The Internationalisation of Chinese Multinational Enterprises: A Revisit in a Geopolitically Chaotic Environment

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ABSTRACT

This study revisits the internationalisation of Chinese multinational enterprises (CMNEs) within a geopolitically chaotic environment. By adopting an international entrepreneurship perspective and using internationalisation data on 70 CMNEs from CrunchBase, it suggests that the global venture capital industry has driven the internationalisation of CMNEs. Consequently, this financial internationalisation has influenced the operational internationalisation of CMNEs, particularly in terms of foreign acquisitions and exits. Moreover, it highlights the fact that some private CMNEs, even in the face of a politically chaotic environment, have taken a global lead in industries, such as electric vehicles.

KEYWORDS: *Chinese multinational enterprises, global venture capital, internationalization.*

JEL CLASSIFICATION: *F23 - Multinational Firms; International Business*

1. INTRODUCTION

The internationalisation of Chinese multinational enterprises (CMNEs) has received growing research attention over the past several decades from multiple fields, especially international business and management (Child & Rodrigues, 2005). This phenomenon is accompanied by China's growing economic importance in the world and the significant increase in the amount of outward foreign direct investment (OFDI) by CMNEs (Alon & McIntyre, 2008; Athreye & Kapur, 2009; Deng, 2012). For instance, China's OFDI has proliferated drastically with a growth rate of 66% from 2002 to 2008. Its OFDI stock reached $184.0 billion with the amount of the investment outflows totalling $55.9 billion (MOFCOM 2009). As noted by UNCTAD (2015), China's OFDI has increased 12-fold in just 10 years. A friendly international environment as well as high-growth opportunities have become major factors for the internationalisation of CMNEs, while active government policies have motivated their participation in international capital markets (Gaur, Ma, & Ding, 2018). 948 CMNEs, for example, had engaged in direct investment in 142 countries and regions (MOFCOM, 2016a, b). CMNEs have accounted for 19% of the world's 500 largest firms by revenue (Fortune, 2014), and competed in diverse, capital-intensive sectors such as petroleum, banking, mining, technology, telecommunications, and motor vehicles (Alon, Anderson, Munim, & Ho, 2018).

Alon et al. (2018) identified four research streams on the internationalisation of CMNEs: (1) testing traditional FDI theory, (2) location choice, (3) entry mode choice, and (4) drivers and motivations of internationalisation. However, much of the existing research is based upon conventional FDI and strategy literature, focusing on internationalisation of well-established CMNEs, many of which are state-owned and follow traditional stage-model of

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internationalisation from domestic to international markets. Recently, with the emergence of a large number of new ventures in less regulated industries, many have competed successfully in the international market with innovative products or unique business models. As an exemplar, Xiaomi has become the world's leading smartphone player, while Pinduoduo has launched TEMU in the United States. These new ventures often engage in cross-border activities soon after their inception, which motivates us to incorporate international entrepreneurship literature, such as the venture capital industry, to advance the understanding of the internationalisation of CMNEs. Specifically, we focus on how venture capitalists overcome capability deficiencies and institutional burdens to invest in CMNEs. Moreover, since Brexit in 2016, a trend of deglobalisation has been ongoing, leading to a decline in global investment flows. In addition, US-China trade tensions have been escalating. In this chaotic environment, revisiting the internationalisation of CMNEs will help identify their new investment patterns.

Furthermore, the extant research on internationalisation of CMNEs has been primarily published in international business and management journals, such as the *Journal of World Business*, the *Journal of International Business Studies*, and *International Business Review*, and *Management & Organization Review*. The resource-based view (RBV) of the firm and institutional theories have been major theoretical lenses used to explain the phenomenon. While there are two dimensions of international diversification: operational and financial, previous research on internationalisation of CMNEs has exclusively emphasised operational internationalisation. Consequently, the financial dimension of internationalisation has been largely neglected in management and international business literature. Therefore, the integration of research from a financial perspective is essential for exploring the topic. Foreign ownership and international corporate governance (e.g., global equity offerings) are two fundamental topics in the financial dimension of internationalisation. Both foreign ownership and initial public offerings (IPOs) provide necessary financial capital, which consequently shapes firm international expansion and strategy. As CMNEs are relatively young and new compared to well-established MNEs in developed countries, foreign ownership and IPOs could be used as deliberate strategies to access a wide range of intangible strategic assets, such as familiarity with foreign markets, institutions, potential investors, customers and collaborators (Hasan, Kobeissi, & Wang, 2011). In other words, IPOs can boost the viability and future capabilities of the firm (Zimmerman, 2008). As signalling theory indicates (Francis, Hasan, Lothian, & Sun, 2010), the willingness of a famous investment bank to underwrite global equities signals credibility of the issuing firms. Moreover, the existence of foreign ownership is another important mechanism for increasing the international reputation of firms, allowing them to seek intangible resources from a host country (Nachum & Zaheer, 2005). This study looks at how foreign ownership and IPOs influence the internationalisation of CMNEs.

