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ANALYSIS OF COMPETITION AND COLLABORATION OF LOCAL BUSINESSES WITH CHINESE COMPANIES IN THE GLOBAL MARKET

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ABSTRACT

This study examines the competitive and collaborative dynamics between local businesses and Chinese enterprises in global markets. Key issues include China's competitive advantages, such as state-backed innovation and low-cost production, which challenge local businesses' market positioning. The objectives are to analyze competitive strategies, cultural and economic factors influencing market entry, and the role of supply chain collaboration in improving resilience. Using a systematic literature review of 83 relevant journal articles, the research highlights critical insights into competitive pressures, opportunities for collaboration, and policy implications for local businesses. Findings reveal that local businesses must leverage unique local advantages, enhance innovation, and adapt culturally sensitive strategies to thrive amidst China's growing influence. Additionally, collaborative supply chain approaches and internationalization of small and medium enterprises (SMEs) emerge as pivotal strategies. This study underscores the need for policy reforms to support local enterprises in navigating challenges posed by China's global expansion while capitalizing on potential partnerships. The findings contribute to developing actionable strategies for sustainable growth and competitive advantage in increasingly interconnected markets.

Keywords: **Businesses, Market, China, Competition, Collaboration**

1. INTRODUCTION

Global markets are becoming increasingly connected, creating a complex landscape where local businesses and Chinese companies compete and collaborate to gain a competitive advantage. This literature review aims to analyze the dynamics of these relationships, by exploring the challenges, opportunities, and strategies used by these two entities in the global arena.

The interaction between local businesses and Chinese companies in the global market is characterized by a complex network of competition and collaboration. This literature review addresses the dynamics of the relationship, focusing on the challenges, opportunities, and strategies implemented by both sides to confront an increasingly connected global landscape.

One of the main challenges faced by local businesses when competing with Chinese companies is the significant competitive advantage that Chinese companies often have due to state support and strategic initiatives. For example, the Chinese government's support for tech companies has created a competitive environment in which local businesses must adapt strategically to survive. Huang and Tsai point out that state-backed upskilling initiatives in China can disrupt global value chains (GVCs), particularly in sensitive technology sectors, as seen from Huawei's technology bans in various countries (Huang & Tsai, 2021). The country's influence creates a competitive inequality, forcing local companies to innovate and adjust their strategies to stay competitive.

In addition, the cultural and economic differences between the Western and Chinese markets are becoming a major challenge for international companies trying to penetrate the Chinese market. Bilro and Cunha emphasize that a lack of understanding of local consumer habits can lead to failure, as happened to Mattel, which struggled because it was not aligned with Chinese consumer preferences (Bilro & Cunha, 2021). This shows the importance of foreign companies to deeply understand the dynamics of the local market and consumer behavior in order to succeed.

Opportunities for local businesses arise from the potential for collaboration in the supply chain. Huang et al. discuss how manufacturers can encourage competition among suppliers while promoting communication and transparency, which can reduce transaction costs and increase value (Huang et al., 2020). This collaborative approach can increase the resilience of local companies to competitive pressures from Chinese companies. Additionally, the internationalization of small and medium-sized enterprises (SMEs) offers a growth path, allowing them to access new markets and diversify their sources of income (Buganova, 2023).

Local businesses' strategic response to challenges posed by Chinese companies often involves leveraging unique local advantages. Teece argues that a fragmented global economy requires a broader strategic perspective, where companies must navigate two different systems, namely authoritarian economies and market-based economies (Teece, 2022). This perspective is especially important for local businesses aiming to find a niche in the global market while facing the presence of a strong Chinese company.

In addition, the Belt and Road Initiative (BRI) presents challenges as well as opportunities for SMEs in developing countries. While the BRI encourages trade partnerships and improves market efficiency, the initiative also raises concerns about the dominance of Chinese companies in the local market, hence the need for policy reforms to support the growth of local businesses (Senadjki, 2023). This duality underscores the need for local companies to adjust their strategies in response to the evolving geopolitical landscape. This research objective:

1. Analyze the competitive advantage of Chinese companies in the international market and their implications for local businesses.

2. Investigate the cultural and economic factors that influence local business strategies when entering the Chinese market.

