

# Strategic Internationalization of BYD: A Case Study on Entry into the German EV Market Using the Eclectic Paradigm Framework

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**Abstract:** This report provides a comprehensive analysis of BYD's internationalization strategy, focusing on its entry into the German electric vehicle (EV) market. BYD, a leading Chinese multinational in renewable energy and electric vehicles, is strategically positioned to leverage its technological expertise, particularly in lithium iron phosphate battery technology, to expand globally. Utilizing the Eclectic Paradigm (OLI) framework, the report examines Germany's suitability as a target market based on factors like market size, infrastructure, regulatory environment, and government incentives. It highlights the company's ownership advantages, including advanced battery technology and competitive positioning within the EV sector. The analysis concludes that a wholly-owned subsidiary model offers the most effective entry mode, ensuring BYD's competitive edge through control over intellectual property and rapid market responsiveness. Recommendations for risk mitigation in light of Germany's regulatory and geopolitical landscape are also provided, aligning with BYD's objectives for sustained international growth.

**Keywords:** BYD, Internationalization, Electric Vehicle Market, Eclectic Paradigm, OLI Framework, Germany, Renewable Energy, Lithium Iron Phosphate Battery, Market Entry Strategy, Political Risk Management.

## 1. Introduction

BYD Company Limited is a publicly listed Chinese multinational conglomerate manufacturing firm. The corporation operates globally, with business operations across the United States, Europe, Japan, India, Hong Kong, and other international regions. Shenzhen, China, serves as the headquarters of BYD (GlobalData, 2024). The Company's development of a Zero Emissions Energy Ecosystem, which includes cost-effective solar power production, dependable energy storage, and advanced electrified mobility, has positioned it as a leading player in the energy and transportation industries. Additionally, it is a significant player in the production of Passenger Electric Vehicles, commercial vehicles, rail transit, batteries and electronics. GlobalData (2024) reports that BYD has a total of 703,504 employees. According to Zhang (2024), BYD competitors include Volkswagen Group, Tesla, SAIC Motor, Dongfeng Motor Group, FAW Jiefang Group, Great Wall Motors, Geely, Chongqing Changan Automobile and XPeng.

Table 1 demonstrates how BYD sales and profit figures have grown during the last five years, exhibiting a sustainable growth trend. The sales have been growing more rapidly than doubled, from 121,778 million CNY in 2019 to the current 602,315 million CNY in 2023. Profits have grown substantially, reaching 115,795 billion CNY in 2023 (Stock Analysis, 2024). This impressive financial result highlights what BYD is – a fast-growing company and a very competitive player in the market. Furthermore, Table 2 presents a VRIO analysis of the publicly owned assets BYD has, which include its unique battery technology, EV manufacturing, and renewable energy solutions that are valuable, rare, inimitable, and well-organized. For this reason, BYD should include an all-around internationalization strategy, ultimately leading to the Company's growth. This report reveals the BYD's preparedness, motivation, timing, location selection, decision criteria, political risks, entry

strategies, and entry-mode recommendation using the Eclectic Paradigm or Ownership-Location-Internalization (OLI) framework.

## 2. BYD Internationalization

The internationalization approach is BYD's key to its success as a Chinese automaker dominating EV manufacturing and producing renewable energy solutions. Tables 1-4 showcase the realities of BYD in terms of their readiness, motivation, timing, and place for internationalization. Furthermore, the outstanding financial results in Table 1 show the company's stellar growth, which has earned increasing sales and profit over the last five years and indicates its openness to the global market. This solid financial footing, combined with the expandable product range and international presence portrayed, will show that BYD is a well-positioned company running successfully in numerous countries worldwide, including the United States, Europe, Japan and other parts of the globe.

Besides, through the VRIO analysis below in Table 2, BYD's resources and capabilities are also being emphasized. Such resources and capabilities include BYD's battery technology, electric vehicle manufacturing expertise, and renewable energy solutions. For instance, Yan (2022) points out that BYD is the world's leading Company in the research and development of lithium iron phosphate batteries. Regarding lithium-ion batteries, lithium iron phosphate is one of the most mature and safest lithium battery types (Stefanovic, 2023). Particularly in the EV market, which is still at the beginning stage, safety means more than the other benefits, such as advanced technology. These strengths are the key elements in BYD's strategic internationalization journey.

