

Research on the Internationalization Strategy of Country Garden Holdings Company Limited

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Abstract: For years, China's real estate industry has been in fierce competition. With the development of economic globalization, the domestic market is about to reach saturation gradually. Under these circumstances, China's real estate enterprises were obliged to go out to obtain more opportunities to improve their profits and ensure their position in the market. Country Garden Holdings Company Limited, as one of the leading enterprises in the real estate industry, started to invest and expand in overseas markets in 2011. With its forward-looking strategic planning, it has successfully launched projects in many countries and regions, which are worth studying. This paper analyzes the development status of international projects of Country Garden and its internationalization strategy, and explores the reasons for its successful investment, which can provide more information and guidance for China's real estate enterprises to invest overseas in the future.

Keywords: Country Garden, Internationalization, Strategy

1. Introduction

With the development of economic globalization and the Belt and Road Initiative, the real estate industry has had unprecedented development opportunities. Economic globalization has effectively promoted the global flow of capital, technology and management, which spurred the rational allocation of resources and injected more energy into the real estate market. Globalization is increasing competition between areas for the attraction of investment.[1] Also, with the launch of the Belt Road Initiative, hundreds of companies positively seized the opportunities and utilized the policies to invest in foreign countries, which promoted cooperation on overseas projects. However, in 2022, China's investment in real estate was 13,289.5 billion yuan, which dropped about 10.0% compared with the previous year, and the residential investment decreased by around 9.5%. Similarly, China's investment in real estate reached 11,091.3 billion yuan, which slumped 9.6% year by year in 2023, and residential investment also declined about 9.3%. It can be seen obviously that the domestic real estate shows a downward trend and the economic benefits declined at the same time, many real estate companies are facing heavy pressure from the market and the policy so they need to find a new way to increase profits. In this case, investing overseas has become one of the best choices for real estate companies to achieve their goal and start the transformation. However, it is difficult for most real estate enterprises to adapt and deal with the complex and changeable international market, resulting in huge losses. Things was different for Country Garden Holdings Company Limited, whose overseas projects have developed successfully, no matter the Forest City project in Malaysia or the

Sky House BSD project in Indonesia. Therefore, doing research on its internationalization strategy can provide experience and help for Chinese enterprises to invest in real estate industry overseas.

2. Current development of Country Garden

Founded in 1992 and headquartered in Shunde, Foshan, Guangdong Province, Country Garden, a high-tech integrated enterprise, is China's largest new urban housing developer. The enterprise adopts centralized and regulated operation mode, and its business includes property development, construction and installation, decoration, property management, property investment, hotel development, etc. Country Garden provides diversified products to meet the demands of different markets. Various products include residential projects such as condominiums and bungalows as well as parking spaces and shops. It also develops and manages hotels to enhance the potential value of the projects. With the core mission of "make the world a better place for having us in it", Country Garden is committed to becoming an enterprise with social responsibility and achieve sustainable development, providing customers a comfortable home to live a happy life.

Since its establishment, Country Garden has benefited a lot from the China's booming economy and has gradually expanded beyond Guangdong province to other high-growth areas of the country. In recent years, the internationalization of Country Garden Group has yielded fruitful results, which can be seen in Table 1. In 2011, Country Garden went abroad and invested in Malaysia. In 2013, after preparing for a long time, the first overseas project Danga Bay was launched. Later, it won the "2015 International Diamond Quality Excellence Award". In the same year, Country Garden launched the Ryde Garden project in Sydney, the capital of Australia, which is the first project outside Asia. The contract of Ryde Garden sales reached about 2.6 billion yuan in 2014. And in 2014, Country Garden developed the project of Forest City in Johor Bahru, a place located on the border of Malaysia and Singapore, with sales exceeding 10 billion yuan. In 2017, the first collaboration between Country Garden and the local largest consortium Sinar Mas, launched the Sky House BSD real estate project in Indonesia. This project adopts vertical greening, which can reduce the temperature of the house while beautifying the building. It is apparently that in the strategic layout of Country Garden, overseas projects have become an crucial part of the group, and Country Garden is embarking on becoming the most competitive real estate company in the world. The expansion of these overseas projects not only further consolidates Country Garden's leading position in the real estate market, but also develops its business in other regions, which strengthens its brand influence worldwide, and fully reflects Country Garden's project execution ability and the replicability of its development model.

