
Conclusions: Why and How Asian Businesses Will Conquer the World

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The West in decline, Europe rampantly so. Some estimates suggest that by 2030 China could account for a third of global output and be twice the size of the US economy. American power would then be a pale shadow of what it is today.

– Martin Jacques in *Financial Times*, 23 Oct 2014.

Abstract

When analyzing the company cases in this book, six similarities can be found: the corporate culture of the companies, their adaptability, the drive to internationalize, the Triple Helix as a facilitator of their success, the quality of the products, and finally, their competitiveness based on the combination of all these similarities. Obviously, there are many differences as well. These differences are a result of the way the companies try to realize the similarities. Broadly speaking, the differences are dependent on: (1) differences between countries (cultural identity) and (2) differences between companies (the specific character of entrepreneurs). The differences in the political-economic systems of Asian countries have a strong implication for the international drive of Asian companies. The implicit claim of most chapters in this book is that Asian companies will flock to the West in ever-increasing numbers. In the coming years, this concerns companies primarily coming from countries we have been dealing with in this book: China, India, Japan, South Korea and Vietnam. As an example we show the recent developments of Chinese outward foreign direct investment in the Netherlands.

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1 Introduction

In the concluding section of this book, it is first of all necessary to analyze the similarities between the companies dealt with in this book. In this way, a picture will be constructed of “the” Asian company as the West will get to know it in the near future. In the second section, we will highlight six similarities between the companies.

Obviously, there are not only similarities but differences as well; they will be the subject of our analysis in the third section of the conclusions. Their differences are first of all based on the inevitable differences between the countries from which they come. Obviously, also Asian countries have their specific history, their own language and country-specific conventions leading to a clear-cut and cherished cultural and national identity. In addition to the similarities existing between Asian companies, there are numerous differences which will also be dealt with in this section.

In a concluding section of a rather extensive book on Emerging Asian Multinationals, the question should finally be posed as to what the future developments of these Asian companies will bring to the West. Here we single out a country whose companies at this moment are still met with fear as well as with admiration in the West. We will particularly concentrate on China’s outward foreign direct investment to the Netherlands.

2 Similarities Between Asian Companies

In this section, we will focus on six similarities: the corporate culture of the companies, their adaptability, the drive to internationalize, the Triple Helix as a facilitator of their success, the quality of the products, and finally, their competitiveness based on the combination of all these similarities.

2.1 Corporate Culture

When looking at the corporate culture of the emerging Asian multinationals analyzed in this book, there are four points of similarity: a family-like atmosphere or structure; long term strategies over short-term gain; Japanese characteristics; and soft nationalism.

The *family-like atmosphere* and structure are a result of the cooperative Asian culture and serve to make the employee proud of, and therefore loyal to, the company. This can, for instance, be seen at the team building program for new employees at Alibaba. Also, Panasonic states in its code of conduct that employees should show a “challenging spirit”, keep thinking and acting innovatively, and have a continuous drive for further development. Rakuten forced an “Englishnization” upon the company that was quite a culture shock for its Japanese employees.

The management is, likewise, willing to invest heavily in the employees of a company as evidenced by the many training opportunities that the companies in the book offer to their employees.

In addition, special insurance options for employees, as well as health and safety regulations that go beyond the laws of the country the company is from, are other examples of the commitment of the management. Panasonic even used to have a policy that they would not fire its employees during an economic downturn. However, the company had to stop this policy in order to restructure itself and stay competitive.

These structures do not mean that there is no incentive to innovate or work hard for the company. Some companies, for example, are organized into smaller units that can almost operate as separate companies (Alibaba, Haier). These smaller units can even compete with each other, meaning there will be a small-scale feeling for its employees, even if they work for a huge conglomerate. This encourages loyalty to the company as a whole, while not discouraging internal competition to deliver the best product or service. Other companies have chosen a more traditional top-down approach, like Uniqlo. Both types of companies, however, place a lot of value in incorporating the employees in their corporate culture and to make them feel part of a bigger team. The many training facilities of the bigger Asian companies are also meant to combat the lack of motivation and innovation that might be caused by the life-time employment system that is still often practiced in Asia.

Another defining characteristic of Asian corporate culture, is the focus on *long term strategies* of growth and market share instead of on short-term profit. This was originally caused by the Japanese-style ownership structures of cross shareholding between companies in conglomerates. However, it can also be seen in other Asian companies. Long term strategies based on market share, combined with the drive to internationalize, also lead to a lot of M&A activities. Alibaba's Big Bao Strategy and Tencent's partnerships are good examples of this. By either teaming up with, or buying, other companies, the market share can be extended.

Figure 4 in the chapter "Haier: A Case Study on How One of China's First Global Brands Keeps Expanding" shows how the company changed its strategy over the years. This step by step, long-term strategy was always aimed at making the company and brand grow. Obviously, every company (be it Asian or not) has a certain long-term strategy. However, for Asian companies, it is often more important to make the company grow than to get a short-term increase in revenues. In the case of conglomerate companies like Lotte or Panasonic, the revenues from the well-functioning parts can help to pay for temporary decreases in revenues from less well-performing parts of the company. Of course this does not mean that revenues are not important at all. Obviously, a company goes bankrupt if it doesn't manage to get good revenues. However, revenues are realized by building a large market share over time.

There are several reasons for this system. One reason is partly due to the cooperative Asian nature, which lead to the 'Japanese style' of ownership in large conglomerates where multiple businesses all hold shares of each other.

Another important reason for this way of doing business is the Asian financial crisis from 1997 and the lessons learned from that crisis. While the cause of the crisis was not directly related to business strategies, the reforms that were made under IMF guidance did have their influence. In the case of South Korea, the problem was that the chaebol were being built up too quickly. They needed more and more investment, and could not sustain themselves any longer. Eventually these chaebol were forced to close or sell underperforming parts of the conglomerate. The companies were also forced to contract direct ties with the government. These changes lead to stronger companies that were able to support themselves, but also kept intact the traditional cooperative and market share growth over revenues strategies. In other Asian countries, a similar evolution could be seen.

This does not mean, however, that cooperation between the business world and government was completely halted. The triple helix remained an extremely important part of the Asian way of doing business, as we will discuss later. As the worldwide financial crisis of 2008 has taught, the Asian long-term strategies can be much more versatile than the Western short-term ones. Not only were Asian countries and companies less affected, they also recovered a lot faster. Immediately after the crisis, the exports to Western markets decreased. However, this was quickly negated by exporting to developing markets, as well as by offering their lower-price products to Western consumers, who were seeking to cut costs. They were able to do this due to their varied strategies and businesses, which made them flexible and able to adapt quickly. This led to the paradoxical situation where the long-term oriented Asian companies could adapt to the crisis faster and more efficiently than the Western ones with their short-term strategies.

Many of the Asian company characteristics have a *Japanese origin*. Why did Japan have such a strong influence on business in Asia? Japan was the country that led the first wave of 'Asianization' (1975–1990), and was and still remains an important example for other Asian countries looking for innovation, economic growth and internationalization. This also means that companies from these countries copied many Japanese best practices and therefore use many Japanese characteristics. An obvious example would be the South Korean chaebol like Lotte: giant conglomerates that consist of many subsidiaries and are active in a wide variety of markets. This has many similarities with the classic Japanese keiretsu such as Mitsubishi. In fact, many similarities between Asian companies can be traced back to Japan.

The "kaizen" (good change) principle that was first implemented by Japanese companies after World War II, for instance, is also widely-spread among other Asian companies. The kaizen principle means that everybody who works for the company, from the lowest assembly worker to the CEO keeps working on personal improvement for the benefit of the company. It does not only apply to the employees of the company, but the production process as well. These many small improvements add up and allow the company to function much more efficiently. The many training and teambuilding facilities that Asian companies offer to their employees are instrumental to this.

The working ethos of Asian employers and employees, all in for the company, is also something that could first be seen in Japanese companies. They had to work long days, and while the Japanese economy was booming in the 1970s and 1980s, they accepted pretty modest wage increases. This meant that the companies could grow in a spectacular manner. We can see a similar attitude in most of the companies analyzed in this book. Companies expect a maximum of dedication from their employees. At the same time, the employees show a lot of drive to do their best for the company and are proud to work for it.

Not only are Asian workers proud of their company, they are proud of their country as well. They apply their strong sense of *soft nationalism* to the company they work for. This is especially apparent in China where CEOs do not only want to expand their business, but also want to prove that China is more than a low-quality manufacturer. A good example is Huawei, whose name already means ‘China can’. The name Alibaba has association with the phrase “open sesame”, which could be interpreted as opening the doors between China and the world.

This attitude is not limited to China. We see a similar strong motivation in other Asian countries. The aforementioned modest wage increases in Japan were accepted because it was for the good of the country as a whole. In the other countries mentioned in this book (India, South Korea and Vietnam), the multinationals from their own soil are also a source of national pride. While the term “nationalism” has a negative connotation for most people in the West, it can also be a source of inspiration, innovation and dedication. Of course, the governmentally-promoted nationalism in these countries can also negatively influence political relations in the region as could be seen during the recent border disputes between China and Japan. Seen from a purely business or employee attitude perspective, however, this soft nationalism has increased productivity and made people accept sacrifices that would allow the company, and in turn the country, to profit as a whole.

