseas, facing “liability of foreignness”<sup>[15]</sup>, due to lacking of knowledge about the host country market. In order to overcome the “liability of foreignness”, Johanson and Vahlne proposed the Uppsala internationalization model. It considers that the internationalization of MNEs is a gradual process, which needs to gradually penetrate the host country market and promote the mutual evolution between knowledge and market commitment.<sup>[16]</sup> Dunning(1980) proposes the OLI paradigm and believes that the company has a comprehensive view of its ownership advantage, location

advantage and internalisation.<sup>[10]</sup> Only have MNEs comparative advantage between the host country's competitors, they would expand internationally.

However, with the rapid growth of the economies of emerging countries, their companies are gradually starting to expand overseas. In response to the overseas expansion of emerging multinational enterprises (EMNEs), the academic community believes that it not only faces “liability of foreignness”, but also has significant differences from traditional developed countries, and faces “liability of latecomer”.<sup>[9]</sup> EMNEs fall behind in terms of technology and resources. it is necessary to not only focus on existing resources, , but also to acquire external resources of overseas expanding, as well as appropriate complementary strategies and organizational forms.<sup>[19,22]</sup> In this regard, the theory of inward internationalization believes that developing countries can obtain strategic resources such as foreign management and technology by participating in the global division of labor, realizing domestic industrial upgrading, and then expanding overseas.<sup>[7]</sup> Springboard theory believes that EMNEs, as latecomers, have the advantage of “latecomers”. They can directly use the latest technology and achieve the most reasonable scale through mergers and acquisitions, and learn about internal knowledge through mergers and acquisitions, quickly understand technology and market knowledge, and achieve international<sup>[18]</sup>. The LLL model considers Linking assets in developed countries, Levering overseas business opportunities, and learning international knowledge in the process, and iterates through cycles to achieve internationalization.<sup>[19]</sup>

With the changes of the subject, scholars have incorporated the network embeddedness theory into international research. Johanson and Vahlne(2013) revise the original Uppsala model, arguing that the prerequisite for corporate internationalization is embedded in the host country's network of relationships and building trust and commitment to equip the market knowledge.<sup>[17]</sup> At the same time, on the basis of this, they put forward the “liability of outsidership”, and believe that multinational enterprises are in a disadvantaged position in the internationalization because they are not embedded in the host country market network. Dunning (2001) revise the understanding of the advantages of ownership and location from the perspective of the network, and believes that it not only including the internal advantages of the enterprise, but also incorporated the advantages of the “enterprise alliance” formed by the relationship.<sup>[11]</sup> Mathews (2006) proposes the LLL model, emphasizing the link with the host country market, and it has a strong network embeddedness thoughts.<sup>[19]</sup> Wang Guoshun and Xie Gaofeng (2008) proposed an analytical framework of “network relations-network capital-international growth”, arguing that enterprise internationalization is actually the process of continuously constructing, developing and utilizing international relations networks.<sup>[4]</sup>

### 2.3. Literature Summary and Theoretical Framework

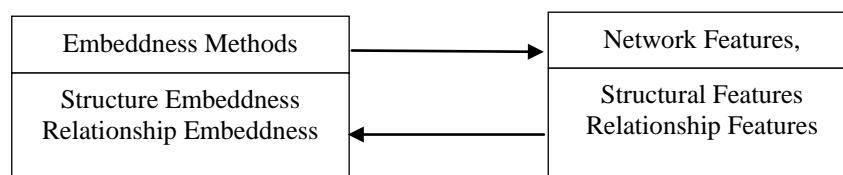


Figure 1 Theory Analysis of Network Evolution about Changhong Internationalization

In summary, the internationalization process of CMNEs and DMNEs , EMNEs are significantly different. Based on this, as shown in Figure 1, this paper analyzes the evolution of Changhong's network in the internationalization process of three overseas markets in the United States, Indonesia and Europe. The theoretical framework is divided into two parts: embeddedness methods and network feature. The first part is the embeddedness method. According to Granovetter (1992), This paper divides embeddedness methods into structural embeddedness and relationship embeddedness. The second part is the network features, which consists of structural features and relationship features. In the analysis of structural features, this paper analyzes the three aspects of density, concentration and structural holes. In the analysis of relationship characteristics, this paper analyzes from two aspects: strong relationship and weak relationship.

