

Study on the New Trend of Multinational Corporations' Investment in Chinese National Brands——Based on national cultural perspectives

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Abstract. As the globalization of the economy is becoming the dominant trend in development, cross-cultural investments are becoming more and more common in China, but since the country now lacks the relevant regulations, the foreign investment lacks regulation, resulting in the loss of Chinese national brands. Mr. Zong Qinghou passed away on 25 February 2024, it's been a hot topic in the community for a while. In this article, author of this article will take the case of "Zong Qinghou, a national entrepreneur, fighting with French Danone for decades to defend Wahaha" as an example, and introduce a study on the current situation of China's national brands, as well as studies on the current status of investment by transnational corporations, to recognize the development trend of Chinese national brands, and to make recommendations for transnational corporations to invest in national brands. It is of great significance in promoting Sino-foreign cooperation for sustainable development.

Keywords: Multinational corporation, national brand, national cultures, investment.

1. Introduction

Since China's reform and opening up in 1978, China's national enterprises are growing rapidly. In 2023, of the top 500 companies in the world, as counted by Fortune magazine. The number of Chinese national enterprises is firmly at the top of the list, this shows that Chinese national enterprises are quite large, and a great deal of development has been achieved. With the deepening of China's reform and opening up, and the increasing globalization of the economy, the gradual entry of multinational corporations into the Chinese market, some multinationals have chosen to set up branches or subsidiaries in China, some have opted for mergers and acquisitions, takeovers or stakes in domestic national brands. However, because China's Foreign Investment Law is not yet complete, an increasing number of national brands are being acquired by hostile, foreign mergers and acquisitions are intensifying in China. This has led to a loss of national brands in China [1].

Mr. Zong Qinghou, former CEO of the Wahaha Group, passed away on 25 February this year, it has sparked heated debate in the community. The national media has written a special tribute to Mr Zong Qinghou to honour of his legacy. Mr. Zong Qinghou's exploits in gaming with multinational corporations have been praised by the majority of Chinese consumers, Chinese consumers are once again embracing national brands, A trend of boycotting multinationals' investments has also been created among Chinese consumers. By learning about the acquisition of Wahaha by Danone of France, this article finds that the unfamiliarity of Chinese national entrepreneurs with, among other things, the business models of multinational corporations, also demonstrates the lack of understanding of national brands by multinational corporations, it also underestimates the influence of national brands within the Chinese consumer base, among other shortcomings. While this has somewhat discouraged multinational companies from investing in the Chinese market, but it offers new investment ideas for multinational corporations.

2. A Study of the Current Status of TNC investment Based on Country-Specific Cultural Perspectives

2.1. Definition of National Brands

Drawing on previous research, national brands in this paper refer to brands with a good sense of social responsibility, excellent traditional cultural background and precipitated national memory. Nation brand is an important intangible asset of an enterprise, it is a bridge that connects the memories and emotions of the people's communities [2].

2.2. Status of National Brands

In recent years, national enterprises represented by Li Ning, Huawei and Hongxingerke have become hotter and hotter. On the one hand, because domestic consumers have formed new consumption habits after the COVID-19, as well as the good reputation and increased production levels of national companies; On the other hand, the low level of international productivity, more and more international goods are gradually losing their competitiveness in the Chinese market.

However, it has been found that although Chinese consumers are emotionally more willing to buy domestically produced goods, national enterprises are in an embarrassing situation of "having reputation but no market" [3]. And because of the generally weak brand awareness of national enterprises, resulted in the inability to transform national enterprises into national brands. So when national brands face the multiple dilemmas of market and culture in international competition, the process of internationalization is slow [4].

After a national enterprise becomes a national brand, it will face new problems: the consumer's three minutes, poor management of corporate assets, Poor comparative advantage, Systemic risks in the domestic and international business environment, etc. But from another point of view it is quite an investment.

2.3. Status of Investment by Transnational Corporations

Win-win should be the core purpose of multinational companies investing in Chinese national brands. Taking the 2008 financial crisis as a point in time, this article selects four representative cases of co-operation. As in Table 1. Whether an individual or a business is making an investment, they should uphold a code of ethics and invest for legitimate, legal and friendly purposes.