Soft nationalism is related to the Triple Helix influence. For example, Huawei management has close ties with the Chinese government. This implies that many foreign governments, especially the USA, are highly suspicious of double agendas because of this. These suspicions hinder the international impact of Asian companies. Therefore, it is important for these companies to show that they have only positive intentions.

While the border disputes between China and Japan led to much political turmoil and protests and calls on the streets for boycotts, Chinese and Japanese companies took a very pragmatic stance. They are too intertwined and dependent on each other for their supply chains and production processes to go along with the nationalistic sentiments of many citizens.

It is, in other words, important not to look at the soft nationalism of Asian CEOs as feelings of superiority over other countries. It is simply the pride of one’s country, and the ability to help the country to become more influential on the world stage. It also means that these companies are sometimes active in local communities and charity work. Good examples are Vinamilk’s program to provide school children in remote places of Vietnam with milk for free, or Panasonic’s

“sacred task” to help society and eliminate poverty. The reasons for this soft nationalism are, again, mostly cultural and political. Asian governments have often tried to stimulate soft nationalism, either to make it easier to implement certain policies or to distract citizens from internal scandals. This endeavor, combined with the already present “groupism” had its influence on society as a whole. It was even further motivated by the desire to catch up with the West (or with Japan) and to show the world that the country deserves the same respect as any developed economy. Even in the current age in which individualism is on the rise, even in Asia, there remains a strong conviction to do one’s utmost for the country.

2.2 Adaptability

Despite, or maybe even because of, the focus on long-term strategies, Asian businesses have proven to be very adaptable. This can be seen in both recently- and well-established companies. The new companies, often from developing economies but also from more established economies, are expanding abroad, mostly (but not exclusively) towards the West. Established companies are forced to adapt to these new competitors.

The Chinese companies analyzed in this book are good examples of the first category of companies. Alibaba, which was founded in 1999 and had the largest IPO in history in 2014, started on the large Chinese home market. However, there had always been the ambition to go international; the name was even specifically chosen to be usable on non-Chinese markets. Alibaba’s internet colleagues from Tencent were originally purely focused on the PC market. From 2006 onwards, however, mobile internet started growing in China and eventually became much more prevalent than internet access via a computer. The company responded by shifting its focus from PC applications to mobile apps. The gigantic success of WeChat in Asia is a demonstration that Tencent could successfully and quickly adapt to this important change in the internet market. The overall strategy of the business did not change, but it was able to quickly adapt to the new internet platforms and to stay an important and large player in the field.

Car manufacturer Geely showed a similar ability to quickly adapt. Its first cars, released at the end of the 1990s, were made to be as affordable as possible. This sole focus of price led to a comparatively low quality car and consumers on the Chinese market did not buy many of them. From 2005 onwards, the company improved the quality of its cars, and also started exporting them. This strategy was more successful, but from 2010 onwards it was changed again. Now the company follows a multi-brand strategy, where it manufactures cars in many price ranges. Due to this strategy it was able to compete very well with not only other Chinese manufacturers, but also with established international brands.

Haier is another Chinese company that has shown some excellent adaptability. When CEO Ruimin Zhang took over from his predecessor in 1984, the company was nearly bankrupt. But by the end of the decade it had become one of the leading refrigerator brands in China. A quick, radical change in company culture and

corporate strategy were the corner stones for this success. Throughout the 1990s, Haier took over multiple poorly-functioning companies and brought about the same changes in them. This strategy led to both quick growth and more diversity. The next step was to internationalize; the company started exporting and eventually even opened manufacturing plants abroad.

Huawei, a company that is very active overseas, has shown a strong adaptability in bridging the cultural gap between China and the West. In order to better understand the Western market, Western executives have been hired. The company claims to have adapted a Western professional management style and combined this with Eastern culture. Thanks to this hybridity, the company can be successful in both regions: in the East as well as in the West. This is even reflected in the pronunciation of the company name, which is officially different in each market.

The Indian companies analyzed in this book are similarly adaptive in their expansion strategies. Dr. Reddy's overall strategy is to produce medicine that is no longer under patent, meaning it can be offered for a very low price. These products were branded in India (and Russia), but the company adapted a generic brand strategy for regulated markets. Meanwhile, Dr. Reddy's also opened a research lab in the US to develop specific medicine aimed at Western markets. In other words, the company is willing to invest heavily to adapt and become more prominent on these markets. In another important foreign market for Dr. Reddy's, Russia, the company could face potential problems due to new legislation that does not allow medicine to be sold that was manufactured outside the country. Therefore, Dr. Reddy's announced that it would start production in Russia itself.

Infosys was ranked by Forbes as one of the most innovative companies in the world. It could not have achieved this without a strong sense of adaptability. Long before its international expansion, Infosys already had a corporate culture to not give in to the corruption that was prevalent in the Indian economy at that time. Due to this practice, it could internationalize easier and was able to build up a trusted name worldwide.

In Japan (and to a smaller extent South Korea), the situation is somewhat different as compared to the other countries in this book. Japan was the first Asian economy to rival Western economies. Many current Japanese companies are very old and therefore face other problems than their emerging competitors. Panasonic, for instance, had to adapt to changing market circumstances continuously. After the initial international expansion, the company had to adapt to new competitors, first from South Korea and currently from other emerging Asian countries as well, mainly China. As mentioned in the chapter about Panasonic, the only constant factor in its history is change. Fortunately for its success, the company is not afraid to keep changing and adapting to the new market circumstances.

Rakuten, which is a younger company from Japan, has shown its adaptability in the internet market. In order to be able to compete internationally, the company changed its official working language to English. Because this came as a culture shock for its, mostly Japanese, employees, the company had to intervene and offer active support. Due to these quick reactions, it was able to keep on expanding.

Clothing manufacturer and retailer Uniqlo has also faced some cultural problems during its expansion. Fashion is inherently different in every world region. By teaming up with well-known German designer Jil Sander, the company can provide clothes that fit Western tastes while holding on to its strategy of offering affordable clothing not based on the most recent trend.

The South Korean company Lotte shows a development similar to Japanese companies (it was even originally founded in Japan). Lotte's strategy was to expand and diversify as much as possible. The adaptability from chaebol such as Lotte comes from simply expanding into other, profitable, markets, while at the same time protecting less performing activities with the revenue from others, so that Lotte is able to make the necessary changes to become profitable on a larger basis than before.

2.3 The Drive to Internationalize

As has become apparent from the previous section, many Asian companies show their adaptability by expanding to, and performing exceptionally well in, foreign markets. This is because, for these companies, expanding to foreign markets is not only a way to increase profits, but sometimes almost a goal in itself. The entrepreneurs running these companies have a very international outlook. Performing well in Western markets is not only good for the profitability of the company, but also gives prestige to both the company and the home country of the company. This can be a strong motivation especially in countries with a developing economy. The drive to internationalize goes hand in hand with the adaptability of the Asian companies. While not all companies in the book are international household names (yet), they certainly have the drive to become a household name. It must have been a painful decision for Huawei to leave the US market (and perhaps that was the reason they have backtracked on the decision since) after all the spying suspicions. Fortunately for the company, it could remain in Europe.

For an older, more established company such as Panasonic, these new emerging multinationals form a huge risk, because they can often profit from lower labor costs while delivering high quality products. Therefore, the older Japanese (and South Korean) companies are also forced to reconsider their international strategies. Regardless of motivation, there are two possible ways in which Asian multinationals could establish themselves in new markets. The first is "greenfield" investment: setting up a completely new office, factory or daughter in the new market. The second is M&A: mergers and/or acquisitions with existing companies. Since the border between a merger and an acquisition is not always clear (sometimes takeovers are being communicated as mergers), we will view this as a similar category.

Within the companies discussed in the book, M&A activities are the most prevalent. Alibaba's "Big Bao Strategy" is a classic example of the M&A approach to expansion, although it is currently mostly aimed at the Chinese market. The Geely takeover of Volvo is probably one of the most well-known M&A activities

by a Chinese company discussed in the book. The company was able to realize the takeover because it had lots of cash while Volvo was in crisis. Thanks to the acquisition, Geely can not only profit from Volvo's brand, prestige and focus on safety, but also from their technological knowledge, which would enable it to perform better in competition with its international competitors. This, combined with the diverse brand strategy, was of great importance for Geely's success.

Huawei used a combination of greenfield and M&A methods by first starting a joint venture together with Symantic, and later buying all the stakes of this joint-venture. Lenovo's takeover of IBM's PC division is comparable to Geely's Volvo takeover. In one swoop, the company secured a well-known and trusted brand, as well as the technological knowledge of the company. In a similar vein, they took over part of Motorola's business. This fits into Lenovo's overall strategy to take over companies that match their basic interests as well as extend their portfolio.