### **3. Research Design**

#### **3.1. Research Methods and Case Selection**

This paper uses the explanatory case study method to analyze the materials collected by the social network theory analysis paradigm, and explores the influence of the embeddedness model on the network characteristics in the process of CMNEs internationalization, and then explains its impact on the overseas expansion effect.

This paper selects Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as Changhong), process of overseas expansion in the United States, Indonesia, and Europe as a case study. There are two main reasons for this: (1) Changhong is one of the leading enterprises in China's home appliance industry. It has a long history of overseas expansion, and its research is representative and can provide reference for similar enterprises. (2) Changhong's overseas market expansion in the United States, Indonesia and Europe has chosen different embeddedness models, which have different effects on its overseas expansion effect. The research on network embeddedness is typical.

#### **3.2. Data Collection**

Based on the triangulation method of data source requirements in case studies, this paper adopts a variety of methods to obtain case study materials ensuring that case materials can complement and verify with each other. The data sources of this paper mainly include: (1) semi-structured interviews, face-to-face or written semi-structured interviews with Changhong Overseas Expansion Business, Strategy and other department heads are total 6 times. (2) News Events in Baidu News Database. This article uses advanced search, using keywords of “Changhong+USA”, “Changhong+Indonesia” and “Changhong+Europe”, and obtains 246 copies of various documents. (3) company annual report. This article obtains Changhong's 1994-2017 annual report from China Securities and Changhong official website, and extracts overseas from them. (4) Getting the historical events of the company from the official website or authoritative website. This article obtains different versions of Changhong Memorabilia from Changhong's official website and authoritative website, and obtains information through refining and multi-party verification. During the material collection process, the research members conducted repeated discussions and verifications to sort out Changhong's major events and processes in the United States, Indonesia and Europe.

### **4. Case Description and Analysis**

#### **4.1. Background of Changhong's Overseas Expansion**

From 1988 to 1998, Changhong was supported by the State Council for Foreign Trade and Economics. It imported a large number of production equipment, production lines and production technologies from overseas, and gradually completed digestion and absorption. The production capacity and technical level quickly stood out among more than 100 home appliance companies in China and occupied the domestic market quickly. Changhong became a leading enterprise in the home appliance industry. At the same time, the domestic market was rapidly saturated, and companies such as Changhong were facing tremendous pressure to digest capacity. Therefore, Changhong must quickly opened up overseas markets to maintain development.

#### **4.2. Process Review**

##### **4.2.1. Changhong's Expansion in the US Market**

- (1) Phase 1: rapid growth of product exports (1999-2004)

In 2001, Changhong began to enter the US market in the form of a single OEM export. The partner is Apex Digital Inc. (hereinafter referred to as APEX). The specific way was that Changhong sold the product to APEX company by credit sales. After APEX obtaining the goods, it attached the company's trademark and then sold them to American consumers. In this cooperation model, APEX opened sales channels at a low price, and Changhong supplied APEX with production by its low production cost and high production capacity. As a result, Changhong's overseas sales jumped rapidly from 0 to 5.541 billion yuan, of which 91.41% came from APEX. On this basis, Changhong set agency office in the United States to keep connection with APEX, and other market transactions were handled by APEX.

(2) Phase 2: sudden suspension of expansion (2003-2004)

In May 2003, Changhong's large-scale sales provoked a strong reaction from the US market, and was levied a 26.37% anti-dumping duty by American government. As Changhong and APEX developing their markets in a low-cost way, their profits were meager and they couldn't afford anti-dumping duties. At the same time, APEX's outbreak of huge debt problem. In 2004, under the impact of anti-dumping sanctions in the United States, the debt crisis of APEX broke out. And APEX was unable to repay Changhong's accounts receivable more than 460 million dollars. Changhong had to terminate its cooperation. Therefore, Changhong lost its original dependence on sales channels, and the expansion of the US market had experienced a "cliff-style" suspension.

