

An Examination of Key Issues in a Small Chinese Manufacturing Firm's Internationalisation: A Longitudinal Case Study Approach

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ABSTRACT

In contributing to the literature at the IE/Marketing interface, the aim of this research is to understand how Chinese small firms internationalise. The four key issues emerged and discussed are: (1) market orientation; (2) knowledge and entrepreneurial learning; (3) social capital; and (4) innovation. This was examined by employing a longitudinal qualitative case study using the grounded theory approach. This thesis is empirically-based, and is characterised by three key features: a) it uses a process approach; b) it focuses on its contribution to the growing body of the IE literature by exploring a unique case phenomenon; and c) it provides a 'micro-level' perspective: the key issues were examined as they evolve in the process of firms' internationalisation.

The methodology is grounded in a social constructionist approach in which narrative accounts are used to develop understanding of the processes of entrepreneurial internationalisation, over a period of six years. Data were gathered primarily through in-depth interviews and observations on-site. A number of important results emerged from this study. Key findings are: (1) whilst individual's knowledge plays a vital role in decisions made to expand internationally, the competence to learn and absorb capacity at the firm level overall played a significant role in the growth stage and in sustaining the overall competitive advantages and performances. (2) Social capital plays a crucial role in small firms' internationalisation however, its various dimensions plays a dissimilar role in the process. (3) MO and innovation appears to be factors, embedding within, and interacting with, other factors, acting as both antecedent and outcome of international expansions. Moreover, the close coupling of these four key issues and their interaction with various factors has been advanced to explain the forward momentum of firms' internationalisation. Finally, an integrated conceptual framework was developed which offers a holistic view in IE and in China for future theory testing.

Keywords: International Entrepreneurship; Small firms; Market orientation; Knowledge, Social capital; Innovation; China; Case study, Manufacturing

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DEDICATION

This thesis is dedicated to my father, Professor Wenyong Liu (刘文勇), who has taught me that 'Where there is a will, there is a way'.

To you, father in heaven.

PUBLICATIONS

I would like to emphasise that I am doing a conventional PhD degree NOT a PhD by publications. I consider, however, it is important to list the publications that part of this work has been published, as well as to reflect and outline the impact of the publications on writing the thesis.

People (as well as many PhD students) often ask a question - “whether it is a good idea to publish papers during a PhD or not?”. Whilst I recognise that different people may have dissimilar answers to this question, to me, the answer certainly is ‘Yes’. This answer derived upon reflections made on my journey during the last 7 years in doing the PhD degree (yes, nearly 8 years).

I have to admit that to get publications during my PhD was a distraction, to an extent, which has prevented me from submitting my thesis at the end of a normal registration period (6 years for P/T). Upon reflection, however, I consider there are some positive impacts on my knowledge and understanding in conducting research and writing an academically rigorous thesis. The key impacts are outlined as the follows:

(1) Peer review – By getting journal editors’ and peer reviewers’ comments and critique of the work submitted, I was able to improve my understanding to ensure that I know what I am ‘talking about’ in the knowledge field, based on useful and constructive feedback from the editors and reviewers.

(2) Skills and experience – Publishing in journals is a complex process. I have enhanced my academic knowledge and writing skills during this process. Particularly, it has also given me a more complete picture of research for thorough reasoning and inferences.

(3) Research update – given that this is a longitudinal study, the nature of the research manifests in a longer period of time spent on research. So many new

insights have been discovered during the course of writing for publications, when critiques have been received from the peer reviewers. Presenting at conferences provided me with opportunities and insights in updating my research and knowledge in the field.

I confirm that part of this work has been published as the following journal papers (6) and conference papers (9):

Journal Papers (6)

1. Scott, J.M., Harrison, R.T., Hussain, J. and Millman, C. (2014), 'The role of *guanxi* networks in the performance of women-led firms in China', ***International Journal of Gender and Entrepreneurship***, Vol. 6, No. 1, pp. 68-82.
2. Li, Z., Millman, C. and Chi, R. (2013), 'Innovation source and performance: A firm-level analysis of high-tech sector in China', ***Global Business and Economics Review***, Vol. 15, No.4, pp. 327–349.
3. Millman, C., Li, Z.W. and Chi, R.Y. (2012), 'Technology imports, product exports and firms' R&D investment: an empirical analysis of firms in the Chinese high technology sector', ***Prometheus: Critical Studies in Innovation***, Vol. 30, No.2, pp.179-198.
4. Li, Z.W. and Millman, C. (2011), 'Government support, international trade and firm's R&D investment: Evidence from Chinese high-tech industries', ***Journal of Science and Technology Policy in China (JSTPC)***, Vol. 2, No. 2, pp. 146-158.
5. Li, Z.W., Chi, R.Y. and Millman, C. (2010), 'Technology imports and product exports on firms' R&D investment: an empirical study of Chinese

high-tech industry', *Studies in Science of Science*, Vol. 28, No.10, pp. 1495 – 1501.

6. Hussain, J., Scott, J.M., Harrison, R. and Millman, C. (2010), “Enter the Dragoness”: Firm Growth, Finance, *Guanxi*, and Gender in China’, *Gender in Management: An International Journal*, Vol. 25, No.2, pp. 137 – 156.

Conference Papers

1. Millman, C. (2012), ‘Entrepreneurial Learning: Capabilities and Knowledge Transfer in SMEs’ Internationalisation’, *35th Institute for Small Business and Entrepreneurship, (ISBE), Annual Conference, Dublin, Ireland 7-9 November 2012.*
2. Harrison, R.T., Scott, J.M., Hussain, J. and Millman, C. (2012), ‘The role of Guanxi Networks in the performance of women-led firms in China’, *The Joint Australian Centre Entrepreneurship Research Exchange and Diana International Entrepreneurship Conference, Fremantle, Western Australia, 31st January – 3rd February 2012.*
3. Millman, C. (2011), ‘Social Capital, Knowledge Transfer and Innovation: A Dynamic Perspective on Small Firms’ Internationalisation’, *34th Institute for Small Business and Entrepreneurship, (ISBE), Annual Conference, Sheffield, UK 9-10 November 2011. (Nominated for the Best Track (Network & Innovation) Paper)*
4. Millman, C., Li, Z.W. and Chi, R.Y. (2010), ‘Innovation, Exports and Technology-Imports - Evidence from Chinese High-Tech Firms’, *Proceedings of International Society for Professional Innovation Management, Bilbao, Spain 6-9 June 2010.*

5. Millman, C. and Li, Z.W. (2010), 'Firm-Level Resources and R&D Investments - Evidence from Small Chinese High-Tech Firms', Proceedings of *International Networks of Business and Management Journal*, Valencia, Spain 1-4 June 2010.
6. Millman, C., Li, Z.W. and Chi, R.Y. (2010), 'Technology Imports, Exports and R&D - Empirical Analysis of Chinese High-Tech Firms', Proceedings of *European Academy of Management (EURAM) Conference*, Rome, Italy 19–22 May, 2010.
7. Scott, J., Harrison, R., Hussain, J. and Millman, C. (2009), "'Enter the Dragoness": Firm Growth, Finance, Guanxi, and Gender in China', Proceedings of the *XXIII Research in Entrepreneurship and Small Business (RENT) Conference*, Budapest, Hungary 19-20 November 2009.
8. Li, Z.W., Millman, C. and Chi, R.Y. (2009), 'Government Support & Internationalisation on Chinese High-tech Firms' R&D Investment', Proceedings of the *32 Institute of Small Business and Entrepreneurship (ISBE) Annual Conference*, Liverpool, UK 3-6 November 2009.
9. Scott, J.H., Millman, C., Hussain, J. and Harrison, R. (2008), "'Enter the Dragoness: Financing Growth in Women-Led Firms in China', Paper presented at *Diana International Research Symposium*, Belfast, N. Ireland UK 1-3 November, 2008.

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CHAPTER ONE - RATIONALE, CONTEXT, SIGNIFICANCE AND ORGANISATION OF THE THESIS

1.0 Introduction to the chapter

The focus and relevance of this study is international entrepreneurship (IE) and, specifically, with how small firms internationalise. This topic is explored within a specific context, that of the manufacturing industries in northeast China. This thesis analyses and examines the process of small Chinese manufacturing firms' internationalisation by employing a longitudinal qualitative case study method. The four key issues examined are: (1) the conditions and management of market orientation; (2) the role of knowledge and entrepreneurial learning; (3) the perceived role of social capital and (4) the types and roles of innovation.

This introductory chapter presents a brief overview of the thesis. Section 1.1 outlines the main concepts of the study. Section 1.2 provides a rationale for the research with an introduction to its background offered in Section 1.3. Section 1.4 states the research aims and objectives. Sections 1.5 and 1.6 provide the research contextual settings. The significance of the research is highlighted in Section 1.7. Section 1.8 outlines the structure of the thesis.

1.1 Main concepts of the study

The purpose of this section is to introduce the main concepts used in the thesis.

1.1.1 International entrepreneurship (IE)

Although there is no single agreed definition of IE, as an emerging academic discipline, it has been examined from diverse perspectives. McDougall and Oviatt (2005) as "the discovery, enactment, evaluation and exploitation of opportunities across national borders to create future goods and services" (p.540), focusing on the entrepreneurial behaviour at the firm level (Andersson and Victor, 2003). In this thesis, the researcher augments the two definitions defined by McDougall

and Oviatt (2000; 2005), by including the study of individual entrepreneurial actions (Anderson, 2000) within firms. Therefore, IE is defined as “individual entrepreneurial actions, such as: innovation, pro-activity, and risk-seeking behaviour, within a firm as used for the discovery, enactment, evaluation and exploitation of opportunities across national borders to create future goods and services”.

1.1.2 Internationalisation

Internationalisation of a business is seen as undertaking business activities in a country other than the firm’s home country (McCole *et al.*, 2010; Johanson and Vahlne, 1990). This broader scope of the concept was adopted for this research, which combines various definitions provided by Beamish (1990), Covin and Slevin (1991), Andersen (1993) and Casson (2000), respectively.

“(Internationalisation) is a process by which firms both increase their future and establish and conduct transactions with other countries”. (Beamish 1990, p. 77)

Moreover, it combines Covin and Slevin’s (1991) definition, which describes internationalisation as a composite of: behaviour, innovation, pro-activity, risk-seeking and value creation. Furthermore, following similar thinking, Anderson (1993) and Casson (2000) define internationalisation as it entails entry into new country markets, and may therefore be described as a process of innovation. Internationalisation in this thesis is defined as

“an innovative process by which firms proactively seeking opportunities by making outward movement and entering new country markets, conducting transactions and creating values by adapting the firms’ operations, such as strategy, structure and resources, to compete in an international environment”.

1.1.3 Small and medium-sized enterprises (SMEs)

With respect to defining SMEs, a distinction can be generally made, according to the quantitative criteria for assessing size, including: number of employees, annual turnover, total payroll, balance sheet total and net product (Brooksbank,

1991; Peres and Stumpo, 2000). However, definitions of SMEs vary within different countries as well as industries (Storey, 1994).

The concept of SMEs in China is relatively new and emerged with the opening up of China to the market economy in 1980s. Over nearly three decades, the dimensions used to categorise SMEs has changed. The latest one was based on the *SME Promotion Law* of China in 2003, which sets the guidelines for classifying SMEs, and has replaced the old ones that came into effect in 1988, and the supplementary criteria of 1992. Accordingly, the dimensions including the number of employees, annual revenue, and total assets are used as criteria to define SMEs (Liu, 2008). For the manufacturing industry specifically, SMEs is defined as: either less than 2000 employees, an annual turnover of no more than 300 million Yuan (Chinese currency approximately 30 million Pounds), or a total asset of no more than 400 million Yuan (approximately 40 million Pounds). The criterion of the number of employees for SMEs in China is significantly broader compared with the developed countries (Xie *et al.*, 2013).

For the purpose of this research, the researcher followed the definition of an SME, guided by the *Law of SME promotion* in China issued in 2003, and limited her sample to Chinese firms that have fewer than 2000 employees, given the research context. Therefore, the main determinant of SMEs' definition in this thesis is the number of employees. The ownership is not the determinant for the definition of SMEs in this research, but this will be identified by reviewing different types of ownerships of SMEs in China. In this research, it is the privately owned small firms that the case is based upon.

1.1.4 Market Orientation (MO)

There are two different conceptualisations of MO. The first one describes MO as part of organisational culture, which leads to the creation and the delivery of superior value for customers (Narver and Slater, 1990). In contrast, the second conceptualisation conceives MO as specific behaviours of the organisation linked to the generation, dissemination, and use of the information inside the

organisation (Kohli and Jaworski, 1990). In the context of internationalisation, Cadogan and Diamantopoulos (1995) introduced the export market orientation (EMO) construct, by integrating the two dominant views of MO. EMO is conceptualised as made up of three different behavioural components: export intelligence generation (EIG), export intelligence dissemination (EID), and export intelligence responsiveness (EIR). This EMO definition is adopted for this research.

1.1.5 Knowledge, knowledge transfer and learning

Knowledge is defined as “a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organisations, it often becomes embedded not only in documents or repositories but also in organisation routines, processes, practices and norms.” (Davenport and Prusak, 1996, p.5)

Knowledge is embedded among organisational members and can be explicit or implicit (Kogut, 1988). Knowledge transfer is regarded as how to coordinate, share, distribute, and recombine individual knowledge (Nonaka and Takeuchi, 1995; Grant, 1996; Spender, 1996), which emphasise the capabilities of learning. Learning capabilities are characterised by deliberate learning investments focused on improving the organization’s ability to adapt to change (Zollo and Winter, 2002; Romme *et al.*, 2010).

1.1.6 Social capital

In general, there is lack of consensus on a precise definition of social capital (Nahapiet and Ghoshal, 1998) because it is still in the ‘emerging excitement’ phase of the life cycle typical of an umbrella concept (Hirsch and Levin, 1999). In this thesis, the researcher follows Nahapiet and Ghoshal’s (1998) conceptualisation:

Social capital "...is the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships processed by an individual or social unit" (p.243).

1.1.6.1 Networks

It is important to distinguish between different types of networks (Andersson and Wicker, 2003). For this thesis, the researcher adopted Julien and Ramangaly's (2003) categories of networks: personal networks (emotional relationships based on trust), networks or business transactions (stakeholders both upstream and downstream) and informational networks (other sources of new information). Formal and informal personal networks (Knight and Cavusgil, 1996) were also included. This network concept in the context of China is closely associated with *Guanxi*.

Although *Guanxi* is a Chinese word, it seems to be a widespread practice internationally. Within the English language *guanxi* is often expressed in terms of 'personal connections' and/or 'networks'. *Guanxi* has been identified as a key concept in understanding the China's practice of business (Luo, 1997; Park and Luo, 2001) and is defined as the "existence of direct particularist ties between one or more individuals" (Tsui and Farh, 1997); as "informal, personal relationship networks and exchanges of favours that dominate business activities throughout China" (Lovett *et al.*, 1999). The focus here is upon a complex and extensive system of carefully "weighted" business/personal informal connections and favours as a substitute for more formal institutional contract relationships (Xin and Pearce, 1996; Scott *et al.*, 2014). For this thesis, the researcher argues that *guanxi* as personal connection which manifests itself in various ways that are specific to the Chinese situation, but also exhibits localised manifestations of a wider human phenomenon (Huang, 2013). Moreover, it is a crucial institutional force that is embedded in a Chinese firm's external environment (Luk *et al.*, 2008).

1.1.6.2 Trust

There is a consensus that there are various definitions of trust (Janowicz-Panjaitan and Noorderhaven, 2009; Vangen and Huxham, 2003). The researcher adopted Forster and Nilakant's (2005) definition of trust for this thesis, which covers three aspects: (1) Trust has been seen as a social phenomenon and can be studied in interpersonal, inter-organisational and institutional levels. (2) Trust is a structure formed by interdependent relationships. (3) Trust is associated with risk and uncertainty in relationships.

1.1.7 Innovation

Innovation can be viewed as new to the target audience (Boer and During, 2001), as a new process (El Sawy *et al.*, 1999), and openness to new ideas as an aspect of a firm's culture (Hurley and Hult, 1998). It implies a firm being proactive by exploring new opportunities (Menguc and Auh, 2006). Three areas were mostly focused upon in innovation surveys (Chudnovsky *et al.*, 2006): (1) innovation inputs other than R&D expenditures, such as: industrial designs, training, licensing and innovation-related fixed asset investments; (2) the interactions in which firms engage during the innovation process; and (3) the innovation outputs, estimated by the weight of new or significantly improved products and their resulting turnover at the firm level. These measurements are largely related to firms that are high-tech in nature, hence not appropriate for firms in traditional manufacturing sectors. For this thesis, considering the above-mentioned literature, the researcher defines innovation as "the creation of new or more effective products, processes, services, technologies and method of management that is new to the context and are accepted by markets, governments and society". The emphasis here is of innovative behaviour in generating and using new methods and practices rather than innovation.

1.2 The research rationale

Globalisation is a massive, unrelenting and forceful process that is unlikely to halt or reverse. The seminal article of Oviatt and McDougall (1994) pointed to the internationalisation of new ventures (INVs) by entrepreneurial, smaller and younger firms and signalled the need for the beginning of a new stream of research (IE), apart from the field of International Business, and possibly signalling the emergence of new field of scholarly inquiry concerning a new breed of firms. Etemad (2004) argued that although the actual practices of IE, or entrepreneurial internationalisation, as a recognised field of practice which has had a long historical standing even going back to the ancient times, the scholarly counterpart of the IE field is relatively young and contemporary (Etemad, 2016), is still being considered as an emerging field (McDougall-Covin *et al.*, 2014). Whilst Coviello *et al.* (2015) consider that IE seems to have differentiated itself and that much progress has been made to establish IE as a credible and identifiable field of research, they have also pointed out that IE needs to improve its social mobilisation with a formal structure and its legitimacy with a more rigorous approach to method (p. 9). Therefore, it is proposed that the diversity of approaches and of theoretical perspectives should continue to strengthen the emerging field of IE (Servantie *et al.*, 2016), and to find new ways to further enrich its knowledge.

This requires that researchers in IE continue to integrate new developments from its mother disciplines – International Business and Entrepreneurship (McDougall and Oviatt, 2000), as well as new perspectives and concepts from other fields (Etemad, 2016). Specifically, recent comprehensive reviews (Servantie *et al.*, 2016) of IE generally or in the context of emerging and transition economies show that the three branches of IE, that is, *entrepreneurial internationalisation; international comparisons of entrepreneurship and comparative entrepreneurial internationalisation* still suffer from many gaps related to theory, context, and methodology (Jones *et al.*, 2011; Kiss *et al.*, 2012 and Peiris *et al.*, 2012). This research aims to contribute to the emerging knowledge body of IE generally, but

in the *entrepreneurial internationalisation* branch particularly. Using a longitudinal single case study has allowed the researcher to trace the evolution of the internationalisation processes of the BG firm, with the development of an integrated conceptual model, in turn, to strengthen the understanding of IE fields, its theories and contexts.

From the perspective of contexts, Dana *et al.* (1999) presents that a unique trait of IE is its situated position, at the intersection of these two distinct mother fields of research. Knowledge in the field of international business has expanded rapidly in recent years, largely impacted by its global environment. At present, producers not only compete with local and national competitors but also producers from around the world (El-Gohary *et al.*, 2013). In recent years, rapid globalisation of the environment, the liberalisation of trade and investments has gone through a transformation. Specifically, the use of efficient worldwide communications technology and transportation, the decrease in governments' protectionist policies, and the resulting decrease in the number of geographically protected market niches has made it possible (McDougall and Oviatt, 2000, p. 902). Therefore, these immediate advances in technology, among other patterns and trends in the latter part of the Twentieth Century, have also accelerated the actual infusion of entrepreneurship (McDougall and Oviatt, 2000; Oviatt and McDougall, 1994, 1995) as businesses in an increasing number of countries are seeking international competitive advantages through entrepreneurial innovation (Simon, 1996, p.3). Specifically, accelerated internationalisation has been observed even among the smallest and the newest organisations (Oviatt and McDougall, 1999). However, how different institutions influence the international development of firms from emerging economies, such as China (Kiss *et al.*, 2012) is still neglected by prior IE studies.

In the field of International Business and entrepreneurship, research focuses on the process of internationalisation have received considerable attentions over the last several decades. Most studies have focused on either staged (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977, 1990) or very rapid and

radical internationalisation (Knight and Cavusgil; 2015; Coviello 2015; Cavusgil and Knight, 2009). The Uppsala Internationalisation Model has been criticised as insufficient to explain the phenomenon of BGs, a phenomenon also known as leap-frogging (Fink, Harms and Kraus, 2008; Gabrielsson, Gabrielsson and Seppälä, 2012). Although the BG phenomenon is at the centre of IE research, recent literature has identified that some BGs have either slowed down, exited or re-entered international markets (Nummela *et al.*, 2016; Sleuwaegen and Onkelinx, 2014) or their internationalisation paths showed serial nonlinear patterns (Vissak and Masso, 2015; Vissak and Francioni, 2013). This suggests that the later stage of small BG firms' internationalisation still needs considerable research attention (Zander *et al.*, 2015; Vissak and Zhang, 2016). This mirrors the latest call by Trudgen and Freeman's (2014) and Welch and Paavilainen-Mäntymäki's (2014), calling for the further understanding of BG's longitudinal development. Hence, the longitudinal nature of this research allowed the researcher to be able to have a closer look at the entire process of the BG case's internationalisation's input, process, output as well as paths.

In the field of strategic management, it was agreed upon by scholars that firms cannot use the same strategy on all markets due to a dissimilar macro environment (Xu and Meyer, 2012). Likewise, different factors in the home country can simultaneously cause and affect internationalisation (Benito, 2015; van Tulder, 2015). Specifically, both Dikova *et al.* (2016) and Zander *et al.* (2015) found that the home context affects both internationalisation motives and processes. With the onset of globalisation, the growth of China's real economy has become of major importance to the global economy (Xue and Liu, 2015). Recently, China has produced many internationally active SMEs such as BGs, which represent an important trend, particularly because such firms are characterised by limited resources (Zhang *et al.*, 2016). However, the impact of China's uncertain institutional environment is that markets do not regulate entry and exit in China. According to He and Cui (2012), a firm's survival is constrained by limited access to capital and raw materials, which are controlled by the government and redistributive sector.

Therefore, it cannot be over-emphasised that the institutional environment in China is critical in understanding business in general, and firms' internationalisation behaviour, in particular. Consequently, a noticeable characteristic of the large volume of literature on IE in China is that most of the research takes a 'macro-perspective', focusing on various general economic factors and other issues at an institutional level. Although the institutional-based view could be useful to make a comparative analysis of different institutional frameworks at the macro level, it could, however, be inappropriate to evaluate the impact of these institutional frameworks on the firm's behaviour because the direction and the extent to which institutions matter depend on how individuals (that is, the firm's managers or entrepreneurs) perceive and interpret their institutional reality (Liesch *et al.*, 2011; Volchek *et al.*, 2013). Given the importance of such a perspective in research, the problems and the key issues in small firms' internationalisation in China revealed by these studies require new efforts in examining the key issues in the process of internationalisation at a deeper, longer and 'micro' level as well. Specifically, key issues such as the individual entrepreneurial behaviour aspects and 'how' they develop and evolve during the 'journey' needs to be addressed. Moreover, the understanding of China's institutional reality needs to be developed from individual entrepreneur's perceptions.

Likewise, there is growing recognition that the entrepreneurial behaviour needs to be interpreted in the context in which it occurs in entrepreneurship discipline. For example, Shane (2000) defines the institutional context to be composed of the economic, political and cultural environment in which the entrepreneur operates (p.177). Martinelli (2004) further stated that institutional context may influence entrepreneurial attitudes and motives, the resources that can be mobilised as well as the constraints and opportunities for a venture's decision and performance in internationalisation. As such, China's institutional environment makes the country a fascinating laboratory for scholars interested in the interface between institutions and individual's behaviour and attitude (Welter and Smallbone, 2011), and it is suggested that this is particularly true to business

ventures in emerging economies (Hoskisson *et al.*, 2000; Steensma *et al.*, 2000) in general.

The rapid development of emerging and transitional markets is changing the landscape of the world economy. Among these, China is considered as the largest and the most influential emerging market economy. In the last two decades, China has achieved remarkable growth of gross domestic products (GDP) and its exports, which attracts the world's attention, whilst China has a surplus of balance of payments. The modern technical innovation, especially the rapid developments in the information technology sector, furthermore, the world manufacturing industry has changed tremendously, escalating the need for globalisation of the manufacturing industry (Lan and Wu, 2010).

As one of the largest economies in the world, entrepreneurship has greatly contributed to China's economic development in recent decades (Poutziouris *et al.*, 2002; Zapalska and Edwards, 2001). According to Li (2002) and Li *et al.* (2003), despite the latent entrepreneurial spirit that is embedded in the traditional Chinese society, it took a dramatic change in economic policies that allowed entrepreneurship to take hold, expand and develop to its present unique and dynamic form, which, in turn, will require an empirically rigorous approach to this rapidly expanding topic (Li, 2002, p.26). Likewise, the rising importance of SMEs in China's internationalisation has increased research interests in this area. Policy makers, practitioners, as well as academia are developing a better understanding in terms of the driving forces, characteristics and behaviour of these Chinese internationalising SMEs. Often, due to the size and lack of resources, it is perceived that it is hard for SMEs to enter the global market, to be able to sustain their business, and to survive in the international markets.

As China has become involved in globalisation, SMEs have been actively looking for international opportunities by virtue of various economic and political conditions. However, it is recognised that there is a gap in the understanding of how Chinese small firms internationalise and the process associated with this.

Lan and Wu (2010) propose that in its transition period of economic development, China's economic system is immature. Accordingly, existing Western economic theories may not be suitable for the Chinese economy. Particularly, a small manufacturing firm must keep its market information up to date and adapt itself to changes, in order to succeed and prosper in international markets in order to undertake competitive stress and cultural variation. Moreover, entrepreneurs of privately owned enterprises (POEs) have difficulties in developing their capabilities because they face many obstacles (Jiao *et al.*, 2010). In addition, the Chinese government was using the 2008 financial crisis to rebalance and restructure its economy. This rebalancing requires reducing export dependence, slimming the current account surplus and relying more on domestic consumption (Shutt and Cheng, 2009), which would have an impact on small firms' internationalisation: attitude, strategy and behaviour. Therefore, further research is needed in understanding the longitudinal development of small manufacturing firms' internationalisation in China.

In light of this, this study provides an in-depth insight into small manufacturing firms' internationalisation by employing a longitudinal qualitative approach. The main purpose of this research is to explore small Chinese manufacturing firms' internationalisation process. Specifically, the study seeks to examine the following four key issues:

- 1) Market orientation conditions and its management;
- 2) The role of knowledge and entrepreneurial learning;
- 3) The perceived role of social capital by entrepreneurs;
- 4) The types and roles of innovation.

These four areas of study have been developed alongside both the review of the theoretical literature, the researcher's early research on knowledge management (Liu, 2003), and the fieldwork for the thesis. The reasons for the four key issues identified as the *foci* for the research are provided with more details in the next section, with knowledge gaps identified in Chapter 2.

1.3 The research background: Reasons

Studies on firms' internationalisation have been extensive in the past, however, the changing and dynamic international environment warrants new insights. This study proposes three reasons for undertaking a fresh exploration, with a particular emphasis on the role of the four issues identified in relation to IE. There is an ongoing interest in IE by academia, policy makers and practitioners; hence this section starts by providing an evaluation of the respective perspectives.

Firstly, in relation to academic research, as briefly outlined in section 1.2, many IE studies are focusing on internationalisation within the SMEs context, emerging from the mother disciplines of international business and entrepreneurship. BG has evolved as the most common term used to describe the speed and size of firm's internationalisation, which has caused the rapid growth of IE as a research field in the last decade (Andersson, 2011; Moen, Sørheim and Erikson, 2008). However, Bouncken *et al.* (2015) proposed that the field of IE should be examined as to what extent the concept of BGs is suited to rethink old paradigms or to develop existing theories further. Similarly, it is acknowledged that there are no unique conceptions or frameworks that have been identified as the basis for the study of IE (Jones and Crick, 2001; Oviatt and McDougall, 2005; Fillis, 2007; Smallbone and Xheneti, 2008). Cesinger *et al.* (2012) argued that this could be due to the different conditions for internationalisation, in which such phenomenon occurs. Hence, they conclude that a singular definition seems to be inappropriate and always has to be adapted to the specific context, respectively; it has to be positioned in a definitional corridor (p.1818).

A review of the literature identified three perspectives relevant to this study, which is discussed in-depth in Chapter 2, in relation to how and why the four key themes were chosen. Although there have been many studies in internationalisation, recently with some of them focusing on SMEs at the firm level, research in this area is limited and remains fragmented (Krugman, 2007). There still lacks a comprehensive theoretical explanation and causal models of the phenomenon

(see for example, Knight and Cavusgil, 1996; Oviatt and McDougall, 1997; Servais and Rasmussen, 2000; Mort and Weerawardena, 2006). Moreover, there are gaps in understanding the international entrepreneurial activities in transitional economies such as that of China. The entrepreneurial strategy, motives, barriers and issues, given China's emerging eminent economic position, warrants the importance in examining the entrepreneurs in small BG firms.

Secondly, in the public policy arena, entrepreneurship has been claimed, to act as a catalyst in improving national economic performance, productivity and innovation, however, there is a lack of consensus among policymakers about how this can be further stimulated and sustained to promote a nation's competitiveness (for example, OECD: 1998; *Reynolds et al.*, 2001). Among these, social capital – defined as the norms and networks enabling people to act collectively (Polanyi, 1966) and the ongoing contextualisation of economic activity in social relations (Granovetter, 1985) is increasingly being considered as having positive outcomes, and underpinning successful economic development (Putnam, 1993; Maskell and Malmberg, 1999; Taylor and Leonard, 2002) at the national level. However, the concept of 'social capital' is ill-defined in different social contexts with its elements and roles varying. In the context of China - 'one size fits all' is inappropriate. Furthermore, there is little research focused on the role of social capital in international entrepreneurial ventures with a 'process' focus. Hence, a Chinese context will partly provide a different lens in understanding the roles of 'social capital', a widely used term in entrepreneurship research in the western context. This study will go some way to ameliorate the gap and will make contribution in the Chinese context. This, in turn helps to bridge orthodox divides among policymakers, scholars, and practitioners.

Finally, for the individual business practitioner who intends to involve business partnership or collaboration with those in China, the practical understanding of what elements of social capital are and how they work in their international entrepreneurial processes (collaboration as well as competition) is likely to be of benefit to them. In the late 2000s, the Chinese government began encouraging Chinese firms to make investments in foreign countries (Bhaumik and Co, 2011).

According to a recent report, “China's outbound direct investment by non-financial firms jumped 16.8 percent to \$90.2 billion [in 2013] from 2012” (Wang and Qing, 2014). Few however had developed the internationalisation capabilities to make these investments successful (Hitt *et al.*, 2001). Moreover, the market-based structures were still in the process of development, requiring business managers and entrepreneurs to overcome problems using more traditional practices derived from Chinese culture, the practice of which is referred to as *guanxi* (Lu *et al.*, 2013). Therefore, understanding and operation of social capital within China's context will assist individual entrepreneurs and potential collaborators to understand the ‘what’ and ‘why’ of social capital and that knowledge might contribute or inhibit their successful internationalisation process which could provide guidance for better performance. In addition, entrepreneurs built relationships in which trust developed with partners over time, and in which there was a norm of reciprocity (Li *et al.*, 2013) which suggests that a longitudinal study is needed in order to understand this process in the institutional context of China.

Therefore, these reasons as discussed above demonstrate that there are knowledge gaps in the following areas: How Chinese institutional environment influences the attitude, behaviour, strategy and motivations of business entrepreneurs' internationalisation? What are the specific ways and paths in which entrepreneurs expand internationally and successfully? Whether issues such as knowledge and learning, social capital and innovation play an important role in their internationalisation? If so, which one is perceived as more important amongst the alternatives, and at which stage of the internationalisation process? How do entrepreneurs manage market orientation in this international process? As such, these questions indicate that a gap exists in the knowledge of IE, especially in the context of China and this provides the rationale for this thesis.

1.4 The research objectives and questions

As an exploratory and longitudinal study, the aims of the investigation are twofold:

- 1) To gain an in-depth understanding of small firms' internationalisation process in the context of China;
- 2) To explore and examine the dynamic roles of the four key issues in the different stages of Chinese small firms' internationalisation process;

The exploration and examination of the dynamic roles of the four research issues in the different stages of small firms' internationalisation is intended to provide linkages between theory and practice. The analysis of the general attitudes and perceptions aims to examine how Chinese entrepreneurs perceive the most important issues in the process of internationalisation. This analysis should advance the understanding of small firms' internationalisation process in China. The thesis also provides valuable insights for Chinese practitioners and policy makers.

To achieve the twofold aims, the following research objectives are operationalised:

1. To critically review the existing literature in the knowledge fields associated with IE; and to identify key issues which impact small Chinese firms' internationalisation process.
2. To examine market orientation conditions, its management, and its effects on small firms' internationalisation.
3. To explore the role of knowledge and how individual entrepreneurs develop entrepreneurial learning capacity while engaging in the internationalisation process.
4. To evaluate the perceived dynamic role of social capital in small firms' international strategy, behaviour and performance.
5. To identify the types of innovation and their relationship with firms' internationalisation.

The translation of the above research objectives into research questions is illustrated in **Table 1.1**.

Table 1.1 – A summary of research objectives and associated questions

Research objectives		Research questions
1.	To critically review the existing literature in the knowledge fields associated with IE and to identify key issues which have impact on small firms' internationalisation process.	What are the key issues being identified and examined that contribute towards small firms' internationalisation in the understanding of existing knowledge? What key issues can be considered and used as a framework for this research?
2.	To examine market orientation conditions, management, and its effects on firms' innovation and internationalisation.	What behaviour was adopted at the organisational level in terms of being market oriented? How is this being managed and coordinated? What impact does the market orientation behaviour have on firms' innovation and consequent internationalisation?
3.	To explore the role of knowledge and how individual entrepreneurs develop entrepreneurial learning capacity while engaging in the internationalisation process.	What knowledge plays which types of roles in small firms' decisions, attitudes and perceptions in their internationalisation? How is learning being developed at individual and organisational level during this process? How is this being transferred and managed at inter and intra-organisational level in this process?
4.	To evaluate the perceived dynamic role of social capital in small firms' international strategy and performance.	What construct of social capital plays which role in the internationalisation process? Are they remaining the same in this process? How does social capital influence small firms' internationalisation decision, attitudes, risk perceptions and the subsequent expansion strategy and performance?
5.	To identify the types of innovation and their relationship with firms' internationalisation.	Is innovation important to Chinese small firms' internationalisation? If so, what types of innovation were adopted?

1.5 The research setting: Notion of entrepreneurship in China

China, as one of the world largest developing countries, has become the major player in the global economy and has attracted world attention. One of the striking features of China's economic reforms and its transformation from a 'command' to a 'market' driven economy is the rise of the private sector. The emergence of Chinese indigenous entrepreneurs is the offspring of these market reforms and their growth is deeply embedded in the process of this market orientation. With the economic development and emphasis on globalisation, China's institutional environment continues to develop along with those in transitional and emerging economies (Holmes *et al.*, 2013).

Since the initiation of the 'open door' policy adopted in 1978 along with other economic reforms, China has undergone a gradual transition from a centrally-planned economy dominated by public ownership to a market economy through selective privatisation of state-owned enterprises (SOEs) (Bai *et al.*, 2006; Cao *et al.*, 1999). The most important changes began in the early 1990s; for instance, market reforms were implemented in 1992 (Puffer *et al.*, 2010). This was further advanced by the Chinese government which began encouraging Chinese firms to make investments in foreign countries in the late 2000s (Bhaumik and Co, 2011). According to Puffer *et al.* (2010), another important economic reform is the official recognition and sanctioning of entrepreneurial activities in the early 2000s. Therefore, driven by entrepreneurs who try to capture the opportunities arising from the changing economic environment, domestic private businesses have been gradually permeating the economy in China (Ralston *et al.*, 2006). Therefore, the fast-expanding private sector, which has been the driving force of China's most recent wave of industrialisation, contributes towards one of the most vibrant periods of social mobility China has seen in recent history (*ibid*, p.828). However, entrepreneurs and their firms still had to overcome the ideological bias against such business practices emanating from the older institutions (Lu *et al.*, 2013).

1.5.1 Private sector evolution: Institutional factor

This study mainly focuses the ongoing incremental evolution of the private enterprises since the foundation of China in 1949 (Flynn and Xu, 2002). Specifically, Li (1995) stated that the emergence and performance of Chinese SMEs is not determined only by environmental factors in the market economy, but also by other factors such as institutional determinants. Tan and Tan (2005) state that the unique aspect of the Chinese economy in transition is that it constitutes the co-existence of contrary and opposing systems: socialism and capitalism, together they moved China forward in its transition with its own 'style'. Incrementally, the reforms were defined and redefined to achieve the creation of a "socialist market economy with Chinese characteristics", labelled by the Communist Party of China (CPC). The notion of *Chinese characteristics* in this context signifies the recognition of the society's indispensable link with its past; it also expresses the political aspiration to pursue modernisation within a framework of socialist objectives and institutions (Lu *et al.*, 2003, p.502).

Scholars have noted that China's reforms have three key features: decentralisation, incrementalism, and pragmatism (Nehru *et al.*, 1997). Tan and Litschert (1994) suggested that the business environment in the 80s after China opened its doors to the West was characterised by a lack of codified information, arbitrary and particularistic government regulation, and high levels of turbulence and hostility directed at entrepreneurial activities. During this period (1978-1988), the government shifted its focus away from administrative control and moved toward market coordination (Boisot and Child, 1988). Thus, two systems started to co-exist: the socialist system and the capitalist market-based system. As a result, this chaotic environment brought the 'gales of creative destruction' (Schumpeter, 1950) and hence is conducive to entrepreneurial activities.

Since the 1990s, transition intensified, codified information diffused, and bureaucratic controls have given way to the market form of governance (Boisot and Child, 1988). Moreover, with the advancement of the 'open door' policy and

integration with the world economy and marketplaces, the increased globalisation and technological innovation have reshaped the competitive landscape that State-owned enterprises (SOEs) faced (Nolan, 2001). SOEs faced a rapidly changing political environment that had become much less favourable. Specifically, the Chinese domestic markets that had been previously protected for SOEs have been under constant attack by non-state domestic firms as well as foreign competition, while opportunities emerge overseas for more proactive firms (Tan and Tan, 2005, p.151). Hence, the old rules are being challenged, resulting in the fact that the old structure and boundaries have become blurred.

This has led to the emergence of new opportunities and a new generation of entrepreneurs who have grown out of the old state planning system. Therefore, under the pressure from external political and economic forces, and motivated by the desperate fight for legitimacy and survival (especially after the 1989's movement), various changes have been made to reform legal institutions to improve the clarity of the system and to provide more protection for private property (Nolan, 2001, p.28). Mathews and Zander (2007) claimed that among many peculiarities about the Chinese institutional environment, one important aspect is the ownership arrangement of Chinese SMEs. Hence, the private owned enterprises (POEs) sector is growing rapidly, and its impact on the Chinese economy has increased substantially (Cooke, 2008).

Whilst ownership is one of the important institutional forces, Child *et al.* (2003) found that *guanxi*, among others is one of the key institutional forces that affect cross-border operation in China. Small firms typically respond to their environment by either developing and exploiting opportunities or reacting to perceived threats (Kolk and Fortanier, 2013). Private businesses in China, such as most of the BG firms, lack the legitimacy and necessary political backing to enjoy reliable access to capital. They must depend on private and often informal sources of credit (Huang, 2003), often reliance on personal and organisational networks in managing internationalisation dynamics (Mathews and Zander (2007). Therefore, government support and *guanxi* have been identified as two

major institutional forces that best reflect the unique characteristics of China's institutional environment (Zhang *et al.*, 2016).

1.5.2 SMEs' evolution: Historical development perspective

There is an increased recognition of the role of history in examining entrepreneurship and various management disciplines (Mason and Harvey, 2013). From a historical development perspective, Chen (2006) identified that there are roughly three development phases chronologically, along with the development of China's reform and opening-up as depicted in **Table 1.2**.

Table 1.2 - Chinese SMEs historical development phases and characteristics

Phases	Characteristics
First (1978-1992)	SMEs are set up by townships, villages, several households (or partnerships), individual household (or private), or jointly by Chinese and foreign partners through shareholding mechanisms or shareholding cooperative systems. Most located in rural areas. China had around 500,000 enterprises that could be classified as private firms (Gregory and Tenev, 2001).
Second (1992-2002)	Milestones: Deng Xiaoping's Southern Tour in 1992 voiced the epoch change with "to get rich is glorious", which legitimised private-owned enterprises (POEs), signalling the Communist Party's approval of individual entrepreneurship. In 1993 - 'socialist market economy' replaced 'socialist commodity economy'. In 1999 - Constitution amendment symbolised the establishment of the socialist market economy. Structure reform and reduction in the number of SOEs. By 1997, about 60 per cent SMEs were in urban areas (China Yearbook, 1998). A new class of private and collective firms emerged, these are radically different from the SOEs and are more entrepreneurial (Chen, 2006).
Third (since 2002)	SMEs' Promotion Law being promulgated (2003), another milestone for the development of private sectors. Private

	entrepreneurs are becoming recognised as an emerging social class in China.
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Source: The researcher, adapted from Chen (2006).

1.5.3 Entrepreneurship and Chinese entrepreneurs: A summary

As illustrated in section 1.5.1 and 1.5.2, although private SMEs as a concept in China started in the 50s, by 1965 private entrepreneurs as a social class disappeared entirely due to government policies. The Chinese concept of 'entrepreneur' is different from that as being perceived by scholars in the western countries. Although the non-public economy (as identified in China) was given a fresh start in 1978, the situation did not change significantly until 1988 when the private economy was legitimised and re-emerged. As such, it could be considered that the notion of 'entrepreneur' in China has a different historical background from that of the western one; hence the exploration in the context of China will add additional value in advancing the knowledge of IE, as the subject is examined through an alternative lens. Table 1.3 summarise the concept of entrepreneurship in the private sector in China, and compares it with references to the western concepts.

1.5.3.1 Structural reforms of SOEs in China

The emergence of entrepreneurship and development of SMEs, especially the privately-owned ones, are closely associated with the structural reforms in China, mainly during 1992-2002. This has important implications for observable entrepreneurial behaviour (Lu *et al.*, 2003). The structure of China's industrial governance contains two parallel hierarchies: that of administration and that of the party (p.483). Hence the rapid economic growth achieved with political and social stability is the essence of China's success story and this uniqueness sets China apart from other developing countries, for example, those in the former Eastern Bloc. This weakening of formal institutions offers some benefits for Chinese firms.

In the context of industry, under the two-economy system (Malik, 1997), the central government retained responsibility for strategy in the development of heavy industry, whilst leaving the Chinese SMEs with a relatively free rein in the labour-intensive consumer goods market. This is considered as one of the major reasons for ownership re-structuring (Qian and Weingast, 1997). Moreover, the market competition has intensified thus putting pressure on local government to reform, on firms to improve their competitiveness and to develop their capacity for survival and growth. As a result, overall, the number of 'conventional local firms,' namely SOEs and collectives, declined, resulting in some of the small SOEs being sold off to private individuals.

Benefits from a huge domestic market, BG firms also exist in China, in both SOEs and POEs. Chinese SMEs quickly go international right after their inception, successfully integrating themselves into the global market. However, Li and Zhou (2009) argued that to some extent, these Chinese BGs are quite different from BGs in industrialised economies. They found that most of these small firms are engaged in traditional manufacturing industries and export business, and often their internationalisation decisions are profit-orientated (Li and Zhou 2009) rather than simple market-searching-oriented (Madsen and Servais 1997).

Table 1.3 Entrepreneurship conceptualisation in private sectors in China – reference to policy and legislation development

Types	Year evolved	Policy & Legislation	Attributes and characteristics	References with Western concepts
<i>None during the period of 1949 – 1956</i>				
<i>Getihu</i> and individual businesses	Around 1978 and through 80s	Urban Industrial Enterprise <i>Getihu</i> Legislation (1981) Rural Individual Enterprise Legislation (1984)	Mainly in retail and service sector, e.g. street vendors with low social status and often criminal and illegal migrants with no residence, and low level of education	Self-employed, sole traders influenced by ‘push’ factors as means for subsistence
<i>Siyingqiye</i>	Late 1980s	Provisional Act of Private Enterprise (1988); Provisional Private Enterprise Tax Law (1988); Corporative Venture Law (1988)	Engineers and ex-SOE employees; often highly educated individuals; Civil Servant and employees in public sector	Private enterprise, private business, and SMEs in private sector
Socialist Market Economy and formal recognition of private sector: <i>Getihu</i> , <i>Siyingqiye</i> , <i>Siyouqiye</i> , TVEs, and SOEs	Early 90s	Xiaoping DENG’s tour of Southern cities; Rural Joint Stock Company Law (1992); Policy to encourage private economy (1993); Company Law (1994); Partnership Enterprise Law (1997); Security Law (1999-2000);	Towards late 80s, Private sector became the major contributor towards economic development; more highly educated individuals started businesses with more civil servants and ex-government policy-makers, and ex-SOEs employees starting their businesses.	SMEs in private sector; entrepreneurs, managers in SOEs which are undertaking privatising process, and managers in TVEs.
SMEs in non-public economy	2001 – accession in WTOs	SME Promotion Law (2003); Amended SME Promotion Law (2004, 2005); Property Law (2007); SMEs Loan Promotion Law (2008)	Individual entrepreneurs: graduate entrepreneurs; overseas returning entrepreneurs, and Internet knowledge-intensive entrepreneurs; collaborative entrepreneurs	Entrepreneurs in private sector; corporate entrepreneurs, overseas returning entrepreneurs (<i>Haigui</i>) and Internet entrepreneurs

Source: Developed by the researcher, adapted from Millman *et al.* (2006) and Atherton (2008)

At the turn of 21st century a 'partial shock' (*bufen gaizhi*) model was implemented to reform the systems of the SOEs. The term "partial" implies that reforms would only target those State-owned SMEs (SOSMEs) whose management system had not been transformed into a modern enterprise system. The term "Shock" means that reforms specifically focused on the completion of property transfer and conversion of employees' identity in a given period of time, normally within two years (Wang and Yang, 2006). Therefore, notwithstanding the less-than-favourable institutional environment, the private sector is considered to be the most dynamic component in China's economy, as evidenced by the sector's high growth in productivity (Wang, 2000).

In China, private enterprises' developments are perceived as being politically and economically biased throughout the economic reform and have been subject to discrimination in business dealings (Lu *et al.*, 2003). This unfavourable institutional environment often results in the personal attributes of entrepreneurs and their social networks determining their entrepreneurial decisions, hence the social capital issue is one of the *foci* of this study. Social capital is associated with the overall social culture rooted deeply in Chinese historical development. Hence, to understand the evolution of the Chinese private sector, apart from developing the understanding of the institutional environment, it is also important to appreciate the evolving cultural influence on people's attitudes and motivations towards entrepreneurship and in becoming entrepreneurs.

