

# Chinese Firms in Global Markets

## Round 6

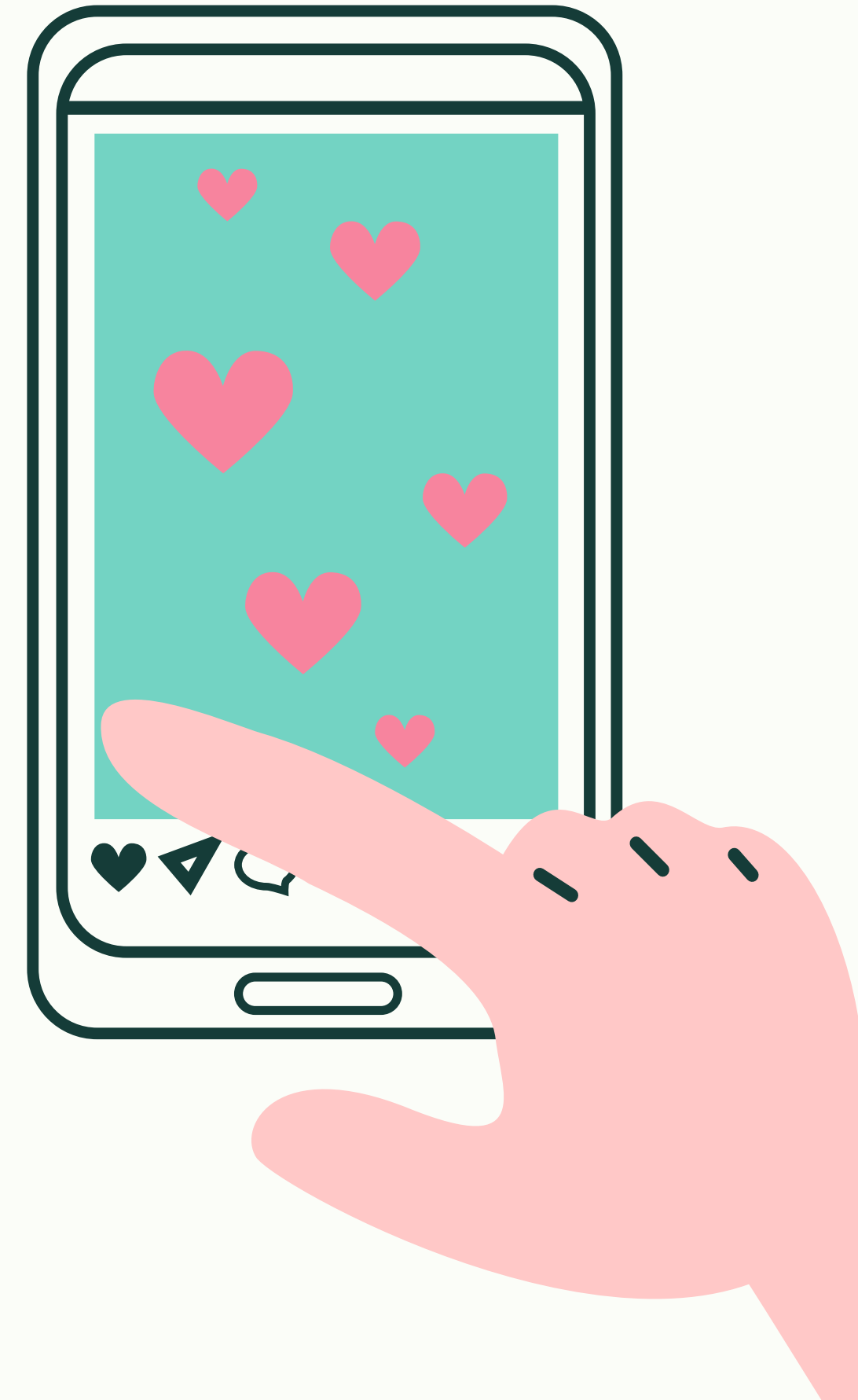
**International Entrepreneurial Networks**

**Institutional Theory**

**Bytedance**

**Benedikt Lasar**

06.06.2024



# Presentation Schedule

Any team, topic, or team  
preferences?

July and 4 and 11  
15 to 20 minutes each



# Presentation Schedule

I strongly suggest you  
take the opportunity

Let me know if you need  
a laptop



# Your Presentations

04.07.	Andres & Oleksandr	Xiaomi
04.07.	Hannah & Melanie	
04.07.	Jonathan & Miguel	
04.07.	Gideon & Robin	Mixue



# Your Presentations

11.07.	Nina	Temu
11.07.	David & Melchior	DJI
11.07.	Tiago	
11.07.		

# Essay Feedback

- justify your paragraphs
- refer to the style guide on the wiki  
(size 12, Times New Roman, 18 pt.)
- you can choose your reference stlye  
but be consistent





# Agenda

**(1) International Entrepreneurial  
Networks**

**(2) Institutional Theory**

**(3) Chinese Institutions  
and OFDI**

**(4) The Case  
of ByteDance**

# International Entrepreneurial Networks

Investment decisions are influenced by international business and social networks

Networks provide information and lower transaction costs

Networks are an intangible asset

Goal: bring together resources, talents, and knowledge

# Three Dimensions of International Entrepreneurial Networks

**Strong and Weak**

**Big and Small**

**Dense and Sparse**

## Strong and Weak

Interconnections between network members are either:

### Strong:

Durable relationships built on trust

### Weak:

More common with more nodes

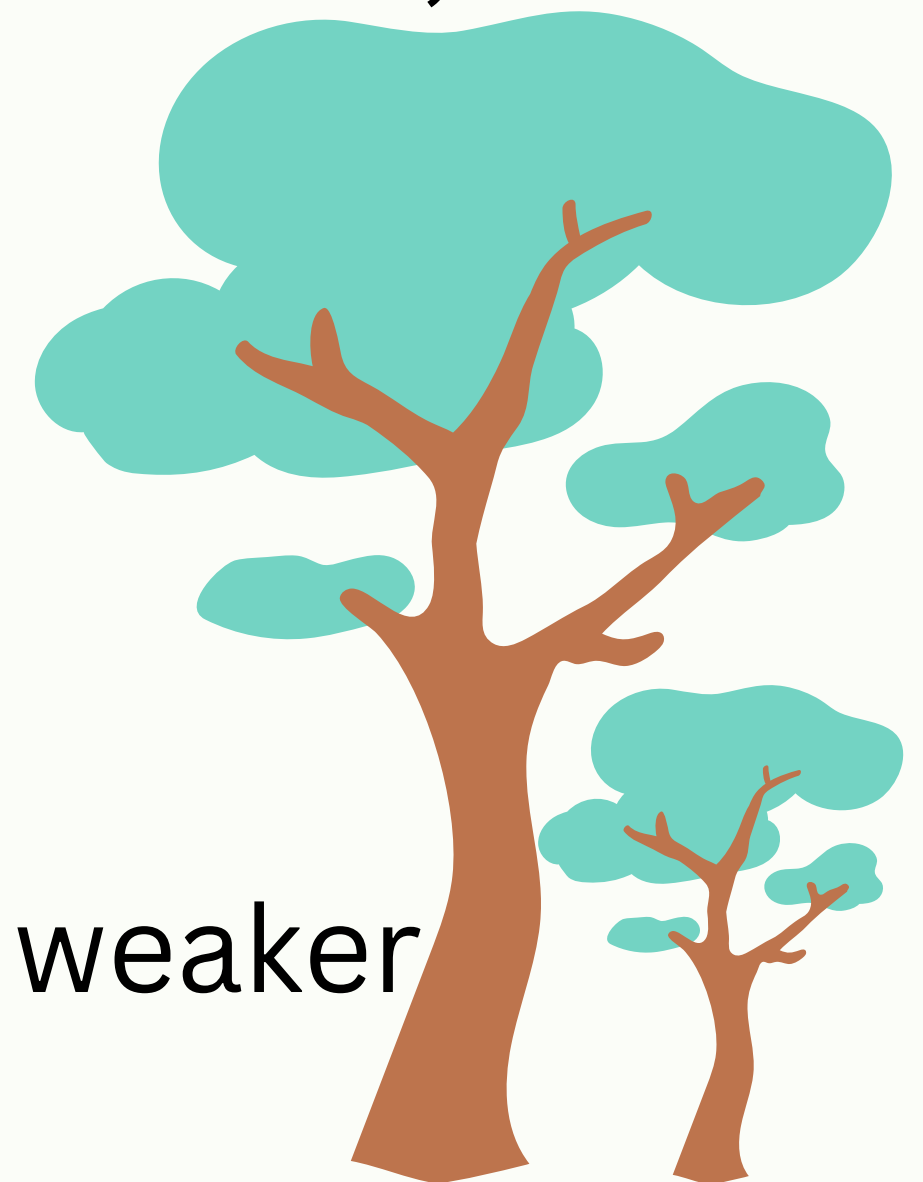


## Big and Small

Amount of nodes represents the size of the network, and larger networks contain more information

More nodes mean greater potential and speed for international expansion

Quality deteriorates: increasing size leads to weaker ties and sparse connections





