



THE BOSTON CONSULTING GROUP



中国发展研究基金会
China Development Research Foundation

The Belt and Road Initiative: An Inclusive and Symbiotic Approach to Shared Global Prosperity

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March 2018

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The Belt and Road Initiative: An Inclusive and Symbiotic Approach to Shared Global Prosperity

1. Analysis of the BRI's Strategic Significance and Investment Models

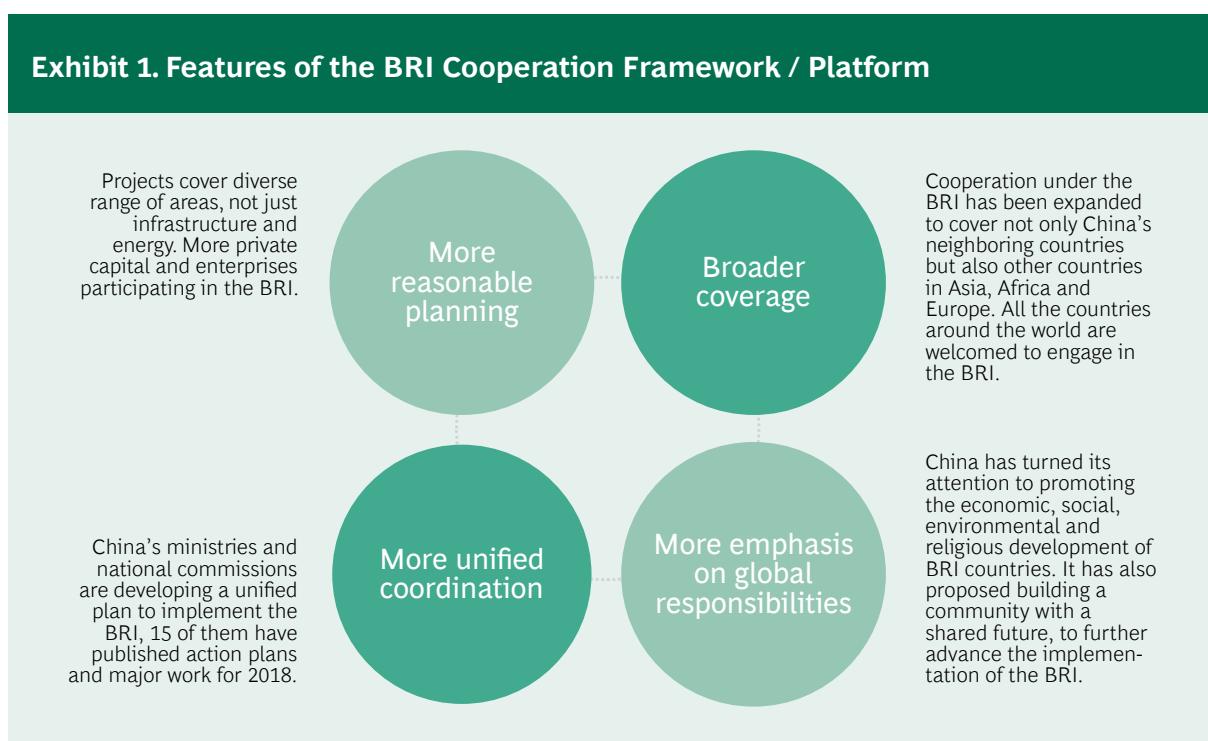
1.1 Fundamental Evolution of the BRI: from a Foreign and Economic Policy Program Focusing on Infrastructure Projects, to a China-initiated Inclusive Global Platform for Economic Cooperation

During his state visit to Kazakhstan in September 2013 and to Indonesia a month later, President Xi Jinping proposed jointly building a “Silk Road Economic Belt” and a “21st Century Maritime Silk Road”, now officially known as the Belt and Road Initiative (BRI). Since then, the BRI has become a key component of China’s economic and diplomatic efforts. Building on existing bilateral and multilateral cooperation mechanisms and platforms, China is seeking to develop economic partnerships with its neighbors through this initiative.

In the early days of the BRI, China focused on helping participating countries improve their transportation, industrial structure and productivity, largely through investing in and building infrastructure and energy projects. So far, a number of major projects have been successfully completed, including the Mombasa-Nairobi Standard Gauge Railway in Kenya and the Port of Piraeus in Greece, which have quickly boosted local economies and are gradually turning into regional economic powerhouses.

In the wake of the financial crisis in 2008, changing global economic landscape, and emerging challenges such as the widening wealth gap, terrorism, environmental issues and religious conflicts, have made China’s traditional models of economic cooperation with other developing countries outdated. China advocated consultation, joint develop-

