

Studies on Multinational Corporation's Management and Developmental Strategy in China

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Abstract

Foreign direct investment sharp growth on 20 century ends, China becomes one of developing countries which intake most foreign capital continuously. Until 2007, 460 world-famous Multinational corporations had invested in China. Facing new situation which economic globalization and Multinational corporation development, this article have mainly analyzed that Multinational corporation management strategy and characteristic in China, and has made detailed elaboration to Multinational corporation's talented person localization strategy, research and development strategy and strategic alliance strategy in China.

Keywords: Multinational corporation, Investment, Management and development, Strategy

1. Multinational corporation investment present situation and characteristic in China

1.1 Investment efforts strengthen

According to the Chinese Ministry of Foreign Trade and Economic Cooperation statistics, January to December of 2005, Chines new foreign capital amount 69.2 billion US dollars, grew 10.43% compared to the same period; Actual use foreign capital amount 46.9 billion US dollars, grew 14.90% compared to the same period. January to June of 2002, foreign capital 43.99billion US dollars, grew 31.47% compared to the same period; Actual use foreign capital amount 24.579 billion US dollars, grew 18.69% compared to the same period. Up to the end of June, 2002, foreign capital amount 789.281billion US dollars, used foreign capital amount 419.802 billion US dollars actually.

1.2 Investment program systematization

Multinational corporation for adaptation economic globalization and informationization tidal current, to strengthen own competitive power, "service" tendency strengthens. Meanwhile Multinational corporation also strengthens that marketing, the physical distribution, R&D, post-sale service in the manufacturing industry chain, take the general manufacturing industry, assembles link of manufacturing industry to shift to the developing country and area. Therefore China becomes the first choice place of Multinational corporation manufacturing industry development.

1.2.1 Continue to invest manufacturing industry

After China entry to WTO, there are a broader space for Multinational corporation invested Chinese manufacturing industry. Multinational corporation has taken a series of new measures regarding the manufacturing industry domain's investment. They had made adjustment and conformity to the investment plan. The large-scale Multinational corporation have already invested and established several, even several dozens Manufacturing firms in China. Chinese Manufacturing firm had already had quite strong strength, in many consumable manufacture domain. Regarding these domains, Multinational corporation did not invest and establish new factory again, but only carries on purchase to certain manufacturing industry project.

1.2.2 Investment production service industry

Along with China entry WTO, Multinational corporation enters Chinese service industry domain gradually. Including financial industry of bank, insurance and negotiable securities, including circulation industry of wholesale, retail sales, foreign trade, physical distribution, as well as including specialized consulting industry of law, accountant, management, public relations and so on becomes the hot spot which Multinational corporation enters. Multinational corporation is promoting its investment company in China to area local headquarters. Some

companies take Chinese area headquarters as Asian and Pacific headquarters. Meanwhile, Many Multinational corporation sets up operation center in China. Under the local headquarters, often also have the purchase center, distribution center, R&D center, training center, media business center and so on.

1.3 Investment place centralization

Since 2005, Multinational corporation has invested growth to Bohai Sea economic cycle that take Beijing and Tianjin area as central link, Yangtse Delta that take Shanghai as central and Zhujiang Delta area that take Hong Kong as the main item. Up to 2005, the foreign capital 85.96% distribute in the eastern area, 8.78% distribute in the middle area, 5.26% distribute in the western area. This above digit indicated that Multinational corporation invested in China has not looked like people to hope such to increase in the mid-west area investment recently several year, but still took the eastern area as the investment key point, moreover also had enlarges tendency which invested in the eastern part.

1.4 Investment way diversification

1.4.1 From invests newly built to merger and acquisition invests

According to UNCTAD's statistics, transnational merger and acquisition probably 1 billions to 2billions US dollars every year in China. China introduces foreign direct investment is about 30 billion to 40 billion US dollars every year, approximately 5% are transnational merger and acquisition, other most is newly built project investment. Meanwhile, also presented some non-typical merger and acquisitions in China. when establishment Joint venture, Many foreign merchants by the cash or technology appraised as capital stock, obtains Chinese side Enterprise's stock which already existed. This kind is also merger and acquisition one form to Chinese side Original Enterprise stock's purchase; In some Chinese-foreign joint venture, initial foreign's stock proportion is not high. Afterward, foreign side through increased funding to expand stock to realize merger and acquisition to Chinese side Enterprise. For example American Ford Motor Company purchases Chinese Jiangling Car company B stock 80% by 40 million US dollars, thus realizes to Jiangling automobile 20% total capital stock purchase, becomes Jiangling automobile's important shareholder.