(3) Phase 3: Changhong opens up the US market once again and carries out localization

After 2004, unlike the previous expansion methods, Changhong chose to establish informal contacts with relevant entities in the US market, fully contacting and understanding the market environment to discover and build business opportunities. Changhong engaged in strategic cooperation with Fairchild, GE, IBM, successively. On this basis, in 2014, Changhong established a wholly-owned subsidiary "North American R&D Center Co., Ltd." in California, and Changhong Subsidiary – Guangdong Changhong established a subsidiary in Changhong USA Inc., marking Changhong's re-opening of the US market. And localization.

#### **4.2.2. Changhong's Expansion in the Indonesian Market**

(1) Phase 1: Export of products and technologies (1999-2007)

In this stage, Changhong's expansion in the Indonesian market was mainly through the export of products and technologies, and on this basis, established Indonesian offices. The main events were as follows. In 1999, Changhong successfully exported to Indonesia with the quality and price advantage of its products. In 2000, Southeast Asia was selected as a key overseas market and began to cultivate stable distributors. From 2000 to 2002, TV and air-conditioning production technology was exported to Indonesian manufacturers in the form of technology output. In 2002, with the export of products and technology, Changhong has set up an overseas office in Indonesia to handle local affairs. In 2005, Changhong signed a cooperation agreement with Indonesian partners to establish a joint venture company in Indonesia.

(2) Phase 2: localized production and brand building (2008-present)

In 2008, Changhong and its Indonesian partner established Changhong Indonesia Electric Co., Ltd. in Jakarta. The main business was the production and sales of household appliances with external power supply, which means that Changhong begun to be localized production and sales. In the same year, Changhong proposed to concentrate resources in overseas markets such as Indonesia and the Czech Republic to build a free brand market and significantly reduce OEM customers. Since 2010, Changhong had provided special fund support for the branding and sales network construction of overseas markets. From 2009 to 2013, Changhong brand building achieved remarkable results in Indonesia and was awarded "TOP CHINA'S BRAND" for years. In 2011, Changhong successfully obtained the approval of Indonesian Customs and established a bonded factory warehouse near the Jakarta factory, which reduced the cost of customs clearance. It could be seen from the above main events that Changhong's main expansion methods at this stage were localized production and overseas brand building.

### 4.2.3. Changhong's Expansion in the European Market

#### (1) Phase 1: Product Export (1999-2006)

Due to the high anti-dumping tax imposed on China's home appliances by Europe, Changhong's product exports at this stage were relatively small and moderate. In 1999, Changhong exported its products to the UK, and began to consciously develop the European market, and gradually developed the European market through cooperation with local distributors. In 2001, Changhong set up an office in Europe, responsible for information collection, transaction processing and overseas talent development in the European market.

#### (2) Phase 2: localized production and brand building (2006-2012)

In this phase, in order to overcome the tax barriers and reduce production costs, Changhong began to change its expansion strategy in the European market to implement localization. In 2006, Changhong selected Eastern Europe as a breakthrough point in the European market and established European Changhong Electric Co., Ltd. in Prague for local production. On the basis of Eastern Europe, Changhong further marched into Western Europe. In 2011, it set up a marketing center in Germany, established brand offices in France and Italy, and gradually opened up the Western European market. In terms of brand building, in 2008, Changhong began to focus on brand building in overseas markets and proposed to concentrate resources on promoting its own brands. In 2010, Changhong set up special funds for the establishment of overseas brand promotion and sales channels. And Changhong participated in activities such as the Berlin International Consumer Electronics Show in Germany, and continuously expanded its own brand influence.

#### (3) Phase 3: deepening localization and spreading to the surrounding (2013-present)

On the basis of the internationalization in the first two stages, Changhong continued to advance its overseas process, on the one hand deepening the degree of localization in the Czech Republic, and on the other hand, continuously entering the Western European countries such as Germany. In terms of deepening the localization in the Czech Republic, in 2016, Changhong set up a research and development base in the Czech Republic to improve product research and development. In the same year, it participated in the Czech government's "Czech-China Industrial Park" construction, establishing close ties to consolidated Europe's "base camp". In the process of entering Western Europe, in 2013, Changhong established Changhong Deutschland GmbH, Engaging sales and after-sales service. On the basis of the German marketing center; Changhong insisted on participating in the International Consumer Electronics Show in Berlin, Germany, Sponsoring the Italian Football League and the Belgian national football team to expand the influence of Changhong brand and gradually penetrate into the Western European market.

