

## Problems of Ensuring the Competitiveness of a Chinese Company in International Sales Markets

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### Abstract

The Chinese government has a great influence on the activities of national companies, regulating their activities. In the foreign and domestic markets, the PRC government provides preferential terms and provides all-round support to Chinese companies in their competition with Western corporations in gaining and maintaining positions in the world market. It is government assistance that can help strengthen the positions of Chinese companies in world markets and increase their competitiveness.

China's accession to the WTO has provided Chinese companies with broader prospects for development in the global market. However, there are political, economic, cultural and legislative differences between China and other countries, which can become an obstacle to the development of Chinese companies in these countries. Meanwhile, there are still few world-class Chinese companies, the scale of their activities is small, and there are not enough factors of influence on the development of Chinese companies. The global economic crisis has reduced the export and investment activity of Chinese companies in the world market. The article expresses an attempt to analyze the factors of development of Chinese companies, search for ways to solve the current export problems of Chinese companies and increase their influence on the world market.

The current global economic crisis has a negative impact on the increase in trade and the variety of types of investment cooperation between countries. Therefore, it is necessary to develop and implement optimal foreign economic mechanisms for Chinese companies.

The article consistently studies the issues of the concept of competitiveness in international business, analyzes the company in the international market and identifies problems, which made it possible to highlight the main factors on which the company should build its competitiveness.

The purpose of the article is to study the problems of ensuring the competitiveness of a Chinese company in international sales markets and to propose a strategy for the development of its competitiveness.

**Keywords:** International competitiveness, China, global trends, innovation, high-tech products, priorities for economic development, the effectiveness of strategic development, economic potential, globalization

### Introduction

Competitiveness in international business is equally important for national companies or individual economic entities, and for the states they represent. At the same time, companies or individuals involved in operations in the global market are faced with the challenge of surpassing their competitors, and States are faced with the challenge of creating

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and maintaining national competitive advantages that guarantee economic entities representing the country a good starting point for international business. For companies, first of all, it is important to have appropriate competitive strategies adapted to their international activities and which are of particular interest to national governments [2].

Many leading researchers of competition as a process of rivalry between business entities note that the process of globalization is currently taking place. The transformation of the world economy into a system with constantly decreasing barriers to trade, investment, movement of people, reducing the cost of transport and communication, growing information flows moving between countries and continents at a tremendous speed, contribute to the fact that not only large companies, but also individual economic actors can more easily than before enter their business activities beyond national borders, offering goods and services, intellectual property to potential customers in foreign countries.

If we characterize the concept of competitiveness outside the global context, it implies obtaining and maintaining the competitive advantages necessary for a company's leadership in its business segment. Professor in the field of competition and competitive strategies research M. Porter is the author of the books "Competitive Strategies" and "Competitive Advantages" - defines the fundamental factors that determine competition in business, which include: the impact on existing industries of existing suppliers and customers, the threat of new competitors and new substitutes, as well as the nature of competition between existing manufacturers in the industry [3].

M. Porter notes that in order to maintain leadership in the industry and the overall profitability of the business, companies can use either a strategy of reducing costs below the level of competitors, or a strategy of differentiating their products and focusing their activities on certain customer segments.

These two main types of competitive advantage allow a company to choose the three most common competitive strategies. With their help, the company can achieve a level of efficiency above the average in the segment of the industry in which the company operates [2]:

- 1) Strategy for leadership in minimizing costs;
- 2) Strategy for product differentiation;
- 3) Focusing strategy: (1) focusing on costs and (2) focusing on product differentiation.

Each of these strategies contains fundamentally different ways to gain competitive advantage.

Leadership strategies in cost minimization and product differentiation are usually aimed at gaining a competitive advantage in broad customer segments of the industry. A focusing strategy is aimed at gaining a competitive advantage in a narrow segment (niche) of the industry.

In addition, in order to gain a competitive advantage, a company must clearly visualize profit centers within its broadly diversified structure by analyzing the entire value chain in detail. The company must clearly understand the key business processes of the greatest competence that generate income, as well as track losses, costs that should be abandoned.