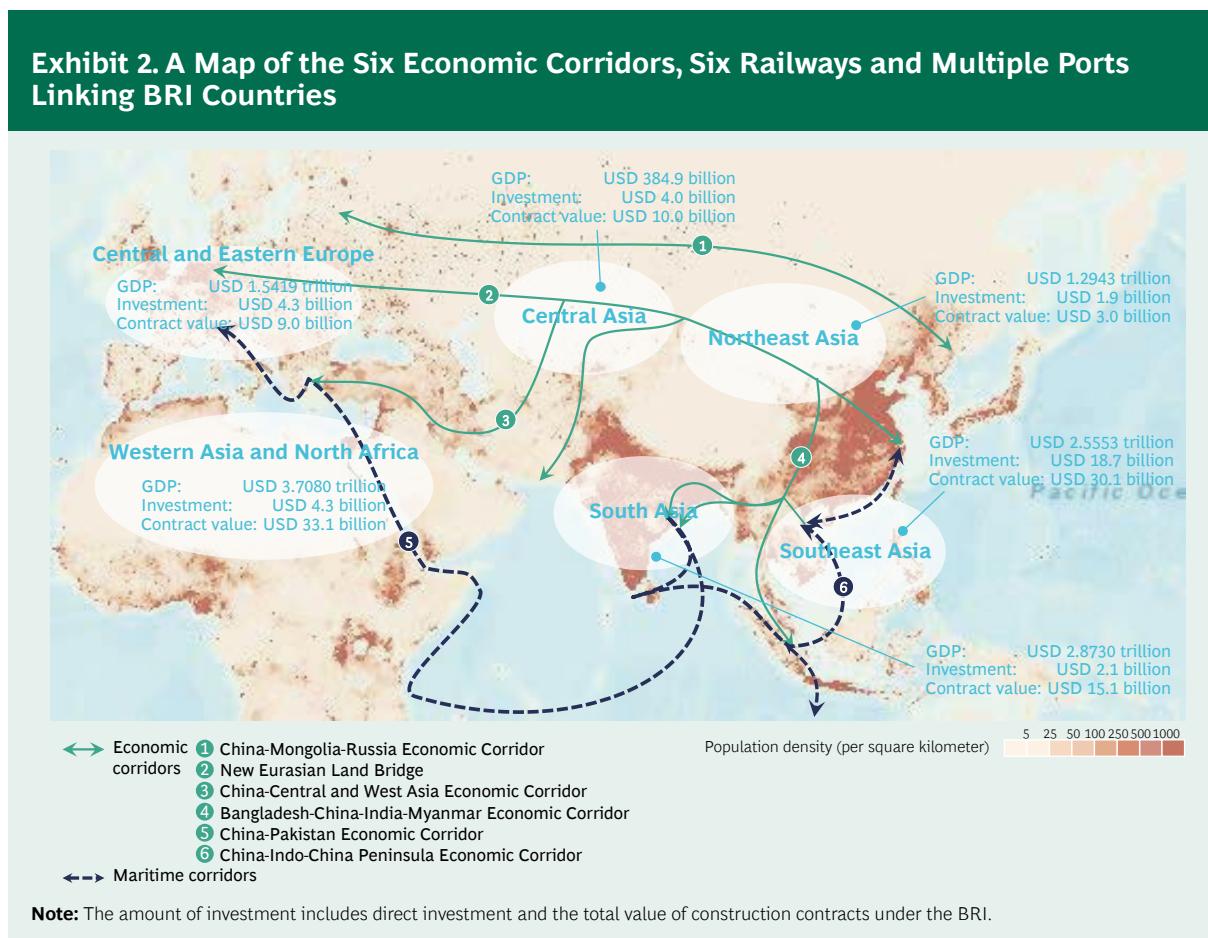
Exhibit 1. Features of the BRI Cooperation Framework / Platform



ment and equitable benefit-sharing among all participants within the BRI framework. The initiative has gradually evolved into a China-initiated inclusive economic cooperation platform that underscores China's responsibilities as a world power. Investment projects are being implemented based on sound planning and better ministerial-level coordination in a wider range of industries. (See Exhibit 1.)

1.2 Achievements and Status: Extensive Coverage, Inclusiveness and Symbiotic Development

The BRI currently includes more than 100 countries and international organizations, and investments within its framework are being made to six sub-regions: Northeast Asia, Southeast Asia, Central Asia, South Asia, Central and Eastern Europe, and West Asia and North Africa. As of June 2017, over USD 130 billion worth of direct investments and contracted projects had materialized, and six major economic corridors had been formed: the China-Mongolia-Russia Economic Corridor, the New Asia-Europe Continental Economic Corridor, the China-Central Asia-West Asia Economic Corridor, the Bangladesh-China-India-Myanmar Economic Corridor, the China-Pakistan Economic Corridor and the China-Indochina Peninsula Economic Corridor. These corridors, along with six railways and a number of ports, have increased economic connectivity between the BRI countries. (See Exhibit 2.)



Chinese investments in BRI countries is becoming increasingly diverse. (See Exhibit 3.) In terms of industries, 70% of the BRI projects were concentrated in the infrastructure and energy sectors between 2013 and 2016. Since 2017, the proportion of investments in infrastructure and energy projects has decreased to about 40%, while investment in manufacturing, service and technological projects has increased to about 60%. The focus of investments has shifted from infrastructure and energy projects to providing support to individual industrial projects, and developing comprehensive industrial parks.

1.3 An Inclusive and Symbiotic Model

The BRI covers some of the world's most densely populated regions with complex social structures. No development model dominated by a single country will be able to address the myriad challenges arising from the implementation of the initiative. An inclusive and symbiotic model with the characteristics described below must be adopted to move the BRI forward. (See Exhibit 4.)