Tencent also follows this strategy. In markets where the Tencent product fails to take over share from a competitor, the company teams up with another smaller competitor. In practice these strategic partnerships look more like takeovers. Abroad, Tencent has bought many shares of South Korean game developers, and more recently, shares of some US game developers as well. However, in Tencent's case, this was mostly done to expand the business on the domestic market, which is still the most important one for the company.

The takeovers by Geely and Lenovo in particular have come as a surprise for most Western consumers. However, as this book has shown, both companies did not just appear out of thin air, but already had a longer history. The takeover of foreign firms was simply part of their international expansion strategy. The Indian Infosys also expands by acquiring foreign companies. Several companies (including some from Australia and Switzerland) were bought up by and incorporated into Infosys.

For Japanese companies, M&A activities have always been an important strategy. This can also be shown by the companies analyzed in this book. While Panasonic has halted its M&A activities a bit in recent years due to cost-cutting and restructuring, we can see the classic pattern within Rakuten. After the Japanese market lost most of its growing potential, the company started to look abroad. The fastest way to get a foothold abroad were to look for M&A opportunities. Now, over 50 companies are part of Rakuten. The South Korean chaebol Lotte has also expanded and diversified its business by M&A activities, including the takeovers of foreign companies. Examples of this are its acquisitions in the Belgian and Polish food industries.

However, Asian companies are not afraid for the "hard" way of foreign expansion either. Greenfield activities can be done both with a (foreign) partner, or by the company itself. We can see that many Asian companies open up manufacturing and R&D projects on foreign markets. These R&D projects often (but not exclusively) take place in developed markets, while manufacturing plants are often (but again, not exclusively) opened in developing markets. Greenfield investment also includes the opening of local offices for management of supplies, customer support and PR. While these investments are often of much lower value than M&A activities,

they can be very profitable in the long run for the receiving country. Not only will a new office require employees, and thus directly create jobs and tax revenue, there will also be a spillover effect for surrounding businesses and the possibility of further foreign investment.

2.4 Triple Helix as a Facilitator

All of the previously mentioned similarities between Asian companies have an important facilitator: the Triple Helix of government, business and education. The Triple Helix system concerns the close cooperation between these three cornerstones of society. In most Asian countries, the government is very strong and leading. This is most obvious in China, where the implementation of the “go global” policy resulted in a surge of internationalization amongst Chinese companies.

The governmental support does not necessarily happen directly. Alibaba and Tencent, for example, profited from the liberalization of the internet and advertisement markets, as well as from government programs, to increase the amount of people with internet access.

Since the opening up of the country in 1979, the Chinese government has slowly but surely increased the possibilities of Chinese companies to go global and started with more active encouragement since the turn of the century. The current M&A wave from Chinese companies is a direct result of this government policy. The liberalization tendency, however, does not imply a less important role of the Triple Helix. In practice, liberalization often means less direct involvement of the government. But in the Chinese case, it can be seen that, while markets have been liberalized, the government still plays a very active role, not only as a regulator, but also as an encourager.

In India, the case is similar to China. The government has been liberalizing the market while also heavily investing in necessary development such as infrastructure, healthcare and education. This created an environment in which companies such as Dr. Reddy’s and Infosys could grow. Vietnam is still in the earlier stages of the same development.

Japan has a much more developed economy than China and India, and therefore has another role for the government. However, the interaction between business cycles and government is still very important. The interaction between the keidanren (the Japanese Business Federation) and the Japanese government was and is very important for the policy making process. The “amakudari” process, in which politicians retire early to join an important business, shows how closely linked the Japanese political elite is with big business.

In South Korea, the government also has a firm grip on the economy. In order to make the South Korean economy more resilient for the future, it has started to encourage diversification and a loosening of the strict rules on (inward) foreign investment. It actively promotes high-tech and green industries, in which it sees the biggest growth potential.

The third part of the Triple Helix, education, is by no means the least important in Asia. Education is instrumental in the processes of innovation and adaptability which are needed to perform well in today's world economy. Educational institutions not only provide businesses with well-educated employees and board members, they can also actively work together in fields like R&D. Many Asian companies invest heavily in education (both in their own company as well as in public or private institutes) for this particular reason. The government, of course, also has a role in providing, stimulating and improving education.

2.5 Quality Products

In the minds of many Western people, Asia is still a place where low-quality manufacturers make cheap copies of Western products. While such companies certainly exist, the analyses in this book have shown that Asian multinationals are quite different. They produce high quality goods for a competitive price. This is caused by a combination of low manufacturing costs, large scale production and well-done market research, adaptability and a strong drive for high quality. A car-manufacturer like Geely produces a wide variety of different models for different consumers, but they all combine high quality with affordable prices compared to their direct competitors. Haier is another example. It offers a variety of products for a very competitive price, without compromising on quality. Not only are its products themselves of high quality, the company also has a high standard of service.

This service-oriented approach was very important for the early growth of the company, as well as for building trust amongst consumers. Huawei is another company that singles out customer service as an important focus point. Panasonic still bases its business practices on the writings of its founder, who viewed it as his "sacred task" to eliminate poverty and improve people's lives. This approach also leads to a focus on affordable high quality products as well as customer care and support. Lenovo offers its products in both the middle and high end markets. Price-wise, they are not the cheapest, but still offer a product of higher quality than their direct competitors.

For internet based companies such as Alibaba, Tencent and Rakuten, customer service is even more important than for manufacturers of physical goods. Alibaba and Rakuten mostly have other companies as customers instead of individual consumers. However, in the C2C market, in which Alibaba is also active and where fraud is often a point of concern, measures were taken to increase the quality of the product by combating fraud. Trust is very important in the internet business, and that is why Rakuten has both high quality standards and tight regulation of its platforms. This increases trust among consumers using the platform, which in turn makes it more attractive for merchants to use the platform as well.

Tencent has a somewhat different approach than most of the other companies analyzed in this book because of their unique revenue model. Their products are of comparable quality to those of their competitors, but they are offered for free with

optional add-ons that users can pay for. Therefore, it is very important for the company to know what is popular with their users. Dr. Reddy's, meanwhile, produces high quality medicines, but is able to sell them for very affordable prices because they are patent-free. Their R&D departments improve the quality of existing products and in this way the company can offer products with high standards for a comparatively low price. For Uniqlo, founded during the Japanese "first lost decade" of slow economic growth, offering high-quality, affordable products is in its blood. By focusing on more "timeless" clothing, instead of the latest trends like their competitors, the company can profit from economics of scale and is able to offer a cheaper product, while still coming up with very high quality. Vinamilk offers products for various income groups, but all with high-quality standards, ensured by its continuously improving R&D department.

A unique aspect of Asian products is the way the branding of their products works. There is an important difference in "branding culture" between Asia and the West. Where Western products often have individual brand names, in Asia it is much more common that a big company uses its name to brand all of their products. Lotte has both hotels and aluminum manufacturers, but with the same company name (although they do not rename their acquisitions). Yamaha produces both keyboards and motorcycles under the same brand name. Of course, this difference could lead to problems when Asian countries are internationalizing and also enter markets where such branding concepts are perceived differently.

Therefore, Asian companies have found a variety of solutions for this problem. For some companies, there is no real need to change their branding strategy. In the internet industry, for instance, using a single brand name is pretty common (Google, for example). Alibaba specifically choose its name because it refers to a tale that is known worldwide. Tencent mostly operates with two brand names (QQ and WeChat) that are used for a wide variety of products, but are also linked together in various ways. The company name returns also in some products (Tencent Weibo). Other companies buy up foreign competitors in order to get hold of a trusted and well-known brand name. Geely bought Volvo, for instance, and Lenovo IBM Thinkpad. Buying a brand is the easiest way of brand-building, but can also be expensive and does not necessarily mean that the new owner can keep up the prestigious name of the brand.

Rakuten has bought many foreign competitors and uses a combination of the company name and the original name (Rakuten's Play.com) to both build brand awareness for itself as well as to profit from customer loyalty to the original company. Huawei has built up a good reputation in the professional telecom market, and is now also entering the consumer market under its own brand name. Slowly the name is becoming more well-known among the general public outside of China. Haier has three distinctive brands which focus on different markets. The main brand remains Haier, but there is also Casarte and Leader for different uses. Dr. Reddy's sells its products under a generic no-brand name on the Western market, but uses distinctive brand names elsewhere. Panasonic is more traditionally Asian in its branding strategy, although this way of branding was only chosen relatively recently. Before 2003, Panasonic operated a variety of different brand

names. For all these different approaches, these companies have one goal in common: they want to build well-known and trustworthy brands for the international market.

