

# Managing Fintech Internationalization Through Innovative Service Models: A Contextual Organizational Diagnosis of HFG in the Malaysian Market

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DOI: <https://doi.org/10.47772/IJRISS.2026.10100097>

Received: 06 January 2026; Accepted: 12 January 2026; Published: 23 January 2026

## ABSTRACT

Chinese Fintech firms are increasingly expanding into international markets as domestic growth stabilizes and regulatory conditions evolve. While technological innovation and strong domestic performance provide strategic advantages, international market entry exposes firms to regulatory variability, cultural differences, and heterogeneous consumer expectations. This study focuses on HFG, a Shenzhen-based Fintech and technology solutions provider that delivers integrated digital financial services and is actively expanding its global business portfolio. Within the Malaysian market, HFG seeks to enhance its international service performance by transitioning from a product-centric delivery model toward a customer-oriented service model that aligns with local market needs. This research adopts a context-based systematic diagnostic approach to examine the challenges affecting HFG's service model performance in Malaysia and to evaluate the effectiveness of two proposed intervention cycles. The study has two primary research objectives. First, to identify key environmental, organizational, and market-related factors that constrain HFG's international service delivery in the Malaysian Fintech ecosystem. Second, to assess how iterative service model innovations and customer-oriented strategies contribute to improving organizational relevance, competitiveness, and market acceptance. The findings aim to generate practical implications for Fintech firms pursuing international growth, while strengthening the application of intervention-based diagnostic research in global service innovation contexts.

**Keywords:** HFG, Fintech internationalization, service model innovation, organizational diagnosis, Malaysia, customer-oriented service model, intervention cycles

## INTRODUCTION

The global expansion of financial technology has accelerated in recent years, driven by digital transformation, platform-based financial innovation, and expanding opportunities to serve unbanked and underbanked populations worldwide (Puschmann, 2017; Boston Consulting Group, 2024). Chinese Fintech firms have developed strong technological and operational capabilities in areas such as mobile payments, digital banking, and consumer financial services, strengthening their role in both domestic and global financial ecosystems (Han, 2021). As regulatory environments shift and domestic competition intensifies, these enterprises increasingly pursue internationalization as a pathway to sustain growth, enhance competitiveness, and contribute to broader financial inclusion efforts (He, 2024). Many firms are expanding across Southeast Asia through strategic partnerships, cross-border investments, and regional payment integration initiatives, including unified QR payment systems and collaborations with major local financial platforms (He, 2024).

At the same time, Fintech internationalization is shaped by diverse regulatory, economic, and socio-cultural conditions that vary across host markets and influence strategic alignment and service performance (Kayode, 2023). To compete effectively, firms must balance technological innovation with localized adaptation by transitioning from product-centric delivery models to customer-oriented service approaches that respond to contextual needs and market expectations (Zhu, 2021). This study examines these dynamics through the case of HFG, a Shenzhen-based technology and Fintech solutions provider that is actively expanding its international

operations, including its presence in the Malaysian market. Guided by this context, the study pursues two research objectives: (1) to diagnose the key challenges affecting the performance of HFG's existing service model in the Malaysian Fintech environment, and (2) to evaluate the effectiveness of two proposed intervention cycles designed to strengthen customer orientation, improve service relevance, and enhance international operational outcomes.

## Case Background

HFG is a Shenzhen-based fintech solutions provider that has expanded its international presence through the delivery of core banking systems, online banking platforms, e-wallets, and payment services to more than 50 global banks. Supported by CMMI Level 5, ISO9001, and ISO27001 certifications and over 100 software copyrights, the firm has established a strong technological and market reputation. To enhance service proximity and global operational capacity, HFG has developed regional offices in Hong Kong, Malaysia, Cambodia, Laos, and Thailand, serving over 100 million users worldwide. Its internationalization trajectory has been shaped by intensifying domestic competition from internet financial firms and emerging banking technology subsidiaries, which accelerated the strategic shift toward overseas markets.

Building on prior experience supporting Chinese banks' overseas branches, HFG entered the international financial IT services market in 2019 and secured major core banking projects in Laos and Malaysia. To sustain expansion, the firm institutionalized a structured organizational architecture comprising front-office marketing and overseas units, middle-office research and delivery centers, and back-office operational and financial support functions. This configuration strengthens coordination across consulting, development, implementation, and maintenance activities, enabling scalable solution delivery and alignment with diverse client and regulatory contexts.

Financial projections indicate rapid early-stage growth followed by stabilizing performance as economies of scale emerge. Initial capability investment was associated with a forecasted loss in 2020, followed by revenue doubling in 2021 and 2022, and continued strong but moderating growth in 2023 and 2024. By the end of the five-year horizon, HFG targets revenue of 12.5N and profit of 2.5N, with an estimated net profit margin of 20 percent, reflecting improved delivery efficiency, declining foundational costs, and strengthened overseas market positioning.