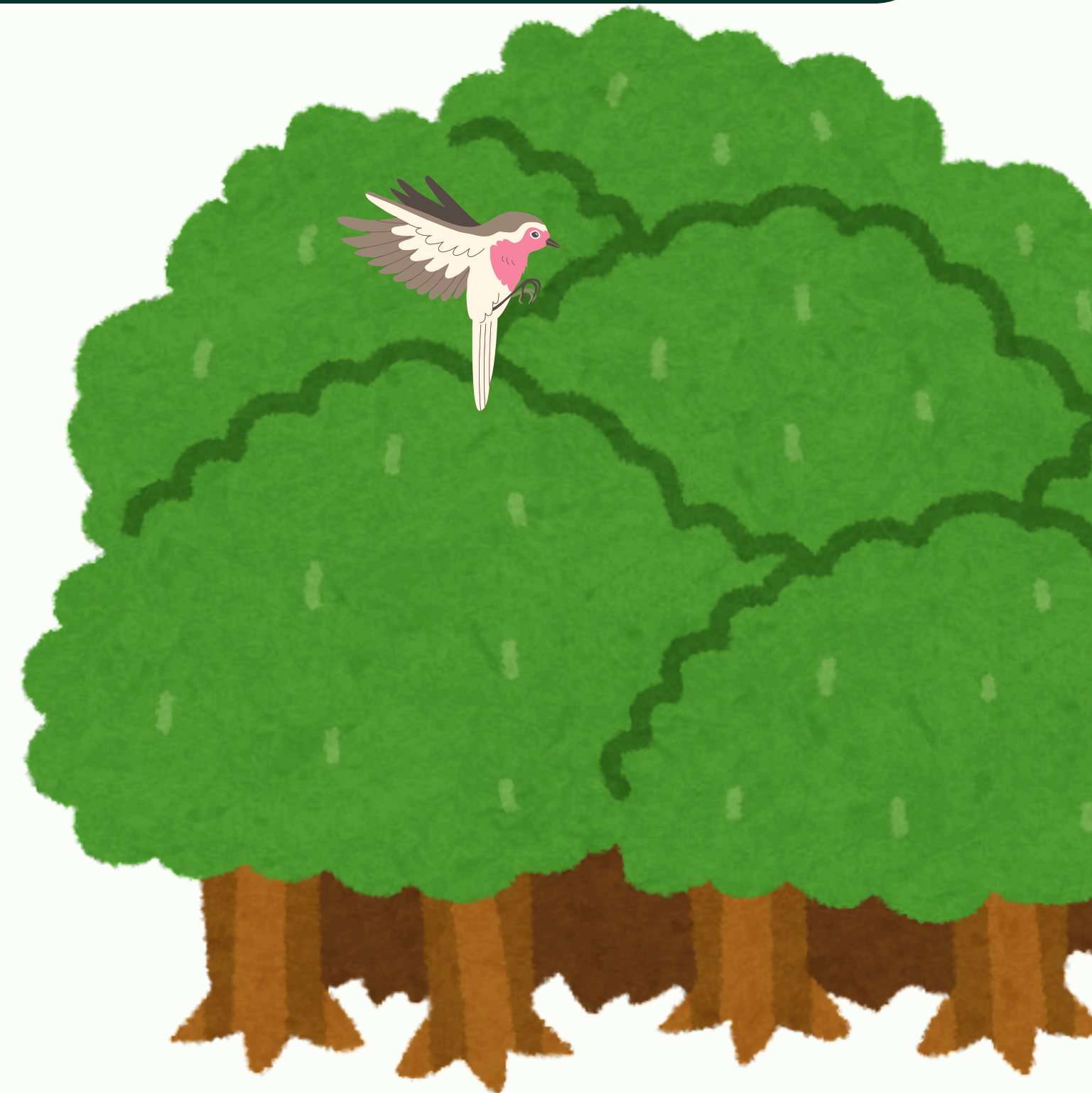
## Dense and Sparse

### Dense:

High rate of linkages between nodes  
Sub-groups of close ties within a network (called clubs)

### Sparse:

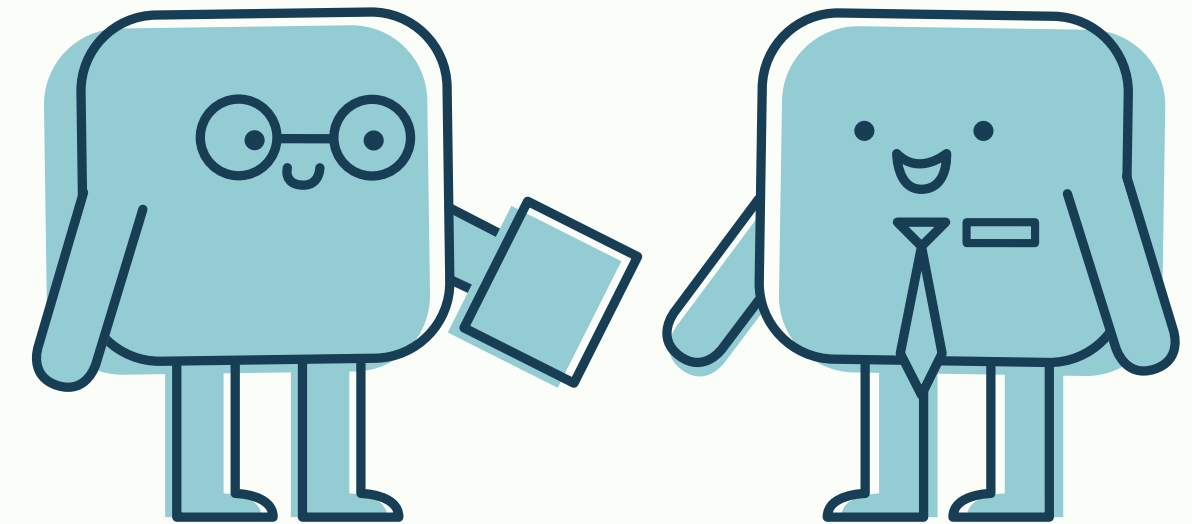
Nodes are only sporadically linked  
Ties are usually very weak





# Breakout Room 1

Discuss the networks you  
are in and evaluate them  
in terms of strength, size,  
and density





