China’s emerging businesses: the next generation of global corporations?

Abstract. A growing number of Chinese businesses that are not well known outside China are going global, taking market share from incumbents worldwide. These businesses sustain rapid to hyper-growth over considerable periods, allowing them to scale up quickly. They have strong market share in the domestic Chinese market, which serves as a platform for internationalisation. Their strategies for entering new markets derive from their domestic business models, which they have been able to adapt to conditions in other countries. These businesses represent a fast-growing cohort of emerging global corporations that will be major international competitors in the near future. This article helps businesses and analysts to identify China’s emerging businesses. It offers insight into their strategies for growth and emergence.

Key words: China, emerging businesses, global businesses, internationalisation, growth.

Introduction

More and more Chinese businesses are going global, taking market share worldwide (Alon et al., 2018). The largest of these companies are well known. Alibaba is a global player in online e-trade (Clark, 2018). Lenovo is the biggest producer of laptop computers worldwide, with more than 25% market share (Techradar, 2019). Haier is the world’s largest white goods manufacturer (Frynus et al., 2018). Tencent has around a billion users of WeChat, its social media app, and is acquiring tech companies in Asia, Europe and North America

(Financial Times, 2019). Baidu, China's google, has 60% domestic share, and over 5% of all searches worldwide, and is developing driverless cars and their enabling technologies in the US and China (Techcrunch, 2019). Goldwind is the world's second largest wind turbine manufacturer, behind Danish company Vestas. Companies such as Jinko solar have come to dominate the world market for solar electric panels in less than ten years.

In mobile communication technologies, Xiaomi became the world's third largest producer of smartphones in 2014, only three years after starting up in 2011. Now, six of the world's top ten smartphone manufacturers are Chinese, and three – Huawei, Xiaomi, Oppo – have 37% of global market share in smartphones (IDC, 2020). Within seven years, the Chinese smartphone industry has shifted from dominance by a single large enterprise, Huawei, to a dynamic, entrepreneurial industry full of innovative businesses.

These well publicised examples are only a small proportion of Chinese businesses that are going global. Many currently less well-known Chinese businesses have built dominant domestic presences and are emerging rapidly as global players. These businesses are well established in their home market and are expanding internationally at rates that look likely to establish them as major competitors in other markets. They can be found in almost all sectors and their emergence is likely to influence competitive dynamics for incumbent businesses worldwide.

The businesses share four salient features. Firstly, they sustain high to hyper growth over considerable periods. Secondly, they are major players in their domestic markets. Thirdly, they have adopted a wide range of approaches to internationalisation, rather than there being a standard route to overseas expansion. And, fourthly, their success is based on well-developed business models that work in China and are adapted to new markets as these businesses internationalise. Combined, these four features enable these businesses to become increasingly competitive globally as well as within China.

Study approach and methodology

Data were collected in 2014 and 2016 on companies listed on the Shanghai and Shenzhen stock exchanges, using a database of financial information based on their corporate submissions and returns. The data are credible, because they are registered audited accounts submitted to the domestic Chinese stock market. In 2014, circa 1,400 businesses were considered and in 2016 just over 1,8000 were included in the initial filtering. The aim was to identify enterprises that were rapidly growing, successful in their home market and starting to internationalise by expanding into other markets.

Four criteria were used to identify high-growth businesses: (1) five-year growth in turnover; (2) domestic market presence; (3) extent of international activities; (4) business model and strategy. The largest and smallest businesses were excluded, because those that were already very large tended to be well-established and those that were too small lacked the resources to create a strong international presence. Companies that lacked sufficient financial data were excluded.

The two cycles of data collection and analysis each identified one hundred companies that scored highly on all four criteria. There was some overlap between the two groups of enterprises. As a result, the final sample for analysis was one hundred and fifty-five businesses (see Table 1), of over 3,200 initially considered.

In-depth face-to-face interviews were conducted with five businesses in 2014 and six in 2016, in order to generate better insight into how these companies have expanded. The interviewed businesses were selected because they posted some of the fastest year-on-year growth rates and had developed entrepreneurial or innovative business models. By way of illustration, Shanghai Fosun Pharmaceutical and cTrip.com were interviewed because the former had successfully expanded away from pharmaceuticals into healthcare service provision and the latter had captured a dominant share of the online travel market in China. The primary objective of the interviews was not to seek a representative group of businesses, but to gain insight into particularly salient cases of business emergence. The rationale for this is that these cases highlight patterns of emergence and so offer insight into these dynamics.

The face-to-face interviews consisted of two phases of questioning. The first asked the respondent – typically the Chief Executive or Chief Financial Officer – to provide their account of the emergence of their business. The aim during this phase of the interview was to transcribe the account as presented by a senior executive from the business without steering the conversation. In the second phase, each business was questioned on each of the four characteristics, with open questions asking: how growth was stimulated and managed; the nature and extent of domestic market presence, and influence; the extent and nature of internationalisation; and their business strategy and the extent to which they felt it was successful. Open-ended questions were used in order to open up the discussion, rather than use of a formal questionnaire with set questions. This was a deliberate research approach as the focus was on understanding the company's own account of its emergence. The transcripts from these interviews were then analysed in order to identify patterns in their emergence. This analysis was supported by reference back to financial data from stock exchange submissions, additional data collected from desk research, and email contact with selected businesses. Each pattern is considered in the remainder of this article.

