STRATEGIES OF CHINESE COMPANIES WHEN ENTERING GLOBAL MARKETS

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ABSTRACT

Almost forty years ago, the Chinese economy slowly but steadily started to open itself to investments of foreign companies. It was a long process, in which both foreign managers and Chinese businessmen learned a lot. Since the establishment of the People's Republic of China in 1949 until 1978, there was no presence of foreign companies and investments at the Chinese market. During this period, China was focused on domestic development with domestic resources along with the state planned economy. So it was difficult to completely change the way of functioning of the Chinese economy and to have a successful cooperation with foreign companies and investors, when China opened its market to foreign investments. Since the opening of Chinese market, foreign companies used the only possible way to enter this market and that was joint venture. After Chinese Government pulled out this restriction for operating on its market, international companies used many different strategies to operate in China. Then, ten years ago, a reverse process began, in which now strong Chinese companies started to enter different international markets. Chinese companies are increasingly becoming important international business competitors, having enterprises or subsidiaries in countries such as the United States of America, United Kingdom, Germany, France, Sweden etc. In their process of growing and going abroad, the Chinese companies are using different strategies for doing their business - such as mergers, acquisitions, joint ventures or, if possible, direct investments. The aim of this paper is to show how Chinese companies from different business fields first succeeded in China and after that to reveal what type of strategies they were using when entering global markets.

It will be shown that, besides direct export, which was the most important strategy of Chinese companies in former times, they are changing their approach and nowadays they are becoming more versatile in doing their business abroad.

***Keywords**: China, companies, global market, strategies*

1. INTRODUCTION

Today, many scientists, businesspeople or analysts write or say that the conditions of running business at the international markets are very difficult and challenging. They say that although there are a lot of opportunities that can be used to succeed, there are also many threats that can cause significant problems for operating business. If we want to be truthful, there wasn't time in human history when it was easy to run any kind of business, never the less if it was a domestic or international one. We can only say that each period of time has different problems and risks and that international business was and still is a challenge for those who run their business in that way. There are many different strategies that companies can use when entering international market. Each strategy has its good and bad sides, so leaders of a company are choosing those strategies which they consider as the right ones for their company. In doing so, they need to look upon their business, situation at domestic and international market. Of course, for each one of them the main reason for going abroad is maximizing the profit. So in order to be successful, good planning and research are essential. In this paper, the authors will present the theoretical background of international strategies and explain when those strategies are adequate for a certain company. After that, the history of opening Chinese market to the foreigners will be explained and also the present circumstances when the reverse process started – the process of Chinese companies going abroad. The aim is to show that the conditions at Chinese market have dramatically changed and nowadays highly competitive Chinese companies are becoming very important international competitors. It will be shown what strategies they are using when entering international markets along with many examples, including a case study about a company that successfully used many different strategies for becoming important international competitor – Lenovo.

2. STRATEGIES FOR ENTERING INTERNATIONAL MARKET – THEORETICAL BACKGROUND

The process of internationalization of business activities within a company begins with international trade operations, i.e. the process of exporting goods and/or services. Only later the company decides on the opening of representative offices and cooperation with foreign enterprises. After that, as a logical solution direct investments abroad are imposed as to help the company expand its business activity. For any company, it is easier to manage activities that are only related to international trade, than activities related to the foreign investment enterprise.

In the process of internationalization the companies go through two stages. During the first phase, company's engagement is reflected in the sales of products or services through an intermediary who already has an elaborate network in a particular market; or the company creates a small sales department in consultation with the foreign distributor. At this stage the company is primarily trying to go to markets with modest entry barriers. The next step is to open foreign branches. In the second phase of internationalization, changes to the performance of business activities are performed in the country, which is defined as a strategically important target market. The very beginning relates to certain marketing activities in order to be subsequently transferred to local production, and at a later stage, depending on the ambition of the company and its economic activity to a local RD activity. Diversity of foreign relative to the domestic environment is viewed and respected (Milisavljević, 2007, p. 421)

In this paper, special attention will be paid to the external growth strategy, for which the companies decide on entering into new business areas such as: merger, acquisition, a joint venture, strategic alliances and foreign direct investment.

Merger is a transaction within which an exchange of shares of two or more companies occurs, while only one company survives. Most commonly a merger is performed among the same size companies and the whole process is done in a friendly manner, i.e. all doings are made in agreement between the management of companies involved. Most often the newly formed company is named by combining the names of companies that have merged together.