Our study contributes to literature in several ways. By adopting an international entrepreneurship perspective, this study suggests the role of institutional factors in the venture capital industry and how venture capitalists use networks as substitutes for formal institutions to assess project viability when investing in CMNEs. This international entrepreneurship perspective becomes necessary and important for understanding the complex strategic process of international diversification, as it sheds light on various international inputs employed by CMNEs, such as access to foreign capital and the presence of foreign team members and board members. Secondly, the sample firms we examined are primarily privately owned, facing fewer government regulations and intense foreign competition. Through a combination of financial and operational internationalisation, the study has shown that CMNEs have gained access to international capital markets and achieved global competitive advantages. On

one hand, the existence of foreign ownership not only provides financial capital but also network resources to CMNEs. On the other hand, CMNEs have transitioned from capability building, e.g., acquiring foreign firms with cutting-edge technologies and know-how, in the early stages of internationalisation to capability leveraging in the advanced stages of internationalisation, e.g., exploiting existing organisational strengths globally (Zámborský, Yan, Michailova, & Zhuang, 2023). Put differently, as entering later stages of internationalisation development, CMNEs increasingly resemble developed MNEs in private sectors. Thirdly, our study has revisited new internationalisation patterns of CMNEs in a politically chaotic environment. For example, even facing trade tensions, CMNEs have accumulated global competitive advantages in the electric vehicles and solar panel industries.

Section 2 presents the theoretical background, including the internationalisation of CMNEs and venture capital in China. Section 3 focuses on the data used in this study. The internationalisation data of 70 CMNEs were extracted from CrunchBase. Section 4 includes descriptive statistics of largest CMNEs in terms of international activities. The study concludes with future research directions in Section 5.

2. THEORY BACKGROUND

2.1 Institutional background: the internationalisation of CMNEs

China began to implement opening-up and reform policies in the late 1970 to stimulate economic growth. Since then, inward foreign direct investment (IFDI) has increased significantly with the aim of introducing cutting-edge technology and advanced management practices (Iqbal Chaudhry, Mehmood, & Saqib Mehmood, 2013; Y. Lin, 2011), which has led to increased productivity and boosted exports for CMNEs. As a result, China became the largest exporter in the world in 2010 (World Trade Organisation, 2015). After China joined the WTO in 2001, government policies shifted towards OFDI, promoting a "Going out" strategy. This initiative was established to encourage Chinese firms to engage in strategic asset-seeking behaviour through OFDI, primarily in developed markets. Additionally, the One Belt One Road policy fostered connections and cooperation between China and the rest of Eurasia. Amidst this backdrop, the amount of OFDI has grown rapidly, making internationalisation a crucial growth strategy for CMNEs (Luo & Tung, 2007). Nonetheless, recent shifts in the international geopolitical environment and deglobalisation have reshaped global business patterns, further affecting the internationalisation trajectories of CMNEs.

A conceptual framework of antecedents, processes, and outcomes has been developed to explore various internationalisation issues of CMNEs. Early studies compared large state-owned enterprises (SOE) to non-SOEs and found that while SOEs face higher institutional barriers in host countries, state ownership is associated with firm-specific advantages, including speedy government approval and favourable state incentives and support (X. Lin, 2010; Luo & Tung, 2007; Morck, Yeung, & Zhao, 2008). Research on the internationalisation of Chinese private firms has increased since 2003 when they were officially allowed to invest abroad (Buckley et al., 2010). Overall, the general findings on the internationalisation of CMNEs are largely consistent, suggesting that CMNEs internationalise to build sustainable global competitiveness, particularly by acquiring strategic assets in developed countries, while exploiting assets in other institutionally similar host countries (Deng, 2009; Luo & Rui, 2009; Rui & Yip, 2008; Young, Huang, & McDermott, 1996). Those findings align with emerging market multinational enterprise (EMNE) literature, contemplating that the lack of managerial, financial resources, and other ownership advantages prompts EMNEs to augment their knowledge of foreign market, access value-creating resources, and explore new knowledge. It is noteworthy that while the internationalisation of SOEs has been recently

scrutinized, private CMNEs have achieved global competitive advantages in industries such as electric vehicles.