2.6 Competitiveness

Based on all characteristics mentioned so far, the final similarity between emerging Asian multinationals is their competitiveness. There are many fears in the West for the “yellow peril”. Whether these fears are justified or not, the question remains: how did these companies manage to become so competitive? The answers have already been provided above and are summarized below. The emerging Asian multinationals have:

- A strong corporate culture that is based on long-term growth strategies.
- The ability to quickly adapt to different markets and different market circumstances.
- A strong drive to internationalize.
- Excellent products for competitive prices.

These four points are facilitated by the fifth characteristic: the Triple Helix. All of these factors together create very competitive companies that are ready to conquer the world.

The competitiveness of the emerging Asian multinationals leads to both challenges and chances for the EU and the USA. Western companies might have a hard time to compete with the Asians. On the other hand, Asian companies are not necessarily hostile. They often seek cooperation with local companies and are willing to invest heavily. Because they prefer long-term growth strategies over short-term profit making, they are also often reliable and loyal partners. Western governments and educational institutions should also actively be involved when dealing with these companies. Not only because the Triple Helix system has been so successful in Asia, but also because Asian companies expect some form of governmental presence when investing abroad.

3 Differences Between the Asian Companies

The analysis of the similarities between emerging Asian multinationals has made clear that there are many differences as well. These differences are a result of the way the companies try to realize the similarities. Broadly speaking, the differences are dependent on: (1) differences between countries (cultural identity) and (2) differences between companies (the specific character of entrepreneurs).

3.1 Differences Between Countries

Asia is a huge continent which houses 60 % of the world's total population and has a history that goes back for thousands of years. Obviously, this means that there are large differences in the identity, political-economic situation and history of Asia. In turn, these huge cultural differences have a direct impact on the corporate culture of the companies from these countries. They influence how they can do business. In this section, we will focus on the countries of the companies we have analyzed in this book.

There are roughly three different ways of political-economic decision making. The first is the strict top down model:

This model is the Chinese model (Fig. 1). There are strict orders from the top towards the bottom with little or no room for discussion. This is in line with China's idea of a "socialist market" system. The government is not only the strongest part of the Triple Helix in this model, it is also the sole leader and decision maker.

The complete opposite of the model is the Western model, which is also practiced in post-bubble Japan (Fig. 2):

In this model, there is interaction between "top" and "down" as well as interaction between the business sector and the educational institutions. While the government can still play a very prominent role in this model, it is not the only decision maker. The influence from "down" to "top" can be in the form of participation via

Fig. 1 Chinese model of political-economic decision making

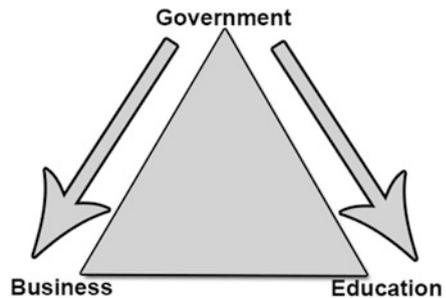


Fig. 2 The Western model of political-economic decision making

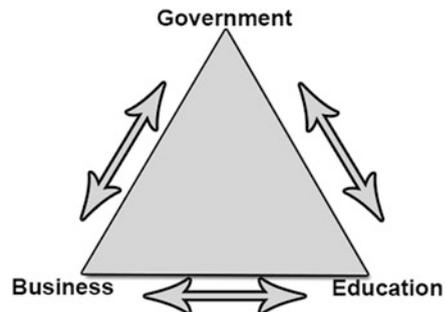
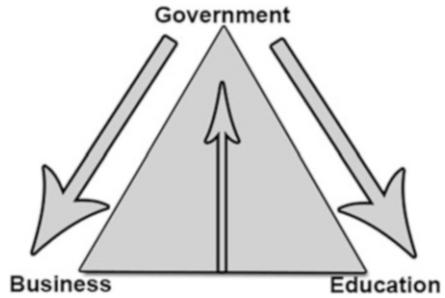


Fig. 3 The Asian (Japan, South Korea, Taiwan) model of political economic decision making



elections, a strong lobby, or otherwise. The three parts of the Triple Helix are much more balanced as far as their power is concerned.

The most prominent model in Asia, however, is a mix between the first two models:

This is the “old Japanese” model (1970–1990), which is also practiced in countries like South Korea and Taiwan (Fig. 3). While the interaction is mostly top-down, the top is still open for feedback. There is a strong, leading role for the government, but other voices also have influence. While the government is the strongest party of the Triple Helix, business and education play an important role as well, not only as receivers of orders, but also for feedback towards the government.

This strong leading role of the government in Asia can be both helpful and harmful for domestic companies. On the one hand, a strictly-regulated economy is often protectionist, which makes it easier for domestic companies to compete with big foreign multinationals in their own market. But on the other hand, it can also hinder their international expansion. Most Asian governments realize the importance of internationalization, which is most obvious in China’s “go global” policy. But even then, a strong governmental influence can be a disadvantage. Take for instance Huawei, which has an excellent relationship with the Chinese government. In the USA and Australia, however, these warm ties were perceived as a national security risk eventually leading to Huawei (temporary planning on) leaving the US market completely.

Companies from less regulated markets like Japan do not face these risks, even though the political and business elite in Japan often consist of the same people. Of course, the view of China and Japan as a whole also plays a role here. Since World War II, Japan has been seen as an ally of the West while China, on the other hand, has been seen as an adversary. These historical differences between countries also play an important role in their business cultures. Not only the perception the West has constructed of these countries is important. In fact, the view Asian countries have of each other, is probably even more important. Japan in particular is perceived negatively because of its role before and during World War II. Many Asian nations feel that Japan has not made enough apologies for what happened. At the same time, the Japanese feel that World War II has become a wild card for other countries in the region to be pulled out arbitrarily in unrelated diplomatic disputes.

But the history since World War II has also had its impact on the economic situation. China became a communist nation, while Japan was guided towards a free market parliamentary democracy under the American occupation. Korea split in two after the Korean War, with a capitalist South and a communist North. After a similar conflict in Vietnam, the country was eventually united under communist rule. India meanwhile, became a democratic, federal republic after its independence from the UK, where the socialist party constructed a strong government. While in recent years there has been a similar movement towards more liberalization in all of the countries mentioned above (except North Korea), the old ideologies are still important. In countries like China and Vietnam, the government plays a much more leading role than in South Korea and Japan, as discussed earlier. This of course has its consequences in how business is conducted. Local regulations are important for emerging multinationals especially where overseas M&A and greenfield activities are concerned.

The overall differences in cultural identity between the Asian countries are another point of interest. For example, China has a much more extrovert culture, compared to the more introvert Japanese. Conventions in China are easy-going and a contract can be signed fast, but can also change unexpectedly. In Japan, protocols are strict and the decision-making process is long, but contracts are rock solid. South Korea, meanwhile, is somewhat halfway between introvert and extrovert, has stricter conventions than China, but flexibility and fast sales are deemed more important than a contract. And, while for the outside observer the culture of these countries may seem a bit similar, Chinese, Japanese and South Koreans view themselves as completely different. In other words: Western policy makers should not only make general “Asian strategies” to deal with companies from this continent, but country-specific ones as well. Therefore, a deep understanding of the different cultures and motivations of Asian countries is highly necessary.

3.2 Differences Between Companies

Obviously, companies from the same country in most cases do not have the same corporate culture. For instance, in Japan we can see a divide between the traditional Japanese-style, giant corporation and newer US-style startups. This is caused not only by the specific character of the entrepreneur, but also by time. It is, after all, not impossible for a small startup to grow into a big conglomerate. We can already see such a development from Chinese internet companies such as Alibaba and Tencent. They started in a very specific market, but kept expanding into different markets abroad and taking over (or starting new) companies.

We discussed the similarities in corporate culture between emerging Asian multinationals. They have a family-like atmosphere, a focus on long-term strategies and many Japanese characteristics, and in addition their entrepreneurs, are often motivated by soft nationalism. But even these similarities manifest themselves in different ways. Take for example the groupist structures. The similarity here is that the company expects that its employees give their best for the company and show a

loyalty that often goes beyond what we are used to in the West. For some companies (Uniqlo, for instance), this means that all employees should follow company directions without hesitation and that there is little room for individual initiatives.

This is the traditional view many people have of big Asian companies. However, there are other companies that specifically stimulate internal competition in order to get the best out of people. A good example is Haier. While it is a massive company active in many markets, it has split its 80,000 employees into 2000 “zi zhu jing ying ti” (ZZJYTs, self-managed teams). These ZZJYTs function basically as smaller, separate companies. This environment stimulates innovation and initiative. It creates the somewhat paradoxical situation where competition between several parts of a company is good for the company as a whole. It also shows that the political-economic system of a country cannot always be directly related to the corporate culture of multinationals from this country. That would underestimate the influence CEOs have on business. The Chinese political system might be strictly top down and the Chinese economy might be a socialist state-lead market economy, but there is definitely still room for excellent entrepreneurship. The founders of Alibaba and Tencent became billionaires without direct state support, thanks to their market knowledge and entrepreneurship.