The *acquisition* strategy relates to the purchase of a company that is being integrated and as such becomes a part, i.e. a unit of a company that initiated the purchase. The acquisition process takes place between the companies that are different in size and can be hostile and friendly. The first case is quite similar to the merger, as it unfolds as a process of negotiation and cooperation between the company heads and on the basis of their mutual agreement the merger begins. A hostile merger or takeover refers to a situation when the company making the coupling constantly buys other company shares and ignores the requirements of their management team until it obtains a majority share which gives them independence in the management and decision-making. The downside of the latter is in weakening of business performance of the company that has been taken over and creating negative relationship between the company that has been taken over and the company that started the process.

Strategies with mergers and acquisitions are numerous, but most often horizontal, concentric, vertical and conglomerate M&A are in place. Horizontal merger includes companies that are direct competitors in the market. Concentric merger involves a combination of two or more enterprises whose production programs are similar in technology, but also in terms of distribution and the target market in which they operate. Vertical merger combines two or more enterprises where the emphasis is on the expansion of activities of an enterprise. The process is done in two ways, either backwards towards strengthening raw material base and intermediate or by advancing to the wholesale and the promotion and strengthening of existing distribution channels. In case of the conglomerate strategy, a merger is done between companies whose production and utilities are significantly different from one another. It should be noted that the greatest danger of mergers and acquisitions in this case lies in the fact that it is very difficult to integrate two completely different systems. The difficulties usually refer to intercultural differences, language barriers, different organizational culture, high merger costs, the time necessary for the consolidation and re-start, inadequate preparations and incompetence for the merger process.

Joint venture is a strategy during which a temporary partnership or consortium for the common purpose is formed. Within these types of strategies a new legal entity is formed, that is jointly owned by two or more existing companies. The most common reasons for joint ventures are: the development of new technologies, entering into new markets, utilization of partners' scale economies, reducing the levels of risk and the like. This type of strategy is often used by multinational companies in order to enter the unknown foreign market through a joint venture with local companies. In contrast to mergers and acquisitions, joint venture does not involve huge expenses and is a quite flexible way to grow a business enterprise. The greatest difficulty of this strategy is reflected in incompliance of the partners involved, especially when it comes to equality of property. In this regard, the choice of partners in the joint venture is of crucial importance. (Milisavljević, 2007, p. 285)

When we talk about *strategic alliances*, we deal with a partnership arrangement of two or more firms that remain independent, but are linked by common objectives in the new business venture (Schermerhorn, 2008, p. 112). Each member of the alliance has special competences shared with others, but also the responsibility to the risk, and the obligations and control of business processes themselves. The emphasis is on continuous improvement of the strategic areas that are crucial for their competitiveness in the market. The most common reasons for the formation of strategic alliances are: cost reduction, possibility of going to additional markets, the use and acquisition of new technologies, exchange of knowledge particularly in research and development projects and the like. Time limit for strategic alliances as a rule does not exist. The biggest drawback of this kind of cooperation is inadequate choice of partners within the alliance itself, as well as incompliance in the management of this alliance itself after its formation. (Barney & Hesterly, 2006, p. 278)

Foreign direct investment (FDI) is a capital investment in a foreign country in anticipation of a certain return on the invested capital. OECD defines them as: "Foreign direct investments are aimed at establishing a lasting interest in a company that belongs to one economy (direct investor) through investment in a company that is a member of another economy (a company in which it is directly invested), other than those to which it belongs direct investor "(OECD, 2008). These investments can be seen in many forms such as: public investment by the state, private investments by certain individuals and groups, and investment companies. A distinction is made between portfolio investments relating to the purchase of various securities (mostly shares) of other companies, and direct investments. It should be noted that in the portfolio investment value of shares to be purchased does not exceed 15% thereby reducing the degree of risk. Unlike portfolio investment, the FDI requires involvement of management in the invested enterprises. In this way, the control of the business is strengthened and makes it easier to enter a new market. There are two basic types of FDI which are: Greenfield and Brownfield investments. The main characteristic of a Greenfield investment is to build completely new capacities, establishment of new branches in the foreign market, which includes companies in its integrated strategy. Starting from the purchase of land on which units are to be built, without supporting infrastructure and a construction of a new factory and/or a plant, business units or branches is carried out. In addition to the above, for a direct investment abroad to gain characteristics of a Greenfield investment, it is necessary to provide new jobs and to enrich the range of products and services in a foreign country. Brownfield investments are characterized by investment in the purchase of land with existing supporting facilities, in a location with a secured infrastructure (Rakita, 2006. p. 337-340).