2.2 Venture capital in China today

China has become the fastest growing country for venture capital in the world. In particular, international venture capital firms have raised $1.17 billion for investment in China (Balfour, 2006), and the number of VC firms has proliferated to 250 (Ahlstrom, Bruton, & Yeh, 2007; Liu, Zhang, & Hu, 2006). VCs are organised as limited partnerships, owned by banks or other financial institutions or corporate venture capital. The venture capital industry is highly influenced by a country's institutional context (Cetindamar, 2003). Significant challenges have arisen for venture investing in emerging or transition economies because institutional pitfalls, characterised by underdeveloped institutions, ill-defined property rights, and limited legitimacy for private firms (Ahlstrom et al., 2007), have complicated the venture capital process (Bruton & Ahlstrom, 2003; Wright et al., 2004). Institutional factors explain the venture capital industry and how venture capitalists use networks as substitutes for formal institutions to assess project viability and overcome capability deficiencies and institutional burdens. To minimize their liability of foreignness and reduce investment risks, international venture capitalists can achieve success through due diligence, providing management and personal assistance, careful monitoring, and well-planned exit strategies (Khanin, Ogilvie, & Leibsohn, 2012). International VCs typically invest in entrepreneurial firms with high potentials through seed, expansion and pre-offering rounds of financing, and they exchange for ownership claims and potentially appoint directors to engages in oversight of the top management team of portfolio firms (Ahlstrom et al., 2007). In addition to providing a source of capital, the benefits of international venture capital include bringing legitimacy and credibility to funded firms, supplying management expertise and knowledge, and providing network resources through strong ties and networks in their home countries (Bertoni & Groh, 2014). Therefore, international VCs add significant value to the internationalisation of CMNEs.

3. DATA

First, the current study uses CrunchBase because much empirical entrepreneurship research employed the CrunchBase database, a primary source of venture investment that compiles detailed information on both founders and ventures, as well as their funding histories (e.g., venture capital, foreign investors). Additionally, the database collects information on the amount of funds received, IPO, foreign investors, merger and acquisitions, foreign team and board members, etc. Secondly, Chinese ventures identified from the database have disclosed their investment information to meet standards and strengthen investor confidence. Therefore, both the sample and database enhance the credibility of our analysis. Thirdly, according to Crunchbase, the total of reported venture investment in 2018 was $93.8B in China and $91.6B in the United States, compared to $53.4B in the rest of the world. As the United States and China are the largest countries in the VC industry, the investment by USA VCs in CMNEs represents a reasonable research setting. Finally, the 2018 dataset was on our focus because the amount of funds used by CMNEs reached a peak that year. Subsequently, the amount began to decline due to COVID-19 and geopolitical tensions between China and the United States. There are 70 Chinese ventures in total with only the largest ones included in our analysis. Thus, the data are appropriate for providing a descriptive analysis of internationalisation trends of CMNEs in a politically chaotic environment.

4. DESCRIPTIVE STATISTICS RESULTS

4.1 Firm list

Table 1 reports the top 20 firms in terms of total funding amount. The sample firms are mainly concentrated on the internet, transportation, commerce, financial services, and mobile sectors, where government regulations are fewer, competition is fierce, and foreign investment is allowed. Several trends have been recognised. First, while there are a few state-owned firms like China Unicom and BAIC BJEV, most of firms are private with unique business models or innovative capabilities. These private firms have become industry leaders in China and compete globally over the years. Second, the list represents a mixture of well-established, large firms and new ventures. For instance, NIO, an electric vehicle company, was founded in 2014, and filed for a US$1.8 billion IPO on the New York Stock Exchange in 2018. Third, not all firms have survived. Ofo, a bicycle share startup established in 2014, aggressively expanded internationally between 2016 and 2018, reaching a valuation of up to US $2 billion, but ceased operation in 2020 due to running out of capital.

The highest total funding amount is $ 20,600 million through 17 funding rounds (Didi Chuxing, “Uber in China”), while the lowest is $1,660 million in 2 rounds by BJEV, the electric vehicle subsidiary of BAIC group. The average amount is $5,665 million. Of the top 20 ventures, 11 are still in the process of ventures, and 9 have launched IPO. For the four IPO firms with available information, the average amount of funds raised is $2,404 million. The highest amount of funds raised is $4,714 million from Xiaomi (one of largest smartphone producers), while the lowest is $1,000 million dollars NIO. Firms tend to choose Hong Kong or the United States for IPO instead of China A-shares. For instance, Xiaomi has IPO in Hong Kong, while Pinduoduo, iQiyi and NIO chose the United States. On one hand, international IPOs will increase legitimacy of CMNEs, allowing them to raise additional funds. On the other hand, international investors have a higher probability of exit through IPOs with higher proceeds (Cumming, Knill, & Syvrud, 2016). Global equity offerings have been used as a strategic tool to increase issuers’ international visibility and their propensity to diversify operationally to international market (Hasan et al., 2011).

