



News Release

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Chinese Companies Take Innovation Path in Efforts to Globalize

- The report finds innovation strategies key to international success of Chinese companies
- Many Chinese business become successful innovators in the domestic market first and then go global, while others expand globally first and then invest in innovation for long-term development
- Chinese companies continue to invest overseas; foreign direct investment by China rose to \$108 billion in 2013

Beijing, 7 May, 2015 – Leading Chinese companies are making innovation a strategic priority in their business models to stay competitive in global markets, according to a new report conducted by the World Economic Forum in collaboration with Strategy& (a part of the PwC network).

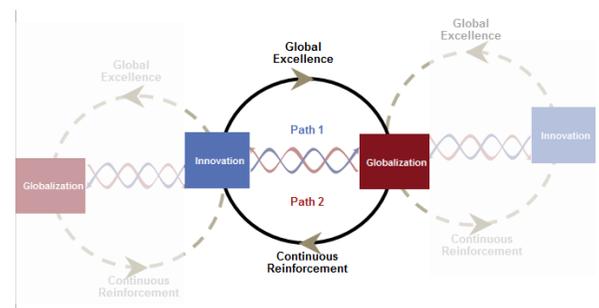
The *Emerging Best Practices of Chinese Globalizers: Develop the Innovation Models* report was based on a series of comprehensive interviews and surveys of 120 Chinese globalizing companies conducted over the past 12 months. Half of the surveyed companies are regarded as globalization champions within China that have outpaced their peers in establishing global presence.

In analysing how innovation contributes to these companies' globalization efforts, the report unravelled a dual-path framework. In the first path, companies become

successful innovators in the domestic market first and then leveraged their advantage in innovation on the global market. In the second path, companies successfully expanded within the global market first and then leveraged its resources to enable innovation for long-term development.

“Innovation and globalization are intertwined, reinforcing each other as Chinese companies rise on the global stage”, said **Olivier Schwab**, Executive Director of the World Economic Forum’s Beijing office. “We found that high-tech companies tend to adopt the first path, while large state-owned enterprises often choose the second one at an early stage and then shift to the first as their globalization progresses.”

A closer study of the practices of Chinese globalization champions revealed the following four steps to keep them innovative on the global market:



1. Make innovation a strategic element of globalization efforts
2. Tailor innovation strategies to meet global challenges
3. Balance polarities between overseas and domestic innovation operations
 - Develop formal and structured innovation processes and systems
 - Establish local innovation teams
 - Empower and entrust overseas innovation teams
 - Develop an innovative corporate culture
4. Develop long-term innovation capabilities to expand globally

“As Chinese companies are upgrading along the value chain in the new economic normal, we found that globalization champions are taking a long-term perspective on building innovation capabilities rather than looking for short-term returns,” said **Steven Veldhoen**, Partner at Strategy&.

According to Strategy&, over 45% of globalization champions put innovation as their top priority in overseas strategy; more than 80% focus on business model innovation to satisfy customer needs, and one third of them employ 50% or more local employees.

China’s outward foreign direct investment (FDI) has seen significant growth over the past two years as Chinese companies have continued to invest overseas, rising to \$108 billion in 2013 from \$88 billion in 2012. In addition, the government continues to propose new international cooperation frameworks such as the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” to facilitate economic cooperation with



other regions and countries, providing favourable international circumstances for Chinese companies to go global. These and other such macro policies and economic incentives will continue to facilitate the globalization process of Chinese companies.

For more information, visit <http://www.weforum.org/reports/emerging-best-practices-chinese-globalizers-develop-innovation-model>

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