1.4.2 From joint capital to sole ownership

Sole ownership tendency is not Multinational corporation recent new trend. Since 1997, Foreign-owned enterprises number has been more than Joint venture quantity in China. Foreign sole capital enterprise actual use's foreign capital amount surpasses Joint venture from 2000. Looking from the trend of development, Sole capital enterprise surpasses Joint venture to be getting more and more. For example, China new Foreign-owned enterprises 15643, contract amount 43 billion US dollars; New foreign merchant Joint venture 8894, contract foreign capital amount 17.6 billion US dollars. Sole investment enterprise project quantity is 2 times than Joint venture project.

1.4.3 Invest from single project to industrial chain

The large-scale Multinational corporation invests is not sole in China, but entire industrial chain investment. Multinational corporation can drive the entire industrial chain to invest together, or establishes perfect necessary system in China, it can obtain initiative power which competes in China. Nokia is a typical industrial chain investment case which investment in Beijing .

1.5 Investment management system integration

1.5.1 Multinational corporations faced that adjust management system in China

Multinational corporation invests in China that must be approved by Chinese government. They enter to Chinese market more considerations are long-term developmental strategy in China, but it does not only the profit look like in other countries and local. They adopt the method which is accommodating, but is not insisted that globalized standard unified agreement invests in China. , Many multinational corporation headquarters have made significant strategic adjustment and management system reform. For example, American Many Companies management key has changed to service from manufacture, GE Corporation has already transformed "Multiplex Service company" from manufacturing industry company in recent 10 years; Matsushita Corporation has transformed information electron company from comprehensive electronic electricity manufacturer.

1.5.2 Establish and strengthens operation center

China market size potential is big, moreover the local difference and profession difference are enormous. Only one Chinese Headquarter, Multinational corporation comprehensively and effectively mixes resources, and development competition with difficulty. Multinational corporation often establishes certain operation

administrative center to coordinate Chinese business in China. One kind is different service operation center which decomposes from Chinese or Asian and Pacific area headquarters. For example, investment center, manufacturing center, physical distribution center, R&D center, training center, post-sale service center, financial center, accounts settlement center, media public relations department, government purser department and so on. These operation center in fact is different Business agency of local headquarters. Another kind is Branch office which Business agency of multinational corporation parent company establishes in China. For example R&D center, purchase center.

In fact, some China Area Headquarters' Business agency of multinational corporation have already formed operation administrative center in the different area. Multinational corporation faces the challenge is how arranges these operation administrative center effectively and reasonably.

2. Multinational corporation talented person localilization in China

Multinational corporation talented person localilization has important meaning to Multinational corporation management in China. Chinese is hired to carry on management of production and operation service, they are familiar Chinese cultural tradition with behavior and thinking mode, they can communicate and cooperate with the subordinates, carries on effective management; At the same time, these Chinese side personnel have received many western educations, they have understood to Western behavior way, management technique and so on, they can well understand and implement foreign boss's management concept. Therefore, administrative personnels localilization has important function to melt culture conflict, promotion to cooperate effectively.

2.1 Multinational corporations implement the talented person localilization strategy superiority

2.1.1 To enhance enterprise's internationalization image, enhancement host country trust

If the massive personnel of host country enter local subsidiary company of Multinational corporation to hold the post of supervisory work, they can have this nationality's sentiment generally, will certainly to cause Multinational corporation harm host country benefit behavior. At the same time, Multinational corporation abandons the national prejudice, also will win trust of host country government and people. The company manages is transparently highly, also will set up own internationalization image.

