Dmitrij Slepniov

Emerging market multinationals: The challenge of transitioning from fast followers to leaders

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Abstract

The global dispersion and fragmentation of value chains of companies all over the world is a well-known consequence of globalization. Facing the intense global competition, companies are configuring their operations and innovation activities on a global scale. The globalization of operations and innovation in Western companies gained momentum some decades ago. However, the recent developments in the field also include the spread of the phenomenon to companies from the emerging economies. In the past two decades, China has earned the reputation of the ‘manufacturing power house’ of the world. Chinese companies in their vast numbers have been very successful in exploiting their access to low-cost labour and have established themselves as unbeatable high volume low-cost manufacturing champions. However, recently Chinese companies are increasingly seeking to create a foundation for growth and development based on innovation and operations excellence. In order to tap into the advanced technologies, knowledge and upgrade their capabilities, some Chinese companies also spread their operations to the countries of the traditional industrial ‘triad’ of North America, Europe and Japan.

The paper aims to advance our understanding of these processes and to unravel the role of operations and innovation strategy in improving international competitiveness and capabilities of Chinese firms. The study employs a qualitative methodology and seeks to achieve its objectives on the basis of multiple case studies of Chinese companies.

The research highlights the main factors and dilemmas for Chinese companies seeking to create a foundation for growth and development based on innovation and operations excellence as they transition from fast followers to leaders in many industries. On the basis of the findings of this research initiative, a number of propositions, tools and recommendations are developed about how operations and innovation strategy of firms can contribute to improving international competitiveness and capabilities of Chinese firms.