3. LEARNINIG FROM FOREIGNERS (COMPANIES) – CHINESE HISTORIC PERSPECTIVE

During its long lasting and rich history China was always a country that was oriented towards itself and its people. The foreigners were coming to China and most of the time they transferred Chinese inventions to Western world, mainly Europe. However, during time, China once known as a great and strong empire slowly started to weaken. The country was threatened by domestic frights, but also through conflicts with neighbours and some European countries.

The first serious conflict which showed that China is not any more such a powerful empire was the Opium War. That was a war between the United Kingdom and China and it lasted from 1839 until 1842. The war started because China has forbidden the import of opium from UK. At that time, the UK exported some 1.4 million kilograms of opium per year to China. The reason why China started to import opium was actually because of UK lack to export something competitive to China. China exported to UK very expansive goods such as silk, tea and porcelain, while UK exported silver. The problem was that silver was too expansive to export for British, and they did not earn as much as they wanted. So in order to change that situation they choose to export something cheaper and that was opium. Opium was very cheap because UK exported opium from India through famous British East India Company, and for that company it was very easy and convenient to transport opium to China. Unfortunately, Chinese Government did not know at that time what opium was and to what kind of effects the consuming of opium is leading. Once the Government realized the consequences of using the opium, it immediately banned the import of opium to China. That consequently led to military actions and the war stared, in which China has lost.

After the ending of war in 1842 China was forced to sign a peace treaty in Nanking that was obviously not good. Because of this treaty, the British gained extraterritorial status in China, China gave up Hong Kong to UK, treaty ports such as Shanghai, Guangzhou, Ningbo, Fuzhou an Xiamen were now open for all traders from around the world and besides that the Chinese Government agreed to pay for destroyed opium and war retribution.

At that time it was clear to the Chinese Government that China was not so strong any more, and that it was staying behind the developed countries in the field of innovations and technology, especially regarding weapons. This was the reason why at the same time in China its intellectual elite started to state that China needs to open to the West and start to "learn from Barbarians". This kind of thinking gained a lot of attention in China especially during first 20 years of XX century, when a lot of Chinese students gained the opportunity to study abroad, mainly in Japan. While studying there, they gained knowledge about technology and modern economy, and they brought this knowledge to China.

But the next 30 years in China were full of turnovers that did not allow for this school "learning from the foreigners" to develop – in 1911 the Republic of China was established, in 1912 the Emperor abolished, the communist revolution started, and finally in 1949 Peoples Republic of China was founded.

In a way, this movement – learning from foreigners, continued to exist even during the first decade of Mao Zedong's governance. During that time, China had excellent relations with the Soviet Union, so they have sent their professors and engineers to China, in order to help them to better develop the communist regime. However, the conflict between SSSR and China escalated during the sixties, so China was once again alone in its development. The results of this policy were very bad and only after China started to open to foreigners in the eighties the situation changed. This infusion on foreign knowledge and capital was controlled by state Government and the process started slowly. The idea was to open four "special economic zones" (SEZ), to gain foreign knowledge, know-how and capital, and to develop China steadily but slowly. This policy was called "Open Door Policy".

In introducing this strategy China went as already stated slowly. The whole process was divided into four phases (Babić, 2007, p. 412-414). *First phase* lasted from 1978 until 1986. During that phase China opened east (southeast) coast of the country to foreign investments. There were two reasons for choosing this region: a) millions of Chinese people settled in Taiwan and Hong Kong after the communist victory. Those people that gained a lot of wealth in the meantime were actually from this part of the China, to be more precise from provinces Guangdong and Fujian; b) those regions were near Hong Kong that had enough capital to hire a new working force in those provinces. In this phase there were restrictions regarding the type of enterprises that foreign companies could open in China. The only type of company that was allowed to establish was a company with mixed type of ownership – Chinese and foreign. So, different types of joint ventures were the dominant way of establishing foreign companies on the Chinese territory at that time. The *second phase* was conducted from 1986 until 1992. During this time China liberalized law procedures and lessened business restrictions, so it was possible for foreign companies to establish a company that was completely in their ownership; it was also allowed to use currency change for profit (from RNB to some foreign currencies); as well as to take some profit out of China.[1] *Third phase* of Open Door Policy started in 1992 and it lasted until 2001. This stage of Chinese development can be described as a stage of creating China as a merchant super power. During this stage Chinese foreign trade deficit that was 12.2 billion US$, was transformed into foreign trade surplus of 5.4 billion US$. (Babić, 2007, p. 413) Also, there was a strong inflow of foreign direct investments coming from Taiwan, Hong Kong and Macao. (Kovač, 2006, p. 42) Despite much liberalization, the Chinese Government still planned the development of foreign companies. They carefully choose in which field and under what conditions foreign companies can be established and Government also choose to give licences to operate on its market to those companies that were good for their own development strategy. This phase also contributed to developing strong international competition at Chinese market, but at the same time it also helped to develop competition between Chinese provinces that were now competing with each other in order to gain more foreign investments. *Fourth phase* was mainly dedicated to Chinese entering the World Trade Organization (WTO), and that finally happened in 2001 in Doha. In order to be accepted as a member of WTO, China had to fulfil many strict measures that were more severe than for some other members of WTO.

