

BYD's Road to Global Leadership: Factors and Challenges in Establishing a Chinese World-Class Brand in Electric Vehicles

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Abstract. The case study examines the rapid growth of BYD, a prominent Chinese electric vehicle and clean energy company, highlighting multifaceted factors like Chinese government support, strategic positioning with affordable yet diversified product lines, vertical integration, and unique HR strategies. The study also addresses BYD's global expansion challenges and how BYD navigates these, offering insights into its evolution within a shifting electric vehicle market.

Keywords: global expansion, innovation, vertical integration, government support, sustainability.

1. Introduction

The global surge in EV (electric vehicle) demand underscores an accelerated shift towards eco-friendly transport, with China leading in sales, trailed by Europe and the U.S. EVs are expected to encompass 7% of the global automotive market by 2030¹.

Chinese automaker BYD (Build Your Dreams) became the world's largest EV manufacturer, surpassing Tesla in June 2022². Once an obscure, smaller player, BYD now sells vehicles in 53 countries and regions. "By any standard, BYD has come from nowhere to be one of the major car companies in the world," according to former Tesla director Steve Westly³. Under CEO Wang Chuanfu,

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1. Barman, P., Dutta, L., & Azzopardi, B. (2023). Electric vehicle battery supply chain and critical materials: a brief survey of state of the art. *Energies*, 16(8), 3369.
 2. <https://www.scmp.com/business/china-business/article/3184241/chinas-byd-takes-teslas-crown-worlds-biggest-electric>

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BYD seeks to become a global leader in electric transportation, deviating from traditional paths taken by other Chinese automakers⁴. BYD's strategic focus spans Asia, Europe, and Latin America, leveraging its Shenzhen base to lead in clean passenger transport⁵.

BYD's shift from gasoline-powered cars in 2022 marked a major transformation, solidifying its dominance in the EV sector. As legacy automakers grapple with this evolving landscape, BYD's focus on EVs and plug-in hybrids gives it a competitive edge, reshaping the global automotive industry's dynamics. A 200% increase in its first-half 2023 earnings⁶ underscores BYD's strength in China's EV market, even amid an intense price war.

This case study explores BYD's growth from a rechargeable battery company to a diversified global automotive player, highlighting key success factors and challenges faced.

2. Evolution of BYD: Transition from a Local Small Business to a Major Global Player

Originating in Shenzhen, in 1995, with a \$300,000 initial investment and a team of 20 individuals⁷, BYD expanded to 570,000 employees in 2023, with 75% in production roles⁸.

Wang Chuanfu, born in 1966, emerged from humble beginnings in East China's Anhui Province. In 1995, Wang founded BYD, initially focusing on nickel-cadmium rechargeable batteries before swiftly pivoting to lithium-ion technology⁹ after Wang noticed that Japanese companies were moving away from nickel-cadmium batteries to more advanced options. Anticipating the growing demand for clean energy, BYD positioned itself as a trailblazer in battery innovation, notably developing a distinctive lithium iron phosphate battery¹⁰, known for its efficiency and safety.

3. <https://www.bloomberg.com/news/articles/2023-06-06/byd-evs-are-biting-into-tesla-s-market-share-except-in-the-usa?embedded-checkout=true>

4. <https://www.magzter.com/stories/Business/Bloomberg-Businessweek-US/Can-Chinas-BYD-Thrive-As-the-un-Tesla?srsId=AfmBOorvhFSkMrWIRpuKre-WTnqPiWKegqvFTOUM1Qluqt8hdBaDBs4h>

5. Chen, L., Li, Y., & Fan, D. (2018). How do emerging multinationals configure political connections across institutional contexts?. *Global Strategy Journal*, 8(3), 447-470.

6. <https://chinaeconomicreview.com/byd-h1-profits-surge/>

7. Masiero, G., Ogasavara, M. H., Jussani, A. C., & Risso, M. L. (2016). Electric vehicles in China: BYD strategies and government subsidies. *RAI Revista de Administração e Inovação*, 13(1), 3-11.

8. <https://technode.com/2023/07/31/byd-hires-record-number-of-graduates-in-rd/#:~:text=Context%3A%20BYD%20has%20been%20expanding,70%2C000%20as%20of%20last%20year.>

9. Nickel-cadmium batteries use different materials than lithium-ion batteries and have a memory problem where they lose capacity if not fully used, while lithium-ion batteries store more energy and don't have this issue.