Scaling up through sustained high to hyper-growth

Businesses are considered high or hyper growth if annual turnover rises at more than 20% for three or more years (Cassia and Minola, 2012). Around 5% of businesses in North America and Europe achieve these growth rates (Coad et al., 2014; Holzl, 2014). Three-quarters of the businesses analysed in this article had annual growth rates of 20% or more in 2014, and two-thirds met this threshold in 2016. This equates to just over 4% of the original sample, indicating that these businesses are a small sub-set of businesses in China as are fast-growth companies in Europe and the US.

The fastest-growing businesses posted average annual turnover growth of over 40% each year for at least five years. Achieving growth at these rates over that period transformed the companies into some of the largest businesses in their domestic markets. Many trebled or quadrupled in size in five years. This pace of expansion enabled smaller companies to scale up very rapidly to become major competitors in China's domestic markets.

Overall growth has fallen in more recent years, as China's economy has slowed, and also because rapid to hyper growth is difficult to sustain, even for the most successful businesses (Dieppe et al., 2018). Table 1 provides examples of overall mean annual rates of turnover growth and how they fell over the two periods considered in this study (2008-2012 and 2010-2014). Even with these falls, the businesses grew at annual rates that were at least double that of China's overall GDP growth, which was circa 7% per year over that period (World Bank data).

Two of the businesses with amongst the highest annual growth rates – Huapont Life Sciences and Hongfa Technology – grew at around 60% year-on-year over the first five year period. Over the second period, these businesses grew at annual rates of almost 40% and just over 31% respectively. These are very high levels of sustained hyper growth, even at the lower rates, over a seven year period, indicating very fast scale-up of the businesses to sizes many times larger in 2014 than in 2008. Huapont, as the fastest-growing example, was almost thirty times larger at the end of this seven year period than at the start. Sinoma Science and Technology was more than four times larger over that period. For all these businesses, sustained hyper growth generated extremely rapid scale-up.

Insert Table 1 here.

The importance of the domestic market

China's emerging global businesses established themselves in their home market before going international, and so were not 'born global' (Cavusgili and Knight, 2015). There are two primary reasons for this.

Protection of the home market

The state continues to protect domestic markets in ways that give advantage to indigenous enterprises (Defever and Riano, 2016). Non-Chinese businesses tend to be more heavily regulated and scrutinised; for example, through asymmetric application of the national Anti-Monopoly Law (Frankenstein, 2011).

Key sectors - such as energy, banking and the media - are controlled by the state. The state also promotes industries, through the Made in China 2025 initiative in particular, and through sectoral development strategies led by the National Development and Reform Commission (NDRC). Locally, municipal governments support emerging sectors. For example, two of the identified businesses, Jiangsu Hengtong Photoelectric and Jinkosolar, have grown rapidly as a result of state promotion of the solar energy sector.

Some have close relationships with government and receive direct support as a result. Hikvision, for example, which is the largest manufacturer of CCTV cameras in the world, was originally a research centre within the public security ministry, and maintains close links, including collaborating on R&D. Municipal governments of major cities have awarded Hikvision contracts to install surveillance in public areas and on public transport. Hikvision has since installed surveillance and security systems globally, and according to the Daily Mail, a British newspaper, is the largest supplier of CCTV cameras in the UK (Daily Mail, 2018). Concerns about links with the Chinese state led to a ban on Hikvision being offered US government contracts in summer 2018.

Growing with the home market

Between 1978 and 2008, China's GDP grew at an average of 10% per year, based on World Bank data. At that rate of expansion, the economy doubled every seven years. Since 2008, growth has slowed. However, China's 'new normal' of GDP growth between 6% and 7% over the last few years before the Covid pandemic was still ahead of the overall world growth rate of around 2.5% and the OECD growth rate of under 2% (World Bank data). Current estimates of likely post-Covid growth forecast China to expand, in contrast with many countries that will contract over the next six to twelve months (e.g. South China Morning Post, 2020).

According to the World Bank, China has been the second largest national economy in current USD rates since 2011, and in Purchasing Power Parity (PPP) terms, it has been the world's largest economy since 2014. As a result, China remains an attractive market for businesses seeking to expand.

Ongoing restructuring of China’s economy will stimulate domestic growth over the next decade. At present, services account for just over 52% of the economy, compared with 70% to 80% in developed economies. In 2013, according to World Bank data, services accounted for 46% of GDP, up from 41% in 2006. If recent percentage increases are extrapolated on a straight line basis, services will grow to more than 70% of the Chinese economy by 2030. A decade of rapid growth in the services sector in China will be a major opportunity for both domestic businesses and international businesses. Expansion of the service sector in the world’s second largest economy from around 50% to circa 75% between 2020 and 2030 will be a major growth driver of the global economy over that period. China’s emerging businesses are aware of these opportunities, and so maintain focus on their domestic market as they start to internationalise and build a more global presence.