Exhibit 3. Chinese Investments in BRI Countries

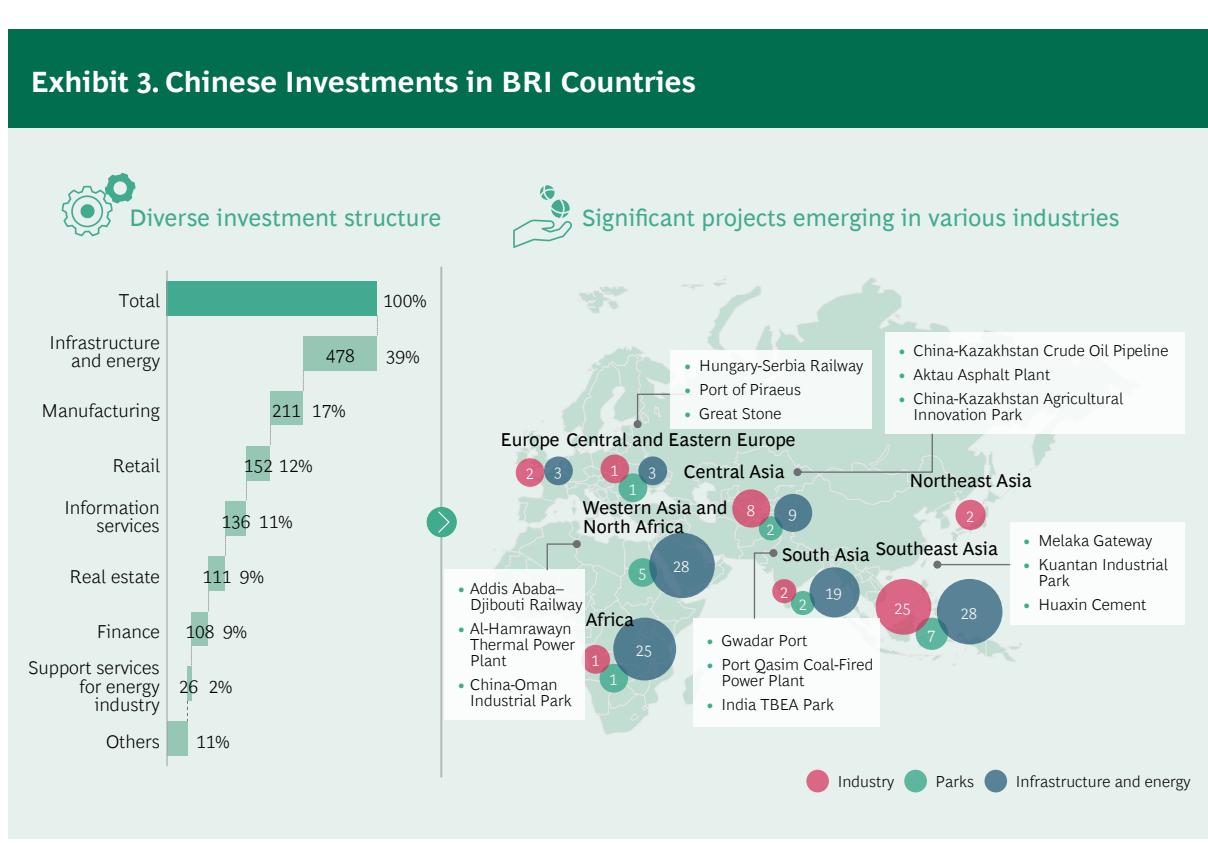
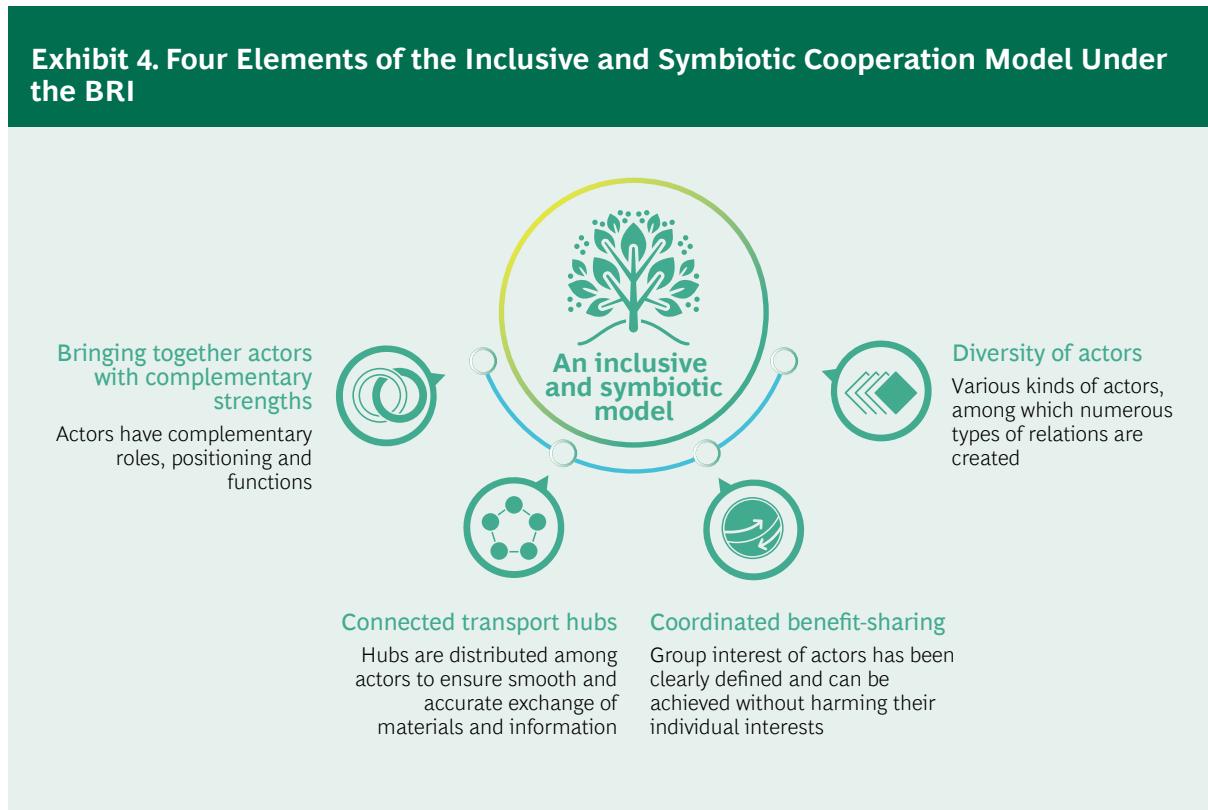


Exhibit 4. Four Elements of the Inclusive and Symbiotic Cooperation Model Under the BRI



Bringing together actors with complementary strengths: BRI countries are highly diverse (in term of their regions, political systems, religions, economic development status, resources, etc.), and each has a unique role to play in building greater regional prosperity.