1.5.3.2 Private-sector evolution: Cultural perspective

In the field of entrepreneurship, scholars consider that the social and cultural approach regards entrepreneurial behaviour as being influenced by a rich set of factors from the social environment (Light and Siegel, 2008). This social dimension of entrepreneurship rightly argues that individuals will only activate their entrepreneurial potential if they are exposed to a favourable socialisation process

and gain social support (Wu and Li, 2011). Therefore, in examining the evolution of entrepreneurship in China and specifically that of the private sector, it is important to focus more on the cognitive dimension (Scott, 1995; 2003; Ashlstrom and Bruton, 2006) of the institutional profile in China; and to understand some of the underlying cultural influences on entrepreneurship (Dana, 1999).

Entrepreneurship in China has gone through a tremendous paradigm shift. In the Mao era, private entrepreneurship was a political taboo (Guihex, 2006; Peng, 2004) and was not socially accepted (Siu, 1995). However; according to Kshetri (2007), China later earned a reputation as one of the world's most entrepreneur-friendly countries. Broadly, China's transition to a market economy is a process of a change of people's mindset. The reasons for becoming an entrepreneur differ from individuals, from one country to another depending on economic, political, social, and cultural environment in which entrepreneurs operate (Hung *et al.*, 2011). Yueh (2007) suggested that Chinese entrepreneurs are motivated to work and are driven to look for better economic opportunities. Loyalka and Dammon (2006) noticed that entrepreneurs are gaining more respect in society lately; however, private enterprise has developed in China without private property rights for most of the reform period. This has led to collusion between local governments and entrepreneurs and related rent-seeking behaviour (Garnaut and Song, 2003).

Low institutional trust, coupled with the emphasis on Confucianism, has placed relationship at the centre of business dealing, on filial loyalty and kinship relations, which has led to the family, and to lesser extent friends, becoming the primary locus of trust. This is to protect against outside threats (Child and Möllering, 2001). It has been noted that *guanxi* is one of the particularly significant concepts in Chinese culture, which refers to the quality of a personal relationship outside of an individual's immediate family (Lockett, 1988, p.483; Scott *et al.*, 2014). Chen *et al.* (2004) propose that ties or *guanxi* based on family, relatives, hometown connections, schoolmates, or even colleagues are all-important in Chinese society. Similarly, both

Henley and Nyaw (1986) and Scott *et al.* (2014) pointed out that the management of Chinese enterprises is located within a network of interlocking relationships. Empirically, Nee (1992) found that managers' networking with local officials leads to better performance of new ventures in China.

In particular, Chinese culture is relation oriented, and kin solidarity and trust plays an important role in the growth of the entrepreneur (Peng, 2004; Carlisle and Flaynn, 2005). Mirroring this, Puffer *et al.* (2010) argue that informal institutions, such as *guanxi* and trust, play important roles in filling formal institutional voids, which were reflected as missing property rights protection and enforcement. Similarly, management researchers (Kelly *et al.*, 1987, Ralston *et al.*, 2006) claim that both cultural upbringing and the immediate environment play significant roles in shaping individual attitudes and behaviour from management and organisational perspectives. Given the unique cultural context of China and the changing institutional environment, the perceptions of entrepreneurship are changing and so too does entrepreneurs' behaviour. To study entrepreneurship within the Chinese context, it is important to adopt a longitudinal process approach to explore the dynamic roles of social capital in small firms' internationalisation process, as the institutional environment and people's perceptions continue to change over time during the economic development in China.

1.6 Regional disparity

Central to the study of entrepreneurship is an understanding of factors that influence entrepreneurial activity, which may differ based on geographic location (Song and Winkler, 2014). In China, entrepreneurship and small business development needs to be recognised within the geographical and related socio-cultural context. This is because China is a large country with significant variations in linguistic, cultural and community identities from region to region (Smallbone and Welter, 2009). The

differences in governmental policies between provinces effectively segmented regional markets and characteristics.

As such, the development of entrepreneurship typically varies considerably between regions and localities, and the regional disparity is widening (Yang and Xu, 2006). The eastern region dominates private sector development, accounting for 67 per cent of all private firms in 2005 and 66 per cent of private sector employment (Atherton and Smallbone, 2010). These disparities arise partly out of initial factor endowments and their resulting competitive advantages; and partly as a result of the implementation of different policies.



Figure 1.1 – Map of China

Although various factors have been examined to explain the disparity of entrepreneurship and small business development in the past, limited evidence suggests that these factors are significantly associated with entrepreneurship differences across the regions (Wu and Li, 2001). With the emphasis on

decentralisation and local experimentation with market reforms. Private sector development has been greatly influenced by local conditions, including the attitudes of local government towards the role of the market. For example, the eastern provinces and municipalities of Jiangsu, Zhejiang, Guangdong, Shanghai and Shandong account for almost half of all private enterprises in China (Atherton and Smallbone, 2010).

As one of the largest economies, in both historical and modern time, several groups or provinces have been used to designate the various regions of China (Batson, 1996). Generally these were grouped according to their physical proximity, as well as economic and cultural similarity. For example, as Figure 1.1 shows, East China (Hua Dong) is around the mouth of the Yangtze River and consists of the municipality of Shanghai and the provinces of Zhejiang and Jiangsu. Densely populated and highly urbanised, this region is the most prosperous in Chinese history and is productive in both agriculture and industry. For example, ranked the fourth among Chinese provinces in terms of GDP (€ 310 billion in 2011), the economy of Zhejiang is built on successful private SMEs and their successful exports (Zhang *et al.*, 2003; Lin *et al.*, 2016). Northeast China (Dong Bei) refers to the three provinces of Heilongjiang, Jilin and Liaoning, with the port city of Dalian (as shown in figure 1.1). This region is home to heavy industries manufacturing. Cui and Liu (2000) suggested, as the “rust belt” of the country, this regional economy has been slow in reforming its economy and SOEs. People here are still struggling with the remnants of the command economy and have been slow to reap the benefits of reforms (p.61).

In the context of entrepreneurship and small business development, specifically, Yang and Xu (2006) studied the characteristic of regional differences in entrepreneurship in China. They found out that the distribution of SMEs displays a tendency of polarisation, leaving great gaps among various provinces. For example, Zhejiang province (as shown in Figure 1.1) scores the highest ranking and appears to be the most active region with the SMEs at the most developed stage, hence

current entrepreneurship and internationalisation literature in China is largely focusing on this region/province due to its total entrepreneurship activities (TEA) and export outputs. In contrast, while entrepreneurship and small business development was taking advantage of regional industry upgrading; Liaoning province (as shown in Figure 1.1) together with Hubei and Jiangxi were still focusing on large SOEs. In particular, for historical reasons, there are more industrial cities in the northeast of China, where Liaoning province is located. In Liaoning province, the ownership and industry structure were so out-dated that they constrained the development of SMEs, thereby resulting in their poorer positions in the rankings. China is the largest transitional economy and has significant regional disparity, all with a dissimilar embedded culture lying in a diverse regional institutional environment. By focusing on a small manufacturing firm located in a region in which entrepreneurial activities is ranked low could provide a unique context with historical institutional and cultural environment embedded in to develop a holistic view on its internationalisation longitudinal development.

1.7 The significance of the research

IE as a knowledge field is a strong multi-disciplinary and multi-context field of scholarly inquiry. Among these, much debate focuses on whether IE constitutes an emerging field of research or simply a subfield of entrepreneurship or international business (Etemad, 2016). Jones *et al.* (2011) in their analysis revealed three main themes in IE: (A) entrepreneurial internationalisation, (B) international comparisons of entrepreneurship and (C) comparative entrepreneurial internationalisation. Recently, Servantie *et al.* (2016) conducted a co-citation analysis, reviewed literature in IE field between 1989 and 2015 and showed that external contributions from other disciplines and perspectives have enriched IE knowledge and nurtured the development of new concepts and theories. They pointed out the future direction for developing this emerging IE field, adding that researchers should continue their endeavours to integrate new developments from international business and

entrepreneurship, as well as new perspective and concepts from other fields (p.194). This research contributes in achieving this goal, in synthesising concepts from Marketing and Innovation Management to explore small Chinese BG's internationalisation within the manufacturing industry. This contributes to the diversity of approaches and of theoretical perspectives which continues to strengthen the emerging field of IE (Coviello *et al.*, 2015).

A number of researchers in the export behaviour literature have analysed the decision to export as an innovation (Simmonds and Smith, 1968; Roux, 1987; Samiee *et al.*, 1993). Indeed, Ibeh (1998, p. 20) and Ibeh and Young (2001) suggest that exporting is an entrepreneurial act defined as “the process by which individuals either on their own or inside organisations pursue export market opportunities without regard to the resources which they currently control or environmental disincentives which they face” (p.567). Moreover, international entrepreneurial firms need to understand and explore a range of sources of innovation continuously. It is suggested that in a modern environment, forms of innovation should be extended to include both domestic and international network activities (Young *et al.*, 2003). This research study contributes to this knowledge field, since innovation is one of the four key issues (as outlined in Section 1.1) being investigated in small firms' internationalisation.

From the perspective of strategic management, Ketchen *et al.*, (2007) propose that research frameworks need to be developed in understanding the relationships among collaboration, innovation and wealth creation in achieving new competitive advantages in an international context. In particular, as the Chinese economy became increasingly market-oriented, a much broader range of industries and sectors of the economy was opened to the private sector, and involvement in export-oriented ventures was encouraged (Liu and Eddie, 1995). Hence, organisations in more competitive environments can be expected to be more market-oriented (Lusch and Laczniak, 1987) because market competition generates considerable pressure

to improve both cost and quality, which in turn increases the need for strategies appropriate to these circumstances (Li, 1998). Likewise, Ellis (2005) claimed that when a market is competitive, the firm's market orientation, the degree of a firm's orientation to the competitive market, comes into play. Therefore, exploring MO issues in small firms' internationalisation process is important as the findings will contribute to advance understanding in this knowledge field.

Peng (2001) proposed that future international business examination 'needs to pay more attention to process and implementation-related issues' (p.821). Hence, this thesis aims to provide in-depth insights into the internationalisation process, using a longitudinal qualitative approach. As the word 'process' suggested, time seems to posit the dynamic evolutionary nature of this internationalisation journey. This research therefore, contributes to knowledge in IE by developing insights of the nonlinear internationalisation process by incorporating the later stages of small firms' internationalisation, instead of focusing only on the time, speed and radical internationalisation like BGs.

In summary, this research aims to extend the research direction in the field of IE by exploring 'what' and 'how' roles of the four key issues investigated extensively in the internationalisation process have on the international entrepreneurial firms. Therefore, the study contributes to three interfaced knowledge fields: international business, entrepreneurship and strategic management disciplines. More importantly, it brings insights in the emerging knowledge field of IE. This thesis is empirically-based and is characterised by three key features: 1) a process approach, that is, the key issues were examined using a longitudinal case study approach; to fill the gap in IE literature (Delmar and Wiklund, 2008). This process approach is also well suited to situations where there are complex and multiple variables and processes (Yin, 1994; Creswell, 2003). 2) The thesis is not intended to offer an all-inclusive review of the existing body of knowledge on IE in general and in China, in particular; rather it focuses on its contribution to the growing body of literature in the

field of IE by exploring a unique case phenomenon. 3) The thesis provides a perspective from a 'micro-level', that is, the key issues were examined as they evolve in the process of firms' internationalisation from the perceptions of individual entrepreneurs in the nonlinear internationalisation process.

1.8 Organisation of the thesis

The thesis is divided into eleven chapters.

First of all, **this Chapter** is the introduction which provides an overview of the research project. The research rationale, questions, aims and objectives are introduced. The organisation of the research project is outlined.

Chapter Two describes theoretical foundations for the present research and presents reviews of the literature on IE.

Chapter Three identifies and highlights the knowledge gaps in examining the fundamental issues in IE; develops a conceptual basis on which key factors and their close coupling inter-relations are being anchored, contextualised and investigated with logical correspondence, in order to operationalise the research process.

Chapter Four presents the theoretical foundations and practical issues with reference to the methodology employed in the present research, and rationale for research approach. This chapter presents the process of the research enquiry journey: design, methodology and methods. It outlines the approaches by which data were collected, and discusses the techniques used for data analysis.

Chapter Five presents the profiles of the case organisation which was used for this research and the categories that emerged.

Chapter Six, Seven, Eight and Nine each presents the data analysis, findings and discussions for the four key issues: (1) Market orientation conditions and its management. (2) Knowledge and entrepreneurial learning; (3) Social capital and (4) innovation in small firms' internationalisation. Each also evaluates and discusses the empirical findings with existing theoretical perspectives, with the managerial implications addressed.

Chapter Ten presents the data analysis, findings and discussions, integrating the four issues explored and discussed in Chapter 6, 7, 8 and 9, respectively. A holistic theoretical conceptual framework was developed, which was also discussed with existing theoretical perspectives.

Chapter Eleven provides a conclusion to the research study. Following a recap of the research focuses, it highlights the value of the research findings in terms of contributions to the theory of IE, the methodology and the management of the internationalisation process with reference to small firms in China. Finally, limitations of the research were highlighted, and directions for future research are proposed.

CHAPTER TWO - DISCIPLINE DEBATES: A REVIEWING OF CURRENT UNDERSTANDING

2.0 Introduction

This research starts with the literature review, as per advice that is contained in the majority of texts in research method, which describe how the research process is typically conducted. Case studies will then be performed based on the existing literature and frameworks, with the intention to contribute and fill in the gaps between existing academic knowledge and industrial practices. As such, the researcher started the literature review on existing studies in the field of IE, with the intention to understand the current knowledge in the field of small firms' internationalisation.

The literature concerned in this chapter is intended only to be representative; however, the researcher found that the volume of the material dedicated to the broad area of small firms' internationalisation is considerable, unless the researcher has specific research questions. At the outset of this research, to have specific research questions was not possible as the purpose of the literature review was to identify knowledge gaps and to formulate research questions. In light of this, writing the literature review chapter was challenging. Holding a philosophy of the combination of interpretive and social constructionism, what international entrepreneurs described has allowed the researcher to identify key research issues in the process of small firms' internationalisation in the context of China. Therefore, the majority of the literature was revisited subsequent to data collection, to reflect on these four key issues and their respective roles in the process of small firms' internationalisation.

Following Hart's (1988) approach, 'conducting literature review can justify the research topic, its design and methodology', this chapter reviews received theories on IE and develops a working research framework. The main purpose is to establish an understanding associated with the following questions: (1) Where is existing

understanding in the relevant theoretical areas? (2) What methodology was used with which results found? (3) Could this be explored with more insights should any other alternatives be applied? If so, will it make any differences? By doing this, it will enable the study and its methodology to be based on a clearly expressed and explicit understanding of previous research (Rea, 2004). This chapter therefore, serves as the theoretical foundation for the research, which also sets the epistemological and ontological grounds for this study.

Key debates are highlighted from the previous research so that the basis for re-engagement with the literature in analysing the case study accounts can be established. In order to demonstrate sufficient knowledge of what literature exists on the subject of small firms' internationalisation, the researcher carried out a general review of two types: (1) that which is written in the field of IE; and (2) that which is written in the context of China. In carrying out this review, two questions are posed:

- (1) What is described, suggested as the key issues in respect to the phenomenon of this study, that is small firms' internationalisation process?
- (2) What key issues can be considered and used as a working framework for this research?

These two questions are associated with the research Objective 1 (see Chapter 1). Following this introduction, the rest of the chapter is organised as follows. In Section 2.1, key concepts, operational constructs and the main streams of theoretical perspectives associated with IE are identified, examined and synthesised. Section 2.2 draws conclusions for the chapter.

2.1 International Entrepreneurship (IE): A Current Understanding

Research on international business in the past has been predominantly focused on large and multinational companies. Management of SMEs and new venture creation was rather the topic of interest for entrepreneurship scholars (McDougall & Oviatt, 2000). The publication '*Toward A Theory of International New Ventures*' (Oviatt and McDougall, 1994) of nearly two decades ago attracted worldwide attention to the growing role of young firms in the global marketplace, which was viewed as the first establishment of IE as a discipline. As pointed out by Dana *et al.* (1999), the study of these early and rapid internationalisation firms spawned two interconnected research streams – entrepreneurship and international business into a new one – International entrepreneurship. Therefore, the IE concept is devoted to the new ways of firms' internationalisation (Paweta, 2015).

A large number of studies in the field have since been carried out, building on Oviatt and McDougall's (1994) framework. Over years, while some of these studies have been faithful to the original framework by keeping its consistence; others have pointed out the weakness, gaps and contradictions of this framework. Autio (2005) states that once a dominant scientific paradigm has been established, scientific effort tends to be shaped by this paradigm and focuses on testing, validating and refining the dominant framework (p.9). This seems to be the case with knowledge emergence in the IE field. Consequently, a rich, multidisciplinary body of research has slowly developed with studies appearing under the label of IE. The following sections provides the historical development of the concepts and dimensions of literature emerging in the last two decades in the field of IE.

2.1.1 IE: Conception and Definitions

To define the concept of, and to review the literature of the internationalisation of SMEs, it is important to provide a historical background of the development of IE

knowledge field. In this section, the researcher presents an etymological summary to map out how the IE concept has evolved in the last two decades, since its first conception and the various definitions that are used in defining the concept with diverse perspectives.

As with any emergent field of study, a definition of IE is a work in progress (Oviatt and McDougall, 2005). Table 2.1 demonstrates the development of the definitions which define IE from various perspectives with a mixture of focuses. As shown in Table 2.1, although it is widely recognised that the initial impetus for studying the internationalisation of entrepreneurial firms came from Oviatt and McDougall (1994), however, Zahra and George (2002) argued that Marrow (1988) was the first one to use the term international new ventures (INVs). According to Marrow (1988), the recent technological advances and cultural awareness have opened previously untapped foreign markets to new ventures.

Following this proposal, the domain of scholarly research on business organisations was conceptualised formally in quadrants by McDougall *et al.* (1991). According to these scholars, IE is a more sparsely studied area (McDougall and Oviatt, 2000). Brush (1995) expanded on the boundaries of the domain of IE by examining narrow and broad definitions from literature in each territory, based on units of analysis, contexts, definitions and research focuses. This has shown the correlation between the international business and entrepreneurship fields of studies, hence the starting point of embedding entrepreneurship theories and focuses in the domain of IE.

From the small business internationalisation perspective, the international new venture (INV) was initially proposed by Oviatt and McDougall (1994). Autio (2005) claims that the significant contribution of Oviatt and McDougall's INV concept is that they filled the knowledge gaps between the traditional understanding of international business and entrepreneurship which suggests that the concept bridges small business and internationalisation. Specifically, according to Autio (2005), the

contribution of Oviatt and McDougall (1994) specifically lies in that they argued that scholars in international business had largely ignored the phenomenon of international expansion by entrepreneurial firms, especially those that internationalised early in their life cycle. With similar limitation, extant entrepreneurship literature had concentrated on the domestic activities of new businesses only. As such, Oviatt and McDougall (1994) proposed a broad framework that called for research on INVs and BGs. This could be observed from Table 2.1 that the focus of IE research had been generally limited to smaller and relatively young firms in the 1990s to early 2000s (*Phase I*) (Oviatt and McDougall, 2005). A research stream has begun to develop around the definition of INVs and BGs. INVs is defined as small firms that go abroad from inception and their activities are in contrast to those of incremental internationalised firms that enter a foreign country long after their establishment (McDougall *et al.*, 1994; Oviatt and McDougall, 1994, p.49; 1995). BGs are defined as entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets (Knight and Cavusgil, 2004). Hence, the IE literature during this initial period has focused more on the *time* dimension to internationalisation.

Table 2.1 - An etymological summary of the concept ‘international entrepreneurship’ (1988–2010)

Author(s)	Period	Key focuses	Framework	Sources of Seminal works	Conclusion
Phase 1 - International New Ventures (Speed)					
Marrow	1988	Technological advances and cultural awareness appeared to open previously untapped foreign markets to new ventures	N/A	<i>Entrepreneurship Theory & Practice</i>	Technological learning and cultural awareness for new ventures internationalisation
McDougall	1989	International new ventures or start-ups; Rapid internationalisation (building on Brokaw, 1990; Gupta, 1989; Manis, 1989);	Empirical studies comparing domestic and international new ventures	<i>Journal of Business Venturing</i>	From its inception, engage in international business and their operational domain is international from initial stage of firm’s operation
McDougall & Oviatt; McDougall, Oviatt & Brush	1991	Organisation types from geographic point of view	Empirical case based research	<i>Academy of Management Annual Meeting</i>	Typology
Brush	1992	Motivations for internationalisation and internationalisation strategies for small businesses	Deductive Hypotheses (n= 134 manufacturers)	<i>Academy of Management Annual Meeting</i>	Primary motive was found to be serendipitous, and responded to opportunities; Age at internationalisation was not found to be important for the success; Age at internationalisation was found to be characterised by different motives and strategies
Nee	1992	Entrepreneurship phenomenon on a global scale	Comparative	<i>Administrative Science Quarterly</i>	In the context of China
Hisrich & Grachev	1993	Entrepreneurship phenomenon on a global scale	Comparative	<i>Journal of Business Venturing</i>	In the context of Russia
Brush	1993	Domain of international entrepreneurship	Conceptualise	<i>Academy of Management Annual meeting</i>	Define definition of international entrepreneurship, based on unit of analysis, context of analysis and activities of interest
McDougall, Shane & Oviatt	1994	International new ventures	Comparative	<i>Journal of Business Venturing</i>	INVs – from inception seek to derive significant competitive advantage by using resources and selling outputs in multiple countries
Oviatt & McDougall	1994	Provided a theoretical base for the study of international new ventures by defining it	Conceptualise	<i>Journal of International Business Studies</i>	Define international new ventures, which sets study of the field of international entrepreneurship
Coviello & Munro	1995 1997	International networks	Empirical	<i>European Journal of Marketing</i> <i>International Business Review</i>	Role or networks in international market selection and entry

Oviatt & McDougall	1997	Accelerated internationalisation	Comparative case studies	<i>Management International Review</i>	Call for challenges for internationalisation process theory
Oviatt & McDougall	2000	"Born Globals"	High-tech firms	<i>Journal of International Business Studies</i>	Early stage internationalisation
Harveston & Kedia	2000	Differences between born global and gradually developing globalised firms	Comparative studies	Conference paper at Academy of Management Meeting	Highlights the differences between SMEs internationalisation and new ventures, and emphasises that the traditional SMEs internationalisation process theory may be inappropriate to apply with the new ventures internationalisation
Shrader, Oviatt, & McDougall	2000	foreign entry strategies of small new ventures	Empirical	<i>Academy of Management Journal</i>	Defining the phenomenon of "accelerated internationalisation" as firms engaging in international business activities earlier in their organisational life cycles rather than they have historically
Aspelund & Moen	2005	firms that seek internationalisation from inception	Empirical	<i>Management International Review</i>	Firms derive a considerable portion of total sales from foreign markets in their first years of operation.
Phase 2 Evolved to include entrepreneurship (corporate entrepreneurship) dimensions (Scope)					
McDougall & Oviatt	2000	Define international entrepreneurship consistent with the interests of entrepreneurship scholars in issues such as social entrepreneurship.	IE is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create values in organisations	<i>Academy of Management Journal</i>	Include corporate entrepreneurship
Shane & Venkataraman	2000	Emphasise that it is 'opportunity' and 'individual who takes advantage of the opportunities' that are the two key dimensions for defining entrepreneurship		<i>Academy of Management Review</i>	Point out that the creation of a new organisation is not a defining condition, which leads away from an emphasis on entrepreneurial orientations, which McDougall and Oviatt relied upon for their definition of International Entrepreneurship.
Autio, Sapienza & Almeida	2000	Effects of age at entry on international growth	Focus on high-technology firms	<i>Academy of Management Journal</i>	Origins in strategic management literature, equated with new entry or the act of launching new venture.
Lu & Beamish	2001	SMEs internationalisation		<i>Strategic Management Journal</i>	International performance
Zahra & George	2002	Organisational level behaviours		<i>Academy of Management Journal</i>	Focus on individual, group and organisational levels of behaviours are included.
Phase 3 International entrepreneurship as a process of enactment (Dynamic)					
McDougall & Oviatt	1997	Redefine IE research, independent of firm size and firm age	Theoretical	<i>Journal of Business Venturing</i>	New and innovative activities that have the goal of value creation and growth in business organisations across national borders
Zahra, Ireland & Hitt	2000	Technological learning		<i>Academy of Management Journal</i>	International expansion

Johanson & Vahlne	2003	Outlined a network model of internationalisation process	Case study observation	<i>Journal of International Entrepreneurship</i>	Experiential learning-commitment mechanism focuses on business network relationships. Network and networks relationships may explain the rapid internationalisation of firms.
Welch & Welch	2004	Stretch of traditional internationalisation theory and demonstrate that international entrepreneurship needs to be viewed in a broader way.	Longitudinal Case study (Sugary industry in Australia)	<i>Journal of International Entrepreneurship</i>	Role of network development is being perceived as central to the internationalisation process (Coviello and Martin, 1999; Andersson, 2000); Extensive network was necessary as a means of reducing perceived risks, and the processes were built on each other in an interactive manner, rather than as a stepwise one (Lamb and Liesch, 2002)
Oviatt & McDougall	2005	IE is the discovery, enactment, evaluation, and exploitation of opportunities- across national borders – to create future goods and services	Conceptualise	<i>Entrepreneurship Theory & Practice</i>	Definition that relies to a large extent on Shane and Venkataraman's (2000) definition. Focus on (1) opportunities; (2) not necessarily requiring the formation of new ventures; (3) corporate entrepreneurship; (4) highlights cross-border entrepreneurial activities
<i>Phase 4 International entrepreneurship as a process of enactment (Dynamic) – Longitudinal development</i>					
There is not enough evidence on firms' later internationalisation stage: Born globals' longitudinal development (Trudgen and Freeman, 2014; Welch and Paavilainen-Mäntymäki, 2014; Zander, McDougall-Covin, and Rose, 2015).					

Source: Developed by the researcher (2015)

Nevertheless, defining IE remains in a state of evolution. As Table 2.1 illustrated, IE's definitions and domain have become more inclusive and diverse over time. For example, at an early stage, McDougall (1989) defines IE as

“(IE) is...the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation.” (p.46)

This definition focuses on the ‘born global’ (BG) element of IE and with emphasis purely on INVs and the *speed* and *time* dimension of firm internationalisation. Wright and Ricks (1994) consider that the importance in this definition is “explicit integration of the generally accepted understanding of internationalisation as a firm-level activity that crosses international borders” (p.692). As it emerges, from a slightly different perspective, McDougall and Oviatt (1997) later added the value creation and innovation dimensions to this definition and propose that IE is

“...new and innovative activities that have the goal of value creation and growth in business organisations across national borders.” (p. 293)

Since these initial concept propositions, subsequent research proposed a number of conceptual questions. In responding to questions such as: is it age or firm's entrepreneurial activities that creates the advantages associated with internationalisation (Zahra and George, 2002), Oviatt and McDougall updated their earlier definitions of IE:

“...IE is a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organisations.” (McDougall and Oviatt, 2000; p.903)

Which clearly suggested that it is the actions that INVs undertake that appear to be a major source of competitive advantage.

It could be observed that this definition (2000) is derived from the concept of entrepreneurship, focusing on innovative and risk-taking entrepreneurial behaviour and orientation, making IE research independent of firm *size* and *age*, and focuses

more on the *entrepreneurial qualities* of firms (Zahra, 2005). However, this definition did not exclude entrepreneurship as purely small businesses' activities, and seems also to include large firms, for example, corporate or large public sectors, which are commonly being labelled as 'Corporate Entrepreneurship'. This suggests that the activities of international entrepreneurial firms can be multifaceted and complex, and the time to internationalise dimension on its own cannot explain their diverse behaviours and dissimilar ways to tap opportunities abroad. Indeed, the activities of these firms are 'open to almost infinite variation and disaggregation' (Mathews and Zander, 2007. P. 395).

Therefore, as outlined in Table 2.1, recent trends suggested that the IE research domain has been expanded with a much broader understanding, which mirrors the IE definition as defined by McDougall and Oviatt (2000). As shown in *Phase Two* in Table 2.1, there have been suggestions to expand the domain of IE research beyond the BGs and INVs, and to include the entrepreneurial activities both in small and large firms (Coviello and Jones, 2004; Dimitratos and Jones, 2005). While this research acknowledges the appropriateness of broadening the boundaries of IE research, it only focuses on that within the small firm domain of IE. Hence, the IE literature has relatively recently paid more attention to two other dimensions which might add to a more holistic account of the behaviour of the opportunity-seeking internationalised small firms (Jones and Coviello, 2005): one is international market presence, and the other is international mode (Prashantham, 2011), which has been largely overlooked by the IE literature.

From a different perspective, Zahra and George (2002) defined IE research as the study of "the process of creatively discovering and exploiting opportunities that lies outside of a firm's domestic markets in the pursuit of competitive advantage" (p. 260). This definition of IE seems embedded within the classic entrepreneurship theories which focus on opportunity recognition and exploitation, as well as emphasising on achieving competitive advantage as a firm-level strategy. Ireland *et al.* (2003)

extended this perspective and called for further understanding in studying the entrepreneurial behaviour as well as the process for internationalisation.

In responding to the Ireland *et al.*'s (2003) call and in agreeing with Weick's (1995) description of the entrepreneurship opportunity identification process as a process of enactment, Oviatt and McDougall (2005) revisited and reconceptualised their early definition for IE, making an adjustment on the definition:

"IE is concerned with the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services. It follows, therefore, that the scholarly field of international entrepreneurship examines and compares - across national borders - how, by whom, and with what effects those opportunities are acted upon". (p.540)

This updated focus of IE has moved away from an emphasis on entrepreneurial orientation, but more on opportunity recognition and exploitation. According to Welch and Welch (2004), networks and network relationships in this exploitation of opportunities process have been highlighted as that of multi-level interactions, rather than as a sequential stepwise action. Although no further attempts have been made in defining IE, entrepreneurship scholars however, have questioned the 'static' nature of these definitions with an emphasis on the 'process' nature (see for example, Shane and Venkataraman, 2000; Coviello, 2006). Hence, IE has been reconceptualised as a more dynamic process that evolves over time (Shane and Venkataraman, 2000).

Therefore, from the emergence of various definitions presented in Table 2.1 and discussed above, it could be argued that there is no unified definition for IE so far. Moreover, it could be observed that there was a widespread use of IE through the last two decades or so, since its inception. As such, it is difficult to provide a linear picture in terms of how the definitions of IE evolve over timely phases. This suggests that the definition of IE is a matter of continuing debate and evolution, as is that of entrepreneurship (Oviatt and McDougall, 2005). To summarise the conception of IE, even though it was identified as an important newly emerging research topic as early

as the mid-1990s (Wright and Ricks, 1994), the dimensions of IE have not yet been explored rigorously in existing literature (Rhee, 2002), neither does there exist a single agreed definition of IE.

Accordingly, whether one uses Oviatt and McDougall's original or revised definition, the effect of *age* and *firm size* on the competitive advantage that INVs derive from early internationalisation remains an open question (Oviatt and McDougall, 1994; 2005). In light of this, Zahra (2005) proposes that logic would suggest that *how* firms compete once they enter the global market arena is important, and perhaps the most decisive factor (p.26) in understanding IE. For this study, the researcher adopts the combined IE definitions given by Shane and Venkataraman (2000), Zahra and George (2002), and Oviatt and McDougall (2005), with an emphasis on the process and enactment of opportunity identification and exploitation. Specifically, this research aims to explore the '*how*' aspect of firms' internationalisation and uncover the factors that enable them in achieving value-added activities and sustain their competitive advantages in this dynamic internationalisation process. Davidsson (2015) mirrors this by proposing opportunity identification and exploitation are critical factors that drive behaviour of the firm. An increasing amount of literature in the field of IE support this notion that such a perspective could apply to the whole range of the international activities of firm concerned (Mainela *et al.*, 2014). This latest perspective contributed to the field of IE by adding that the behaviour of differences of those internationalised small firms might be attributed to international entrepreneurial culture characteristics (Dimitratos *et al.*, 2015).

Distinctively, this phenomenological, rather than theoretical, approach to the definition of IE triggered empirical and conceptual studies that make up the overwhelming majority of extant IE literature (Keupp and Gassmann, 2009), but there were conflicting arguments. Moreover, a lack of definitional rigour has directly and explicitly contributed to the fact that the theoretical perspective of the field is rather fragmented (McDougall and Oviatt, 2000; Autio, 2005). In conducting a

scientific review of IE literature between 1989 and 2005 over 567 peer-reviewed journal articles, Servantie *et al.* (2016) revealed five distinct clusters contributed to knowledge building in IE: (1) Internationalisation of SMEs; (2) International new ventures; (3) Born Global firms and networks; (4) Resource-based view of firms and (5) Conceptualisation and synthesis. This demonstrates that IE is a credible and identifiable field of research, though it is also believed that the diversity of approaches and of theoretical perspectives should continue to strengthen the emerging field of IE (Coviello *et al.*, 2015).

Given the original intention that IE should create a new field of academic study where theory on International Business (IB) and entrepreneurship intersect (Oviatt and McDougall, 2005), it is useful to review the understanding from these perspectives, respectively. In responding to these calls and recognising the multi-dimensional and multi-disciplinary nature of IE, multiple theoretical perspectives are therefore, drawn in the following three sections (Section 2.1.2 to 2.1.4). Each of these domains has a direct bearing on both the research questions given in Chapter One as well as the overall context of this study.

2.1.2 IE: International Business (IB) Perspective

Since IB research is relatively well-defined in the academic literature, IB scholarship is quite often being used to help in defining IE, it seems natural to start the review in this discipline. Specifically, Oviatt and McDougall (1994) proposed that IE as a concept was intended to extend the understanding in IB studies. Mirroring this, Buckley (2003) challenged researchers to 'think of their future work in terms of the past achievements of the discipline' (p.5), when he made comments on the IB research agenda. Specifically, Buckley (*ibid*, 2003) advised and suggested that, to move forward with IE research, it is appropriate to build on past understandings of international business and to re-conceptualise internationalisation as an entrepreneurial process of behaviour (Jones and Coviello, 2005). As such,

internationalisation of business organisations, including SMEs, is a popular subject of research in international business (Ruzzier *et al.*, 2006; Suarez-Ortega, and Alamo-Vera, 2005; Bae and Jain, 2003; Zahra *et al.*, 2000; Buckley and Casson, 1976). This section provides a review and analysis of the theoretical perspectives used in the IE field from an international business knowledge discipline, in the context of SMEs. The following sections synthesise the general approaches in understanding IB.

2.1.2.1 Hierarchical-centred approaches

The extant internationalisation theories tended to rely on large multinational firms as the unit of analysis (Coviello and McAuley, 1999). Specifically, various theories of IB tended to focus on factors influencing internationalisation. Among the large volume of literature on firms' internationalisation, the noticeable three streams of research are: *transaction cost economics*, *strategic behaviour*, and *organisational behaviour* (Sharma, 1992; Benito and Welch, 1994; Johanson and Mattsson, 1988; Styles and Seymour, 2006). These approaches have differences in other dimensions, but they all capture the dynamism of economic transactions in relation to hierarchical properties evolved from the interdependency at the organisational level. In this research, the researcher labels the streams of this kind of research as hierarchical approaches.

The transaction cost economics stream tends to focus on the cost benefits dimension derived from a home-grown advantage (Hymer, 1976) or from the internalisation of operations (Buckley and Casson, 1976; Hennart, 1982; Magee, 1977). Within this school of thought, the oligopolistic reaction theory is based on the premise that firms imitate the actions of competitors to reduce the risk of being different from other members of an oligopoly (Knickerbocker, 1973, p.23). Likewise, product life cycle theory (Vernon, 1966) also holds a view that firms make foreign direct investments only after competition becomes cost-based and the firm can no

longer serve the market efficiently through exports (p.8). Later, this stream was brought together in Dunning's eclectic paradigm (OLI) (Dunning, 1977; 2001).

The strategic behaviour stream is represented by the Uppsala School (also known as stage models) in which international behaviours are characterised by: staged processes, risk mitigation, and incrementalism (Johanson and Vahlne, 1977; 1990; Jonathan and Wiedersheim-Paul, 1975; Cavusgil, 1984). The Uppsala model suggests that the internationalisation process is a single phase in which the state of the status quo alternates cyclically with a state of change - before a change is initiated, first market commitment and market knowledge must be generated in a firm (Steen and Liesch, 2007). This stream is based on the premise that progress is in identifiable stages from exporting to multinational enterprise as they gain international experience. Conventional internationalisation process theory (Johanson and Vahlne, 1977, 1990) on traditional exporting firms suggests the aspects determining the incremental nature of the process are related to two factors: lack of market knowledge and uncertainty associated with the decision process. Specifically, the 'Uppsala model' defines internationalisation as a process of increasing experiential knowledge (Penrose, 1959), which focused on development over time and associated with firms' entry strategy and modes. This traditional process theory of internationalisation suggests that a venture's resources and experiences in its home markets facilitate its ability to expand into foreign markets in a path dependent process.

Hermel and Khayat (2011) emphasised the importance of leveraging between internal and external resources for rapid internationalisation of micro-firms and suggested that resource is one of key successful factors as well as driving factors for small and micro firms seeking international markets. Thus, this process has generally been conceptualised as a stage model of increasing levels of international commitment (McDougall and Oviatt, 2000). This approach is comprised of two basic concepts: the learning process and psychic distance (Collinson and Houlden, 2005).

The learning process considers competitive advantage can be achieved by integrating the knowledge gained from international experiences as it becomes easier for the enterprises to make decisions (Petti, 2004). Psychic distance has been widely used to explain a firm's behaviour during the internationalisation process (Dikova, 2009). The psychic distance is viewed as a factor preventing or disturbing the flow of information between firms and markets (for example, differences in language and cultural behaviour (Wiedersheim-Paul *et al.*, 1975; 1978). In this view, firms' behaviour is considered as a stage consequence of their commitment and therefore it is often being perceived in the process perspective (Autio, 2005), with a focus on the gradual, constrained pattern of internationalisation. Accordingly, the key themes of the stage model are: firms choose to enter markets over time cautiously depending on their knowledge, developed incrementally, including psychic distance and market knowledge.

Within this school of thought, the internationalisation transaction cost and resource-based approaches tend to emphasise rational and strategic decision-making criteria such as costs, investment, risk and control. It is assumed that foreign market entry decisions consist of discrete alternatives, and occur at specific and identified points in time (Jones and Coviello, 2005, p.288). Specifically, the network stream is characterised by multi-polar distributions of power and control (Johanson and Mattsson, 1988; Turnbull and Valla, 1986), and as a relational-centred approach is often being considered as a sum-stream of the process approach (Johanson and Vahlne, 1990).

Although the hierarchical-centred approaches can be used to explain small firms' internationalisation behaviours, they tended to be used for understanding larger multi-national enterprises' (MNEs) internationalisation (Johanson and Vahlne, 1977). Over years, it is important to recognise that the unit of analysis in understanding this field has been shifted to focusing more on smaller firms. *Entrepreneurial internationalisation* therefore, is proposed to be the *fourth* stream of

internationalisation research, following the above three hierarchical-centred approaches.

There were different opinions regarding the role of the process approach in understanding international behaviour. For example, Zahra (2005) pointed out that the traditional internationalisation process approach continues to be relevant and important in understanding the international expansion of SMEs. In contrast, the stage model has often been criticised for its inconsistency between the theoretical model and the stepwise behaviour in a market (Andersen, 1993). For example, according to Autio (2005), one of the most significant contributions of Oviatt and McDougall's (1994) framework in the field of IB studies is by mounting a direct challenge to the established process theory of internationalisation, in considering that entrepreneurs can take an aggressive internationalisation action. Likewise, researchers have found contradictory evidence suggesting that firms may skip important stages (Welch and Loustarinen, 1988), may serve foreign markets from inception (Ganitsky, 1989), and may internationalise far sooner than the stages (process) theory would suggest (Brush, 1995).

2.1.2.2 Born Global (BG) Approaches

Whilst certain SMEs internationalise gradually due to a combination of lack of knowledge about foreign markets, high-risk aversion, high-perceived uncertainty or similar factors (Madsen and Servais, 1997), others, known as BGs, internationalise from their inception or very shortly after (Jones and Coviello, 2005; Knight and Cavusgil, 1996). Lately, the advance of information, communication and technologies (ICTs) has made it possible for more business to be done at a distance. In particular, the emergence of the Internet, has brought many small firms on to the international stage, and has made this world become less bounded or with no boundary at all. Also, the development of digital technology has enabled SMEs with limited resources to engage in more cost effective market research and

communications (Ibrahim, 2004). Globalisation is thus “transforming the competitive environment of small and large players alike” (Dana, 2002). Particularly, as pointed out by Oviatt and McDougall (1994, 1997), the traditional slower stage model identified in IB did not elaborate on how the process gets started, given that the environmental conditions have changed considerably since the mid-1970s, due to advances in ICTs. Despite the inherent risks, SMEs seek to expand internationally or export to international markets to create growth opportunities (Zahra and Hayton, 2008), and develop new learning opportunities (Weerawardena *et al.*, 2007).

Specifically, as outlined in Table 2.2, in much of the internationalisation literature, there have been various *foci* on different aspects of firms’ internationalisation. For example, at the macro level focusing on external factors, Buckley (1997, 2003) states that the globalisation trends, including liberalisation of trade barriers and better and less expensive communication technology, facilitates firms, large and small, to adopt an international strategy, whether pro-actively or re-actively. In a similar context, another strand of internationalisation theory based specifically on risk assessment (Buckley and Casson, 1981; Hill *et al.*, 1990), states that political stability and low country risk are important factors in firms’ internationalising locational choice. In this view, high risk and uncertainty are treated as constraining factors on forward momentum (Johanson and Vahlne, 1977; Welch and Luostarinen, 1988).

Moreover, Table 2.2 presented that traditionally, a number of explanations have been proposed to account for firms’ internationalisation processes prior to 2000s. This is in line with the discussions in Section 2.1.2.1 regarding a number of variables for the stage model: for example, knowledge, resource, environment and managerial skills. Moreover, these perspectives identified and discussed earlier are mainly focused on using the firm as the unit of analysis. As indicated in Table 2.2, the most commonly researched firm level determinants of internationalisation have been *age*, *size* and overall *scope* of the firm (Katsikeas, 1994). For example, several studies

have found a positive relationship between a firm's age, as a proxy for experience, and the stage of internationalisation (Cavusgil, 1984). Likewise, Gilley *et al.* (2004) consider that a firm's maturity, operationalised as age, is related to firm level risk and strategy. Similarly, other studies have independently found that firm *size* and *scope*, as proxies for excess resources and know-how, are related to the degree of commitment to international markets (Burton and Schlegelmilch, 1987; Javelin *et al.*, 1998; Vernal and Dockers, 2002). Particularly, Lewis and Stubbs (1999) proposed that the scope of the firm's home country operations (local, regional, national) is one of the key determinants of international expansion where locally based firms may prefer to engage in national expansion before facing international markets.

As Table 2.2 indicates, Scholars, however, have recently identified inconsistent views of these aspects that are positively associated with firm level internationalisation decisions. Specifically, in contrast to those traditional studies in the field of IB, recent research findings post 2000s seem to suggest that in many cases, small firms are INVs, 'BGs', or 'Born Again Globals' (Rennie, 1993; Oviatt and McDougall, 1994, 2000, 2005; Bell *et al.*, 2004a), and are doing 'accelerated internationalisation' (Oviatt and McDougall, 2005), which is the emergent of the IE discipline. Whilst traditional IB studies focus on firm *sizes* and *age*, the emergent studies seem to focus more on speed, and are examining 'why' and 'how' small firms internationalise (Autio, 2005) in IE literature.

Table 2.2 - Review of International Business (Export, Management and Business) Literature Prior to McDougall and Oviatt's 1994 Seminal Paper on INVs Phenomenon

Study	Key Issues	Theoretical Perspective	Organising Themes	Methodological Approaches
Yaprak, 1985	Difference between exporting and non-exporting firms	Export literature	Size	Cross-classification analysis
Holden, 1986	U.S. exporters' opportunities in Europe	Export literature	Size	Descriptive statistics
Namiki, 1988	Small business export	Export literature	Size	Factor analysis, cluster analysis, ANOVA
Miesenbock, 1988	Compare empirical studies of small firm exporting	Export literature	Age	N/A
Walters & Samiee, 1990	Small exporting firm performance	Export literature	Size	Factor analysis, multiple regression
Tybejee, 1990	Internationalization of High tech ventures	Export, IB literature	Age	Regression analysis, significance tests
Shan, 1990	High tech firms' strategies	IB literature	Size	Logistic regression
Diehl, Koeglmayr & Mueller, 1990	SME export success factors	Export literature	Size	Regression analysis
Ray, 1991	New venture international opportunity recognition	Export literature	Size	Descriptive statistics
Holzmuller & Kasper, 1991	Export performance	Export literature	Size	Regression analysis, factor analysis, structural equation modelling
Ali & Swiercz, 1991	International competitiveness of SMEs	Export literature	Size	MANOVA
Kotabe & Czinkota, 1992	Assistance needs of export firms	Export literature	N/A	Descriptive statistics, factor analysis, ANOVA
Coviello & Munro, 1992	Role of linkages in the internationalization process	IM literature	Size	N/A
Bonaccorsi, 1992	Relationship between firm size and export intensity	Export literature	Size	ANOVA, Kruskal-Wallis test
Erramilli & D'Souza, 1993	Foreign market entry behaviour	IM literature	Size	Multiple and logistic regression analysis
Beamish, Craig & McLellan, 1993	Export performance	Export literature	Size	Pearson correlations
Ogbuechi & Longfellow, 1994	Export experience and export perceptions	Export literature	Size	Factor analysis, MANOVA
McDougall, Shane & Oviatt, 1994	Formation of international new ventures	Resource based theory	Age	N/A
Jaffe & Pasternak, 1994	Intention to export by SMEs	Export literature	Size	Factor analysis, linear regression
Cafferata & Mensi, 1995	Internationalization strategies and information services	IM literature	Size	N/A
McDougall & Oviatt, 1996	Impact of internationalization	IM literature	Age	Regression Analysis
Zacharakis, 1997	Foreign market entry	IB literature	Age/Size	N/A
Oviatt & McDougall, 1997	Challenge of INVs to existing internationalisation process theory	IB literature	Age	N/A
Autio, et al., 2000	Drivers of international growth in entrepreneurial firms	Knowledge based theory	Age	Panel Data Analysis

Source: developed by the researcher (2009), adapted from Coombs et al. (2009)

Researchers focusing on *speed* and *size* of firms in internationalisation have identified a number of conditions that might have contributed to the phenomenon of INVs and BGs. They are: (1) the flow of information from foreign markets had been enhanced, reducing the psychic distance and promoting greater international integration between markets; (2) the cost of international travel and communication had been reduced and its efficiency enhanced, enhancing firms' ability to coordinate cross-border activities; (3) international managerial experience had become more widely available, enabling firms to quickly acquire such knowledge; and (4) firms had become increasingly skilled, enabling them to exploit their unique and valuable resources through leveraging resources across national borders (Oviatt and McDougall, 1994, p. 51). Some studies hold a view that INVs, to internationalise successfully, much depend on the internal capabilities of the firm (Autio *et al.*, 2000; McDougall *et al.*, 1994; Zahra *et al.*, 2000), which emphasises the role played by an individual entrepreneur in managing international opportunities.