Table 1. Brief Overview of Acquired or Influenced National Brands in China, 2008-2016

Overview of acquired or impacted national brands			
Time	National Brand	Multinational Corporation	Status
2006	Shuanghui	Goldman Sachs	China, U.S. meat industry first
2008	Harbin Beer	Budweiser InBev	Third place in the Chinese beer market
2008	Dabao SOD	Johnson&Johnson	With the development of the national tide, the increasing recovery
2016	Mrs. Happy	Nestlé	China's top three seasoning companies

A scholars have categorized the purpose of foreign equity participation in Chinese companies into four types: Relation, Transaction, Value and Decapitation, decapitated investments are considered to be a form of bad investment behaviour, it is more common in China [2]. In the short term, multinationals decapitating Chinese national brands may be able to reap higher profits. But in terms of long-term development, this practice will, on the one hand, result in the loss of Chinese national brands, hindering the branding and internationalization of Chinese industries, on the other hand, valuable investment targets and investment opportunities will be lost.

Since the opening up of the country in 1987, increasing foreign investment in China. As in Figure 1. This has led to tremendous progress in China's foreign investment efforts, in order to create a fair, just and open business environment. 29th January 2019, China formally promulgated the Foreign

Investment Law, national treatment of foreign investment, effectively safeguarding the legitimate and legal interests of national enterprises [5]. Because of the shortcomings still found in the application of the law, the Government establishes negative lists, in order to regulate the various behaviour of foreign investment, the list is also being increasingly refined, foreign investment is becoming increasingly regulated.

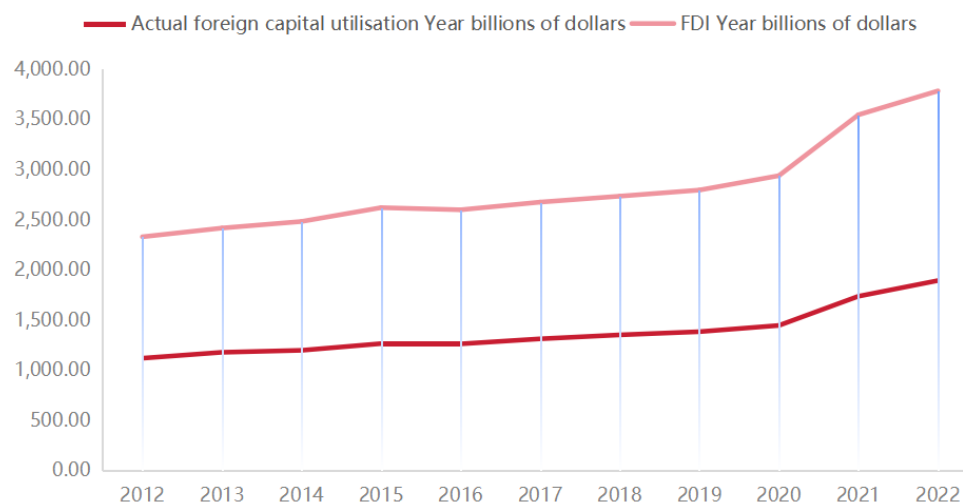


Figure 1. China's absorption and utilization of foreign capital, 2012 - 2022. (Data source: Flush iFinD)

From a country-specific cultural perspective, multinational corporations have the following problems when investing.

A scholar analyzed the Hofstede model of cultural values and concluded that national culture as a collective phenomenon, the need to consider social-cultural influences on business activities when operating in different countries [6]. Multinational corporations are mindful of the impact of country-specific cultures when investing. However, because of the various cultural differences between investor and host countries, unable to fully understand each other's cultures. There is an inherent mindset disconnect that in turn affects investment decisions.

In addition, when investing cross-culturally multinational corporations need to take into account the cultural distance as well as the psychological distance between the investor and the host country. According to the Logit model, the greater the distance that exists between the investor country and the host country, the greater the risk of investment [7]. This Paper argues that in the context of economic globalization, the political, economic and cultural links between countries are closer than ever before. In the process of cultural exchange, cultural and psychological distances shrink. 2023 French President Macron travelled to China on a state visit, dozens of French national entrepreneurs accompanied the visit, during which the two sides agreed to co-operate, and had an in-depth exchange of views on each other's cultures [8]. As things stand, both sides still need long-term cross-cultural investment to achieve a truly win-win co-operation.