Connected transport hubs: An infrastructure network of six economic corridors, six major railway lines and multiple ports has greatly improved connectivity between BRI countries. This network is expected to greatly facilitate the flow of production factors as well as goods and services in the future.

Coordinated benefit-sharing: From the outset, China advocated economic cooperation on the basis of independence, openness, consultation, joint development and equitable benefit-sharing. The BRI is a platform for economic cooperation, rather than a political or military alliance; China does not have any ideological agenda, and respects the sovereignty and national interests of participating countries.

Diversity of actors: The BRI has attracted a great variety of actors, including national governments, international organizations, interregional cooperation mechanisms, enterprises, financial institutions, and civil groups to cooperate in a range of areas, such as economic development, politics, and environmental protection. These participants will be further joined by NGOs, NPOs and international third-party agencies in the future.

1.4 Analysis of Chinese Enterprises' Investments in BRI Countries: Models and Experience

The BRI has paved the way for Chinese enterprises to go global by providing the necessary market-based investment framework and platform, enabling enterprises to build a well-connected investment network, secure strategic raw materials, acquire world-leading technologies and expand into international markets. (See Exhibit 5.) In the early stage, state-owned enterprises (SOEs) are spearheading direct foreign investment in BRI countries. As more capital is injected and more supporting policies introduced, the number of investors, especially private enterprises, is expected to grow exponentially in the next three years to around 100,000. Private enterprises will replace SOEs as the leading Chinese investors in BRI countries. (See Exhibit 6.)

It is clear from the projects that have materialized so far that Chinese investment in BRI countries is undergoing shifting from a piecemeal model to a three-step coordinated one. The new approach has proved to be more effective in helping host countries improve their industrial structure and local consumption.

Exhibit 5. Goals of Chinese Enterprises Going Global Under the BRI

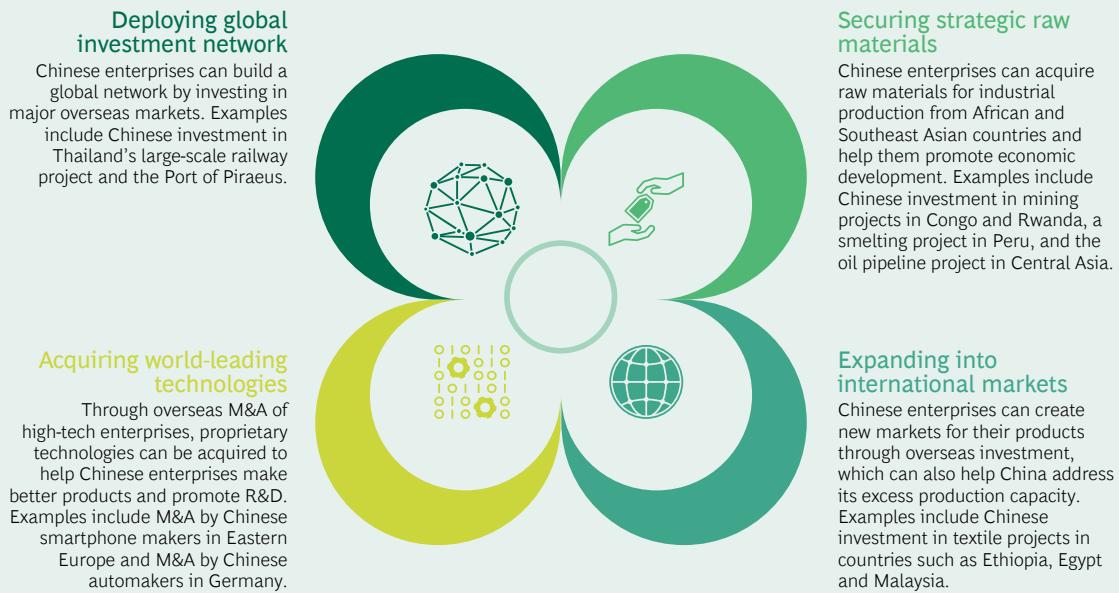
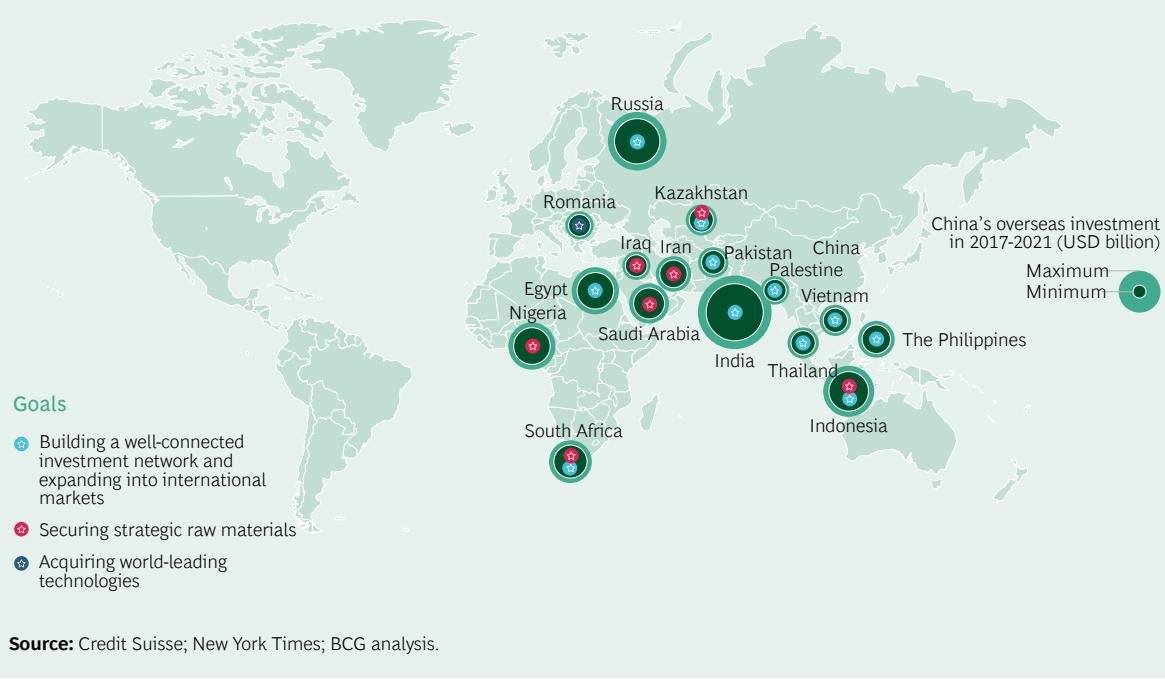


