

Chinese Digital Enterprise Globalization and Investment Strategy Layout

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Abstract

The digital economy has changed the global investment model and the orientation of global value chains. Chinese digital enterprises face new problems and challenges in the global strategic layout. Most current digital development investment strategies only discuss investment needs at a very general level. Less than 5% of the strategy exceeded the needs of infrastructure investment, involving the development of the digital industry, and investment promotion agencies rarely participated in the formulation of digital development strategies. This article will make a detailed discussion on the new development characteristics and corresponding development investment strategies of Chinese multinational enterprises in the digital economy.

Keywords

Digital enterprise, globalization, investment strategy layout.

1. THE DIGITAL ECONOMY HAS CHANGED THE GLOBAL INVESTMENT MODEL AND THE ORIENTATION OF GLOBAL VALUE CHAINS

1.1. Digital Economy Companies Have Implemented Various Forms of Globalization Strategies

According to UNCTAD statistics, from 2010 to 2015, the number of information and communications technology multinational companies more than doubled, corporate assets increased by 65%, and operating income and number of employees increased by approximately 30%, much higher than others. The growth rate of multinational companies in the industry. Among the latest top 100 digital multinational corporations, 30 are "young" companies established in the past 10 years. The speed of expansion of digital multinational companies such as Internet platforms, e-commerce and digital content companies is significantly higher than that of companies in other industries, and their importance in international production is becoming increasingly significant.

1.2. Asset Structure Models and Employment Creation Have Been Changed

Digital multinational corporations are destroying traditional employment creation and asset structure models, and the share of intangible assets has increased significantly, showing the characteristics of "light assets." Statistics show that among the global top 100 digital multinational companies, the company's overseas assets account for only 41%, and traditional multinational companies account for 65%. In terms of sales, 73% of digital multinationals' sales are overseas, compared with 64% of traditional multinationals. The source of corporate value is shifting from labor to capital, such as brands, intellectual property. These major differences in asset conditions indicate a structural shift in corporate value from fixed, tangible, to intangible and liquid assets, and illustrate the profound damage caused by digital and high-tech

multinationals. Traditional growth and investment methods are characterized by high capital expenditures and debt, and they have problems of tight liquidity, high fixed costs, and shrinking profit margins. But there are few such problems in the digital economy world.

1.3. Digital Technology Is Reshaping the Global Value Chain

If digital technology is used in the global value chain of various industries, it will have a profound impact on international production activities. First, upstream of the value chain, digitalization can improve supplier integration in terms of inventory control and new product development. Secondly, in the internal production process, greater automation brings higher capital intensity and is conducive to high-skilled, high-value work. Finally, downstream in the value chain, digitalization offers an opportunity to get rid of intermediaries. Manufacturers of parts and final products are no longer restricted by retailers and wholesalers, but instead connect with end customers through new channels. MNC partnerships are likely to change, moving from traditional distribution partners to new service partnerships and non-equity models.

2. NEW FEATURES OF GLOBALIZATION OF DIGITAL ECONOMY ENTERPRISES

2.1. Digital Economy Companies Have Implemented Various Forms of Globalization Strategies

Globalization through mergers and acquisitions or strategic investment, opening international markets through APPs, actively expanding international customers, and going abroad through technical standards and operating systems. Various types of globalization strategy certificates help China to gradually realize its own advantages in the globalized market and master the right to speak step by step.

2.2. Diversified Subjects

Another feature of China's digital economy enterprises is the diversification of overseas entities. Not only are giants such as BAT infiltrating the international market through large-scale mergers and acquisitions, and investment, but also many entrepreneurial enterprises and technology-based SMEs have achieved good results in opening up international markets. In China, the rise of digital technology has enabled many companies to expand the international market through physical methods such as APP. Many digital technology start-ups and small and medium-sized enterprises take advantage of technological advantages and business model advantages to go abroad.

2.3. The Overall Advantages of Globalization Are Gradually Taking Shape

Through years of international market expansion, China's digital economy enterprises have formed advantages in going overseas, and also formed unique technological advantages. For example, Didi Chuxing uses large-scale orders and data to develop artificial intelligence core algorithm models, which can achieve more efficient and accurate supply and demand matching, planning, and forecasting. As another example, Alipay has its own technical advantages in handling very large-scale concurrent transactions. As another example, in terms of fast and efficient logistics processing, Jingdong and other companies have formed certain advantages. In SNS and other aspects, Tencent has its own unique advantages. Relying on these advantages, it has laid a good foundation for Chinese digital economy enterprises to go abroad.