### 4.3. Process Analysis

#### 4.3.1. Analysis of the Expansion Process of the US Market

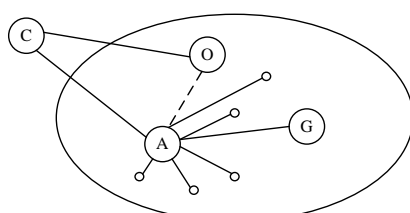


Figure 2 First Phase

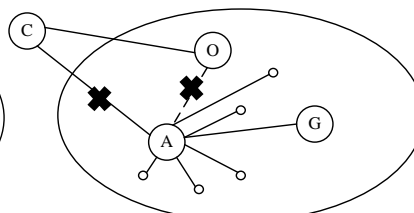


Figure 3 Second Phase

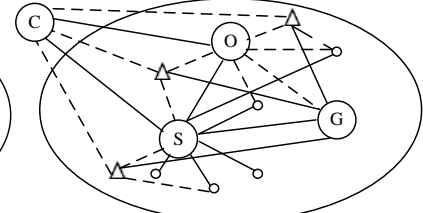
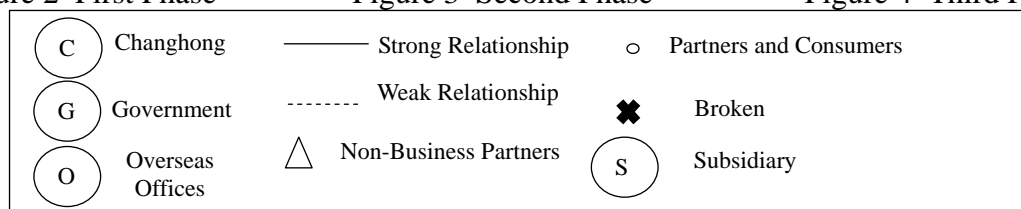


Figure 4 Third Phase



From the perspective of network embeddedness, according to the above process description, it can be seen that Changhong's expansion in the three phases of the US market is as follow. The first phase is structural embeddedness, and the US market is rapidly developed. The second phase is over-reliant on structural embeddedness, and the expansion appears to be cliff-style" suspension. The third phase is relationship embeddedness into the US market and to incite business opportunities. In the three phases, the network structure and relationship characteristics of Changhong and the US market are shown in Figure 2, Figure 3 and Figure 4.

From the perspective of structural characteristics, in the first Phase, the network density, concentration are low. There is an obvious structural hole. When initially entering the US market, Changhong is only responsible for product supply, sales and other market businesses relying entirely on APEX. It results in fewer entities in the network, relatively simple connections between entities, low degree of overlap, and low network density. Changhong's office only focuses on APEX, and pays less attention to other market players, and Changhong's contacts with US retailers, consumers and the government passes by APEX. Therefore, in the network, Changhong has a structural hole with the US government, consumers, retailers and other entities, making Changhong's connection with the US market single and fragile. In the second phase, due to the debt crisis of APEX and anti-dumping sanctions, the connection between Changhong and APEX is broken, and the network structure is disappeared. In the third phase, the network density is high, the concentration is high, and there is no structural hole. Changhong engages in non-business cooperation and integrates Fairchild Semiconductor, GE and IBM into the relationship network. At the same time, Changhong Subsidiary's business in the United States integrates partners, consumers and governments into the network structure.. This series of measures have increased the density of the network structure and concentrated it to Changhong and its subsidiaries. The structural hole has been eliminated.

From the perspective of relationship characteristics, there is a large amount of import and export trade between Changhong and APEX. The two are strong relationships. The US office belongs to Changhong's internal organizations and there is a strong relationship. It has no direct business relationship with APEX and there is a weak relationship. APEX has established strong relationships with governments, retailers and consumers in the US market. Therefore, Changhong is mainly a strong relationship formed by the convergence of business relationships. The less weak relationship makes Changhong less likely to acquire US information and market knowledge. In the second phase, all connections between Changhong and the US market are brokes. In the third phase, the weak relationship drives the strong relationship, and the strong relationship is reasonable. Through non-business partners and US offices, Changhong has released a large number of weak relationships, and widely obtains market information. Changhong establishes a US subsidiary based on the week relationships. That has made weak relationships upgrade. Changhong has established strong relationships with US consumers, retailers and government. This makes Changhong able to conduct trade business through strong relationships, and learn market environment and market knowledge through weak relationships.