This is true in other Asian countries as well. Compare, for example, Rakuten with Panasonic and Uniqlo. While Rakuten follows the typical M&A pattern of foreign expansion for Asian companies, the corporate culture is incomparable to that of the much more traditional Panasonic and Uniqlo. This is partly due to the different markets in which the companies operate, but also because of the vision, character and structure of their CEOs. When Rakuten founder Hiroshi Mikitani left a good banking job to start a new venture, his family was shocked. For many Japanese at that time (and this is largely still the case), the best way to success is to start working for a large, well-established and prestigious company and work your way up over the course of your life. Perhaps because of his exposure to the view of entrepreneurship in the US, or perhaps because of what he experienced after the Kobe earthquake, he decided to leave this path and start his own company. Regardless of his exact motivation, a step like this shows Mikitani’s determination and his will to leave the traditional path of Japanese culture.

Perhaps it also a sign of changing times. As has been discussed in detail in the chapter about Asian HR in this book, the traditional Western perception of Asian societies might be based on outdated preconceptions. The Japan of 2015 is not the same as the Japan from 1970, and the same is true for other Asian countries as well. In this perspective, people like Mikitani might not be the exception to the rule of their countries, but the pioneers of a new style of Asian entrepreneurship. This view is reinforced when we look at the Chinese outward foreign direct investment in the Netherlands over the past 10 years. The vast majority of these Chinese companies investing in the Netherlands are not giant corporations, but smaller and younger companies. The new Asian style companies combine traditional values and attitudes with Western entrepreneur styles, creating a hybrid-style of corporate culture which is very successful.

At the same time the more traditional, conglomerate-style companies, also remain active on the world stage and are reforming themselves to be able to compete with their new competitors. They mainly try to do this by focusing on new markets with growth potential. An example is Panasonic's recent investment in sustainability and green fields. While these companies operate differently as opposed to the new generation of Asian companies, their role is in no way played out. Therefore they should certainly not be underestimated.

The above analysis certainly suggests how we in the West should react to Asian companies. A sound analysis and deep knowledge of not only the Asian region as a whole, but also of individual countries and individual companies is of utmost importance. Currently this knowledge is sparse and diffuse in the West. Political policymakers, academic experts and business leaders should consult each other more frequently and centralize their knowledge and experiences. Only in this way will we be prepared for the Asian future.

4 Future Developments

The differences in the political-economic systems of Asian countries have a strong implication for the international drive of Asian companies. In the case of the strongly top-down Chinese model, this implies that after the implementation of the "go global" policy (2001) there is an enormous increase of outward foreign direct investment (OFDI) from China. The implicit claim of most chapters in this book is that Asian companies will flock to the West in ever-increasing numbers. In the coming years, this concerns companies primarily coming from countries we have been dealing with in this book: China, India, South Korea and Vietnam. In the case of Japan, there will be primarily a focus on mergers and acquisitions.

Obviously, this is not to say that in recent years companies from the countries involved have not been active in the West: on the contrary! As an example of this tendency, we could testify to the recent Chinese activities worldwide. Even in the future these activities in all likelihood will increase to a significant extent. Therefore, some specialists ask the questions: is the West still relevant? Is China buying the world? (Nolan 2012).

Over the last decade, China has quickly developed itself into a global economic superpower. Many Western countries view this as both an opportunity (a big potential market with increasingly wealthy customers) and a danger (ranging from Chinese foreign buying sprees to espionage and other national security issues). This is especially evident in the Outward Foreign Direct Investment (OFDI) activities of Chinese companies. On the one hand the increasing investments from China are a welcome addition to the national income, but on the other hand there are severe concerns. Many Chinese investors are state-owned companies and therefore seen with distrust. Telecom company Huawei, for instance, wanted to even completely leave the US market, because it was unable to complete deals due to espionage concerns.

In this part of the conclusion, we will briefly examine some of the trends in Chinese OFDI, both worldwide and in the Netherlands in particular, to examine whether these concerns are well-grounded. Are the Chinese really buying up the world? The section concludes with an overview of some Chinese OFDI activities in the Netherlands over the past 4 years, both greenfield projects and M&A activities. These examples are by no means meant to give a definitive overview of all relevant Chinese OFDI in the Netherlands in this period. Official figures are hard to come by and many activities did not receive much media coverage, if at all. Companies are often not very keen on disclosing the value of their deals either. Therefore, some of the larger OFDI projects have been selected, together with some smaller examples. This should give an adequate overview of the specific kind of recent OFDI activities of Chinese companies in the Netherlands. Because Hong Kong, while an autonomous part of China, is regarded separately in most statistics, the focus will be exclusively on companies from mainland China.

4.1 Chinese Foreign Direct Investment Worldwide

In this section, we will take a look at the overall Chinese OFDI flows and stock since 2004 and their geographical spread. Following the definition by UNCTAD, OFDI flows are: “For associates and subsidiaries, [...] the net sales of shares and loans (including non-cash acquisitions made against equipment, manufacturing rights, etc.) to the parent company plus the parent firm’s share of the affiliate’s reinvested earnings plus total net intra-company loans (short- and long-term) provided by the parent company. For branches, [O]FDI flows consist of the increase in reinvested earnings plus the net increase in funds received from the foreign direct investor” (UNCTAD 2014b). Stock is “for associate and subsidiary enterprises, [...] the value of the share of their capital and reserves (including retained profits) attributable to the parent enterprise (this is equal to total assets minus total liabilities), plus the net indebtedness of the associate or subsidiary to the parent firm. For branches, it is the value of fixed assets and the value of current assets and investments, excluding amounts due from the parent, less liabilities to third parties” (UNCTAD 2014b).

Since the formalization of the “go global” policy in 2001, the Chinese government is actively supporting outward FDI (Segers and Stam 2013). After 2004, the Chinese OFDI really took off. There is an explosive grow between 2007 and 2008. A slight stop in 2008 is followed by an increase in flows which continues at a constant rate until 2013 (Fig. 4) (UNCTAD 2014a).

Chinese OFDI stock, on the other hand, has been on a constant exponential rise since 2005 (Fig. 5).

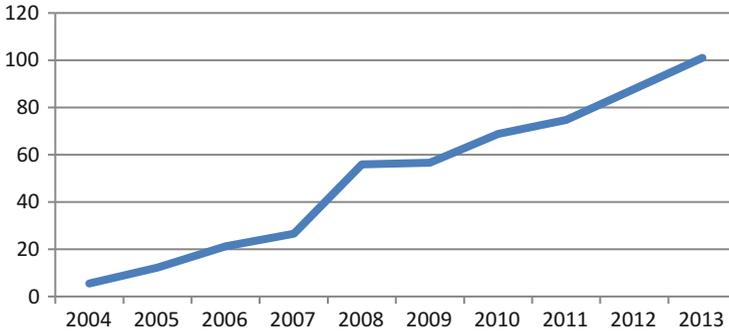


Fig. 4 Chinese OFDI flows 2004–2013 in billion US\$ (UNCTAD 2014a)

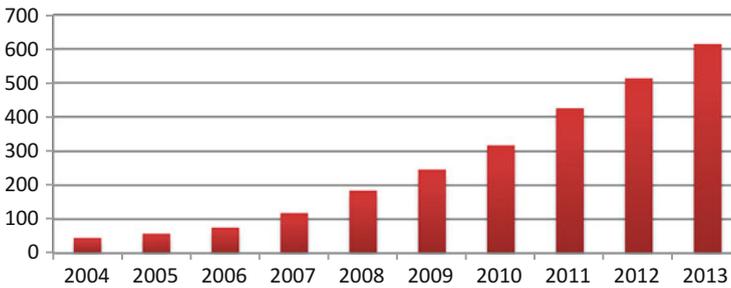


Fig. 5 Chinese OFDI stock 2004–2013 in billion US\$ (UNCTAD 2014a)

This enormous growth in both OFDI flows and stocks has caused China's fast rise on the international investor lists. Where China was the 24th largest investor (measured in OFDI flows) in 2004, by 2013 the country had become the third largest investor, only behind the USA and Japan. In OFDI stocks, China is not quite there yet, but rapidly approaching the top as well. The country rose from 26th place in 2004 to 12th place in 2013 (UNCTAD 2014a).

Geographically, Asia was and continues to be, the greatest destination of Chinese OFDI flows. In 2012, 78 % of all Chinese OFDI flows went to Asia (National Bureau of Statistics of China 2014). These Asian flows mostly go to the autonomous region of Hong Kong, where many Chinese companies have subsidiaries for their outward investments. This is a result of the fact that Hong Kong had a stock exchange long before Shanghai (Segers and Stam 2013). Figures 6 and 7 show the geographic distribution of the Chinese OFDI flows with and without Asia in percentages.

An interesting observation is that the OFDI flows towards Europe have overtaken those towards Latin America in 2012, which used to be the predominant destination of Chinese OFDI outside of Asia. The sharp rise of OFDI towards North America between 2011 and 2012 is also remarkable, as well as the sudden peak of OFDI towards Africa in 2008.