Exhibit 6. Chinese Enterprises' Goals of Investing in BRI Countries



As a first step, construction groups build a well-functioning infrastructure and transportation network in selected key countries, using low-interest loans from China's policy banks, in order to create a favorable business environment for investors. Then, Chinese enterprises across whole industrial chains move in to develop industries, complete with R&D, production, marketing and after-sales functions, as well as creating good job opportunities and producing managerial and technical professionals as talents grow. Eventually, quality products and services will be produced and sold locally, and aftersales services will also be provided, helping bolster local consumption.

Case Study of the New Model of Chinese Investment in BRI Countries: Infrastructure Projects Leading the Way: the Mombasa-Nairobi Standard Gauge Railway

Project profile:

The Mombasa-Nairobi Standard Gauge Railway (SGR), built by China Road and Bridge Corporation (CRBC), connects Kenya's port city of Mombasa to Nairobi, the nation's capital city.

As Kenya's largest infrastructure project since independence, the railway replaces the parallel Uganda Railway (also referred to as the East African Railway), and has significantly improved the efficiency of rail transportation in East Africa.

The Uganda Railway is a narrow gauge railway (1,000 mm or 1,067 mm). Freight trains travel at under 20 km/h, and handle no more than 2,000 tons of cargo per day. The railway is already in a very poor condition, with almost no supporting facilities along the line. Its tracks run through natural habitats, posing a major threat to wildlife.

Passenger trains started operating on the SGR in May 2017 at a speed of 120 km/h (as opposed to 30 km/h on the Uganda Railway). Previously, due to the low shipping capacity and frequent delays and stoppages, passengers had to switch to much more expensive alternatives, namely long-distance buses and light aircraft. Since its inauguration, the SGR has become a most popular travel option among locals, with 90% of seats occupied per trip on average, and 75,000 passengers using the service per month. When freight service begins, the SGR will be able to handle 80,000 tons of freight per day, greatly alleviating congestion from trucks on the roads linking Mombasa and Nairobi.

In the planning stage of the SGR, CRBC, in conjunction with the Kenya government, started to build industrial parks along the line with a view to tapping the railway's full economic potential. In the short term, the SGR will connect the fastest growing region of East Africa with Kenya's interior. In the long term, it will link all of the six East African countries. In order to minimize the impact on wildlife, viaducts have been built in national parks along the way to allow wildlife movement.

Case Study of the New Model of Chinese Investment in BRI Countries: Infrastructure Projects Leading the Way: the Mombasa-Nairobi Standard Gauge Railway (continued)

Significance of the project:

The SGR has greatly improved connectivity between major cities in Kenya and the economic prospect of the country. It employs around 50,000 workers, 90% of them Kenyans. A total of 300 local construction companies subtracted sections of the railway, accounting for 50% of the total cost. The SGR has also greatly improved the efficiency of freight shipping by shortening the Mombasa-Nairobi journey time to six hours, and reducing the freight cost by 79%. It is expected to contribute 1.5% of Kenya's GDP. The project has helped produce a wealth of local railway professionals: 90% of the workers hired were Kenyans, 743 railway operators were trained locally, and around 45,000 young Kenyans went to China to study railway operations.

In the future, the SGR will link the six countries in East Africa to become the region's new economic engine. In the next five years, it will be extended to Uganda, Burundi and Rwanda. By then, goods from these landlocked countries will be able to move quickly to the western coast of the Indian Ocean, and then be exported to the rest of the world. The "Railway + Industrial Parks" model, which has proved to be successful in China, will fuel economic growth in the six countries.

Case Study of the New Model of Chinese Investment Under the BRI: Infrastructure Projects Leading the Way: the Port of Piraeus

Project profile:

Located in the southeast of Greece, the Port of Piraeus is the largest container port in Greece and the eastern Mediterranean, and one of the world's top 50 container ports. It is the first port of call in the European section of the "Maritime Silk Road". Due to the Greek debt crisis, Piraeus suffered years of losses. In 2016, COSCO Shipping acquired 67% of its shares, giving the port a new lease of life.