2.4. Establishing Overseas R & D Centers in Batches

At present, China's investment in scientific and technological research and development continues to grow. In some areas, Chinese digital economy companies have moved from

following to leading. Huawei, Tencent, Didi and other companies have established R & D centers overseas, striving to keep pace with global advanced technologies, thereby expanding the advantages of Chinese companies in terms of technological competitiveness.

3. PROBLEMS IN THE GLOBALIZATION OF CHINESE DIGITAL ECONOMY ENTERPRISES

3.1. Intellectual Property Still Needs to Be Strengthened When Products Go to Sea

Digital economy companies generally need a large number of intellectual property rights as their backing to go to sea. However, there are still many shortcomings in the intellectual property rights of digital economy enterprises in China. In terms of development models, China's digital economy has relatively developed consumer-level and application-level technologies. It has accumulated a certain technical foundation in application areas such as e-commerce, fintech, and location-based services (LBS), and has some areas such as mobile payment) Leads the world, but overall, China still has a large gap compared with developed countries in terms of high-end chips, system software, core components, industrial control software, and integrated service capabilities. In the process of internationalization, it is easy to be troubled by intellectual property. From the perspective of the overall intellectual property layout, the report of the "Top 100 Global Innovative Institutions 2017" released by CrevMedia shows that only Huawei in China is on the list. A study on the professional distribution of Chinese digital economy companies also shows that Chinese companies are generally at a disadvantage in terms of the number of global patents.

3.2. Service Goes Abroad, Localization of Language and Culture Needs to Be Deepened

Chinese companies are better at apps such as tools and games, and they will not encounter too many cultural challenges when going overseas. When e-commerce, social, financial, entertainment, multimedia and other applications are expanded overseas, localization will be a basic problem facing enterprises. In terms of cultural concepts, Western users prefer simplicity and adhere to the principle of minimalism-the App interface has no extra elements, the color matching is extremely fresh, and the operation process is simple and convenient. In China, design started late and lacked development.

3.3. M & A out of the Sea, Blindly Chasing Hot Spots and Following Domestic Competitors

Judging from the strategic goals of going abroad, many companies do not follow their own business development needs or their own established advantages, but prefer to chase hot spots. For example, in 2017, Chinese digital economy companies made a large number of overseas investments in e-commerce, artificial intelligence and other fields, and in 2016, many digital economy companies stayed away from their main businesses and made investments or mergers and acquisitions in sports and hotels overseas. Many companies like to follow domestic competitors when conducting overseas market expansion or mergers and acquisitions. For example, Huawei, ZTE, Lenovo and other companies use their original channels to accelerate overseas deployment. Generally, they start from Southeast Asian and South Asian markets, and Xiaomi's overseas expansion also continues this way. As a result, these companies have brought the competitive landscape of the domestic market abroad when expanding markets overseas.

3.4. Lack of Core Competitiveness and Too Much Emphasis on Business Model Innovation

As a whole, the technology, products and services of China's digital economy enterprises still lack global influence. From the perspective of China's mobile phone hardware manufacturing and mobile application development with competitive advantages, these software or hardware are based on open source platforms and optimized on this platform. This model and thinking makes the core technology and core competitiveness of China's digital economy still deficient.

In addition, almost all large enterprises in the digital economy in China are in consumer-level applications, such as e-commerce and instant messaging. In terms of enterprise-level applications, China still lacks global leading companies, which prevents Chinese digital economy companies from achieving internationalization.

The three-point localization experiment was carried out in 10 groups, and the record data were shown in Table 2. It can be concluded from the table, the estimated value of X axis coordinate system and the Y axis and the target actual value of X axis coordinates and the Y axis deviation was less than 2cm.

4. THE DIGITAL ECONOMY GLOBALIZATION STRATEGY LAYOUT

4.1. Proposals for Digital Economy Companies to Implement Globalization Strategies

(1) Seize the good times for digital economy companies to implement global strategies.

China's digital economy continues to be globally recognized. According to data from the China Academy of Information and Communications Technology, China's total digital economy reached 27.2 trillion yuan in 2017, accounting for 32.9% of GDP, a year-on-year increase of 2.6 percentage points, and its contribution to GDP growth was close to 60%. Chinese companies have gained localization experience in globalization. After entering overseas markets, Chinese companies have begun to attach importance to the ability to communicate with the local society, enhance the ability to cooperate with local people, strengthen the ability to coordinate with third-party organizations, and consciously improve their ability to adapt to local conditions in different markets. After years of overseas investment, China's digital economy companies have a certain understanding of overseas markets, and these companies focus on their brand image, improve their visibility, and form a certain brand of soft power.

(2) Relying on the Chinese market to gradually expand foreign markets.