Table 1: The overseas projects.

Year	Project	Region
2013	Danga Bay	Malaysia
2013	Ryde Garden	Australia
2014	Forest City	Malaysia
2017	Sky House BSD	Indonesia

3. Analysis of the Success of Country Garden's Internationalization Strategy

Internationalization strategy is the development strategy of enterprise products and services outside the domestic market. As the strength of enterprises continues to grow and the domestic market gradually saturates, many entrepreneurs who are visionary and excel at catching chances will turn their eyes to the global market besides their home country. Transnational real estate investment is undoubtedly a good way to diversify the risk of enterprises and achieve the purpose of improving the

investment portfolio.[2]In the process of entering into the international market, especially in the early stage, Country Garden usually completes the construction of a project with famous local enterprises in foreign countries, such as the Forest City project and Sky House project in Indonesia, so as to avoid some risks and the regulation of laws. When accumulating enough experience, Country Garden has undertaken some wholly owned development projects to buy land directly and design it, such as the Ryde Garden project in Sydney.

3.1. Appropriate financing strategy

Generally speaking, the completion of a large project requires companies to raise a large amount of funds, and the real estate industry has a continuous demand for funds due to the traits of long development cycle, large investment and high risk of the project. In this way, if the capital chain is broken and or the funds are insufficient, it will lead to bankruptcy, such as Guangyao Group, a top 100 company, declared bankruptcy in 2021 when it was unable to repay its debts partly due to the fast expansion overseas. However, Country Garden's success over the years depends on two magic weapons, one is sound financial management, and the other is strict cost control. Unlike most of its rivals with tight cash chains, Country Garden is doing a good job of having ample and stable cash flow. Since 2010, Country Garden has had sufficient operating funds through a series of financing methods including mortgage loans, negotiable bonds or attracting investors to buy shares.[3] It reduces the financing risk and financing cost, which avoids taking too large risk alone and ensures the working capital of the group. In April 2015, Country Garden started in-depth cooperation with Ping An Bank of China, covering land investment, finance, community services and many other aspects. Ping An Bank became one of the important shareholders of Country Garden in the form of cash equity investment. Ping An vigorously supported the development of Country Garden in terms of capital and market, creating a unique financing channel for Country Garden. On July 31, 2015, Country Garden signed a syndicated loan of US \$800 million, which was successively increased to US \$97.5 billion. The capital cost of this loan was only 39%, further reducing the overall financing cost of the group.

From the strategy aspect, Country Garden puts ensuring safety, delivery and credit in the first place, and forms systematic business strategies and plans based on the rule that cash flow is the premise and profit is the core. Apart from that, Country Garde regularly tracks business data to formulate improvement plans and measures. As a result, Country Garden maintained a good credit record, and all maturing bonds were repaid as scheduled. With stable cash flow and smooth financing channels, it can further optimize its financial structure to increase the resilience of the company.

3.2. Accurate project selection

According to the Belt and Road Initiative proposed by General Secretary Xi Jinping, Chinese enterprises should go out and integrate the concept of green, innovative and shared development. Countries that are signatories to the Belt and Road Initiative can provide more favorable policies and assistance for Chinese companies to enter their markets. When Chinese real estate companies invest in overseas markets, most of them choose developed countries or areas with a high concentration of Chinese, such as the United States, Canada, the United Kingdom and Japan. This is because in these target markets, Chinese demand for real estate is strong, and the brand is more easily accepted, and can also be accepted by the local market in a shorter period of time. However, Country Garden is unique in focusing its investment and development on regions such as Indonesia, Malaysia, and Australia. The choice of Malaysia as the project development site is mainly based on three points, one is that the local government has formulated a number of tax incentives to actively attract foreign investment. In 2016, Malaysian Prime Minister Najib Razak announced that Forest City would