Significance of the project:

Lower costs and higher operational efficiency: the port has risen out of the debt crisis and started to make a profit. It now has sufficient cash flows and an annual net income of EUR 3.7 million; meanwhile, its operational costs per container have dropped substantially, from EUR 36 to EUR 15.

Larger cargo volumes have boosted Greece's sluggish economy. COSCO Shipping alone brings about 400,000 TEU of cargo to Piraeus each year, about 30% of the port's peak handling capacity. By 2050, the port is expected to contribute EUR 1.5 billion to the Greek economy and create 125,000 direct and indirect jobs.

Piraeus is now a major port of call for cargo shipping from Asia to Europe, and is a key shipping hub linking the Asian continent and the Mediterranean.

Case Study of the New Model of Chinese Investment Under the BRI (Shaping an Industrial System: Ethiopia's Eastern Industry Zone)

Project profile:

Huajian Group invested in the construction of the Eastern Industry Zone, which is located in a labor-intensive area in Ethiopia, and covers an area of 5 km². The zone houses nearly 100 enterprises, with a total output value of over USD 6 billion. Huajian Group's upper and lower stream enterprises were among the first to enter the zone. It is expected that by 2020, a total investment of USD 1 billion will be completed. Sources of investment include private capital from enterprises like Huajian Group, and no sovereign debt is involved, therefore Ethiopia will not be subject to an extra debt burden. The Ethiopian government has identified the zone as an important part of its "Sustainable Development and Poverty Alleviation Plan", and a priority for its industrial development plan.

Significance of the project:

- **Economic significance:** The zone's foreign exchange revenue from exports total USD 80 million, accounting for 30% of Ethiopia's foreign exchange reserves. The zone's primary business is manufacturing of women's shoes. It has also developed the upper and lower tiers of the supply chain, including raw materials and sales, thus providing great momentum for the development of the Ethiopian manufacturing industry. The high-quality women's shoes produced in the zone are exported to Europe and the United States, gaining the country a strong foothold in high-end markets, and marking a notable debut of "Made in Africa" products.
- **Social significance:** The zone features labor-intensive production, and has employed 46,000 local residents. It is expected to employ around 100,000 local workers in the near future. The average salary for workers in the zone is about USD 100-200 per month, much higher than the average income in Ethiopia (USD 60 per month), thus helping to alleviate poverty in the region.
- **Benefits for local people:** 70% of the workers in the zone are female, and most of them are under the age of 24. In the past, women in this area did not have stable sources of income, and had a low social status. Now they earn an average of over USD 100 per month, which has significantly improved their lives.

Case Study of the New Model of Chinese Investment Under the BRI (Consumption Upgrade: JollyChic)

Project profile:

In the vast Middle Eastern and North African markets, where infrastructure is poor and shopping options are limited, there is a strong potential demand for e-commerce services. Yet e-commerce is still at an early stage in these markets, and coverage is low. The two e-commerce giants, Souq and JollyChic have taken over 50% of the market share. Due to the slow development of the local logistics system, these two companies did not see rapid growth until 2015. JollyChic is an online shopping platform mainly selling low priced products like accessories and shoes made in Yiwu City, China. In the early stage, it sold goods from its own warehouses directly to consumers, and later set up a platform for third party sellers.

Significance of the project:

JollyChic has accelerated the consumption upgrades in the region, where supplies of consumer goods and options were previously very limited. JollyChic has introduced in many well-known brand suppliers and offers low-priced but high-quality goods, opening up new opportunities for local consumers. A few years ago, JollyChic bought MarkaVIP, a local e-commerce platform, and began to venture into the mid- to high-end markets, providing a variety of premium products to local consumers.

The new models of Chinese investments under the BRI have succeeded in shaping new industry systems and facilitating consumption upgrades, and have therefore been warmly welcomed by the BRI countries and their people. There are four main factors that have led to their success:

High level of financial support. In China, there are three types of institutions that provide financial support to BRI projects: specialized agencies (the Asian Infrastructure Investment Bank, Silk Road Fund, etc.), multilateral institutions (the Development Bank of Singapore, Asian Development Bank, World Bank, etc.) and Chinese banks (policy banks, China's five largest commercial banks, joint-stock commercial banks, and city commercial banks). These institutions in combination can offer over USD 2,000 billion in investment.

Exchanges and experience sharing with developing countries. Over the past four decades of reform and opening-up, China has faced various challenges such as environmental problems, distribution of the benefits of economic growth, and promoting the peaceful coexistence of different ethnic groups and religions. In order to deal with these complicated issues, Chinese enterprises have explored and come up with sophisticated solutions.

They can provide useful suggestions to and share experiences with other BRI countries, which helps to build mutual trust and boost cooperation.

No-string-attached development assistance. China has been providing assistance to foreign countries since the 1950s, which has earned it a good reputation. In Pakistan, Chinese investors receive significantly higher ratings than those from America and Europe. Meanwhile, China's decades of efforts have helped it to form solid relationships with some of the BRI countries. For example, China has been making investments in Egypt for over 30 years, and has built a sophisticated cooperation mechanism and network with local enterprises, and therefore commercial disputes are very rare. Also, China's BRI projects will not support or get involved in any local conflicts, and will not interfere with the internal affairs of other countries.