The drive to internationalize the Company comes from BYD's intention to take advantage of global opportunities, generate more income, and compete with industry giants like Tesla and Volkswagen. This motivation is further amplified by the increase in the world's demand for electric vehicles and

renewable energy sources due to environmental issues and government programs promoting green energy (Huang, 2023). According to Table 1, the timing of internationalization looks promising since the growing market trends align with BYD's sales and profits and reflect its attractiveness and growth opportunities. In addition, the dynamic regulatory framework, technical improvements, and changing behaviour of consumers create a suitable environment for BYD's international growth (Lei et al., 2024).

Regarding location, Germany seems to be one of the top priorities regarding the criteria in Tables 3 and 4. Germany's powerful automotive industry ecosystem offers solid infrastructure and a favourable business environment that correlates reasonably with BYD's core competencies and strategies (Schlosser et al., 2023). With the EV economic boom making the EV market among the first in the region and with the support of the government together with the excellent charging infrastructure and renewable energy solution, there is the need for BYD's EVs and renewable energy solutions. In addition, the fact that Germany is located in the centre of Europe and is a point of diversification and implementation of innovations and sustainability projects.

To internationalize, BYD must determine its mode of operation and entry strategy. A strategic entry mode and subsidiary ownership should be adopted to employ its competitive advantages and internalization benefits. This gives BYD total domination over its operations, strategic decisions, and intellectual property; hence, the work is done according to its long-term goals. Furthermore, having a wholly-owned subsidiary contributes to quickly responding to the local market's varying needs and challenges, minimizing risks, taking advantage of global situations, and generating added value (Holtgrave & Onay, 2017).

### 3. Analysis of Key Decision Criteria and Comparative Table

These ten countries were selected in Table 3 using various factors ranging from the market size, economic solidity, and government support for EVs, existing infrastructure and probability for market growth. Germany, Norway and France were selected got the top priority since they manifested high levels of electric vehicle adoption, an advanced charging network and strong government incentives, opening the door for BYD to spread business in these markets. As the adoption of EVs increases, they become the main signposts of the growing market readiness and rising consumer acceptance of EVs. The popularity of EVs, which are high in already developed countries, i.e. Germany, Norway, and France, shows a welcoming move by the market intended for EV manufacturers like BYD (Broadbent et al., 2017). Lashari et al.'s (2021) study revealed that the initial purchase price and the marginal costs of using EVs contributed to potential customers' attitudes toward EVs. Qadir et al. (2024) posit that the strategies for going green require integrating policies with an element of incentives such as financial assistance, infrastructural development and regulatory support.

Another essential element to consider is the charging infrastructure and its quality of being robust. This is related to the attractiveness and convenience of EVs. Markets with numerous charging infrastructures, such as those in Germany and Norway, boost users' convenience and accessibility, thus favouring the market penetration of EVs. Statista reveals that in 2021, there were about 59,400 public charging stations for

electric vehicles in Germany, with the highest number in Norway (Carlier, 2023). This aligns with the overall strategic goal of finding markets with product acceptability and market expansion.

Moreover, government incentives have a significant impact on what consumers do when making and shaping the market for EVs. Countries such as Germany, Norway, and France, which have above-average government subsidies, have become a favourite area for EV roll-out and promotion because they provide suitable conditions for EV adoption and expansion of the market. These incentives help increase consumer demand and allow EV sales to pick up pace aligned with the company's long-term goal to enhance profitability and succeed internationally. Furthermore, the WorldBank Group report states that Norway's incentives are a 25 per cent value-added tax (VAT) waiver, no registration taxes and tolls levied, free parking, the ability to use bus lanes, and free downtown charging (Zhu et al., 2016). Similarly, in 'Vehicle tax exemption for up to 10 years for the buyers of EVs between 2011 and 2030,' the German Government launched a much more extended period of exemption from vehicle tax registration (Panion, 2023). Since 2019: exception for the category of the imputed income tax and a reduction from the normal 1% to 0.25% rate: it is applied to purchasers of EVs with cost less than €60,000: they will be classified as zero-rated people. In addition, the French 50% discount in registration tax or total exemption (based on location) is also significant.