# Agenda

**(1) International Entrepreneurial  
Networks**

**(2) Institutional Theory**

**(3) Chinese Institutions  
and OFDI**

**(4) The Case  
of ByteDance**

# Institutional Theory

Douglas North: we are bound by institutions

Institutions are the rules of the game

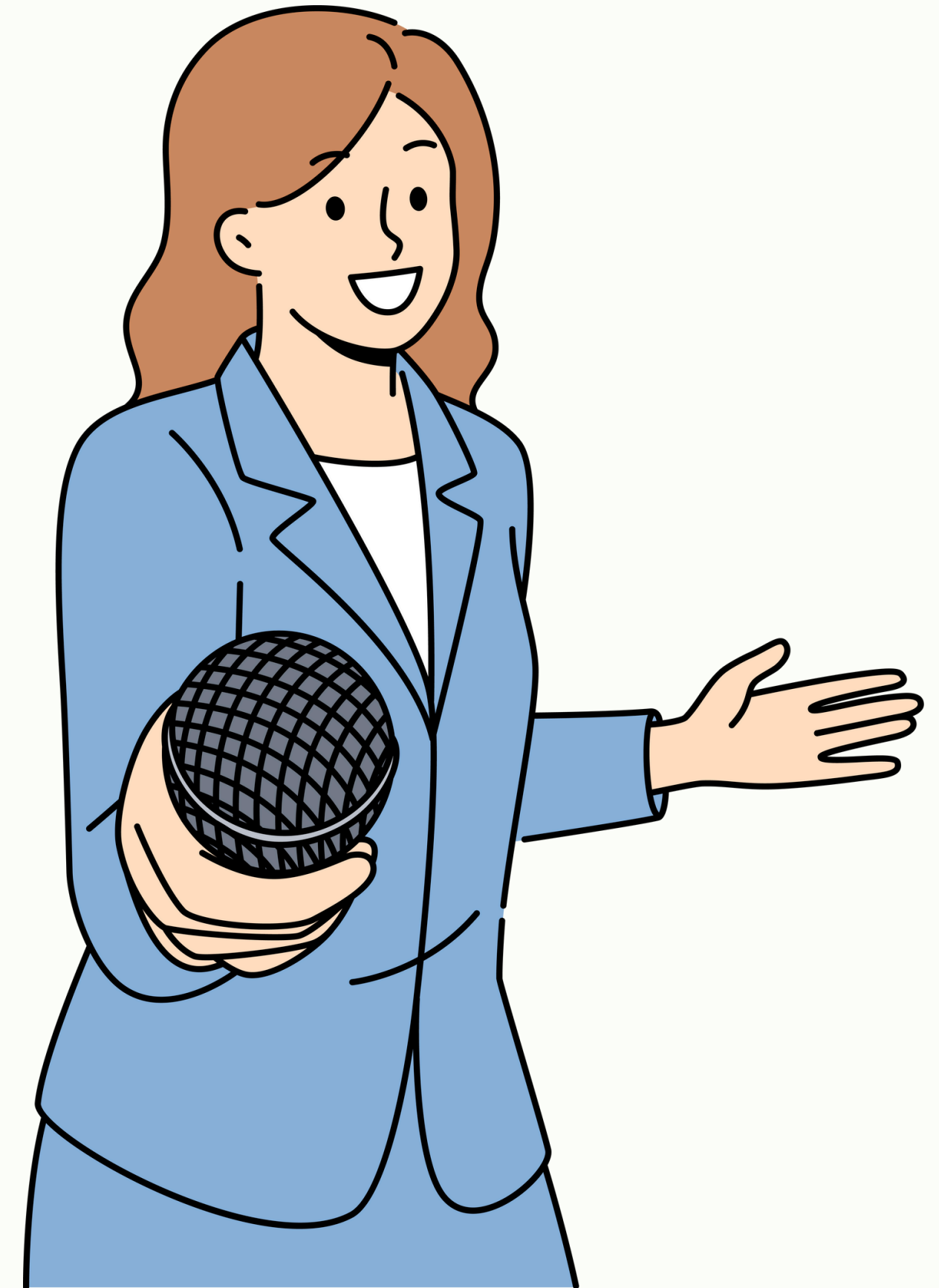
Institutional change accordingly means that the rules have been changes