Understanding and respecting local cultures. When investing in foreign countries, most Chinese enterprises show a deep understanding of and high level of respect for local cultures, and endeavor to build amicable relationships with the local people, which facilitates the implementation of BRI projects. Take the coal-fired power plant project in Egypt as an example. Located near the Red Sea tourist areas, the plant was built from an investment by Shanghai Electric Group, with the aim of addressing local electricity shortages. Since 2015, however, local residents and several environmental NGOs began to protest against the project. Shanghai Electric Group took a series of flexible measures to benefit the local people in the hope of changing their attitudes. For instance, it has built several mosques near the plant for the local people and has in-depth communication with local religious leaders such as imams. These efforts have improved the enterprise's image and facilitated the construction of the plant.

2. Challenges Faced by the BRI and Suggestions for Its Development

Due to the large number of countries concerned and the significant differences in their level of development, the implementation of BRI will face challenges in three areas: 1) incomplete complementary strategic measures from the government, 2) uncertainties in the investment environment of BRI countries, and 3) obsolete models of corporate operation and management.

2.1 Improve the Government's Complementary Strategic Measures

Firstly, the government has not introduced enough market-oriented incentives. As overseas transport and infrastructure projects dominated the early stage of the BRI, large central government-owned enterprises (CGOEs) and SOEs, which enjoy natural advantage over other enterprises, gained more project experience. Although the large CGOEs and SOEs are the main players in promoting the BRI, small and medium-sized enterprises (SMEs) with greater vitality and a higher potential for innovation did not participate enough in the process. According to statistics from China's State Information Center (SIC), over 50% of the top Chinese enterprises by participation in the BRI are CGOEs and SOEs. These enterprises have clear advantages when expanding globally in getting administrative approvals, government support and policy bank loans. In contrast, a lack of policy support in financial, administrative and business matters has hindered the attempts of SMEs to go global, even though such SMEs constitute the major driving force in innovation-based development, including competitive internet/technology and smart manufacturing companies.

Secondly, there is no unified resource and service platform to build synergies because the various entities participating in the BRI operate independently. For instance, there are only a small number of financing channels of BRI projects, mostly supported by policy-related funding from the Export-Import Bank of China, the China Development Bank and the Silk Road Fund, and there are not enough channels for international or private funding. Although commercial banks like the Industrial and Commercial Bank of China and Bank of China have started to provide part of the funding for such projects, these financial institutions work in isolation on their own feasibility studies, marketing, financing structures, quoting and so on. Without a unified credit investigation system or any risk assessment guidelines, for example in case of multi-party or structural financing arrangements, many procedures have been duplicated and resources have been wasted.

Finally, the absence of a horizontal assessment system for the BRI countries has meant that Chinese enterprises have not received adequate guidance in expanding a global presence. Although the “Belt and Road Portal” has collected basic macro-economic data and country-specific investment reports, it does not provide integrated assessment data relating to the macro conditions, economy, markets and risk factors in these countries. Consequently, enterprises receive almost no decision-making guidance when entering their target markets.

2.2 Conquer Uncertainties in the Investment Environment of BRI Countries

In many BRI countries where social and political instability continues to undermine the business environment, enterprises seeking to expand overseas may encounter risks.

Commercial risks: financial risks tend to be high in immature markets with capital controls. NetDragon Websoft Inc., a leading Chinese company in online games, mobile internet applications and online education, made millions of US dollars in annual revenue in Egypt from its online game “Wrath of Pirates”, but found it difficult to transfer the money back to China because of local capital controls.

Security risks: some BRI countries cannot provide full protection over foreign investments and thus cannot guarantee asset security for foreign enterprises. Beijing Hongfu Construction & Engineering Group had to terminate a residential construction project after an outbreak of war in Liberia. Its project site, supposed to include 5,000 apartment units and other property facilities, was robbed by armed forces during the war. With no chance of recovering the project costs, the company suffered a huge loss.

Policy risks: due to long-standing historical and cultural issues, many BRI countries have immature systems of national governance and low project implementation proficiency. Based on Transparency International’s corruption perception index, the perceived levels of corruption of these countries are nearly 20% higher than global average.

2.3 Upgrade Models of Corporate Operations and Management

On the operations side, the BRI brings with it new challenges for enterprises to expand globally, particularly new challenges in terms of establishing management models and recruiting internationally minded professionals. On the one hand, enterprises’ successful

experiences in managing domestic business may not apply in foreign environments, and nor can they be directly copied, considering the switch between different markets. On the other hand, enterprises generally send domestic employees to work at their overseas locations, employees who are experienced in domestic businesses yet have no international experience or background, and therefore it often takes a long painful process for the dispatched employees to familiarize themselves with and adapt to local market needs. A survey conducted by the Inaugural Meeting of the China Outbound Forum on the management of 100 or so outbound Chinese companies indicates that the undesirable effects are mainly attributable to the lack of internationally minded talents, and more specifically, the failure to meet expected revenues targets is caused by a lack of international operations professionals, according to 63% of interviewees.

To meet the challenges described above, both the government and enterprises should make efforts to establish a collaborative platform and develop the core capacities required for the local markets in BRI countries.

2.4 Suggestions for the Government

The Chinese government needs to step up its efforts to establish a regional cooperation platform, increase information transparency and enhance service support, in order to attract and support more SMEs to engage in the BRI, add further momentum and build an inclusive and symbiotic system.

Firstly, the government could consider forming a partnership with multilateral investment institutions of which BRI countries are members, to facilitate interactions between the BRI and existing international regional cooperation frameworks, thereby optimizing the distribution of resources. In Central Asia, for example, China could work with the Central Asia Regional Economic Cooperation (CAREC) program within the BRI framework to promote the implementation of the BRI by means of co-funding and joint project development.