Thus, having taken a strong position in the industry on the national market, the company will be ready to internationalize its activities.

To successfully exit the national market and become competitive in international activities, acquiring the corresponding competitive advantages of a global nature, the company must be guided by an internationalization strategy, namely: the business must be profitable, for which it should focus either on costs or on product differentiation, keeping in mind the barriers entry into the industry for potential competitors and the threat of the emergence of a substitute product. Thus, the key parameters for determining the company's competitiveness both in the national market and in the international market are largely the same.

In most cases, the success of the company will continue to be determined by the degree of attractiveness of the competition industry and the relative position in the industry, only now at the global level. At the same time, the corresponding performance indicators of the company will depend on the availability of competitive advantages in comparison with competitors from different countries. It should be noted that global competition equally creates new opportunities for the company.

The impact of economic globalization on the economy of the PRC is manifested in the expansion and deepening of cross-border movement of goods, services, technologies, resources, information and other factors. Globalization has provided Chinese companies with an opportunity to make better use of internal and external resources and affect strategic planning and management.

Modern Chinese companies are very active in global economic activity. The main ways of implementing this strategy by Chinese companies are [4]:

- direct investments of Chinese companies abroad, for example, Haier - a Chinese company, a manufacturer of household appliances;
- strategic alliances, such as the Chinese home appliance manufacturer Changhong;
- mergers and acquisitions, such as Lenovo and TCL.

In the 30 years since the start of effective economic reform, especially in the last decade, China's economy has grown rapidly thanks to government policies and by attracting foreign capital. The state is guided by external activities, due to which there is an accumulation of funds for the internal development of the country. Chinese companies also play an important role as the main participants in the economic processes taking place in the country.

The revitalization of world-class Chinese companies is associated with both the dynamic economic development of China and the growing power of Chinese companies, in the capital of which the state usually holds a significant share. With the help of relatively cheap factors of production and the huge potential of the domestic market, Chinese companies are attracting multinational companies from developed countries to participate in the restructuring of their factors of production. This is necessary in order for their economic activities to be included in the processes taking place in international business.

Transnational companies from developed countries cooperate with Chinese companies through direct investments, purchasing goods, processing materials, so that Chinese companies and their products, as participants in economic globalization, enter world markets.

Over the past 20 years, the main and important form of globalization for Chinese companies has been the attraction of foreign investment and assets in the restructuring of the factors of production of Chinese companies. This form forced Chinese companies to play a passive role in the globalization process. But today, Chinese companies have begun to independently and actively enter the international market due to their own development factors, primarily due to state regulation policy, scientific and technological progress and their own innovations.

One of the important external factors in the development of Chinese companies at the global level is China's accession to the WTO, which entails the gradual removal of customs barriers and restrictions for foreign partners when importing their products to China. This largely determines both the prospects for the country's socio-economic development and the strengthening of China's economic influence in the world.

Trends in world economic development have led to a fundamentally new level of modern scientific and technological progress and innovations.

China has been making economic and technological changes over the past 10-15 years. The concept of a national innovation system is widely used as a tool for science and technology policy and analysis of innovation potential. In the course of economic reform, in order to accelerate the commercialization of research results, the state encouraged research institutes and universities to create subsidiaries, encouraging scientists to become more active in commercial activities. The Chinese government uses a variety of policy instruments to encourage innovation, support technology transfer and commercialize research results, and has a strong impact on the emerging new innovation system through a variety of policy instruments.

Modern large and medium-sized Chinese enterprises are gradually increasing their investments in science, innovation, and are also actively using advanced technologies and techniques in the production process.

With the development of the national innovation system and through the application of the results of research and development, the Chinese manufacturer is trying to demonstrate on the world market products of its own production with high quality (like the HENG TONG GROUP for the production of telecommunication cables), this is the important content of the strategy for the development of functioning and increasing competitiveness Chinese companies to the world level.

## **Methods**

In the study, the authors used some methods such as analysis and synthesis, induction and deduction, historical and logical, abstraction and concretization.