Therefore, INV theory opened a way "towards building a more comprehensive theory of new firm internationalisation – one that addresses the initiation, implementation and outcomes of internationalisation processes in new and entrepreneurial firms" (Autio, 2005, p.13). However, it was also noted the difficulty of defining the exact starting time of a new venture's existence (Oviatt and McDougall, 1994) because some ventures go through a long period of gestation before they are officially launched (p.52). This mirrors the earlier study by Reynolds and Miller's (1992) who stated that variations in this gestation period can significantly influence the resources that new ventures and entrepreneurs assemble.

Likewise, Zahra (2005) also highlights another problem that is associated with using *age* to define INVs in that some of these new ventures are actually spun off by existing firms, and/or are created through the restructuring of existing firms. Hence, they benefited from the resources and deep pockets of their parent firms, including their networks, established systems and well-recognised names (p.21).

For example, Vasilchenko and Morrish (2011) found out that INVs rely on resources from entrepreneur's network partners, and their prior experiential knowledge present a unique source for the firm in the form of human capital embedded managers (Loane and Bell, 2006). This seems to suggest that liabilities of newness and foreignness in INVs could be compensated by the founding entrepreneurs' managerial capabilities and resources from past activities (Andersson and Evers, 2015).

Therefore, the INVs behaviour extended the field of IB studies and added a new perspective. This behaviour was described as entrepreneurial which led McDougall and Oviatt (2000) to identify IE as an emergent field of study positioned at the intersection of the IB and entrepreneurship disciplines. In light of this, the role of the individual entrepreneur's experience and vision in driving international movement often has been placed in explaining firms' internationalisation speed and timing for internationalisation (Oviatt and McDougall, 2005; Wright and Dana, 2003).

The contingency approach has also been found to have an important influence in the understanding of the IE knowledge field in explaining why and how individual entrepreneurs internationalise. Contingency view is led by the fundamental principle that an organisation whose internal characteristic is appropriate to the demand of their environments would attain the best result (Coviello, 2005). It was proposed that business managers react to the opportunities and barriers posed by changing environmental circumstances (Ibeh, 2003). This mirrors Wright and Ricks' (1994) early findings and viewed IE "as a firm-level business activity which crossed national borders and which involved inter-relationships between the business and the international environment" (p.692). In light of this, recent research calls for a 'holistic' approach to be taken (Bell *et al.*, 2004a; Jones and Coviello, 2005), that is, looking at the aspects of competing theories to contribute to the understanding of firms' internationalisation strategies.

2.1.2.3 Relational-centred approaches

More recent studies in IB have emphasised the importance of examining small firms' internationalisation with a relational-centred approach building upon the network and collaborative alliance theories (Dana *et al.*, 2004). This approach emphasises on using network and the forming of alliances throughout the global value chain with upstream and downstream partners; with competitors and collaborating with firms across industries. This approach considers that the complementary pooling of resources of the ventures may result in an improved customer service, reduced cycle time and to higher quality (Schmitz-Whipple and Gentry, 2000). For example, social capital theory provides a view on networking as a factor compensating for the lack of resources that SMEs own or control (Coviello and Cox, 2006). From an operation management perspective, it was considered that manufacturing companies can stabilise supply/demand and reduce inventory with an alliance with material suppliers (Schmitz-Whipple and Gentry, 2000) and industrial partnerships.

In the international context, Townsend (2003) specifically proposed that one of the successful factors for collaborative ventures is the accumulation of 'relational capital'. This view emphasises that trust between partners, is one of the basic conditions for alliance success (Das and Teng, 2001; Gulati *et al.*, 2000; Sivadas and Dwyer, 2000; Schmitz-Whipple and Frankel, 2000), especially when these alliances are international (Kelly *et al.*, 2002; Sharma, 1992). Related to this, a good deal of the existing literature on collaborative ventures has discussed the merits of a network perspective and informal ties (Bell, 1995; Coviello and Munro, 1995; 1997; McDougall *et al.*, 1994). Kale *et al.* (2000) argue that good management of collaborative ventures results in the accumulation of 'relational capital', which describes the success with which alliance partners integrate relational variables such as trust, commitment, communication, and relational norms to contribute to the development of idiosyncratic resources.

The literature on IE emphasises the use of formal and informal relationships to penetrate and expand into foreign markets and mainly deals with channel choice and relationships (Coviello and Munro, 1995; 1997). Moreover, Johanson and Vahlne (2003) stated:

“There is nothing outside the relationships. Internationalisation is, in this network world, nothing but the general expansion of the business firm which is in no way affected by country borders. All barriers are associated with relationship establishment and development (p. 93).”

Therefore, the literature review reiterates that networks and relationships are important in the internationalisation of firms, particularly for all BG firms of a smaller size in general because they enable firms to link activities and tie resources together (Chetty, 2003; Andersson and Wictor, 2003; Coviello and Munro, 1995; 1997). However, this collaborative perspective in IE often focuses on the samples and discussions in small firms in the high-tech industry with innovative products. For example, Jones (1999) and Crick and Jones (2000) in suggesting that collaborative ventures are important since resource constraints for smaller companies often make it impossible to bear the high costs of R&D to develop innovative products and for foreign market penetration and expansion.

Coviello and Munro (1997) explains the internationalisation process of SMEs and pointed out that SMEs show a pattern of externalising their activities during the internationalization process by depending heavily on establishing network relationships to select the market and the entry mode. This perspective is in line with those of IE literature in highlighting the market presence and international entry mode (Dimistratos *et al.*, 2012). In addition, they have also argued that rapid internationalisation is mostly possible with building relationships and networks and the degree and the form of internationalisation, which in turn, is influenced by different types of relationships that are developed in the networks. A prominent issue closely related to the role of network ties in the internationalisation of Chinese firms is that many of these firms are state-owned enterprises (SOEs) (Kling and Weitzel, 2011).

The network theory of internationalisation, which has been particularly influential, emphasises the impact of business relationships upon the growth and internationalisation of firms (Johanson and Mattsson, 1988; Johanson and Vahlne, 1990, 1993; Cavusgil, 1980). Specifically, Coviello and McAuley (1999) conclude that the network theory of internationalisation draws upon the theories of social exchange and stresses the interdependencies of firms rather a firm-specific advantage. Yet McDougall and Oviatt (2000) argue that most of the studies from the networks and relationships perspectives mainly set their focuses on the role of networks and relationships based on MNE's strategies and operations. However, this stream of research has mainly focused on SME networks for innovation (Thorgen *et al.*, 2012) with little focuses on how BGs use networks to access international markets and achieve their competitiveness, thus making small firms marketing networks an under investigated, but highly interesting area of research (Yu *et al.*, 2011).

Furthermore, Mikhailitchenko and Varshney (2016) reviewed the current studies focusing on network perspective of SME internationalisation literature and highlighted that in terms of geographic scope, a substantial body of recent research was mainly in developed countries such as the UK (Hutchinson *et al.*, 2006), New Zealand (Chetty and Stangl, 2010), Finland (Kontinen and Ojala, 2011) and Australia (Freeman *et al.*, 2006). There is a growing interest in smaller internationalising entrepreneurial firms (McDougall and Oviatt, 2000; Cubillo and Cervinõ, 2004), yet little attention was given to how SMEs use networks and relationships in their entrepreneurial international activities. Moreover, little research was available in China (with an exception of Tang, 2011). Hence, as pointed out by Tang (2011), "there is still limited research on understanding networking behaviours that precede and precondition network outcomes" (p.11).

2.1.2.4 Summary

From reviewing the IB perspective as one of the mother disciplines of IE, the existing IE studies focuses on the explanatory variables associated with the

external environment and the internal characteristics that drives small firms' internationalisation. Internally, a firm's IE characteristics, such as innovativeness, proactiveness and risk-taking, have positive effects on the internationalisation behaviour of SMEs (Yiu *et al.*, 2007; Coviello and Munro, 1995; McDougall and Oviatt, 1996). However, although most theoretical frameworks aimed toward international expansion have been applied and tested with established firms (MNEs) and SMEs, most empirical studies merely focus on the demographic profile of managers to analyse the influence of the decision makers' characteristics (Markoczy, 1997), while the role that psycho-cognitive characteristics of individuals might have in this process has received much less attention (Stottinger and Holzmuller, 2001; Halikias and Panayotopoulos, 2003).

Specifically, INVs espouse different assumptions and cognitions of the market and competition, possibly leading them to seek and identify different types of new opportunity that they exploit differently (Zahra *et al.*, 2003, p.174). Though differences in these assumptions and cognitions are not well understood, the genesis of INVs' competitive advantages appears to lie in their founders' cognitions hence allowing them to quickly spot opportunities in international markets and develop new ways to exploit them (Zahra, 2005, p.23). Specifically, how exactly these identified IE characteristics and network ties interact with each other in influencing the internationalisation of emerging-market SMEs, such as those in China remains under-theorised and poorly understood in practice (Zhang *et al.*, 2016, p. 522). In light of the above analysis of the literature, the next section will shift the discussions of IE literature from the perspectives of IB to those of the entrepreneurship, one of the other mother disciplines.

2.1.3 IE: Entrepreneurship perspective

Coombs *et al.* (2009) summarised that there are two key streams in the early studies of IE: *size* and *age*. The *Age* stream is in line with those of the BG approach as discussed in section 2.1.2.2. Moreover, a growing body of literature in IE has increasingly argued that small firms can also have success in the

overseas markets with their ability to sustain competitive advantages over their competitors (Scott, 2003). Specifically, the scholarly focus in explaining IE from the perspective of entrepreneurship is on SMEs, especially the export behaviour of these new ventures (Bilkey and Tesar, 1977; Ogbueli and Longfellow, 1994).

This focus is in line with that of entrepreneurship, but with a focus being shifted more towards the understanding of *how*, *when* and *why* smaller firms go international. Hence, mirroring the conception of the IE concept, the rise of the new IE as a field of research tends to focus more on the entrepreneurial aspect of small firms' internationalisation, especially on that of the new ventures. Specifically, in their efforts to explain the rise of INVs, McDougall *et al.* (1994) called for a re-orientation of research focus away from the firm and towards entrepreneurs and their networks. Therefore, this section summarises the understanding of IE from the perspective of entrepreneurship, which can be categorised in the following streams.

2.1.3.1 Rates of Internationalisation

IE research began with an interest in INVs (Oviatt and McDougall, 2005), often having a link with BGs (Rennie, 1993; Knight and Cavusgil, 1996; Anderson and Wicker, 2003), and 'born-again global' (Rhee, 2002; Bell *et al.*, 2004b). These earlier studies emphasise the element of an INV (Oviatt and McDougall, 1994), seeking competitive advantage from using resources and sales in foreign countries. It was observed that these firms are generally small in size, have small domestic markets, produce global niche products (Gabrielsson and Al-Obaide, 2004), and grow exceptionally fast in global markets (Luostarinen and Gabrielsson, 2004), often niche in nature.

Coupled with being smaller in size, the other characteristic of the INVs phenomenon is the speed in entering foreign markets. Quite often, firms' entering a foreign market are at a younger age since its conception, and even 'Born Global', that is entering a foreign market at its inception. Hence, the IE literature

has focused on the time construct to internationalisation. As such, researchers consider firm age is one of the important variables and focusing on age as the key variable in delineating their area of study (Bloodgood *et al.*, 1996; Jolly *et al.*, 1992; McDougall, 1989; McDougall and Oviatt, 1996). Categorically, a substantial share of studies in the past dealt with the international activities of young and smaller firms, especially in knowledge-intensive sectors (Jolley *et al.*, 1992). As Coombs *et al.* (2009) highlighted, the new ventures are overwhelmingly small thus this nature is creating a high degree of overlap between the two groups of researchers in IB and Entrepreneurship.

2.1.3.2 Environment-centric approach

Complexity schools of thought have sought to explain entrepreneurship by reference to the environment in which entrepreneurial activities exist, often measured as new firm formation. For example, key environmental factors, such as technological change (Tushman and Anderson, 1986; Etemad, 2003), industry dynamics (Hannan and Freeman, 1987), and market structure (Acs and Audretsch, 2003; Dana *et al.*, 1999) are considered as having inevitably created opportunities for those would-be entrepreneurs. Researchers in this school of thought tend to link entrepreneurship and entrepreneurial activities with economic development (Acs and Audretsch, 2003; Jones and Dimitratos, 2004), and focus on the social and economic environment impact on entrepreneurship and *vice versa*, with industry sectors and firms as the unit of analysis for their studies. However, it seems that this environment-centric attitude towards entrepreneurship is more likely to be used by policy makers to create an institutional environment to encourage entrepreneurship – new firm formation and creation, and self-employment, which is also defined as an operational definition of entrepreneurs (Hart, 1998; Shane and Eckhardt, 2003).

2.1.3.3 Competitive advantages-centred approach

A large number of entrepreneurship researchers have sought to explain the international entrepreneurial phenomenon by identifying sources for acquiring, achieving and sustaining competitive advantages. These sources can be at individual entrepreneur level, as well as at the entrepreneurial firm level. Among these, the *resource-based view* and the *network-based view* are the key sources being characterised for sustaining competitive advantages, which have been studied both at individual and firm levels.

At an individual level, those 'entrepreneurial individuals' are considered as one of the most important sources for achieving competitive advantages. This school of thought has focused on explaining entrepreneurship as a function of core human attributes, for example, willingness to bear uncertainty (Khilstrom and Laffont, 1979), tolerance for ambiguity (Schere, 1982) or the need for achievement to these achievements (McClelland, 1961). According to Autio (2005), Oviatt and McDougall (1994)'s seminal work places more emphasis on the entrepreneur's experience and vision in driving international commitment decisions. As such, the individual entrepreneur is often being perceived as the agent, or being used as a unit of analysis for their research. From the firm's perspective, based on product life cycle theory, Vernon (1966, 1979) suggested that new ventures are in a better position to undertake international expansion through exporting via the product that keeps its unique characteristics. This uniqueness of the product allows the new ventures to be able to charge higher prices hence achieving a higher level of performance.

Entrepreneurship scholars have largely agreed that knowledge can be considered as a particular type of resource in new ventures. For instance, this includes the understanding of how to start up new ventures and manage people and processes; how to achieve growth and competitive position, and how to plan technology and new product development phases (Brush *et al.*, 2001; Wiklund and Shepherd, 2003). This knowledge and these skills are critical in new ventures

because they are the first type of resource that any successful new venture accumulates since entrepreneurship is the understanding of new possibilities (Schumpeter, 1950; Penrose, 1959). Thus, Brush *et al.* (2001) argue that new ventures rely on knowledge resources brought by the founding entrepreneurs. The knowledge view therefore, has implications not only for new venture start-up performance, but also for sustaining longer-term growth.

From a different perspective, the *network-based view* associates the role of networks in developing international new ventures. Specifically, it was proposed that personal networks and inter-firms' networks, both formal and informal, will assist with the liability of being small and foreign in international markets, by overcoming resource constraints (Jolly *et al.*, 1992; Oviatt and McDougall, 1995). Using both individual entrepreneurs and firms as the unit of analysis, McDougall *et al.* (1994) proposed that one of the most important sources of competitive advantages would be at the Top Management Team (TMT). In line with the RBVs at firm level, resources that are rare, valuable, non-substitutable and imperfectly imitable at firm level (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984) form the basis for a firm's sustainable competitive advantages. Human resources as intangible assets are being considered as the key sources for this competitive advantage.

TMT in particular is being proposed as a major determinant of behaviours and outcomes of the new ventures, given that they have a greater legitimacy in the decision making process (Rhee, 2002) and involvement in business functions (Ardichvili *et al.*, 1998). Specifically, McDougall *et al.* (1994) argue that among the TMT, one of the most important competitive advantages would be the experience that the start-up team members accumulated before they establish their new firms. The higher level of experience would reduce the liabilities of foreignness (Shrader *et al.*, 2000). Hence, the entrepreneurs would perceive international expansion with fewer risks and this in turn, will lead to proactiveness and high level performance (Oviatt and McDougall, 1995; McDougall and Oviatt, 1996).

2.1.3.4. Behaviour-centred approach

There have been pleas for an extension of the IE field to cover other international activities of enterprises other than those of INVs (Wright and Ricks, 1994). By and large, these stemmed from the view in the mainstream of entrepreneurship research, in highlighting that entrepreneurial behaviour may be the concern with all firms, regardless of size, age or sector. The opportunity based view (OBV) suggests that opportunity identification and exploitation are critical aspects that drive behaviour of the firm (Davidsson, 2015). Recent studies have linked this OBV to international market presence (Dimitratos *et al.*, 2010), time to internationalise (Mathews and Zander, 2007) and international mode (Dimitratos *et al.*, 2012).

By using McDougall and Oviatt's (2000) definition, it could be observed that the academic field of entrepreneurship incorporates explanations for "why", "when" and "how" the entrepreneurial opportunities exist; the sources of those opportunities and the forms that they take; the process of opportunity discovery; the acquisition and the exploitation of these opportunities; and the efforts to organise all these resources and to exploit them (Shane and Venkataraman, 2000). Therefore, this definition not only covers the individual traits and the environment aspect of entrepreneurship, it has also incorporated the individual behaviour at different levels in the entrepreneurial process.

In line with this definition of entrepreneurship, McDougall and Oviatt (2000) re-conceptualise IE as 'a combination of innovative, proactive, and risk-seeking behaviour that cross national borders and is intended to create new values in organisations' (p.903). Indeed, the key characteristics of studies in this stream adopted constructs of innovation, pro-activeness and risk-taking behaviour in measuring IE. Entering new geographic markets has essentially been regarded as an act of entrepreneurship (Burgelman, 1983; Lumpkin and Dess, 1996; Barringer and Greening, 1998), because it is a strategy in search of opportunities for firm growth and wealth by expanding into new markets (Lumpkin and Dess,

1996; Zahra *et al.*, 1999). This seems to suggest that internationalisation is an entrepreneurial behaviour in which entrepreneurs are seeking new opportunities overseas. More importantly, the concept focuses on regarding the individual entrepreneur as the main driving forces for the firm's international activities. This is in sharp contrast with some traditional internationalisation theories which consider geographical features and characteristics as the major drivers for firms' international expansion.

Specifically, Jones and Coviello (2005), in their conceptualising paper of IE propose that "if researchers are interested in understanding and explaining 'entrepreneurial' internationalisation behaviour, conceptual models need to be sufficiently flexible to accommodate the range of conditions that might influence and lend explanation to a firm's internationalisation decisions, actions and dynamic processes" (p.287). This mirrors Casson's (1982) early work, suggesting a need to consider firms' entrepreneurial characteristics when discussing internationalisation and in theorising about their internationalisation decisions (George *et al.*, 2004). As outlined in Chapter 1, the researcher considers McDougall and Oviatt's (2000) definition of entrepreneurship as the most appropriate one to be used as the starting point for exploring the IE process for this study.

In this process, Shane and Eckhardt (2003) discussed how opportunity could be identified by individual entrepreneurs and considered individuals as the core in the entrepreneurial process. From a different perspective, some scholars describe the entrepreneurial process as a form of social construction that goes beyond the firm itself. The emphasis has been placed on social context and claims that most of the new ventures are the first of their kind (Aldrich and Martinez, 2003), and hence the entrepreneurs who created the organisations, must also organise and build a new context which is favourable to their business operations. It could be considered that studies like this capture the whole entrepreneurial process at different levels of the social construction – from 'nascent entrepreneur' to business start-ups and growth (Reynolds and White,

1997; Reynolds, 1999; Dennis, 1997; Duncan and Handler, 1994). Embedded in this view, Shaver and Scott (1991) have noted that no firms were created without focused and sustained entrepreneurial behaviour (Gartner, 1988), which may be the result of individuals or from an entrepreneurial team.

2.1.3.5 Summary

This section demonstrated that studies in IE from the perspective of entrepreneurship have been broadened over years. Specifically, the literature has been explored in a much broader and deeper manner (Dana and Wright, 2004; Brush and Manolova, 2004), as well as in a more dynamic and complex direction (Crick, 2004). The literature reviewed outlines that the original focus of IE from an entrepreneurship perspective was placed on INVs, which emphasises the *size* and *age* (often associated with speed to internationalise). The RBVs and network theories were developed predominately on individual entrepreneur's knowledge, experiences and networks as key sources of sustainable competitive advantages. Later, literature of the scope of IE has been enlarged to focus more on the behaviour of entrepreneurs, emphasising innovation, risk-taking and proactiveness (McDougall and Oviatt, 2000; 2005), which incorporate OBV. These definitions signalled a shift in IE research from its initial focus on INVs (Oviatt and McDougall 1994), small firm internationalisation (Coombs *et al.*, 2009; Keupp and Gassmann, 2009; Coviello *et al.*, 2011), and novel and innovative cross-border activities that focus on value creation and business growth (McDougall and Oviatt 1997, 2000), to one that is opportunity-based (Oyson, 2010).

Recent studies in IE further developed the OBV and suggest that entrepreneurial behaviour might attribute to its international entrepreneurial culture (IEC) characteristics (Dimitratos *et al.*, 2015). This concept therefore serves as an encompassing notion that captures international entrepreneurial activities of the SMEs that seeks to identify and pursue opportunities abroad. In other words, IEC pinpoints behavioural entrepreneurial aspects of the internationalised SMEs

(Dimitratos, *et al.*, 2012). Moreover, within a behaviour-centred approach, scholars seek to address questions of how individuals are likely to become entrepreneurs within the context of why and where entrepreneurship is likely to occur (Schoonhoven and Romanelli, 2001). Theorists in this view focus on how an entrepreneur's social capital determines their chances of receiving venture capital (For example, see Stuart *et al.*, 1999); and how a country or region's cultural capital determines its ability to recruit human capital (See for example, Florida, 2002). While location in a network was argued to affect the level of entrepreneurship (Burt, 1992), little is known about how such relational networks apply in different geographic regions at multiple levels in general and in emerging economies, in particular.

2.1.4 IE: Strategic Management Perspective

The strategic choice perspective is primarily concerned with the key success factors of business venture. In the context of IE, the key focus has been placed on (1) the relationship between firm resources and its global strategy; and (2) the relationship between strategy and performance. Specifically, to understand differentials among firm's performance, firms' efforts to develop sustainable competitive advantages as a determinant of their ability to create wealth are often being examined (De Carolis, 2003; Rouse and Dallenbach, 1999). For example, Penrose (1959) viewed the growth of a firm as comprising the double-sided problem of diversifying into new products and new markets within the constraints of a firm's current pool of available resources. Thus, competition forms the basis of many strategic management perspectives (Eisenhardt and Schoonhoven, 1996). From a strategical perspective, Davidsson *et al.* (2002) found that the firm growth is a complex and multidimensional phenomenon, with evident variations and differential effect at various levels. Bilal *et al.* (2016) observed that with the growing global competitiveness, SMEs face more difficulties in sustaining and establishing growth. This section summarises the two key approaches within this field in understanding how firms achieve and sustain their competitive advantages.

2.1.4.1 'Inside-out' approach

The RBV is one of the most prominent theoretical perspectives in strategic management (Wernerfelt, 1984; Barney, 1991; Teece *et al.*, 1997; Eisenhardt and Martin, 2000; Helfat, 1994). Not only has it received a good deal of support in previous studies (Westhead *et al.*, 2001), it is becoming one of the most widely accepted theories of strategic management today (Powell, 2001). Central to the RBV perspective of strategic management is the idea that firms differ in their resource positions, and that such resource heterogeneity is a source of performance differences across firms (Barney, 1991; Peteraf, 1993). This view argued that a firm's unique portfolio of tangible and intangible resources influences the rate and direction of a firm's expansion (Penrose, 1959). Essentially, Dicksen (1996) claims that the RBV takes an "inside-out" firm perspective.

Specifically, the phenomenon of IE often suggest that firm resources are not solely reflected in size which in turn, determines the ability to internationalise. It has been prompted that further research into specific firm level resources are needed in the international context. International managerial experience, for example, has been noted earlier (Bloodgood *et al.*, 1996; Reuber and Fischer, 1997; Reid 1981). Researchers have shown that firms can sustain heterogeneous resource positions over time (Helfat, 1994; Knott, 2003) with such managerial experiences. Sooner or later, in the pursuit of growth and/or higher return to resources, SMEs will adopt a geographic expansion strategy to pursue new opportunities to leverage core competences across a broader range of markets (Zahra *et al.*, 2000, p.928).

Teece *et al.* (1997) extended the notion of RBV by proposing a dynamic capability's approach to firm advantage. This view considers that firms earn advantages by forging new capabilities through knowledge acquisition (see for example, Anand and Khanna, 2000; Dussauge *et al.*, 2004; Dyer and Hatch, 2006; Grant, 1996; Kale *et al.*, 2000; Khanna *et al.*, 1998; Mowery *et al.*, 1996;

1998; Simonin, 1999; 2004; Spender, 1996; von Hippel, 1988). Moreover, Teece *et al.* (1997) propose that one's ability to continually acquire new knowledge to adapt and upgrade a firm's capabilities is crucial to sustaining such advantages. Helfat *et al.* (2007) argue that the dynamic capabilities literature has treated the concept more as a means of understanding competitive advantage than as a methodology for developing dynamic capabilities, which leads to criticism of the concept being of limited use to practicing managers (Peteraf *et al.*, 2013). Moreover, the literature has questioned whether the dynamic capability concept, developed with a focus on large and multinational organisations, can equally apply to SMEs (Sawers *et al.*, 2008)

Knowledge is another important perspective in strategic management studies, linking the learning perspective and RBV, to which attention has been devoted to. Specifically, Hitt *et al.* (1999) argue that organisational knowledge is an important bundle of intangible resources that can be the source of a sustainable competitive advantage. In fact, it has been argued that knowledge is the greatest element of all resources to serve as a source of sustainable differentiation, because of mobility (McEvily and Chakravarthy, 2002) and general applicability (Miller and Shamsie, 1996).

Similarly, knowledge from the local markets and resource availability facilitate international expansion (Johanson and Vahlne, 1977; Knight and Leisch, 2002). For example, Shane (2000) pointed out that market knowledge can increase a firm's ability to discover and exploit opportunities because: (1) awareness of customer problems may have great generality and thus constitute real market opportunities; (2) it is easier to determine the market value of new scientific discoveries, technological change etc.; (3) the locus of innovation often lies with users of new technologies who cannot easily articulate their needs for not-yet-developed solutions to problems, and therefore the organisation must share some of the same tacit knowledge as its users (p.223). Thus, the broader RBV considers successful firms as those that learn to exploit current resource-based

advantages and develop (explore) new resource-based opportunities (Gupta *et al.*, 2006; Luo, 2002; Madhok, 1997; March, 1991).

Similar to literature in IB, two major perspectives on the process of internationalisation of SMEs were categorised in studies of strategic management (Armario *et al.*, 2008). The first perceives the internationalisation of SMEs as being an incremental process that develops from a domestic market to international markets through a “learning process”. Knowledge of the new markets is acquired and resources are increasingly committed to those markets during this process (Johanson and Vahlne, 1990, 1977; Cavusgil, 1980; Bilkey and Tesar, 1977). The second perspective, derived from the IE literature, contends that a firm can be BG (Rialp *et al.*, 2005; Andersson and Wictor, 2003; McDougall *et al.*, 1994; 2003; Kuemmerle, 2002; McDougall and Oviatt, 2000; Madsen and Servais, 1997; Knight and Cavusgil, 1996). This view is consistent with that of Yip *et al.*'s (2000) in proposing that the possession of certain competencies can facilitate the development of a firm's internationalisation strategy, especially in the earlier stages of the process. From a slightly different perspective, to be able to identify and/or exploit opportunities, recent research in the IE field posits that international entrepreneurial firms must create and sustain knowledge (Cui *et al.*, 2005; Knight and Cavusgil 2004; Zahra and Filatotchev, 2004).

2.1.4.2 Relational-centred approach

In contrast, relational view scholars explain that such competitiveness arises not from firms, but inter-firm sources of advantage (Dyer and Singh, 1998; Smith *et al.*, 1995; Lavie, 2006). For example, recent empirical studies have explored the role of relational processes such as *trust* in enhancing inter-firm learning (Lazaric, 1998) and how collaborative know-how and experience, and learning capacity affect the knowledge transfer in alliances (Lane and Lubatkin, 1998; Simonin, 1997). Hoang and Antoncic (2003) made one of the major contributions in network research in the context of entrepreneurship which emerged as an

important stream in the late 1980's. Furthermore, it is the general understanding in the knowledge field that often international entrepreneurial firms are fundamentally resource constrained and therefore have to utilise networks on the knowledge they need for their international endeavours (Farquharson and Pruthi, 2015; Hoang and Yi, 2015; Slotte-Koch and Coviello 2009; Coviello, 2006; Lu and Beamish, 2006; Mort and Weerawardena, 2006; Sharma and Blomstermo, 2003; Crick and Jones 2000; Wolff and Pett, 2000; Jones, 1999; Bell, 1995; Coviello and Munro, 1995).

It is widely acknowledged in the field of strategic management that strategic alliances have become an integral component of a firm's strategy to access and acquire resources from external sources. Viewed as access relationships, alliances act as channels for the flow of hitherto unavailable resources and capabilities (Koka and Prescott, 2008). For example, Lee *et al.* (2001) propose that "strategic alliances with other enterprises engender long-term relationships with suppliers, customers, and other firms with complementary resources" (p.8). As such, strategic alliances have become a critical strategy for many firms to achieve competitive advantage by gaining scale economies, market access and competence building through collaborations (Dyer and Singh 1998; Gulati *et al.*, 2000). There is consensus in the strategy and the entrepreneurship literatures that social networks provide the social capital and hence access to information and other resources needed by new ventures (Hargadon and Sutton 1997; Nahapiet and Ghoshal 1998).

Therefore, as a theoretical framework, social capital theory provides insight into networking as a process that increases SMEs' resources and enhances their competitiveness in the international market (Partanen *et al.*, 2008; Chetty and Agndal, 2007). It provides a view on networking as a factor compensating for the lack of resources that SMEs own or control (Coviello and Cox, 2006) and provides information and market intelligence (Mejri and Umemoto, 2010). From the strategic management point of view, Johanson and Mattsson (1988) argue that networking becomes a powerful factor influencing strategic decisions, including

the decision to internationalise and patterns and pathways of internationalisation (Senik *et al.*, 2011). Moreover, social capital theory suggests that a firm's external networks could be a key contributor to its performance (Leenders and Gabbay, 1999). Specifically, networks are vital to opportunities' discovery, to the testing of ideas, and to acquire resources for the formation of the new organisation (Aldrich and Zimmer, 1986). Uzzi (1996) considers that 'embedded' ties with partners, which can be defined as 'ties that are reinforced by mutual feelings of attachment, reciprocity, and trust' (p.273), can enhance support for a start-up by the commitment of their resources.

In line with this view, Lee *et al.* (2001) argue that as networks provide information benefits, a focal firm with a higher level of social capital is better positioned to find entrepreneurial opportunities. In particular, organisations transact with suppliers and other partners in order to acquire external resources to produce products/services at competitive prices, adjusted for quality such that they can attract and retain customers (Burt, 1992; Uzzi, 1996). Burt (1992) and Granovetter (1985) highlight and emphasise that external contacts perform a very important role in the procurement of those assets and the identification of entrepreneurial opportunities (p.492), since economic actions are embedded within larger inter-organisational networks. As such, Koda and Prescott (2008) concluded that it is the information, knowledge, and other resources diffusing through the network created by the individual alliances and inter-firm linkages that bind all the firms in the network.

Embedded in the social capital theory, according to Gulati (1998), *trust* is another important aspect of alliances, where it served as a mechanism through which partners could predict each other's behaviour. This view is supported by many other scholars who have agreed upon the importance of trust in successful cooperation between firms (see for example, Smith *et al.*, 1995). In addition, adding to this social network perspective, Gulati (1998) justified that there were three main motivations for formation of alliances: (1) transaction cost reductions resulting from small numbers bargaining; (2) strategic behaviour that leads firms

to enhance their competitive behaviour; and (3) learning. In line with this, from the learning perspective, Doz (1996) and Inkpen (1998) consider that strategic alliances are an organisational learning imperative because organisationally embedded knowledge cannot be easily learnt and exchanged through market transactions. For example, many organisations are entering into business alliances to overcome the risks associated with new product development and innovation processes, because alliances accelerate the speed of innovation, overcome resource constraints, and gain access to resources not otherwise available to them (Bleeke and Ernst, 1993). Moreover, new knowledge, skills, and expertise can be acquired to enhance the competency of an organisation (Hamel and Khayat, 2011).

2.1.4.3 Summary

This section summarised two key streams of studies in IE from the perspective of strategic management: RBVs/KBVs and Relational-centred approaches. The RBVs and KBVs placed resources within an organisation as one of the key successful factors for firms to gain and sustain competitive advantages, where KBV emphasises that knowledge and learning as the key factor in sustaining the competitive advantages. The Relational-centred approach highlights that external source such as social capital, including networks, relationships and trust among firms could provide small firms with competitive advantages.

2.1.5 IE: Summary of Key Common Themes

Figure 2.1 describes an overview of how the literature in the field of IE was reviewed (Section 2.1.2 to Section 2.1.4). The researcher moves through the diagram (moving from left to right), addressing the development process of the knowledge understanding in IE. The main theoretical perspectives are reviewed, compared and contrasted, and synthesised from a multi-disciplinary perspective, that is, in the field of IB, Entrepreneurship and SM.

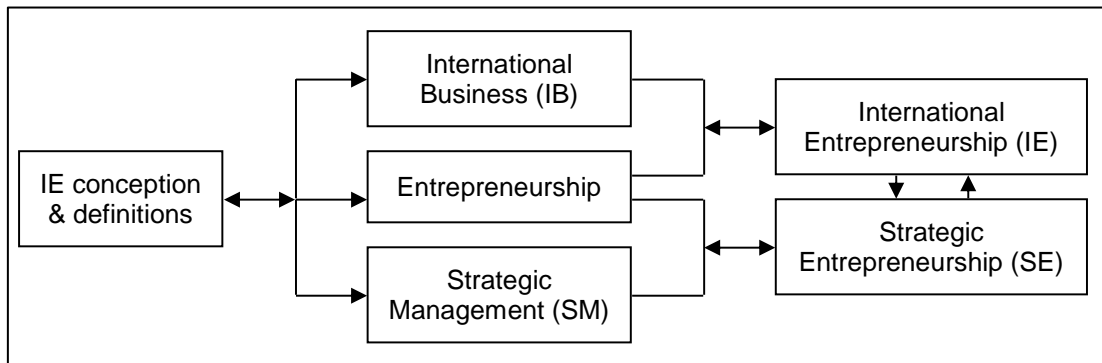


Figure 2.1 - Map of International Entrepreneurship literature review

Source: Developed by the Researcher (2009)

Reviewing IE literature from the above three dominant knowledge fields, some common themes of the SMEs' internationalisation can be identified, though each with a slight different perspective.

2.1.5.1 Risk, Uncertainty & Proactiveness

From the theoretical reviews and discussions in Section 2.1.2 to 2.1.4, it could be observed that 'risk and uncertainty' are treated as a blended concept, used as a compound explanatory factor in the explanations of small firms' internationalisation (Liesch *et al.*, 2011). Specifically, risk and its mitigation, and uncertainty and its management, are usually treated as dynamic variables in IB, with a similar pattern found in SM and entrepreneurship (Welch and Luostarinen, 1988). Scholars in IB have identified that risk and uncertainty might be important in decision making at various levels of international activities: in entering new markets, business models and international strategies (Johanson and Vahlne 1977; Welch and Luostarinen 1988). In contrast, the phenomenon of BGs seemed to have challenged the notions of the constraining effects of risk and uncertainty in firms' international operations (Autio 2005; Madsen and Servais 1997; Oviatt and McDougall 1994), especially at the inception stage. Moreover, IB literature tends to focus more on firm perspective (Freeman *et al.*, 2006), whilst entrepreneurship scholars use entrepreneurial behaviour in the international arena (Oviatt and McDougall 2005a, p. 542) and 'international risk attitude'

(Dimitratos and Plakoyiannaki (2003, p. 200) in explaining their international expansions.

2.1.5.2 RBV and KBV

Discussions in Section 2.1.2 to 2.1.4 seem to suggest that perspectives of RBV and its extension - learning and knowledge (KBV) from strategy and management scholars, have also been applied by scholars in the understanding of IE. As such, the RBV of the firm has been shown to be important in the understanding of IE, since the managers leverage resource advantages and minimise transaction costs to obtain a competitive advantage overseas (Westhead *et al.* 2001). With a slight difference, either embedded in the process perspective of IB or as an independent aspect of understanding IE, the KBV claims that knowledge plays a central role (Autio *et al.*, 2000) in the internationalisation decision, process and performance (Nonaka, 1994). In a similar vein, Zahra (2005) and Zahra *et al.* (2000) contemplates that knowledge allows a clearer understanding of the process of identifying and exploiting opportunity abroad. This posits that internationalisation is itself a learning process and knowledge is a key dimension in advancing our understanding of the internationalisation phenomenon (Casillas *et al.*, 2009).

2.1.5.3 Behavioural and Process View

Theories from this perspective as discussed in Section 2.1.2 to 2.1.4 are based on a behavioural approach, regarding internationalisation as a process (Andersen, 1993). As such, internationalisation is a 'process through which a firm moves from operating solely in its domestic marketplace to international markets' (Javalgi *et al.*, 2003; p.185). Specifically, with regards to the '*process*' view in the context of SMEs' internationalisation, there are two major perspectives. The first perceives the internationalisation of SMEs as being a "learning process" that leads from a domestic market to international markets, whereby knowledge of the new markets is acquired and resources are increasingly committed to those markets (Johanson and Vahlne, 1990, 1977; Cavusgil, 1980; Bilkey and Tesar,

1977). The second perspective declares that a firm can be BG (Rialp *et al.*, 2005; Anderson and Wictor, 2005; McDougall *et al.*, 2003; Kuemmerle, 2002; McDougall and Oviatt, 2000).

2.1.5.4 Network and relationship view

Social capital – part of entrepreneurial capital, is one of the most important contributors that have been highlighted in the literature reviewed in Section 2.1.2 to 2.1.4. In the context of small firms' internationalisation, studies focus on the importance of co-operating and networking with supply chain members to provide market knowledge (Coviello and Munro, 1997; Sharma and Blomstermo, 2003), and consequently, firms form mutually beneficial relationships (Zahra *et al.*, 2003). Johanson and Vahlne (2003) conclude that firms can learn skills from their relationships and established networks, and this, in turn, enables them to develop new relationships to enter marketplaces in other countries.

Networking and relationships were considered to be able to help SME's in leveraging resources and avoid "resource poverty" (Dubini and Aldrich, 1991; Mort and Weerawardena, 2005), and hence it has also been an influential framework for researchers in the field of IE (Oviatt and McDougall, 1994; Bell, 1995; Coviello and Munro, 1995, 1997). In particular, Oviatt and McDougall (2005) identified strong international business networks as one of the most important characteristics of success global start-ups.

2.2 Summary

This chapter reviewed the existing debates in the field of IE, which serves as the theoretical foundation for this study. Specifically, reviewing the IE literature from various perspectives, it could be highlighted that SME internationalisation literature acknowledges so-called "born-global" ventures are launched to be international from the outset (Freeman, 2013; Kalinic and Forza, 2012; Olejnik, 2012). Therefore, the researcher considers the review of IE literature is

appropriate in providing a theoretical background for SME internationalisation (Oviatt and McDougall, 2005). This is also supported by the latest study by Peschken *et al.* (2016) who argue that “IE is the most appropriate theoretical framework for SME internationalisation” (p. 198), though another strategic management perspective such as RBV of internationalisation which integrates literature of entrepreneurship and small business (Ahokangas *et al.*, 2010) is also significant.

Specifically, this chapter highlighted the key debates from the previous research so that the basis for re-engagement with the literature in analysing the case study accounts can be established. Small businesses and entrepreneurship research highlighted the role of owner/manager/entrepreneur as a key strategic decision-maker in the internationalisation process (Freeman, 2013). The network-based approach considers the complexity of information processing and decision-making of entrepreneurs (Johanson and Mattsson, 1988). Moreover, the Uppsala and innovation related stage models focus on SME operations which is based on incremental learning and the reduction of risks and uncertainty (Johanson and Vahlne, 2009).

To summarise, the main purpose of this chapter is to review (1) what is described, suggested as key issues in respect to small firms’ internationalisation; and to consider (2) what key issues can be considered and used as a framework for this research? Therefore, this chapter is mainly devoted to research objective 1 (see Section 1.4), with some overlapping and recurring themes being identified (see Section 2.1.5). The next chapter is mainly devoted to the consideration of key issues that could be used as a working framework for this research.

CHAPTER THREE – RESEARCH FRAMEWORK OF THOUGHTS

3.0 Introduction

As outlined in Chapter 1, this study is a qualitative inductive explorative study. The research methodology consists of a review of academic literature presented in the previous chapter (Chapter 2). Specifically, a grounded theory research method was used which emphasises on understanding the meaning of data collected to build a theory (Strauss and Corbin, 1990). The rationale of using such a research method is detailed in the next chapter (Chapter 4). Glaser (1978) argues that the advantage of grounded theory is that this method provides the opportunity to investigate a phenomenon without limiting the process to previous knowledge of the subject (Glaser and Strauss, 1967) to form new theories free from prior frameworks or constraints.

While it is generally acknowledged that researchers using grounded theory should embark on their studies without general guidance provided by some sort of orienting theoretical perspective (Locke, 2001), it does mean that researchers should bring preconceived constructs to their data gathering and analysis (Glaser, 1992). Therefore, such theories would have the effect of obstructing the development of theory by combining between researchers and the subject or phenomenon of their studies, which would result in a conception of knowledge as 'emergent' (Locke, 2001; Strauss and Corbin, 1992) and/or as an acceptable theory (Fernandez *et al.*, 2006; Goulding, 2001). In light of this, having reviewed the knowledge understanding of IE literature which serves as the theoretical framework for the internationalisation of SMEs, it is useful to develop a framework of thoughts with some 'preconceived constructs' and to have a general idea of where to begin in data collection and sense-making. These theories therefore, provide sensitivity and focus which could support the interpretation of data collected during the research process (Goulding, 2001). Moreover, Fernandez *et al.* (2006) state that most researchers will have their own disciplinary background which will provide a perspective from which to investigate the research problems.

The researcher comes from an international business practice and entrepreneurship academic background, hence it was appropriate to conduct critical reviews of the IE literature from an interdisciplinary perspective (Chapter 2). This provides a conceptual background and the focus of this chapter therefore, is to (1) highlight relevant literature in SMEs' internationalisation in China; (2) identify and highlight the knowledge gaps in examining the fundamental issues in IE in the context of China; (3) in association with (2), to develop a conceptual basis on which key factors and their close coupling inter-relations are being anchored, contextualised and investigated with logical correspondence, in order to operationalise the research process. In light of this, section 3.1 highlights a literature review specifically focusing on the internationalisation of SMEs in China; Section 3.2 identifies knowledge gaps, which provides a rationale for the research framework of thoughts, to be used in this study in the context of China. Section 3.3 presents the framework of thoughts, outlining the four key issues with their theoretical and practical implications. Section 3.4 summarises the chapter.

3.1 SMEs Internationalisation in China

SMEs are playing an increasing role in the global marketplace, especially in emerging markets (Mikhailitchenko and Varshney, 2016). Likewise, in many emerging and transitional economies, entrepreneurship typically associated with SMEs has been cited as a major engine for economic development (Manev and Manolova, 2010). Prior studies in the entrepreneurship field reveal that the environment in which the entrepreneur lives will affect their entrepreneurial tendency (Fareed *et al.*, 2014). Likewise, SMEs internationalisation is one of the highly discussed issues in the modern literature of IB discipline (Bose, 2016).

Lately, the drivers behind the SMEs from the emerging market going international as well as their internationalisation pathways has been a subject of increasing interest in IE literature (Boehe, 2013; Kling and Weitzel, 2011; Tang, 2011; Yiu *et al.*, 2007). For example, Tang (2011) argues that the extent to which the possession of IE characteristics can result in the internationalisation of SMEs in emerging markets is likely to be contingent upon their ability to overcome

resource constraints through their social networks. Many studies regarding small firms' export performance as the results of enterprises' internal management (Katsikeas *et al.*, 1996; Cavusgil and Zou, 1994; Barney, 1991; Aaby and Slater, 1989), industrial environment factors (Cavusgil and Zou, 1994) independently as well as both macro and micro factors being incorporated. In recent studies, focus has been increasingly placed on the manufacturing sector, with a trend showing that most researches are moving towards the emerging markets (Zou *et al.*, 2003). However, compared with large MNEs or SMEs in developed economies, SMEs in emerging markets are subject to more severe resource constraints for international competitiveness (Yamakawa *et al.*, 2008). It is widely recognised that the networking of SMEs is one of the crucially important factors in their internationalisation process (Coviello and Munro, 1997; Jones, 1999). In a similar vein, for the emerging-market SMEs which lack resources, Zhang *et al.* (2016) consider that social capital embedded in their local networks has important implications for their international entrepreneurial strategies.

China offers an interesting lens through which to evaluate SMEs, and more than 80 percent of enterprises could be classified as such (Yin, 2006). As one of the largest emerging economies, the Chinese business environment is very different from the western one due to myriad: political, cultural, economic, technological and historical condition which ensue (Salmi, 2006; Fang *et al.*, 2004). Over the last three decades, the Chinese economy and markets have undergone dramatic changes, from having little influence on the world economy in the 80s to becoming the second largest economy in the world today. As a transition economy, China's introduction of foreign capital and privatisation of SOEs (Child and Tse, 2001; Peng and Heath, 1996) has enabled the ownership structure to play a crucial role in shaping export behaviour in the last two decades (Fu *et al.* 2010). Support from local governments has also been correlated with SME performance and is often viewed as a more pivotal influence in China than in the West (Yu and Duan, 2012). Hence, China today provides a unique setting with a multitude of ownership types due to its ownership-reform, and ownership is widely regarded

as an important institutional facet of the research on Chinese enterprises' behaviour (Zhu *et al.*, 2008).

China's SME entrepreneurship activities emerged as a major engine in economic and employment growth since the late 1980s and has continued to blossom through the past two decades (Wang *et al.*, 2009). The Chinese have always been considered to be an entrepreneurial race and Chinese entrepreneurialism is hardly a new phenomenon (Etemad, 2016). However, this was considered from the aspect of ancient history and often is associated with historical overseas adventures. While this sounds ancient and irrelevant in the study of business and management, there is an increased recognition of the role of history in examining entrepreneurship and various management disciplines (Mason and Harvey, 2013). This was provided in the research setting in Chapter 1.