3. Exploring the role of collaborative supply chains in improving the resilience of local businesses to competition from Chinese companies.

4. Evaluate the internationalization strategy of small and medium enterprises (SMEs) in competing with Chinese companies.

5. Assess the impact of the Belt and Road Initiative (BRI) on local businesses in developing countries.

6. Investigate the implications of government policies on the operational strategies of Chinese companies in foreign markets.

7. Identify unique advantages that local businesses can leverage to compete with Chinese companies in the global market.

Research on the dynamics between local businesses and Chinese companies in the global market has diverse significance, covering economic, social, and strategic dimensions. Understanding these dynamics is important for several reasons, which are explained through the following points:

1. Improving Competitive Strategies: The growing presence of Chinese companies in the global market poses significant challenges for local businesses. By analyzing the competitive advantages that Chinese companies have, such as state support and technological innovation, local businesses can develop more effective strategies to compete.

2. Cultural Adaptation and Market Entry: This study provides insights into how local businesses can adapt their marketing and operational strategies to the preferences of Chinese consumers, thereby facilitating successful market penetration.

3. Collaboration in the Supply Chain: By understanding the potential for collaboration in the supply chain, local businesses can reduce costs and increase value, which can improve their competitive position.

4. Internationalization of SMEs: The internationalization strategy of SMEs can provide insight into how these businesses can meet challenges and take advantage of opportunities in the global market.

5. Impact of the Belt and Road Initiative (BRI): This research can provide policymakers with an understanding of the reforms needed to support local business growth in the context of BRI.

6. Government Policy and Intervention: This study highlights how local businesses can adapt to the influence of Chinese government policies in international markets for better strategic planning.

7. Leveraging Local Advantages: This research provides guidance for local businesses to identify and leverage their unique advantages to compete with Chinese companies.

2. RESEARCH METHOD

This study uses a systematic approach to find and filter relevant literature on the topic of competition, intervention, and collaboration of local Chinese companies and businesses in the global market. The article search process is carried out through the Scopus database using a combination of keywords, namely "Local," "*Companies*," "*Businesses*," "Market," "China," "Competition," "Interventions," and "Collaboration." The initial search results yielded 418 documents.

Furthermore, screening was carried out by limiting documents based on the publication period, namely 2019 to 2024, resulting in 131 documents. Further screening was carried out by selecting documents from relevant subject areas, namely "Social Science," "Decision Sciences," "Economics, Econometrics, and Finance," and "Business, Management, and Accounting," resulting in 97 documents. The documents were then filtered by document type, taking into account only journal articles, which left 83 documents.