There are formal and informal institutions

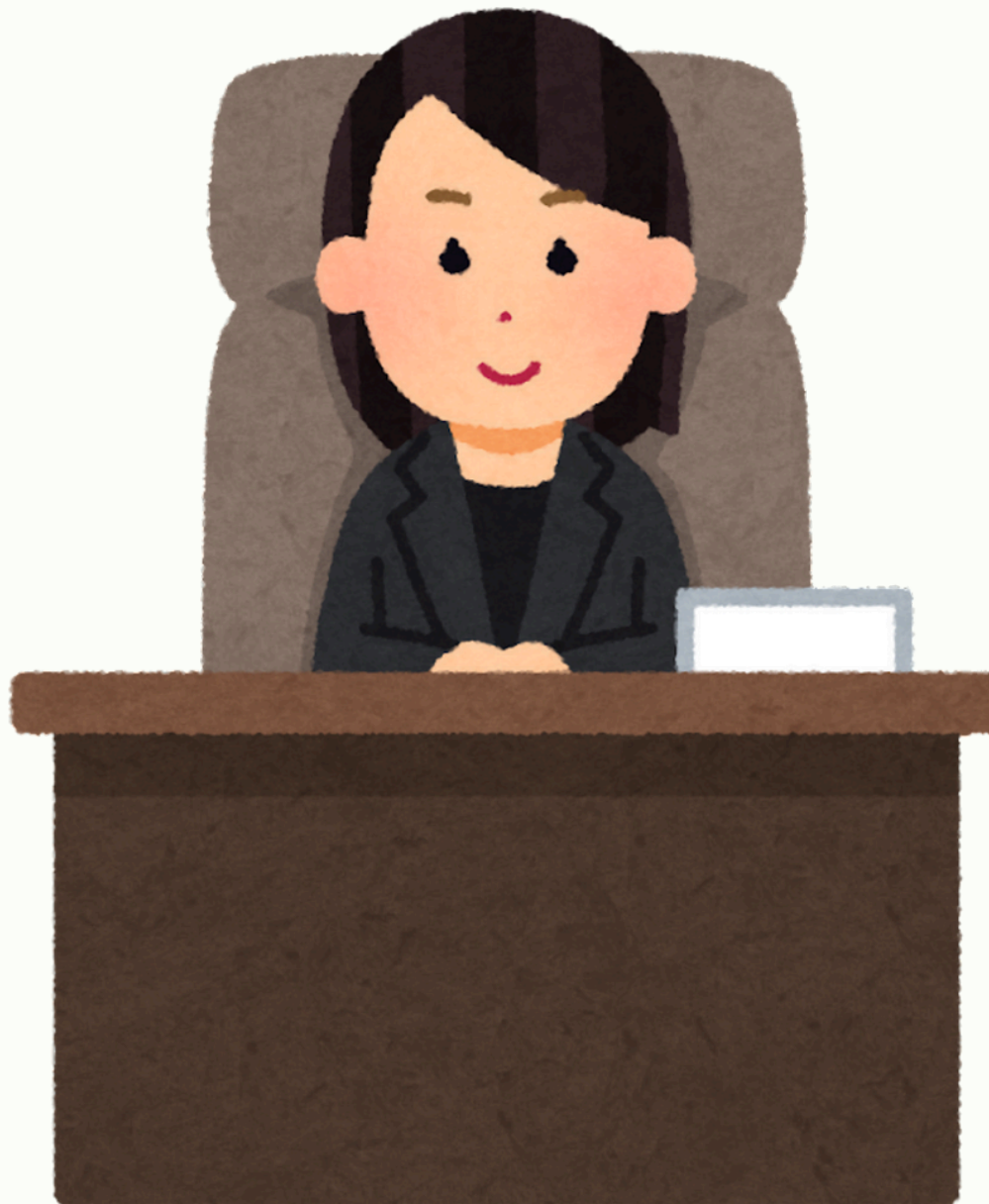


# Question

What do you understand  
under formal and informal  
institutions?



# Formal Institutions



Form of Government

Constitutions

Laws

Contracts

# Informal Institutions



Social Norms

Traditions and Customs

Moral Values

Religious Beliefs



# Agenda

**(1) International Entrepreneurial  
Networks**

**(2) Institutional Theory**

**(3) Chinese Institutions  
and OFDI**

**(4) The Case  
of ByteDance**



# Chinese Institutions and OFDI



**Formal Institutions**

**Informal Institutions**



# Formal Institutions



Industrial Policy

Campaigns

Administrative Restructuring

State Bureaucracy

State Owned Enterprises

## Industrial Policy

Horizontal industrial policy: all government action focused on economic matters

Vertical: discriminatory policies that only grant a sector or company an advantage (CCP loves doing that)

Instruments: tax reliefs, land grants, financial subsidies, administrative relaxations

## Industrial Policy

“Industrial policy refers to government assistance to businesses to boost or reshape specific economic activities, especially to firms or types of firms based on their activity, technology, location, size or age.”

– OECD

## Campaigns

Difference to industrial policy: more ideological, directed at greater audiences, less discriminatory

Sometimes not easy to distinguish the two, but campaigns usually allure to national pride

Not always written down but broadcasted widely via the media

## Administrative Restructuring

Deregulation and decentralization (companies love those)

Grant local governments more freedom and streamlining the OFDI approval process

Relaxations in foreign exchange and exchange risk control

Multilateral treaties

## State Bureaucracy

Loosened or tightened depending on sense of crisis

- **State Council:** long-term planning
- **NDRC:** study and advance plans for OFDI
  - **Department of Foreign Capital and Overseas Investment:** draft catalogues
  - **Department of Outward Investment and Economic Cooperation:** draft concrete regulations and administer OFDI projects
- **MOFCOM:** multilateral negotiations and trade agreements

# State Bureaucracy

1st  
layer

**State Council**

2nd  
layer

**NDRC**

3rd  
layer

Department of Foreign Capital and  
Overseas Investment

**MOFCOM**

4th  
layer

Department of Outward Investment  
and Economic Cooperation



## State Owned Enterprises

Investment decisions are often guided by the State

Chinese OFDI is dominated by SOEs

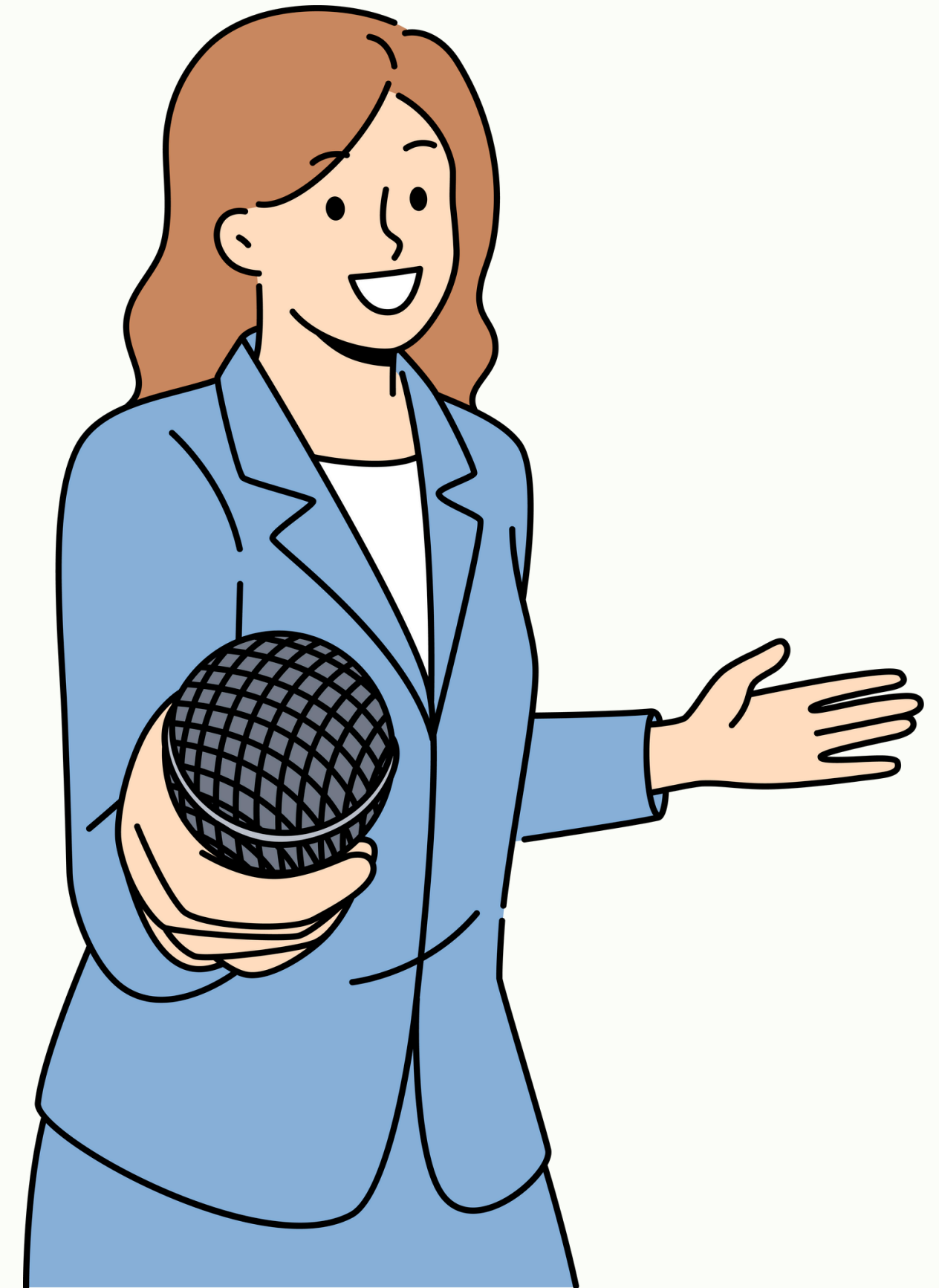
Goals may be political as well as economic