From the policy perspective, since the implementation of the reform and opening-up policy in 1978s, China's economy has experienced rapid growth. Exports play a significant role in promoting China's economic development and the contribution of exports to GDP grew from 4.6 percent in 1978 to 37.5 percent in 2007 (China Statistical Year Book, 1979-2010). Also, due to the market-oriented reforms, POEs have become increasingly important in these industries. According to Yi *et al.* (2012), the ownership structure of the export sector in China has been diversifying and the outcome of the structural reforms is that POEs, SOEs and foreign-invested enterprises (FIEs) have all benefitted. In particular, small and medium-sized manufacturing enterprises (SMMEs) in China have encountered greater opportunities and challenges in international markets (Lan and Wu, 2010). Despite being of relatively small size, SMMEs have the motivation and desire to enter the international market and invest globally, especially after China joined the World Trade Organisation (WTO) (*ibis*, p.54). Internationalisation of enterprises can be seen as entrepreneurial behaviour of firms in the global market (Alon *et al.*, 2011; Barney and Zhang, 2009).

The promoting effects of entrepreneurial orientation (EO) on enterprise performance have attracted extensive attention by many prior researchers. Recent developments in IB studies prove that EO emerges as one of the important potential factors contributing to the intensification of the processes of internationalisation of the firm. This contributes to the flourishing of the notion of IE (Wach, 2015). For example, empirical studies in IE literature identified and proved that EO plays an important role for the entrepreneurs' decision-making, their discovery of new international opportunities and improving enterprise's performance (Lumpkin and Dess, 1996; Zahra and Covin, 1995). EO is a multi-dimensional concept which is being perceived as a strategical level of enterprise. The dimensions of EO include innovativeness, risk-taking and proactiveness behaviours (Miller, 1983; Wang *et al.*, 2015). This mirrors Lan and Wu's (2010) definition considering that EO is associated with innovative capability, and proactiveness and active competition in the overseas market. These key elements represent a directional approach for a firm's inclination to connect entrepreneurial actions with its growth (Wang *et al.*, 2015).

There are many attempts to define EO, however they have one thing in common: they treat entrepreneurship as a firm-level phenomenon and define EO as a management viewpoint. While EO has been one of the main research themes within entrepreneurship for more than three decades, its usage in international business studies is much younger (Wach, 2015b). International EO (IEO) is a part of the multidimensional structure supporting and influencing IE from the cross-country and cross-culture perspective (Obloj, Weinstein and Zhang, 2013; Wach, 2015a). IEO enables business to identify and exploit internationalisation opportunities (Mostafa, Wheeler and Jones, 2006; Slevin and Terjesen, 2011). Likewise, empirical studies on the correlation between EO and firm performance in China are not abundant. For example, Jantunen *et al.* (2005) found that EO is a key factor to the success of innately internationalised firms and SMEs. Lan and Wu (2010) found that firms with EO would be able to come up with marketing strategies for entering new markets and for dealing with complex environments and profit-making by adopting innovative marketing strategies and emphasising

on product quality and patents. Covin and Miller (2014) hold that discussing the issue of IEO, it should be investigated with the relation to EO and IE.

At present, Chinese national research on the entrepreneurial phenomenon mainly focuses on entrepreneurs, product invention, technical innovation, and whole economy creation. However, no one has researched the relation between the degree of EO and internationalisation. The empirical aspect of existing research on EO and international performance of SMEs is far behind similar international studies (Lan and Wu, 2010, p. 57). Although studies on internationalisation of Chinese companies has been growing in recent years, most of these studies have been mainly on outward FDI from SOEs and MNCs (Deng, 2011, Bruton and Lau, 2008; Buckley *et al.*, 2007; Mathews, 2006, Child and Rodrigues, 2005). An amount of IE literature in the context of China has concentrated on the approaches of internationalisation of SMEs, while other researches have been based on the decision-making processes of exporting SMEs.

Cardoza and Fornes (2013) conducted a systematic literature review on SMEs internationalisation in China and found that the few published studies on Chinese SMEs are very narrow in focus. For example, the number of areas that were mainly the focus of the current studies are: drivers (Young *et al.*, 2004), the institutional environment (Boisot and Meyer, 2008) and the institutional barriers to innovation and growth (Zhu *et al.*, 2011), the relationship between networks and international development (Tang, 2011). Therefore, this limited number of studies is far from “constituting a strong body of literature on Chinese SMEs in general and on their international expansion in particular” (Cardoza and Fornes, 2013, p. 254) and research has been relatively fragmented and disconnected.

Recent IE research has demonstrated a trend that has usually have relied on a combination of established conceptual frameworks. For example, Liu *et al.* (2008) combined the Uppsala model with INVs; Li *et al.* (2008) used EO with market orientation, Yamakawa *et al.* (2008) combined the industry-based view and

RBVs. Therefore, this might suggest that as the understanding of the international expansion of Chinese SMEs grows, individual mainstream theories or conceptual frameworks may not be able to explain this phenomenon accurately and new theories or theory extensions are needed. In order to develop new theories, a conceptual framework of thoughts therefore, could be helpful in data collection and sense-making. This is developed through knowledge-gap identification situated in the context of China manufacturing SMEs internationalisation.

3.2 Knowledge Gaps

The nature of this research is multidimensional, it realises exploratory, descriptive, analytical and predictive purposes (Collis and Hussey, 2009, p. 5). The thorough literature study was to conceptualise and operationalise this research. Based on Five-stages model of a critical literature review proposed by Fisher (2010), Chapter 2 mapped and described literature in IE field, this and the established objectives of this study, led to the preparation of the conceptual framework of thoughts for this research. This section is mainly to identify the main stances and to evaluate the strength and weakness of the arguments highlighting the knowledge gaps.

As already presented, IE is reported to be a research domain at the intersection of two fields, namely entrepreneurship and international business (McDougall-Covin *et al.*, 2014). One more very important fundamental pillar - strategic management was added by Zucchella and Sciabini (2007). In a critical review of these three disciplines, Keupp and Gassmann (2009) remarked that serious gaps exist in our knowledge regarding how the process of entrepreneurially driven internationalisation evolves. In particular, Keupp and Gassmann (*ibid*, 2009) argued that the frameworks in IB and entrepreneurship are inconsistent and conflict in predicting the nature of the internationalisation process of small firms. In light of this, it was proposed that process studies will be needed to incorporate theoretical perspectives from both IE and IB domains (shown in Figure 3.1 highlighted in grey background). By doing so, new frameworks of internationalisation that incorporate the entrepreneurial component would provide

an opportunity in achieving a more general understanding of how entrepreneurial processes and internationalisation interact and co-evolve over time.

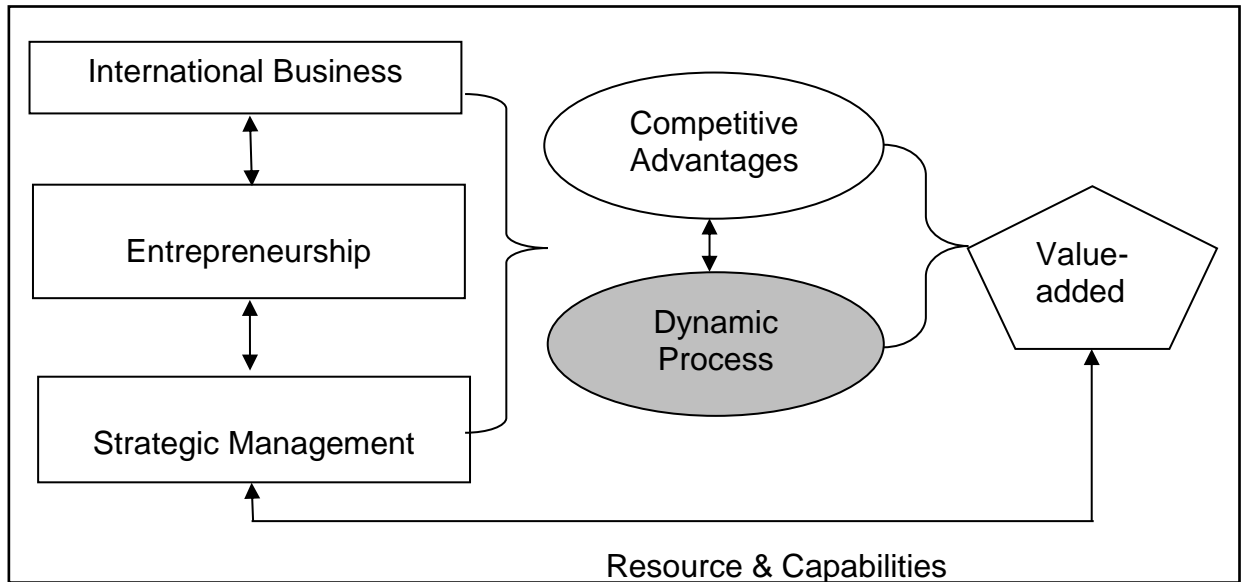


Figure 3.1 IE Knowledge Gaps in Disciplines Reviewed

Post 2000, IE as an autonomous area of research is becoming more and more popular and quite widely accepted by international scholars. Wach (2012) summarised six main research strands and their development: (1) stages models; (2) RBV; (3) network approach; (4) business strategy; (5) IE; and (6) holistic approaches (p.99) and suggested that distinctions of these strands should be made. Hence, the rich heritage of this school fully justifies its distinction as a separate stream within the framework of internationalisation theory (Wach, 2014, p.434). Coviello *et al.* (2011) noticed that IE theory focuses on three main research issues, which are (1) the entrepreneur, (2) the external business environment and (3) the entrepreneurial process. This observation is in line with one of the two research areas identified by Wach (2014), highlighting IE that is a creative process of recognition and exploitation of opportunities in foreign markets. In this sense, it suggested that IE focuses on a special role in the internationalisation process that is attributed to the entrepreneur. The purpose of this research aims to contribute to knowledge in this area, in exploring and examining the role played by entrepreneurs in recognising and exploit international opportunities.

3.2.1 Knowledge gaps in IE

As reviewed in Chapter 2, this section summaries the key knowledge gaps in IE to which this study contributes. In the latter years researches on IE rapidly grew in number (Sekliuckiene, 2015). Studies have focused on various perspectives: for example, knowledge and international networking were found as key drivers of fast internationalisation (Oviatt and McDougall, 2005); rapid internationalisation process of BGs, models, and barriers (Sheppard and McNaughton, 2011; Kontinen and Ojala, 2012); network influence upon the internationalisation of BGs (Zhou, Wu and Luo, 2007; Vasilchenko and Morrish, 2011) and entrepreneurship impact on network processes (SlotteKock and Coviello, 2010). However, it was argued that these understandings are fragmentary, and still the integrated paradigm combining different approaches to the scientific problem is missing (Sekliuckiene, 2015, p.328) and furthermore are exclusively focused on either international business or entrepreneurship problems (Kiss, Danis, and Cavusgil, 2012).

In the field of Entrepreneurship, EO has been studied with its impact on entrepreneurial performance where often a positive relationship was reported. The three components of EO: innovativeness, proactiveness and risk taking were the commonly identified constructs that are often being used to define an entrepreneurial firm (Miller, 1983; Lumpkin and Dess, 1996). However, in an IE context, Etemad (2015) argues that this has more complexity than its counterpart for a given environment, and one needs to apply some degree of abstraction to enable a deeper understanding of the relationship between 'IEO and performance in a given and bounded environment, where boundary conditions are relatively well-defined' (p.3). Sekliuckiene (2015) specifically identified the scientific problem which could be defined as following: (1) what coherence of IEO is with collaboration in networks remains unanswered; (2) It was not clear whether networks enhance IE of BGs as those theories identified in the field of entrepreneurship.

Moreover, prior studies have recognised that SMEs' MO as dynamic capability assists in overcoming the scale- and efficiency-related disadvantages they have and their growth (Eggers and Kraus, 2011). This dynamic capability is often associated with the firm's internal strategic profile and options, linking its proactiveness element of EO, which has a positive impact on its performance. Cavusgil and Zou (1994) identified that exporting is a traditional channel for entry into foreign markets and is a fundamental strategic option for ensuring survival and growth for firms that have chosen to start internationalising. Many industrial SMEs regard exporting as a way of counteracting growing foreign competition in domestic markets, broadening their market coverage, improving profitability, and ultimately achieving competitive advantages in the countries and markets where it competes (Morgan *et al.*, 2004). Market intelligence was considered particularly important for industrial SME exporters when entering new countries and markets, given their lack of resources and information (Fish and Ruby, 2009). However, Haverila and Ashill (2011) argued that there is a significant gap in the literature in examining the relationship between market intelligence and firm's exports associated behaviour.

Furthermore, since the seminal works of Lumpkin and Dess (1996) on EO and Kohli and Jaworski (1990) on MO, the two constructs have taken a central position in general management theory and research (e.g. Rauch, Wiklund, Lumpkin and Frese, 2009; Baker and Sinkula 2009; Wang 2008). However, Boso *et al.* (2016) identified knowledge gaps in this field and argued that while EO and MO are considered to be important within the context of exporting (Ellis, 2007), how high EO and high MO activities may complement each other when firms engage in export operations (Hakala, 2011) remains under-researched.

Recently, IE researchers turned to effectuation theory, developed in the entrepreneurship field (Sarasvathy 2001), to shed new light on international entrepreneurs' behaviour and their decision-making processes. The effectuation process begins with means and resources, determined by "who (the entrepreneur) is, what he knows and whom he knows" (Kalinic *et al.*, 2014). It

compliments the resource-based view and other streams of IB, overlapping with research in IE, and emerging as one of the key entrepreneur-related constructs determining the early internationalisation of firms (Pawęta, 2015). Bhowmick (2008) first used effectuation theory in IE research and describes the internationalisation process as a combination of enactment and effectuation. According to Bhowmick (2008), entrepreneurs often act without the entire knowledge of the international situation, though both the situation and the decisions are often rationalised in retrospect. The finding conflicts with that of Brouthers and Nakos' (2005) whom suggested that exporters use a systematic international market selection to outperform others, which illustrates the causation-based approach.

In contrast, Mainela and Puhakka (2008) concluded that IE is a complex process which requires a set of means which are – effectuation logic, proactiveness and partnering strategies. Anderson (2011) specified that effectuation introduces a proactive entrepreneurial perspective that better describes the firm's development than earlier theories that were used to analyse BGs' internationalisation. However, Harms and Schiele (2012) suggest that BG entrepreneurs do not have much time for strategic planning, conscientious research and analysis of global markets in the dynamic uncertain environment they operate in. Moreover, the connection between effectuation and EO was also suggested by Chandra *et al.* (2009). Therefore, it might be more effective to differentiate activities as known and unknown space, in which different decision-making logics should be applied to INVs and BGs. Gabrielsson and Gabrielsson (2013) therefore, calls further studies on the role of effectuation in new venture internationalisation.

In addition, although much progress has been made in advancing research on IE (e.g., Danis, Kiss and Cavusgil, 2012; Jones *et al.*, 2011), Knight and Cavusgil (2015) proposed that better formulated and integrated theoretical frameworks support development of explanations, research propositions, and hypotheses, in both theoretical and empirical works which are still needed. Particularly, research

is needed to integrate perspectives from entrepreneurship and IB to improve understanding of BGs (p.11). This research presents an integrative conceptual framework, which shows the cohesion of IEO and collaboration in networks of BGs.

As observed in Cavusgil and Knight (2015), future research will benefit from expanding the base of explanatory perspectives, and drawing on theories and frameworks from various domains. This research also explores entrepreneurship motivation and orientation of Chinese BG firms, and its penetration into networks as well as influence of networks upon IE. It could help managers and entrepreneurs to understand the role of networking in the internationalisation's decision-making processes. Moreover, this research also makes a significant contribution towards covering an important gap in research into industrial SME exporters by demonstrating the importance of market intelligence in the interrelations between entrepreneur's perceptions, behaviour and export performance. In addition, the research also expands knowledge on the relationships between the joint implementation of EO and MO and SMEs exports performance.

3.2.2 Knowledge gaps in contextual understandings

Although the literature on INVs or BGs has been growing rapidly, the existing empirical studies have mostly been investigated from developed Western economies (Zhou, 2007) and the understandings of BGs in emerging economies remains limited. INV and/or BGs play a fundamental role in the economic development of emerging countries, hence it is crucial that contexts in which these firms operate should be considered when building frameworks (Kiss *et al.*, 2012). The review of literature in IE suggests that both networks and EO can actively help small firm internationalisation (Felzensztein *et al.*, 2015). Therefore, it is interesting to analyse, learn, and explore some results in greater detail related to the internationalisation process in emerging economies (Felzensztein *et al.*, 2014; Dimitratos *et al.*, 2014).

Wright and Dana's (2003) call for more understanding is needed for reflecting the context of networks and mirrors an earlier statement made by Bell and Young (1998). According to Bell and Young (1998), most studies of small firms' internationalisation have taken place in the contexts of a developed economy. For example, studies of IE in the past were focused on various aspects in many developed economy contexts: Japan (Lu and Beamish, 2004); New Zealand (Frederick et. al., 2004); the UK (Crick, 2004); the USA (Cohen, 2004); France (Fayolle, 2004); Canada (Spence, 2004). As acknowledged by Coviello (2006), most of our understanding on the networks of INVs and BGs addresses the initial foreign market entry and post-internationalisation activities. However, little is known of the interactions developed among different actors, locally and internationally. In the IE field, Cavusgil and Knight (2015) proposed that while most BGs phenomenon is common among firms from small domestic markets, more research is needed to investigate this among firms from large domestic markets, for example, China.

A firm's industry has been found to be a major factor influencing its internationalisation strategy. Despite suggestions that industry factors may provide an advantage in rapid internationalisation (Laanti, Gabrielsson and Gabrielsson, 2007), limited empirical support exists for any associations between industry factors and the extent of a born global firm's internationalisation (Taylor and Jack, 2016). Some issues are being highlighted in the findings in researching specific industrial sectors, little attention was given to that in the Chinese contexts. Li and Zhou (2009) reported that, to some extent, these Chinese BGs are quite different from BGs in industrialised economies. This research will contribute to this gap in uncovering whether the influencing factors of BGs are different from those of the Anglo-Saxon literature.

3.2.3 Knowledge gaps in research methodology

Moving ahead from Knight and Cavusgil (2004), the appreciation of the need for, and potential of, qualitative inquiry in both IE and international business research

has advanced considerably (see Birkinshaw, Brannen and Tung, 2011). However, it was observed that there is a lack of longitudinal studies in entrepreneurship research (Delmar and Wiklund, 2008). Knight and Cavusgil (2015) reviewed the progress since their significant 2004 paper, and suggested that future 'scholarship will also benefit from applying both quantitative and qualitative approaches' (p.10). It was suggested that longitudinal data of representative firms in industries other than high technology would be very useful. Such studies could enable us to understand about the "process" aspects of early internationalisation. This provides an opportunity to focus on subsequent phases of internationalisation which might be able to answer a key question that has been very little addressed - what happens to BGs when they grow up (*ibid*, p.12)?

Specifically, where social capital is concerned, Hoang and Antoncic (2003) argued that longitudinal analysis is required to understand the contextual factors at play in exploring the relationship between network development and entrepreneurship. In a similar vein, Devine and Roberts (2003) argued the need for a return to qualitative approaches in the study of social capital given that inadequate attention has been paid to the contents and process of how social capital operates. As such, it requires interacting anew and directly observing this complex social phenomenon in natural settings with "fresh eyes" (Bundick, 2009). Explicitly, it would be inappropriate to impose the western concept of "social capital" on non-western respondents and to force their responses into pre-determined conceptual categories. Likewise, the deep rich qualitative data was essential in gaining an understanding of the process of innovation in the highly dynamic settings of the SMEs (McAdam, 2002; McAdam *et al.*, 2008) and their involvement in the process of internationalisation (Shaw, 1999). Hence a longitudinal research is needed, given that both the international 'process' and the dynamic network theory imply that time is involved.

Finally, Coviello (2015) proposed that the need for IE and international business research at the level of the individual becomes even more pertinent when we consider the next generation of founders. A qualitative approach is appropriate

for the early stage of theory development (Edmondson and McManus, 2007), for example, effectuation has been recognised as a nascent theory (Perry *et al.*, 2011) and the case study approach has been used by other studies applying the effectuation principle (Gabrielsson and Gabrielsson 2013; Kalinic *et al.*, 2014; Sarasvathy *et al.*, 2014). However, most of these studies were based on multiple cases and few studies used a single longitudinal case study in the context of China in understanding this nascent theory in IE. Therefore, a single case would provide an opportunity for “greater depth and richness, and case-related explanations” (Piekkari and Welch, 2011, p.187). Thus, this study seeks to fill the methodology gap by focusing on a single case longitudinally.

3.3 Framework of thoughts development

The conceptual framework of thoughts for this study has been developed alongside both the review of the theoretical literature and the fieldwork for the study. As was the researcher’s intention from the start of this research, narratives and ‘story-telling’ were to be used as the prime material for the research. As a result, the objectives and research questions for this thesis have been augmented. The researcher tested her initial research objectives with a set of questions and categories using a pilot study, and this is presented in Chapter 4 when the research design is discussed in details. This section mainly focuses on the conceptual framework of thoughts developed based on the review of the theoretical literature (Chapter 2).

As discussed in Chapter 2, reviewing the existing literature in IE and its parent disciplines: IB and entrepreneurship, it could be observed that international involvement can be examined, principally, through the ‘process’ and ‘economic’ viewpoint (Manolopoulos, 2010). Given that the knowledge gaps highlighted in IE (Section 3.1), it is the ‘*process*’ view that the researcher focused upon for this study. With regards to the ‘*process*’ view in the context of SMEs’ internationalisation, there are two major perspectives in particular, and they are as follows.

The first one perceives the internationalisation of SMEs as being a “learning process” that leads from a domestic market to international markets, whereby knowledge of the new markets is acquired and resources are increasingly committed to those markets (Johanson and Vahlne, 1990, 1977; Cavusgil, 1980; Bilkey and Tesar, 1977) and this is a slower and staged process. The Innovation-Related Internationalisation Model considers firms that need to innovate continuously, and therefore it should be an incremental development process (Dhanaraj and Beamish, 2003). The second perspective, derived from the IE literature, declares the fact that a firm can be ‘born global’ (Rialp *et al.*, 2005; Anderson and Wictor, 2005; McDougall *et al.*, 2003; Kuemmerle, 2002; McDougall and Oviatt, 2000), is often based on its innovation in a niche market, and this is a radical process. Therefore, the existing understanding in ‘*process view*’ seems to suggest that both knowledge (learning) and innovation are playing important roles in small firms’ internationalisation.

In the international context, Küster and Vila (2011) proposed that firms often adopt market-oriented approaches and innovation strategies to satisfy foreign consumers and sustain this relationship in the longer term, gaining their loyalty, creating a good image in the target country, and thus improving the training of international human resources. This statement seems to suggest that MO is particularly important for firms’ international expansion. However, despite the growing interest in practice and academia, given to research and theoretical development in IE, the contribution to the IE field from the marketing discipline has been minimal (Ahuja and Katila, 2004). Given that much of the work on MO has been based on relatively wealthy Western economies, one could question whether the findings can be generalised to non-Western economy settings, for example, China.

Likewise, in the knowledge field of organisation studies, recent developments in innovation theories have raised the importance of creating broader networks, involving many actors, their relationships and the social and economic context in which they are embedded (Ramstad, 2008). Unusually, while many scholars

recognise that it is the social and organisational networks that influence the acquisition of knowledge and innovation in a firm (Etemad and Lee, 2003; Johanson and Vahlne, 2003), little is known about how this process develops and what type of knowledge it provides, which might have enabled small firms' decisions and competitiveness in international marketplaces.

Moreover, it is widely acknowledged that organisations have long sought how to achieve a competitive advantage in dynamic environments. In Management literature, EO has its early roots in Mintzberg's (1979) strategy theories concerned with strategy-performance relationships. Lumpkin and Dess (1996) expanded the unified constructs of EO and suggested that EO would portray the firm's entrepreneurial as well as strategic profile, hence extending the EO concept from strategic management to entrepreneurship. In the field of IE, Etemad (2015) summarised that due to the inter-relation of the EO's components, EO has been used as a single unified construct by some scholars whilst others have preferred to use one, or a combination. Specifically, EO is often linked with innovation, and it was observed that organisational learning strengthens the impact of the EO on firms' positive forces of growth, especially on SMEs innovation (Wang *et al.*, 2015).

Studies focused on the marketing/organisation interface, have suggested that a more cerebral or cultural approach could enable firms to achieve competitive advantages in international markets, which require organisations to engender an MO (Kohli and Jaworski, 1990; Narver and Slater, 1990; Jaworski and Kohli, 1993; Day, 1994). Specifically, MO has been of major concern particularly in the context of small firms, and it has even been argued that MO could be considered as a distinctly sustainable competitive advantage (Jaworski and Kohli, 1993; Ennen and Richter 2010). In light of this, contributing to the Marketing/IE interface, the researcher proposes that a marketing perspective should be addressed in understanding small firm's internationalisation dynamic process.

In exports internationalisation, Zahra and Garvis (2000) observed that the pioneering advantage seeking activities of EO enable exporters to get ahead of overseas market rivals through superior value creation and delivery. Essentially, both EO and MO are viewed as critical resources that offer firms the capability to explore evolving entrepreneurial opportunities and exploit existing product market competences (Baker and Sinkula 2009). Both constructs are to be considered important in the context of exporting (Ellis, 2007). However, Boso *et al.* (2016) highlighted that research looking at how firms apply EO and MO capabilities in export markets has not examined key contingency factors, such as resource requirements and environmental conditions, nor considered how they might complement each other when firms engage in export operations (*ibid*, p. 2). Hence, Figure 3.2 shows a revised integration conceptual model of thoughts, taking knowledge perspectives in Marketing and Organisation Studies disciplines, which focus on the understanding of factors in the process of small firms' internationalisation.

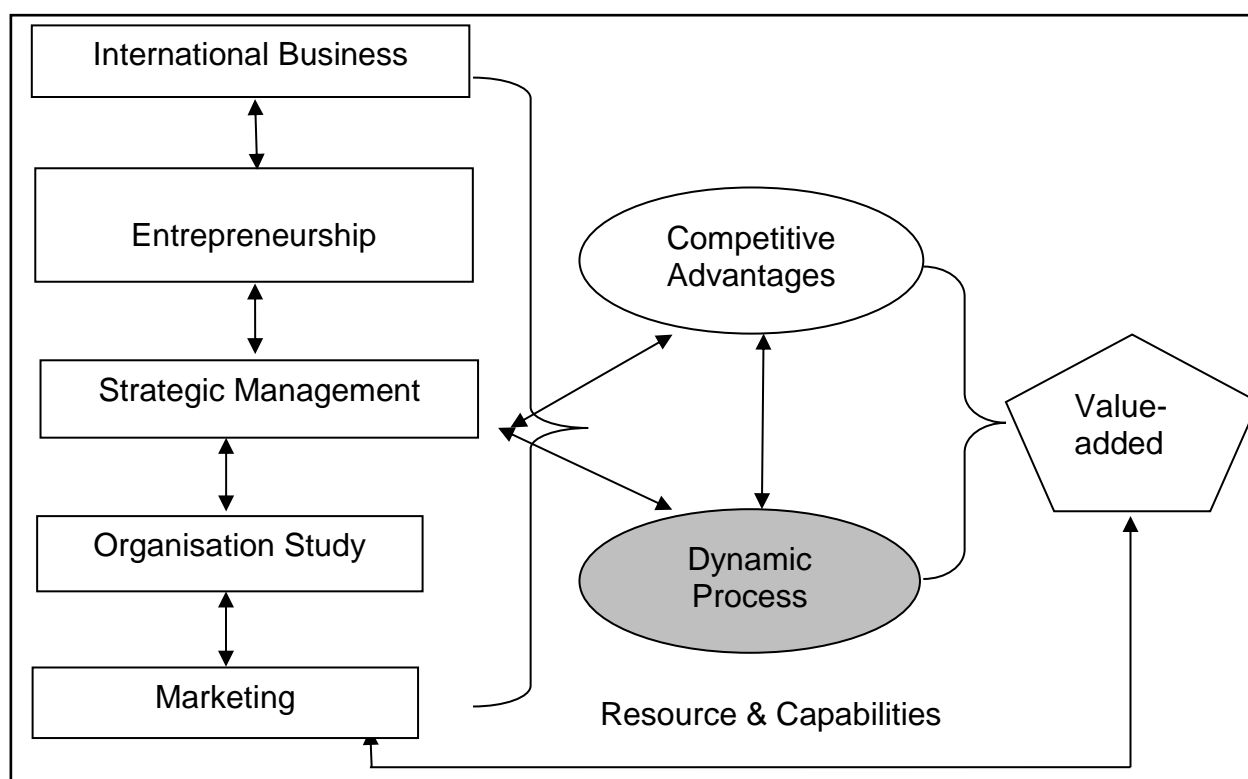


Figure 3.2 Revised conceptual integration model

From reviewing the literature, four broad yet significant and related areas of interest can be identified within the subject of small firms' internationalisation in relation to this research: (1) market orientation; (2) knowledge and learning; (3) social capital and (4) innovation. While these four broad themes have been observed as having diverse positions in small firms' internationalisation, there is not yet a definitive, generalisable theory relating this in the field of IE. Moreover, review of the existing understanding of how small firm's internationalise seems to suggest that the theories are somewhat: similar, contrasting and even competing. Hence, further understanding is needed to fill the knowledge gaps as identified in each of the disciplines shown in Figure 3.2. On the basis of the above discussions and alongside the fieldwork, the researcher proposes to examine these four key issues since they are closely correlated and appear to play key roles in small firms' internationalisation.

This research seeks to contribute to the understanding of IE in the context of Chinese small firms' internationalisation. It was intended that by taking on a qualitative perspective, the research will open the way to the understanding of deeper-level elements that underpin the key issues identified in the literature. Specifically, this research takes up the challenge issued by Gartner et al. (1992) to 'borrow boldly', builds on studies and common operational constructs identified from the literature in various disciplines to develop the conceptual framework, to create and share new understandings and practice. The following sections provide a brief overview of the existing knowledge of each of these four key issues.

3.3.1 Market orientation (MO)

The concept of a MO philosophy of the firm is one of the major contributions that the marketing discipline has made to the business discipline (Menguc and Auh, 2006). One of the fundamental propositions of marketing theories is that the effective implementation of MO results in a superior competitive advantage (Jaworski and Kohli, 1993). First introduced and espoused by Levitt (1960), the

concept of MO became popular since 1990, and was widely used as an implementation of the concept of marketing (Kohli and Jaworski, 1990). In marketing literature, Rodriguez Cano *et al.* (2004) distinguish two frameworks for studying MO: (1) the Cultural perspective emphasises MO philosophy and strategies (Diamantopoulos and Hart, 1993; Hooley *et al.*, 1990), and (2) The Behaviour perspective, by contrast, tends to highlight behavioural aspects (Greenley, 1995; Slater and Narver, 2000), and refers to the organisation-wide generation, dissemination, and responsiveness to market intelligence (Kohli and Jaworski, 1990). This debate regarding the definition of the MO concept comes out of the fact that it was differently approached and explored within the framework of different knowledge fields (Pandelica *et al.*, 2009), which reflects Nwankwo's (2003) conclusion in arguing that MO being viewed as a type of culture and, accordingly, is context-specific. As such, from this perspective, MO could be viewed as an appropriate theme that could be examined for this research which is context-specific.

Researchers have found congruence between MO and the performance of the business (Narver and Slater, 1990; Jaworski and Kohli, 1993). This relation was studied in both large firms (Jaworski and Kohli, 1993) and small ones (Pelham and Wilson, 1996). Baker and Sinkula (2005) and Kirca *et al.* (2005) found MO has a positive impact on new product performance in general. For small firms, a positive link between MO and business performance appear to exist (Pelham, 1996; 2000). It was observed that MO has a positive link with organisational learning and ability to rapidly respond to environmental changes (Dickson, 1992; Sinkula *et al.*, 1997). In the context of export internationalisation, several studies have found significant support in the relationship between EMO and export performance (Cadogan *et al.*, 2009; Chung, 2012; Sørensen and Madsen, 2012). Nevertheless, studies on the relationship between EMO and export performance of SMEs has been rare in developing markets.

Reviewing literature in Chapter 2, RBV emerged as a commonly identified theme and is being considered as one of the important approaches in understanding

small firms' internationalisation. Armario *et al.* (2008) propose that the RBV can help in understanding the nature of MO and its relationship with the achievement of a competitive advantage. According to the RBV, MO can be considered as a resource since it is an intangible property of a firm that enables it to manage market information and deliver superior value for its customers (Webb *et al.*, 2011). From a slightly different perspective, Day (1994) focuses more on the KBV, an extension of RBV and proposes that market-oriented firms develop "inside-out" capabilities. This view emphasises that the "inside-out" capabilities therefore, connect the internal processes that define organisational capabilities with the external environment, thus allowing the firm to be competitive by creating solid relationships with customers, distributors and suppliers. Specifically, these capabilities develop through learning processes as the firm's employees apply their knowledge to the solution of marketing problems.

Applying the RBV in an international context, scholars argue that when firms enter countries where the institutional context greatly differs from the home market, resource-based advantages may not be applicable or may need to be supplemented with target market-based resources (Eisenhardt and Schoonhoven, 1996; Madhok, 1997). For example, institutional differences may create a "liability of foreignness" for firms, even those with resource-based advantages (Zaheer, 1995). In accordance with the RBV approach, MO can also be understood as a corporate competence that supports a firm's activities in its markets, including its foreign markets.

Specifically, market-oriented capabilities facilitate knowledge acquisition. These capabilities are especially important in the earlier stages of the internationalisation process, when the firm has little international experience (Armario *et al.*, 2008). Hence, this dynamic capability approach (Eisenhardt and Martin, 2000) emphasises the competitive value of MO. From a cultural perspective of MO, the application of this transformational competence in foreign markets enables a faster and more effective transformation of the market's information into an appropriate response. In light of this, Armario *et al.* (2008)

propose that MO can be presented as an antecedent of the internationalisation process of an SME. While MO has proven to be a critical success factor in firms of all sizes, there are other related orientations that shape how a firm interacts with the external environment (Baker and Grinstein, 2014). For example, Day (2011) noted that MO in isolation may reinforce an exploitative rather than an exploratory mindset. Hence, Cadogan (2012) calls for the understanding of a bundling of orientations (e.g. MO, EO, and LO) which has the potential of leveraging multiple forms of market-focused learning to create new and effective business strategies and operation processes.

3.3.2 Knowledge and Learning

Reviewing literature from an interdisciplinary perspective in Chapter 2, another important observation which is finding currency within the RBV is that of a firm's competitive advantage which arises from managerial knowledge (Penrose, 1959). Managerial skills and knowledge determine the ability and capability that yield better organisational performance (Song, Di Benedetto and Nason, 2007). LO thus could be viewed as resources which have potentials to enhance export performance (Abiodun and Mahmood, 2015). From the perspective of entrepreneurship, more recently, Alvarez and Busenitz (2001) describe entrepreneurial knowledge as "abstract knowledge of where and how to obtain . . . resources" (p. 762), heterogeneously organised to create and take advantage of opportunity. This observation mirrors the earlier findings of Malecki (1997), who argues that to be successful, entrepreneurs must know how to integrate scientific knowledge, facts, and management techniques with contextual experience. Knowledge is considered as a crucial resource which is essential for entrepreneurs (West, 2003). The INV literature ascribes knowledge an enabling role that makes rapid internationalisation possible (Fuerst and Zettinig, 2016). IE literature identified knowledge can be sourced internally and externally. Recent contributions by Bruneel *et al.* (2010), Fernhaber *et al.* (2009) indicate that learning from a firm's key exchange partners can stimulate the

internationalisation process of the young firm. However, this process of how small firms make use of external sourced international knowledge is less clear.

In the context of internationalisation, it was proposed that knowledge emerges as a recurring theme and constitutes one of the main factors behind a firm's international behaviour (Casillas *et al.*, 2009). This could be observed from the common themes identified in reviewing the literature in Chapter 2 (Section 2.2.5). For example, in the field of entrepreneurship, Laforet and Tann (2006) argued that globalised SMEs using innovation as a competitive strategy ensures that new knowledge spreads and nourishes the innovative capacity of the overall economy. Therefore, this suggests that knowledge and knowledge transfer plays a crucial role in small firms' internationalisation, as well as achieving and sustaining competitiveness.

Specifically, in the international context, in supporting Carlson (1966), Eriksson *et al.* (1997) identify two types of knowledge: (1) market knowledge which is constituted of a set of information in relation to specific markets; (2) international competence which is normally carried by individuals who manage and take part in international activities, which is primarily tacit. This view concurs with earlier conclusion made by Johanson and Vahlne (1977) in the knowledge field of IB, who claim that market knowledge can be acquired in an explicit form through cognitive learning, whilst behavioural learning largely contributes to the development of the international competence form of knowledge, which implies that the two types of knowledge interact. These two distinct forms of knowledge generally have been used as strategy to internationalise and to reduce uncertainty, especially when entering a new market with foreignness (Knight and Liesch, 2002). Moreover, market intelligence, defined as the firm's skill at processing, interpreting and disseminating information on the market/environment, was found to be able to enable firms to a fast response to change (De Pelsmacker *et al.*, 2005; Hughes *et al.*, 2008). Therefore, marketing intelligence can be considered a key factor in reducing foreign market uncertainty, facilitating strategic marketing management in the exporting company (Cadogan

et al., 2012). The knowledge spillover theory of entrepreneurship holds that the level of knowledge spillover largely depends on the ability of the entrepreneur to absorb knowledge spillovers and convert them into economic knowledge (Acs *et al.*, 2013). Kenny and Fahy (2011) observed that absorptive capacity relies on both external connections and internal social networks of the entrepreneur.

As well as knowledge, research which explicitly conceived the internationalisation of the firm as a process of organisational learning is not infrequent. For example, Eriksson *et al.* (1997) stated that internationalisation can be conceived as a process of learning and accumulation of knowledge. The stage model (Johanson and Vahlne, 1977) in IB specifically analyses the process of international development as a sequence of steps permitting the firm to gain knowledge of the international environment. This incremental dynamic is precisely justified by an underlying process of foreign market knowledge development. Specifically, the RBV view (Wernerfelt, 1985) regarding the firm's "idiosyncratic abilities in the attainment of a sustained competitive advantage in a global marketplace" (Yeniyurt *et al.*, 2005, p. 3) provides a firm theoretical foundation for the exploration of market and learning orientation and the relative effect on organisational performance.

In contrast to marketing scholars, within the management literature, it has been proposed that the ability to learn faster than competitors may be the only source of sustainable competitive advantage (Dickson, 1996). From a slightly different perspective, it was argued that at firm level, learning refers to a correction when the outcome does not match the expectations (Wernerfelt, 2005). Others propose that central to most models of learning is the issue of achieving new understandings, interpretations and insights (Daft and Weick, 1984). Hence, lower-level and higher-level learning have been identified.

In the context of small firms, organisational learning is often reflected as workplace learning, which is a lower-level learning style involving the use of existing knowledge to enhance operational efficiency (Badger *et al.*, 2001; Chaston *et al.*,

2001). Similarly, Anderson and Wistor (2003) note that self-directed, work-based, and informal learning is dominant in small firms, as it allows increased flexibility and adaptability. Specifically, Popper and Lipshitz (1998) identified that organisational learning is mediated by the learning of individual organisational members. Their learning is supported by the cognitive systems, memories, networks and the learning culture created by the organisation to enhance knowledge transfer. This suggests that individual learning intention and knowledge absorption from individual to group, and then to organisation, could be significant for effective organisational knowledge transfer.

In the context of entrepreneurship, Hayek (1945) further expands on the importance of learning and knowledge in the entrepreneurial process. He argues that the dynamic aspect of entrepreneurship relates to the various learning techniques and cognitive behaviours displayed by entrepreneurs with previous business ownership experience. Specifically, if an entrepreneur's prior business had been successful, she/he may have established a good reputation with financiers, customers and suppliers. Prior business ownership experience may, therefore, influence an individual's subsequent entrepreneurial career as a founder and/or acquirer of businesses (Ucbasaran *et al.*, 2003). Moreover, entrepreneurs may supplement any industry, business, or previous start-up knowledge they have gained through experience with additional knowledge gained through networking.

Within the RBV, LO is central to obtaining the maximum value from the other firm's knowledge (Farrell, 2008). LO is a "mechanism that directly affects a firm's ability to challenge old assumptions about market and how a firm should be organised to address it" (Baker and Sinkula, 1999, p. 412), and could be described as activities of making and employing knowledge to achieve competitive advantage (Calantone, Cavusgil and Zhao, 2002). Several studies have found positive significant relationship between LO and firm performance (Zahra, Ireland and Hitt, 2000). For example, LO enables a firm to more successfully understand the needs of customers better than its competitors (Day,

1994; Dickson, 1992); it is likely to have superior customer retention and superior growth and/or profitability (Slater and Narver, 1995). Through learning, people become more adaptive to different views, procedures, and ideas, and become proactive to enhance the quality of workplace and the operations of firms and customer satisfaction (Chaston *et al.*, 2001; Anderson and Boocock, 2002). However, most of empirical studies on LO concentrated on large based-organisation rather than SMEs (Keskin, 2006). Specifically, Autio *et al.* (2000) consider that international young firms often rely on a constant inflow of new knowledge since the resources are greatly restricted. Cadogan (2012) and Ellis (2007) acknowledged one of the liabilities of being an international player from developing nations as inability to leverage international performance outcome of core value of market and learning orientations.

3.3.3 Social Capital

As discussed in Chapter 2, social capital, as a valuable resource has been a focus of interest by researchers from a wide range of disciplines. It has been defined by many scholars from different perspectives. For example, Lin (2001) and others (see for example, Bourdieu, 1986) define social capital as a resource available in one's network of relationships. Pretty and Ward (2001) detailed four core aspects of social capital: (1) relations of trust; (2) reciprocities and exchanges; (3) Common rules, norms and sanctions; and (4) connectedness in networks and groups. Likewise, Inkpen and Tsang (2005) argue that social capital is the aggregate of resources embedded within, and derived from the network of relationships processed by an individual or organisation. In this regard, social capital is suggested to capture the collective actions and subsequent outcomes associated with the inter-individual interactions of groups (Adler and Kwon, 2002).

Focusing on the internal source of social capital, the most well-known and frequently cited definition of social capital in organisational settings is by Nahapiet and Ghoshal (1998). According to them, social capital is "...the sum of the actual and potential resources embedded within, available through, and derived from

the network of relationships possessed by an individual or social unit” (p.243). Specifically, three dimensions were identified: structural, relational, and cognitive, which comes close to the researcher’s understanding of social capital. The structural dimension deals with the presence or absence and kind of networks involved, with the issues of who you reach and how you reach them (Burt, 1992). The relational dimension focuses on trust (Fukuyama, 1995) and norms (Coleman, 1990; Putnam, 1995). The cognitive dimension of social capital refers to those resources providing “shared representations, interpretations, and systems of meaning among parties” (Nahapiet and Ghoshal, 1998, p. 244). This understanding is in line with strategy scholars whom often regard social capital as both ties between cluster members and other (‘remote’) firms (Harrison, 1992; Saxenian, 1994), and the overall industry network structure (Storper and Harrison, 1991). As such, the central proposition of social capital within network environments is that network relationships constitute a valuable resource for the conduct of social affairs which provides the participant with a relational “credit”. The wider field of network theory though recently experienced an upsurge of interest in the dynamics of networks (Baum *et al.*, 2003; Snijders, 2001).

Specifically, Baker (1990) posits that social capital derives from the social structure of the network. Hence, the form and the design of the network relations themselves are considered as resources that allow the actors to generate value. Therefore, social capital comprises both the network and the assets that may be mobilised through the network. Studies in recent years, focusing on networks and relations in and between individuals, groups and organisations have increased dramatically (Nohria and Eccles, 1992; Hoang and Antoncic, 2003; Parkhe *et al.*, 2006). It was observed that networks not only influence individuals but also impact significantly on how organisations are managed, developed, maintained and sustained (Nohria and Eccles, 1992).

In the context of internationalisation, social capital, among other determinants, has been studied for its role and impact on firms’ international performance. Specifically, it was proposed theoretically (Oviatt and McDougall, 2005), and

found empirically (Sharma and Blomstermo, 2003) that firms' social capital can influence firms' international expansion and performance via two major parallel mechanisms: first, the school of organisation sociology mainly considers structural social capital and relation networks, and its effects on firms' internationalisation performance (Burt, 2000). This view proposes that personal connections, inter-organisational and intra-organisational arrangements may considerably assist the identification, generation of necessary information needed for firm's international expansion. This is because entrepreneurs are more likely to access skills and resources at an earlier stage, to a greater extent and on a more frequent basis compared to their counterparts.

Moreover, social capital is often operationalised as network centrality, or the number of connections between an individual and others in a network, which grants the central actor access to those individuals and their resources (Brass, 1984). This could result in information asymmetry where entrepreneurs are more likely to gain more and useful information and opportunities compared with non-entrepreneurs, using their social connections and ties. It was argued that the richer the amounts and contents of the information that is accessed, the more likely this information would be turned into internationalisation-related knowledge. As such, firms are more likely to exploit these opportunities, develop learning relationships, and expand cross-borders or seek opportunities overseas. Furthermore, these firms are more likely to be able to generate sufficient financial capital for their international expansions. Therefore, those richer in social capital with strong ties bridging structural gaps are more likely to internationalise and the ventures these entrepreneurs launch are more likely to succeed. Consequently, it was proposed that network ties can provide small firms and start-ups with greater access to information, knowledge (Prashantham, 2005) and resources (Brass et. al., 2004). Small firms can generate useful information and knowledge, by collaborating with local and international networks (Aldrich *et al.*, 1984), and can also build their social capital by joining a value chain of large firms (Han, 2006). However, most of these studies mainly focus on the context of the mature economies.

The second mechanism of social capital that can influence international performance is represented by scholars of the school of social economics. This view proposes that 'trust' and 'norms' that are embedded in the social networks and/or ties can 'facilitate co-ordination and co-operation for mutual benefits' (Putnam, 1993, p. 167). These 'trust' and 'norms' are also being referred to as 'social capitals' and are considered as important constructs especially when businesses operate in an uncertain and risky environment (Gambetta, 1988; Misztal, 1996). This view contends that trust is a product of social networks or personal relationships, which serve as preconditions for business exchanges (see for example, Granovetter, 1985). The mutual trust and shared norms between business partners could mitigate foreignness, newness and smallness of SMEs, and this type of social capital therefore, could facilitate firms in building strong ties and business relationship development (Johanson and Vahlne, 2003), in so doing, improve firm performance (Jones and Coviello, 2005).

Arenius (2005) stresses that these trust and shared norms dimensions of social networks are especially important for small firms and business start-ups. Moreover, trust between firms may be even more important in transition economies where property rights are not well-defined and private sector legitimacy is not well developed (Boisot and Child, 1996; Peng and Heath, 1996; Smallbone and Welter, 2001). Accordingly, it was perceived that the higher the trust level, the more likely small firms would have confidence in considering operating across borders, which often are being perceived as having high level of risks and uncertainty.