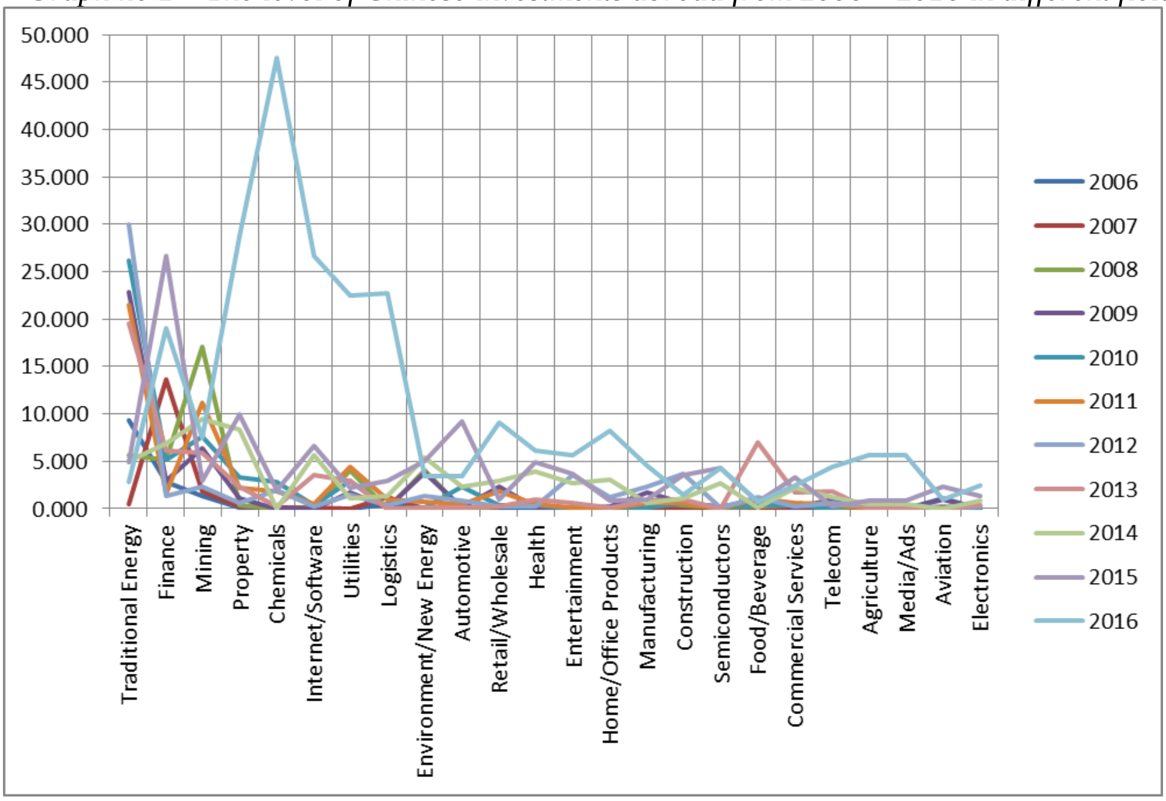
Open Door Policy helped formation of the new businessmen and entrepreneurs in China that were stipulated by the conditions that Chinese Government made. Many in those days small family companies are nowadays big international companies. During this time Chinese people learned a lot from foreigner investors, and we can say that the school of thought "learning from the foreigners" had very good results.

[1] This period of time was called "twenty two regulations".