Domestic growth has driven some of China’s globalising businesses to re-consider opportunities in their home market. Between 2014 and 2016, Shunfeng International Clean Energy (previously Shunfeng Photovoltaic) re-built its market presence in China after rapid international expansion. This was partly in response to growing state promotion of renewable energy. Eternal Asia Supply Chain Management has expanded its export-driven business model, while also establishing a national logistics network to support domestic Chinese businesses and international companies seeking greater reach across China. These two examples indicate that China continues to be an attractive market, even as its most successful businesses are securing market share in other countries.

Overseas expansion

Five drivers to internationalisation were identified. The first was the ***ambition of the business***. Many successful and fast-growing Chinese companies have shifted from an aspiration to dominate their domestic market to a desire to establish a global presence. Lenovo and Huawei have explicitly stated their aim to become world leaders and are building brands to support this ambition (CNBC, 2018). Businesses analysed in this study built leading global market share in specialist niche markets, such as car and motorcycle alloys and wheels (Wanfeng Auto), high-voltage relays (Hongfa Technology), and rubber seals for electric vehicles (Anhui Zhongding). These businesses identified global leadership in their markets as a central ambition.

A second reason was to ***escape competition in the domestic market***. As businesses become successful, they gain market share and are more dominant in their own sectors. Over time, domestic market gains erode, as competition intensifies and markets become more saturated. In China, cost-cutting and price discounting are widespread, reducing profit margins. If a business is particularly successful, or if a market is especially attractive, new entrants tend to start up and seek market share. In these instances, other markets become attractive. Alibaba, for example, has been growing faster in South East Asian countries such as Indonesia than in mainland China since its acquisition of Lazada, an online trading site (Techcrunch, 2018). Wanfeng Auto sought to develop markets outside China because of intense discounting domestically.

The third reason for international expansion has been ***state backing*** of both private and state-owned businesses to acquire companies in other countries. Until 2017, when Xi Jinping imposed restraints on capital flows and foreign acquisitions, much of this activity was undertaken by private companies, such as Fosun, which was one of the businesses analysed in this study. Fosun is a Chinese holding and investment company that manages its domestic Chinese businesses as independent ventures. It invested heavily overseas, in company acquisitions and also real estate and has worked with major sovereign funds in large infrastructure projects (e.g. Travelweekly, 2019). This reflected a trend that started in the mid-2000s of private enterprises displacing SOEs as the primary investors in overseas companies (Chen et al., 2017).

Since then, foreign spending has shifted somewhat from acquisitions of assets and companies to major infrastructure and development projects, often undertaken by state-owned enterprises and backed by the state through the Belt and Road Initiative (Du and Zhang, 2018). There has also been greater control of international currency flows, especially by private individuals, in order to suppress capital flight out of China (Gunter, 2017).

This has constrained the scale at which private companies can expand internationally, but has maintained high overall levels of international investment. Private investment has not stopped, however. In areas of strategic interest to the state, and where technologies are being acquired, international investment by private enterprises continues.

The fourth driver to internationalisation has been ***customers*** (‘following the customer’). For retail and services businesses, a primary driver of internationalisation has been changes in patterns of consumption and investment by domestic Chinese consumers. Ctrip.com, China’s largest online travel retailer, followed its customers into tourist resorts in South East Asia and beyond because of a very rapid increase in Chinese tourism travel to other countries. As demand has risen for overseas tourism, the company has expanded its network outside China.

‘Following the customer’ has become increasingly common for sub-contractors and suppliers to large, often state-owned, businesses. Hikvision, for example, is a sub-contractor to major construction companies undertaking infrastructure projects outside China. This pattern has been amplified by the Belt and Road Initiative, which has led to significant investment in countries outside China and major construction contracts issued to Chinese enterprises and their supply chain.

A fifth driver, and one that has underpinned China's recent and well-publicised growth in international investment, has been ***acquisition of expertise and resources***. Many state-owned and private enterprises have acquired foreign companies in order to secure knowledge and intellectual property. In the tech sector, Tencent is an active investor outside China, investing in established businesses and new ventures, especially those in technology. In the US, Tencent has invested in Snapchat and Tesla, and in the UK, it has acquired ventures such as Miniclip.

Relationships with customers in other countries can evolve into opportunities to develop collaborative approaches to internationalisation that lead to the sharing and transfer of expertise. Han's Laser, for example, has entered into a long-term technology relationship with an international partner based in Italy. This company was initially a customer of Han's, and has since become an innovation partner, collaborating on applications of laser technologies. In cases such as this, commercial relationships evolve into more substantive collaborations that improve access to foreign expertise. These relationships can be of benefit to the non-Chinese partner also, in particular by offering better access to the Chinese market, and increasingly in sharing technology.