Moreover, Etemad *et al.* (2001) state that the collaboration between small and large firms in the international context encourages small firms to internationalise. The potential impact of networking is also well recognised in emerging economies (Hitt *et al.*, 2001). Similarly, arguing that it is important to include an institutional dimension that is specific to the context of emerging economies in understanding internationalisation activities, Yiu *et al.* (2007) discovered that ties with home country networks can provide important advantages for a small firm as it pursues

international expansion. Particularly, Guillén (2002) argued that firms belonging to the same business network can gain precious information and experience from peer members who have undertaken international expansion, and thereby are overcoming the liability of foreignness. Supporting this view, many previous studies also suggest that overseas networks and links prompt firms' export intensity (see for example, Lefebvre *et al.*, 1998; McClaren, 1999; Schmitz, 1999; Sterlacchini, 2001).

In association with networks, Bian and Ang (1997) propose that *Guanxi* is fundamental to business in China and develops between those who are strongly tied, on the basis of familiarity or intimacy and may be based on locality or dialect, kinship, workplace, social organisations, and friendship. Distinctively, Luo (2000) highlights the Chinese focus on relationships created over long periods of time that are built on frequent exchanges (Michailova and Worm, 2003), is different from the western concept of networks, where business and social positions are quite separate. While *guanxi* is essentially an inter-personal relationship (Tan and Yeung, 2000), there is still the need to develop inter-firm relationships to be successful in China (Li and Wright, 2000). Often, there is a risk that a firm may lose its *guanxi* if an individual leaves the organisation. In the context of internationalisation, Hutchings and Murray (2002) questioned whether the *guanxi* concept in China may be declining in its importance.

Within the knowledge field of entrepreneurship, Hoang and Antoncic (2003) noted two broad trends have emerged in the understanding of networks. The first represents studies that look at the impact of networks on entrepreneurial outcomes and new venture performance. The second represents process-oriented studies where networks are the dependent variable. However, Hoang and Antoncic (2003) point out that while studies adopting the first approach are popular and have presented interesting findings, the latter are less attractive. Likewise, Jack (2010) conducted a thorough review on approaches to study networks, and he proposed that questions relating to 'how' and 'why' aspects of the networks are less explored. Consequently, comprehension about the

processes relating to the formation and maintenance of networks (Davis et al., 2006); the processes linking networks and outcomes (Renzulli and Aldrich, 2005); the content and nature of networks and what really goes on in and between ties (Uzzi, 1997; Rodan and Galunic, 2004) is somewhat more limited.

Moreover, while network relationships have long been recognised to be indispensable for SMEs to achieve international growth (e.g., Johanson and Mattsson, 1988; Coviello and Munro, 1997; Lu and Beamish, 2001), the understanding particularly on the social networks has been limited to date (Ellis, 2005; Harris and Wheeler, 2005). Therefore, this calls for the need for further research from different perspectives, dimensions and contexts in understanding the role and effects of social capital on small firms' internationalisation.

Most studies of the social capital impact on internationalisation performance have been mainly focussed on how start-ups utilise their social networks and ties and thus can internationalise at inception (Oviatt and McDougall, 2005) or 'born global', with few looking into the actual impact on subsequent performance. In addition, most studies concerning social capital and Chinese firms' internationalisation quite often analyse them as ethnic minority firms or immigrant entrepreneurs, operating in an overseas market (Smallbone and Xheneti, 2008) which is often in mature market economies. As such, new insights for theory extension on the internationalisation of Chinese firms are needed.

3.3.4 Innovation

Innovation is also relevant in IE since it is one of the aspects that characterise IE as an area of study. Oviatt and McDougall (2005) understand innovation as focusing on products and services, since these are determinants of international business. Zahra and George (2002), as well as Mtigwe (2006) consider the process of internationalisation itself is innovation which supported the earlier statement of Schumpeter's in suggesting that the fact of entering a new market is also an innovation (Schumpeter, 1988). Hence, innovativeness, such as the

introduction of new processes, products, or ideas in the organisation, is relevant to the firm's capability to engage in innovation (Hurley and Hult, 1998). This innovationness, defined by Hurley and Hult (1998) as openness to new ideas is an aspect of a firm's culture. Moreover, their findings suggest that higher levels of innovationness in the firms' culture are associated with a higher capacity for adaptation and innovation.

Much recent work has shifted its focus to a firm's capacity to innovate (Felin and Hesterly, 2007; Subramaniam and Youndt, 2005), due to the difficulties in defining innovation. Obviously, internationalisation and innovation interact with each other to a great extent within entrepreneurial firms. Kafouros *et al.* (2008) indicated that internationalisation tends to enrich a firm's capacity to improve performance through innovation, affecting both innovation capacity and a number of appropriate factors. Network theory suggests that external relationships with partners have relatively open information exchange, which stimulate innovative activities (Lundvall, 2007; Porter, 1990).

Lately, there is growing empirical evidence to suggest that firms undertake all forms of innovation. Similarly, Anderson (2000) found evidence to support Schumpeter's (1950) broader conceptualisation of innovations. In particular, at firm level, studies in organisational research (O'Cass and Weerawardena, 2009) define organisational innovation as:

“[. . .] the application of ideas are new to the firm, which create added value either directly for the enterprise or indirectly for its customers, whether the newness and added value are embodied in products, processes, services, or in work organisation, management or marketing systems” (p.1331).

For the purpose of the present study, innovation is defined broadly to include new products, new processes, new services, new forms of organisation, new markets, and the development of new skills and human capital (Zhao, 2005).

Porter's (1990) earlier study has placed innovation high up the list of hierarchy of sources of competitive advantages, and argued that innovation is more likely to

lead to advantages which are sustainable rather than those sources based simply on price. Particularly, firms are becoming more reliant on new product or new process technologies to compete in the market, domestically and internationally (Sun, 2002; Sun *et al.*, 2009). In relation to new product management in emerging economies, Mu *et al.* (2007) found that in China many firms are still only at the stage of accepting the benefits of a stage gate approach to the management of process. Ren *et al.* (2010) found that only a few firms in China have begun to exploit inter-firm relationships in order identify new forms of competitive advantages based upon open innovation.

Specifically, in the field of entrepreneurship, a commitment to innovation has long been considered to be important to the success of entrepreneurial ventures and small firms (Fiol, 1996). For example, recent work suggests that the small business sector accounts for the majority of innovation (Kuratko and Hodgetts, 2001) and in particular, new and small firms play a crucial role in experimentation and innovation (Gudmundson *et al.*, 2003). Often, competitive advantage of a firm is only temporary in a rapidly changing environment (Brown and Eisenhardt, 1998). As such, the latest studies turned their focus to innovation, and sought ways in developing innovation as a source of sustaining competitive advantages for firms (Tidd *et al.*, 2005), both large and small.

In light of this, innovation is increasingly studied through an integrated, systematic, and multi-dimensional framework (Lundvall, 1988; Nelson *et al.*, 1993; Rothwell, 1991; Van de Ven, 1999), as opposed to a linear stage-wise model. For example, in innovation literature, during the early 1990s, Teece (1992) calls for further understanding of innovation and proposed that innovation required some revision as partnership arrangements became increasingly commonplace. As such, organisations are increasingly paying attention to the notion of 'open innovation', that is, making use of knowledge generated outside the organisation in innovation processes and vice versa. Accordingly, the term 'network innovation' emerged, defined as innovation occurring through relationships that are negotiated in an on-going communication process, and

relies on networking internally and externally - available invention and innovation services in order to develop and market add-valued products and services to customers (Phillips *et al.*, 2000; Radjou, 2005; Swan and Scarbrough, 2005; Valkokari and Helander, 2007). This statement is in line with the earlier perspective proposed by Millar *et al.*'s (1997), which identifies that network innovation depends on the management of: knowledge sharing, technology transfer and learning.

Recent empirical results in studying innovation, however, give an impression of a general failure of the innovation models (Rogers, 2004). Two broad explanations were proposed for these results. First, the 'models' used are too simplistic and fail to do justice to the complex nature of innovation. Second, methodological problems with the use of explanatory variables might introduce too much 'noise' into the regression (Ibid, 2004, p. 151). In responding to this 'failure' in innovation 'models', one area of considerable recent research is focusing on the role of networks in promoting firms' innovation, with interest in the networks, that is, the innovation link that stretches across economics, geography, management and sociology (Freeman, 1991; Harrison *et al.*, 1996; Sako, 1999).

Specifically, Yiu *et al.* (2007) propose that in emerging economies, with their institutional environment context characterised by 'low resource munificence' and continuous economic liberalisation, a theoretical extension of the current perspective is needed. This is particularly important in the context of China, as the recent Chinese economic reform has focused on improving firms' innovation efforts as a significant dimension of the institutional transition (Jefferson *et al.*, 1997). Similarly, it was proposed that innovation studies in SMEs must be highly contextualised, where SMEs are treated as a phenomenon in their own right rather than scalar versions of large organisations (Shaw, 1999; McAdam, 2002). As such, treating innovation as a process within the SME context (Edwards *et al.*, 2005) has merit as a basis for such studies provided the wider definition of innovation as used as opposed to being limited to that of technical innovation (e.g. Benner and Tushman, 2002, Gatignon *et al.*, 2002).

In the context of internationalisation, recent approaches to conceptualise the SMEs' internationalisation process indicates an emerging consensus that SMEs' internationalisation is an entrepreneurial activity (Knight, 2000; Lu and Beamish, 2001). This new "dynamic" view sees small businesses as agents of change (Audretsch and Thurik, 2001; Audretsch, 1995) and suggests that "smallness" is a key contextual factor that matters to both researchers and policy makers interested in innovation. Specifically, the IE literature on the rapid and early internationalisation of born-global firms (Bell, 1995; McDougall and Oviatt, 2000) implies that highly entrepreneurial SMEs challenge the conventional knowledge by directly entering global markets, often with innovative products. Moreover, a strong link between entrepreneurship, innovation and competitive strategy is suggested within the strategic marketing literature. Likewise, this link is also suggested in research on the marketing and entrepreneurship interface (Hill and LaForge, 1992; Carson, 1999). In particular, there is a growing consensus that the marketing/entrepreneurship interface within an SME context is "change-focused, opportunistic in nature and innovative in management approach" (Collinson and Shaw, 2001, p. 761).

The literature that specifically examines the role of innovation in the internationalisation process can be broadly classified at the macroeconomic level and the firm level (O'Cass and Weerawardena, 2009). At firm level, international marketing literature emphasises the role of product innovation (e.g. Kleinschmidt and Cooper, 1988; Cavusgil and Kirpalani, 1993) in firms' international activities. The literature in the marketing field, from a different perspective, suggests that SME innovation should not be limited to product innovation (Carson and Gilmore, 2000). Instead, it is observed that firms undertake both technological and non-technological innovations (Porter, 1990; Hyvarinen, 1990) and both types of innovations enable firms to gain entry into competitive international markets (Hyvarinen, 1990), particularly used by those 'born global' firms (Knight, 2000). Kim and Mauborgne (1997) consider that possessing superior innovative abilities enable firms to continuously create advances in the offerings they bring to the market.

3.4 Concluding remarks

The reviewing of literature (Chapter 2) has demonstrated the breadth and depth of literature on IE. This chapter highlights the knowledge gaps in the existing literature of IE that is related to this study. There appears to be a recognised need for in-depth qualitative studies of the process of small firms' internationalisation in general and in the context of China (see Section 3.1), in particular. The challenge is to contribute to the literature on IE a detailed account of what happens in small firms' internationalisation when the context is set in Chinese manufacturing sectors. Such an account would add value to the existing theoretical debate about small firms' internationalisation process. The range of theories and approaches to the understanding of IE may be represented as a problematic resource for the research. Therefore, the four key research issues have been identified and discussed, building upon the common themes emerged from the received theoretical perspectives and the fieldwork. A research conceptual framework of thoughts was proposed (see Figure 3.3). The next chapter discusses the design of an appropriate methodology for this study.

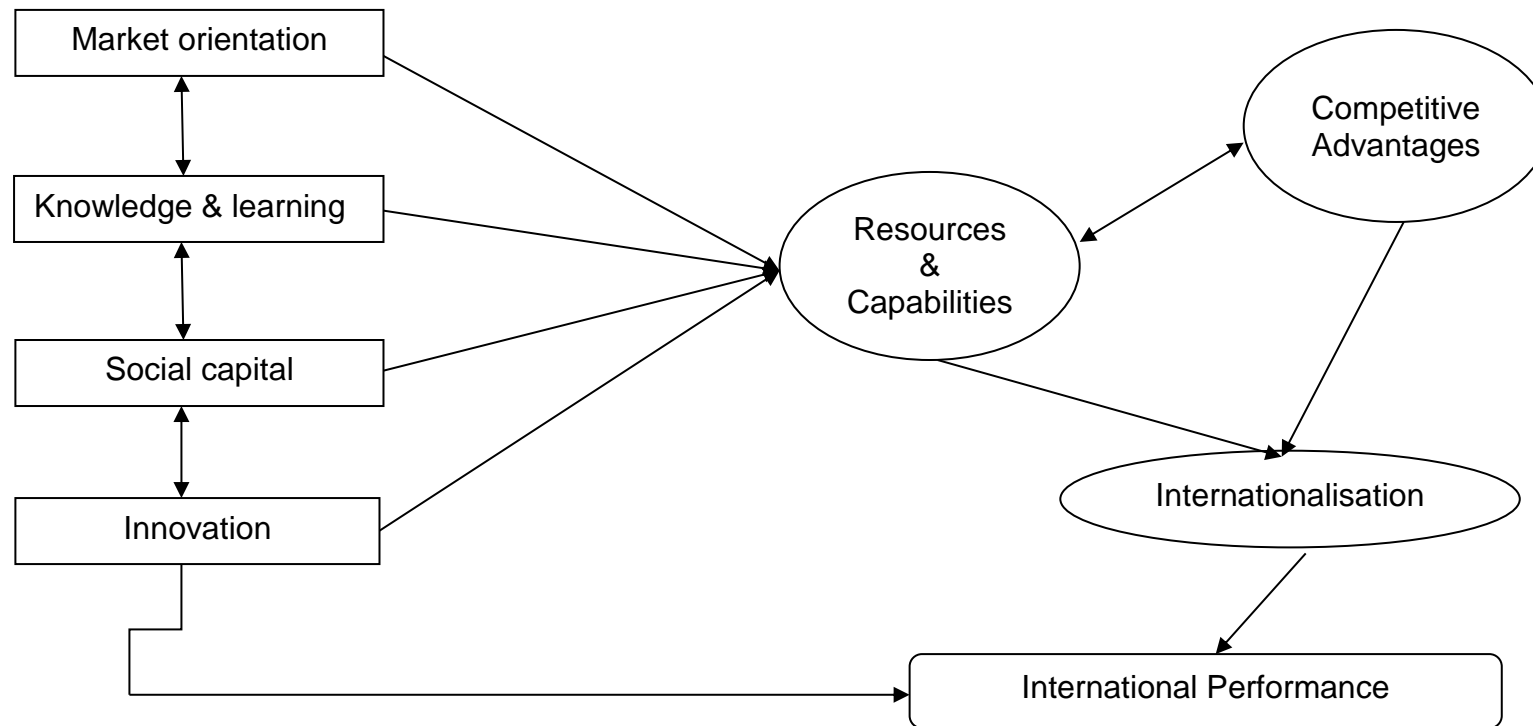


Figure 3.3 The initial research conceptual framework of thoughts

Source: developed by the researcher (2010)

CHAPTER FOUR - ENQUIRING INTO THE INTERNATIONAL ENTREPRENEURIAL PROCESS: RESEARCH PHILOSOPHY, DESIGN, METHODOLOGY AND METHODS

4.0 Introduction

The purpose of this chapter is to illustrate the investigative approach used in this study. It outlines the process, explains the rationale and design of the research methods, including its epistemology and the underlying assumptions about 'the world as we know it'. The choice of methods is related to the literature review in the previous chapters in which a need was recognised for qualitative longitudinal research studies into the understanding of small firms' internationalisation process. The chapter is divided into four main parts as follows: Section 4.1 provides an overview of the research process upon which the basic principles builds. Section 4.2 describes the research design. Section 4.3 summarises the methodological challenge in conducting research in China, in particular using qualitative research. Section 4.4 provides a conclusion to the chapter.

4.1 An overview of the research process

According to Walliman (2001), although collecting data might be part of the research process, it needs to be undertaken in a systematic way with a clear purpose. In line with this, the basic research process and methodological definitions used in this research are based on the systematic approach (Sekaran, 1992) as summarised in Figure 4.1. It demonstrates the research process for this study, underpinned by using Stuart *et al.*'s (2002) five general research stages (as seen in Figure 4.2). As illustrated in Figure 4.2, the five stages identified by Stuart *et al.* (2002) have included the entire process from the problem definition to findings disseminations, and this study is organised and demonstrates this process, excluding the finding disseminations.

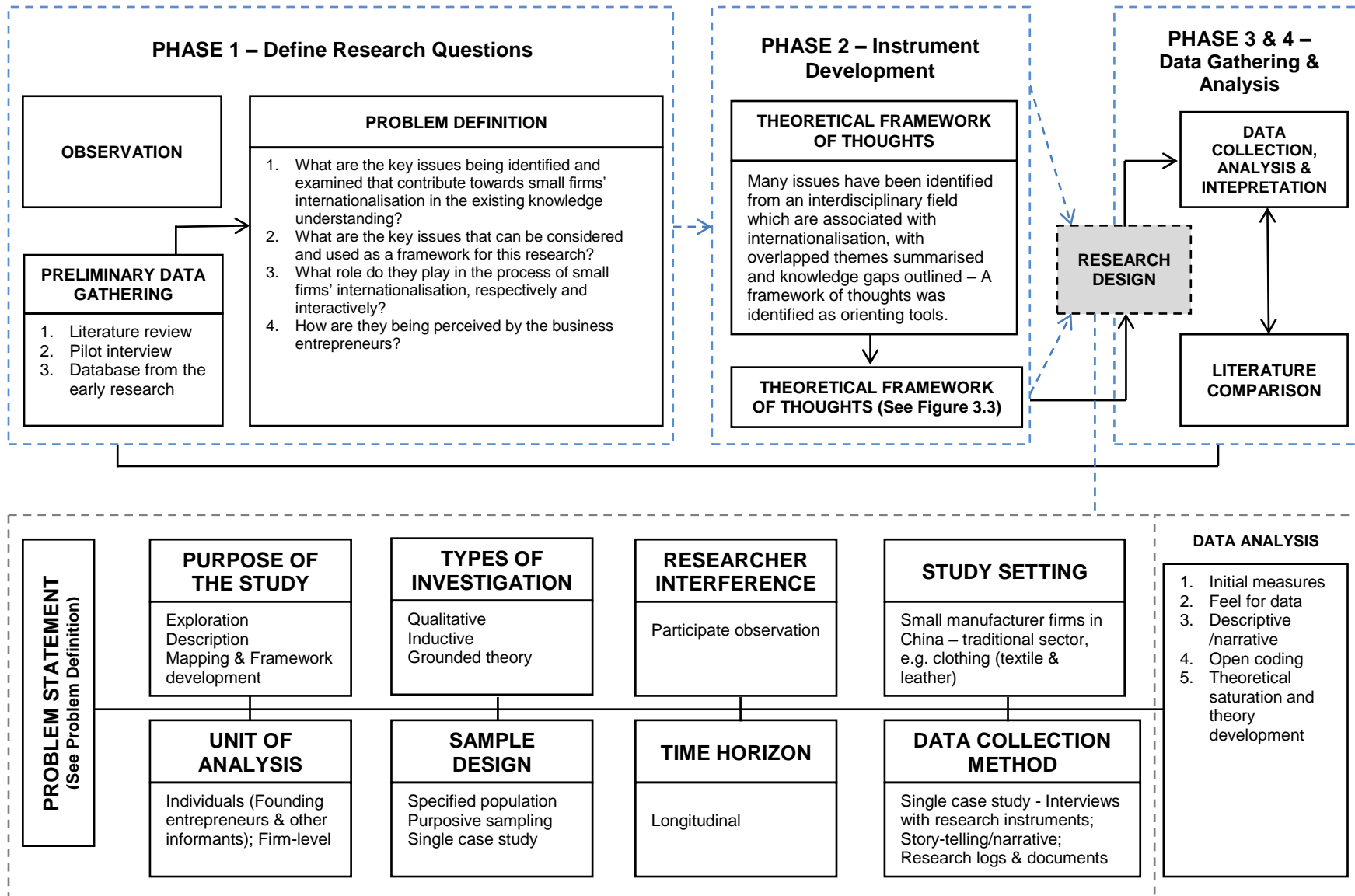


Figure 4.1 The research process and design (Source: Based on Sekaran, 1992; p.93; Stuart et al., 2002)

According to Stuart *et al.* (2002), there are five stages involved in a research:

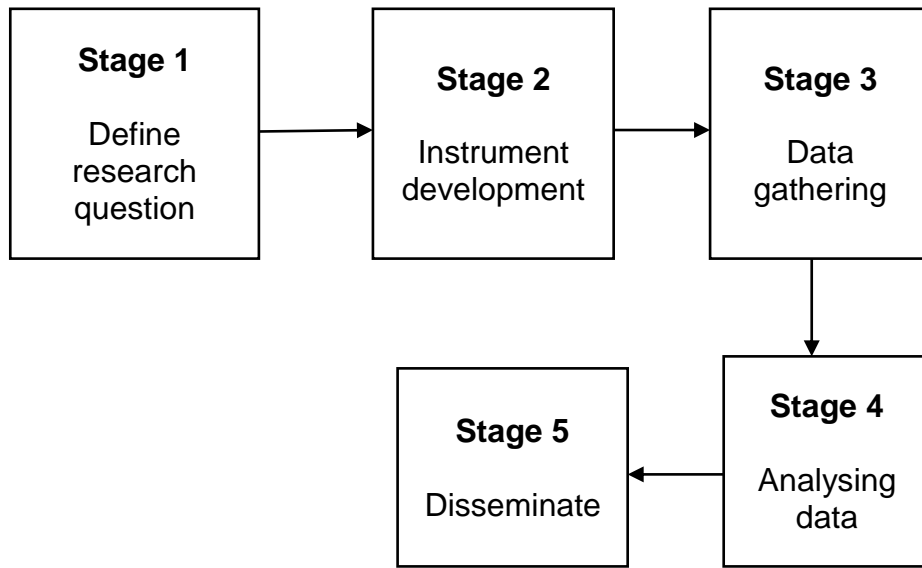


Figure 4.2 Five Stage Research Process Model (Source: Stuart *et al.*, 2002)

These four stages are incorporated in Figure 4.1 shown as the following four phases:

Phase 1: Define research questions – Preliminary data was gathered through conducting a literature review, speaking to academic colleagues, visiting policy makers and piloting a study with business entrepreneurs. The research questions were described in Chapter 1, with rationale and backgrounds provided.

Phase 2: Instrument development - The main task was to generate a theoretical research framework of thoughts which provides an orientation and *foci* for this research. This was developed alongside a review of literature and fieldwork. Although this research is inductive in nature and uses grounded theory, this ‘exploration’ and ‘description’ is not just ‘hang out’ (Silverman, 2005) but the researcher comes to the fieldwork with *some* orienting ideas, foci and tools (Miles and Huberman, 1984, p.27). Therefore, the review of literature (Chapter 2) demonstrated the breadth of knowledge and lack of generalised theories in IE and this sensitised the researcher to various researchable issues, as well as provided historical and contextual sensitivity in suggesting that the

internationalisation of SMEs is not a uniform phenomenon but takes on particular meanings in different local contexts and local cultures (Gubrium, 1988). Specifically with knowledge gaps identified (Chapter 3) which suggests that 'relatively little is known about the internationalisation process of small manufacturing firms in China (Sinleton *et al.*, 1988, p. 298), and this provides the rationale for (1) the proposed four key issues used as the orienting foci; (2) using grounded theory as a method for this study and this chapter (Chapter 4) therefore sets the context and boundary of the investigation.

Phase 3 and 4 deals with the actual selection of research methods, which is the methodological aspect of this research – research design. Phase 3 is about the selection and justification of basic research methods: research philosophy, approach, choice, time horizon and method. Phase 4 is about data analysis and interpretation methods, in association with the research method and techniques. In light of this, this chapter mainly focuses on Phase 3 & 4, and deals with the introduction of why and how the qualitative inductive longitudinal research methodology and grounded theory method was chosen in collecting, processing and analysing data.

4.2 The research design

Easterby-Smith *et al.* (1991) define the research design as the 'overall configuration of a piece of research: what kind of evidence is gathered from where, and how such evidence is interpreted in order to provide good answers to the basic questions' (p.6). Confirming this, Sekaran (1992) stated that the extent of scientific rigour in a research study lies in how carefully the researcher has chosen the appropriate alternative methods, approaches and perspectives, taking into consideration the purpose for which the study is undertaken (p.94). Therefore, this section specifically explains how the research is designed, as illustrated in Figure 4.1.

The research methods used in any study are dependent on the type of research philosophy and nature of the research questions. Hence the organisation of this section follows this paradigm as shown in Figure 4.3. Section 4.2.1 revisits the purpose of this research and highlights the research questions; Section 4.2.2 discusses various research philosophies and outlines the researcher's. Section 4.2.3 explains why qualitative and grounded theory method was used for this study.

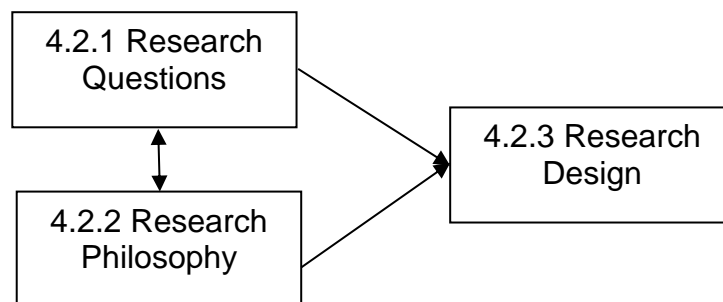


Figure 4.3 Relationships between research question(s), philosophy and research design

4.2.1 The purpose of the study (Research questions)

This research holds that the nature of fundamental research (Sekaran, 1992) is aimed at generating knowledge and understanding of phenomena, and therefore, the findings will contribute to the general body of knowledge in the IE field. A recap of the research aim, as proposed in Chapter 1 would reflect the nature of this knowledge generation and understanding of the phenomena. The aim of this study is to gain an in-depth understanding of small Chinese manufacturing firms' internationalisation process, with three related questions forming the focus of the inquiry:

1. What are the key issues being identified and examined that contribute towards small firms' internationalisation in the existing knowledge understanding?

2. What are the key issues that can be considered and used as a framework of thoughts for this research?
3. What roles do they play in small firms' internationalisation process, respectively, and if any, collectively?

Given the focus of this research on developing an understanding of the issues associated with the IE phenomenon, and what roles they play in small Chinese manufacturing firms' internationalisation process, this means that the relationship between the general research aim and the assumptions about 'the world' as we know it which are made in structuring the approach to the research have important implications. In the business and management research context, Easterby-Smith *et al.* (2002) suggested that when doing research in one discipline, researchers should also consider using knowledge from other disciplines. This means that using knowledge from a range of disciplines enables business and management research to gain new insights that cannot be obtained through all of these disciplines separately (p.45).

Likewise, in considering research design, Goulding (2002) pointed out that as with any type of research, the research process often starts with an interest in an area that a researcher wishes to explore further, and this often starts from the researcher's own disciplinary background. The disciplinary knowledge understanding will provide a perspective from which to investigate the problem and a focus which could aid the interpretation of data collected during the research process (p. 55). Literature review would therefore, provides researchers with ideas and the researchers would then conceptually connect these 'ideas' to the developing theory to enhance theoretical sensitivity which is the essence of using a grounded theory method to conduct an inductive research.

This research identifies and develops a holistic view of small Chinese manufacturing firms' internationalisation process, which suggests the complex entity nature of the study. The main feature is that the process is not static but is continually changing and depends on other elements which may directly or

indirectly attach to this process. Therefore, a systematic way of thinking (see Figure 4.2) is needed to understand this complexity. This is particularly important to the context of this study since a 'process' was involved and researched, and the ultimate purpose of the research is to develop theory from the ground. However, it is difficult to measure what is systematic and what depends on different viewpoints, and maybe the fundamental principle of systems thinking is to take as many different perspectives as possible. Thus, the researcher argues that an interdisciplinary approach may provide us with different perspectives from the existing knowledge field and might give surprisingly different views which might then result in various interpretations. This interdisciplinary approach underpins the development of the conceptual framework of thinking which serves as orientated foci for this study (Chapter 3), and in turn, it provides the researcher the background and sensitivity to contextualise the data interpretation and the developed theory in light of existing theory on the knowledge subject (Glaser, 1978).

In general, there are three purposes of research studies: *exploratory*, *descriptive* and *explanatory* (Yin, 2002). This research aims to explore the journey and to describe the experience of the internationalisation of small manufacturing firm's entrepreneurial process, from the perspective of the participants through their personal accounts; from the researcher's perspective, and through her interpretation. Within this exploratory approach, description of the context is necessary to provide an understanding within a particular situation, whereas the interpretative process could produce an explanatory account, containing conceptual propositions (p.15).

4.2.2 Research paradigm/philosophy

Lincoln and Guba (1985, p.15) argue that "paradigms represent a distillation of what we think about the world", and it is "a set of underlying beliefs or assumptions about the way things are" (Kane and O'Reilly-De Brün, 2001, p.14). There are two different approaches of scientific paradigms, which are the

deductive approach representing the positivist paradigm and the inductive approach representing the phenomenological paradigm including the critical theory, constructivism and realism (Guba and Lincoln, 1994; Remenyi *et al.*, 1998; Saunders *et al.*, 2003).

The deductive approach is to develop a theoretical or conceptual framework which researchers subsequently test using data (Saunders *et al.*, 2007), as positivism is based on the assumptions that reality exists and the 'facts' being discovered are true (Esterby-Smith *et al.*, 2002). Accordingly, in this paradigm, the relationship between the researcher and nature is dualistic, that is the researcher can stand apart from the nature and observe it objectively (Wilson and Vlosky, 1997).

On the other hand, the phenomenology paradigm, however, focuses on the holistic perspective of reality – as people perceive and interpret it. In this case, knowledge is the result of the interaction between the researcher and the researched. This paradigm considers that the researcher is part of a social construction and it encourages a *naturalistic* research approach - a researcher studies an actual situation as it develops. As an umbrella term, phenomenology emphasises subjectivity, description, interpretation and agency (Denscombe, 2003).

The significant difference of the phenomenology paradigm from the positivist one is that it acknowledges that multiple realities exist and there is no absolute reality. While Patton (1990) observed that few researchers actually take a completely consistent single paradigm-oriented approach in their work, Guba and Lincoln (1989), on the contrary, argue that paradigms should not be used in mixture because their underlying assumptions are fundamentally different. Lately, Doyle (2008) reviewed some key debates among philosophers of both the natural and social sciences and identified two key contrasting views: *Positivism* and *Social Constructionism*. Although the use of 'Social Constructionism' is different from

'phenomenology', this concept is in line with Easterby-Smith *et al.*'s (2002) review of the philosophical alternatives in the context of management research.

The main proposition of *Social Constructionism* is that members of any social system enact their particular worlds through social interaction where ideas, concepts and beliefs are discussed and shared with others. In general, this philosophy considers that 'reality' is not objective and external but is socially-constructed and it is people who give meaning. Reality is thus a social product which cannot be understood apart from the co-constructed meanings of the social actors involved in its enactment (Berger and Luckmann, 1966; Gergen, 1985; Rosen, 1991; Shotter, 1993; Sarbin and Kitsuse, 1994; Hosking and Ramsey, 2000) and context.

As such, *Social Constructionism* recognises that people are likely to share interpretations of their socially-constructed environment. This means people not only interact with their environment, they also attempt to understand it through their interpretation of events that have occurred and the meanings that they draw from these. In turn, their actions might be perceived as being meaningful particularly in the context of these socially constructed interpretations and meanings. Capturing the definition feature, Habermas (1970) considers that *Social Constructionism* is one of a group of approaches that could be referred to as interpretive methods, which have been particularly influential within the sociology of knowledge.

Gergen (1985) focuses on a relational theory of social meaning and argues that 'social constructionist inquiry is principally concerned with explicating the processes by which people come to describe, explain or otherwise account for the world (including themselves) in which they live' (p.266). Such knowledge of the world influenced by social constructionism philosophy is viewed as being sustained by social processes through interaction in that knowledge is what people do together (Burr, 1995. p.6). Gergen's (1985) assumption is of particular importance for this research as it forms the core idea in shaping the overall

research aim, which is to explore the relational processes of entrepreneurial learning and managing its MO and innovation as the underlying processes while venturing internationally.

In studies of management and organisations, three qualitative research paradigms have been commonly identified: The *modernist paradigm*, the *interpretive paradigm* and the *postmodern paradigm* (Guba and Lincoln, 1994). In the modernist paradigm, inquiry is directed towards the discovery of empirical facts and universal laws of cause and effect that are to be embedded in an explanatory or theoretical framework which would hold independent of time and context (Bryman, 1988). In this paradigm, knowledge takes the form of substantiated propositions that can be accepted as facts or laws as they have been checked against reality (Denzin and Lincoln, 1994). The interpretive paradigm is distinguished by an interest in understanding the world of lived experience from those who live it. As such, the concern of this paradigm is with 'subjective reality' and actors situated in events and phenomena interpret and understand 'reality' through prolonged process of interaction that often involves history, language and action (Rubin and Rubin, 1995). It considers method as a tool to assist judgement (Denzin, 1992). The postmodern paradigm aims to deconstruct narratives of truth and knowledge (Kincheloe and McLaren, 1994) which is often used in arts and focus attention on power interests (Hatch, 1997).

The researcher's intention in this study is to uncover such processes by which the entrepreneurs relationally create meanings and understandings and develop their orientations and actions as they form and run an international business successfully. As this research has developed, the idea of understanding the individual entrepreneur's ways of thinking, their cognitive processes of entrepreneurial learning and then moving to the collective team level within the organisations has become more and more crucial when the researcher started to analyse the data, collected from the prolonged process and field work. Therefore, this research is interpretive in nature with grounded theory was adopted given

that the topic of interest has been relatively ignored in the literature or has been given superficial attention (Goulding, 1999).

Table 4.1 illustrates the differences between various paradigms. It could be observed that between the two extremes there are many philosophies, ranging from one extreme to the other. It also demonstrates the interrelated nature of these terms, and presents the research that lies in the middle of the two extremes, by taking the ontology of one and the epistemology and methodology of others.

Table 4.1 Mapping of ontology, epistemology and methodology					
	Nature Science	Realism Internal Realism	Transcendental Realism	Relativism	
Ontology	Social Science	Representationalism	↔	Relativism Critical realism	Nominalism (Interpretivist)
Truth		Requires verification of predictions	↔	Is determined through consensus between different viewpoints	Depends on who establish it
Facts		Concrete and cannot be accessed directly	↔	Depend on viewpoint of observer	Created by human
Epistemology		Positivism (Objectivism)	↔	Relativism	Social Constructionism
Methodology		Quantitative	↔		Qualitative
		Deduction	↔		Induction
		Experiment	↔	Survey	Grounded theory
				Triangulation	
				Reflexivity	

Source: Based on Easterby-smith et al. (2002); Developed by the researcher (2012)

As mapped out in Table 4.1, the attempt to illustrate and describe different research philosophical views, however, does not try to imply that one philosophy is better than the other. Instead, it is the researcher's intention here to suggest that in business and management research there is often an underlying philosophy which is a mixture of Positivism, Interpretivism and possibly one which also reflects the position of Realism. Moreover, one should not exclude the Social Constructivism as any kind of research should be embedded in its social context. It seems that there are conflicts between these different ontological approaches

in understanding the nature of social reality; however, one could argue that this is all based on different perceptions and values. Figure 4.4 summarises the researcher's understanding of the relationships among: ontology, epistemology and methodology from the various assumptions developed by different scholars.

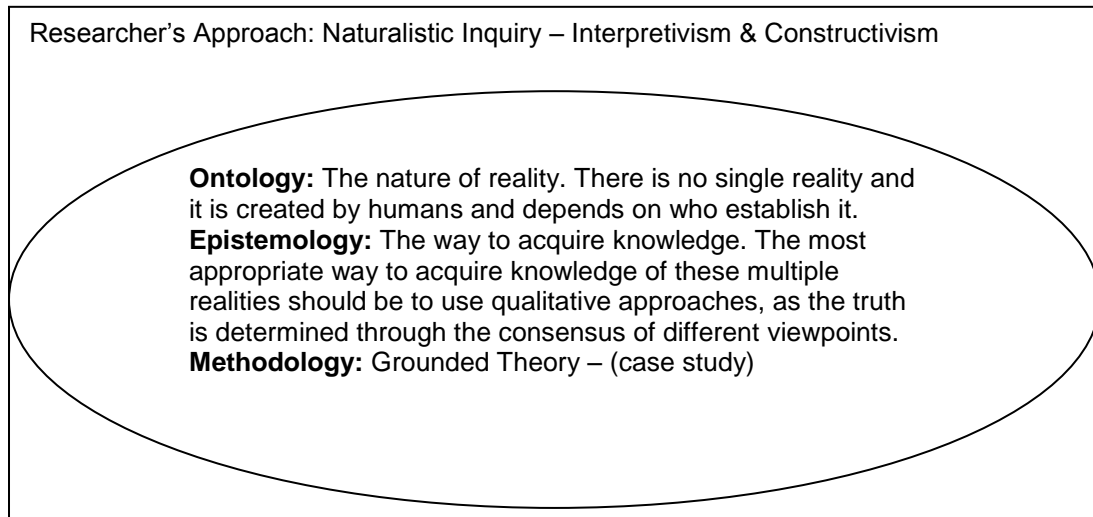


Figure 4.4 Researcher's approach

As Figure 4.4 presents, with a concern with holistic and detailed understandings of social processes embedded in certain settings and a commitment to participants' interpretation of their experiences, the researcher has adopted 'Naturalistic Inquiry' (Lincoln and Guba, 1985) as the overarching research design, which is the starting point for this study (Patton, 2002). However, as Miles and Huberman (1984) pointed out, 'any researcher, no matter how unstructured or inductive, comes to fieldwork with some orienting ideas, foci and tools' (p. 27). This view objects the idea of just 'hanging out' with the aim of 'faithfully representing subjects' worlds' is a convenient myth of 'naturalism' (Gubrium and Holstein, 1997, p.34). Therefore, although this research is inductive in nature, it is not a 'simplistic inductivism' which is blind to the need to build cumulative bodies of knowledge (Silverman, 1997, p.1). Instead, familiarity with relevant literature was the starting point which could be perceived as a tool to enhance the sensitivity of theory development (Corbin and Strauss, 2015). This will be discussed in more details in section 4.2.3 where specific research design and methodology are directed.

With regards to the chosen paradigm, it was the *Interpretivism* tradition that the researcher has decided to follow, but also take the *constructivism* ontological approach into consideration. In the meantime, the argument that the researcher would like to make here is that generalisability is not of crucial importance for this study. This is because the business situation is not only complex, it is also unique. This paradigm orientation will lay the foundation of the research design and methodology.

As stated in Chapter 1 and Section 4.2.1, some social factors within different social contexts (in this study) will, to a certain extent, affect individuals' interpretation and perceptions, which may in turn, affect their decisions and successes in the internationalisation processes. Hence the role of the *Social Constructivism* approach in the study is significant, since the world can be understood only through human experience that is historically and culturally embedded (Gergen, 1985, 1994; Burr, 1995; Chell and Pittaway, 1998a). Knowledge and understanding of human experience are therefore contextual and generated and sustained through social processes and its interactions. This implies the research is an ongoing construction between the researcher and the participants with an objective to illuminate what is typical to those individuals being studied in a certain socio-cultural milieu (Gergen, 2001, p. 11). Clearly, as discussed in the earlier parts of this section, the paradigm lines are not always clearly drawn and tend to be determined more by the commitments of the individual researcher than by the operational practices of a research approach (Locke, 2001). The following section presents the implication of the interpretive and constructive nature of the paradigm to the selection of the research design, which is inductive in nature.

4.2.3 Selection of research design

4.2.3.1 Deductive and inductive

In general, there are two approaches that are attached to the research philosophies: *deductive* and *inductive* (Saunders *et al.* 2003). The deductive approach suggests that the researcher would develop a theory/theories and hypothesis/hypotheses and followed by testing the hypotheses. In contrast, the inductive approach normally operates by a researcher collecting data and developing theory as a result of data analysis. The deductive approach is nearer to positivism as deduction is based on scientific principles; the inductive approach is believed to be more inclined to interpretivism (Saunders *et al.*, 2003) (see Table 4.1). In deductive research, the line of investigative action begins with theory, it then moves from the definition of concepts and their proposed relations out to the 'real world' where they ought to be observed and tested, according to the theory (Locke, 2001).

As discussed in section 4.2.1, the inductive approach seems to suit the interpretive and social constructionism research philosophy well in exploring problems, issues and underlying processes, in identifying new insights, and in progressing towards building a theory, or theories (Collis and Hussey, 2009). The purpose for inductive approach is to collect data from a particular account or accounts, and to be able to make sense of this data, and to get a feel of what is going on, so as to understand better the nature of any issues. By analysing the data that is collected, the result of this analysis will be used for the formulation of a theory or some new hypotheses for future testing and are substantive in nature (Glaser and Strauss, 1967).

Particularly, in the field of Management research, Creswell (1994, p. 36) suggests that with research into a topic that is not only new, but is also creating much debate and on which there is little existing literature, it may be more appropriate to generate data and analysis and reflect on what theoretical themes the data suggests. This suggests that further ideas may emerge gradually, which are

based on a much longer period of data collection and analysis, hence an inductive approach mirrors this statement. Specifically, researchers in business and management study have suggested that research in this discipline can be understood only as an applied field, because it is concerned not only with understanding the nature of organisations but also with solving problems that are related to any managerial practices (See for example, Gummesson, 2000). Therefore, in the management discipline, most of theories are 'substantive' in nature which were developed for a substantive, or empirical area of social inquiry.

Although this research study is not setting out to solve problems, it is to explore and to identify problems and issues in a particular instance via international entrepreneurs' personal accounts. Identifying and analysing these factors or issues aims to help with business and managerial practices in a particular social context. As such, this study is an 'applied research', that is, of direct and immediate relevance to individuals, managers or international entrepreneurs as it addresses issues that they see as important, presented in ways that they understand and can act on (Saunders *et al.*, 2003). Moreover, it seems that this inductive approach fits in with the grounded theory building nicely here, as the rich insights gained could best answer questions like "what", but furthermore, questions like "how" and "why" which reflects the purpose of this research.

The inductive nature of this research was also evidenced in the researcher's data collection process which is 'emergent' design. At the outset of the research, the researcher did not describe her research plan tightly. This plan has changed after the researcher entered the field and began to collect data, the individuals studied and the sites visited were modified. This was mainly due to the nature of this study which is to learn about the issues from individual participants and to make interpretations of data collected. During this exploration and sense-making process, the researcher working back and forth between the themes and the data until a comprehensive set of themes were established. As such, patterns, categories and themes were built from the 'bottom up' by organising the data into increasingly more abstract units of information. Therefore, this research uses

inductive approach to provide knowledge understanding in the investigated field through a prolonged process.

Moreover, it is also hoped to help the international entrepreneurs and those who are and will follow this path to gain understanding into these researched social contexts. However, others suggest that management and business research, unlike natural science, is too concerned with lengthy 'fact-finding' exercises and is insufficiently guided by theoretical concerns (See for example, Burrell, 1997; Clegg, 2002; Hinings and Greenwood, 2002). Although this research was concerned with 'fact finding' exercises, the research questions were built on the foundation of previous theories, rather than being created in a vacuum, as the grounded theory process suggests. Therefore, it was argued that under these circumstances the researcher should undertake the study with rigour for such an applied research (Yin, 1994).

4.2.3.2 Quantitative and qualitative

Associating with the inductive and deductive approach of research, there are two kinds of research designs in general: quantitative (*fixed*) design and qualitative (*flexible*) design. The qualitative research method is associated with *interpretivism* and the inductive approach of research, whilst the quantitative research method is inclined more towards the positivism and deductive approach of research (Bryman and Bell, 2007). The quantitative research is numeric and objective and is usually conducted in artificial settings. The researcher is less involved with the subject of study results in a static research in relation to social reality (Bryman and Bell, 2007). In the qualitative research there is an involvement of people, it is conducted in a natural setting and more importance is given to the participant's point of view which shows that it is influenced by interpretivism.

Creswell (2013) defines qualitative research as a form of research in which the researcher collects and interprets data, making the researcher as part of the

research process as the participants and the data that participants provide (p.7). Typically, qualitative research methods were perceived can provide a 'deeper' understanding of social phenomena than would be obtained from purely quantitative data (Denzin and Lincoln, 2000). It utilises an open and flexible design with many different types of qualitative research each with their own purpose and structure (Creswell, 2013). From a personal interest's perspective, it was considered that qualitative researchers are drawn to the fluid, evolving, and dynamic nature of this approach as opposed to the more structured designs of quantitative approach and are enjoying making discoveries (Silverman, 2005).

Typically, it was proposed that the choice of any research method depends upon the research philosophy and research approach of a study (Creswell, 2013). As outlined in Figure 4.3, the philosophy of this research is towards the interpretivism and constructivism end. The emergence of research concepts and conceptual framework of thoughts from the process of research justifies its association with the inductive approach, as outlined above (Section 4.2.3.1). Therefore, qualitative research is used in this study. Specifically, qualitative researchers stress the socially-constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape this inquiry. Hence, qualitative data are 'a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts' (Miles and Huberman, 1994. p.1). It evolves, develops and 'unfolds' as the research proceeds (Robson, 2002), and is necessarily interactive, enabling the sensitive researcher to capitalise on unexpected eventualities, through her ability to interpret. Therefore, the qualitative research is descriptive and subjective using words for the detailed analysis of the data and making interpretations of the events evolving.

Unquestionably, with qualitative data it preserves chronological flow, with possibilities seeing which event could lead to which consequence. Hence, such data which are typically collected over a sustained period makes them powerful for studying the process, which suggests this is a longitudinal study. More

importantly, a longitudinal study often gives more; hence more fruitful explanations could be derived. Specifically, Patton (2002) puts forward eleven characteristics of qualitative research based on 'naturalistic inquiry'. These include: (a) openness, responsiveness and flexibility through emergent designs; (b) focus through purposeful sampling; (c) richness and depth through personal engagement; (d) balancing the critical and creative through an empathic stance of understanding the case; (e) sensitivity to dynamic processes and systems; (f) appreciation of idiosyncrasies through a unique case orientation; (g) insight and understanding through inductive analysis; (h) contextual sensitivity; (i) holistic perspective and (j) trustworthiness through ownership of voice and perspective. These characteristics provide a direction, reasons and framework for developing a qualitative approach for this research.