Regarding the founders of the top 20 firms, all are from China except Joseph Tsai who has extensive international experience and cofounded Alibaba Group. Only Xiaomi has patents, with 983 patents applied for in total. Additionally, no other firms have trademarks except Xiaomi and HNA Group have 13 and 7 trademarks respectively. HNA Group was a conglomerate ranked NO. 170 on 2017 Fortune Global 500 list. It engaged in global diversification, acquiring numerous assets and brands. However, in 2021, it went bankrupt because of failure in debt restructuring. It has been demonstrated that the success of the top 20 firms is contingent upon intensive financial capital and unique business models. However, only a few rely on innovation in high technology for competitive advantages.

4.2 Investors list

Venture capitalists (VCs) collect funds from institutional investors and invest them in risky ventures with high levels of information asymmetries. During the process of investment, VCs conduct intensive pre-investment screening and post-investment management support, reducing investment risk and ensuring success. Cross-border investments account for a substantial portion of venture capital activity, in response to the continuing

Table 1. Firm List in terms of Total Funding Amount

Rank	Firm name	Total funding amount (US$ million)	Money raised at IPO (US$ million)	Number of investors	% foreign investors	No. of Acquisitions	% foreign Acquisitions	No. of investment	% of foreign investment	No. of Exits	% of foreign exits	% Foreign founder	% of foreign current team members	% of foreign board members/advisors	No. of Patent	No. of Trademarks
1	Didi Chuxing	20,600	n/a	30	50%	5	20%	20	50%	2	50%	0%	8%	80%	0	0
2	Ant Financial	18,500	n/a	13	62%	3	100%	38	26%	6	17%	0%	16%	n/a	0	0
3	China Unicom	11,700	n/a	5	0%	1	100%	n/a	n/a	n/a	n/a	n/a	0%	33%	0	0
4	Alibaba Group	8,900	n/a	31	77%	22	14%	146	34%	27	41%	6%	19%	56%	0	0
5	Meituan-Dianping	8,300	n/a	23	52%	3	0%	21	14%	1	0%	0%	0%	0%	0	0
6	JD Finance	5,034	n/a	7	0%	n/a	n/a	13	0%	n/a	n/a	n/a	0%	n/a	0	0
7	Ping An	4,800	n/a	n/a	n/a	1	0%	17	53%	3	0%	0%	38%	n/a	0	0
8	Xiaomi	3,400	4,714	21	62%	n/a	n/a	45	24%	7	29%	0%	21%	100%	983	13
9	Lianjia	3,400	n/a	10	10%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	0	0
10	HNA Group	3,300	n/a	2	50%	4	75%	11	45%	5	60%	0%	43%	0%	0	7
11	ELEME	3,300	n/a	12	8%	1	0%	n/a	n/a	n/a	n/a	0%	0%	100%	0	0
12	Toutiao	3,100	n/a	9	44%	4	50%	4	0%	n/a	n/a	0%	14%	n/a	0	0
13	iQiyi	3,000	2,300	16	25%	1	0%	3	0%	n/a	n/a	0%	0%	n/a	0	0
14	JD.com	2,800	n/a	10	60%	1	0%	56	16%	14	21%	0%	5%	50%	0	0
15	SenseTime	2,600	n/a	25	24%	n/a	n/a	5	0%	n/a	n/a	0%	11%	n/a	0	0
16	NIO	2,500	1,000	23	39%	n/a	n/a	n/a	n/a	n/a	n/a	0%	63%	n/a	0	0
17	JD Logistics	2,500	n/a	10	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	0	0
18	Ofo	2,200	n/a	23	9%	n/a	n/a	n/a	n/a	n/a	n/a	0%	11%	n/a	0	0
19	Pinduoduo	1,700	1,600	9	44%	n/a	n/a	1	0%	n/a	n/a	0%	0%	n/a	0	0
20	BAIC BJEV	1,660	n/a	3	33%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	25%	n/a	0	0

Source: Authors' analysis

internationalisation of entrepreneurship (Etemad, Wilkinson, & Dana, 2010). VCs normally have minority positions in cross-border investment to produce capital gains for their ultimate investors (Amit, Brander, & Zott, 1998). Overall, VCs prefer to invest in host countries characterised by technological, legal, financial, and political institutions that create innovative opportunities, protect investor's rights, facilitate exit, and guarantee regulatory stability respectively (Guler & Guillén, 2010). It has been argued that the internationalisation of venture capital financial is determined by country-specific, venture capitalist-specific and deal-specific factors (Schertler & Tykvová, 2011).