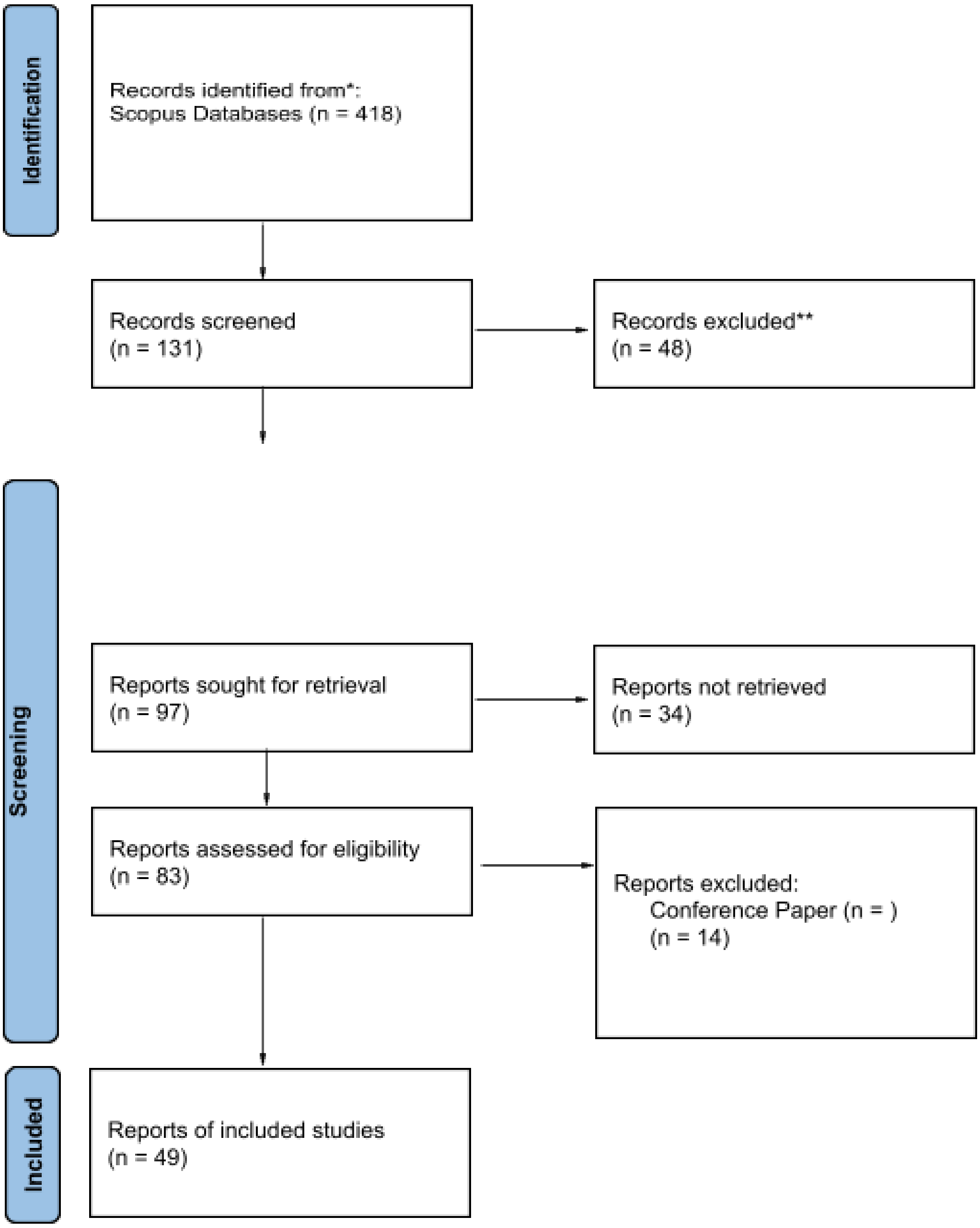

Figure 1. PRISMA Flow Diagram

The final step involves a screening process and a full reading of 83 selected articles to ensure fit for the research topic. These articles are analyzed to gain in-depth insights and synthesize information related to competition, collaboration, and intervention of local businesses and Chinese companies in various market contexts. This process is carried out systematically to ensure the validity and relevance of the findings in this study.

3. RESULTS AND DISCUSSION

According to the results of previous research, local companies face increasingly tough challenges in facing competition with Chinese companies in the global market. Chinese companies have advantages in terms of low production costs, access to a wide market, and high innovation ability.

Local companies in various countries face increasing challenges when competing with Chinese companies in the global market. One of the main factors that gives a competitive advantage to Chinese companies is the low cost of production. These companies often receive support from the government in the form of subsidies and favorable policies, which allows them to offer more competitive prices compared to local companies (Giudice et al., 2019; , Teece, 2022). In addition, Chinese companies also have better access to international markets, thanks to their extensive distribution network and strong diplomatic relations, which facilitate their expansion into different countries (Senadjki, 2023).

High innovation ability is also one of the advantages possessed by Chinese companies. In this context, such companies are not only focusing on mass production, but also investing in research and development to create products that are better and better suited to the needs of the global market (Morris et al., 2023; , Zeng et al., 2019). For example, technology companies like Huawei have demonstrated the ability to adapt and innovate in the face of global challenges, although they also face various obstacles, such as strict regulations in certain countries (Wonglimpiyarat, 2023).

Local companies need to develop more adaptive strategies to compete with Chinese companies. This includes increased operational efficiency and product innovation, as well as the utilization of local advantages that foreign companies may not have (Chen et al., 2023). Additionally, it is important for local companies to build strong relationships with consumers and other stakeholders, as well as understand the dynamics of different markets to be able to compete effectively (Bilro & Cunha, 2021). In the face of this fierce competition, collaboration between local companies and the government can also be key to creating a business environment that is more conducive to growth and sustainability (Tang et al., 2022).