The objectives and research questions in this study have also changed and emerged from the process of designing the research strategy. The consideration of the research purpose took several stages, and this has changed over formal and informal discussions with colleagues, individual international entrepreneurs and some policy-makers over time. As the fieldwork started, the researcher took an open stance and let the data emerge, which reflects a discovery or inductive approach. As the patterns and major themes of interest were revealed, the researcher began to focus on verifying and elucidating what appears to be emerging, which could be described as a more inductive approach to data collection and analysis (Patton, 2002. p.67). This was also reflected upon how research themes have been developed and re-emerged, and revised after the pilot study when the main research themes were identified and being developed as an oriented *foci* of thoughts for the study.

This nature of the naturalistic inquiry is, in fact, what lies at the heart of a 'grounded theory' approach as put forward by Glaser and Strauss (1967), who argued for the concepts of 'fit' and 'work': what is discovered may be verified by going back to the study and examining the extent to which the emergent analysis 'fits' the phenomenon and 'works' to explain what has been observed. Such an

approach is in line with the philosophy of the research which allows the researcher to use a triangulation approach. Considering the complexity of the research, the triangulation approach is more appropriate to answer the research questions of this study. Lincoln and Guba (1985) pointed out that triangulation could be one of the sources of data collection and of the research methods, as such, this research triangulates in terms of sources of data collection, which also provides the validity of the information collected.

4.2.3.2.1 Qualitative

Some of the qualitative research definitions, its ever-changing nature and traditional approaches were outlined in the previous section. This section focuses more on the design aspect of qualitative research and the use of distinct approaches to inquiry. Creswell (2007) emphasises this aspect and illustrates qualitative research 'begins with assumptions, the possible use of a theoretical lens, and the study of research problems inquiring into the meaning individuals or groups describe to a social problem...the collection of data in a natural setting sensitive to the people and places under study... and data analysis is inductive and establishes patterns or themes' (p. 37). This definition places emphasis on the process of research which suggests a framework of thoughts could be used for such a process. While there are similarities and differences among qualitative research approaches, Creswell (2007) categorises five qualitative approaches to inquiry: narrative research, phenomenology, grounded theory, ethnography and case studies (p.53). It is the grounded theory and case studies that were used for this study which also serves as frameworks for data collection and analysis.

4.2.3.3 Grounded theory

Rooted in and influenced by symbolic interactionism which researchers are expected to interpret actions, transcend rich descriptions and develop a theory which incorporates concepts of 'self, language, social setting and social objects' (Schwandt, 1994; p. 124), grounded theory is being perceived as a theory grounded in data which has been systematically obtained through 'social'

research (Goulding, 2002). Strauss and Corbin (1990) describe that in the grounded theory approach, the theory is “discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon” (p. 23). Therefore, grounded theory evolves during the research process itself and is a product of continuous interplay between analysis and data collection (Glaser and Strauss, 1967; Strauss and Corbin, 1990, 1994). It is a form of qualitative research for the purpose of constructing theory grounded in data from participants who have experienced the process (Strauss and Corbin, 1998), in which the inquirer generates a general explanation of a process or interactions shaped by the views of a number of participants. It allows for identifications of general concepts, the development of theoretical explanations that reach beyond the known, and offers new insights into a variety of experiences and phenomena (Cobin and Strauss, 2015).

During its development over years, grounded theory has split into two camps: one stresses the interpretive, contextual and emergent nature of theory development (Glaser, 1992); the other appeared to have emphasised more on the complexity and systematic coding techniques (Strauss and Corbin, 1990). These two approaches are generally accepted, hence it was advised that care should be taken to decide which method best suits the researcher’s personality and preferred modes of working, before embark on the research (Goulding, 2002, p.48). More recently, Charmaz (2006) has advocated for a *constructivist grounded theory* which adds another perspective into the conversation about research procedures (Creswell, 2007). For the current research, it is the interpretive, contextual and emergent nature of theory development (Glaser, 1992) perspective of the grounded theory that the researcher is interested in and aligned to as it is suitable for socially constructed experience (Charmaz, 2003). By doing so, the researcher can have the opportunity to connect with the research participants and to see the world from their point of views (Corbin and Strauss, 2015) which is culturally contextualised and constructed (Charmaz, 2006). Another advantage is that the researcher could investigate the

internationalisation of SMEs in China as a socially constructed phenomenon without limiting the process to previous knowledge on the subject (Glaser, 1987). Although grounded theory was developed originally for sociologists, recently more management and marketing research are adopting this approach. This suggests that as a general research methodology, grounded theory's actual use in practice has varied with the specifics of the area under study, its purpose and focus (Strauss and Corbin, 1994). For example, interpretive approaches have been embraced by more disciplines and in a more collaborative and interdisciplinary framework in organisational studies, as well as cross-cultural studies (Baszanger, 1998). Similarly, in the field of management research, there is a growing recognition that alternative perspectives on new ways of discovering knowledge are needed by using qualitative approaches (Egan, 1997; Seeley and Targett, 1997; King, 1996; brown, 1995) to explore a wide range of management issues. Likewise, there has a shift in recent years in the field of cultural studies from being dominated by using ethno and cultural issues (Turner, 1981, 1988) to more interpretative orientation where culture and context can be applied in interpretive sense makings.

Specifically, grounded theory is usually used when the topic of interest has been relatively ignored in the literature or has been given superficial attention (Goulding, 1999). The concepts out of which the theory is constructed are derived from data collected during the research process and not chosen prior to beginning the research, hence the name of the methodology (Corbin and Strauss, 2015). Strauss and Corbin (1994) clarified that 'theory' is not the formulation of some discovered aspect of a pre-existing reality 'out there'. On the contrary, 'truth' is enacted and theories are interpretations made from given perspectives. As such, 'theories' developed should always be seen as provisional and subject to future elaboration, and are limited in time and could become outdated. To provide evidence to support the validity of theories developed, researchers in qualitative approach are encouraged to include the perspectives and voices of those studied (Locke, 2002).

The inductive nature of using the grounded theory to understand an issue suggests that the researcher needs to use a systematic approach to research with specific steps in data analysis if approached from the Strauss and Cobin (1990) perspective. While the researcher recognises the strength of such an approach of the grounded theory in data analysis, she is also aware of the challenges of using such an approach. However, as suggested by Glaser (1978), grounded theory is very adaptable in nature as it can conceptualise the data, thus 'raising the level of thought about the data to a higher level' (p.6) which results in the generation of 'good ideas'. Given that the unit of analysis used in the grounded theory is 'process' rather than an individual, the data collection and analysis includes emphasising multiple realities and the complexities of particular views and actions (Charmaz, 2005, 2006). This also reflects another important nature of grounded theory identified by Goulding (2002), suggests that it could be based on multiple sources of data, including secondary data, life histories, interviews, observations and memos (Goulding, 2002).

This will be explained in more details in the data collection and analysis sections. It is noteworthy to mention that after Glaser and Strauss separated their way in developing grounded theory, two main schools emerged (Glaser, 1992; Strauss and Corbin, 1990). The research described in this study adopts that of Glaser due to its emergent nature. To learn problems and issues during the research process and develop explanations with the research participants, data are derived mainly from interviews with a case study approach.

4.2.3.4 Case study method

As outlined in section 4.2.3.2.1, five general approaches have been commonly identified for qualitative study (Creswell, 2007). As well as the grounded theory, case study is another commonly adopted approach when doing a qualitative study. The inductive approach and the specific contextual setting in this study requires the development of a case study and 'cross-examination' of qualitative data. Guba and Lincoln (1994) contend that qualitative research is an umbrella

term that encapsulates a number of techniques and tools to assist in an investigation. While a number of alternative data collection methods were considered, in view of the exploratory nature of this research, a qualitative case based approach was adopted (Eriksson and Kovalainen, 2008; Yin, 2009), to develop an in-depth description and analysis of a case which provides an in-depth understanding of the 'events' and 'processes', by working closely with an individual or individuals within an organisation over a period of time where data collected could be interpreted and explained. In business studies, cases were normally studied to provide insight into an issue, a management situation or new theory (Ghauri and Grønhaug 2002).

Debates exist over years regarding whether case study research is a methodology or method (Stake, 2005), most of researchers present case study as a strategy of inquiry, a methodology, or a comprehensive research strategy (Denzin and Lincoln, 2005; Merriam, 1998; Yin, 2003). The researcher considers case study is a type of research design in qualitative research and is an object of the study. This understanding is in line with Creswell's (2007) definition which defines case study as 'a qualitative approach in which the investigator explores a bounded system(s) (a case or cases) over time, through detailed, in-depth data collection involving multiple source of information, and reports a case description and case-based themes (p.73). This perspective compliments the grounded theory approach where explanations and theories can be reported and/or developed through actions, events and interactions within the context of the case.

According to Yin (1993; 2003), case study is 'an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident' (p.13). This definition seems to suggest that from the scope perspective, one should use a case study method if contextual conditions were meant to be covered deliberately. The case study method, in this case, allowing the investigator to retain the holistic and meaningful characteristics of 'real-life events', such as individual life cycle, organisational and managerial processes, and international

relations (Yin, 2003). In IB, a case study is perceived as a useful method when the area of research is relatively less known, and the researcher is engaged in theory building types of research (Stake, 1994). Therefore, for investigating and exploring issues underlying the internationalisation process of Chinese small firms in an interdisciplinary research study, a case study method works well here: to 'find out what is going on there', and to answer the 'why?' and 'how?' questions (Yin, 1994; 2003), which provides explanations and develops theories through the interactions with participants (Goulding, 2002).

Equally, case study allows for an in-depth investigation of an event, activity, process or individual bounded by time and activity hence helping to explore the dynamic and evolutionary perspective of the process (Creswell, 2003). For this research, IE as an academic field was still new coupled with influence of the context and culture on the internationalisation of small firms, and therefore, the case study method was widely employed in this emerging academic field, to develop new insights and theories, as well as for possible future hypothesis testing. Moreover, as illustrated in Chapter 1, the research is conducted in the context of China; hence the small entrepreneurial firms' internationalisation processes might be a unique phenomenon due to its distinctive social contexts and business practices. That is, their internationalisation process might be a phenomenon which is hard to be separated from its social contextual conditions, hence the research involves the study of issues explored through a case within a bounded system, that is, a contextual setting (Yin, 2003). Therefore, the case study approach relies on the integrative powers of research: the ability to study an object with many dimensions and then to draw the various elements together in a cohesive interpretation (Selltiz *et al.*, 1976).

This is in line with the characteristics of 'substantive theory' differentiated by Glaser and Strauss (1968) in suggesting that substantive theory is developed from work in a specific area, such as a particular type of organisation which does not attempt to explain outside of the immediate field of study (p. 79). Given the research purpose outlined in Chapter 1, the case study method allowed the

researcher from the individual entrepreneur's and other participants' perspective to identify how they perceive their internationalisation process by using a particular instance, that is, the case organisation. Eisenhardt (1989) argues that case studies are:

Particularly well-suited to new research areas or research areas for which existing theory seems inadequate. This type of work is highly complementary to incremental theory building from normal science research. The former is useful in early stages of research on a topic or when a fresh perspective is needed, while the latter is useful in later stages of knowledge development (p. 548-549).

Therefore, it is to gain an in-depth understanding by investigating a particular case, rather than a superficial understanding which produces outcomes generated from a survey approach. Hence, the theory developed should remain parsimonious, that is, it should not try to generalise with explanations of situations for which there are no data (Glaser, 1992, p.46). Specifically, Coviello *et al.*, (1988) propose that the case study method is particularly well suited to IB research, where data is collected from cross-border and cross-cultural settings. Another focus of a case study method is that it allows the researcher to identify factors as proposed by individual accounts through their perceptions. Moreover, the interconnected and interrelated relationships of these factors will be asked about and evaluated by those international entrepreneurs as well as by the researcher through her understanding and interpretation. Therefore, it is mainly about 'human' and 'individuals' in the 'real business world' and their understandings and perceptions. However, this is a relatively small-scale study carried out about 'human' research - not only in the sense of covering studies about people in the 'real world', but also in trying to take account of the advantages of gathering from the researcher herself, as an enquirer, being one of those human beings.

Hence, it was considered that the case study approach would work well in this research because it offers more opportunities to go into sufficient details to 'unravel the complexities of a given situation' (Denscombe, 2003), and has the

potential to deepen our understanding of the research phenomenon. It allows the researcher to take a longitudinal approach and has the possibility of direct observation and interaction. Case study also has other advantages in many important areas when applying other research techniques to support this process. Firstly, regarding the flexibility, case study can involve either single or multiple cases, and numerous levels of analysis (Yin, 1984). Secondly, in terms of data analysis, case study can employ an embedded design, which has, multiple levels of analysis within a single study (Yin, 1984). Thirdly, case study can combine data collection methods such as: archives, interviews, questionnaires, and observations, etc. and the evidence may be: qualitative (e.g., words), quantitative (e.g., numbers), or both. Fourthly, case study approach has the strength of contextuality (Yin, 1994), and it is an effective way of understanding the links between macro-environmental factors, industry-level relationships and firm decision-making (Ghauri and Holstius, 1996).

However, the disadvantages of using a case study method are an ongoing debate. One of the main concerns surrounds the generalisability of findings from qualitative research, based on the use of a small and unrepresentative number of cases (Saunders *et al.*, 2003). According to Yin (1994), the case study method focuses more on the interpretation of the findings from the research rather than with the other criteria. Hence, by using a mixture of techniques when investigating a case study seems to support the researcher in gaining a deeper understanding of similar information from different angles and levels. This research develops its explanations and substantive theories in a setting of one case study organisation only. The process of data collection in case study research, its challenges and the final decision in deciding which 'bounded system' to study, following the guidance of grounded theory will be outlined in more details in data generation, collection process and data analysis process sections.

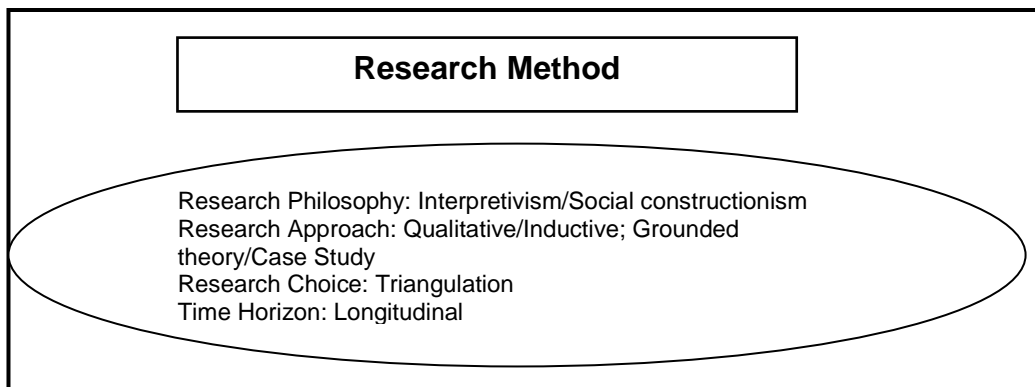


Figure 4.5 Research Method

In summary, as outlined in Figure 4.5, the research design of this study lies in two philosophies, interpretivism and social constructivism, using inductive qualitative approach, with case study and grounded theory as research designs. The data generation, collection and analysis approaches and processes are guided by the procedures for conducting grounded theory and case study research. The following sections will outline the detailed processes.

4.2.3.5 Data generation approaches

Following Goulding’s (2002) guidance on data collection, the process starts with an interest in the IE area that the researcher wishes to explore further. One of the key principles that researchers usually adopt grounded theory is that most researchers will start from their own disciplinary background which will provide a perspective from which to investigate the problem (Goulding, 2002). As suggested by Goulding (2002), no researcher starts the investigation with a ‘totally blank sheet’, and the researcher started her research process by initially reviewing literature in a broader business and management disciplinary field. The purpose of doing this is two-fold: one is to identify the topic of interest in the literature that has been given superficial attention or has been relatively ignored which is the earlier stage of doing a grounded theory research; the other one is to gain knowledge and understanding in the literature which provides sensitivity

and focus that could aid the interpretation of data collected during the research process (Locke, 2001).

In the field of organisation and management where grounded theory was adopted, it was recognised that some scholars begin their analysis with some prior specification of existing theory to narrow and to direct their analysis (Harris and Sutton, 1986; Eisenhardt and Bourgeois, 1988). This prior theory is also specified in Yin's (1984, 1994) strategy for the design of case studies. As Yin (1994) clarified that sampling proceeds on the theoretical grounds of prior substantive theory and a case is chosen for theorising possible theory extensions (Eisenhardt 1989; Eisenhardt and Bourgeois, 1988; Dinur, 1998).

4.2.3.5.1 Researcher interference and study setting

According to Esterby-Smith *et al.* (2002), a researcher's educational and cultural background, as well as previous research experiences would all affect the way in which the researcher views a research topic and her interpretation of data collected. This section provides a brief background of the researcher, situated in as well as informing the setting and the background of this study.

Given the nature of Chinese culture, it was evident that it is particularly difficult for 'outsiders' to undertake research in China (Siu, 2005; Xiao and Fu, 2009; Zheng *et al.*, 2006). The researcher is a Chinese national and she regards herself as an 'insider'. Moreover, the researcher has extensive experience in working in the IB field, and in this sense, she also considers herself as an "insider" in the business world and can understand the terms and accounts better when compared with those pure academic researchers without such practical experience. As an 'insider', the researcher used her *guanxi* networks to identify the 'successful' Chinese entrepreneurs and their ventures as participants for the initial pilot study as well as this exploratory study. In other words, the researcher used *guanxi* to study *guanxi* (one of the four key issues explored in this research): first to gain access to 'successful' individual entrepreneurs with ventures

expanding internationally and, second, to gain their 'trust' in answering the interview questions.

However, although the researcher is a Chinese national, she is also an 'outsider' to a certain level, towards Chinese entrepreneurs. This is because the researcher left China a decade ago and has since lived in the UK. There are gaps in her knowledge about China in a way that only a person who lives in China can grasp. Moreover, the researcher left the business field and became an academic. The business world is changing rapidly and the knowledge and perception can change over time due to the general social economic changes. The researcher hence became an 'outsider' from being an 'insider' due to inability to keep up to date. Whether the researcher is an 'insider' or an 'outsider', the analysis of the data should reflect the researcher's position and how she views herself in each particular instance. Although this blurred boundary of the researcher's position in this study may result in different interpretations of the data collected, but it is through the lens of the researcher's understanding and how she positions herself in this study.

4.2.3.5.2 Time horizon: longitudinal

Studies that involve gathering data on the dependent variable at two or more points in time are longitudinal studies (Aldrich *et al.*, 1987). This research was conducted using longitudinal and qualitative fieldwork (Corbin and Strauss 2008). The value of longitudinal studies is widely recognised (Schein, 1987). Collecting information in a longitudinal study is needed to understand the development of the relationships over time and to reflect a lengthy social interaction process (Blois, 2003). Moreover, it can look at the environment and structures over time, to begin to establish or show evidence for causality (Miller and Friesen, 1984; Tsikriktsis, 2007; Zhu and Nakata, 2007), involving deep rich data (Remenyi *et al.*, 1999).

The use of a longitudinal study for this research is justified specifically on three grounds. First, Hoang and Antoncic (2003) argued that longitudinal analysis is required to understand the contextual factors at play in exploring the relationship between network development and entrepreneurship. This is certainly true of social capital which by definition is embedded in social relations which develops over time. Second, social capital research has been overly committed to quantitative studies (Van Deth, 2003) despite the general confusion about the meaning and dimensions of social capital which still remains. Hence, this needs a “greater open-mindedness...to qualitative source of information” (Durlauf, 2002). Similarly, the deep rich qualitative data was essential in gaining an understanding of the process of innovation in the highly dynamic settings of the SMEs (McAdam *et al.*, 2008) and their involvement in the process of internationalisation (Shaw, 1999). Thirdly, in association with the second cause, Devine and Roberts (2003) argued the need for a return to qualitative approaches in the study of social capital given that inadequate attention has been paid to the contents and process of how social capital operates. As such, study in this field requires interacting anew and directly observing this complex social phenomenon in natural settings with “fresh eyes” (Bundick, 2009). Explicitly, it would be inappropriate to impose the western concept of “social capital” on non-western respondents and to force their responses into pre-determined conceptual categories.

Specifically, having reviewed and analysed past decade research into SMEs internationalisation process, McAuley (2010) voiced that it is disappointing that few researchers have gone down the path of conducting a longitudinal study (except Basly (2007) who expressed such a desire). McAuley (2010) further speculated that it is also a loss to our understanding of what goes on in firms and their internationalisation process if little work of a longitudinal nature is undertaken. In addition, as identified in research gaps in the IE literature and the internationalisation of SMEs in particular, it is understood that there is still not enough evidence on firms’ later internationalisation stages, that is, on BG’ longitudinal development (Zander *et al.*, 2015; Trudgen and Freeman, 2014;

Welch and Paavilainen-Mäntymäki, 2014). Benefiting from financial and institutional support, the researcher was able to tackle these problems to complete this longitudinal study. The interviews for this research were carried out in China during September 2006 and September 2012.

4.2.3.5.3 Sample designing

Having decided to use the case study method, the next step was to consider which case(s) could be used for this research. Sampling has a profound effect on the quality of the research (Goulding, 2002). It was considered within grounded theory that sampling is directed by theory (Strauss and Corbin, 1990). This research explores the internationalisation of small Chinese manufacturing firms, hence the chosen qualitative research approach is descriptive and is largely associated with the subjective use of words for the detailed analysis of the data. It was reflected that the study of a small sample of subjects might be more appropriate than a larger number. Such a sample designing approach is in line with the philosophy of this research which allows the researcher to focus more on a small numbers of the participants' personal experience, which would influence the interpretation of the meanings of any events (Easterby-Smith *et al.*, 2002). Therefore, the next stage is to assess the accessible population to which the researcher can have access (Cooper, 1984).

The method of 'purposeful sampling' was employed in choosing the case ventures to the extent to which the practicalities of the research permitted. Purposeful sampling allows the researcher to choose a case because it illustrates some feature and process that is relevant to the study. Patton (1990, 2002) has provided a comprehensive discussion of purposeful sampling and is frequently cited as an authority on purposeful sampling:

"The logic and power of purposeful sampling lie in selecting information - rich cases for study in depth. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry, thus the term purposeful sampling. Studying information-rich cases yields insights and in-depth understanding rather than empirical generalisations." (Patton, 2002, p. 230)

This suggests that purposeful sampling demands that the researcher thinks critically about the parameters of the population, settings, individuals where the process being studied are most likely to occur (Denzin and Lincoln, 2000, p. 370). Moreover, it was argued that most researchers, engaged in social science studies, have preferred not to select random samples; instead, they advocated highly purposeful or convenience sampling (with a matched group if possible) (Elder, 1976). Accordingly, purposeful sampling requires access to key informants in the field who can help in identifying information-rich cases. Moreover, Suri (2007) pointed out that researchers are also bound by the pragmatic constraints of time, resources and access to information and expertise. As such, research with a descriptive purpose tends to take conditions as they exist and looks for relations between variables (Guthrie and Lonner, 1986, p.239). Similarly, Brislin and Baumgardner (1971) and Van de Vijver and Leung (1997) argue that as long as the sample serves the research purpose and notes are made of the characteristics of the subjects and environment which could potentially influence the results or interpretation, purposeful sampling has its value. Glaser (1992) argues that purposeful sampling refers to the calculated decision to sample a specific locale according to a preconceived but reasonable set of dimensions which are worked out in advance, for example, time, space, identity or power.

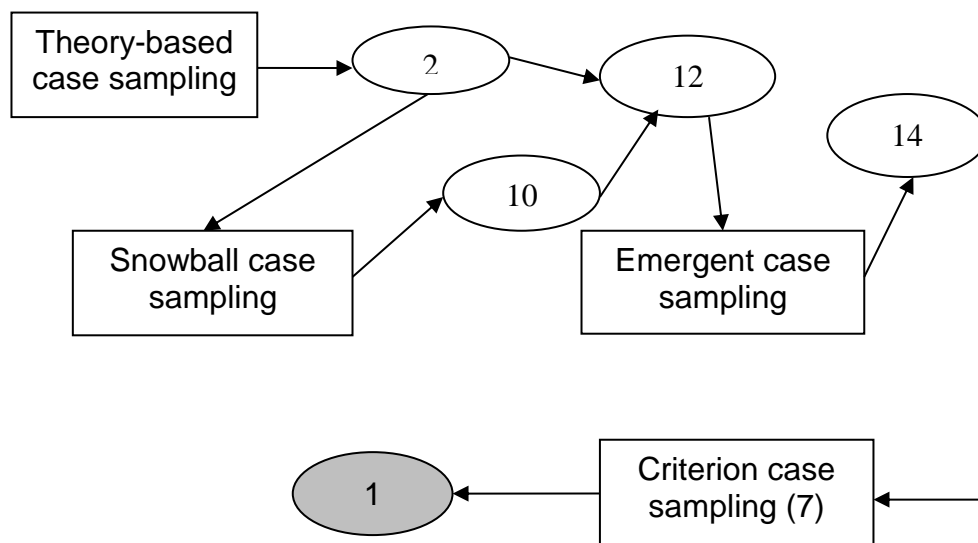


Figure 4.6 Sampling method

Figure 4.6 provides an overview of the initial sampling design process using grounded theory with regards to the research populations. Following Patton's (2002) 'purposeful sampling techniques', the researcher first used a 'theory-based case sampling', the purpose of which is 'to select a case that represents important theoretical constructs about the phenomenon of interest' (p. 238).

Using her *guanxi* in China, the researcher located two case organisations which represent 'real-world examples of the constructs' identified through reviewing the literature in the field. The 'Snowball sampling' technique was then used which involves seeking information from key informants about details of other 'information-rich cases' which could be used in the field. Ten additional case organisations were then identified. Given the exploratory nature of this research, the researcher also took two emergent samplings as the field study unfolds, to utilise 'the option of adding to a sample to take advantage of unforeseen opportunities after the fieldwork has begun' (Patton, 2002, p. 240), which gives 14 cases in total. This was followed the guidance of Mason (1996) which was to construct a sample that is meaningful theoretically.

To meet some predetermined criterion (Patton, 2002. p. 238) which was set for the objectives of this research, the researcher reviewed the fourteen case organisations. A number of pre-determined criteria were used for the selection of the samples:

- Only if growth had already been achieved to reflect the life cycle of small firms' internationalisation process.
- The firm owner has to have worked in a state-owned enterprise prior to starting the private-owned business, to reflect the nature and historical development path of the manufacturing industry and that of the ownership from SOE to POE.
- The firm has to have successfully survived for more than 3 years in the competitive environment of the industry, to fit in with the current situation of the industry post the WTO accession.

- Of primary importance, the business owner has to be willing to participate and cooperate with the study over a longer period. This is to assure that the researcher has the possibility to have access to confidential data over the longitudinal period.

Creswell (1994) considers that a case study is particularly useful if one wants to conduct an exploratory study, and this approach is particularly useful if a researcher has limited budget or time (Blaikie, 2000). Another important issue that the researcher considered was whether to study a single case, an in-depth case that includes more than one 'sub-case', or more than one independent case. Ragin and Becker (1992) suggest that 'a researcher probably will not know what their cases are until the research, including writing up the results' (p. 6). Constrained by cost and time, the researcher was not able to research every case. Moreover, not all 14 case organisations were willing to participate over a longer period of time, given this research is a longitudinal study.

The researcher also considered the following practical factors when making a decision in finally focusing on analysing data from one single case study:

- (1) the location accessibility and available resources;
- (2) the researcher's time schedule, work commitment and energy;
- (3) financial resource for travelling;
- (4) the kind of data to be collected and used – a combination of interviews, documents and observations;
- (5) how long the case should be studied – this was considered from the grounded theory approach based on as long as it provides the data that the researcher is seeking;
- (6) the possibility to return to the cases for feedback.

The next step is then to consider how many cases should be included in the study. Mintzberg (1979) states that the answer to this question is very difficult as there is no upper or lower limit to the number of cases to be included in a study (p. 583). As the empirical evidence accumulated, a single case study emerged

as appropriate for the purpose of data analysis with the reasons detailed in the data analysis section. There are two-fold reason for this: (1) the single case is revelatory (Ghauri and Grønhaug, 2002) as the researcher was able to observe and study the internationalisation of the firm which was previously not accessible and which can provide useful insights (Yin, 1994); (2) the single case provided the researcher with in-depth insights of the process of internationalisation which reflect both the historical and regional context. The researcher understands that some might argue the selection of a single case might be biased because of accessibility; however, the current research would only be able to be carried out with what is available and as appropriate in the given period. The case company is considered to represent 'phenomenon of interest' in the context. Whilst the small number of participants in this study restricts the generalisability of the findings, it should be noted that the use of a single case example is valid in testing and developing theory, particularly in an exploratory context (Yin, 2009).

4.2.3.5.4 Data collection processes

As remarked by Patton (2002, p.313) the entry stage of fieldwork magnifies both the joys and the pains of doing fieldwork. Securing research access was therefore in no sense 'plain sailing' and was a very difficult and time-consuming process. The data collection process started with the *orientation phase*. To identify possible participant case companies, a visit was paid to the Liaoning Commission of Development and Reforming (LNCDR), which is a local government organisation. At the time, it was considered that within the regional context, the regional organisation which was overseeing individual companies conducting exports were useful and powerful. Three managers from the Commission participated in a semi-structured interview which lasted for 1 hour in total. During the interview, these managers provided general background information and data regarding to the international business activities and particularly within the context of small firms, both SOEs and POEs in the region. They provided a list of 58 companies in the industrial sector, which were firms with closer business relationships with the Commission in the past.

At the time, based upon reviewing the IE literature, the researcher intended to conduct a comparison between regions, given the diversity of the regional environment and their historical entrepreneurial activities as well as the internationalisation development. The researcher used a similar approach as she did in Liaoning province with Zhejiang province, that is personal networks were used in making contacts with government officials in this region. Subsequently, a visit was paid to the Association of Zhejiang Small and Medium-sized Enterprises (AZJSMEs), which is a local not-for-profit organisation. It is run by SMEs for SMEs and was introduced to the researcher by her network contacts. Three officers from the Association participated in a semi-structured interview which lasted for 45 minutes. During the interviews, these officers provided general background information and data regarding to the international business activities of small firms in the region. They also provided a list of 30 small firms in the industry, which were members of the Association and suggested they could be potentially contacted.

After the visits to LNCADR and AZJSMEs, the researcher contacted these business organisations by telephone. In Liaoning province, three manufacturing companies responded and were willing to participate in the research. All three companies also introduced their cooperating firms in their value chain for the research, which provided valuable information in the cooperating relationships between the up-stream and down-stream of the international value chain. In Zhejiang province, four manufacturing companies responded and were willing to participate in the research. The four manufacturing companies also provided valuable information in the cooperating relationships between their up-stream suppliers. This consists of the seven companies that met the criteria that the researcher set.

The researcher visited all seven companies – three located in the city of Dalian, Liaoning province and four located in cities of Hangzhou and Wenzhou, Zhejiang province. Having developed further understanding of their process of internationalisation, by interviewing the entrepreneurs who initially founded the

venture and the managers, it was decided that a single case would be used for this research. Regarding the choice of using a single case or multiple cases, a number of qualitative researchers have discussed the feasible number for data analysis and theory development. Some consider a case number of around 4 to 8 would be sufficient in identifying the phenomenon with effective size, resource and time available (Eisenhardt, 1989; Meredith, 1998; Yin, 2003). Others consider that dependent upon the research questions and approach, a single case could be sufficient (Bryman, 2004; Yin, 1994; Glaser and Strauss, 1967)

Specifically, during this orientation phase, having shaped the research topical area which is centered around international entrepreneurial processes, next the researcher was encouraged by her supervisory team to identify criteria for case organisation selection. A research protocol was constructed, adhering to the principles below:

1. How much time and effort will be involved?
2. What kind of data collection techniques are to be used?
3. Will participants' anonymity be maintained?
4. Will participants review and critique interim and final products?
5. What benefits will accrue to participants?

The research protocols were used as a vehicle for discussions with a number of organisational gatekeepers, while negotiating entry and a certain level of access. As guided by the supervisory team, formal methods were used in negotiating access. A formal letter was written using the university's headed paper, signed by the supervisory team with the research proposal.

Having focused on the 7 case organisations that met the criteria set by the researcher, a pilot case study was conducted given that it can help in refining the data collection plans, with respect to both the content of the data and the procedures to be followed (Yin, 2003). The selection of the pilot case was based on a number of criteria. First, in order to enhance the depth and reliability of the qualitative material gathered, it was decided at the time to approach sample firms

with whom some form of trust was already established. Hence, all of the seven cases which were considered could be used for conducting a pilot study as these were those known to the researcher, either directly or indirectly. Secondly, firms were considered only if growth had already been achieved to reflect the life cycle of small firms' internationalisation process. Thirdly, which is one of the main considerations of the selection was proximity. The case was located in the same metropolitan area as the researcher had originated from. Hence, this proximity of local culture, business practice, language, and contexts was familiar to the researcher. Hence, a case organisation out of the 7 identified was considered could be a good choice for conducting a pilot study, which the researcher would feel more comfortable with, at the starting point of the data collection.

The pilot case study was conducted in Dalian city, Liaoning province. 'Open-ended questions' were asked during the pilot study as this was to come as close as possible to a natural conversation (Likert, 1932). Informal conversations were initiated and carried out with an international entrepreneur who founded a venture engaging with international activities. An in-depth interview that lasted for 2.5 hours was conducted and the entrepreneur was asked to tell the researcher of the experiences, stories or 'critical incidences' in the international activities with most 'open-ended' questions being asked. Five in-depth interviews which lasted on average between 1-2 hours were also conducted with other key informants within the case organisation, both at managerial and operating levels.

As applied by Crick and Jones (2000), the purpose is to test out the proposed research themes initially identified. Moreover, conducting a pilot study was also to ensure that the researcher speaks the 'language' so the future respondents could understand what was being asked. As advised by the supervisory team, a consent form should be signed between the researcher and the firm. However, the owner of the pilot case did not consider it was necessary at all and suggested it does not need to be that 'formal' as trust was established. A verbal consent therefore was considered as sufficient and the researcher explained to the

informants that anything they say or do would be kept confidential. All identifying information would be removed from the field notes.

The researcher recorded all interviews conducted with the founder manager and the other 5 informants of the firm. The interviews were transcribed in Mandarin after the interviews. The researcher read the data transcripts to familiarise herself with the focus of the study. Unrecorded notes such as field notes were also drawn on to remind the researcher what the data suggests and whose point of view is being expressed. The researcher then reflected upon the data collected and evaluated the data in the light of the IE literature. At this stage, the researcher was able to code some of the emerging concepts being mentioned in the data by the informants and started to draw her conceptual framework of thoughts for the exploratory in-depth study. From this pilot study, the researcher decided to make some changes to the interview guidance for further interviews and case accounts. When the research questions and aims were refined and revisited, a conceptual framework of thoughts was developed, based on the initial findings from the pilot study and the review of the IE literature (Chapter 3). This process was to redefine the boundary and the research context. However, this did not restrict any new theories from emerging during the exploration phase of the study.

The *focused exploration phase* was followed when case accounts were generated and conducted. Triangulation is one of the defining features of a case study (Campbell and Fiske, 1959). Ghauri and Grønhaug (2002) argue that in the case study method to adopt triangulation is particularly important as the validity of the information can be checked when a researcher receives it from various sources and different perspectives and to reduce the likelihood of misinterpretation as well as in generating rich accounts of these real-world situations as they unfold naturally (Denzin, 1970; Bryman, 1988). For this research, the case data was built up through interviews, written documentation, story-telling and observation. Mason (2002) and Yin (2003) state that by applying triangulation, findings or conclusions in a case study is likely to be much more

convincing and accurate, and to secure an in-depth understanding of the phenomenon (Ghauri *et al.*, 1995; Denzin and Lincoln, 2000).

Moreover, Maylor and Blackmon (2005) argue that not every case study is a study of a single case which depends on the analysis approach. Therefore, the researcher contacted the founder of TFTA (the case organisation) and explained the purpose of the study and the process it will involve. TFTA belongs to apparel (textile fashion) industry which offers a very good platform for research in export internationalisation as this industry is the world largest one (Yardley, 2012). More importantly, to agree this in advance is important for the researcher, as she needs to plan her travel from the UK to China to conduct these face-to-face interviews and observations. This procedure enabled the process of data collection to be efficient and effective, during the period that the researcher stayed in China. While the researcher explained the purpose for a consent form to be signed, the entrepreneur expressed that there was no need to sign such a form given the level of trust she has with the researcher. As a Chinese national, the researcher considered this was the norm in China as they did not like any explicit form of consent, particularly when it was supposed to be in written format.

4.2.3.5.5 Conducting the case study

Interviews

Conducting interviews is an important technique for data collection (Easterby *et al.*, 2002), and they are an essential part of case study evidence (Remenyi *et al.*, 1998). In this research, both unstructured and semi-structured interviews were used as part of the process of developing the case studies. Unstructured interviews were mainly used in the orientation phase, whilst semi-structured interviews were used to interview the key personnel in the identified cases, with a clear, pre-determined focus (Robson, 2002). Face-to-face interviews were conducted with individual participants, as well as groups (in some cases). Telephone interviews were also employed in some particular cases to follow up

the previous face-to-face interviews, in order to clarify some issues and share mutual understandings.

Whyte (1991) suggested that there are three options for recording the interviews: tape recording the actual interview; note-taking during the interview and writing a fuller report later. For this study, although some of the interviews were tape recorded, it was evident that the introduction of the machine placed some obstacles. Yin (1994, p.86) suggested that a tape recorder should not be applied 'when an interviewee refuses permission or appears uncomfortable in its presence'; hence a tape recorder was not used when a participant refused to be recorded. In cases like this, notes were taken and written up after the interviews. 30 informants were interviewed and the interviews ranged from 40 to 80 minutes (Bernard, 2000; Patton, 2002). The researcher promised not to disclose any information to other participants in the same industry and outside the industry, and conditions of anonymity were assured (Appendix 2). Accordingly, the names of the participants and their businesses have been disguised in this study. 21 interviews were recorded and transcribed, 9 were recorded by note-taking. General interview notes were written up at the end of each interview and were sent back to the participants in Chinese. This allowed the interviewee to 'evaluate the adequacy of the interpretation and correct where necessary' (Healey and Rawlinson, 1993, p.138).

All the interviews conducted in China with Chinese entrepreneurs were in their native language (Mandarin) and in English with their downstream foreign customers in two of the cases to avoid language barriers (Krave and Brinkmann, 2008). Mandarin is the researcher's first language, which appears to be an advantage when interviewing the Chinese participants. Moreover, having grown up in China, graduated and then worked there for nearly a decade in the clothing industry engaged in international activities, the researcher considers herself as having abilities in understanding the language spoken as well as the meaning behind the words of different informants. The researcher speaks English, gained through further education and lived in the UK for over a decade. This also helped

in understanding those international customers of the entrepreneur whom the researcher was able to gain access to.

Story-telling

Story-telling is often used in entrepreneurial studies to describe 'how' and 'what' was involved in the entrepreneurial processes via individual entrepreneur's accounts. Fletcher (2007) claimed that "narrative analysis helps inquirers to move beyond the 'what' and the 'how' of entrepreneurship, and to be able to answer theoretically 'why' such processes migrate and stretch across different cultures and contexts" (p. 649). Hence, during the interviewing process, story-telling was encouraged to discuss freely the entrepreneur's experiences and reflections which proved appropriate for China (Adler *et al.*, 1989).

Observation

Geer *et al.* (2004) propose that moving beyond interviews has several advantages. Researchers are confronted with different opinions expressed by different people during the interviews. As such, balancing data with other sources gives researchers opportunities to see the various dissimilar sides of the issue under information attained from interviews about past events. For this study, the researcher has been interested in non-verbal elements of the research setting as well as interactions between the venture team members and other stakeholders in a wider community; and accounts and organisational discourse that they were creating. Thus, observation had a unique value in this research. This quality of observation is highlighted by Spradley (1980), Marshall and Rossman (1999), and Mason (2002). It was sought to discover complex interactions in natural social settings where people continuously negotiated the definition of social reality.

Participant observation enables researchers to discover recurring patterns of relationships in the early stages of inquiry (Angrosino and Perez, 2000). Gergen (2002) proposes that the participant observer aims to understand the culture,

setting and webs of relationships. This mirrors the notion of 'thick description' (Geertz, 1973) which helps the researcher open up the participants' world (international entrepreneurs' world in this research) to the reader through rich and detailed descriptions of people, contexts and webs of social relationships that join people to one another (Patton, 1990; Denzin, 2001). Using her *guanxi* networks and trust gained with the case organisation, the researcher was able to conduct observations by sitting in several business meetings.

Nevertheless, the observation method has certain disadvantages. It requires a great deal of the researcher hence this could explain why it took the researcher so long in conducting the field research, collecting and analysing data. Moreover, it also requires a great amount of financial input. Fortunately, the researcher did not consider this is an issue. The researcher was able to shadow the founder of TFT_A for 1 week in May 2009 and 4 weeks' time in July 2012 when she was on her annual leave which she utilised for conducting the fieldwork. Finance was not an issue for the researcher as she has her own accommodation in China. In addition, the researcher was able to accompany the entrepreneur to attend several international business meetings in Europe which allows more observations of the interactions between the entrepreneur and downstream business clients. The opportunity to shadow the founder of TFT_A has built on more trust based on the existing trust between the informant and the researcher have had in the past. It also provided real insights into face-to-face situations and increased the researcher's understanding of the case organisation's internationalisation.

Documenting data

In this study, document data was collected as secondary qualitative data, aiming to confirm interview data as much as possible. The documents were in various forms, such as the archival documents regarding the formation of the venture, history of organisation (in press releases), current documents about the business' international strategies, planning and market orientations, meeting notes and

even internal memos. The researcher was able to shadow the founder of TFT_A for a period of time and to be able to observe the case organisation's day-to-day operations, including travelling with the entrepreneur to Spain and the Netherlands to meet with their downstream B2B customers. During these periods, the researcher was able to access a large amount of company files and documents. These varied documentary records constitute a rich source of insights into organisational life, as they are one of the principal by-products of the interactions and communication of individuals and groups, at all levels, in organisations (Forster, 1994, p.148) in their natural language. The researcher used these documents when checking information mentioned in interviews and they have offered rich insights both in pre-interview and post-interview situations.

Keeping a research diary

As advised by colleagues and peer researchers, a research diary was kept as a method through which the researcher recorded and logged any thoughts and ideas; plus the occasional data and analysis of the data from the very beginning of the research. This consists of both '*descriptive observation*' and '*narrative account*', that is, the factual data was recorded as a log. The nature of this note was to provide a memory. It recorded what the researcher thought to be important after the interviews and giving her a basis to capture her feelings and views and to reflect upon shortly after conducting them. The significant incidents through observation and personal interpretation were entered, which record personal reflection, interpretation and sometimes emotions at the time. The field notes also helped in crystallising ideas that the researcher gained while collecting the interview data. Writing down the notes enabled the researcher to capture the heart of situations, and the feelings that the participants had as well as the researcher's interpretation and perceptions of the participant's feelings. The diary was kept in hard copy in which notes were made of some ideas and thoughts at the time. Here, the way that the data is recorded is random and is not recorded in a systematic way. During the analysis stage, the notes helped the researcher to recall the experience and provided a context which the researcher could compare the event with a particular theoretical concept. This research diary is to

ensure that the valuable data was not forgotten. It proved to be enormously beneficial in conceptualising data during the iterative processes of data analysis and interpretation.

4.2.3.6 Data analysis methods: analysing case studies

Silverman (1989) considers that interpreting and analysing qualitative data is perhaps the most difficult task while doing case study research. 'Authenticity' rather than reliability is considered as the main issue for qualitative case studies and data has to be interpreted from the perspectives of the individuals and groups being studied but also against the contextual background in which they are produced (Hammersley and Atkinson, 1983). Yin (2003) specifies that it is useful to have a general analytic strategy before an analytic technique is selected to make sure that data analysis and collection are closely interconnected during the lifecycle of the case study research. Miles and Huberman (1994) proposed that inter-weaving data collection and data analysis right from the first interview is the best policy. For a grounded theory approach, to analyse data at the beginning of the collection could allow theory to develop alongside the growing volume of data, allowing the research problem to be formulated or even reformulated at the same time (Ghauri and Grønhaug, 2002; Grønhaug, 1985).

The analysis techniques and steps for this study is following Ghauri's (2003) case analysis steps guidance as shown in Table 4.2.

According to Ghauri (2003), the first step of case studies analysis is to construct a case description and explanation. Writing histories of the case organisation and/or individual under study is particularly important when the researcher is attempting to develop longitudinal explanations that track a phenomenon over time (p.11). The historical narratives of the case firm and the individuals were written down with regards to how the internationalisation of the firm was started and developed and the individual informants' involvement in this process. Particularly, examples of how international contracts were agreed from its first negotiation to the final delivery and payment stage.

Table 4.2 Case study analysis	
Techniques for case study analysis	Explanation
Chronologies	Narratives of the events that took place, organised by date
Coding	Sorting data according to concepts and themes
Clustering	Categorising cases according to common characteristics
Matrices	Explaining the interrelationship between identified factors
Decision tree modelling/influence diagram	Grounding a description of real-world decisions and actions coherently
Pattern matching	Comparison between a predicted and an empirically based pattern

In this stage, the notes were read several times to become familiar with it. The notes were largely left in the original languages, Mandarin. Some of the notes were written using English words as the researcher speaks and writes both Mandarin and English. The rationale behind this was that the notes were sent back to the entrepreneurs to verify the key messages were recorded correctly. Although the entrepreneur speaks English, by being written in Mandarin, it was intended to make the process of understanding the notes easy and quick. More importantly, other informants do not understand or speak English, to make the process consistent; the researcher considers it is more efficient and effective to keep the notes in Mandarin.

The transcripts were first sorted into categories and summarised using narrative analysis, before they were translated into English and referenced accordingly. In an effort to be true to the phenomena under investigation, direct quotes from case information were applied in the interview data analysis (Coviello *et al.*, 1998). This was to pass on “raw” rather than “cooked” data though the researcher is well aware of the fact that there is no such thing as ‘pure’ description. The familiar process was indeed an iterative and interactive process, the aim was to gain an understanding of the themes and events covered in the text. The themes and

categories were identified and defined based on the research objectives and the initial conceptual framework of thoughts. At this stage, how the participants understood the conceptions of the four issues were focused upon first, careful attention was then given to aspects of the roles of these four issues played in their internationalisation so that the entrepreneurs and other participants could contemplate on.

The second step was to extract concepts from the data and creating categories – coding stage. Some initial concepts had already emerged from the pilot case study and during this process, new concepts emerged from semi-structured interviews and participant observation. Key issues were identified and this was done manually by going through a transcript and field notes line by line and marking each occurrence of a potential concept. Summary notes of the case interviews' transcripts were made, while all the information that was considered to be critical to their understanding of the four issues and their roles in the process of internationalisation was underscored and recorded. The main purpose for this stage is to discover and highlight the 'what', 'how' and 'why' aspects of the responses from the participants, that is: how is the explanation given? What is it focused on? Why is it explained in a certain way? These concepts and issues were summarised either in a word or a short phrase.