## Results

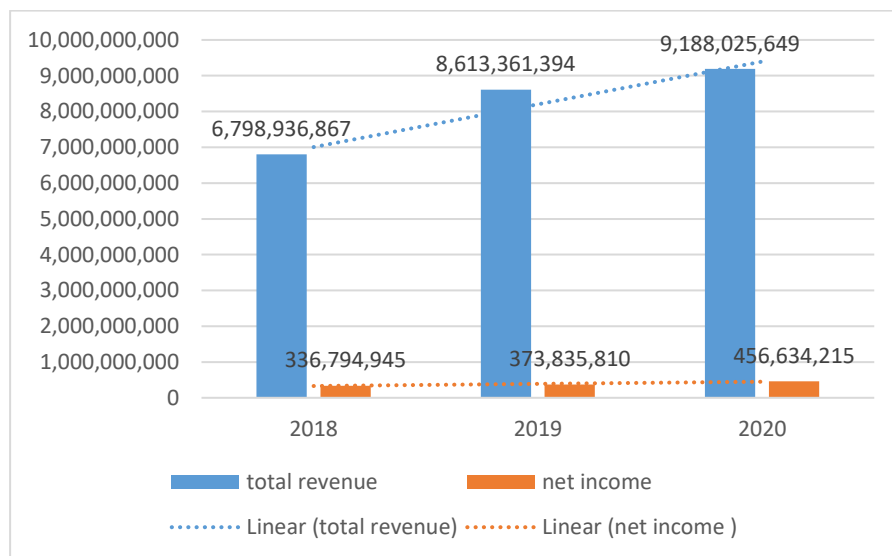
The HENGTONG GROUP was founded in 1991. Today it is a large group of more than 50 companies with 100% participation and management companies. HENGTONG is a global leader in the cable industry providing customers with cable and system solutions and EPC services. The company's products are telecommunication and power cables [6].

HENGTONG takes advantage of its brand positioning, marketing strategies, technology innovation, equipment, team management and international market leading wire and cable end-to-end application solutions. Thus, the company realizes the transition from the provision of a product to the proposed newest technical solutions.

HENGTONG sets up production bases in 10 provinces in China and Europe, as well as South America, South Africa, South Asia and Southeast Asia. Technological service takes place in more than 30 countries and regions around the world. The company supplies products to over 120 countries and regions.

HENGTONG is the largest fiber optic and power network system integrator and network layer service provider in China. The company is ranked high in China's 500 Enterprises, China's 100 Private Enterprises and 3 Global Fiber Optic Trademarks.

HENGTONG's revenue and profit are shown in Figure 1.



**Figure 1: Revenue and profit of HENGTONG (CNY) [7]**

The gradual increase in the company's profitability indicators indicates that the company is successfully developing. The increase in profit indicates that the company is growing and developing and it is effective in the market. The company HENGTONG places its shares on the stock market, the shares of which are available for purchase and sale by all market participants. During the global economic crisis caused by the pandemic, stock buying declined, but now it has started to gain momentum again [10].



**Figure 2: Chart of the company's capitalization HENGTONG (CNY) [7]**

HENGTONG Company annually finances 5% of its revenue to conduct research on the production of new products and technologies of the future. The company's advanced manufacturing technology, strong technical capabilities, and international R & D support are very important for HENGTONG's strong position in the wire and cable industry. HENGTONG has been collaborating with outstanding R & D participants around the world for many years.

With a strong focus on the Made in China 2025 strategy, HENGTONG is committed to expanding industrial transformation through smart manufacturing and transforming the company into a global brand in line with the national One Belt One Road strategy [6].

The company's strategy of competition in international markets achieves the optimal ratio of price and quality and adapts the product to the needs of a specific audience, tries to make it good just enough to be bought.

When choosing the international market, HENGTONG takes into account such key indicators as the ability to control business processes, the availability of resources, the degree of willingness to take risks. Restraining factors can be administrative restrictions: licensing, bans, quotas, state monopoly on certain groups of goods. In turn, the early establishment of business contacts, the search for distributors and business partners will accelerate the entry into the international market [8].