#### **4.3.2. Analysis of the Expansion Process of the Indonesian Market**

From the perspective of the network, it can be seen from the above description of the process that Changhong's two phases of expansion in Indonesia are as follow. The first phase is to open up the Indonesian market by means of structural embeddedness. The second phase is to implement the localization strategy by means of relationship embeddedness. The network structural and relationship characteristics of the two expansion phases are shown in Figure 5 and Figure 6.

From the perspective of structural characteristics, in the first phase, the network density is low, the concentration is high, and there is no structural hole. Changhong conducts import and export trade of products and technologies at this phase, participating in fewer market entities, relatively simple connections, and low network density. Because both import and export trades and overseas offices are associated with Changhong, all connections are concentrated in Changhong, and most of them are directly connected. In the second phase, the network density is increased, the

concentration is high, and there is no structural hole. Due to the establishment of Changhong Indonesia, Changhong has access to more market entities. The number of entities in the network has increased, and the entities that were originally associated with the office have also established connections with Changhong Indonesia. The connections between the entities have begun to cross and overlap. The density is increasing, while the concentration is still concentrated around Changhong, maintaining a high level. Because Changhong Indonesia is fully embedded in the Indonesian market, there is no structural hole.

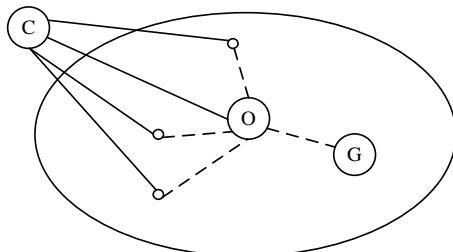


Figure 5 First Phase

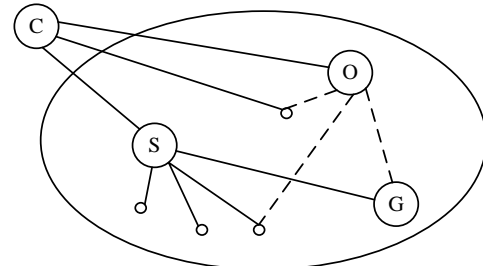
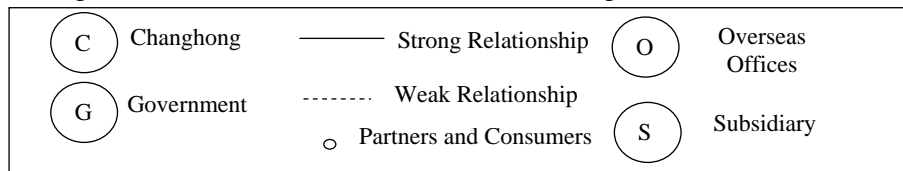


Figure 6 Second Phase



From the perspective of relationship characteristics, in the first phase, the relationship between Changhong and Indonesian importers and exporters was formed through strong relationships due to business contacts. Changhong Indonesia Office to collect information and handle affairs and no business and other in-depth cooperation, in Indonesia. so it has weak relationships with Indonesian companies, consumers and the government. Because Changhong has no contact with the Indonesian government except tariffs, it is more indirect links through the Indonesian office. In the second phase, due to localized production, bringing economic growth and employment to the local area, Changhong and the government have established a relationship of mutual help, forming a strong relationship. The office still maintains a weak relationship with the market players. In the network, the strong relationships centered on subsidiaries and the weak relationships centered on offices intersect with each other.

#### 4.3.3. Analysis of the Expansion Process of the European Market

From the perspective of network embeddedness, according to the above process description, it can be seen that Changhong's three phases of expansion in the European market are as follow. The first phase is structural embeddedness and the market is opened. The second phase is the localization by relationship embeddedness. The third phase is deepening the degree of localization and expanding to the surrounding areas by means of using structural embeddedness and relationship embeddedness coordinately. The network structure and relationship characteristics of Changhong and the European market are shown in Figure 7, Figure 8, and Figure 9.