While the countries of Norway, Germany, and France received high scores in all indicators due to the stability of political environment, the strong business growth, supportive legislative systems, a large domestic market, competitive business atmosphere, customer preference, the ease to do business, the innovative environment, access to employable resources and ecological initiatives shown in Table 4. These nations show this attribute of resilience and are thus the most sought-after investment and expansion places attracting multinational corporate players with BYD already identified as the first one. Germany, Norway, and France stand out in various areas that are important for the market entry and development of BYD in these areas like sufficient governmental support, infrastructure maturity, favorable business environment and prospective market. As stated by Yung (2024), the high scores given to these countries correspond with the objectives of the generation strategy and their opportunity for achieving the most in the electric vehicles market.

### 4. Theory Justification

Eclectic Paradigm/OLI Framework provides the stable theory to determine why Germany is the best-suited country for BYD's international expansion. BYD owns technological competitive advantages in its high-efficiency battery, knowledge of making electric cars, renewable energy experience, innovative technology, research and development, and goodwill attached to the brand name (Munjal, 2017). Germany is a valid marketplace for BYD's electric cars and battery technologies, given the powerful position of the automotive sector and the high demand from consumers who are very conscious of the environment (Mutekar (2024).9p;

Germany is a location that works well for BYD since it has lots of advantages. It has a highly qualified and experienced staff, top technical infrastructure and services efficiency, and it is a geographical center of Europe as shown in Table 4.

BYD's involvement in the German automobile industry supply chain, which is full of vendors and suppliers, research institutions and engineers, represents the most important target for BYD's operation (Qiu et al., 2022). Besides, political stability of Germany, legally structured framework and supportive governments from the country are also the key factors which makes it the most potential place for foreign investments.

BYD will also gain advantages from internalization by launching a local subsidiary company catering directly to European customers. With internalization, BYD owns its unique technology, and customers can stay connected. Still, they can own a greater quantity of the value chain simultaneously (Qiu et al., 2022). BYD can develop the internalization of its operations by setting up its subsidiaries or production facilities in Germany, which will reduce transaction costs and create a competitive edge for the Company in the European market.

Germany is ideally suited to the Eclectic Paradigm/OLI framework for BYD's internationalization strategy due to a mixture of ownership advantages (high technology and expertise), location advantages (working force, infrastructure, and business-friendly environment) and internalization advantages (coming to a host country to do business and therefore serving the European market). This makes it a suitable country for BYD's internationalization (Munjal, 2017).

## **5. Political Risks Existing in Germany and Strategies That BYD Can Adopt to Offer Protection**

One substantive political risk is any alteration of the German government policies towards the automotive industry, especially emission reduction and monetary grants for EVs. As reported by the OECD, the German government's commitment toward the Climate change campaign is visible through its promotion of clean transportation, which includes offering subsidies or incentives for EV purchases (Krill et al., 2023). However, government changes or political priorities can cause corporations to modify these policies, which may significantly affect the company's operations and markets. Apart from Germany being a member of the European Union (EU), the country delegates itself to broader political risks because many EU regulations and policies influence the automotive industry.

With its internationalization effort in Germany, BYD could face a severe political risk about the intricate relationship that carmakers in Germany have between their investments in China and their global competitiveness. The dilemma is deciding whether to attend to geopolitical issues, risk being less competitive globally, or deepen the endeavour with Beijing's goals (Sebastian, 2022). At the same time, intense involvement in the China plan might cause a distance between significant actors such as government officials, civil society, and investors.

Further, a risk occurs when it comes to the claim for the credit export agencies through the government. The competence advantage of the government over the private sector in the recovery of claims in the absence of an international or supranational bankruptcy court brings systemic stability and interventionist principles into question (Moser et al., 2006). This could be where BYD's global operations are adversely affected due to a lack of appropriate

financing and government involvement, which will need risk-based strategies and due diligence.