From the perspective of the globalization strategy of China's digital economy enterprises, in addition to international mergers and acquisitions, we must also pay enough attention to market expansion. In terms of market expansion procedures, we should start from the Greater China Circle, including Southeast Asia, and then expand to the "Belt and Road" along with our national strategy to achieve a global layout. Southeast Asia's large-scale market and large population have deep roots in China in terms of culture and history, and should become an important strategic starting point for the globalization of China's digital economy enterprises. As of June 2016, the total number of Internet users in 11 Southeast Asian countries reached 309 million, which was higher than the Asian average (45.6%). Chinese digital economy companies have a certain foundation in Southeast Asian market expansion. Taking e-commerce as an example, China occupies an absolute dominant position in the Southeast Asian e-commerce market. The top e-commerce platforms in Southeast Asia, Lazada, Shopee, and Tokopedia, all have investments from Chinese digital economy companies. Countries along the "Belt and Road" have very different levels of informatization infrastructure construction. Except for Southeast Asia, South Asian countries generally suffer from poor infrastructure construction, weak industrial foundations, and irrational economic structures. The informationization level is extremely low. There are many countries and regions with IDI indexes lower than the global average in this region. The information construction in these regions is lagging behind, the network coverage is low, and the information support for economic development is weak. Therefore, countries with lower levels of development can increase investment to promote the development of their digital economy and achieve a win-win situation for all parties; while countries with higher levels of development can use technical cooperation and other methods to enhance the development of China's digital economy Level.

Table 1. Investment dimensions of digital economy development

Item		Countermeasure
Strategic investment policy considerations		<p>(1) Assess the competitive advantages of attracting investment from digital multinational enterprises, assess potential challenges and risks, and identify strategic opportunities (such as digital content or service industries, application development).</p> <p>(2) Review and prepare to change investment determinants and investor information in other industries due to its use of digital technology in global supply chains.</p> <p>(3) Develop strategic response measures to ensure that investment policies remain geared towards sustainable development and inclusive growth.</p>
Incorporating digital development into investment policies	domestic	<p>(1) Evaluate the extent to which existing investment regulations are affected by digital operations.</p> <p>(2) Measures to modernize investment regulations where necessary, balance investment promotion and facilitation, and reduce risks associated with digital operating models .</p>
	International	<p>(1) Review the coverage and treatment of new digital industries in international investment agreements;</p> <p>(2) Consider evolving international rules for digital investment, such as e-commerce and trade in services</p>
Integrating investment policies into digital development strategies	Digital infrastructure	<p>(1) Detailed assessment of infrastructure investment needs in digital development strategies, including broadband coverage and Internet infrastructure (such as data centers, IXPs);</p> <p>(2) Establish appropriate conditions for private investment in digital infrastructure, including promotion of public services and universal connectivity goals;</p> <p>(3) Engage in regional cooperation and promote multi-national infrastructure investment on a large scale</p>
	Digital Enterprise	<p>(1) Ensure that content rules and regulations facilitate investment in the digital sector while protecting public policy objectives;</p> <p>(2) Support the development of local enterprises in the digital economy through favorable regulations of clusters and centers, nano innovation, and non-digital industries</p>
	Industry Digital Transformation	<p>(1) Promote investment through companies in various fields of ICT and related skills, and obtain low-cost digital services (such as cloud services)</p> <p>(2) Establish and improve e-government services to guide the needs of local developers and reduce operating costs</p>
Policy interaction and policy coordination		<p>(1) Adopt the latest regulations (such as data security, privacy, competition, consumer protection, national security, and protection of cultural values) to manage interactions with relevant policy areas to address public concerns;</p> <p>(2) the interaction of management departments and social policies to mitigate the potential negative social and economic impacts of digital transformation (such as job losses in traditional sectors); ensuring effective comprehensive government approaches, establishing coordination procedures and communication channels between agencies, Include investment departments and investment promotion agencies</p>

After expanding the markets of countries along the “Belt and Road”, digital economy companies should attach great importance to the markets of developed countries. China has

accumulated rich experience in consumer-level applications of the digital economy, and formed some valuable business models and mastered certain technologies. The developed countries have certain advantages in the core technologies of the digital economy and the industrial-level applications of the digital economy, which makes China's digital economy enterprises and developed country companies have a larger complementarity.

4.2. Investment Policy Needs for the Development of The Digital Economy

Investment policy is at the core of digital development. Considering the important role of investment, including international investment, the development of the digital economy, and the impact of the global digital economy on international production, it is very important for policymakers to adopt a structured and more proactive approach to investment issues in digital development strategies. A comprehensive investment policy framework for the digital economy should ensure that digital development is embedded in investment policies and investment policies are embedded in digital development strategies. The digital economy's investment policy framework is shown in Table 1.

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