Table 2 presents the top 10 CMNEs with foreign investors (i.e., large VCs). Alibaba Group, for example, has 24 foreign investors which accounts for 77% of its total investors. Similarly, 50% of Didi Chuxing's investors are foreign. SenseTime, JD.com, Mobike and Ximalaya FM each have 6 foreign investors. Most foreign investors are financial venture capitalists, including Goldman Sachs, Morgan Stanley, Silver Lake Partners, SoftBank Capital, etc. These prominent VCs are motivated by the expected growth opportunities in China, therefore, leading to a mounting number of cross-border deals. Meanwhile, CMNEs are more likely to choose international VCs to increase global exposure as well as access resources. Facing liabilities of foreignness, foreign VCs are more likely to syndicate when the host country's venture capital market is less mature, colder and less capitalized. Syndication, a type of interorganizational collaboration, is strategically used by VC firms to diversify risk and create value (Lerner, 2022; Wang, 2017). VC's international experience and deal size are strongly associated with costs and benefits of cross-border investments. As VCs accumulate more experience or acquire a higher reputation through repeated investments in CMNEs, they are more likely to continue investment due to their familiarity with the institutional and legal environment and established international networks. Furthermore, leading CMNEs offering larger deals are preferred by foreign VCs since the degree of information asymmetries is lower and less management support is required. The observed increase in larger deals suggests that Chinese firms are attractive targets for international VCs actively seeking out international investment (Cumming et al., 2016). VCs are more interested in investing intensively in high-technology sectors with more patents or higher R&D expenditures (Da Rin, Nicodano, & Sembenelli, 2006; Gompers & Lerner, 1999). Since CMNEs are relatively new in international market, they often lack a reliable track of records, making it difficult to rely solely on firm performance for investment decisions. Therefore, other signalling factors are used for proxies. Research on venture financing has paid significant attention to the signalling effect when venture performance is highly uncertain. To reduce perceived uncertainty, available signals, such as size and reputation, have been used to reflect quality of invested firms to (Spence, 1974).

There are also corporate venture capitals (CVCs), such as Yahoo's investment in Alibaba, Google's in Meituan-Dianping, Apple in Didi Chuxing, and Qualcomm in SenseTime. In developed countries where the market for early-stage investment is well developed and innovation-related resources are widely available (Da Gbadji, Gailly, & Schwienbacher, 2015), large companies run CVCs to invest in entrepreneurial ventures to complement with their in-house R&D. Entrepreneurial firms from emerging countries are more successful when backed by syndicates composed of international and local venture capitalists because international VCs provide capital expertise, while local VCs have the superior local knowledge and have lower monitoring costs (Chemmanur, Hull, & Krishnan, 2016).

Foreign investors of the top 10 firms are dispersed in 16 different countries. The top 10 foreign countries are listed in Table 3, and most of the foreign investors are from developed countries where the capital market is more mature. 62 investors are from United States, 13 investors are from Singapore, and 8 investors are from United Kingdom. In the United States,

the most popular investors' locations are New York and Menlo Park, CA. Similarly, UK investors are mainly from London and Edinburgh. A higher market capitalization in a VC's home country will increase cross-border deals. Despite significant institutional differences between their home countries and China, international VCs remain interested in growth opportunities and have adapted and learned to reduce investment risk by investing in reputable, large CMNEs, which have already shown early signs of becoming more promising in their sectors. Moreover, many VCs have invested in multiple CMNEs through numerous rounds, which allows them to be familiar with the institutional environments of the host country. Broad international experience mitigates the negative effect of institutional distance on VC outcomes (Li, Vertinsky, & Li, 2014).

Table 2. The Top 10 CMNEs with Foreign Investors

Rank	Firm name	Number of investors	Number of foreign investors	% foreign investors
1	Alibaba Group	31	24	77%
2	Didi Chuxing	30	15	50%
3	Xiaomi	21	13	62%
4	Meituan-Dianping	23	12	52%
5	NIO	23	9	39%
6	Ant Financial	13	8	62%
7	SenseTime	25	6	24%
8	JD.com	10	6	60%
9	Mobike	18	6	33%
10	Ximalaya FM	9	6	67%

Source: Authors' analysis.

Table 3. The Top 10 Countries of Foreign Investors

Frequency rank	Country	Count
1	United States	62
2	Singapore	13
3	United Kingdom	8
4	Japan	5
5	Canada	2
6	Cayman Islands	2
7	Malaysia	2
8	Saudi Arabia	2
9	Switzerland	2
10	Brazil	1

Source: Authors' analysis.

4.3 Acquisition list

The Financial internationalisation of CMNEs often leads to subsequent operational internationalisation. Studies have demonstrated that foreign ownership plays a positive role in the internationalisation propensities of local firms, although this effect is contingent upon other firm-specific and environmental factors. Other research indicates that foreign owners moderate preferences to accommodate those of other owners (Singla, George, & Veliyath, 2017). The rationale lies in the fact that foreign investors offer foreign market knowledge and

help local firms achieve legitimacy in the global market (Narteh & Acheampong, 2018). Moreover, foreign owners with strategic equity stakes might assist CMNEs in developing worldwide competitive advantages, including access to new markets and capabilities, on top of financial goals (Douma, George, & Kabir, 2006). Other benefits of internationalising a public firm's investor base include better terms for raised capital (Pagano, Röell, & Zechner, 2002), imported governance system (Martin & Rey, 2000), reduced systematic risk (Martin & Rey, 2000), and better name recognition (Merton, 1987).

