China’s Internet Giants: The Nuts and Bolts of Going Global

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The lowdown on how ByteDance, Shein and Xiaomi succeeded outside of China while WeChat failed.

Having revolutionised how millions of people in China shop, socialise and play, it did not take long for Chinese internet firms to repeat the feat outside of China. In social media, TikTok rules the world with its short videos; in e-commerce, Shopee and Lazada have cornered the South-east Asian market; in fast fashion, Shein dominates the United States, ahead of established players such as Zara and H&M; and in smartphones, Chinese makers led by Xiaomi have the lion’s share in India, which is poised to have **1 billion smartphone users** by 2026.

How have they done it?

In this article, we size up Chinese internet firms’ overseas successes and the challenges they face. Much of it is distilled from our new book, ***Seeing the Unseen: Behind Chinese Tech Giants' Global Venturing***, a culmination of our research and expertise as well as extensive interviews with investors, entrepreneurs and executives with intimate knowledge of Chinese internet companies' global ventures.

Our aim is to help companies, entrepreneurs and executives draw valuable lessons from some of the most exciting players emerging from China in recent years. In an **earlier article** on the book, we looked at the key factors behind the phenomenal success of these firms. Now, we turn to their strategy for overseas expansion, and hope to deliver insights to decision makers who are venturing beyond their home ground.

The nuts and bolts of conquering the world

Few elements are as integral to the very survival and growth of companies as what we call POP-Leadership. Short for people, organisation, product and

Leadership

The success of Chinese internet firms belies the fact that many of them are still in their formative years, during which the person in the driver's seat is of utmost importance. While many American tech giants including Microsoft, Apple and Google have experienced succession at the top, in China only Alibaba and Pinduoduo have had a change in leadership.

In fact, when Pinduoduo founder Colin Huang decided to step down as the e-commerce giant's chairman in March 2021, the company's share price plunged by almost 23 percent in a week, reflecting the strength of the founder CEO effect in the Chinese firm. By contrast, when Jeff Bezos announced only two months later that he would step down as Amazon's chief executive, the company's share price barely budged.

To succeed overseas, top executives and companies must have the mental space to juggle the demands of both the home market and the complexity of adapting to a new one. Leaders need to have a clear understanding of themselves and their organisations, as well as the commitment they are willing to make.

Case in point: If ByteDance founder Zhang Yiming had not made the decision in early 2020 to switch his attention to overseas expansion, TikTok might not have become the world's leading social media app. Zhang will certainly need all his wits about him to deal with the **fresh political challenges** that TikTok is facing in the United States.

Xiaomi founder Lei Jun likewise devoted outsized commitment to the Indian market. Lei visited India as early as 2001 and kept a diary of his visits. Over the years, he built up a comprehensive understanding of India's economy, culture and software industry dynamics.

People

More so than the average firm, multinationals need abundant talent to formulate, execute and adapt strategy. Capable lieutenants are especially in high demand to run local operations, tackle challenges, expand outposts as management's proxies and sometimes even serve as the CEO's cheerleader. Undoubtedly, people are the core of the organisation.

While there is no shortage of applicants, top talents remain in short supply. The competition for the best talent in China is intense, with major internet firms dedicating significant money and resources to recruiting, marketing and employer branding.

One shared trait among Chinese tech firms is a preference for young employees i.e. new graduates, as they are deemed easier to train, more motivated and easier to incentivise. At ByteDance, for example, 63 percent of employees are below 31 and only 3 percent are older than 40.

Young recruits are brought in on a regular basis and put through a demanding work environment. Those proven capable are quickly promoted while the rest are left behind. In fact, there is recent evidence that many companies layoff older employees as young as 35 if they are deemed to have plateaued.

But the ones who do make it often find that it's worth their trouble. At ByteDance, outstanding employees have been known to receive bonuses equal to 100 months of their salaries while good performers stand to get 20-month bonuses. The CEO of a company worth more than US$100 billion summed up why star workers are showered with outsized rewards: "People at the middle level and below will not differentiate us from the competitors. The top-level people are the ones who can help us build a winning edge."

It must be noted, though, that people in different countries may have very different aspirations and motivators. Companies setting up overseas operations should actively identify what strings to pull to build the right employer branding, attract the appropriate talent and align the new hires' goals with the company's success in those markets.

Organisation

In a nutshell, organisation issues revolve around decision rights, information communication and resource allocation.

While it makes intuitive sense that local teams be empowered to make decisions in order to stay nimble, in practice it is hard to define the business and operational scope of local teams and delineate their decision rights and accountability. A key question is whether overseas teams should have control over technology and products. Both TikTok and Hong Kong-based logistics platform Lalamove separated their international and Chinese products early on, with separate apps, data centres and teams working on different lines of business. This enables local teams to respond quickly to conditions in their respective markets.

At Xiaomi, for example, Lei empowers his India leadership team to decide on product matters. This results in Xiaomi smartphones that are designed for local needs, such as more cooling modules and thicker coating on ports and charging cables.

This brings us to the issue of communication. Our interviews uncovered problems in communication between overseas teams and headquarters due to Chinese firms' notorious practice of constant restructuring. At Alibaba, for instance, major group-wide reshuffles happen every year. Our interviewees lamented that they barely knew who at headquarters they should report to, let alone ask for resources.

The upshot is that decision-making at Lazada, Alibaba's South-east Asia platform, is overly complicated. This hobbles consistent strategy execution in the face of strong competition from Shopee, allowing the latter to catch up even though Lazada had first-mover advantage and possesses better technology, operational experience and expertise.

The final problem around organisation is resource allocation. One executive told us of an overseas unit that, despite 200-percent growth in sales in the Thai market, still contributed less than 1 percent of the parent company's total sales. As a result, it was sidelined by the various departments that were supposed to supply resources.

A related downside is weak *guanxi* or interpersonal connections among overseas executives and those at headquarters. In Chinese companies, guanxi plays an important role in getting resources and information about what is going on behind the scenes. If guanxi is not handled well or is weak, it might be hard for overseas executives to secure the support and resources they need. They might not even know how decisions are made and who influences decisions at headquarters.

Product

In overseas expansion, the product offered is based on a series of decisions: what to offer, when to enter, where to enter and how to enter foreign markets. Companies need to negotiate the trade-off between localisation and standardisation of their products, and decide what to adapt to local markets.

Let's use WeChat as an example. The messaging platform used by more than 1 billion Chinese people failed to gain traction in India despite a major marketing campaign featuring Bollywood stars. While WeChat attracted 25 million new subscribers within weeks of its launch in May 2013, most of them did not stick.

Analysts argue that WeChat's super app design – which combines messaging, social media and e-commerce on one bulky, memory-guzzling platform – was too much, too soon for India. What Indian users wanted was simply a tool to communicate quickly and easily, and they got it from WhatsApp. Ultimately, the product offered in specific markets needs to match what the market needs and is willing to pay for.

Lessons for future ventures

The POP-Leadership framework can be a useful guide for companies to think systematically in identifying potential pitfalls and bottlenecks in planting their own stakes around the world.

Through this framework, we go behind the scenes to uncover the leadership thinking, strategy, organisation, strengths and weaknesses of top Chinese internet firms such as ByteDance and Shein, which remain little studied. Whether you're a competitor, potential partner, hopeful employee or other stakeholder, we hope you will gain a better understanding of how these companies operate and learn from both their successes and failures.

Seeing the Unseen: Behind Chinese Tech Giants' Global Venturing is available on ***Amazon***.

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About the author(s)

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About the research

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