Secondly, the government could play a leading role in establishing the BRI project transaction platform, allowing state agencies and enterprises to publicize relevant project information and improve information transparency, and encouraging SMEs to bid on BRI projects. A few SMEs stated that, as there is no existing open platform for BRI projects, enterprises that are willing to take part in but have yet to deploy resources to BRI countries are generally unable to obtain any opportunities or information regarding projects. Even when they find out about the projects through other channels by chance, they are unable to take advantage of the opportunities, because they are neither capable of

carrying out quick and accurate assessments of the operational risks and profitability of the projects, nor making investment decisions.

Finally, governments at provincial and municipal levels need to set up a BRI One-Stop Service Center positioned to facilitate the global development of Chinese enterprises, by delivering services to SMEs that operate businesses in BRI countries, ranging from administrative approvals, to capital connection, to commercial services. Developing countries and markets involved in BRI have circumstances quite different from those in China or in developed countries. They have limited resources for administrative and commercial services such as information retrieval, capital connection, administrative permissions, branch establishment, human resources, marketing, legal affairs, administrative matters, financial management, increasing the burdens on SMEs in making administrative applications and carrying out non-core businesses. Provincial- and municipal-level governments could establish a One-Stop Service Center to offer convenient, practical services to enterprises expanding globally, in cooperation with the administrative agencies in charge of foreign business affairs, financial institutions, and commercial service providers.

2.5 Suggestions for Enterprises Expanding Globally

To expand their global presence within the BRI framework, enterprises have to adapt to entirely new environments and markets for investments, by reviewing their planning for international development in three aspects: 1) selection of international development strategies, 2) adjustments to organizational management and risk control mechanisms, and 3) integrating amicably into the new environment.

Selection of international development strategies: enterprises will not be able to transition from mainly domestic to global operations in one stride. They should take a series of steps, starting as “global explorers”, then becoming “global challengers” and subsequently “global leaders.” The key features of their businesses are different at each development stage, as are the core competitive advantages required. In this sense, enterprises should evaluate their current development stage rationally and then build competitive advantages accordingly.

The “global explorer” stage involves exploring overseas operation models, beginning with business management, production and other activities on the value chain. Enterprises at this stage will not yet be able to challenge any local companies or major multinational corporations in the overseas markets. Their core competitiveness is still dependent on resources from the Chinese market, such as capital, patents, branding and high-quality talents.

Entering the second stage of its global expansion, the role of enterprises will shift from “global explorer” to “global challenger.” As the regional headquarters in target markets matures, its businesses will reach further into surrounding markets. Sales will grow rapidly, but there may be some fluctuation in profit. “Global challengers” may become leaders in several overseas markets and occupy a substantial market share, posing serious challenges to local enterprises or multinational players that have developed local businesses. A key contributor to the success of “global challengers” is their ability to adapting to target markets, for example through low-cost localized production, highly efficient operations, and innovations in technology and design to meet local market needs.

As “global challengers” mature into “global leaders”, their sales growth will slow, whereas their profits will start to increase. At this stage, enterprises will occupy large shares of major overseas markets and operate integrated global businesses. The key to success for “global leaders” lies in effective coordination between various markets, which requires them to optimize global resource deployment, share global technologies, experiences and knowledge, and implement global risk management.

Adjustments to organizational management and risk control mechanisms: Enterprises going global face four strategic options in designing their organizational management and risk control mechanisms. 1) Choosing a path for business expansion: whether to promote a single product in multiple markets or establish a position across the whole industry chain in a single target market. 2) Balancing the risk control mechanism: whether to focus on a headquarters-led standardized control model or a model based on efficient local responses. 3) Allocating administrative resources: which resources to share with the headquarters and which to mobilize in a variety of countries and regions. 4) Developing a coordinated global mechanism: how to share and coordinate human resources, experiences and other resources between different markets.

An enterprise’s management structures will vary depending on the stage of overseas expansion it has reached, as will the design of its organizational management and risk control mechanisms. For “global explorers”, the balance between efficient business expansion and effective risk management is the most critical. Therefore, companies at this stage will retain an organizational structure led by the headquarters, supported by entrepreneurial teams that are tasked to take their business global.

“Global challengers” need to make more progress on localization and therefore will shift their focus to optimizing deployment of resources worldwide, to support their branches in target countries or regions and gain a leading edge in local markets quickly. At this stage, the headquarters should identify the target markets to develop strategic goals, and main-

tain short, direct reporting lines with the target markets to ensure adequate resources and management attention for local branches. Meanwhile, enterprises should also have in place management with an entrepreneurial spirit and a group of professional managers with a good knowledge of local markets.

The focus for “global leaders” is maximizing interests on a global scale by continuing the overall international development of enterprises and the localization efforts of regional branches. To this end, the design of organizational structures should concentrate on how to fully connect domestic and international management mechanisms and put into practice matrix management. The headquarters should be responsible for general strategies and financial management, and local branches should implement the strategies and risk management, enabling coordination between the headquarters and the branches in various countries.

Respecting local communities and contributing to social development: One last success factor for enterprises seeking development in BRI markets is respecting local communities, contributing to their social development, and winning recognition from the local people with appealing brands, products and corporate cultures. Enterprises need to shore up their corporate images, either by developing amicable relationships with important figures in local civil or religious organizations to gain support and recognition in local markets, or through cooperation dialogues and public events held jointly with international or non-governmental organizations. Additionally, they should focus more on evaluating corporate social responsibilities in their internal management and, when evaluating management performance, take into account accomplishments in creating positive economic, social and environmental impact, to encourage local branches to engage actively in local charity and livelihood projects and rally the support of the local people.

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