Financial constraints can prevent CMNEs from engaging in exports and OFDI. Reducing information asymmetry and improving resource allocation (Levine, 1997), foreign investors can accelerate the internationalisation of CMNEs by providing their capabilities and resources. This effect is more prominent for private firms relying on external financing and firms in high-technology industries (Chaney, 2016; Lian & Chen, 2017). As the investor base becomes internationalised, international investors create value for the internationalisation of CMNEs, such as facilitating cross-border M&A deals. In other words, CMNEs with an international VC syndicate are more likely to engage in international activities. In particular, foreign direct investment is often conducted for strategic purposes with the intention of exercising investor and managerial control for a long time (Groh & Von Liechtenstein, 2009).

Table 4 shows the top 10 CMNEs actively engaging in foreign acquisitions. Tencent Holdings has 12 acquisitions, 6 of which are foreign. Huawei Technologies has 7 acquisitions, and 71% are foreign acquisitions. While Alibaba Group has 22 acquisitions, only 3 are foreign acquisitions. Ant Financial has 3 acquisitions, all of which are cross-border. In total these top 10 CMNEs have 30 foreign acquisitions. For example, Tencent bought Supercell for $8,600 million; Huawei acquired UK's Neul for $25 million. As shown in Table 5, the foreign acquisitions are distributed across 12 foreign countries. The United States has 13 acquisitions, followed by Israel and Switzerland with 3 each, Brazil and the United Kingdom with 2 each, and 1 acquisition in other countries.

Table 4. Foreign Acquisitions by the Top 10 CMNEs

Rank	Firm name	No. of Acquisitions	% foreign Acquisitions	Number of Foreign Acquisitions
1	Alibaba Group	22	14%	3
2	Tencent Holdings	12	50%	6
3	Baidu	10	40%	4
4	Huawei Technologies	7	71%	5
5	Didi Chuxing	5	20%	1
6	HNA Group	4	75%	3
7	Toutiao	4	50%	2
8	Ant Financial	3	100%	3
9	CICC	3	67%	2
10	Bitmain	1	100%	1

Source: Authors' analysis.

4.4 Investment list

The VC industry is highly internationalised. A strong connection exists between inward and outward investment due to the spillover effect of inward investment, including the transfer of valuable resources, information diffusion as well as network opportunities. The above

connection is more pronounced when there are significant development gaps between the home and host countries (Gu & Lu, 2011). A well-developed venture capital network facilitates the internationalisation of CMNEs because VCs possess extensive international experience and contacts, which can reduce internationalisation costs. The nonfinancial side of venture investing includes established international and entrepreneurial networks, as well as securing co-investors. Networks or managerial ties play both direct and mediating roles in internationalisation. Notably, technology-oriented CVCs tend to invest locally, while finance-oriented VCs export capital for financial returns.

Table 5. Top Locations of Foreign Acquisitions

Rank	Country	Count
1	United States	13
2	Israel	3
3	Switzerland	3
4	Brazil	2
5	United Kingdom	2
6	Finland	1
7	New Zealand	1
8	Pakistan	1
9	Singapore	1
10	Thailand	1
11	The Netherlands	1
12	Turkey	1

Source: Authors' analysis.

CMNEs build alliances with foreign VCs by owning strategic equity stakes to gain access to production capabilities, technology, knowledge networks and market information (Cuervo-Cazurra, 2012). These factors motivate CMNEs to undertake internationalisation to establish ownership advantages. The innovative potential of a country may positively influence venture capital investments where highly qualified employees or patent owners are available for expansion. More investment opportunities, such as higher expected growth, higher R&D expenditures, and more patents, encourage CMNEs for cross-border investments.

Table 6 lists the top 10 CMNEs in terms of foreign investments. Tencent Holdings leads with 123 foreign investments, which accounts for 38% of its total investments. Alibaba Group has 50 foreign investments, contributing to 34% of its total investments. Baidu has 18 foreign investments, Bitmain has 14, and Xiaomi has 11. Both Ant Financial and Didi Chuxing have 10 foreign investments, while Qihoo 360 Technology, Ping An and JD.com each have 9 foreign investments. As shown in Table 7, the foreign investments of the top 10 CMNEs are distributed across 32 foreign countries. The top 10 foreign investment destinations are: United States, India, Singapore, Israel, Indonesia, South Korea, United Kingdom, Germany, Nigeria and Switzerland. There are 151 investments in United States; 27 investments are in India; 12 investments are in Singapore.