BYD can take advantage of various strategic approaches to evaluate the potential political risks of operating in Germany. One of the primary actions should be proactive communication with state and national government bodies and involvement in the lawmaking process to have one's interests represented. According to Alanazi (2023), network building and strategic partnerships with policymakers, industry associations, and other essential players will provide insights into policy development and enable BYD to advocate for regulations that would help the EV market. Besides, BYD should lay out sophisticated risk management mechanisms, including risk discovery, analysis and mitigation to confront political risks (Ali et al., 2021). Apart from this, the Company should perform comprehensive political risk evaluations to assess how varied political strategies and political instability may affect its operations in Germany. At the core of the resilience strategy, BYD should stay active and consistent in the surveillance of the political landscape and evaluate factors of political risks which may cause future problems in its operations. By exploiting its strengths, catching market opportunities, and applying them strategically to the political risk, BYD will position itself for continued growth and profitability in the German market.

## **6. Entry Strategy Options Available for BYD Entry in Germany**

BYD can choose from a few entry modes adapted to the German market, each with advantages and drawbacks. The first choice is a joint venture (JV) with a local automotive German enterprise. BYD can tap into the focused partner's knowledge of the local market, vital relations, and the acceptability of laws via this strategy (Magni & Pezzi, 2019). Nevertheless, this could also lead to joint-decision making and distribution of power. Ultimately, this may affect BYD autonomy and the correct implementation of strategies.

Alongside that, another entry mode is licensing or franchise agreements. BYD offers German firms the right to use its technology, brand, or business model for a royalty fee or fees. Through this approach, BYD will be able to penetrate the market speedily with minimal investment while benefiting from the support of German partners in terms of expertise and local resources. Nevertheless, this may lead to reduced control over the operation and branding and the risks created by improper utilization or dishonest performance of BYD's intellectual property (Duniach-Smith, 2004).

Another way that BYD can enter the German market and compete with other international companies is through a wholly-owned subsidiary. BYD would create a 100% owned and controlled German subsidiary with that approach. This strategy combines the independence and alignment features with the Company, control tools, and performance indicators of BYD's strategic objectives (Wan et al., 2023). By setting up a wholly owned subsidiary, BYD can preserve absolute control over its business activities, such a level of control is essential for BYD to protect intellectual property rights, the brand's reliability and the high quality of its activities on consumers' side.

## **7. BYD's Most Fit Entry Strategy in Germany**

Considering the Eclectic Paradigm/OLI model, the data

gathered and analyzed would suggest a wholly owned subsidiary as an appropriate entry strategy for BYD's internationalization into Germany. This approach is the most suitable one for many reasons, and they are as follows. For instance, BYD Company holds substantial ownership benefits in battery technology, electric vehicle manufacturing skills, and renewable energy solutions (Masiero et al., 2016). By setting up a wholly owned subsidiary, all the ownership advantages that BYD needs to leverage fully could be retained as the Company gains complete control over its patented technology, R & D competencies, and global brand image in the German market. This control ensures that BYD's intellectual property is protected and that the Company has enough competitive cutting edge in a highly innovative and dynamic industry.

In the context of the internalization approach, a wholly owned subsidiary strategy allows BYD to gain a more significant position in a value chain through serving the European market. BYD through producing its products in Germany can keep its customers on the front line, individualize products and services to the locals' tastes and react quickly to the market fluctuations. Through implementing this strategy with a research-based approach such as OLI theory or Eclectic theory, BYD will be able to build a brand in the Germany context which includes ownership, location, and internalization in the internationalization process.

On the other hand, alternative entry strategies like joint ventures and licensing/franchising contracts may not be convenient for BYD to enter the German market. The joint ventures will allow the creation of a compact management system along with local partners that can share the control and power over decisions. This may also undermine the BYD's autonomy, leading it to deviate from its strategies (Magni & Pezzi, 2019). With licensing/franchising agreements, BYD may face control limits on operations and branding and intellectual property risks from the misuse or misrepresentation of BYD's intellectual properties. Consequently, the strategy of a wholly owned subsidiary shines out as the most effective and appropriate for BYD's globalization into Germany.