become a tax-free zone with independent tariffs. In addition to this, it also enjoys exclusive preferential policies such as exemption of part of the corporate income tax, exemption of industrial profit tax, stamp duty, etc., which reduces the risk of enterprises' overseas investment. Secondly, the foreign exchange control is relatively loose and the funds are free to come in and out of the country, which relieves the worries. Thirdly, the market where the project is located has a strong demand and lacks high-end residential projects. Malaysia is a developing country in Southeast Asia, located in the center of ASEAN, bordering Singapore, but its domestic real estate development is still very slow, not many high-end technology residential projects. In order to promote the development of tertiary industries, the country has launched a "second home" program to encourage expatriates to take up long-term residence in the country. Therefore, Country Garden's Forest City project in Malaysia was developed based on this policy, meeting the needs of some domestic customers for immigration and study abroad. Following the same consideration, the Ryde Garden project in Australia was also developed according to the relatively relaxed financial, immigration and investment policies there. In the selection of these two regions, the Group conducted sufficient justification and research on the local economic situation, foreign investment policies and customs in the early stage, and only launched the bold investment plan after obtaining satisfactory answers as well as proposing a solution plan for possible problems. Hence, largely reduces the risk and problems that may face in foreign direct investment.

3.3. Excellent Talent Program

More and more real estate enterprises realize that the investment of "high productivity" employees is the most leveraged investment. Country Garden Group has also realized that excellent talents are the source of sustainable development of the enterprise, and also an indispensable strategic resource for the enterprise. In order to ensure and improve the core competitiveness of the enterprise, Country Garden has hired a first-class team to design and develop various human resource training systems that are conducive to the growth and training of employees. Through interactive teaching, Actual event simulation and other ways to help employees in the enterprise develop into highly versatile talents with career competitiveness. In addition to providing plenty of learning opportunities, it also needs to retain top talent. In 2014, in order to enhance internal cohesion and promote sustainable development, Country Garden innovatively introduced the "concentric sharing" partnership system.[4] The implementation of this system has closely linked the success of the enterprise with the personal interests of the core employees, and built a mutually beneficial and win-win system. Under the partnership system of "concentric sharing," the efforts of core employees are no longer just to complete work tasks, but directly related to the overall development results of the enterprise. This close interest binding has greatly stimulated the enthusiasm and creativity of employees, who begin to be more actively involved in their work and contribute their wisdom and strength to the development of the enterprise. With the continuous improvement of enterprise performance, the personal income of core employees also rises, realizing the common development with the enterprise. This material reward not only affirms their work, but also enhances their sense of identity and belonging to the enterprise. Employees began to value their position in the enterprise more and cherish the opportunity to grow together with the enterprise. Therefore, the implementation of the "concentric sharing" partnership system not only solves the enterprise's concerns about the loss of core employees, but also injects new vitality and motivation into the enterprise. This management concept of people-oriented and common development enables Country Garden to maintain a steady development trend in the fierce market competition and lays a solid foundation for the long-term development of the enterprise.

4. Conclusion

As one of the earliest Chinese real estate enterprises to enter the overseas market, Country Garden Holdings Company Limited has been constantly exploring and accumulating adequate experience in the way of forward development. Even with the impact of the pandemic in 2020, it is still expected to achieve its full-year targets thanks to the balanced layout of its strategy.[5] The current real estate industry in China has changed from the original shortage of supply to the situation of many empty houses, and the profits of real estate developers have been decreased. With the advancement of economic globalization and the Belt and Road Initiative, many real estate enterprises also wish to take advantage of the global economic trend to enter the international market, which can expand their business and increase overall profits. In order to grow efficiently and rapidly in the market, real estate companies need to adopt different financing, entry and developmental strategies like the Country Garden to face the changes in the market. It's essential for companies to ensure that they have adequate capital flows and can flexibly adjust financing strategies to increase resilience to deal with potential risks and challenges. When selecting projects, in addition to considering their suitability, companies need to focus on the quality and sustainability of the project as well. In this process, enterprises should also take environmental protection and sustainable development into consideration, and actively undertake social responsibility to win a good reputation for the enterprise. Besides, it is necessary to put people first and stimulate their potential and enthusiasm, letting employees become the core driving force to improve the companies' development. Provide them with a good working environment, wonderful perks and a perfect training mechanism, so as to better maximize the interests of individuals and enterprises.

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