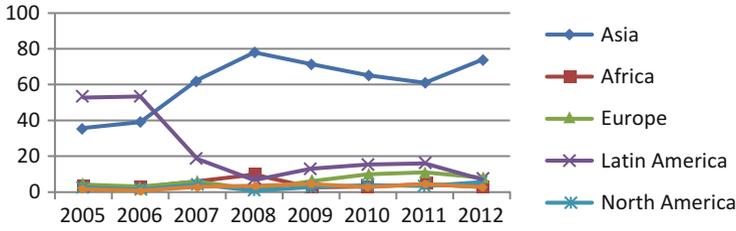


Fig. 6 Geographical distribution of Chinese OFDI flows per continent (National Bureau of Statistics of China 2014)

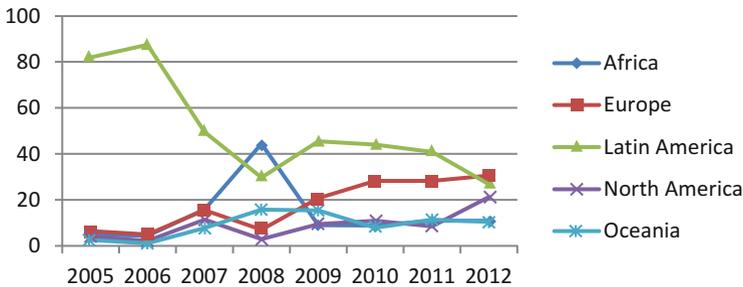


Fig. 7 Geographical distribution of Chinese OFDI flows per continent without Asia (National Bureau of Statistics of China 2014)

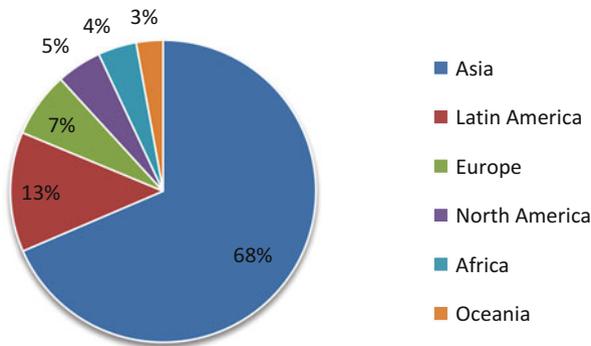


Fig. 8 Geographical distribution of Chinese OFDI stock in 2012 (National Bureau of Statistics of China 2014)

The concentration of OFDI stock shows a similar distribution. Asia has by far the largest share, followed by Latin America. Europe had a slightly larger share than North America, Africa and Oceania (Fig. 8). This also means that a trend has been broken, since historically China used to have a larger percentage of its OFDI stock in Africa than in Europe or North America (Segers and Stam 2013).

4.2 Chinese Foreign Direct Investment in The Netherlands

Segers and Stam (2013) mention, based on figures from 2010: “Chinese companies have not prioritized investment in Europe over the years because the international investment agenda was mainly focused on acquiring natural resources and energy to fuel Chinese industrial production. As the Chinese domestic economy is currently restructuring and laying more emphasis on technological advancement and the development of the services sector, the prospect of intensified Chinese investment flows in Europe is very likely”. The recent OFDI flow and stock trends as shown in the previous section seem to indicate that indeed Europe has become a more important place of investment for Chinese companies.

Unfortunately, there are no recent official figures concerning Chinese OFDI flows and stock in the Netherlands. The Chinese Ministry of Commerce (MOFCOM), published its most recent English Statistical Bulletin in 2011. De Nederlandse Bank (DNB, the Dutch central bank) also tracks inwards FDI, but has figures that are incomplete (2012 is missing) and which differ from the official Chinese ones, so the two sets cannot be combined.

The MOFCOM figures show some ups and downs in OFDI flows towards the Netherlands, as can be seen in Fig. 9 (please note that the data from 2005 and 2006 do not contain financial OFDI, so in reality these values are higher).

The figures of DNB show different Chinese OFDI flows. This is probably the result of using different currencies during calculations and different definitions. These figures also show a spectacular explosion of Chinese OFDI flows towards the Netherlands in 2013 (DNB is missing figures from 2012). This might have been caused by the HNA Group deal (Fig. 10) (see the next section).

According to MOFCOM figures, in 2010 the Netherlands was, with 64.53 million US\$, the sixth largest receiver of Chinese OFDI flows in the EU, behind Luxembourg (3207.19 million US\$), Sweden (1367.23 million US\$), Germany (412.35 million US\$), Hungary (370.1 million US\$) and the UK (330.33 million US\$). In the same year, the Netherlands was at fifth place stock-wise, with 486.71

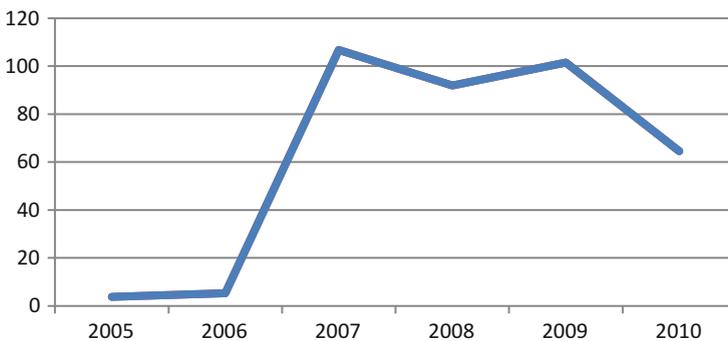


Fig. 9 Chinese OFDI flows towards the Netherlands 2005–2010 in US\$ millions, according to MOFCOM (MOFCOM 2011)

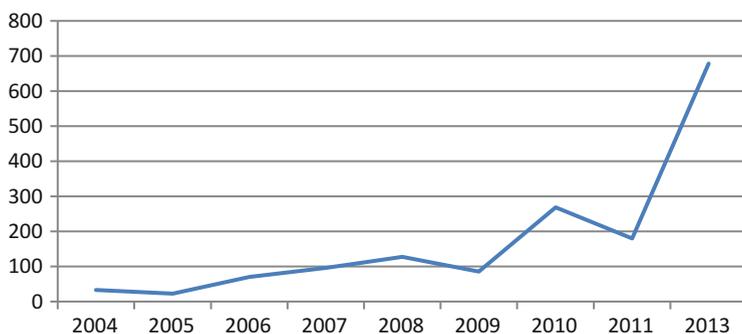


Fig. 10 Chinese OFDI flows towards the Netherlands 2004–2013 in € millions, according to DNB (DNB 2014)

million US\$, behind Luxembourg (5786.75 million US\$), Germany (1502.29 million US\$), Sweden (1479.12 million US\$) and the UK (1358.35 million US\$). Between 2007 and 2010, Chinese OFDI stock in the Netherlands more than tripled, from 138.76 million US\$ to 486.71 million US\$ (MOFCOM 2011). These figures show that, compared to other EU countries, the Netherlands is at the sub-top as far as receiving Chinese OFDI goes.

This position of the Netherlands also matches with statistics from the European Commission (Clegg and Voss 2012). At the end of 2013, Dutch Prime Minister Mark Rutte was in China for a short official visit. There, he stated he welcomed more Chinese investment and also stressed the fact that in the EU, the Netherlands is the third largest receiver of Chinese OFDI behind Germany and the UK (People's Daily 2013).

Chinese OFDI stock in the Netherlands is mostly concentrated in the services sector, but there is also a considerable amount in the manufacturing sector (Clegg and Voss 2012).

Another way of measuring the interest of Chinese companies in the Netherlands is the amount of projects the Netherlands Foreign Investment Agency (NFIA) has acquitted over the past years. These figures are of course not necessarily representative of all Chinese investments in the Netherlands as a whole, but they give a good indication of OFDI trends. Over 2013, the NFIA reported 26 Chinese investment projects. This makes China by far the largest Asian investor. However, when measured by amount of jobs created, China ranks third (after India and Japan), implying that most Chinese investments were relatively small scale (NFIA 2014). An overview of all the NFIA acquisitions since 2004 can be found in Fig. 11. It is important to note that the NFIA opened its first office in mainland China in 2004 (Shanghai), followed by two additional offices in 2006 (Guangzhou) and 2008 (Beijing). This extended presence in China might explain the increases after 2004 and 2006.