3. Study on the Trend of Chinese National Brands Based on Chinese Consumers' Expectations

In order to explore the various perceptions of Chinese consumers towards national brands, a questionnaire survey was conducted in this paper. Using Questionnaire Star (<https://www.wjx.cn/report/258400619.aspx?sat=1>) to create the questionnaire, distributed through We-Chat, QQ and other social media platforms, 70 valid questionnaires were collected. Participants came from all over China, from different age groups, different education levels and different occupations. As shown in Table 2.

Table 2. Chinese Consumers' Attitudes towards Foreign Acquisition of National Brands and Brief Ranking of Reasons for Choice

What do you think about foreign investment in national brands?			
Options	Sample Size	Sort Options	Average Score
Unsupported	55	solid capital	2.53
		Favourable for national brands to go global	2.33
		National brands are socially responsible	3.9
		High local identity for national brands	3.43
		National cultural differences	3.31
Supported	15	Fear of brand reputation being damaged	3.16
		Branding and memories.	2.71
		High emotional recognition of national brands	2.7
Number of valid questionnaires	70		

Two findings emerged from the collation of the data. Firstly, nearly 80% of Chinese consumers love national brands and want Chinese companies to develop their own national brands. By examining the "Ranking of Reasons for Choice of Chinese Consumers Who 'Do Not Support' Foreign Takeovers", Chinese consumers were found to have a deeper emotional connection to national brands. Judging by emotional branding theory, the essence of this emotional connection is – identity [9]. Secondly, Chinese consumers prefer to retain national brands and have them developed by Chinese companies themselves. Ethnicity of national brands and corporate social responsibility positively influence individual and social identities, whereas personal and social identities act as mediators to positively influence word-of-mouth communication [4]. Therefore, a national brand is not only a brand, but also a reflection of a country's national cohesion. Foreign involvement in national enterprises or national brands will reduce the national character and weaken the existence of social responsibility, which will eventually lead to the loss of national brands.

China has many companies and national brands, but very few companies are branding, there are also very few national brands that have internationalized, this greatly hinders the development of national brands, but it is also the future development trend of Chinese national brands. As early as 2008 it was suggested that China needs to optimize its industrial structure and brand its products, enabling China to realize its transformation from a world workshop to a world factory [10]. There is a general lack of branding awareness among Chinese companies, economic development far outstrips branding. It is characterized by low brand exports, lack of core technology and brand reputation advantages, low brand value added and weak brand international competitiveness. It is a typical "big country of products, small country of brands", the pain point is very obvious.

This requires Chinese national enterprises to improve their investment and co-operation assessment mechanisms and find more suitable investment partners, focusing on the investor's management and business philosophy, strategic objectives, advantageous and disadvantageous resources, and in the context of its current status, including its organizational structure and the nature of its property rights, taking ownership and control, assessing from multiple dimensions such as country culture [11].

In summary, this paper argues that branding and internationalization are the development trends of Chinese national brands.

4. Recommendations

After fully understanding the current situation and the development trend of Chinese national brands, article summarizes the following recommendations for multinationals:

(1) Multinational corporations adopt a strategy of equal development for both sides in the investment process.

(2) Respecting national cultural differences, multinational corporations should focus on "investment climate" indicators when making investments. Synthesizing previous studies, this paper argues that multinational corporations should comprehensively consider the consumer brand preferences of the host country, policy conditions, A range of investor country soft environments such as policy conditions, legal environment, institutional environment, etc. when making investments, in order to reduce investment risk [12].

(3) The investing parties conduct cross-cultural exchange training, promote cultural exchange and integration, and explore sustainable investment and cooperation models. At the heart of any brand internationalization is the exchange of cultures between different countries, but Chinese national brands are in an overall weak position in this regard. The internationalization of Chinese national brands is a protracted war for China, but provides new investment highlights for foreign investment.

5. Conclusion

In summary, multinational corporations provide new development opportunities for Chinese enterprises and national brands, positively contributing to both the Chinese and foreign sides. But there are some cases that are a constant warning to Chinese companies. In this era of increasing economic globalization, the road to the development of Chinese national brands is quite long, this means that there are many investment opportunities. Business activities generate a clash of cultures and even conflicts of interest, the best way to solve the problem is to respect each other's cultures and cooperate as equals. Transnational corporations should both make proper and rational use of the various resources of national brands, adapt the investment strategy to the culture of different countries, in order to maximize the benefits of the investment.

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