4. CHINA GOES GLOBAL – COMPANIES THAT SUCCEDED AT THE INTERNATIONAL MARKET

Chinese companies have experienced boom in the last ten to fifteen years on the international markets. It is enough to mention that at the prestigious *Fortune 500* list their number is constantly growing from year to year, and now there are over 100 Chinese companies on the list. Investments of large Chinese companies often exceed the GDP of smaller countries, and they are present in almost every industry and in all parts of the world. What kind of force we are dealing with testifies the graph number 1 presenting the volume of investment of Chinese investors in the period from 2006 to 2016. Data were taken from the Bloomberg's website, and according to their data, we can see the further growth of Chinese investments abroad. What we can also see, is that Chinese companies initially invested in traditional sectors of the economy (processing of raw materials, mining, utilities, traditional forms of energy) and today they are much more investing in newer forms of economy (the famous brands, entertainment, IT sector, health, finance, electronics, etc.). It should be noted that at the beginning of these overseas investments, the leaders were state Chinese companies, but today that role took private Chinese companies. The record in foreign mergers and acquisition process Chinese companies had in the previous year (2016), according to Bloomberg (graph no 2). At the same time it can be seen that in relation to 2015 the value of total overseas investments was more than doubled, which testifies that the Chinese companies seriously started investing overseas, and that their strategy to grow the business at this time was more focused on foreign than on the domestic market. In terms of geographical distribution by volume of the invested capital abroad, North America and Western Europe are leading, Asia Pacific region follows them, then goes Latin America and the Caribbean, then the Middle East and Africa and at the end of the list is the Eastern Europe. Besides the overall presentation of Chinese investments abroad, examples of individual companies are given, to see what are the individual forms of acquisitions, mergers and strategic alliances that Chinese companies have had on foreign markets.

Graph no 1 – The level of Chinese investments abroad from 2006 – 2016 in different fields



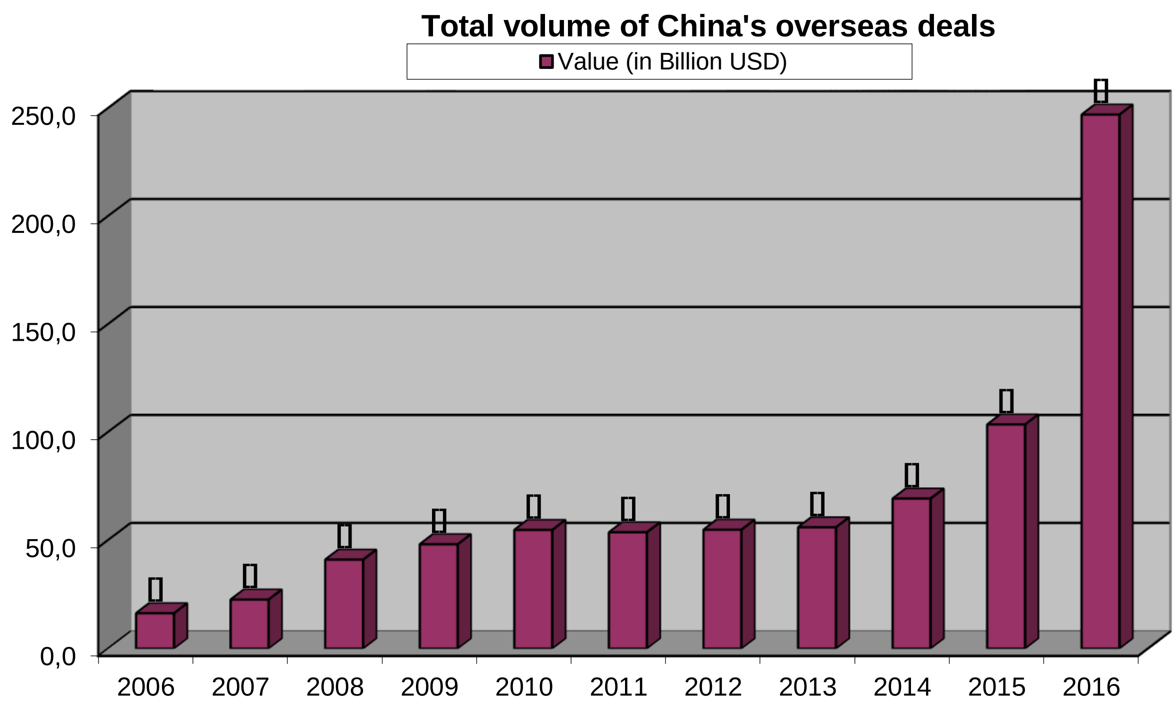
Source: https://www.bloomberg.com/graphics/2016-china-deals

Dalian Wanda Group – a Chinese conglomerate reached the spotlight in 2012. when they bought for 2.6 billion US dollars the second largest cinema chain in the United States AMC Entertainment Holdings. The latest example of the acquisition of Wanda Group is a purchasing of Legendary Entertainment Hollywood production company an American giant in the entertainment industry; value of this acquisition was 3.5 billion US dollars.