2.1.2 Avoid in management and operation loss which the cultural difference creates

In usual situation, dispatches to overseas administrative personnels, Multinational corporation must put in the massive funds, carries on comprehensive knowledge training. Hires host country personnel directly, on the one hand has avoided the above disbursement, on the other hand may use host country low wages merit fully, by the wages which is lower than motherland company wage standard but actually obviously to be higher than host country standard, attracts the high grade talented person. Third, because uses the talented person localilization strategy, maximum limit eliminated in the cultural barrier, strengthened communication ability which the company and host country government.

2.1.3 It have guaranteed relative stabilization of company management personnel

The motherland personnel enter foreign country to work, their thought may not be unstable because cultural difference, sometimes it will cause administrative personnels to give up management responsibility in the country; The motherland administrative personnels will frequently also meet the promotion opportunity, these can affect administrative personnels' stability. But hire local administrative personnels of the host country will reduce this kind of negative influence.

2.2 Multinational corporation's localilization strategies influence to China

2.2.1 Raise large quantities of high quality talented person to China

The administrative personnels of Multinational corporation who employed in China to have more opportunity to study overseas advanced science and technology and managerial experience, they familiar management mechanism of market economy. These new business management personnel and technical personnel flowing in the domestic, will certainly to lead international advanced managerial experience and technology dissemination in the domestic, thus accelerates Chinese economy integrate advancement to the world economics.

2.2.2 It has enlarged salary disparity of Foreign-funded enterprise staffs and Domestic enterprise staff

Chinese side representative's wages is above ten times comparie with similar State-owned business factory manager in some Joint venture. The result of Multinational corporation adopts this kind of reward policy is that Chinese State-owned business talented person's massive outflows.

3. Multinational corporation research and development strategy in China

After 1990s, established R&D center in China to become Multinational corporation's important invests direction to China, after 1997, Multinational corporation R&D center's quantity increases rapidly in China, moreover the scale expands too, human resources also realize localilization gradually, at present, research and development personne of Multinational corporation localilization has reached 95.1% in Chinese R&D center. Until April, 2005, R&D center of Multinational corporation which establishes in China surpasses 700, research and development fund more than 4billion US dollars.

3.1 Main feature which Multinational corporations invests to China

3.1.1 Trade market by technology

The main purpose which Multinational corporation's research and development organization shifts to China is that to develop Chinese market. The related investigation showed that surpasses 90% Multinational corporations to establish the local headquarters and R&D center in China in recent years, in order to seize Chinese market with the newest technology and the quickest speed. According to China Department of Commercial Affairs issues "Multinational corporation to China Investment Tendency Investigation Report" disclosed that 61% Multinational corporations will continue to expand technology research and development investment in China, 46% Multinational corporations will favor to establish sole ownership R&D center from now on 3 years.

3.1.2 Multinational corporation's technical research and development organizations not completely concentrate in high technology and new technology domain

Traditional industry and general industry's technical degree is not high, Multinational corporation establish technology research and development organization in the native place, it is advantageous in industrial development and seizes market. Multinational corporation uses localilization scientific research and intelligence resources, carries on the product technology research and development in China, forms huge scientific research effect and the talented person accumulative effect, simultaneously also enhances technical research and development localilization degree and technical research effective

3.2 Multinational corporations technology research and development organization's form in China

3.2.1 Sole ownership's technical research and development organization

3.2.2 Sets up research and development organization in the Joint venture interior, is engaged in the product technology development and market compatibility research;

3.2.3 Coopreation establishment research and development organization with Chinese higher college and scientific research institute.

3.3 Multinational corporations technology research and development strategy in China

3.3.1 to "divide system in industry" strategy to realize the core technologies monopoly and control, some Multinational corporations do not establish R&D center in China, even does not carry out the technical research and development activity;

3.3.2 Multinational corporation establishes R&D center in China, through sole ownership and holding, seals off technical diffusion in China, reduces the vanguard technology to overflow;

3.3.3 Implementations "technical research and development division of labor" strategy, carry on the basic research and technology development in motherland where Multinational corporation located, guaranteed that it is in the industrial chain's upstream, R&D center which Multinational corporation establishes in China overwhelming majority engaged in the ecad, the special-purpose technology and experiment product research and development;

3.3.4 Through technical monopoly, the technical standard as well as the technical reversion proliferation, realizes core technologies to be controlled.