The coding process started after the translation and was done manually as the researcher's main focus was to understand the data. Open coding was used at the start of this process by translating and interpreting the informants' languages into the researcher's own language of concepts with line-by-line coding as the first step. It was mainly to establish answers of the following questions: "what is this data a study of?", "what category does this incident indicate?", "what is happening in the data?", "what is the main concern faced by the participants?" (Glaser, 1998, p.140). This initial coding process helped the researcher interpret what is happening and developed them into categories that crystallise participants' experience, and helped the researcher to establish some strong analytic directions.

Following the initial open coding, the researcher broke down the data into separate units of meaning (Goulding, 1999) to conceptualise and label data, using focused coding. The general category was identified and derived from the research objectives. The specific category was created from reading the data text in identifying phrases used or the researcher's interpretation of meanings in specific text segments. Marked text segments were copied into the emerging categories using a word processor. Events were labelled and compared to form categories and properties (Babchuk, 1997) and theoretical integration begins.

During this clustering stage, the concepts that have been identified were grouped physically with Post-it notes. The summary notes and the underlined cases of critical variation were highlighted, as they were considered to be the important key themes of the understanding of the four issues and their roles in the process of internationalisation. Accordingly, the notes were marked and physically grouped together based on similarities and differences between them. This was to reduce the overlapping and redundancy among the categories, and to remove the uncoded texts which are irrelevant to this research objectives. Once the concepts and issues identified were grouped, the researcher re-organised them by themes using categories (Maylor and Blackmon, 2005), property and dimension. A category represents a real-world phenomenon (Bryman and Bell, 2003), and characteristics that are common to all the concepts in the category is labelled as property (Goede and Villiers, 2003).

This is followed by matrix analysis, with a conceptual framework being developed to identify the interrelationships between concepts. The main purpose was to search for holistic meanings within the similarities and differences, then describe the categories for aspects of critical variation and themes. Following this, the attempt was to move the focus onto the similarities and differences to generate the meaning and construct the structure of the categories. By labelling the critical aspects of understanding which were present in some of the notes (and not in others), the researcher was able to constitute and label the categories of description. Once the categories of description were constructed tentatively, their

structures were then examined through re-iteration. Although the researcher has not used axial coding according to Strauss and Corbin's formal procedure, she has developed subcategories of a core category and showed the links between them as she learned about the experiences that categories represent. These concepts specify the dimensions of a core category as they emerge. The main aim was to search for themes of expanding awareness that was present in each preliminary category, at different levels, through identifying what was focused upon within each overall meaning.

This was also compared with the conceptual framework of thoughts initially developed from reviewing the IE literature and of the pilot study. This was mapped using an influence-diagram which shows the concepts and whether there are relationships between them. It also shows how different factors may be acting in a particular situation (Coyle, 2001). This provides core categories which provides the possibility of theory development. This was conducted by naming the groups which is the process of integrating and refining theory (Strauss and Corbin, 1990, p.161) (see Appendix 5 for coding process). Although literature was involved in developing theory, due to the nature of grounded theory methods, codes in each core category are related to each other as emerged from the data. A list of coding can be found in Appendix 6.

The general analysis strategy used in this research is content analysis, which is used interchangeably with discourse analysis. Watson (1994a) defines discourse as "a connected set of statements, concepts, terms, expressions which constitute a way of talking or writing about a particular issue thus framing the way people understand and act with respect to that issue" (p.113). Therefore, discourse provides the means through which individuals achieve self-expression and realise ideas, visions and ambitions (Fletcher, 2003). One of the reasons that the researcher is interested in using discourse analysis is possibly because of the researcher's personal account. The researcher was a linguist and studied English and German as her second and third languages. The researcher had developed

great interests in learning different meanings of words and the ways they were presented in various languages.

In her experience in communicating by using different languages, it appears that the power of controlling language such as delay, stress and the selection of particular words can alter the interpretation of sentences. Nevertheless, this is not a study of language, but to be able to analyse some of the language functions in the interviews that will help to understand some deeper meanings, which may not be generated from its face value. Thus, content analysis was considered as the most appropriate tool for analysing the communication records taken during interviews of selected cases (Berelson, 1952).

4.3 Challenges in doing qualitative research in China: Ethical considerations

This section summarise the methodological challenge in conducting research in China, in particular doing qualitative research. For this research the fundamental methodological issues within the context of China are:

- a) Language
- b) Apply an appropriate research method in China.
- c) Ethical concerns when negotiating access to interviewees.

While the former two possible challenges have been addressed in the early part of this chapter, it is the ethical concerns that the researcher would like to focus her discussions upon here. Ethical and cultural issues specific to conducting research in China are highly significant for this study. Richardson (2008) highlights that it is crucial to understand the Chinese social and business culture in order to have success with qualitative research conducted on Chinese participants.

Specifically, Scott *et al.* (2014) propose that when *guanxi* is considered as a norm in doing business in China, building a relationship with certain groups of people

is crucial. In particular, when inter-personal trust is developed during the process of building relationships, it is much easier to make any kind of progress once this kind of trust is being perceived at the right level. However, this is not an overnight process (p.74). Therefore, the researcher for this study took advantage of the relationships and trust she has been building on over years using her previous business competence and contacts. Gradually, networks have been developed among various circles of groups applying the reciprocity principle. This has helped the researcher to gain access to the 'right' group of people and to generate appropriate information and responses. However, although this is being perceived as the normal approach when interacting with Chinese, ethical issues were considered too.

In the context of research, ethics refers to the appropriateness of a researcher's behaviour in relation to the rights of those who become the subject of the work, or affected by it (Saunders *et al.*, 2003). This appropriateness of the researchers' behaviour will be affected by broader social norms of behaviour (Wells, 1994; Zikmund, 2000). A researcher, therefore, needs to consider ethical issues throughout the period of the whole research and remain sensitive to the impact of the work on those whom the researcher approaches to help, those who provide access and cooperation, and those who may be affected by the research findings.

In this research, when seeking initial access to the potential intended participants to grant access, attention was paid to not applying any pressure (Robson, 2002; Sekaran, 2000) on any potential individuals. It is acknowledged that employees in the case companies feel uncomfortable sharing information through survey questionnaires by post, as they found it difficult to build trust on how the data would be used. Hence, in depth interviews and observations were considered to be more suitable for this type of research.

During the data collection phase, objectivity was maintained, which means that the researcher tried to collect data accurately and fully – as this will also relate to the validity and reliability of this research. Confidentiality and anonymity were given to those cases where interviewees requested in particular that certain

information or their names should remain as anonymous and confidential. The positive side of this research is that most of the interviewees were happy to disclose the information when asked; being aware of that the information given was not to be published in China or that their names would not be disclosed. Similarly, the ethical issues of being objective and of confidentiality and anonymity also came to the fore during the writing of the findings stage of this research.

4.4 Conclusion to the chapter

This chapter introduced the methodology of the study. A qualitative method with an interpretive and explorative approach was presented with rationale given. A single case study method was employed with its strength and weakness identified, discussed and considered. Interview data was collected which was triangulated by participant observation and documented data. Cultural influences were considered prior, during and after the interviews.

The next chapter presents the case company profile and categories established.

CHAPTER FIVE - CASE ORGANISATION INFORMATION

5.0 Introduction to the chapter

This chapter presents the background information for the single case organisation which was used for this research. This includes the profile of the entrepreneur and that of the business ventures' internationalisation. Secondly, categories of description were established focusing on the entrepreneur's motivation and decision in internationalisation, types of internationalisation and the associated risks and uncertainties perceived, this was conducted by using word processor software Microsoft Word. This was a time-consuming process in which the researcher has highlighted the aspects by underlining them with different colours and noting them down manually. Glaser and Strauss (1967) argue that the second stage in coding is the restriction of the initial set of coding categories. The researcher reduced the initial set of codes and stayed more focused considering the aim of this study. Key issues (core categories) emerged and are identified these are presented in chapter 6, 7, 8 and 9 with each chapter focusing on a specific emerged category.

5.1. The Case Organisation's Information

This section provides a general background introduction of the single case used. Table 5.1 presents an overview of the case profile including the entrepreneur's general profile and the venture's international operations. To maintain confidentiality, TFTA was used to identify the case organisation.

TFTA is a textile clothing export trader and was founded by Anne, operated remotely in 2006 and formally joined in 2008 (14 months after the venture was registered). The internationalisation activity was conducted at the launch of the firm; hence it is a 'BG' business venture (also known as INV). By 2012, there were 23 employees and the firm exports directly to: Italy, the USA, the Netherland, Spain, the UK, South Korea and Japan; it also exports indirectly to

Germany and Russia. A summary of the firm's and the entrepreneur's profile is outlined in **Table 5.1** and **Table 5.2**, respectively.

Field of Operation		Clothing Fashion
Firm Type		'Born Globals'
Firm Code		TFT _A
Firm and Founder/Manager's Profile	Start-up date (TFT _A)	2007
	Founder/Manager's age (in 2007)	38
	Gender of founder	Female
	The highest level of founder's education (To date)	MBA (P/T)
	Foreign Language Spoken	English
	Worked or studied outside of China	Yes
	Total number of full time employees (in 2012)	23
	Annual turn-over in 2012 (RMB Approx.)	150 million
	Annual turn-over in 2012 (GBP Approx.)	15 million
	Years of internationalisation (Founder)	20
	Years internationalisation (Firm) by 2012	5

Although this is a single case study as defined by the unit of analysis as a single social entity, the researcher studied the multiple units in this case study. Multiple divisions within TFT_A as well as its upstream suppliers and downstream customers were studied as the research evolved. Due to the nature of the research questions, the researcher considered it appropriate to collect data from these informants which in turn, gives a holistic and processual perspective of the entire internationalisation activities. For example, how an order with a client was initiated, agreed and completed requires the information collecting from both the suppliers' ends and the customers' ends. The researcher started with interviews of the entrepreneur and 10 key employees at managerial level who also had functional roles. As concepts emerged, it was felt that if interviews with other respondents outside of the firm could be conducted it would be beneficial and

Table 5.2 – Case TFT_A Founder’s profile and previous experience prior to the venture start	
Owner Anne Yin (TFT _{A01}), age 43 (in 2012), female, married with no children; Holder of: BA and MBA Degree	
1992	Joined a corporation in garments import and export industry (SOE) after achieving a BA English degree. This is a B2B business and Anne was working under supervision mainly learning international trade and commercial knowledge (international trade terms and commercial English). 6 months later, the supervisor was assigned to the Czech republic and hence was working independently afterwards. One client was handed over by the supervisor – in Sweden.
1996	Assigned to the Czech republic acting as an importer to import garments from China and for sale as a wholesaler. 6 month later the subsidiaries were closed due to limited business and market.
1997	Returned to China and was promoted as a deputy division chief, responsible for South Asia Pacific region business. At the time, there were no existing customers in this marketplace.
1998-2000	Introduced by an overseas Chinese to a buyer of the Target department store and started exporting to Europe – outside the divisions’ marketplace. The business started expanding in Europe.
2000-2006	Businesses were expanded rapidly with more clients being developed, e.g. Zara, H&M, etc. Anne was promoted as the deputy director of the corporation and was an executive member of the board.
2006	Started a private business venture - international trading firm TFT _A , but managed remotely.
2007-2012	Resigned from the previous company she had been working for (STFT) and formally started running the business operations of TFT _A , the business started to expand and grow rapidly.

a contribution to the development of the theory. Therefore, interviews were conducted with 30 informants in total, including informants outside TFTA, for example, suppliers as well as customers on TFTA's entire international value chain.

Before conducting the interviews, respondents were asked some demographics, work histories and educational background. This information is reported in Appendix 2. Although there is no rule on how many interviews is adequate, this number depends on the research, sampling techniques (Patton, 2002, p. 232) and other limitations during the field research (Seidman, 2006). The researcher considers that the number of interviews in this study was enough to reach knowledge saturation and was able to identify a pattern in the answers (Mason, 2010; Guest *et al.*, 2006; Goulding, 2002).

5.2 Motivations and Decisions for Internationalisation

This section describes the variations of the categories identified from interview data regarding motivations and decisions of the entrepreneur to internationalise. Quotations are from the interviewees with their identity coded as shown in Appendix 2, for example, marked as TFTA01, TFTA02, etc. This chapter mainly dealt with the entrepreneur's individual profile and the historical account of TFTA via her 'stories' which provided the initial concepts of the business venture's internationalisation.

5.2.1 Categories of description

The analysis of the transcripts and field notes found a set of categories that describe the initial driving forces behind TFTA's exports. They are coded as:

- 1) Motivation and decisions
- 2) Perception of risks
- 3) Nature of the business ventures
- 4) Nature of the internationalisation

It is suggested that all categories are internally related. Table 5.3 shows each significant group of concepts, such as motivation and decisions to internationalise, perception of risks define a category representing a real-world phenomenon (Bryman

and Bell, 2003, p.430). Codes are also grouped together in level 2 to show how higher-order codes are constituted. According to Maylor and Blackmon (2005), a category has properties which have various attributes and/or aspects. Each property has one or more dimension, derived from the original concepts. Table 5.3 illustrates the details of each category identified and concepts grouped, its properties and dimensions are described using the empirical data within the interviews and the observation field notes. The meaning, logical and empirical structure of the categories constituted is explained using the quotations and the researcher’s interpretations. It should be noted that the four distinct categories identified, which describe the entrepreneur’s motivation and decision to internationalise, are related hence demonstrating a hierarchical relationship among these categories.

Table 5.3 Organising concepts by themes		
Category	Property	Dimensions
Motivation to internationalise	Personal factors	Personal/social emergency/creation of INV
	Context factors	Macro/meso/micro
	Perception of resource	Location/finance/customers/suppliers/employees/ <i>guanxi</i>
Nature of business venture	SOE and POE	Personal/social emergency; context factors
Nature of internationalisation	Staged and ‘born global’	Personal/social emergency; context factors
Perception of risks	Opportunity and risks	High/Low/ Perception of resource

As Table 5.3 shows that within each category of description, a number of factors or aspects of variations could be considered to link and distinguish one category from another. The 2-level codes show the dimensions of variation which link and distinguish one category from another, with greater depth of analysis indicated by the lower-order codes, property, and dimensions, respectively.

5.2.1.1 Personal Factors

Within this category, the entrepreneur’s personal factors were perceived as one of the key driving forces which influenced the entrepreneur’s decision in considering internationalisation. Specifically, this refers to the entrepreneur’s experience and

knowledge prior to her internationalisation. It is also believed that the entrepreneur's personal emergency is embedded in a social context – hence, social emergency. This is in line with the social constructionism view that the researcher herself holds, that is: the entrepreneurs' actions might be seen as being meaningful in the context of these socially constructed interpretations and meanings (Remenyi *et al.*, 1998).

Personal and social emergency

As outlined in Table 5.1 & 5.2, Anne was 43 years old (as of 2012 when these research findings were written), married, with a BA degree in English and American Literature, subsequently achieved a part-time MBA degree in 2008. Anne has worked in a state-owned textile fashion trading corporation (STFT) since 1992 when she graduated from the university with her first degree, where she met her husband. In 2008, she left the previous employer (STFT) and started her own business venture (hereby as TFTA). Her husband joined her at TFTA at the same time.

Early situation of life

What seems important in forming Anne's personality and career is the situation of her life as a child. The codes in this category are family situation, loss of father, education, gaining experience and working at early stages of life. These codes are for shaping Anne's present personality, desire to be successful and make money as cited by Anne. Anne (TFTA01) cited these factors in her interview:

“You know my father died when I was only 2 years old, so I was brought up by my mum and my elder sister...she (the sister) is 16 years older than me and I was growing up in her family.”

The conversation started from here when Anne (TFTA01) started telling her story of her childhood. Although at the beginning this quotation seems irrelevant to Anne's international venturing, as the story unfolds this personal journey seems to have had an impact on her later career venturing.

“But here I am..., I became a big boss managing a large company and I am an entrepreneur now with my own business venture and employed 11 people.” (TFTA01)

This conversation took place in 2008 when the researcher interviewed Anne for the first time. The researcher had some knowledge about Anne's upbringing, and from her narrative account, the researcher could tell that Anne is proud of what and how she achieved what she has today. The fact she reflected on family background suggests that the family appears to have played an important role in her personal and professional development, and this soon was evident.

“As (everyone) expected, I went to the university and had my first degree in English and American literature... (one) perceived as a posh degree at the time...this means I would be guaranteed with a good employment...good education with a bachelor degree and the ability to speak a foreign language.”

This seems to suggest that Anne considers her family and degree educational background, particularly the skill to be able to speak English had contributed to what she did for a job from the start.

“More importantly, although my mum was retired...both my sister and brother-in-law were in powerful positions and they could find me a good job, which they did.”

And also, she mentioned her personality change after the university:

“I have changed a lot since I graduated...many people who know me, including my families have told me so, and I smile to people a lot more...you know this is superficial but important...as I learnt...not long after started my job.”

While Anne attributes that her family found her a good job at the beginning of her professional career, it seems that she was also trying to manifest that her personality and behaviour has changed, from being introverted to being more extroverted, which has contributed to her 'success'. Although she did not explicitly give reasons why and what has changed her behaviour, particularly the way in communicating with others, it appears from her narrative account that she deliberately took initiatives in order to fit in with the employment environment and the particular social contexts in which she lives. Alternatively, the general maturity from a student to an employee has contributed to this 'improvement', as Anne would label this change.

“So you consider that this change has contributed to who you are today?”

The researcher asked further and more explicitly.

“Absolutely... In doing the job and especially the privileged position I had at the time gave me a great level of confidence. Imagining at a very young age, I could communicate with and even boss company directors (of manufacturer suppliers) around who manage hundreds of employees. I had to change...whether I was being pushed or pulled into this change does not matter...what matters was I have changed...in a better direction...of course.”

And also, she mentioned her personal characteristics including taking responsibility, eager to self-actualise, self-confident, desire to be the best are results from her personality change:

“When you were put into that kind of position and had to deal with complicated business situations, I had to become tough and crafty.”

From the narratives, it is believed that Anne considers that this transformation of her personality has had a profound impact on her current being. It is evidenced from the coding that the founding entrepreneur's personal factors which is also embedded in the socially constructed context, in which they were situated and developed over a period of time, such as personal emergency and the experiences and knowledge acquired during this process has contributed to her motivation and decision in internationalisation.

Venture creation

As stated above, it was the founding entrepreneur's personal and social emergency that has led Anne to create her own business venture. Hence, the creation of business ventures was also discussed within this category, since this is directly linked to the entrepreneur's decisions for internationalisation. Therefore, the researcher considers it seems natural that an introduction of the venture' start-up background, associated with the entrepreneur's personal and social emergency, would itself provide a contextual background for the understanding of the motivation and decision to expand internationally.

TFTA was officially founded by Anne Yin in 2006 (time of registration), but the company director was registered as Li Yin (Anne's elder sister) (TFTA_{A03}) with the authority (equivalent to Companies House in the UK) locally. This was to protect Anne's existing position in STFT, as she was preparing for the new venture while still working at STFT at the time. This could justify the perception of risk category in general and in internationalisation in particular. For example, Anne said:

"I needed to make sure that the operation of TFTA was tested in order to ensure that the entire exporting process had been implemented at least once prior to my formal resignation from STFT. For example, the administrative process for exporting, starts by applying for China Entry-Exit Inspection and Quarantine Bureau (CEEIQ) (used to be China Commodity Inspection Bureau, (CCIB)) for quality inspection and then granted with a certificate, which will be subsequently used to clear Customs; from booking flights/containers for air/sea shipping to submit all required correct documents to banks in claiming payment for respective invoices for the shipment to be made accordingly."

This suggested that Anne was a cautious person and did not like to take unpredictable risks when a plan could be made. It was not until early 2008 that Anne formally joined TFTA. Nevertheless, during the period of January 2006 (when TFTA was founded) and March 2007, Anne undeniably was the only decision maker behind the entire operation of TFTA.

The start-up process of TFTA was well-planned taking almost 14 months before Anne formally resigned from STFT where she had been working as a deputy director. Chinese New Year (usually in January/February) normally indicates a new start of the year; in China, this is typically being perceived in the business world too. Anne officially handed in her resignation letter after the Chinese New Year in 2008 and the resignation process was not without difficulties but not too painful for Anne. The board members and the top management at STFT seemed to have anticipated this and were prepared for its eventuality. It took Anne less than one week to hand over all pending orders and other related responsibilities to her replacement. As such, from Anne's perspective, TFTA was formally started (operation under Anne's direct leadership) in March 2008. At its inception stage (in 2006), there were 6 people in total and the team

grew to 23 people during the course of the research (in 2012) as the business expanded and grew successfully.

5.2.1.2 Contextual factors

While Anne was working in the previous company (STFT), she had progressed from an account manager to the head of regional (Europe) division and then to the position of Deputy Director of the corporation. She became a member of the Board of the directors when the organisational re-structuring happened (in 2005), as part of the industrial structure reforms in the region, part of the general economic reform strategies at the central government level. The contextual factors including external macro environment, industrial environment as well as the firm's (STFT) micro environment including the entrepreneur's experience accumulation and knowledge are connected to both new POE venture creation and motivation and decision to the internationalisation categories. For example, Anne said about her being ready:

“By 2006, I have been working in the same company for nearly 15 years and I have learnt so much and gained enormous insights into the industry. From a personal perspective, the chance for me to become the General Director of the corporation is remote, given the nature of the company and the industry. This does not suggest that I have that ambition though. You know working in this kind of SOE; it is all about building social guanxi with colleagues and bosses internally, as well as sustaining and developing relationships with those external key powerful stakeholders. It is complicated, political and is very tiring...that is not me, and is different from my aspiration for my career. At a personal level I thought I did good to get to the position I was in the company.”

It is interesting to interpret the narratives as it seems to suggest that the motivation in starting her new venture TFTA is the overall dissatisfaction that Anne felt about working with her previous employer, as well as her confidence and being ambitious. While Anne considered that STFT was still a good place to work, somehow it could not satisfy her any more. More interestingly, although she did state this in an explicit way, for example, she used a slang to describe STFT as a ‘*dying camel is still bigger than a horse*’, to imply STFT is still a reasonable good place to work for most people. As a

Chinese national, the researcher could interpret this as Anne was implying that her ambition was more than for those 'normal people'. Moreover, it seemed that what Anne wanted was to concentrate her efforts to achieve a business success not to become involved with politics which was widespread in a state-owned company like STFT. Maybe this was not where her aspiration lay, looking simply for promotion in a large SOE.

In addition, the narratives seem also to suggest that Anne was ready to start her own business venture. She was confident of her competences, developed from the past 15 years of working experiences and learning in the industry. Reflecting on her initial communication when age was mentioned, to the researcher, it sounded like Anne was concerned about getting older and that it might leave little time for her to pursue her aspiration - to prove that she can be successful in a relatively 'pure' business world, not tangled up with many other directions which Anne had little interests in. The changes of the industrial environment seem also connected to the motivation to create her new business venture and decision to the internationalise category. For example, Anne (TFT₀₁) commented on:

“More and more people who are competent left and started their own businesses. Most of them have been successful. I think I am better” (TFT_{A01})

This seems to suggest that Anne was dissatisfied with her situation working in STFT, especially when she considers herself as more capable than some of her ex-colleagues who left and started their business ventures successfully. In this way, Anne in her account attributes her decision to start a new business to these feelings of frustration at the limited prospect expectations which she had experienced. Moreover, Anne's account of how her business idea came about is grounded in her own experience as a merchandiser and the learning process connected with recognising the opportunity for the business venture, as well as developing this within the context of the market environment, which will be described more in Chapter 7.

Other external macro and meso environment factors were connected to her perceptions of resources needed for start her new venture, as well as readiness to launch her international new venture category:

“During the period while I was working in STFT, it was relatively easy to identify and work with domestic upstream suppliers, for example, garments and raw materials (fabric) manufacturers since supply exceeded demand domestically.”

This suggested that the historical exports environment in China has contributed to the favourable position that Anne found herself at. This mirrors documentation the researcher collected ‘State Development Planning’, suggesting export policy initiatives encourages exports in late 80s, for example using fiscal taxation policy to encourage processing trade. She explained further:

“Under the planned economy only the foreign trade industry and/or intermediaries were given the power to engage in international trade. For example, we were having priorities in quota allocation by national and regional bureaux that oversees us. As such, we (STFT) were almost in a monopoly position – foreign customers could not access the upstream suppliers directly, and vice versa, upstream suppliers were not allowed to conduct international business transactions with overseas customers directly”.

Findings from the fieldwork also revealed that this favourable position has lasted even post China’s accession of WTO, which was supposed to bring firms, small and large on a same platform to compete internationally. One of the technicians (TFT_{A12}) who used to work in a manufacturing factory explained:

“Although to prepare for the accession of WTO, in China we (the garment manufacturers) were allowed to conduct independent international trade in 1997, we were reluctant. We were lacking in: management skills, qualified personnel, foreign market knowledge and product quality.”

As such, for a short period of time even after the accession of the WTO in 2001 whilst the upstream suppliers were catching up, the foreign trade intermediaries still had a monopoly position in the industry both domestically and internationally. It was emphasised by Anne that the monopoly situation has gradually changed since 2001, and changed dramatically since 2004, which suggested that the contextual factors are

connected to business venture creation and decision to launch in the international venture category:

“With China’s economic reform and deregulation in 1997 it has changed the dynamic of the foreign trade industry, which has had profound impact on the textile clothing exporting industry.”

“These changes also have had a direct impact at my previous company as it went through a re-structuring change, as required by the local government to mirror the central government’s initiatives.”

These quotations were in line with ‘statistics data from China custom’ (2006-2013), showing the lower level of transaction costs (per unit of clothes) and the impact of liberalisation of trade for textiles and garments, when quota has been removed. Therefore, it could be interpreted that the structural changes have had a profound impact on Anne’s previous employer (STFT). For example, Anne explained:

“Since the 90s, the entire situation in the industry has changed...gradually. STFT is not in a position as it used to be...I meant the usual powerful and monopolistic position as it had in the past. Comparing with many other firms in other industries, e.g. private ones, STFT has not got many absolute advantages any more in 2000s, nor much more ‘perks’ either. When comparing with other SOEs in the industry, well...the rules are much more relaxed with regards to setting up private businesses (to trade in this industry).”

The organisational re-structuring seems to have been the trigger of Anne’s resigning and starting of her international ventures. The negative perception of the privatisation of the SOE was also connected to the perception of resources property, which is linked to the motivation and decision to start her own venture to export. For example, Anne said:

“When STFT was being privatised resulting from the outcomes of the economic structure reforms, the original assets automatically ended up belonging to the Director of the corporation...Well, you know although it was officially called privatisation but

STFT was not private in a true sense...I meant maybe not like privatisation as how you would label it in many other western contexts.”

5.2.1.3 Nature of Internationalisation

Within this category, evidence suggests that TFT is a BG venture, internationalisation is considered as the business strategic direction as well as the business model in generating income and profit. Internationalisation was perceived as one of the key driving forces and capacities in starting the new business venture. Hence, the goals to internationalise and the creation of the new venture complemented each other, with one supporting the achievement of the other.

‘Born Global’ export Internationalisation strategy

Within this category, the analysis of transcripts suggests that although TFT’ engaged with internationalisation at the inception of the business venture, the entrepreneur however, adopted a cautious and stepwise approach in internationalisation. This suggests that the export internationalisation strategy was connected to the entrepreneur’s perception of resources available and perception of risks categories:

“At the time, while I was working in STFT and was considering starting my own business venture, I informed several larger customers such as H&M and Zara during their visits to China as well as my visits to them. Only one customer made it absolutely clear that he would split the orders between STFT and my new venture. He stated the reason for doing this was to be on the cautious side.”

This suggests that on the one hand, the international downstream customers clients needed to observe the operation of TFTA to make sure that it would be ‘business as usual’, for example, quality and lead time to delivery were as consistent as it was before. Anne contemplated the clients’ approach and consideration was a fair point, which she also agrees with:

“To be honest, I was happy of this outcome as I was concerned that I might not have the production capacity in managing a large amount of orders at the beginning.

After all, we are a trader only and do not have our own manufacturing base. I know this would always be our limitations”.

5.2.1.4 Perceived risks

Associated with the variations of the above two categories, perceived risk is another category that was found to be connected to the entrepreneurs’ decisions in their internationalisation strategies. At the start of the business venture, Anne said:

“I was not sure about my ability to manage all these (international and internal) processes on my own. Yes, I was a deputy director in STFT, but it has a state-owned nature hence the managing risks were not that high at a personal level.”

When asked about her perception of risks in using exporting as an international entry strategy, Anne (TFTA) stated:

“I would say the risk level is relatively...low, if I consider the option whether I should launch a manufacturer domestically or physically to enter a foreign market instead.”

Specifically, doing Original Equipment Manufacturer (OEM) trade was perceived as the business model with the least risks where financial capital was concerned, especially at the beginning of the venture’s internationalisation. This risks’ perception is not only concerned with the exports business model, but also with the financial capital involved. The coding suggested that this is connected with Anne’s personal and social emergency dimensions as well, for example, she commented:

“My husband and I had some savings over years from our earnings while we worked at STFT. Although the amount of the savings was sufficient to make us live in a reasonably good condition even without having any further incomes, however, when using them to invest in the business ventures we could end up being left without anything.”

This suggested that the entrepreneur was confident is using external sources of funding while putting her individual level of risk at the lowest. In explaining how it

works, the coding seems to suggest this is connected to her personal and social emergency dimensions. Anne explained:

“Due to the fact that I have known the (international) customers for at least 2 years and they have had several business transactions in the past while I was working for STFT, the risk level was not that huge compared to having to look for new customers for the new business ventures’ internationalisation.”

Specifically, trust and *guanxi* was suggested as having connections with the perceptions of risks and motivation to internationalise categories. For example, Anne said:

“I trust them and would think they trust me too, otherwise, the customer would not place some trial orders with me, knowing TFTA was only going to be small in size at the beginning.”

As this emerged as a core category hence it will be detailed in the following chapters when findings of social capital issue in the firm’s internationalisation is presented and discussed.

5.3 Summary

This chapter presents the case companies information.

As Figure 5.1 illustrates, this chapter presented the categories of description which represent an inclusive hierarchy from ‘personal and social emergency’ to ‘contextual factors’ in contributing to the entrepreneur’s internationalisation.

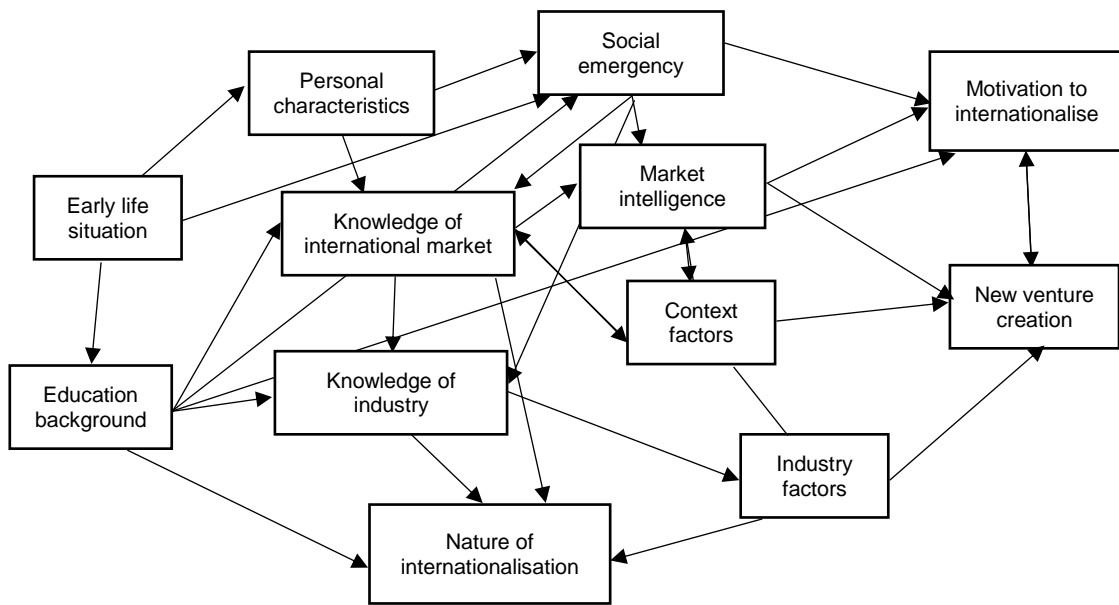


Figure 5.1 The Relationships among the coding for motivation to internationalise

The findings of the role of the four key issues in small firms' internationalisation are presented in Chapter 6 to 9. For simplicity and ease of data presentations, they are being treated separately, which provides a 'structuring device'.

CHAPTER SIX - ROLE OF MARKET ORIENTATION IN SMALL FIRM'S INTERNATIONALISATION

6.0 Introduction to the chapter

As outlined in Chapter 3, the four key issues: MO, knowledge & learning, social capital and innovation and their respective roles in the process of small firms' internationalisation emerged, were explored and are the key *foci* of this research.

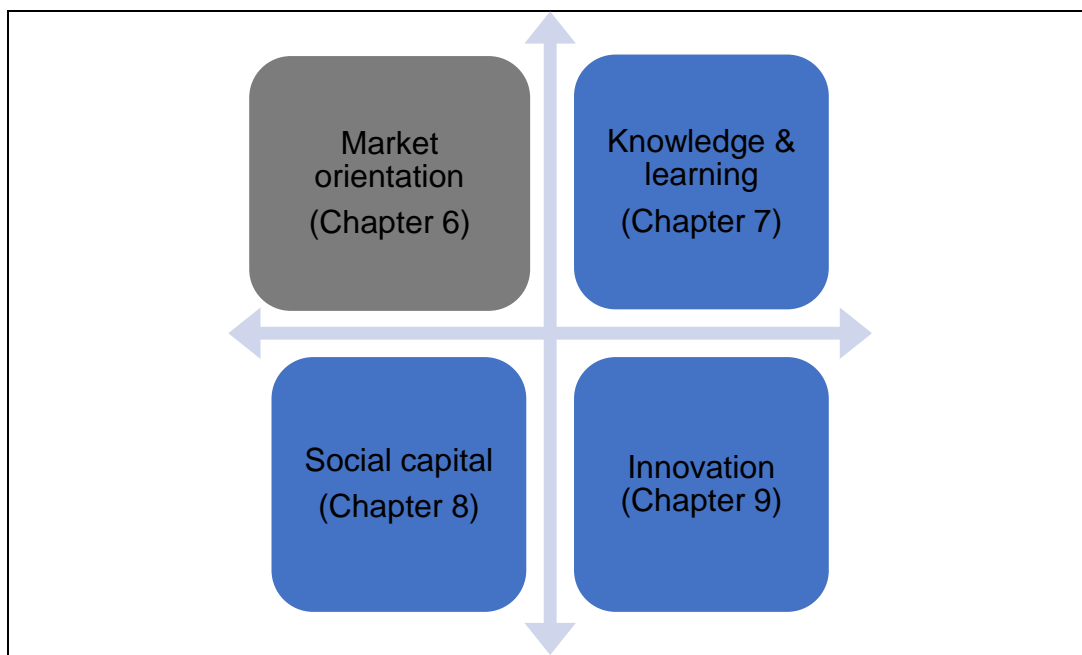


Figure 6.1 – Data presentation structuring device

Although the findings suggested these four key issues that emerged and the parts that they played in small firms' internationalisation are complex and portrayed as multi-dimensional and inter-connected, the researcher considers a separate treatment for presenting the findings from each of these four key issues are needed, to allow simplicity and ease of data presentation. As such, as Figure 6.1 outlines, Chapter 6, 7, 8 and 9 each will present and discuss the findings of the respective role of the four key issues as identified in the conceptual framework of thoughts (in Chapter 3) and show how these core categories emerged from data collections and interpretations. This chapter is the first of four to present and discuss the findings to achieve one of the research objectives: to explore the role of MO in small firms' internationalisation

process. This chapter therefore, presents the perceptions of the role of MO and discusses how MO is being managed and coordinated in TFT's internationalisation. The process of analysis was the same as that described in Chapter 4.

6.1 Variations in the understanding of MO and role in internationalisation

Table 6.1 Organising concepts by themes – MO		
Category	Property	Dimensions
Market Orientation	External	Suppliers/Customers/competitors/environment /government agency/market intelligence (informational & experiential)
	Internal	Communications/education/learning/sharing /capabilities/novel
	Coordination at the firm level	External & internal decision actions/proactiveness/effectuation/innovation

As Table 6.1 illustrates, the analysis of the transcripts and field notes identified the set of concepts that describe the variations in the understanding of MO and each of the properties with their dimensions. As suggested in the data analysis method section, all categories being identified and established as the *foci* of discussions are internally related and indicate the collective views of the participants interviewed. Specifically, using the empirical data, the details of each sub-category will be discussed as collective views from the perception of the entrepreneur, employees, upstream suppliers and downstream customers through constant comparison in the analysis process. The meaning and the logical and empirical structure of the categories were constituted by stating the themes of expanding awareness. Accordingly, the aspects of critical variation and the structural relationship between the categories can be highlighted. Here, the three distinct properties which describe the variations in the interviewees' understanding of MO are related in an inclusive hierarchy, hence increasing the completeness of the category of descriptions.

6.1.1 MO is externally focused

Within this property, MO is being recognised as an understanding of the external environment and any changes that might have an impact on the business ventures in the context of internationalisation. This property consists of being proactive in generating and responding to market intelligence, including sources from suppliers, customers, competitors and government agencies.

Customer focus

The analysis of the transcripts identified two common dimensions of being customer focused: (1) speed of market intelligence generation and responsiveness to customers; (2) understanding customers and being ready to focus on customers. The key strategic issues that the ventures needed to address when discussed demonstrated that all participants including the downstream customers of TFT_A interviewed stressed the importance of being customer focused. It was perceived that these two dimensions of the customer focused aspect of MO are interwoven. This aspect brings informational and experiential market intelligence, which could be used, by the entrepreneur and the venture, in order to adapt to the changing environment in achieving their competitiveness among the competitors and in the marketplace domestically and internationally. For example, Anne (TFT_{A01}) said:

“To be able to enter a new marketplace requires speed (timing) and understanding of the market, this will give us an advantage in impressing potential customers.”

Moreover, it was identified that

“Within the textile fashion manufacturing industry, there is little chance for making mistakes, and also the need to react or proactively approach potential customers promptly was key to success when entering international markets” (TFT_{A04})

“To be absolutely honest, speed to respond to customers’ needs and requirements was particularly important at the customer initial identification stage...though it is somewhat important at every stage.” (TFT_{A06})

Anne (TFTA01) provided a more detailed example when she emphasised the importance of speed and responsiveness:

“Retail brand WE (from the Netherlands) had never had suppliers in China before and like many other brands, they decided to seek suppliers in China last month (this was in 2008 when the first data was collected), given the overall competitive advantages of the Chinese market. Like many international firms did, before they entered mainland China, WE contacted their agent in Hong Kong (a 3rd party) who was responsible for their international logistics and took a cautious approach in entering China”.*

“Apparently, the logistic company (the 3rd party) contacted STFT (the previous SOE that Anne used to work with). After all, it was one of the largest regional SOEs recommended by local government”.*

“However, the newly appointed manager (replacement of Anne) was ‘incompetent’ (Anne made a face when she stated this). One of my friends (ex-colleagues) (Anne used the term ‘friend’ instead) who was still working in STFT contacted me and asked to help out”.*

“I was approached on a Friday afternoon and I arranged to meet up on Saturday (well...we do not have a weekend concept in this industry). I arranged all samples to be prepared on Friday evening. While we met on Saturday, it seemed they were satisfied overall”. A week later I received a sample order and another 3 days later, I was sitting in WE’s Hong Kong office...that is it! WE became my customer and has been since...” (TFTA01).

However, the findings from the analysis also suggest that although responsiveness in a timely fashion is being perceived as critical, the ability to understand what customers want is also key. This seems to suggest that the entrepreneur’s and the firm’s collective experiential knowledge is the input for such an understanding as well as speed of responsiveness. TFTA05 cited this factor in her interview:

“To me, it is the intelligence generation and responsiveness that are important to our international activities. However, first we have to know or (need to) learn to understand our customers in order to conduct businesses with them successfully. This requires our experience, knowledge and capabilities.”

More importantly, it was recognised that keeping up-to-date with market intelligence of consumer trends was mentioned, as this will facilitate a better level of understanding overall of current and potential customer needs and wants, which in turn, gives the firm a competitive advantage and hence leads to being successful in international markets. For example, TFTA₂₆ said:

“In the fashion industry the changing demands of consumers are the key driver of the changes in our industry. As such, we had to make sure that we can keep up with the changing dynamics of consumers in order to sustain our competitive advantages in the marketplace, but also keep an eye on our competitors.”

This was the perspective from one of the B2B customers of TFTA. A similar view was also expressed by TFTA₂₈ who is the textile supplier of TFTA:

“We provide textiles as raw materials for manufacturing finished clothes and often get orders from TFTA and a number of other firms. Depending on which international market they export to, we have to adapt our quality, colours, compositions, and styles from time to time. This seems to be getting more challenging and unlike in the past, the bulk of orders have to be sharply reduced....we have little choice and have to adapt.”

As described above, among the driving forces of the changing external environment being mentioned in the interviews, social culture changes were being identified as one of the key drivers. Specifically, with the influence of social changes, the changing customer's tastes and buying behaviour were perceived by the informants as one of the key success factors for the firm to survive and to be successful in the international markets. This was considered as challenging as cited by TFTA₀₇ in his interview:

“Generating market intelligence is a priority. We do businesses in Spain and the Netherlands because we have intelligence generated about their market desires...from our experiences, visits, our clients and often from our suppliers and competitors. These have helped us to generate some informational market intelligence which was useful”.

Whilst it was acknowledged that to be able to generate market intelligence is one of the key success factors, the ability to make and/or adapt such products that are appropriate to satisfy customers is also vital. This was evident in the interview with TFTA₁₃ and she said:

“We have several international markets for our products and each market is different though with similarities...Quite often we use some designs and newly developed products from one customer in one region and then show them to our other customers in another region...However, the design shown is for a particular customer and needs to be changed or adapted, which is often the case and used by other customers in other region or regions.”

From the remarks and quotations above, it could be found that speed is not the only key factor identified which was used to explain responsiveness to customers. The participants interviewed also emphasised that it is important to understand what customers want regarding the products and the associated services, which was often being influenced by the changes in the external environment at industrial and macro level. Through continual scanning of the external environment, focusing on customers and markets, the firms are likely to generate market intelligence, to be responsive to customers, to discover underdeveloped and untapped market niches and segments. As such, firms can enhance their competitive positions by targeting and providing services to specific markets.

Competitor focus

Focusing on competitors was also identified as an important dimension of being externally market oriented. Anne (TFTA₀₁) said:

“In order to attain and sustain competitive advantages among a large number of suppliers in China, as well as competing with competitors in other regions in South Asia, unless the commodities could be provided at lower prices, better quality and at a relatively faster speed, customers will impatiently turn to others.”

Changes in the external macro and industrial environment meant intensification in the level of competition. This factor was cited in TFTA₀₂'s interview:

“In the past, the exporting industry was strictly specialised and managed by central and local government. Export licence and/or quote was required for the export of all textile products, which was an export restriction imposed on Chinese businesses.”

TFTA₀₃ added:

“With supply being greater than demand, only a limited number of enterprises were able to access such licences or quotes, often they were large SOEs. Hence the entry barriers were relatively high not due to the required technology aspects, but due to the monopoly power of SOEs. We were in this position but not anymore.”

Likewise, TFTA₀₂ commented on in his interview:

“The deregulations offered lower entry barriers for small firms to enter into the industry domestically as well as expanding internationally. While this lower entry barrier offered more opportunities for small firms (like us), it also had brought more competition domestically as there are more players who could enter the industrial battlefield, in competing to internationalise and to be able to supply to foreign customers.”

While it was perceived that when a firm gains or exploits attributes and resources that permit it to surpass its competitors by offering customers a greater value, competitive advantage is said to have occurred. This was mentioned in association with the capabilities in generating market intelligence, both informational and experiential.

TFTA₁₀ said:

“One day, I was inspecting at one of our manufacturing suppliers and saw some orders placed by one of our competitors. I took a photo of their lining patterns which was very novel and one which our customer had never used before...I communicated this with my boss and it as it happened, the buyers were visiting us during that week, when we offered the alternatives, they loved it and placed some trial orders immediately.”

Although the data suggested that competitors are being considered as an important dimension of MO, it seems that it is the domestic competitors that are of the most concern of the entrepreneur and TFTA. This is possibly due to the fact that the supply is greater than demand in China, and it is the export internationalisation that was adopted mainly; hence the focus has been placed on offering customers a greater value than other domestic suppliers.

External environment focus

MO was also being understood in association with the understanding and keeping up to date with any changes in the industry that might influence the changing tastes of the customers. This was mainly focussed on the political environment that is likely to have an impact on the textile fashion industry. TFTA₀₁ said:

“When I used to work in the SOE previously, the (Chinese) government focused its policies heavily on giving incentives and endowments to encourage exporting, and to generate foreign currencies for the national reserves. However, after the accession to the WTO (in 2001), indigenous innovation was the new policy issued by the central government encouraging more domestic-led in-house innovation, replacing the original international policy.”

TFTA₀₃ added:

“We used to get a tax refund (at a rate of 17%) for the products exported, this is not a case anymore. As such, exports do not have much advantage compared with that in the past.”

This seems to suggest that for TFTA, needing to survive in a market, they must adjust their strategies to accommodate the changing environment. Otherwise, it would leave the firm with very limited international market opportunities should it continue with what it used to do. TFTA₀₁ mentioned:

“To make it more challenging, scanning the changing international market environment with limited knowledge and resources, especially when the impacts of changing customers’ buying behaviours are influenced by the changing social cultural context, often as a result of the issuing of laws and regulations by the host governments.”

6.1.2 MO is internally focused

Communication, coordination and sharing

The analysis of the transcripts and field notes discovered that the participants interviewed also perceived that internal firm level coordination and a good level of communication at all levels were also essential and being perceived as being market oriented. TFTA₀₁ Said:

“My team members were generally very good at absorbing new information and learning new knowledge about the market, products and industry...the general market intelligence.”

She adds about how coordinating market intelligence internally is key to being market-oriented:

“In order to be responsive to our customers and maintain closer relationships with our clients, we give staff specific responsibilities in managing accounts. I have three accounts managers and this gives them more focus and efficiency to be able to react quickly and to update their knowledge about the market and the required products via this close communications...within the team and with their accounts.”
(TFTA₀₁)

She also added on how communications took place with regards to the sharing of the market informational and experiential intelligence:

“Often, when a member of the team acquired new market information that is useful, s/he would normally inform their team leader in the first instance, so it can be shared and discussed”.