The best time for BYD to enter Germany is when the electric vehicle market is growing, and there are government incentives and a favorable regulatory environment. The strategic entry takes advantage of the technological progress, the business and the positive economic conditions. The company should monitor competitive landscapes and geopolitical factors while maintaining short-term orientation, trying to differentiate and seize any growth opportunities better. Finally, the time of entry should be in line with the objectives of BYD, which will help to maximize the chances of success in the target market.

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## Appendix 1 – Task 1:

Company sales and profit for the last 5 years. Source (Stock Analysis, 2024; MarketScreener, 2024)

**Table 1.** BYD’s sales and Profit for the Last 5years

	2019	2020	2021	2022	2023
Sales (CNY in Million)	121,778	153,469	216,142	424,061	602,315
Profit (in billion CNY)	20,814	30,346	28,145	72,245	115,795

## VRIO Analysis

Kim et al. (2015) define VRIO analysis as a way of assessing the value of a resource based on its Valuable, Rare, Inimitable, and Organized features. Valuable: Being at the forefront in the development of electric vehicles and renewable energy solutions, BYD harnesses the growing awareness towards pollution and regulatory action (Chen et al., 2024). This positions it firmly among other major players in China’s electric vehicle market, and thereby, adds strong value (Wang & Kimble, 2010). Rare: BYD’s battery technology and business model are distinctive (Indiran et al., 2023), supported by its strong position in China and a wide range of products. Inimitable: BYD’s battery and EV strengths are to a certain extent difficult to imitate due to great investments (Wang & Kimble, 2010). The utility of global R&D centers and a vertically integrated supply chain enables the company to additionally consolidate its positions. Organized to exploit: BYD employs efficient resource utilization mechanisms through R&D, partnerships, and exploration of the markets, assisted by a leading reputation in the brand, government support and strategic advantages (Bradsher, 2024).

**Table 2.** BYD’s VRIO Analysis

Factors	Valuable	Rare	Inimitable	Organization
Battery Technology	Yes	Yes	Yes	Yes
EV Manufacturing	Yes	Yes	Yes	Yes
Renewable Energy Solutions	Yes	Yes	Yes	Yes
Market presence, especially in China	Yes	Yes	Yes	Yes
Brand Reputation	Yes	No	No	Yes

In this table:

"Yes" means that the attribute is connected to BYD.

"No" means BYD has no such attribute.

Criteria where all attributes (Yes) are marked indicate strong BYD's position in these areas, while those criteria where at least one attribute (No) is marked may potentially be weak areas or require further improvement.

## Appendix 2

**Table 3.** Country Selection I - Potential Markets for BYD

Overall Ranking	Country	Electric Vehicle Adoption Rate	Charging Infrastructure	Government Incentives
1	Germany	10	10	9
2	Norway	9	9	9
3	France	9	9	9
4	Sweden	8	8	7
5	Canada	8	8	7
6	Japan	7	7	9
7	Australia	7	8	7
8	South Korea	8	7	7
9	India	7	5	8
10	United Kingdom	8	8	7

The scoring scale consists of the range from 1 to 10, where 10 is the maximum score for any categories and the higher the score, the stronger the performance would show. The adoption rate of electric vehicles, charging infrastructure, and government incentives have particularly been the deciding

factors due to their strong influence on the potential success of BYD as well as the future opportunities that it presents.

**Table 4.** Country Selection II – Comparative Analysis of Top 3 Countries

Indicator	Germany	Norway	France
EV Adoption rate	10	9	9
Charging Infrastructure	10	9	9
Government Incentives	9	9	9
Political Stability	9	9	9
Economic Growth Rate	8	8	8
Regulatory Environment	10	7	7
Market size	10	6	10
Competitive Landscape	8	7	7
Consumer Preferences	10	9	8
Investment Climate	9	9	9
Industry Support	9	9	9
Ease of Doing Business	9	7	9
Innovation Environment	9	7	9
Access to Talent Pool	9	7	9
Sustainability Initiatives	9	9	9

The assessment for each indicator was based on a scale of 1-10, with 10 implying the maximum performance in each category.