4.5 Exit list

VCs typically liquidate their investments after a certain period because they don't hold permanent positions in their ventures (Cumming, 2008). In the context of deglobalisation, some large CMNEs tend to reduce international investment behaviours to focus on domestic market. For instance, the 26 exits from the USA might be related to the China-U.S. trade tensions.

Table 6. Foreign Investment List by Top 10 CMNEs

Rank	Firm name	Number of investments	Number of foreign investments	% foreign investments
1	Tencent Holdings	325	123	38%
2	Alibaba Group	146	50	34%
3	Baidu	87	18	21%
4	Bitmain	22	14	64%
5	Xiaomi	45	11	24%
6	Ant Financial	38	10	26%
7	Didi Chuxing	20	10	50%
8	Qihoo 360 Technology	18	9	50%
9	Ping An	17	9	53%
10	JD.com	56	9	16%

Source: Authors' analysis.

Table 7. Location Choice of Foreign Investments by the Top CMNEs

Rank	Country	Count
1	United States	151
2	India	27
3	Singapore	12
4	Israel	10
5	Indonesia	5
6	South Korea	5
7	United Kingdom	5
8	Germany	4
9	Nigeria	4
10	Switzerland	4

Source: Authors' analysis.

The data from Table 8 suggests that only 10 CMNEs have exits from foreign investments. These companies are Tencent Holdings, Alibaba Group, JD.com, HNA Group, Xiaomi, Baidu, Ant Financial, Didi Chuxing, Qihoo 360 Technology, and DJI. Tencent Holdings has 26 foreign exits, which accounts for 55% of its total exits. Alibaba Group has 11 foreign exits, while JD.com and HNA Group each have 3 foreign exits. As shown in Table 9, the foreign exits span 15 countries, with half occurring in the United States. The exit frequency in other countries is 1 to 3.

4.6 Current team members (Table 10)

To reduce uncertainty arising from information asymmetry, VCs often make investment decisions by looking for available signals reflecting the quality of potential firms (Connelly, Certo, Ireland, & Reutzel, 2011). Abundant such signals exist, including founding team (Conti, Thursby, & Thursby, 2013; Gimmon & Levie, 2010; Hsu, 2007).

Founders and team members are fundamental in influencing firm valuation and attracting venture capitalists. They not only actively participate in managing the business and signal high quality of internal resources but also affect the firm's ability to access external resources.

Team members' distinctive overseas experiences send a strong signal of internationalisation efforts. As upper echelons theory indicates, there is a link between the top management team (TMT) background and firm strategy/performance (Hambrick & Mason, 1984). TMT internationalisation allows firms to address challenges in the ongoing globalisation process as well as learn about the local political, legal tax, etc. Therefore, TMT internationalisation facilitates subsequent foreign market entries, which are positively associated with firm performance (Nielsen, 2010; Pisani, Muller, & Bogăţan, 2018).

Table 8. Foreign Exits by the Top 10 CMNEs

Rank	Firm name	Number of exits	Number of foreign exits	% foreign exits
1	Tencent Holdings	47	26	55%
2	Alibaba Group	27	11	41%
3	JD.com	14	3	21%
4	HNA Group	5	3	60%
5	Xiaomi	7	2	29%
6	Baidu	13	1	8%
7	Ant Financial	6	1	17%
8	Didi Chuxing	2	1	50%
9	Qihoo 360 Technology	2	1	50%
10	DJI	1	1	100%

Source: Authors' analysis.

Table 9. Foreign Exits by Countries

Rank	Country	Count
1	United States	26
2	Israel	3
3	United Kingdom	3
4	Brazil	2
5	Germany	2
6	India	2
7	Pakistan	2
8	South Korea	2
9	Sweden	2
10	France	1
11	Iceland	1
12	Japan	1
13	Russian Federation	1
14	Switzerland	1
15	Thailand	1

Table 10 shows the top 10 CMNEs in terms of the number of foreign team members. Huawei has 251 current team members, of whom 104 are from foreign countries or regions. Tencent Holdings has 15 foreign team members, accounting for 25% of its total members. Alibaba Group has 13 foreign team members, representing 19% of its total members. As indicated in Table 2, the highest percent of foreign current team members is 63%, and the mean

percentage of foreign current team members is 14%. 8 firms do not have any foreign current team members. Therefore, it is evident that the participation of foreign team members significantly increases the internationalisation of CMNEs because of their unique resources, knowledge, and network.