These figures show a similar trend to the aforementioned ones: Chinese investment in the Netherlands is gradually increasing. While there are ups and downs in

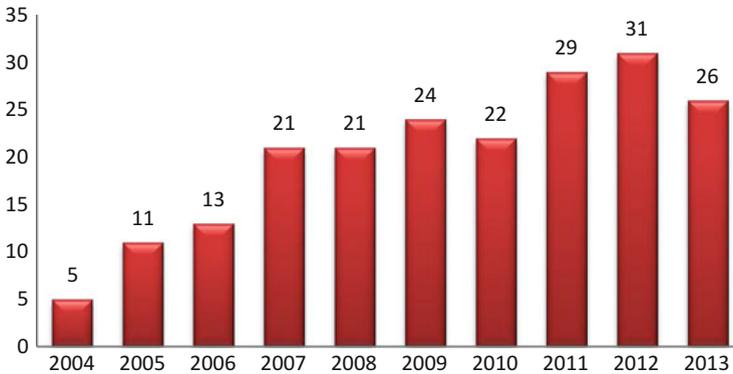


Fig. 11 Chinese acquisitions by the NFIA, 2004–2013 (NFIA 2007, 2009, 2010, 2011, 2012, 2013, 2014)

the OFDI flows, the overall direction is certainly upwards. Both Chinese OFDI flows and stocks have increased dramatically since 2004 and there are no signs of a cooling down.

At the same time, other countries in the EU have managed to attract a lot more Chinese OFDI than the Netherlands. It is worth mentioning that Luxemburg saw the Chinese OFDI stock increase from 122.83 million US\$ to 2484.38 million US\$ between 2008 and 2009, and that Sweden saw an increase from 111.89 million US\$ to 1479.12 million US\$ between 2009 and 2010. This considerable increase was the result of large scale takeovers, such as Geely's takeover of Volvo in Sweden. At the same time, Luxemburg is often used as a gateway for investments elsewhere in the EU, so OFDI entering the country does not necessarily end up there (Clegg and Voss 2012).

When compared to other countries, OFDI flows from China to the Netherlands so far play a small part in the total breakdown. According to De Nederlandse Bank, in 2013, China was the 31st biggest investor in the Netherlands. If Hong Kong were to be included, China would still only end up at 18th place. To put this into perspective, the total OFDI flows of China and Hong Kong to the Netherlands is only 5 % of the OFDI flows of the USA towards the Netherlands in the same year. The largest Asian investor in the Netherlands in 2013, Japan, had OFDI flows that were three times as big as those of China and Hong Kong combined (DNB 2014).

4.3 Some Examples of Chinese Foreign Direct Investment in the EU: the case of the Netherlands

The following lists ten recent examples of Chinese OFDI: it concerns ten Chinese companies over the last 4 years;

1. 2011, March: Landwind Motors Company Europe (Helmond)

Landwind is an automobile brand from Jiangling Motors Holding (JMH). JMH, one of the largest automobile manufacturers of China, is a public company founded in 1952. Their Landwind CV9 was the first Chinese car which got through the European approval tests and marked their entry into the European market (Landwind 2014). This car was partly developed in Helmond. On the high tech campus there, Landwind established an office from which it planned to start R&D activities together with the research institutions TNO in the Netherlands and Tüv in Germany. The R&D focuses on research and test programs in the fields of emission, safety and electric cars. It will also take over some tasks previously done by Jiangling itself. In the future, it is planned to give the Helmond office a larger role in the development of European models for Jianling. Marketing and sales activities are also done from the Helmond office (Automotive 2011). Later in 2011, there were also rumors that Jiangling Motors wanted to manufacture cars at Nedcar, a Dutch car manufacturing company which previously did manufacturing work for Mitsubishi. However, this seemed to be based on a misunderstanding: Nedcar was only in contact with the Dutch Landwind importer to store the cars on Nedcar terrain (Autoweek 2011).

2. 2011: NavInfo: Mapscape (Eindhoven)

NavInfo is the largest digital map provider in China and the fourth largest in the world. It was established in 2002, but originated from the Navigation Department of China Siwei Surveying and Mapping, which was founded in 1997 (NavInfo 2014). Mapscape was founded in 2007 and is the market leader in production services for navigation display maps. The maps compiled by Mapscape are used for GPS systems in consumer cars. Customers are companies like Audi, BMW, Volkswagen, NAVTEQ and Tele Atlas (Telematicsnews 2011). According to the company, “Mapscap joined NavInfo to ensure sufficient financial support to build the next generation of digital map ecosystems and telematics services. For NavInfo, this merger also makes strategic sense as it gives the company access to the high-tech tool chain and quality processes of Mapscape. Cooperation between Beijing and Eindhoven is close and frequent. The combination of NavInfo and Mapscape is important to Asian and European customers, as automotive manufacturers today are global players with global customer management processes. The merger therefore results in a powerful combination of creativity, reliability, scalability, continuity, efficiency and a global view on business” (Mapscap 2014). One hundred percent of Mapscape’s assets were bought by NavInfo for around seven million €. This money was excess from its initial public offering (Telematicsnews 2011).

3. 2011, July: Beijing Hainachuan Automotive Parts Co., Ltd (BHAP): Inalfa Roof Systems Group B.V. (Inalfa) (Venray)

BHAP is a leading automotive parts manufacturer founded in 2008. It is a subsidiary of the Beijing Automotive Group CO., Ltd. Inalfa designs, develops and manufactures vehicle roof systems. It is one of the biggest companies in its field and supplies to car manufacturers worldwide. Some of its customers are BMW, Daimler, Chrysler, Ford, General Motors, Geely and Volkswagen (Autonews 2011). Inalfa has been active in China since 2006 and opened a factory in Jantai in 2007. It considers the deal with BHAP as an opportunity to increase its activities in Asia, where it expects to generate 45 % of its revenue. For BHAP, Inalfa will be a means to access the European and North American markets, where it did not have subsidiaries yet. BHAP has taken over Inalfa completely, but the Inalfa headquarters, as well as R&D and production facilities, will stay in Venray. The management of Inalfa would remain in their positions as well (Automobielmanagement 2011). While the amount of money involved in the deal has not been disclosed, it is estimated to be one of the largest, if not the largest, investments from mainland China in the Netherlands up to 2011 (Volkskrant 2014). Inalfa will be able to function mostly independent, showing that Chinese investments are not only meant to quickly buy Western knowledge, as is often feared.

4. 2011, July: Ausnutria Dairy Corp Ltd's: Hyproca Dairy Group B.V. (Ommen)

Ausnutria is a leading company in the Chinese dairy market. It produces, distributes and sells high quality milk products in mainland China. Hyproca Dairy dates back to 1897, and is “a professional dairy factory which not only produces own brand products but also supplies various large international companies with top-quality dairy ingredients” (Ausnutria-Hyproca 2014). Ausnutria paid 10.4 million € for an additional 31.6 % stake in the company, which would mean that it had a combined stake of 51 %. This takeover was the result of a lack of trust from Chinese consumers in domestic milk products. During 2008, there was a huge scandal with tampered milk. In order to make the milk appear more protein rich, it was laced with melamine. This resulted in almost 300,000 sick children throughout China as well as six deaths. After the scandal came to light, Chinese consumers started buying foreign brands in droves. Chinese dairy companies, including Ausnutria, are looking for foreign partners in the hope of improving their products and winning back trust from the domestic Chinese consumers (China Daily 2011). Another example of this were the plans to build a milk factory of Scepter Brands Company in Assen. However, this idea was ultimately canceled (DVHN 2013).

5. 2011, November: Lepu Medical Technology: Comed (Bolsward)

Lepu is a manufacturer of coronary artery intervention equipment founded in 1999. Comed started in 2000 as a trading and service company. According to their website, in 2011 they “achieved to build up [their] own product portfolio in interventional cardiology, structural heart disease, peripheral vascular, critical care and IVD by integrating European needs and quality requirements with Chinese manufacture advantages to provide the best technology and solution to the WW health care system” (Comed 2014). Initially Lepu invested 5.5 million € to set up a Dutch branch, together with its subsidiary Tiandi Hexie Technology. This Dutch branch of this Chinese company would acquire 40 % of Comed for 1.39 million € and invest another 3.47 million € into the company afterwards. This would result in an indirect 70 % share for Lepu. The goal of Lepu was to further expand in the Dutch and European markets (Research in China 2011).

6. 2011, November: China Hi-Tech Group Company (CHTGC): GINAF Trucks Nederland B.V. (Veenendaal)

CHTGC is a state-owned company that was established in 1998. It operates in three fields: textile machinery, textile and trade and commercial vehicles (CHTGC 2014a). GINAF is a manufacturer of trucks, which had financial trouble during 2011 and eventually went bankrupt. It could continue to exist thanks to CHTGC, which bought the company at the end of 2011. According to GINAF, “the primary goal is to continue with GINAF as a brand according to current standards, both on the national and international level. The Netherlands remains the focus, with its loyal customers and specific legislation. This is almost identical to the already set course of GINAF” (GINAF 2011). Unfortunately, not much information can be found behind the reasoning of the takeover. However, earlier in 2011 CHTGC also bought some automotive companies and formed a group consisting of companies in Germany, Austria and Italy (CHTGC 2014b). Presumably the company wants to enter the European market or wants to acquire innovation, since GINAF was known as an innovative manufacturer.