Tianjin Tianhai which is part of the **HNA Group**, whose main activity is concentrated in the fields of logistics, tourism and transport has bought a large American IT company Ingram Micro for 6.07 billion dollars, and in that way expanded their activities into the sector of information technology. The purchase was completed in December, 2016. However, it should be noted that the HNA Group is one of the largest and the most active investment groups in China and that they, just in the last two years, spent over 15 billion US dollars on investment projects around the globe. An investment that might stand out the most, and which had considerable resonance in the business world was buying a 25% stake in Hilton Group, well-known name in the hotel industry. The transaction was completed in January 2017, and the value was estimated at 6.5 billion US dollars.
(https://www.forbes.com/sites/ellensheng/2016/12/21/5-biggest-chinese-investments-in-us-2016)**.**

Anbang Insurance Group – is a Chinese insurance company that is well known for its acquisitions in the field of insurance around the world, but what is very interesting is the fact that this group invested a lot of their funds in the last three years in the purchase of hotel business (http://en.anbanggroup.com/jtjs/index.htm). The latest and perhaps the most interesting example is the purchasing of an American hotel giant - Strategic Hotels & Resorts which consists of many hotels and resorts at prestigious locations. The acquisition was performed in September 2016, and its value was 6.5 billion US dollars.

Graph number 2 – Total volume of Chinese overseas deals, in billions of US$



Source: https://www.bloomberg.com/graphics/2016-china-deals/

Shuanghui International - is a part of WH group that is the largest meat processor in China; they purchased Smithfield Foods for 7 billion USD in 2013, and in that way they became a world leader in the production and processing of pork meat. (http://www.wh-group.com/en/about/milestones.php). It is interesting that this, so far, is the only investment in this field by a Chinese investor. WH Group is usually known for some European acquisitions where in the past decade they bought several factories in Germany, Belgium and the Netherlands, but the amount of those investments is not even close to this in America when they purchased Smithfield Food.
ChemChina - is a Chinese national chemical corporation which consists of over 100 companies engaged in agrochemicals, production of chemical instruments and processes of oil and petroleum products. (https://www.bloomberg.com/news/articles/2016-02-03/chemchina-offers-to-purchase-syngenta-for-record-43-billion). Through the history, and especially in the last 10 years, it is well known as one of the leading investors in the mentioned areas. Through its global strategy of expanding its operations worldwide, it is nowadays present on all continents. However, an acquisition that recently happened - buying the Swiss company Syngeta AG which is one of the world leaders in the production of pesticides and other chemicals used in farming, brought ChemChina into eyes of the global public. The value of this acquisition is a staggering 43 billion US dollars, which represents a record when we talk about Chinese investments in foreign countries.
Tencent Holdings Ltd. - Chinese giant in the gaming industry, internet business and social media has bought 84% of shares of the Finnish company Supercell, which is currently one of the leading companies when we talk about the gaming industry and the development of applications for mobile phones. (https://www.tencent.com/en-us/investor.html). The value of this acquisition was 8.6 billion US dollars and it was conducted in early May, 2016. The last one of its many strategic partnerships is the partnership with Starbucks.
The strategic alliance between Chinese Tencent Group and French PR and marketing giant Publicis Group is just one of many examples how Chinese companies are expanding their operations into foreign markets. One of the basic ideas of this partnership is the establishment of business incubators that will allow the development of new technologies and platforms such as AR and VR reality. Through strategic coherence Tencent group will cede its partner network information to improve the use of online systems and to improve the program scheme, while the Publicis group will work on improving Tencent Group marketing, as well as their presentation to the European audience. (https://which-50.com/publicis-tencent-ink-global-strategic-alliance/).
Huawei - a well-known name in the world of mobile phones often performs acquisitions around the world and constantly expands its business. The latest example is the purchase of HexaTier Israeli IT company that specializes in security solutions in internet business. The acquisition was completed in December 2016, and value of this acquisition was 42 million US dollars. (https://www.sdxcentral.com/articles/news/report-huawei-acquires-security-startup-hexatier/2016/12/).
Fosun - Chinese investment company well known in the world of insurance and stock exchange operations, acquired in 2014 the American insurance company Ironshore Inc. for 2.3 billion US dollars, but just two years later they arranged the sale of the same company to Liberty Mutual for nearly 3 billion US dollars, which is not often the case among Chinese investors, especially in the USA.
(http://www.insurancejournal.com/news/national/2016/12/05/433967.htm).
China Wanxiang Group - operates in the automotive industry and deals mainly with the production of spare parts. (https://www.forbes.com/sites/joelbackaler/2015/01/14/10-chinese-companies-going-global-in-2015). It is well known for its acquisitions in the North America where it operates for more than 15 years and during that time they bought more than 20

companies. The latest example is the purchase of Fisker Automotive Group which is engaged in the production of hybrid cars and located in the 10 largest producers of this type of cars in the United States.