Table 10. Foreign Team Members of the Top 10 CMNEs

Rank	Firm name	Number of current team	Number of foreign current team	% foreign current team
1	Huawei Technologies	251	104	41%
2	Tencent Holdings	60	15	25%
3	Alibaba Group	67	13	19%
4	Baidu	47	10	21%
5	DJI	12	10	83%
6	LeEco	12	7	58%
7	OnePlus	9	5	56%
8	NIO	8	5	63%
9	Xiaomi	24	5	21%
10	Ant Financial	32	5	16%

Source: Authors' analysis.

4.7 Board members

Board internationalisation, the existence of foreign directors, is positively associated with firms' financial internationalisation due to the influence of foreign directors in monitoring rather than advisory functions. Studies have found that the nationality of foreign directors tends to align with the nationality of foreign owners. The literature on human capital in firm internationalisation examines two sources: foreign board members and nationals with international experience. These two sources of board internationalisation are complementary. Home-country directors with international experience lead to a higher of a firm's commercial internationalisation, such as foreign sales, compared to foreign directors (Oxelheim, Gregorič, Randøy, & Thomsen, 2013).

According to Table 11, 22 CMNEs have foreign board members, and 70% of the sample firms have only 1 foreign board member. 6 members serve on multiple boards. Two firms, including Meituan-Dianping and HNA group, do not have foreign board members. The failure of HNA Group might be associated with the lack of monitoring and advisory functions by foreign directors.

Table 11. Foreign Board Members of the Top 22 CMNEs

Rank	Firm name	No. of board members/advisors	# of foreign board members	% of foreign board members/advisors
1	Tencent Holdings	7	5	71%
2	Alibaba Group	9	5	56%
3	Baidu	8	4	50%

Rank	Firm name	No. of board members/advisors	# of foreign board members	% of foreign board members/advisors
4	Didi Chuxing	5	4	80%
5	Xiaomi	3	3	100%
6	JD.com	6	3	50%
7	Qunar.com	3	2	67%
8	Huawei Technologies	26	1	4%
9	DJI	1	1	100%
10	UBTech Robotics	2	1	50%
11	Xiaohongshu	1	1	100%
12	LAIX LingoChamp (Liulishuo)	1	1	100%
13	Keep	1	1	100%
14	CooTek	2	1	50%
15	China Unicom	3	1	33%
16	ELEME	1	1	100%
17	Youku	1	1	100%
18	Koubei.com	1	1	100%
19	Tujia	2	1	50%
20	58.com	2	1	50%
21	CICC	1	1	100%
22	Cainiao Logistics	2	1	50%

Source: Authors' analysis.

5. CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Through a combination of financial and operational internationalisation perspectives, this study revisits the internationalisation of CMNEs within a politically chaotic environment characterised by trade tensions between China and other countries. It suggests that the internationalisation of CMNEs has been prompted by the global venture capital industry. Financial VCs have made cross-border investments in CMNEs to create value for institutional investors, while CVCs invest in entrepreneurial ventures to complement their in-house R&D.

These inflows of venture capitals to CMNEs affect the composition of team members as well as board members. The benefits of financial internationalisation for CMNEs include financial capitals, corporate governance, resources, networks, etc. Consequently, financial internationalisation has impacted the operational internationalisation of CMNEs, particularly in terms of foreign acquisitions and exits. Meanwhile, this descriptive analysis finds that while Chinese state-owned firms face scrutiny, private CMNEs are leading globally in industries such as electric vehicles, even under a politically chaotic environment.

This study has offered several theoretical contributions. First, we combine financial and operational internationalisation to examine their interactions on the internationalisation of CMNEs. Specifically, we have studied the effects of global venture capitalists on the internationalisation patterns of CMNEs, including global VCs and CMNE co-investment in other locations. Second, we focus on private firms, many of which have innovative products or unique business models. Third, CMNEs have transitioned from capability building to

capability leveraging. This is exemplified by the electric vehicle industry, where many Chinese EV firms have gained global competitive advantages and conducted outward direct investments in other countries. Fourth, in such a politically chaotic environment, some CMNEs have refined their internationalisation strategy through foreign exits to concentrate on the domestic market. Our study not only examines successful firms but also witnesses corporate failures in internationalisation, such as HNA group and Ofo.

The data for our study of 70 Chinese ventures were extracted from CrunchBase. Based upon this data, this descriptive study has identified new internationalisation patterns of CMNEs. Scholars can reexamine these new patterns through empirical evidence. For example, further research could explore how Chinese electronic vehicle firms catch up to compete effectively in global market. Additionally, given the backdrop of deglobalisation, the effects of the reduced foreign ownership on the internationalisation of CMNEs warrant further research attention. In particular, the impact of deglobalisation on exit and re-internationalisation of CMNEs is of great interest. Finally, our focus is on the internationalisation of CMNEs. Further studies could generalize our findings to include unique internationalisation patterns of MNEs from other emerging countries.

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