From the perspective of structural characteristics, in the first phase, the network density is low, the concentration is high, and there is no structural hole. Changhong has established ties with some retailers and consumers, and has no direct contact with other market players. After establishing an office, it has established contacts with the government and enriched contacts with retailers and consumers. In the network, the number of entities is still small, the connection is single, and the network overlap between the entities is small and the density is low. But all connections are formed around Changhong and the concentration is high. In the second phase, the network density and concentration increase. Changhong established a European subsidiary, and sends affiliated overseas institutions to establish contacts with more partners, consumers and the government. Because European subsidiaries and offices are fully embedded in the local network, the connection is released around itself. Network concentration continues to increase. In the third phase, network



density and concentration continue to increase. New non-business partners, subsidiary, and dispatched organizations are added to the network. Network connections and density are increased. Changhong establishes contact with non-business partners to increase its own branch offices in the network, making all connections Both directly and indirectly point to Changhong, and the network concentration continues to increase.

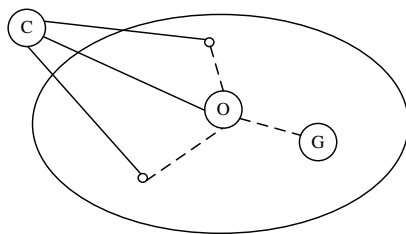


Figure 7 First Phase

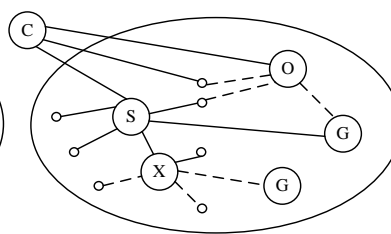


Figure 8 Second Phase

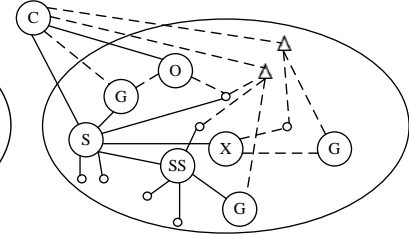
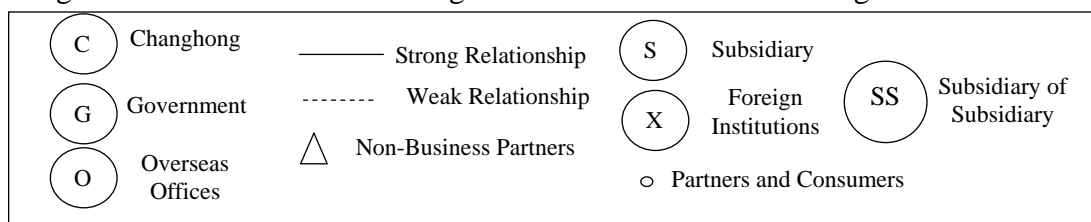


Figure 9 third Phase



From the perspective of relationship characteristics, in the first stage, Changhong is connected with partners and consumers through product trade. there are strong relationships. Connections of Changhong and its offices belongs to the subordinate relationship. It is a strong relationship. The office is only Changhong's transaction processing and information collection agency in Europe, which assists the development of Changhong business. So its connection with European market entities is weak relationship. The network character presents a strong relationship, supplemented by weak relationships..In the second phase, Changhong successfully inters into the European market through the establishment of European subsidiaries and brand promotion, and established strong relationships with local governments, partners and consumers. At the same time, due to the establishment of sending offices in Germany, France, Italy and other countries, Changhong has established strong relationships with some of these countries. And due to the local agencies collecting market information, release a large number of weak relationships. Therefore, at this phase, Changhong has increased its connection with the European market, and the distribution of strong and weak relations tends to be balanced. In the third phase, due to Changhong's further internationalization measures, the number of strong and weak relationships are increased. In terms of strong relationships, the establishment of German Changhong enhances the trust of Western European partners and consumers to Changhong. Changhong establishes a good mutually beneficial and win-win relationship with the German government. in terms of weak relationships, through the sponsorship of Serie A, the Belgian national team, etc. Closing the psychological distance with consumers and other entities, constructing an information interaction bridge and forming a large number of weak relationships.