JAC Motors - joint venture between Chinese car manufacturers JAC Motors and Mexican Giant Motors, which is owned by one of the richest people in the world Carlos Slim. It is a good example of how with the help of a foreign partner it is possible to win on a new market. The idea of this partnership was to open a new factory in Mexico and to produce Chinese SUV cars with affordable price for the Latin American market. Although China is the largest car market in the world, manufacturers from Western Europe are still more superior then Chinese manufacturers and this joint cooperation will enable the Chinese company to expand their business into new markets. The value of this joint venture project is about 230 million US dollars. (https://www.forbes.com/sites/doliaestevez/2017/03/28/billionaire-carlos-slim-and-chinas-jac-motors-to-manufacture-cars-for-latin-american-market/).

Guangzhou Trinity Cycle - through a joint venture with a partner from India, this company began with the export of bicycles, bicycle parts and equipment on the Indian market. The primary idea of this project was based on the new changes of the tax system, in which the Government of India gave large tax benefits to all vehicles that do not emit harmful gases and almost twice reduced the tariff margin for this type of goods. After China, India is the market with the greatest need for this type of products, so in the first year the expected sales amounted to 800 thousand pieces with tendency of growth to over a million in the next three years. (http://www.bike-eu.com/home/nieuws/2017/3/chinese-bike-producer-trinity-forms-joint-venture-in-india).

Based on these examples, we can realize the power, but also the importance of the Chinese economy in the global business. Chinese investments in the world have been constantly growing, developing in all business areas and have an increasing impact on the global economy. In the last 10 years, this figure exceeds a staggering 760 billion US dollars. China is slowly but surely becoming the world's largest investor, but also the strongest economy in the world.

5. LENOVO[2]

Lenovo Group Ltd. is a Chinese multinational company founded in 1984 in Beijing under the original name Legend. It was founded by 10 engineers who worked at the China Institute of Technology with a modest initial capital of 25 thousand US dollars. In the beginning, Lenovo started with the import of TV equipment to the People's Republic of China, but their work quickly failed. However, they saw a new chance in controlling the quality of computer equipment and advising new customers on the domestic market. Shortly after that, Lenovo started with the development of a circuit board that would allow IBM-compatible personal computers to process Chinese characters. This product was the first major success of Lenovo and allowed them to enter the IT industry, which in the mid-eighties was in large expansion, mainly thanks to American companies such as Apple and IBM. In those years Lenovo also tried to enter the world of digital watches, but they did not accomplish any significant success in that industry. The company didn’t make significant progress until the beginning of 1990, when Lenovo first independently entered the PC market. In the next few years the company started to build its name on the Chinese market, and they also started with the development of China's first personal computer named Tianxi.

[2] Note: for this part of paper several sources were used: http://www3.lenovo.com/au/en/lenovo/company-history/, revised: 08.04.2017.;http://www3.lenovo.com/au/en/lenovo/our-company/, revised: 08.04.2017. ; http://beta.fortune.com/global500/lenovo-group-202,revised:08.04.2017.; https://www.forbes.com/sites/jnylander/2016/03/20/how-lenovo-became-the-largest-pc-maker-in-the-world/, revised: 04.04. 2017.

The product was launched in 1998 and in the first year recorded sale was over a million units. In that year, Lenovo became the market leader in China. The start of a new millennium brought new successes to the company, when it slowly but surely became the market leader in the Asia Pacific region, but also a globally recognizable brand. The main turning point happened in 2003, when the company's management rejected the old name Legend and decided to go out on the international market under the new name Lenovo. In the same year, with their first super computer DeepComp 1800 the company achieved their first success on the world level, becoming the first Chinese company in the field of IT industry that recorded a 2.1% share of the global market.

