

## **Stage in doctoral program**

After the stage of formulating research question and doing research design, I am on the stage of gathering data in case companies, using interviews and observation as research method.

### **Chinese Manufacturing Firms' Internationalization - A Process to Acquire Competitive Advantages?**

#### **Summary**

By the end of 2003, China's outward FDI, ranked 5<sup>th</sup> in developing economies, has increased dramatically to over US\$ 37.0 billion, from less than US\$ 3 billion in 1990. Among the outward FDI stock, one third flows to manufacturing and natural resources industries.

More and more Chinese manufacturing firms are utilizing their advantages in low cost manufacturing, manufacturing skills, quality and efficiency to compete with their rivals in global market. Some of them take China as a manufacturing base to produce low price and high quality products, hence to expand their global market. Others even build up manufacturing presence in global scale, either by setting up greenfield manufacturing facility or by merger and acquisition (M&A). The latter type of firms will be the research focus. These firms use oversea manufacturing facilities as a means to optimize international manufacturing capability, as well as to acquire advance technology, promote brand, evade trade barriers, etc. Furthermore, the trend that western multinational corporations (MNCs) gradually outsource or less focus on their manufacturing part gives Chinese firms a chance to expand global manufacturing presence. In China, these firms are mainly located in three districts: Pan-Bohai Bay (PBB), Yangze River Delta (YRD) and Pearl River Delta (PRD).

However, in high value-added parts along product's value chain, Chinese manufacturing firms has obvious disadvantages, i.e., their R&D capability, marketing and sales skills, distribution channel, brand reputation, etc. cannot be comparable with their rivals from North America and Europe. What's worse, when put manufacturing facilities oversea, especially in developed countries, they may, more or less, lose their low cost advantage in manufacturing. Why do Chinese manufacturing firms produce overseas? Existing theories cannot fully explain this new phenomenon.

A main research hypothesis is:

- Unlike their western counterparts who take internationalization as a way to make use of their competitive advantages to compete in global scale, Chinese manufacturing

firms' internationalization is a process to offset disadvantages and acquire competitive advantages.

Two research questions are:

- Why do Chinese manufacturing firms produce overseas?
- How to acquire competitive advantages in high value-added parts during manufacturing internationalization?

Qualitative method is used in this research. Until now, I have done observation and face-to-face interviews in 10 case companies' headquarter (in China). These firms are from three districts: PBB (3), YRD (3) and PRD (4). In each firm, I did interview and collected archives in oversea business unit and a product's business unit. Later, I will carry out fieldwork in 3 firms' European factories and 2 firms' US factories.

A tool is expected to build up to summarize Chinese manufacturing firms' motives and processes to produce overseas; the research is also expected to enrich international production theory.