When internationalisation goes wrong

Business models successfully developed in China do not necessarily work elsewhere, as Chinese businesses have discovered, often to their cost. Three examples highlight the challenges Chinese businesses face when entering international markets.

JianLiBao, a Chinese sports drink company, tried to establish itself in the US during the 1990s and early 2000s as a premium product, but was unsuccessful. Poor brand development, insufficient marketing budget, and an overly expensive retail price positioned the business poorly and did not generate sufficient sales to cover the investment to enter the US market. In contrast to Coca Cola, which developed a positive Chinese name and brand in *Kekou Kele* (literally, tasty and happy), JianLiBao did not produce an English language brand name that was attractive to US customers.

The second example is Li Ning, one of China's best-known sports brands. After being highlighted at the 2008 Beijing Olympics, the company started to compete directly in the US with Adidas, Nike and other leading sports apparel and footwear businesses. Already well-established in China, it lacked the brand strength and customer recognition to compete with these world leaders in a different market and closed its retail operation in the US soon after starting up.

The third example is Alibaba, which has been successful in China, and also overseas through its English language websites Alibaba.com and AliExpress.com. In 2015, Alibaba closed 11 Main, its online US presence, after only a month of trading. Alibaba applied its Chinese business model to the US market, but with less success than incumbent competitors. Alibaba's 11 Main was not able to offer a sufficiently integrated ordering, delivery and after-care returns service compared with these competitors, and so could not sustain its business in the US.

In all three cases, entry into another market did not work because the businesses tried to use the same, or a similar, model as they had developed in China, without testing its suitability for another location. Where Chinese businesses have succeeded in other countries, they have recognised the need to adapt to a different context. Examples identified in the study include China XD Plastics, a developer and manufacturer of plastics for the automotive industry, and Huayi Brothers Media Corporation, which produces and distributes films. Both changed their approaches to fit more closely with industry structures in other countries, and have experienced market success outside China as a result.

Business strategies and models

Until recently, many businesses in China were regarded as low-cost producers rather than as innovators. The strategic approaches adopted by China's emerging global businesses indicate otherwise. Six business models could be identified across the group.

Borrowing from another country

Many new businesses in China have borrowed, or copied, a business model that has proven successful in another country. Ctrip.com, for example, initially adopted the same business model as Priceline.com, a US online vendor of discounted travel bookings. Over time, the model has been adapted to the Chinese market. The most notable development has been the creation of an extensive network of after-sales offices in major airports and train stations across China. In contrast, Priceline does not provide after-sales support in key travel nodes.

Ctrip has also expanded into luxury and business travel, offering packages for wealthier individuals and tailored solutions for corporate customers. Customer segmentation in this way has enabled entry into higher margin markets, improving profitability. In contrast, Priceline positions itself heavily on cost. When compared, Ctrip has a more diversified business model and a wider range of products and customers. It has been able to develop a highly successful business by initially borrowing, and then adapting, a business model from another country.

Aiming at the 'middle of the pyramid'

Since C.K. Prahalad promoted low-income consumers and economies as both a commercial opportunity and a means of reducing poverty, there has been interest in the lowest income consumers in emerging markets. These individuals sit at the 'bottom' of the world income pyramid, but offer commercial opportunities to businesses (Prahalad and Hammond, 2002). China's rapid economic growth has moved almost all of its population out of the bottom and into the 'middle of the pyramid' over the last thirty years. China's emergence as the largest middle of the pyramid market has created opportunities for Chinese companies that are different to those at the top or the bottom of the pyramid. Middle income economies, and households, typically want products that mirror those in high income countries, but at lower prices, and so are willing to trade off functionality and design. Examples where China is strong include smartphones, white goods - such as fans and fridges - and household electronics, including computers and televisions. The middle market is a lucrative and growing segment of the world economy, and as a result offers opportunities to emerging Chinese businesses.

A notable example of an industry that is heavily focused on the middle of the pyramid is motorcycle production. Four of China's largest motorcycle manufacturers are based in Chongqing (Jialing, Lifan, Loncin, and Zongsheng), and two started out as small repair shops in the early 1980s, before growing to market leadership in China. These companies initially built their businesses on lower middle-income households, particularly farmers in rural communities. As farming became de-collectivised and cash crops and livestock were cultivated, rural household incomes rose. This led to rapid growth in the motorcycle market, which became a dominant form of transport in China's countryside. Over time, incomes in rural and urban areas continued to rise, generating demand for better quality and higher performance cycles, creating a 'middle of the pyramid' market. These businesses are now exporting to other middle-income countries, based on their success in rural China. Zongsheng, for example, now counts Brazil and Thailand as key markets, and has set up factories there. Their products sell under national brands in these countries, and others including Argentina, Colombia, and Russia. Experience of the middle of the pyramid in China has created a foundation for entry into other middle pyramid markets.