Lenovo's first acquisition was in 2005, when they bought IBM notebook and tablet computer segment for 1.75 billion US dollars. This acquisition brought a lot of innovation in the business of the company. First of all, they acquired the already developed and recognizable brand ThinkPad, which at that time was one of the best trademarks in the sector of personal computers. In addition, they got the possibility of entering the previously unreachable markets with very high entry barriers, to develop the distribution network, but most importantly they got a lot of advanced technology that had a major impact on the growth and development of the company in the next few years. This acquisition of IBM’s segment also brought to Lenovo a big jump in the global PC industry. After this event, the company was included in the prestigious Forbes list, as the fastest growing company in the world. The following years brought new successes to the company, which became the third largest company in the world in the segment of manufacturing and selling of personal computers. They are constantly spreading their business, and their global market share gets bigger and bigger every year. In 2009, they entered the mobile phones’ market, where they significantly increased their business in the next two years. Just one year before, the top management of the company decided that it was in the best interest for the company to stay focused on the PC market.

In 2011, Lenovo started their first joint-venture project in cooperation with the Japanese company NEC. The idea of this project was to expand the global network and global presence, but also with the help of the Japanese partner to expand their presence in Japan, at the time the key market in the PC industry. During that time, NEC covered around 20% of the Japanese market, while Lenovo had a share of only 5%, and the main idea was to expand business into the market of server equipment and the growing tablet computers market. In the same year 2011, Lenovo acquired Medion in Germany and for the first time they expanded their business to the European continent. With this acquisition, Lenovo received about 14% of the German market, which put them on the third place in global PC market just behind world giants such as Acer and Hewlett Packard.

The company continued their world expansion in 2012, when they bought the Brazilian leader in electrical components, a company called CCE electric. The value of this acquisition amounted to slightly more than 150 million US dollars. Although at that point Lenovo already had a factory under construction in Brazil, the idea of this acquisition was based on the fact that Brazil was awaiting two big sport events in the next couple of years (the Football World Cup and the Summer Olympic Games). Lenovo anticipated that it was in their best interest to fix their own position with the local partner and to accelerate sales in that way.

In September 2012, for the first time in its history Lenovo acquired a software company Stoneware from the United States. The main goal of this acquisition was the expansion of Lenovo cloud system and continuous improvement of their internal network.

Their largest acquisition Lenovo has conducted in January 2014, when they bought from Google Motorola a segment of mobile phones and their line called Moto X and Moto G for 2.91 billion US dollars. This acquisition brought the company a large jump of its shares on the stock exchange market, because in this arrangement with Google in addition to the money Google also received the 5.94% Lenovo stake, while they got over 2,000 patents of Motorola and the

right to Droid Turbo software for smart phones. In the mobile phone segment Lenovo is one of the most recognizable brands that stands equal to the world's largest giants such as Samsung, Apple and Sony (http://www.lenovo.com/lenovo/us/en/company-history.shtml).
In its relatively short history, Lenovo has come a long way from a small entrepreneurial venture, to a major world giant in the PC and mobile phone industry. Today Lenovo is present in over 130 countries worldwide, has offices in 63 countries, employs over 60 thousand people and has an annual turnover of over 44 billion US dollars. At the prestigious Fortune 500 list, it occupies the 202 position, but from year to year they are improving this rating. One of the most interesting facts is that in the period from 2005 to 2016, Lenovo increased their global market share by almost 10 times. Nowadays, they are holding 21% of the global PC market and in the production of tablet computers they are the absolute world leader.

6. CONCLUSION

Judging by the above stated facts, it can be concluded that at the moment we are witnessing such expansion of Chinese companies abroad that was never seen before. The Chinese companies have changed the areas in which they are investing, and they are moving from traditional economy to new (modern) fields of economy. Also, the main destinations of Chinese investments changed from Asia and Africa, to USA and EU. It is interesting to see that such a strategy of Chinese companies came as a surprise on the international market, because China is usually considered as a destination where finances are put into. Obviously, the things have changed recently. The Chinese companies, especially the private ones and entrepreneurs, are accepting the fact that sometimes it is better to go abroad by acquiring foreign companies or merging with them, then to concentrate only on domestic market. Also, by working together with international companies, the Chinese companies are becoming a part of well established brands and they are becoming more internationally recognized. It will be very interesting to see in the upcoming years if this trend will last and in which market fields, but also in which regions, the Chinese companies will invest in the future. Regarding the strategies that are applied when going abroad, we can state that Chinese companies are using different strategies in different situations. By looking more carefully into many examples, and not just those that were analyzed in this paper, it can be concluded that acquisition is the strategy that prevails at the moment.

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