## 5. Overseas Expansion Process of CMNEs: Two-Wheels Driving by Structural Embeddedness and Relationship Embeddedness.

In the early days of overseas expansion, due to lack of understanding of the market environment and social connections, CMNEs exploited the advantages of cost and technology to open up overseas markets. The analysis of Changhong's three overseas market expansions shows that structure embeddedness is an effective way to promote overseas expansion faster. In the US market, through the “Changhong-APEX-company-retail channel-US consumer” connection structure, Changhong has rapidly opened maket. In the Indonesian market, the “Changhong-Indonesia Partner-Indonesia Consumer” connection structure is used to realize the export of products and technologies. In the European market, although it is anti-dumping duties. Changhong still relies on

“Changhong-Importer -the consumer” connection structure enables the export of products. Therefore, this paper proposes the following proposition:

**Proposition 1: Under the condition of comparative advantage, the structural embeddedness can promote the overseas expansion of CMNEs faster.**

In the process of localization in overseas expansion, the relationship between CMNEs and host market entities of trust, information sharing and mutual aid is the necessary condition for CMNEs. The relationship is important to incite external resources and embed the social network of the host country. The construction of such relationships requires CMNEs to be gradually inter into the host country market by means of relationship embeddedness. Changhong establishes a localized subsidiary, cooperates with non-business partners, and builds a good relationship with the host country of the host country in the USA. In Indonesia and Europe, Changhong is through the establishment of the subsidiary, building strong relationships by relationship embeddedness. It improves the degree of trust and the consistency of interests of Changhong and host countries. Therefore, this paper proposes the following proposition:

**Proposition 2: In network embeddedness, relationship embeddedness is a necessary condition for CMNEs to be localized.**

The overseas expansion of CMNEs is composed of market development and localization. The single structural embeddedness or relationship embeddedness has its own emphasis and cannot balance the two objectives. From the results of this paper, on the expansion of Changhong's three overseas markets, in the first and second stages of Indonesia and Europe, the structural embeddedness is the leading, the relationship embeddedness undertaking as the expansion path. And the market development and localization are successfully realized. In the European market, the third phase, there is a two-wheels driving by structural embeddedness and relationship embeddedness, promoting localization and market expansion simultaneously. Therefore, this paper finds that structural embeddedness and relationship embeddedness are not completely opposite. They can complement with each other and coordinate business expansion and relationship maintenance in overseas expansion. Based on this, this paper proposes the following proposition:

**Proposition 3: Structural embeddedness and relationship embeddedness are applied coordinately, that can achieve business development and relationship maintenance balance, and achieve a high level of overseas expansion.**

## **6. Theoretical Enlightenment and Research Limitations**

### **6.1. Theoretical Enlightenment**

First of all, based on the network embeddedness perspective, this paper reveals the potential process of CMNEs to overcome the “liability of outsider” to achieve overseas expansion through structural embeddedness and relationship embeddedness. That helps to enrich the current internationalization process theory. Secondly, based on the previous scholars' research, this paper reveals the two embeddedness methods of CMNEs' overseas expansion behavior and their application effects from the perspective of network embeddedness. That promotes the study of social network theory to the theory of overseas expansion of enterprises. Thirdly, this paper finds that in overseas markets, the alternate or coordinated application of structural embeddedness and relationship embeddedness effectively promotes the overseas expansion of CMNEs. In this paper, Changhong's market for successful overseas expansion has maintained the balance between structural embeddedness and relationship embeddedness.

## 6.2. Research Limitations

First of all, from the perspective of case sample selection, this paper selects the expansion process of a single enterprise in multiple overseas markets as samples. Its results are affected by the development of the parent company. Therefore, the representativeness of the case sample is relatively weak. That has limitations on explaining the overseas expansion behavior of CMNEs as a whole. Secondly, from the perspective of the scale of the case enterprises, Changhong belongs to the enterprises that have developed to a higher level and scale and then expand to overseas. Therefore, the research conclusions of this paper are limited for overseas international enterprises, international start-ups, small and micro enterprises.

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