Criticism overseas over unfair competition and motives for investment



# Question

What do you think could  
qualify as an informal  
institution in China?



# Formal Institutions



Industrial Policy

Campaigns

Administrative Restructuring

State Bureaucracy

State Owned Enterprises

# Informal Institutions



Campaigns

State Ideology

National Pride



# Agenda

**(1) International Entrepreneurial  
Networks**

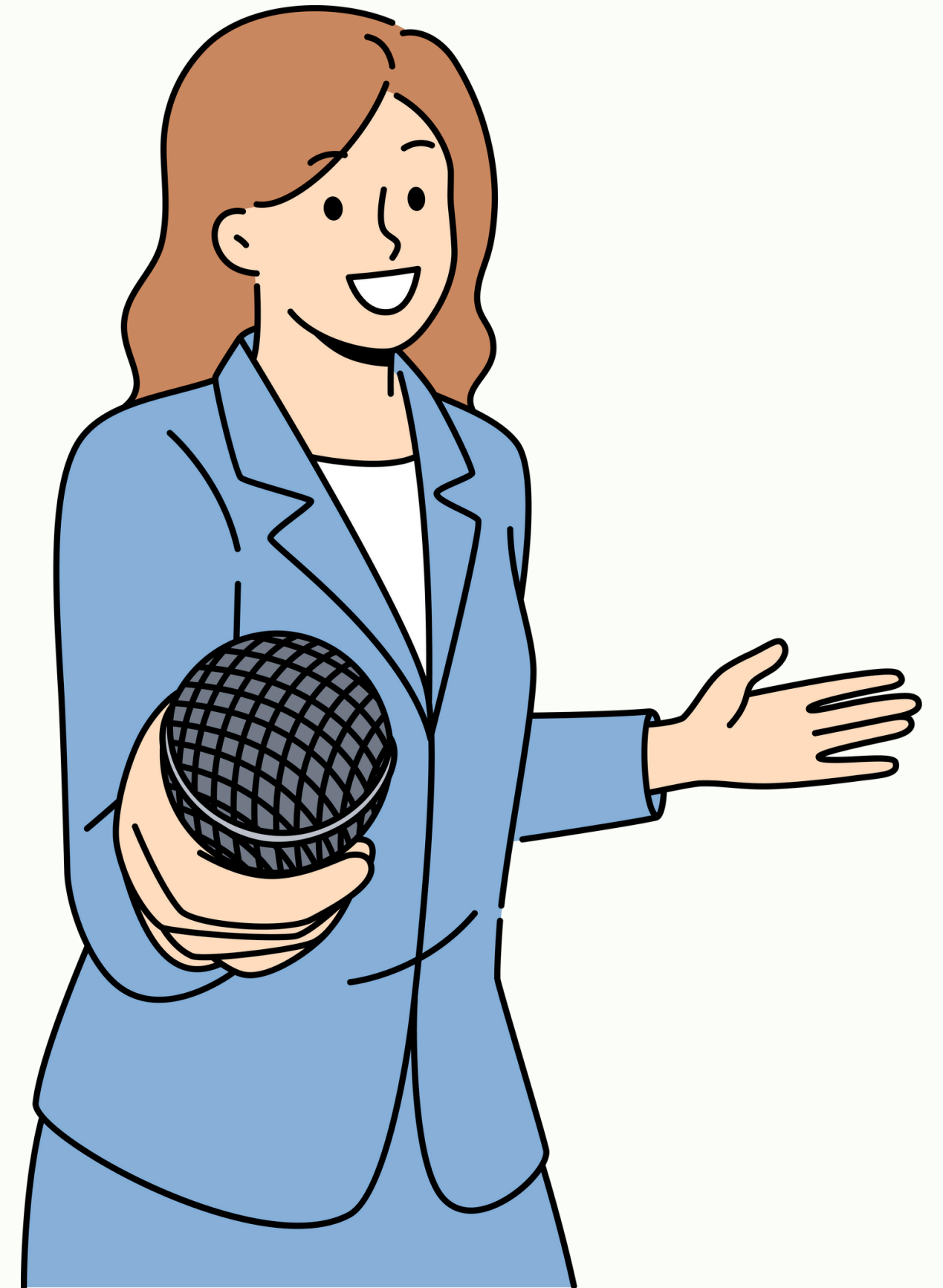
**(2) Institutional Theory**

**(3) Chinese Institutions  
and OFDI**

**(4) The Case  
of ByteDance**

# Question

Who of you uses TikTok?