## Problem Diagnosis and Research Gaps

The global fintech sector continues to serve as a major catalyst for technological innovation and financial inclusion, presenting significant opportunities for growth and cross-border expansion (Boston Consulting Group, 2024). This momentum has encouraged Chinese fintech firms to pursue international markets, yet sustainable global performance requires a nuanced understanding of heterogeneous external environments, including customer preferences, competitive intensity, geopolitical dynamics, macroeconomic conditions, and regulatory frameworks (Cumming et al., 2023). Variations across host markets influence strategic positioning, product architecture, and user experience design. Without systematic insight into these structural differences, Chinese fintech enterprises face constraints in achieving scale, establishing market legitimacy, and sustaining competitive advantage in overseas ecosystems.

A central strategic challenge relates to balancing standardization and localization in service and product delivery. While Western firms often compete successfully through standardized offerings, Chinese fintech companies typically rely on customization to achieve user alignment and contextual fit. However, this approach can generate profitability pressures due to rising operational costs and limited standard economies relative to United States competitors (Wu et al., 2022; Peilin and Xintong, 2024). At the same time, cross-market differences in technological maturity and infrastructure development shape platform selection, software architecture, and delivery models, requiring firms to tailor technological innovation trajectories to country-specific institutional and regulatory contexts (Chorzempa and Huang, 2022).

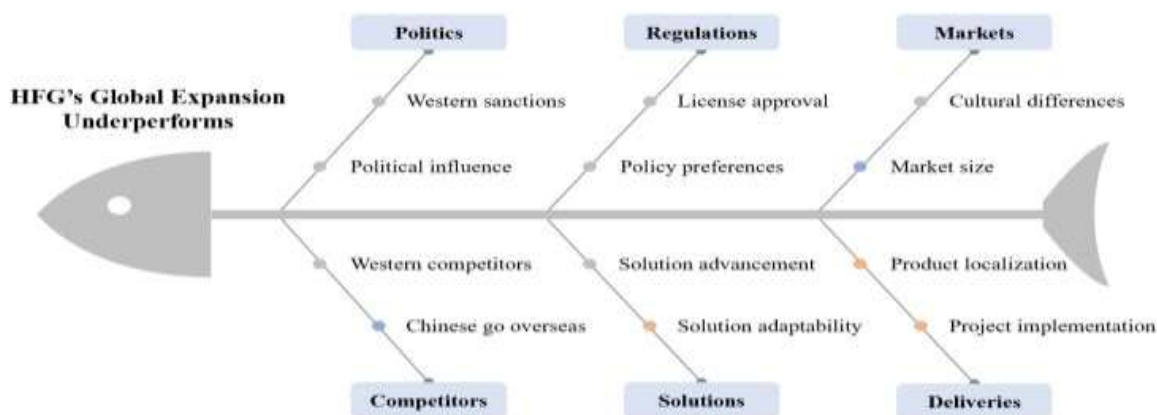
Organizational adaptation further depends on firms' ability to integrate into local ecosystems through culturally informed practices, appropriate workforce competencies, and embedded collaborative networks. Chinese fintech firms expanding into emerging regions, including Southeast Asia, encounter difficulties in recruiting and

retaining local talent with bilingual capability, regulatory literacy, and contextual knowledge. These constraints mirror broader regional challenges associated with digital transition and skills shortages (Wu et al., 2022). Strategic partnerships with domestic financial institutions, regulators, and technology providers are therefore essential to facilitate market entry, enhance credibility, and co-create localized solutions. However, regulatory fragmentation and market-specific compliance requirements simultaneously intensify operational complexity and elevate customization costs, reinforcing the strategic tension between localization and scalability.

At the firm level, the performance challenges associated with these dynamics are reflected in HFG’s recent international expansion outcomes. The 2023 year-end CEO report identified stable operations but slower-than-expected market progress and weaker overall performance, particularly during project delivery. Reported challenges included quality inconsistency, customer satisfaction gaps, schedule delays, and escalating delivery costs. The Malaysia digital bank project exemplified these concerns, where an initial six-month implementation plan experienced repeated schedule revisions and eventual delays exceeding one year due to licensing constraints and project staffing difficulties. Subsequent root-cause analysis using a fishbone framework indicated core weaknesses in solution adaptability, product localization, and implementation processes. These findings underscore the strategic need for an innovative service model that clarifies service innovation dimensions, improves resource estimation and delivery efficiency, strengthens customer satisfaction, and enhances the firm’s capability to compete and scale in global fintech markets.

