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# Chinese Multinationals' Internationalisation Strategies: New Realities, New Pathways

New realities are reshaping the pathways that Chinese multinational enterprises (MNEs) take to internationalise, says new research. Globalisation is fracturing. Since 2015, well before the Covid pandemic, weakening international trade, investment and other links have signalled partial deglobalisation. This impedes Chinese MNEs' transfer of capabilities – accumulated knowledge and skills – between their HQ in China and units abroad.

Deglobalisation in turn links to two main non-market forces. One is geopolitical tensions, especially decoupling by the US. For instance, these have stymied Huawei's 5G ambitions overseas. The other is China's own regulatory crackdown. This mainly curbs domestic tech firms listed abroad, like online marketplace Alibaba. Meanwhile, a more selective "re-globalisation" is emerging, shaped by economic blocs of China's friends, its US-aligned foes, neutral parties or ambivalent "frenemies".

Today the researchers discern four pathways: "bouncing" up, down, sideways, and back. *Bouncing up*, or springboarding, has been Chinese MNEs' traditional and fastest pathway under globalisation. It involves, first, aggressive mergers and acquisitions (M&As) to acquire technologies, brands, expertise and other strategic assets abroad; then building capabilities; and finally complex leveraging of capabilities to maximise global advantage from existing strengths.

Increasingly, non-market forces of de-globalisation have deflected initial upwards bounces onto a second pathway. *Bouncing down* sends MNEs back to capability building in China or the Asia Pacific. Huawei bounced down successfully, in part cushioned by domestic demand; HNA Group crashed during Covid after a debt-fuelled acquisition spree beyond its core business of airlines.

Re-globalisation sometimes enables *bouncing sideways* from capability building to leveraging, and acquisitions related to each. MNEs can "friend-shore" to sympathetic states or frenemies. For example, TikTok's operator, ByteDance, has combined strategic acquisitions at home and in such countries abroad. TikTok was the world's most downloaded app in 2022, but its Chinese sibling made more sales. ByteDance's acquisition of a Beijing-based virtual reality firm leveraged its capabilities against global archrival Meta. Meanwhile, new regulations at home, like limiting Chinese teens' social media use, paralleled and worsened overseas difficulties. Such parallels occur surprisingly often.

Last, it seems some Chinese MNEs can *bounce back*, regain vigour and resume capability-leveraging strategies abroad like M&As. That requires overhauling their growth strategy to meet uncertainties from de- and re-globalisation. Take COSCO. This shipping colossus has bounced back, buying or otherwise finding its way (back) into US, Greek and German ports despite political opposition there.

Especially in strategic industries, China's MNEs must plot paths flexibly. Should they even try going global? Most Global Fortune 500 firms sell mainly into their home region, and fatal mistakes like HNA's are easy if firms ignore or mismanage all this non-market complexity. So, too, for Western competitors. If staying engaged with China at all, these must plan for regulatory tightening and court policymakers and officially smiled-on local firms. On this well-evidenced rethink of Chinese international business, globalisation is neither a one-way trend nor a universal good for MNEs.

The full study results are available in an article authored by Peter Zámborský, Joseph Zheng Yan, Snejina Michailova and Vincent Zhuang: "Chinese Multinationals' Internationalization Strategies: New Realities, New Pathways" California Management Review 66(1), 96-123 (2023). doi.org/10.1177/00081256231193467. Findings are also presented at https://www.youtube.com/watch?v=kubdLYMKy6M