Shadowing global leaders

Global market leaders have been important benchmarks for many of the emerging Chinese businesses analysed in this article. Even when the businesses recognised that their offer may not yet be of the same quality or specification, they compared their products to international comparators. Toread, for example, is one of China's leading producers and retailers of outdoor clothing. It considers two North American brands - The North Face and Columbia - as its global benchmarks. Toread has recognised that the design and fabrics developed and used by both these businesses are superior to theirs, and so has invested in improving both these aspects of its product range. However, its strategy is not to reach the same design and quality standards as the two North American brands. Toread sells a relatively high specification and quality product at a lower price than the market leaders, a 'middle of the pyramid' strategy that works well in China where household incomes are lower than those in North America.

Other examples of this shadowing strategy can be seen in the clothing and footwear industries. In fashion, Septwolves and Shark and Company position themselves as higher end and starting to compete with international fashion brands. In footwear, companies such as Anta and 361 have followed a similar strategy to Toread, with their benchmark businesses being Adidas and Nike. In this market, Anta and 361 seek to innovate and produce novel designs and shoes, but at lower prices and quality. Like Toread and fashion companies, they take design ideas from the world's leading brands, and develop their own designs customised to the Chinese market. Anta, for example, produced a GPS trackable shoe with Bluetooth in 2016, emphasising its market strategy of "developing and innovating high-tech sports products, while at the same time providing a value-for-money solution to meet [the] growing consumer tastes".[1] Being almost as good as the market leader, at a lower price, has been an effective strategy for these businesses.

Niche global markets

Many of the businesses have focused on niche markets globally, rather than seeking to compete directly with large, established corporations in larger markets. One example is Hikvision, which has the leading market share worldwide in CCTV and camera surveillance technologies, at around 10% of total global sales. Hikvision established itself as a supplier of lower-cost cameras and related equipment in 2004 and has since developed into a supplier of a complete range of products and surveillance systems. It has expanded, and invested heavily in R&D, with around one-third of its staff operating in this function. This has led to

[1] http://ir.anta.com/en/home.php?&option=4&Itemid=365786.

product improvements, and greater capability to offer surveillance packages and systems, rather than just cameras.

There are other examples of companies identified in this study that have leading global market shares in niche, but important, market segments. Wanfeng Auto is the world's largest manufacturer of aluminium wheels for motorcycles. Sanan Optoelectronics is the biggest Chinese manufacturer of LED chips and wafers and is emerging as a major global producer. Niche markets offer a route to global market leadership that would be difficult to secure in larger markets where established incumbents account for the majority of market share.

Thriving behind the 'great firewall' of China

In China, access to the internet is constrained by the state, which controls websites and blocks information that is considered politically sensitive. This 'great firewall', which blocks targeted foreign websites, has prevented foreign internet businesses from establishing themselves in China without accepting constraints to their operation (Roberts, 2018). To date, businesses like Facebook, Google and Twitter have either decided not to operate within these constraints, or have failed to establish viable business models, and so have not developed a presence in China. This has allowed indigenous companies to build successful online businesses without competition from established foreign competitors (Chao, 2016). As a result, a dynamic domestic digital economy has emerged, with local businesses offering social media (Tencent/WeChat, Weibo), online search engines (Baidu, Sohu.com), and online payment services and markets (Alibaba, Alipay). China has the largest online gaming industry in the world, with domestic businesses dominating it (NetEase, Shunda, Tencent). Apps like WeChat combine features of Facebook, group messaging, and VOIP telephony.

Alibaba is now a major international online marketplace, as well as the dominant online retail site in China. The great Chinese firewall, in other words, has protected online businesses from foreign competition, particularly during their early years of operation. However, it has not prevented intense domestic competition within China. For example, Sohu.com is an increasingly successful search engine, and NetEase a leading provider of online gaming. Both are growing rapidly and seeking to take market share from market leaders such as Baidu and Tencent.

Some of these businesses have developed to a point where they can now compete against international competitors within their domestic market. A notable recent example was the competition between Didi Chuxing and Uber for the online taxi booking market. Ultimately, Uber decided to quit China after the two leading Chinese competitors – Didi Dache and Kuaidi Dache – merged to become the largest company in this market. These two businesses were funded by Alibaba and Tencent, indicating a domestic Chinese 'eco-system' of digital technology businesses that support each other and fund business start-up and expansion (Li et al., 2018).

Some of China's online businesses have started to develop a global footprint. Alibaba is emerging as a major international English-language online trading site. Ctrip is growing its international travel market through its English language website. These businesses would not have had the domestic platform to go international without the state-imposed firewall protecting them from international competition during their early years of operation.