All over the world, companies that have achieved global leadership are using strategies that differ from one another. Companies achieve competitive advantage through innovation. HENGTONG is no exception.

HENGTONG approaches innovation in the broadest sense, using both new technologies and new ways of working. The company adopts new methods of achieving competitiveness or finds better ways to compete using old methods. Every global strategy begins with a statement of a location advantage reflected in HENGTONG's competitive position. This advantage allows the company to penetrate international markets and deal with the inherent disadvantages of competing in another country.

## Discussion

The problem of ensuring the competitiveness of HENGTONG is facing the leaders as in a time of crisis in the context of the global economic crisis caused by a pandemic.

The company must constantly maintain a normal, maximum possible stable rhythm of production and sale of products, ensure its financial stability and independence, prevent unauthorized access to official information, and also fight unfair competition.

In the context of the global economic crisis, HENGTONG should especially focus on economic security, since there is a risk of destruction of the company's potential (production, scientific and technical, technological, personnel) as the main factor of its life.

In modern conditions, the most promising way to increase the company's competitiveness in international markets is to integrate the principles of sustainable development in all areas of business [9].

Based on the scientific literature, it is necessary to identify six main factors on which HENGTONG should build its competitiveness.

1. Structural factors:

- in the structure of production, it is necessary to design a company based on flexible production systems;
- the mission of the company should be an original idea, development of innovations;
- coordination of the work of managers on a specific product;
- performance of a complex of works on unification and standardization of manufactured products;
- include means of automation of monitoring, principles of proportionality, continuity, accuracy, to control production processes;
- selection of qualified employees, motivation for high-quality and efficient work to ensure its competitiveness;
- introduction of high-quality information and normative-methodological documents.

2. Resource factors:

- constant analysis of the competitive environment, suppliers, the strength of competition between them, their competitiveness, to select the best;
- monitoring of market parameters for the possibility of obtaining higher quality and cheaper raw materials.

3. Technical factors:

- work to increase the number of inventions and patents;
- an increase in the share of advanced technological equipment;
- control over the quality of production using modern control methods.

4. Control factors:

- implementation of measures to improve management processes in the company;
- adherence to high discipline in the supply of raw materials, materials, components according to the principle ("just in time");
- strengthening the discipline of supplies at the cost of production facilities (one of the most effective areas of competition);
- quality management in accordance with international standards.

5. Market factors:

- study of the parameters of the international market and control of its infrastructure;
- providing access to the market for new technologies;
- achieve or continue to occupy leading positions in the national and international markets;
- to ensure high patentability of goods so that they are more competitive in comparison with substitute goods;
- increasing the level of logistics and qualifications of personnel involved in marketing and sales;
- improving the efficiency of the sales promotion and after-sales service system;
- forecasting pricing policy in international markets.

6. The factor of the organization's functioning efficiency:

- to improve the scientific level of management;
- growth tracking;
- analysis and control of the financial stability of the company;
- improving the efficiency of the use of all resources.

By applying these requirements in its activities in international markets, HENGTONG will meet all the requirements and be considered competitive. And the more it has competitive advantages over competitors, the higher its competitiveness, efficiency and prospects will be.

Thus, in the context of the global economic crisis, Chinese companies that have retained their integrity and strengthened their positions in the world market have opened up new opportunities for acquiring assets abroad, which will bring their competitiveness, and, consequently, the competitiveness of China's national economy to a completely different level.

## **Recommendations and conclusions**

Chinese companies, in the context of the current economic crisis caused by the pandemic, need to regulate the strategy of commercial activities in the foreign market. It is necessary to analyze the economic and political characteristics of the foreign market, tentatively determine the positions and prospects of the activities of Chinese companies. It is necessary to improve the quality of the products of Chinese companies sold in the foreign market, to ensure the improvement of the reputation of Chinese companies in the world, to comply with the rules of international trade. With the development of the Chinese economy and foreign economic relations, the positions of Chinese companies in the world market are strengthening in various areas.

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