According to the existing literature, local businesses face significant challenges in competing with Chinese companies in the global market. Chinese companies have advantages in terms of low production costs, wide market access, and high innovation capabilities.

Local companies face great challenges when competing with Chinese companies in the global market, mainly due to the advantages that Chinese companies have in terms of low production costs, wide market access, and strong innovation capabilities. Chinese companies often benefit from a combination of government support, lower labor costs, and a large domestic market, which allows them to expand operations quickly and efficiently. This competitive advantage is especially seen in the technology and manufacturing sectors, where Chinese companies have proven themselves to be formidable players on the international scene (Trunina et al., 2019).

One of the key factors contributing to the competitive advantage of Chinese companies is their ability to leverage state support and favorable policies. The Chinese government has implemented various initiatives to strengthen domestic industries, which ultimately improves the global competitiveness of such companies. For example, the Belt and Road Initiative (BRI) has opened up new markets for Chinese SMEs, providing them with opportunities to grow and collaborate at the international level (Senadjki, 2023). This state-supported strategy not only facilitates access to foreign markets but also allows Chinese companies to make large investments abroad, thereby increasing their global footprint (Fei, 2020).

In addition, Chinese companies have shown a high capacity to innovate, which is crucial for maintaining competitiveness in a rapidly growing market. Research shows that Chinese companies are increasingly focusing on research and development (R&D) to improve their technological capabilities and product offerings (Morris et al., 2023). This emphasis on innovation is supported by a strong network of partnerships with local universities and research institutions, which creates an environment conducive to technological advancement (Morris et al., 2023). In contrast, local companies often struggle to match this level of innovation due to limited resources and limited access to advanced technology.

In addition, cultural and operational differences are a major obstacle for local companies trying to compete with Chinese companies. Understanding consumer behavior and market dynamics in China is essential to achieving success, as evidenced by the failure of some Western companies to misjudge the local market (Bilro & Cunha, 2021). Local companies must adjust their strategies to align with the preferences and expectations of Chinese consumers, which can be very different from Western markets. The need for cultural adaptation further complicates the competitive landscape for local companies (Bilro & Cunha, 2021).

4. CONCLUSION

In the era of globalization, local businesses must develop effective strategies to compete with the growing presence of Chinese companies in the global market. This can involve improving the quality of products and services, identifying new market segments, and improving cost efficiency. Local companies must also focus on innovation and adaptability to remain competitive. At the same time, collaboration between local and Chinese companies can provide opportunities for local businesses to leverage the strengths of their peers in China and expand their reach in the global market.

In the context of globalization, local businesses are facing major challenges from the increasing presence of Chinese companies in the global market. To remain competitive, these businesses must adopt effective strategies, including improving the quality of products and services, identifying new market segments, and improving cost efficiency. A critical aspect of this competitive strategy is the emphasis on innovation and adaptability, which is critical for local companies to differentiate themselves in a crowded market. For example, the ability to innovate quickly can provide a time-based competitive advantage, as shown by research that states that organizations that adopt innovation are better prepared to respond to market changes and consumer demands (Tang & Zhang, 2022).

Additionally, local businesses can benefit from an understanding of the dynamics of internationalization, which allows them to reach new consumer segments and diversify their revenue streams (Buganova, 2023). This is particularly relevant in the context of developing countries, where small and medium-sized enterprises (SMEs) play an important role in economic development. SMEs can leverage their unique strengths and local knowledge to compete effectively against larger, state-supported Chinese companies (Giudice et al., 2019). The internationalization journey of SMEs often involves the formation of networks that facilitate market entry and expansion, as evidenced by case studies highlighting the importance of social networks in foreign market penetration (Tham et al., 2022).

Collaborations between local companies and Chinese companies also offer unique opportunities for local businesses to leverage the strengths of their Chinese counterparts. Such partnerships can enhance resource sharing and innovation capabilities, ultimately enhancing competitiveness in the global market. The complexity of collaboration in supply chain networks shows how manufacturers can benefit from encouraging communication and transparency with suppliers, which can reduce transaction costs and improve overall efficiency (Huang et al., 2020). In addition, the emergence of platform-based multinational companies suggests that local companies can access valuable digital infrastructure and technology through collaboration with established Chinese companies (Zeng et al., 2019).

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