Opportunists

China is a dynamic and still fast-growing market, which continues to offer new opportunities to entrepreneurs. As a result, some businesses generate growth by seeking out market opportunities. These businesses regularly scan for opportunities to start up new subsidiaries. In some cases, such as Fosun, a major conglomerate based in Shanghai, market scanning and the creation of new ventures, is structured and is an explicit corporate strategy. Fosun engages in 'planned opportunism', recognising that the China market is dynamic and uncertain (Govindarajan, 2016). One of its strategic business units, Fosun Pharmaceutical, offers a range of products and services, from drug development to construction and operation of private hospitals under contract from several municipalities. Its planned opportunism in health care has generated significant growth and domestic success, with limited but growing activities outside China.

For other businesses, opportunism is more reactive and less strategically managed, and so is reliant on the ability of the company to react to identified demand and needs. In extreme cases, businesses can completely shift from one market to another, often quickly, when they see their existing business slowing down and identify new growth opportunities elsewhere. There are some companies that do this repeatedly, jumping from market to market by opening up new activities and closing, or scaling down, their core business.

Conclusion

A growing group of Chinese businesses are highly competitive in their home market and are becoming potent forces in overseas markets. They have established themselves as successful businesses in China, before expanding into other markets (Zhang et al., 2018). These businesses are and will be strong competitors to incumbents and to new entrepreneurial ventures. They will also be good business partners, in China and in other markets. Having insight into how these companies have emerged will help international businesses to better understand how to develop strategies to compete or collaborate with these increasingly successful entities.

Diagram 1 highlights the growth patterns and dynamics of these businesses. They share the four characteristics analysed in this paper, namely: sustained hyper growth; an established domestic market presence; rapid international expansion; an effective and sustainable business model and strategy. Each of these is summarised in Diagram 1, which provides a visual schema of their rapid emergence.

Insert Diagram 1 here.

Hyper growth at over 20% per year for the period 2008-2012 – or over 12% per year for the second period from 2010 to 2014 – has enabled these businesses to scale up to a size where they have established a significant or leading domestic market presence. Scale-up also generates sufficient resources to fund international expansion.

These businesses established a dominant home country presence as a result of sustained hyper growth and benevolent conditions for business expansion in China. These businesses enjoyed an element of protection in their home markets, due to government support for indigenous companies alongside formal and informal operating constraints for non-Chinese businesses. These barriers to entry by foreign companies mean that Chinese businesses have benefitted more from domestic macro-economic growth, which even at current levels is higher than the global economy and all but a small number of other countries.

Restructuring of the domestic economy created new entrepreneurial opportunities; especially when the state-owned sector was scaled back and much of it privatized in the late

1990s and early 2000s, and more recently with the rapid emergence of a services sector and increases in the number of new ventures starting up(Atherton and Newman, 2017). International expansion has therefore been enabled by hyper-growth that has led to domestic market dominance for these businesses. The companies used a business model that was refined as they grew to domestic market dominance as a platform to enter new markets. However, success in international markets has been dependent upon localizing, and hence adapting, the business model to other markets. Where Chinese businesses have not adapted their approach, internationalization has not been successful. The drivers to internationalize are generally multi-faceted, and typically reinforcing, meaning that China's emerging businesses expand overseas when several drivers combine to create a compelling case for them to enter new markets.

At the heart of the success of these businesses are the business models they have developed and refined. Six types of business model have been identified in this study. All six are shaped by the particular context of China's recent emergence as a major global economy, indicating that China's particular national context has created conducive conditions for a group of businesses to emerge as effective domestic and then global competitors.

Insert Diagram 2 here.

Diagram 2 provides a framework that portrays the development and refining of these business models through successive stages of growth and emergence. Initially, an early iteration of the business model stimulates hyper growth in the domestic Chinese market (business model version 1). As the business sustains hyper growth, this business model is refined and adapted to cope with and benefit from rapid expansion (business model version 2). Being able to sustain hyper growth for extended periods of five to seven years, or longer, is a major achievement in its own right. In other countries such as the US, fast-growth firms tend to revert to the mean growth rate within a short period after rapid expansion (Headd and Kirchhoff, 2009). The fast-emerging businesses examined in this paper developed their business model to cope with and exploit hyper growth, and in doing so modified their business models, in many cases considerably. Growth, in other words, was stimulated by an effective business model, and growth in turn enabled the businesses to refine and transform these models.

This dynamic of refinement and transformation of the business model through sustained growth can also be seen when the businesses entered new markets. The critical determinant for success in internationalising is to adapt a business model that is proven in China to new markets, rather than assuming that a model developed in China will work elsewhere. Business model version 3 entails adaptation to different markets, and as a result an ability and willingness to challenge and change a model that has been effective for the business. At all three stages, these businesses have been successful because they have been ready to re-consider their current business model. As a result, these businesses are effective adaptive learners.

This article provides a means of identifying China's rapidly growing companies, and in particular understanding the competitive dynamics that have driven their emergence. Each aspect of their emergence can be analysed. In essence, non-Chinese businesses should be identifying Chinese businesses that sustain rapid growth for more than five years, have scaled up quickly to have strong domestic market presence, are rapidly expanding into other countries, and have a business model and strategy that appears both durable and applicable to new markets. The analysis in this article suggests, if not indicates, that established business in markets outside China will face competition from Chinese companies that demonstrate these characteristics in the near future if they have not already done so.