To further investigate the sources of underperformance in HFG’s overseas expansion projects, a structured diagnostic approach was undertaken to systematically identify and categorize the underlying causes affecting delivery outcomes. Given the multifaceted nature of international fintech implementation, the fishbone (Ishikawa) analysis was adopted as an analytical tool to examine the interrelationships among political, regulatory, market, organizational, technological, and project-level factors. The fishbone framework is widely applied in management and operations research to support root-cause analysis by mapping performance deviations to contributory dimensions, thereby enabling organizations to distinguish between primary structural constraints and secondary operational inefficiencies. Its visual and categorical structure also facilitates clearer interpretation of complex problem interactions within dynamic project environments.

In this study, the fishbone model (Figure 1) was used to synthesize insights from project documentation, management reviews, and post-implementation reflections related to HFG’s international service delivery. Each major factor influencing overseas performance was classified into thematic categories reflecting macroenvironmental influences, competitive conditions, solution adaptability, localization readiness, resource allocation, and implementation capability. Within the diagram, orange indicators denote core issues that exerted critical effects on project timeliness, cost performance, and customer satisfaction, while blue indicators reflect secondary challenges requiring tactical management attention. Grey indicators represent contextual elements that were assessed as having minimal relevance to the current performance gap and were therefore excluded from strategic priority actions.



**Figure Error! No text of specified style in document.: The Company Global Expansion Underperforms Fishbone Analysis**

(Source: Self-developed)

This structured diagnostic process highlighted that the primary constraints were concentrated in areas related to solution customization, product localization, and implementation coordination, particularly in markets characterised by regulatory uncertainty, talent shortages, and evolving digital infrastructure. These findings provide the analytical foundation for refining HFG's international service model and inform the development of targeted intervention cycles aimed at improving delivery efficiency, strengthening customer experience, and enhancing international project performance.

### Implications

The findings from this study provide several practical and strategic implications for Fintech firms that are expanding internationally through innovative service delivery models, particularly those originating from China such as HFG. The evidence indicates that internationalization performance in host markets is shaped not only by technical capabilities and prior domestic success, but also by how effectively firms adapt their service models to regulatory environments, industry norms, institutional expectations, and customer behavior patterns in the destination country. For HFG, gaps in service alignment, regulatory engagement, localization depth, and communication structures highlight the importance of transitioning from a product-centric delivery mindset toward a more responsive and customer-oriented service model. This reinforces the need for firms to integrate cross-functional collaboration, localized partnership mechanisms, and structured feedback systems to strengthen their capacity to respond to operational challenges and stakeholder expectations in overseas markets.

From an organizational perspective, the intervention cycles implemented in this study demonstrate the value of structured diagnostic inquiry and iterative improvement processes for enhancing international service performance. The experience of HFG illustrates that internationalization challenges are rarely confined to technical or product-level issues, but are often embedded in coordination processes, service workflows, role clarity, and cross-border knowledge translation within multinational teams. The study also highlights the strategic importance of investing in local human capital, strengthening bilingual communication competencies, and institutionalizing learning mechanisms that enable firms to accumulate contextual knowledge over time. These implications extend beyond HFG and provide actionable insights for other Fintech enterprises seeking to improve market embeddedness and operational resilience in international settings.

## CONCLUSION AND FUTURE RECOMMENDATION

This study contributes to the understanding of Fintech internationalization by examining how an innovative service model can be strengthened through systematic problem diagnosis and intervention in the context of a Chinese Fintech firm expanding into the Malaysian market. Through the diagnostic process, the study identifies key challenges related to service alignment, regulatory coordination, localization practices, and internal communication structures, which collectively influence the effectiveness of HFG's international service delivery model. The intervention cycles demonstrate that targeted improvements in process integration, stakeholder communication, and customer engagement mechanisms can enhance responsiveness, operational coherence, and service performance outcomes. The findings reaffirm that successful Fintech internationalization requires not only technological capability, but also organizational adaptability, learning orientation, and context-sensitive service design.

Future research may further extend this work by examining how similar intervention-based approaches can be applied across different stages of internationalization, different host country environments, and across Fintech sub sectors such as digital payments, credit services, and financial platform ecosystems. Longitudinal studies could explore how capability development, service innovation, and organizational learning evolve as firms deepen their international presence. Comparative case research involving firms from different countries or operating across multiple regions would also enrich understanding of how institutional contexts shape service model adaptation strategies. Building on the experience of HFG, future studies may investigate how digital governance structures, data trust dynamics, and cross-border regulatory collaboration influence the sustainability and scalability of Fintech internationalization efforts.

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