4. Multinational corporation strategic alliance in China

4.1 The influences of Multinational corporation strategic alliance to China

4.1.1 China has become Multinational corporation non-core business important outsourcing base

Multinational corporation take non-core's production, marketing, physical distribution, research and development, even non main frame's design activity to shift to developing country or specialized company to complete, not only reduced input cost, moreover achieved the goal which has used the most superior resources globally. Therefore, China will become one of three big bases which international project outsourcing in 2007-2010.

4.1.2 “Transnational chain link” is one “value promotes” to Chinese market

Because China lacks independent intellectual property rights and brand Patent, Chinese enterprise “hiring” to Multinational corporation will also continue quite long period of time. To the majority Chinese Enterprises, the most realistic result possibly is: first, Pushes in “internationalization chain link” as far as possible, becomes a link (for instance becomes service provider, supplier, partner and so on), then carry on internationalization again. Therefore, China with other country's relations is not only the trade, moreover is which gets up by industrial chain and industry link connection.

4.1.3 Merger and acquisition's magnified attraction foreign capital potential are huge, simultaneously has formed the market monopoly power.

Multinational corporation strengthens its productivity unceasingly through merger and acquisition, expanded enterprise's scale, and will rely on technology and marketing competitive advantages to form the very strong market monopoly power gradually, result of industrial monopoly will cause unfair competition between the State-owned business and Multinational corporation, will not favor Chinese Enterprise to improve technology, also will not favor to raise Chinese Enterprise's economic efficiency; The foreign capital merger and acquisition will break Chinese profession network and enterprise group which existing; Multinational corporation has had enterprise's domination after merger and acquisition, gets rid of original Chinese side to its restriction, therefore in the merger and acquisition process, easy to create threat which Chinese state asset outflow.

4.1.4 Implementation localization strategy 's effect

First, raw material localization will benefit to China, the locality necessary rate more higher can reflect that local work content (artificial expense), can provide considerable employment opportunity for Chinas. Next, Multinational corporation through financing in Chinese local capital market, on the one hand has provided considerable investment opportunities for the local capital market; On the other hand, also adopts “financing localization”, has enlivened to the local market; Once more, it has provided more cooperation opportunities for China domestic enterprise.

4.2 Chinese enterprise implement tactics to Multinational corporation strategic alliance

4.2.1 To speed up advance in high technology and new technology industrialization process

International competition entered competition time which technical product and take knowledge as the foundation economy (i.e. knowledge economy). Therefore, Chinese government must strengthen macroeconomic regulation and control and guidance, formulates policies which drive high technology and new technology industrial development and formulates management method which related venture capital investment. Set up transnational strategic alliance, causes Multinational corporation localization, causes it to establish R&D center in China, urges Multinational corporation and Chinese Enterprise in aspects and so on fund, technology unifies closely, to cultivate Chinese Multinational corporation which has international competitiveness.

4.2.2 Speed up to reshuffle of enterprises, cultivates Chinese Enterprise core competitiveness

Reshuffle of enterprises not to be able to limit property right and to separate government and administration from enterprise management, but must reconstruct new management construction from world economics competition angle and formulate new competition strategy. Reshuffle of the enterprises should locate the strategic target in gains to strategic resources, it has important meaning to raise and develop for core competitiveness, it may attract talented person who grasp the key technologies and to establish the strategic alliance with Multinational corporation which have the core specialty or to integrate these companies through some way and so on Chinese Major industry camp to gain directly exterior resources.

4.2.3 Formulation different policies to process competition and cooperate between Chinese State-owned business and Multinational Corporation

In view of present situation which Chinese State-owned business competition strength, operating results, development potential aspect has very wide difference, should consider that adopts the different policy to process competition and cooperation between the State-owned business and Multinational corporation. Specially regarding these large-scale State-owned business which resides in dominant position in the profession, fund and technical strength is abundant, and has the well-known brand, should choose and cultivates one batch Multinational corporation which have international competitiveness, encourages these enterprises and Multinational corporation to form strategic alliance, carries on scientific research and development industrialization together, use transnational strategic alliance form, promotes Chinese State-owned business to enter international market and foreign direct investment.

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