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Table 1: Illustrative Annual Turnover Growth Rates

Company	Sector/Industry	Mean annual growth rate 2008-2012	Mean annual growth rate 2010-2014
Huapont Life Sciences	Chemicals	63.4%	39.7%
Hongfa Technology	Relays	58.5%	31.4%
Zhejiang Dun'An Artificial Environment	Refrigeration	29.5%	14.1%
Sinoma Science and Technology	Fibre glass and composites	23.6%	13.9%

Diagram 1: Drivers of business emergence

Hyper Growth

>20% turnover growth each year for 5 years

↓

Rapid scale-up to domestic **dominant market presence**

↓

Sufficient size and resources to enable **international expansion**

Domestic Presence

Protected home market → Reduces/removes competition from international businesses

Grow with the home market → GDP growth sustaining **domestic expansion**

↓

Economic restructuring creating new **domestic growth**

Overseas Expansion

Business models adapted & localized, to China first and then to other markets

↓

Multiple, overlapping drivers to expand internationally

↓

Combinations reinforce drive to internationalise:

- Aspiration + State Backing
- Domestic competition + Acquisition of expertise
- Domestic competition + Following the customer

Business Model/Strategy

Evolution and refining of business models key to success

↓

Borrowing from another country → Enables **overseas expansion** proven in other markets

'Middle of the Pyramid' → Leverages China's emergence as a middle market to **internationalise**

Shadowing global leaders → Cost, quality, design at '75%' of leader effective strategy

Niche global market → Route to **global** market dominance

Behind the 'Great Firewall' → Protected domestic platform for **international expansion**

Opportunists → Pursue growth opportunities **domestically** and **internationally**