7. 2012, June: LiuGong (Almere)

LiuGong is a machinery manufacturer originally founded in 1958. It has establishments all over the globe. Its mission statement is “to provide global customers with excellent construction equipment and services” (LiuGong 2014). LiuGong established its first overseas division in Australia in 2004, followed by North and Latin America in 2008 and finally Europe, Pacific Asia, the Middle East and South Africa in 2010 (LiuGong 2014). In 2012, the company decided to open its new European headquarters in Almere. This location was chosen for its proximity to Amsterdam and its excellent

infrastructure and nearby main ports. According to Chairman Xiaohua Wang, “This new office will strengthen our presence as a top construction equipment manufacturer brand, and to service our dealers and customers in the whole European market. Our staff will be able to interact more closely with our customers in Europe, and gain a deeper knowledge and understanding of the needs of each local market. Not only will this allow us to react to customers more effectively, it will also help us develop products that will better meet the local requirements”. The company expects the new headquarters to become one of the most vital overseas bases of LiuGong (LiuGong 2012).

8. 2013, October: HNA Group Company Limited (HNA): TIP Trailer Services Group (TIP) (Amsterdam)

HNA is a holding company founded in 2000, whose subsidiaries are mostly active in air transportation services, but also in “tourism, airport management, logistics, hotel management, retailing, finance, and other related businesses” (Businessweek 2014). TIP was founded in 1968, and is the biggest renter of trailers in Europe (Volkskrant 2014). Xiangdong Tan, the vice-chairman and president of HNA, said about the deal: “The acquisition of TIP into our portfolio is a good strategic fit, complementing our existing investments in world-wide aircraft leasing, marine container leasing and ship leasing. We are very pleased to be acquiring an excellent GE management team whom we fully support. We continue to strengthen our transportation finance and services capabilities internationally, and we intend to grow TIP Trailer Services during the coming years” (Business Wire 2013). According to HNA chairman Chen Feng, they deserve an award from the Dutch government for the deal, in which they completely bought TIP for the sum of “a few hundred million euros” (Volkskrant 2014). TIP was taken over from the American GE Capital.

9. 2014, March: COFCO: Nidera (Rotterdam)

COFCO is a state-owned food-processing holdings company from Beijing. It was founded in 1949. It is on the 401st place on Fortune’s Global 500 list (Fortune 2014). Nidera was founded in Rotterdam in 1920, and trades in grain, oilseeds, vegetable oils, specialty oils, biofuels and oilseed meals. It is active all over the world, including Latin America. This deal fits in the trend of China spending lots of money to acquire food assets overseas, especially in Latin America. Other important markets for Nidera, Eastern Europe and Russia, are also of special interest to the Chinese. The growing wealth in China makes the demand for food higher, leading to more imports. In 2011, the country became a net importer of rice (WSJ 2014). COFCO bought a 51 % stake in Nidera. The amount of money paid for the deal was not disclosed by the companies, but the China Global Investment Monitor 2014

estimates it at 1.2 billion US\$ (Heritage 2014). This would mean an enormous boost of Chinese OFDI flows and assets in the Netherlands for 2014, comparable to the Geely takeover in Sweden. It is also most likely the largest investment from (mainland) China done in the Netherlands. In this case, access to markets elsewhere made the deal attractive for the Chinese party, not necessarily the Netherlands as a location.

10. 2014, July: United Vansen: ADO Den Haag (The Hague)

While most Chinese takeovers or investments go by without the media taking much notice, it was quite different when Chinese lawyer and entrepreneur Hui Wang, owner of United Vansen, bought the Dutch professional football club ADO Den Haag. Most reactions to the news sounded like panic: does this Chinese guy even know what he is doing? Will China eventually buy up all teams in the Dutch first league (Eredivisie)? This was not helped by interviews in the Dutch press, where Wang did not recognize the mascot of the club. However, the millionaire has great plans for the club. Within 5 years, ADO Den Haag should reach the Europa League and the stadium should be extended to accommodate 30,000 supporters instead of the current 15,000. Wang wanted to buy a football club for a long time and eventually choose ADO because it had been profitable in the past 3 years (something that even the biggest football clubs have trouble with), it had relatively moderate costs and a great prospect for improvement (in results on the football field). He stressed that the club should stay “Hague-ish” and that he would not touch the “DNA” of the club. In total, Wang paid around eight million € for the club (NRC 2014) when the deal was finalized at the end of January 2015. This amount makes it a relatively small fry compared to some of the other M&A deals in this section, but of course the fact that this was a well-known football club from the first league of Dutch football gave it much more media attention.

5 Conclusions

Asian OFDI is certainly on the rise. On a global scale, China has become one of the biggest investors and, with the continuing economic growth in the country, can be expected to become even bigger. Furthermore, Europe is becoming an increasingly-important destination for Chinese companies. Where previously Chinese OFDI was mostly concerned with securing raw materials and food for Chinese use, the investments are now also rapidly spreading to other areas.

This raises the question, should the West be afraid of Asian and especially Chinese companies buying up the companies and even the countries of the West? There is no reason for panic just yet. Let us take the example of the Netherlands

vis-à-vis Chinese OFDI. First of all, Chinese OFDI there, while growing and while individual deals are getting more and more capital-intensive, is still behind OFDI in, for instance, the UK or Germany. While the NFIA claims that the Netherlands is the third largest receiver of Chinese OFDI in the EU, the figures from De Nederlandse Bank and the European Commission seem to disagree. This raises another point: there are many institutions, both in the Netherlands and elsewhere, which track Chinese OFDI, but their figures vary wildly. Perhaps efforts should be made for a more integrated cooperation between these institutions to get a better overall view of Chinese OFDI stock and flows in the Netherlands. In any case, it can be concluded that in the Netherlands, Chinese OFDI is still relatively marginal compared to the OFDI coming from the USA, for example.

Part of the reason for the above situation is that most Chinese establishments in the Netherlands are relatively small-scale and don't employ a lot of people. This also implies that they do not cost a lot of money, although we have shown some examples of deals in the multiple hundred million €. When one thinks of Chinese companies, one normally thinks of gigantic state-owned institutions, while a lot of the Chinese companies in the Netherlands are actually small or medium-sized businesses which like the Dutch entrepreneurial climate. They often feel that the Chinese government does not take them seriously because they are too small, while the Dutch government, on the other hand, is very helpful (Akemu 2013; People's Daily 2013). It is not very likely that these smaller companies will form a security risk for the country, but at the same time they are of course not capable of huge investments.

Asian investment in the Netherlands shows roughly two trends. The first is to gain access to different markets and the second is to acquire knowledge or innovation. This is in line with the trends noted by Segers and Stam (2013). When looking at our examples, it is remarkable that often the smaller companies specifically choose for the Netherlands because of its location, while the bigger companies are often interested in market entrance to other countries. Examples of the latter category would be Changhong, which bought Sterope in order to acquire a South Korean company, or the megadeal of COFCO with Nidera in order to gain access to Latin America. Chinese companies that are looking for knowledge often start R&D centers in the Netherlands; there are many more Chinese R&D centers in the Netherlands than the ones mentioned here, for example those of Goodbaby, a company specialized in juvenile products which has an R&D center in Utrecht. These companies view the Netherlands as a good R&D base to eventually strengthen their presence in the entire European market (Akemu 2013).

Should the Netherlands try to attract more Asian OFDI? This is a rhetorical question. It is of the utmost importance that the Netherlands should develop stronger business connections with Asia that will more and more determine the rules of the (business) game. In addition, the Netherlands is in need of creating job possibilities, low and high paid. If the Netherlands doesn't enhance its efforts to attract Asian OFDI, the Asian companies will flock to bigger countries, which have a brand name in Asia, e.g. Germany and the UK. After all, companies like GINAF would have closed down completely were it not for an interested Chinese investor.

What is valid for the Netherlands is also valid for other countries as well. That means that a severe competition has started between many countries in the EU to attract as many Asian companies as possible.

The view of Chinese companies buying up a country is, in any case, unfounded. Following that logic, the Netherlands, for example, would already be completely owned by the USA or Japan, both countries having much larger OFDI flows and stock in the Netherlands. And, while most establishments are still small, they still have great potential. A distribution center might grow if the company gets more successful on the European market and will also provide jobs to other companies near it. The policy implications mentioned by Segers and Stam (2013) still hold true: attract both gateway companies and potential future market leaders. The spillover effect from these types of companies will be the most profitable in the long run. At the same time the Netherlands should not be afraid of acquisitions from Chinese companies. In many cases, the Chinese investor did not relocate the acquired company (and the jobs it provided) to China, but heavily invested in it. Why would a Chinese company even relocate jobs from the Netherlands when its goal was to gain access to the European market? Companies acquired by Chinese partners have often been successful, even when they were struggling previously (Akemu 2013).

In conclusion, there is no reason to be afraid of Asian or Chinese OFDI. On the contrary, the Netherlands or any other country might actually try to attract more Asian investors to not lose out to other EU countries like Germany or the UK. By attracting more Asian investors, the overall business climate of any country will improve, there will be more money put into the economy and, perhaps most importantly, more jobs will be created, especially in the long run.

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