# The Case of ByteDance

Founded in 2012 by Zhang Yiming

Incorporated AI in mobile internet services

Algorithm tracks user preferences

Niche: short videos



The Case of



Short-video market: stiff competition from Kuaishou and Meipai in China as well as Musical.ly in the US

Lipsyncing music video niche is what ByteDance focuses on

Constant innovation: improved algorithms, icons, filters, video optimization, brand marketing

# The Case of ByteDance

Networks play a central role: early focus on celebrities and content creators as key nodes in its network

Sponsorships of popular shows and events, as well as cooperation with fashion brands, automakers, and hotels

Advertising as a key revenue stream

Early desire to go global



# Internationalization and

Social media industry is a network industry: the more followers you have, the harder it gets to switch platforms

ByteDance wants more than half the users to be foreign in three years

TikTok is born!

# **TikTok** and Networks

Similar strategy abroad: enfranchise local celebrities and support local festivals

Create localized stickers, effects, and filters

Avoid association with China

Local offices with local staff

# **TikTok** and Institutions

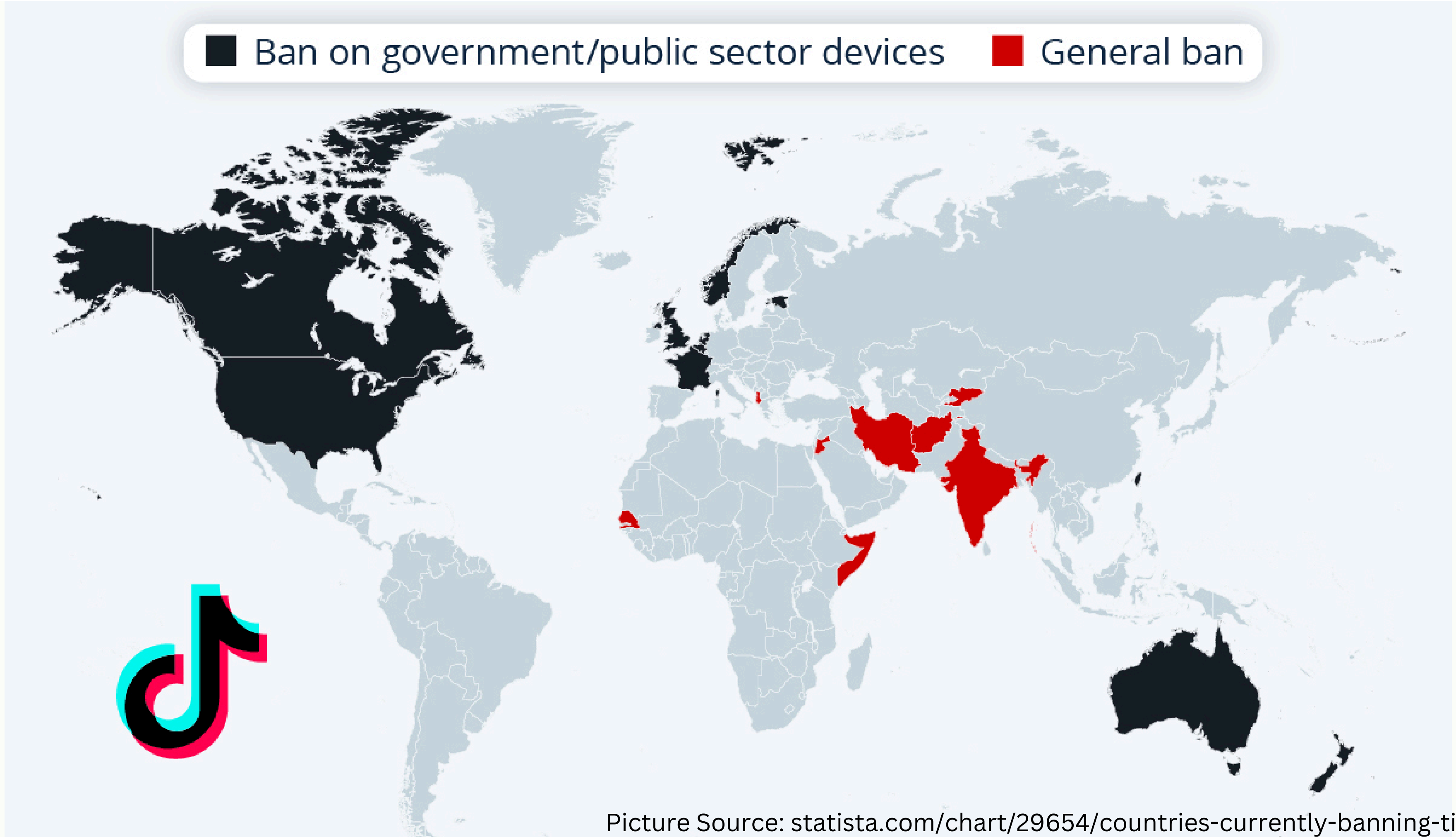
Localization brings opportunities and challenges

Different value systems, local laws on internet privacy,  
and user preferences

Walking an institutional tightrope: having to please both  
Chinese and foreign institutions simultaneously