Diagram 2: Business model refinement as a driver of emergence

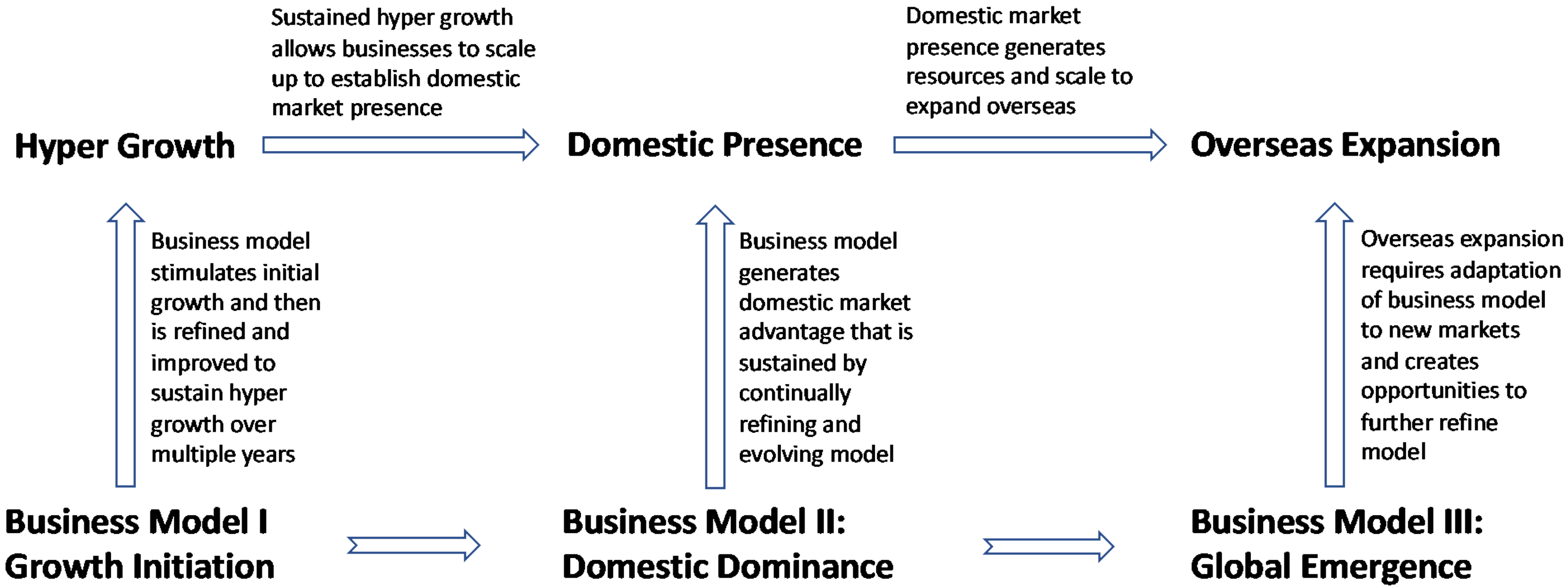

Table 2: Chinese fast-emerging global businesses in 2014 and 2016

2014	2016	2014 and 2016
Aerospace Communications Holding	21 Vianet Group	Anhui Zhongding Sealing Parts
Aerosun Corporation	Accelink Technologies	Apeloa Pharmaceutical
Anhui Ankai Automobile	Alpha Group	Beijing Tongrentang
Anhui Heli	AECC (AVIC)Aero-engine Controls	Changuo.com
Anhui Quanchai Engine	BitAuto Holdings	Changyuan Group
Aucma	Bolina Holding Company	China Lodging Group
Avic Heavy Machinery	Changshu Fengfan Power Equipment	China XD Plastics
Baofeng Modern Intl. Holdings	China National Complete Plant Import	Ctrip.com
Baosheng Science and Technology Innovation	COFCO Tunhe	E-commerce China Dangdang
Beijing Zhong Ke San Huan High-Tech.	COSCO Shipping	Eternal Asia Supply Chain Management
China AVIC Electronics	CPT Technology Group	Fiberhome Telecommunication Technologies
China New Borun	Dalian Huarui Heavy Industry	Furi Electronics
Chian SpaceSat	Eging Photovoltaic Technology	Han's Laser Technology
Dongling Grain & Oil	Ever-Glory International	Hikvision Digital Technology
Fabchem China	Fujian Longking	Home Inns Hotel Group
Golden Meditech Holdings	Grinm Advanced Materials	Hongfa Technology
Dongyangguang Aluminum	Vanward New Electric	Hosa International
Baiyunshan Pharmaceutical	Haining China Leather Market	Huapont Life Sciences
Guodian Nanjing Automation	Holitech Technology	Huayi Brothers Media
Hangzhou Nabel Group	Hollsys Automation Technology	Hubei Angel Yeast
Hefei Meiling	Jiangsu Huifeng Agrochemical	Humanwell Healthcare
Rongshida Sanyo Electric	Jiangsu Yangnong Chemical	Jiangsu Changjiang Electronics
Henan Xinye Textile	Jiangsu Zhongtian Technologies	Jiangsu Hengtong Photoelectric
Hengdian Group DMEGC Magnetics	Kingold Jewelry	Jiangxi Black Cat Carbon
Hualing Xingma Automobile (Group) Co.	Leo Group	Jinko Solar
Huayi Compressor	Longxing Chemical Industry	Lianhe Chemical Technology
Baotou Steel Rare-Earth Hi-Tech	Mery Garden Holdings	New Oriental Education & Technology
iSoftstone Holdings	Nanjing Redsun	Ningbo Huaxiang Electronic

Kunming Pharmaecutical	Nanjng Xinjiekou Department Store	Ningxia Zhongyin Cashmere
Yunhai Special Metals	Qinchuan Machine Tool & Tool Group	Shanghai Fosun Pharmaceutical
Nari Technology Development	Sanan Optoelectronics	Shenzhen Desay Battery Technology
NetEase	Shenzhen Deren Electronic	Hunfeng International Clean Energy
Yunsheng Group	Shenzhen Laibao Hi-Tech	Sinoma Science & Technology
O-Net Comm	Shenzhen MTC	Sohu.com
Pactera Technology International	Shenzhen Salubris Pharmaceuticals	Soufun Holdings
Peacebird Group	Shenzhen Tat Fook Technology	Tianma Microelectronics
Perfect World	Shenzhen Zowee Technology	Xi'an Longi Silicon Materials
Puyang Refractories Group	Sina Corporation	Xinjiang Zhongtai Chemical
RDA Microelectronics	Skyworth Digital	Zhejiang Dehua Technology
Nanshan Aluminum	Suzhou Dongshan Precision Manufacturing	Zhejiang Dun'An Artificial Environment
Fudan MicroElectronics	Suzhou Jinfu New Material	Zhejiang Sanhua ZHEJIANG SANHUA CO.
Jiuzhou Electric	Suzhou Victory Precision Manufacture	Zhejiang Supor
Sinotex Investment & Development	TAL Education Group	Zhejiang Wanfeng Auto Wheel
Sun King Power Electronics	Tianshui Huatian Technology	Zhuzhou Times New Materials Technology
Tech Pro Technology Development	Whirlpool China	Keda Clean Energy
Tianjin Zhonghuan Semiconductor	Wolong Electric Group	
Tongling Jingda Special Magnet Wire	Wuxi Baichuan Chemical Industry	
Viewtran Group	Yantai Jereh Oilfield Services Group	
Wuci Little Swan	Yihua Lifestyle Technology Co.	
Xiamen Tungsten	Zhejiang Xinan Chemical Industrial Group	
Xulong Foodstuff Group	Zhejiang Huahai Pharmaceutical	
Yonyou Software	Zhejiang Narada Power Source	
Zhejiang Aokang Shoes	Zhejiang Unifill Industrial Fiber	
Zhejiang Shangfeng Industrial Holdings	Zhongshan Broad-Ocean Motor	
Zhongli Science and Technology Group	Zhongtong Bus	