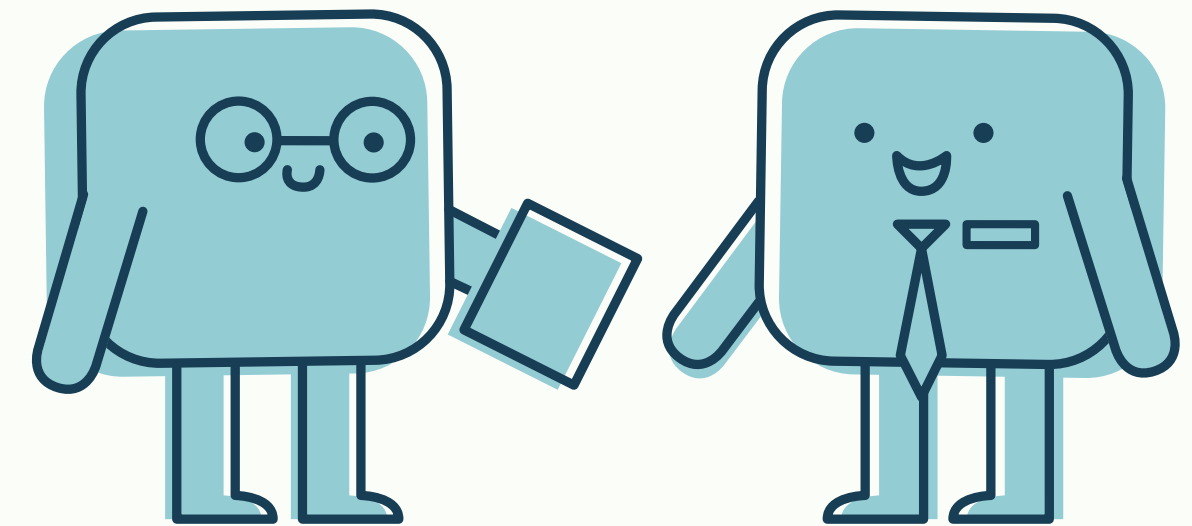
Many scandals, many bans

■ Ban on government/public sector devices ■ General ban

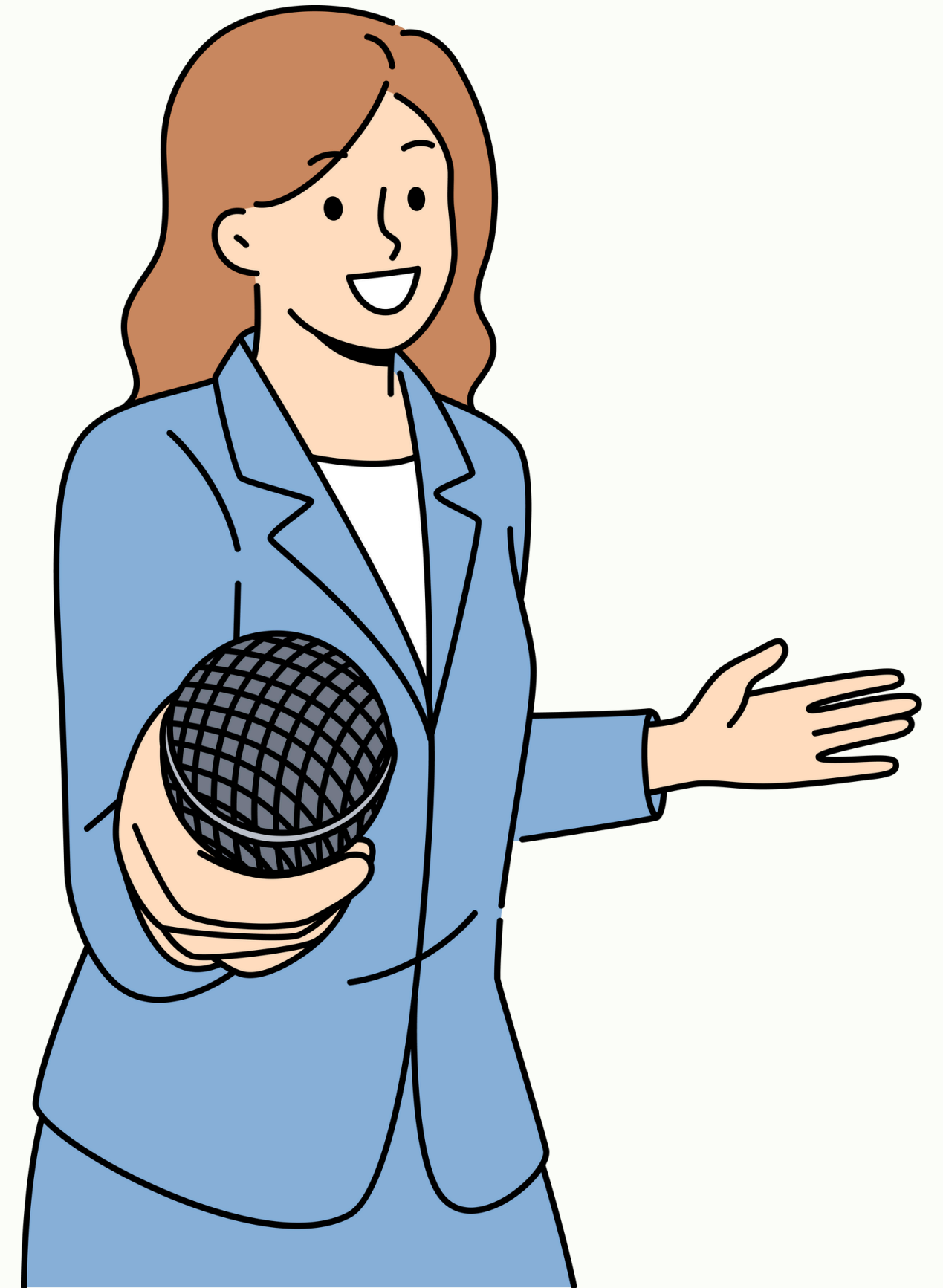


# Breakout Room 2

Form groups for the Stages Theory, INV Theory, and Eclectic Paradigm. Present your arguments for your choice!



# Questions?



# Homework

**Please read the text for next week, we will do another quiz!**