Capability, learning and novel

Whilst it was recognised that the ability to communicate market intelligence internally is important, the analysis of the transcripts and field notes identified that there is a close relationship between MO and employees’ capacity to learn. TFTA01 said:

“MO is a day-to-day operation ‘norm’ and is the bottom line (of business), I am afraid. We have to develop ourselves (via learning) and to create and develop solid relationships with all of our key stakeholders.” (TFTA01)

“We learn from various stakeholders, this includes from our upstream suppliers, our international customers as well as those distributors. In this way, we can acquire information, (market) intelligence.” (TFTA09)

In particular, a quick response to customers itself requires the firms’ ability to adapt to the changing customer tastes and often the dissemination of market intelligence internally is needed in a timely fashion. This was cited in Anne’s (TFTA01) interview:

“Quite often, our (B2B) customers introduced us to new products, styles and trends. This was often communicated with our merchandiser in detail as our technicians do not speak English. Their strength is in communications with the international clients but not in sourcing and identifying the raw materials needed for such new designs/patterns/workmanships. They have to learn quickly either from our suppliers or from their team members who are responsible for the technical side of the orders.”

“By working co-ordinately with upstream suppliers, we could generate information about changes in the industry in the domestic market.” (TFTA08)

“In this industry, you have to be novel and come up with some new styles and patterns, but this takes time and requires building competence.” (TFTA11)

She adds how she is being creative:

“I used to work in a cloth manufacturing factory and I experienced various types of cloth workmanship...you need to know how many needle points for 1cm, for example. But this varies and sometimes if you do window shopping a lot, you observe others and you do learn something. Our final customers are consumers like ourselves, and we have to be able to apply changes and being creative...sometimes our tastes are not their tastes though...(laugh).” (TFTA11)

Managing and coordinating MO

The managing and coordinating property is a higher level from the previous two properties, which shows an integrated behaviour at all levels in managing and coordinating MO at the firm’s level. From the analysis of the transcripts, it appears that MO is considered as the determinant factor for success in the entire value-added chain internationally. Evidence of this will be presented and discussed in more depth in Chapter 10 when all core categories were discussed with their interconnections in the TFTA’s internationalisation.

Specifically, the coordination at all organisation levels internally and that with customers and upstream suppliers externally are perceived by the participants as equally important, in achieving the generation of market intelligence, as well as the ability to provide efficient response to the changes of the market and the demands of customers. Anne (TFTA01) cited these factors in her interview:

“I designed TFTA’s internal systems and structures to be customer oriented. We have 3 working groups, divided according to their responsibilities of managing various accounts. Each group includes one account manager, with the support of a number of specific members of staff who are responsible for looking after the clients and managing the entire order processes. There is one full time technician assigned the

responsibility of overseeing all clients in each group. He or she is supported with one part time technician, located within the group but is also shared with other groups when needed. In addition, there are one or two technicians who are based and located in the manufacturers and they only return to the office when needed.” (TFTA01)

This demonstrated a matrix organisational structure and systems which enabled TFTA to be able to respond to customers more efficiently.

“This structure facilitated the internal coordination and effective communication, so we can be responsive to customers more efficiently.” (TFTA09)

Anne (TFTA01) provided an example how this level of coordination is being market oriented:

“Once I was with a customer in Spain (Zara from the Inditex Group) and their designer suggested making some changes of some elements of the sample we brought with us. I notified my technician (back in China) (via msn) (as they were ordered to be 24/7 online as the backstage technical support), and within an hour she (the technician) arranged our manufacturer to make the amendments accordingly. The revised sample arrived in 3 days (sent by courier) in Spain and I showed it to my customer. The buyer and his team was so impressed...obviously by our efficiency...whenever I was abroad with my client, my technician were on duty 24/7....” (TFTA01)

The similar effective coordination and communication internally was also demonstrated in the operations with the upstream suppliers externally. Likewise, this efficient coordination and communication was manifested in the operations with downstream customers as well. TFTA27 mentioned in her interview:

“To lead the fashion trend is one of our key strategic goals and is one of our competitive advantages as well. We have our designers visiting places around the world, e.g., London, Tokyo, Paris, Milano, and so on... They (the designers) try to generate inspiration from different people and locations, and then they disseminate

the creativity and fashion trends to us (buyers). Indeed our designers are working with us (buyers) co-ordinately so as to make sure that we (the buyers) can provide with and support our upstream suppliers (TFTA) with a better understanding of our needs: quality, styles and workmanship, and so on and so forth.”

As such, the analysis and interpretations of the data seems to suggest that to TFTA, as illustrated in Figure 6.2, MO is not only about generating market intelligence and disseminating it efficiently and effectively, it is more about being externally focused. TFTA’s managing and coordinating MO behaviour was largely through coordination with their upstream suppliers and downstream customers, as well as through their internal communications and sharing. This is possibly due to them adopting an export internationalisation strategy, with only limited resources being available. Therefore, managing and coordinating the MO behaviour within their value chain system was particularly being perceived as important.

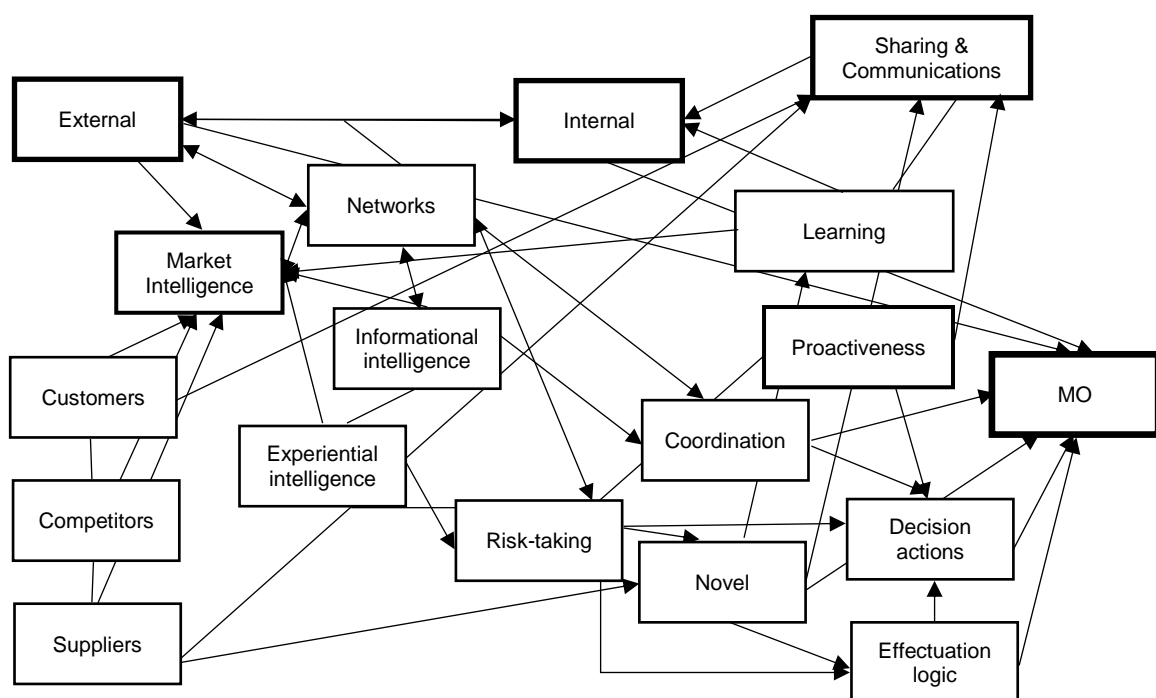


Figure 6.2 The coding graph of MO category, properties and dimensions

6.2 Discussions

One of the fundamental propositions of marketing theories is that the effective implementation of MO results in a superior competitive advantage (Jaworski and Kohli,

1993; Menguc and Auh, 2006). The analysis of the findings from TFTA illustrated the importance of being market-oriented, by focusing on customers, competitors and changes in the external environment. The findings from the entrepreneur's and other participants' understanding of the concept of MO seem to mirror those of a cultural perspective (Narver and Slater, 1990); behavioural perspective (Kohli and Jarwoski, 1990); strategic perspective (Rueckert, 1992; Lado, Olivares, and Riviera, 1998) and value chain perspective (Baker, 1999; Simpson, 2001; Grunert, 2002), to an extent.

From the perspective of organisation studies, Becherer *et al.* (2003) defines MO as “a culture in which organisations strive to create superior value for their customers (and superior performance for the business) by focusing on customer needs and long-term profitability” (p.13). This idea rests on the notion that MO is a type of culture and, accordingly, context-specific (Nwankwo, 2003). Specifically, it consists of three dimensions: customer orientation, competitor orientation, and inter-functional coordination (Narver and Slater, 1990). These three dimensions of understanding MO were evident in TFTA. From a different perspective, Kohli and Jaworski (1990) acknowledged that MO refers to the implementation of the marketing concept and is defined as the organisation-wide generation of market intelligence, dissemination of the intelligence across departments, and organisation-wide responsiveness to it, which is generally being considered as the behaviour perspective (Greenley, 1995; Slater and Narver, 2000). The empirical description of how TFTA is managing and coordinating its MO appears to reflect this behaviour perspective.

Mavondo and Farrell (2003) suggest that cultural orientation acts as antecedents of behavioural orientations. This perception seems to suggest that MO must be understood first and foremost as an organisational culture and not only as a set of processes and activities separate from the culture of the organisation (Narver *et al.*, 1998). Hence, the *cultural* and *behaviour* perspectives are not mutually exclusive but are complementary. MO implies the development of an organisational culture that generates organisational capabilities through learning; these capabilities are exhibited in certain market-oriented behaviours that ultimately lead to superior market performance (Armario *et al.*, 2008). Although no definite statements have been made in stating that MO is a cultural behaviour by the participants, evidence of how the entrepreneurs, manage the coordination and communication process, internally as

well as externally could be viewed that MO in TFTA is considered and embedded in its organisational culture.

In general, as the literature review revealed researchers have found there exists correspondence between MO and the performance of the business (Narver and Slater, 1990; Jaworski and Kohli, 1993; Deshpandé *et al.*, 1993). Specifically, a positive link between MO and business performance appears to exist for small firms like TFTA (Pelham, 1996; 2000). As observed by a large number of researchers, small firms are impoverished compared with their larger counterparts in terms of human and financial resources, typically possessing negligible buying power, limited access to resources and information, and a short-range perspective (Davies and Garcia-Sierra, 1999; Burpitt and Rondinelli, 2000; Lee *et al.*, 1999; Stokes, 2002; McCartan-Quinn and Carson, 2003). This was evident in TFTA, which suggests that adopting MO may well hold the key to improving competitiveness and viability in the marketplace (Pelham, 2000; Verhees and Meulenbergh, 2004). Evidence from the analysis of the data suggested MO is particularly important as a rare and intangible resource when entering a foreign market and expanding internationally.

Specifically, in exploring the relationships of the various MO dimensions, Eisenhardt and Martin (2000) and Makadok (2001) propose that market knowledge and market-relating deployment capabilities are important in enabling firms to execute strategies that match their market environment. This was evident in TFTA, in the entrepreneur's perception and descriptions of their internationalisation processes. In particular, evidence from the analysis suggests that the industrial environment that TFTA operate in falls to 'the new manufacturing environment', characterised by intense global competition, rapid technology changes and product variety proliferation (Pun, 2004). Hence, MO is being perceived by the entrepreneur as particularly important and critical for survival and success in international markets.

Applying the RBV in an international context, scholars argue that when firms enter countries where the institutional context greatly differs from the home market, resource-based advantages may not be applicable or may need to be supplemented with target market-based resources (Chang and Rosenzweig, 2001; Eisenhardt and Schoonhoven, 1996; Madhok, 2002; Oliver, 1997). In accordance with the RBV

approach, MO can also be understood as a corporate competence that supports a firm's activities in its markets, including its foreign markets. The evidence from TFTA supports this view, in their market intelligence generation, responsiveness to the changing customers' needs and national/local government regulations and policies, mirrors the positive relationship exists between EMO and export performance (Cadogan *et al.*, 2009; Chung, 2012; Sørensen and Madsen, 2012). Evidence also confirms that when launching the venture, the BG entrepreneur did not have much time nor resources to conduct analysis of global markets (Harms and Schiele, 2012), but used her effectuation logic, considering 'who she knows', 'what she knows' and 'whom she knows' (Kalinic *et al.*, 2014) in taking the 'calculated risks' and being proactive. Being proactiveness and using novel played a key part in the venture's and responsive to the changing dynamics of the markets.

6.3 Summary

This chapter describes the entrepreneur's and other TFTA informants' understanding of the MO concept and the perceptions of the associated management of MO behaviours in their internationalisation processes. The next chapter explores the role of knowledge and learning.

CHAPTER SEVEN - ROLE OF KNOWLEDGE & LEARNING IN SMALL FIRM'S INTERNATIONALISATION

7.0 Introduction to the chapter

As Figure 7.1 presents, this chapter is the second of four to present and discuss the findings from the analysis of the interviews and field notes which were conducted for this study.

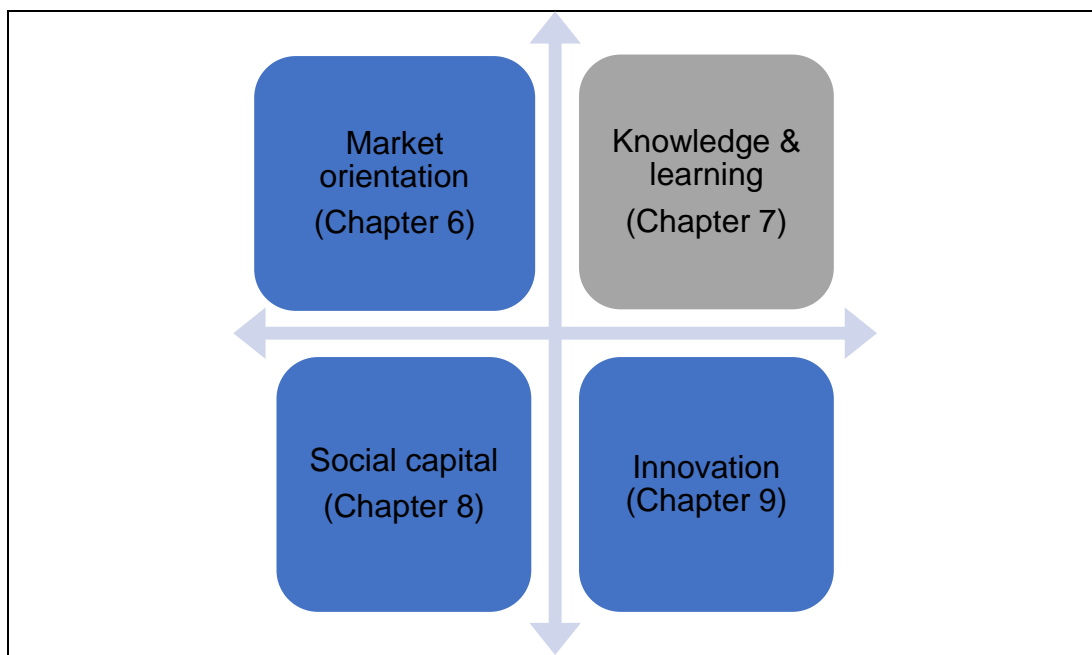


Figure 7.1 – Data presentation structuring device

Specifically, this chapter presents and discusses findings in order to achieve the following research objective: to explore the role of knowledge and how the learning capacity was developed while engaging in the internationalisation process. The following sections will present the categories of descriptions focusing on the types of knowledge established as the object of analysis, followed by a discussion of the structure of these categories. Finally, the chapter concludes with a discussion of these findings with respect to relevant literature in the area.

7.1 Variations in roles of knowledge in the process of firms' internationalisation

Table 7.1 Organising concepts by themes – Knowledge & Learning		
Category	Property	Dimensions
Knowledge & learning	Market	Know-how/opportunity/personal knowledge/extent of market knowledge (domestic and international)
	Experiential	Education/Trade fairs/exhibitions/entrepreneur's prior international market knowledge/
	Learning capability	Firm level knowledge intensity/ Entrepreneur's commitment/attitude/behaviour/Employees' commitment Financial/human/physical resources Improve product quality/competitiveness

The analysis of the data collected from the transcripts and field notes found the set of properties that describe variations in the types of knowledge and their roles in the process of TFTA's internationalisation: (1) market knowledge; (2) experiential knowledge and (3) knowledge transfer and learning capability. As suggested before, all the properties have their own dimensions and are internally related indicating the 'collective' perceptions of the entrepreneur and the informants on which simultaneity, variation and discernment were based. The meaning, the logical, as well as the hierarchy structure of the category, properties and dimensions, was constituted by illustrating the themes of expanding awareness as shown in Table 7.1.

This section describes the three distinct properties which describe the variations in the entrepreneur's and other informants' perceptions of the types of knowledge and their respective roles in the process of internationalisation. Within these identified properties, the dimensions of the variation which emerged from the process of TFTA's internationalisation are outlined and explained. Moreover, during the data analysis, it emerged that it appears the identified key properties and respective dimensions of variations have certain relationships in contributing to TFTA's internationalisation process, and they are: (1) pre-start stage; (2) establishing/entry stage and (3) expansion and growth stage. These also linked to TFTA's overall export performance.

7.1.1 Market knowledge

Within the market and industry type of knowledge property, the entrepreneur perceives it was her and the team's acquisition of the market and industry knowledge, both domestic and international, that was the main reason behind TFTA's international entry strategy as 'born global'. Anne (TFTA01) cited this factor in her interview:

“Customer-seeking is an important aspect to business success, especially at the venture's inception stage. Without the understanding of the international markets I could not see the opportunity at all.”

She adds:

“Knowledge in identifying international customers was particularly important to a firm like ours that does not have our own manufacturing capacity. As such, our unique selling point is the ability in identifying, coordinating and managing the entire international supply chain process, that knowledge could be seen as our core competence plus our intangible resources.”

When the researcher met with Anne (TFTA01) in 2006, to explore her research topic for the first time, Anne mentioned her motivations in start her new international venture:

“I am a bit fed up...day in and day out doing the same...for others....I am considering to have my own business venture doing exports. I have accumulated so much knowledge about the industry and I have customers with good relationships which I have been building up over many years.” (TFTA01)

This seems to suggest that Anne (TFTA01) wanted a change at the time, and was already spotting the opportunities for her to start a POE and entering international markets.

In 2008, when the researcher conducted the formal field research, TFTA01 had already been established for nearly 2 years and at this time Anne (TFTA01) has already

resigned from her previous SOE company and was now running the business venture. Anne's know-how seems to have helped her in identifying opportunities. Anne said:

"I travel a lot and visit a number of (international) customers on a regular basis. As the market competition becomes intensive...you know...the costs in China is no longer an advantage any more. In order to get orders from buyers, you have to be able to provide better quality, cheaper products, and good services...this is not easy with the large SOE I was working with...the overhead was too much...there were too many people taking advantages of me and my team." (TFTA01)

"Under the planned economy structure, we (SOEs) had a privileged position and often we would go to trade fairs in Canton and some international exhibitions, too. We present our samples and met our customers there...gradually...we built business relationships and develop an understanding between each other." (TFTA01)

She commented further:

"Well, I know (international) customers and once they know me for a while, better quality and cheaper products were (considered as) more important than choosing which suppliers. They don't care whether it is SOE or POE...as long as I can be as good...or even better" (TFTA01)

This seems to suggest the entrepreneur knows the international markets well enough to be confident to start her own international new venture. This know-how comes from her personal knowledge and the extent of market knowledge she has had, which is associated with her ability in identifying international opportunities.

It was also found that this market knowledge has compromised TFTA's lack of resources, at the venture creation and initial international entry process. Anne cited this factor in her interview:

"I know the domestic industry very well and particularly I know I can let it snowball once I generated the first international order. I was confident and have discussed with several clients. At least one client will definitely place an order with me."

I was also confident that I did not need to invest much in initial financial resources for the purchasing of raw materials as the lead time was not that long, and I could persuade some of the manufacturers to invest in the raw materials' purchase first....hence this did not cost me much.” (TFTA01)

This seems to suggest that TFTA, its initial business venture and early entry to the international markets was mainly due to the entrepreneur's personal market knowledge and the extent that that knowledge has contributed to the entrepreneur's ability in identifying international opportunities. Not only the market knowledge but also the international competence carried by the entrepreneur has certainly played a significant role in its initial international entry stage. This was not explicitly mentioned by the entrepreneur but was interpreted by the researcher, which is more evident in the experiential knowledge property.

7.1.2 Experiential knowledge

Data analysis suggested that experiential knowledge plays a key role in TFTA venture's pre-start and creation, as well as its early internationalisation. However, this experiential knowledge is incremental and emerged in the entrepreneur's personal and social emergency (as outlined in Chapter 5).

“I had no knowledge whatsoever in the context of international business when I started my professional career in 1992.” (TFTA01).

“I was working in a large SOE (corporation) which was a very safe environment. My English is an essential tool and set a good foundation for working in the international trade industry.” (TFTA01)

“I believe I have a number of competences derived from learning and experiences working in my previous firm: organisation skills, management capacity, strategic view and a good level of resources, for example, personal and business relationships established.” (TFTA01)

The excerpts above from the entrepreneur seem to suggest that this knowledge is being perceived as gained from previous experience. This experiential knowledge includes the general knowledge in business administration, as well as industry and market knowledge, both domestically and internationally. Specifically, the entrepreneur expressed that the ability to speak English at the outset of her career was the key to helping in communication with both existing and potential international customers. This skill and competence could be perceived as the founding entrepreneur's core competence, which might have provided her with a competitive advantage and enabled her to understand the international market and customers better via effective communications, hence the speed of internationalisation. Interviews from other informants within TFTA and the downstream customers have also identified that experiential knowledge of the entrepreneur and other team members within TFTA have contributed to their gaining of the initial international markets. For example:

"I used to work with Anne in the previous company and she was very capable in communicating with our international customers...well, we call her 'iron woman' behind her back as she behaved very sharp and strong whenever we met with (international) our customers." (TFTA08)

"I do not know about international as I do not understand English...as far as I know, Anne is very knowledgeable about the textile, clothes, including styles and workmanship. I can tell this from how she negotiates with the manufacturers and raw materials suppliers...tough and sharp". (TFTA17)

"She (Anne) seems to understand the money side of the business, and kept a close eye on it. You know...the exchange rate is not stable which has great adverse impact on our profits...she was novel and often finds alternative ways to reduce the level of risks." (TFTA14)

These excerpts seem to suggest that the entrepreneur's experiential knowledge has contributed to the speed in internationalisation, but also at the growth stage and business overall performance. This experiential knowledge is not only international market knowledge, but also includes the knowledge such as administrative and

product knowledge. In 2011, when the researcher re-visited TFTA conducting the second round of interview (formal), Anne said:

“It is challenging. I have to deal with the complications of recruitments, conflicts among the teams (and divisions). I was deputy director in my previous company but we had Human Resources department to deal with this...now everything is on me and I can only rely on my experience but that is not sufficient...facing new things and issues on a daily basis...headaches indeed.” (TFTA01)

This seems to suggest only prior international market knowledge and experiential knowledge was not sufficient as the business was expanding internationally. Learning capacity and transfer of knowledge both at individual and firm level was perceived as more important during TFTA’s international expanding process and for overall performance. The analysis and interpretations also suggest that this level of learning and developing learning capacity is also associated with the entrepreneur’s commitment towards internationalisation.

During the formal field study with the first round interviews conducted in 2008, data from company report showed that TFTA’s annual turnover was 10millions (USD) and generating 460K (USD) net profit. This was being perceived and widely accepted in the industry as high. During the second and third round interviews (in 2011 and 2012), the company report showed that TFTA’s annual turnover has been growing at 5 per cent annually with the number of full-time employees growing from 6 to 23 (by 2012) since its start-up. Commitment was cited as the key factor. For example, Anne said:

“Well, learning is on ongoing process. Particularly, staffs’ willingness and ability to learn have contributed to our business growth and successful expansion internationally.” (TFTA01)

This learning commitment was evident both at a personal level and at the firm level. For example, reflecting on her own learning, Anne mentioned:

“I have been learning something new every day. For example, the knowledge learnt including internal administrative day to day operational management and that of the external changing environment at both macro and micro level.” (TFTA01)

During the last interview and the researcher’s 4 weeks shadowing in TFTA in 2012, it was observed that Anne started showing signs of tiring. She commented:

“The business has been growing at such a fast pace, faster than I had expected. To some extent, this might be a positive sign which is associated with success of the business as it is expanding rapidly.” (TFTA01)

However, Anne considers that doing the ‘same’ on a day to day basis and in the meantime maintaining the fast pace of growth is very stressful.

“I have to work 24/7 to finish the current orders placed by the customers with many issues occurring in the process to be solved”. (TFTA01)

Although it is being labelled as the ‘same’ type of work on a daily basis,

“There have always been new issues emerging during the same process.” (TFTA07)

Anne also provided some accounts on where the learning took place.

“Although it appears the same process operates every year during the orders placing season, that is, every year when the new season arrives (for example, Spring/Summer season; Autumn/Winter season) I had to travel and to visit my customers, sometimes invited by the customers and other times I took the initiative, I learnt a great deal during these trips and communications.” (TFTA01)

Specifically, learning from customers was also being perceived by the entrepreneur and employees as essential knowledge could be a gain for the ventures’ ongoing growth and international expansion.

“We learn through our business trips to European countries and visiting local shops to establish and to learn what new products are being offered in the market.”
(TFT_{A08})

“You have to know your customers in order to do businesses with them...this is a principle everywhere in business...” (TFT_{A10})

“You have to learn...and quickly as they are not waiting to give money to you...there are so many suppliers out there...in China and in South Asia...this industry is not something like a rocket or spaceship...while not many people know how to make it...in this industry, to be customer focused is the key to success...the way to achieve this is via ongoing updating of your knowledge.” (TFT_{A04})

The rapid changing environment also requires the entrepreneur to developing her learning capacity. In 2012 when the last round of interviews were conducted, Anne said:

“The exchange rate between the US dollars and the RMB (Chinese currency) fluctuated so much in recent years (especially in the last 3 years of this research), as the result of the appreciation of RMB that it has a significant adverse impact on business dealings.” (TFT_{A01})

“For decades, US dollars have always been used as the common currency for the transactions and I did not need to learn or be concerned about this dimension of exporting.” (TFT_{A01})

Anne expressed that the learning experiences over emerged issues during business operations and expanding to more international markets made her keep an ‘open mind’ in order to find new ways to overcome any challenges and difficulties. Anne mentioned that:

“Domestically, I have to learn about the changing approach of business exchanges within this entire supply chain. In the past, the upstream supply chain was mainly operated domestically and we (the foreign trade agency) could control the

process ourselves. For example, from sourcing raw materials (fabrics) to the manufacturing process, was entirely controlled by us. The overseas customers could not access the upstream suppliers of the value-added supply chain.” (TFTA01)

It was recognised that after the accession of the WTO (in 2001), many foreign (international) customers expanded in Chinese marketplaces by direct investments. Quite often, they set up their offices and subsidiaries in China, through Greenfield or Brownfield (via Merger and Acquisition or Joint Ventures) with other business partners in China, horizontally or vertically integrating their internal value chain system. This emerging challenge was expressed in Thomas’s (one of TFTA’s merchandisers) interview:

“Zara has its own retailer outlets as well as subsidiaries in China which provides overall efficiency of production and value chain management. By doing so, Zara’s own offices located in Shanghai would source and update raw materials which were in or on trend for a new season. Quite often, Zara’s China office would identify and confirm the quality and patterns of the raw materials being identified for the usage of some styles in the coming season. Zara’s staff in the China Office would then inform us of sources and prices for the raw materials. This is something new in the business dealings that we have had to learn in order to update our knowledge of the changing dynamics and operations of the industry.” (TFTA09)

At an organisation level, the entrepreneur’s commitment to internationalisation was evident in her attitudes and behaviours in deploying resources.

“Working in the previous company (STFT), due to its property ownership and size, the corporation would have different functional departments which oversaw these tasks and responsibilities. At the beginning of establishing TFTA, the annual turnover was relatively low and it was easier to manage a small number of employees (6 in total). However, with the rapid growth of the venture, I increased the new employee numbers to satisfy the rapid expansion of the business. As such, to identify and select appropriate staff became challenging to me as new skills in recruiting and selecting were required in which I was lacking” (TFTA01).

It was interesting when Anne expressed that, although reluctant to learn new skills in dealing with some of business operation issues, she had no other choices.

“Yes, I am tired of dealing with those irrelevant issues, and it has been quite challenging to me as I have to face some new issues and challenges every day. You never know what comes up tomorrow. I have to say that I do not like doing things like this, but maybe this is part of running your own business which provides you with problems that you have to be creative in order to solve them.” (TFTA01)

The entrepreneur previously had little problem with employees as she did not need to become involved in the actual process of selecting and training as this was provided by the central Personnel Department of the large cooperation she used to work for. It was interesting to see that the entrepreneur used ‘irrelevant’ as the term to describe these human and financial resource issues, she was committed to expand her business venture internationally.

At the organisational level, data analysis from the interviews with the three account managers (from the three divisions) as well as with ordinary merchandisers seem to suggest that there has been a very higher level of the commitments to internationalisation of TFTA. These participants all agreed that they have to update their knowledge about the changing markets and industry environments.

Likewise, technicians both in-house and residential, also quoted that learning and training is important in the internationalisation process, due to their limitations on languages. For example, interviews from Ge (TFTA12), one of the in-house technician suggested the level of individual’s commitment for internationalisation is high:

“My lack of understanding English had imposed barriers on my direct communication with foreign designers. This was not a problem when I used to work in my previous SOE as I get paid for the job I was doing. This was not the case anymore...TFTA is a private firm and I have to stay competent to secure my job.” (TFTA12)

These technicians and designers often had to rely heavily on individual merchandiser's translation and sample swatches provided to source and manage the production of the sample fabrics as required. They have to change their attitude and become more protective on the sourcing and quality side of TFTA's international expansion. For example, Liu (TFTA₁₃), another in-house technician said:

“Technicians need to be able to keep up with the fabric quality, the process and new effects of the fabrics that our customers want. Quite often, even customers from European region have different requirements for the quality of fabrics and styles.” (TFTA₁₃)

It was observed that through learning, all employees of TFTA become more adaptive to different views, procedures, and ideas, and become proactive to enhance the quality of products and the operations of TFTA and customer satisfaction. This was evident in an example given by Bian (TFTA₁₈), an assistant merchandiser in one of the divisions:

“When we first made a photo sample (of a female's blazer) of a female size 38, which is a standard medium size for a woman in Germany (one of H&M's shipments), and buyers provided us with the size measurement and specifications. The technicians reported to me and did not think it is right when they followed the measurements as it seemed that the measurement specifications are too big in the chest area. Accordingly, we changed it and thought it was a mistake by the client. During our visit in Frankfurt later when we saw the sample being worn on their (female) models, we understood the differences in sizes of females' medium size in China compared with that in Germany” (TFTA₁₈).

“After that incident, we had more understandings and all employees were more adaptive and willing to learn...something different.” (TFTA₀₁)

Likewise, the learning of the specific product knowledge was also being pointed out as an ongoing process during the internationalisation by the entrepreneur. Anne said:

“At the beginning of our export internationalisation, the products being exported were mainly those woollen material products that I used to deal with when I was working in the previous SOE” (TFTA01).

As such, the analysis and interpretations of the data seems to suggest that to TFTA, as illustrated in Figure 7.2, the entrepreneur’s market knowledge and experiential knowledge played a key role in her decision in starting TFTA and in identifying the international opportunities which was also the decision to create TFTA venture. However, it was her individual as well as the firm level commitments that enabled the expansion of their international markets and growth.

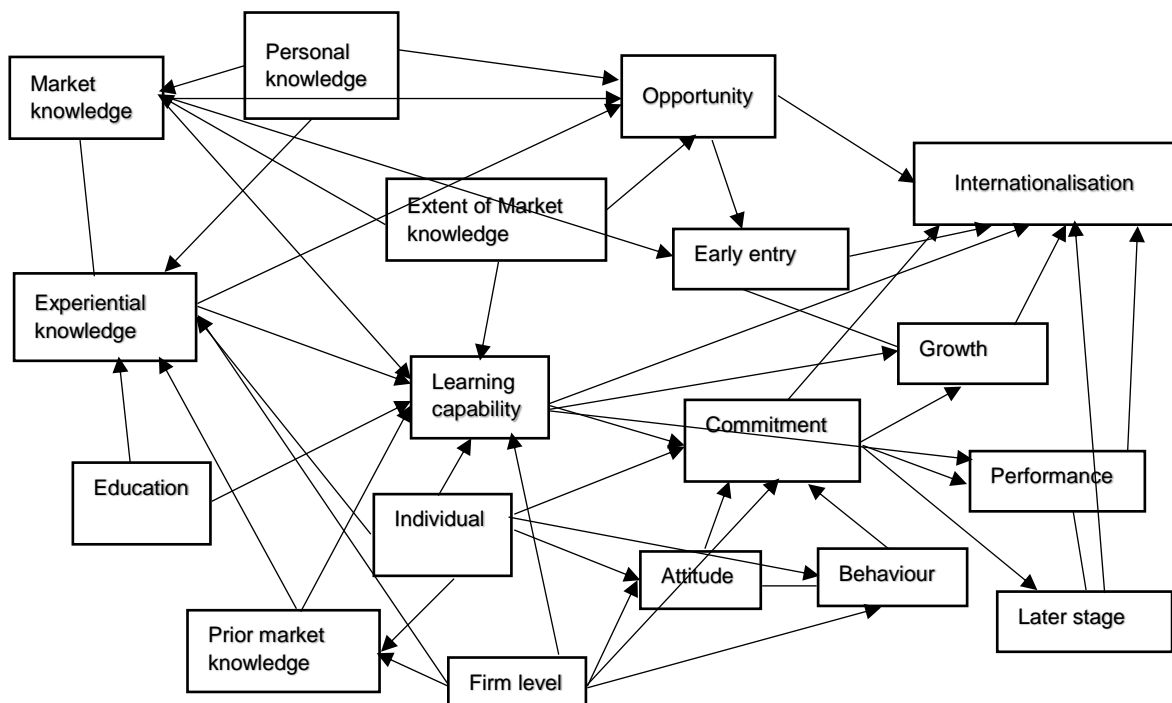


Figure 7.2 Coding Graph of Knowledge & Learning Category, Property & Dimensions

7.2 Discussions

Existing literature in IE claims that knowledge plays a central role (Autio *et al.*, 2000), and this certainly is the case for TFTA. Zahra (2005) and Zahra *et al.* (2000) contemplates that knowledge allows a clearer understanding of the process of identifying and exploiting opportunities abroad. The analysis seems to suggest that

the entrepreneur in TFTA used her knowledge in general, market and industrial knowledge as well as experiential knowledge in particular, in identifying opportunities internationally. Specifically, the data findings presented above illustrated that this knowledge was developed and played a key part in the entire process of TFTA's early internationalisation.

Moreover, the analysis of the findings also demonstrated that knowledge could provide TFTA with value, often unique and rare, hence providing the firm with competitive advantages over their competitors. This mirrors earlier findings of Nonaka's (1994) in stating that knowledge is essential to a firm's ability to create value and develop a competitive advantage. According to Nonaka (1994), the ability to effectively transfer knowledge can provide a firm's competitiveness which suggested that internationalisation is itself a learning process. Specifically, in the international context, Eriksson *et al.* (1997, 2000) identify two types of knowledge: (1) market knowledge which is constituted from a set of information in relation to specific markets; (2) international competence is normally carried out by individuals who manage and take part in international activities, which is primarily tacit. As discussed above, these two types of knowledge, rather implicit, were evident from the personal and social emergence of the entrepreneur. Given her experiential knowledge generated over years in particular in international markets while she was working for her previous employer, her competence level increased compared to when she first started her career. This implicit and abstract knowledge and competence has also motivated and enabled her 'Born Global' venture creation and played a key role in her decision to start her international new venture.

Specifically, the experiential type of knowledge is being perceived as having facilitated more efficiently and effectively the entrepreneur as well as the senior management teams in TFTA, in generating further market intelligence, including customers, buyers, suppliers and competitors and opportunities. Having established several international markets previously prior to TFTA's start-up, the entrepreneur focused on the existing markets and used her knowledge of existing markets as a springboard to develop new international marketplaces. The analysis of findings also pointed out that the importance of TFTA's experiential knowledge has contributed the start-up of TFTA. Specifically, the knowledge in the industry that has been built over time with previous

and existing international customers was perceived by the entrepreneur as crucial to her decision in starting TFTA and early internationalisation.

From a slightly different viewpoint, Carlson (1966) suggests that two distinct forms of knowledge have been used as strategy to internationalise and to reduce uncertainty, especially when entering a new market with foreignness. The first one is acquisition of objective information and this is normally achieved through the process of internalisation of information and its translation into relevant knowledge (Knight and Liesch, 2002). The second one is a more proactive action-based expansion internationally which subsequently develops an international competence incrementally and cumulatively. These two forms of knowledge seem to apply to the entrepreneur of TFTA who demonstrated her commitment to internationalise with her attitude and behaviour.

Moreover, in the field of internationalisation, earlier studies suggested that knowledge is considered to be vital in dealing with environmental uncertainties that characterise internationalisation (for example, Liesch and Knight, 1999). Generally, evidence in TFTA suggests that market knowledge determines the firm's internationalisation behaviour (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). Moreover, this market knowledge also informs the entrepreneur's decision on her international market selection, entry mode choice and the pace of internationalisation (Jones and Coviello, 2005; Young *et al.*, 1989). Particularly, it seems that the market knowledge acquired and capacity to learn is associated with the entrepreneur's understanding of the changing market needs. This finding reflects the argument in the marketing field considering that market orientation could enhance performance when it is combined with a learning-orientation (e.g. Slater and Narver, 1995; Baker and Sinkula, 1999; Farrell, 2000), particularly in the context of small firms (Chaston *et al.*, 1999). This was discussed in Chapter 6 where the data was presented and discussed within the market orientation core category in TFTA's internationalisation.

During the establishment stage of TFTA, the entrepreneur explored new knowledge and exploited existing knowledge through exchanges with other organisations within the industry structures: suppliers, customers and employees (Dyer, 1996; Dyer and Nobeoka, 2000). Hence the knowledge creation resulting from new combinations of

knowledge and other resources (Cohen and Levinthal, 1990; Kogut and Zander, 1992) contributed to the early internationalisation, as well as to the later stage of TFTA's operating in international markets.

More importantly, a good education background and the ability to speak at least one foreign language contributed to the entrepreneur's communication skills, which were considered essential for business relationships in China, and for conducting international business. Specifically, knowing 'who to reach' and 'how to reach' in generating customers and processing resources, which determines the correctness of the market knowledge acquired and needed for internationalisation. Nevertheless, at the start up stage (also is the initial international entry stage), the entrepreneur did not need to make much effort in order to identify domestic suppliers or overseas customers due to the monopolistic position she was placed in in the industry in that circumstance.

Moreover, to establish legitimacy in new institutional contexts, firms may need to change or supplement existing firm-specific advantages (Dacin *et al.*, 2007) through learning and experience (Oliver, 1997). According to Cummings and Worley (1997), "organisational learning is a process aimed at helping organisations to develop and use knowledge to change and improve themselves continuously". The findings from TFTA proved that learning needed to occur at both individual and organisational level to attain and sustain the competitive advantages and the firm's ongoing international expansion. These findings also mirrors Dickson's (1999) argument suggesting that learning is pre-eminent over other resources only if it enables firms to maintain long-term competitive advantages by continuously improving market information processing (MIP) activities at a faster rate than rivals do. The capacity to learn and to learn rapidly, in turn, supported the entrepreneur and TFTA's response to their international customers and become more customer-oriented.

7.3 Summary

This chapter provided a detailed explanation of how knowledge and learning was perceived as having played a role in TFTA's internationalisation. The next chapter explores the role of social capital.

CHAPTER EIGHT - ROLE OF SOCIAL CAPITAL IN SMALL FIRM'S INTERNATIONALISATION

8.0 Introduction to the chapter

As Figure 8.1 presents, this chapter is the third of four to present and discuss the findings from the analysis of the transcripts and the field notes as were conducted for the longitudinal study.

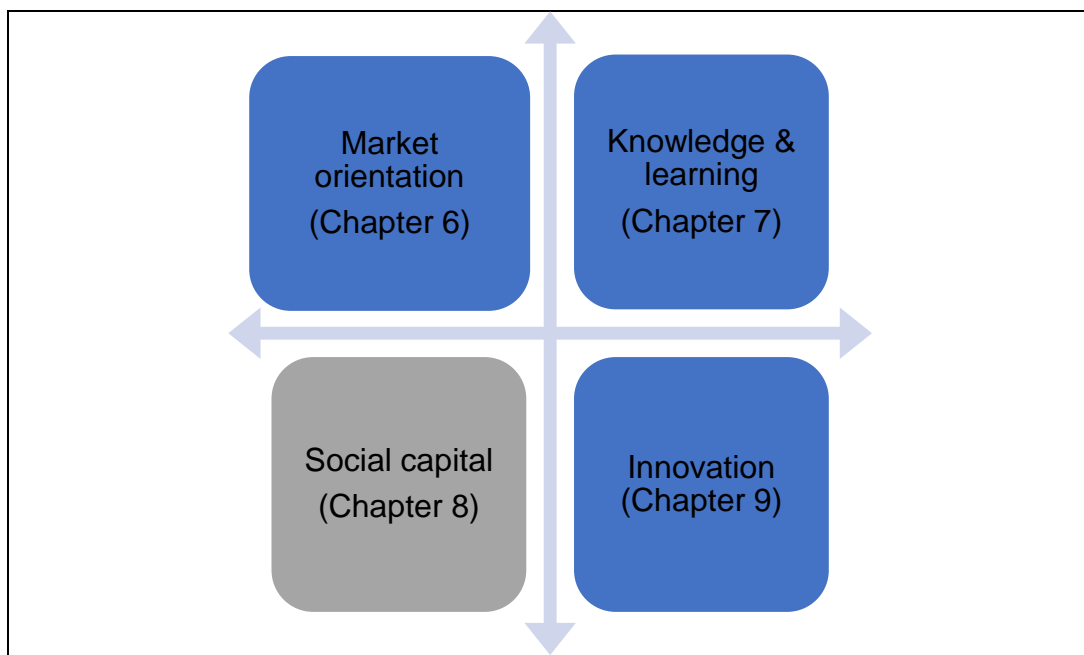


Figure 8.1 – Data presentation structuring device

Specifically, the findings are presented and analysed in order to achieve one of the research objectives for this study: to evaluate the perceived dynamic role of social capital in small firms' internationalisation: strategy and performance. The method and process of data analysis was the same as that described in Chapter 4.

8.1 Variations in the role of social capital in the process of internationalisation

Analysis of the interview transcripts and observation notes found the set of properties that describes the variations of the entrepreneur's and other informants' understanding of the nature of social capital as: (1) *guanxi*: relationships, networks and connections;

(2) trust, and (3) a resource that can be leveraged for a purpose. As Table 8.1 illustrates that each property also has a number of dimensions. All properties and dimensions are internally related and indicate the 'collective mind' of the entrepreneur and the participants, as they are based on simultaneity, variations and discernment.

Table 8.1 Organising concepts by themes – Social Capital		
Category	Property	Dimensions
Social capital	<i>Guanxi</i>	Relationships (Shuren, Jiaren (family), friends, classmates, colleagues) Networks (local, international) – subnetworks & diversity; Ties/Connections (business; industrial/political; home-based/international-based) Exchanges/Reciprocities/Obligations
	Trust	Persona/industrial ties (strong/weak/strength/breadth)
	Resources	Human/Financial/Industry/Alliance/Knowledge

The details of each property are described below using the empirical data within the transcripts and observation notes. The meaning and the logical and empirical structure of the properties were constituted. Moreover, it should be observed that three distinct properties emerged, which describe the variations in the entrepreneur's perceptions of the role of social capital in TFTA's internationalisation. They are related in an inclusive hierarchy, and are increasing in completeness in the understanding of these properties and therefore that of social capital as the core category has emerged. Specifically, within each property, a number of aspects of variation appear which could be considered to link and distinguish one property from another as coded. The key dimensions of variations follow the process of TFTA's internationalisation and they are: (1) Pre-start stage; (2) Establishing/entry stage, and (3) Expansion and growth stage.

8.1.1 Social capital is *guanxi* (*Renmai*)

Within this category, social capital has been identified as *Renmai* which could be interpreted as relationships, networks ties, as well as the exchanges of favours through these connections. One aspect of this networks' contribution recognised by the entrepreneur in TFTA was that her personal and family relationships were the key antecedent factors for her initial social emergence. Particularly, the analysis of the

findings suggested that the family (*Jiaren*) and kinship (*Qinren*) relationships were cited as critical in securing Anne with her first 'privileged' job (see Chapter 5). It was this previous job that sets the foundation and background for TFTA's internationalisation. This enabled her to gain the knowledge and experience that have broadened Anne's possibilities in forming further networks and professional relationships. These network relationships, to a large extent, have contributed to the international new ventures' creation of TFTA. *Guanxi* was used by the entrepreneur and other informants repeatedly in the interviews though sometimes with slightly different meanings. For example, Anne said:

"Guanxi exists everywhere in the general social systems (of China), and job seeking was primarily reliant on guanxi at the time (in the 90s)." (TFTA01)

"Everything, especially business dealing was relying on guanxi." (TFTA01)

"To conduct any business in China, one needs to develop a good Renmai (networks, ties and relationships). One has to be able to build a good guanxi with those stakeholders on the entire business supply chain systems. Sometimes, this is more important than making profit." (TFTA01)

The narrative account of Anne (TFTA01) outlines an example of how her *guanxi* was structured:

"My sister had a good position in the early 90s, in charge of the flight ticket sales department in a state-owned airline company. This position meant that she had established many relationships (personal and business) at various levels with a variety of powerful people" (TFTA01).

Although it was not explained explicitly why. Being Chinese, the researcher could understand the underlying meaning of this excerpt. Under the planned economy system in China, it was often suggested that people who hold a powerful position can access scarce resources which was maintained through powerful networks.

Anne commented further:

“My brother-in-law was the deputy director of this airline company - one of the four airline companies available in China at the time. Can you imagine the power he had had in accessing certain limited resource? He was able to approach important people whom many couldn’t.” (TFTA01)

Anne also added:

“He had helped other people (in the past) and in some way those people needed to return the favour received from him. ...well, one of those favours was to find me a ‘good’ job when I graduated from the university.” (TFTA01)

This importance was also cited in the entrepreneur’s internationalisation:

“Guanxi and building Guanxi is important to do business in China. To have a good social network, in any format, would help me in entering international market.” (TFTA01)

This was evident in many business photos that were hanging in Anne’s office. Anne explained:

“My previous ‘privileged’ positions enabled me to have better opportunities in getting to know international customers. These customers, in turn, became TFTA’s customers at the start-up stage.” (TFTA01)

Therefore, these excerpts could be interpreted that without the family *guanxi* connections Anne could not get the ‘privileged’ job in the first place. The *guanxi* connections within the family (*Jiaren* and *Qinren*), close friends and colleagues are being perceived as one of the key factors in Anne’s personal and social emergence. Moreover, it seems to indicate that this *guanxi* also provided the exchanges or reciprocities of favours from those personal and family relationships through their connections. Furthermore, it was suggested that this *guanxi* network is embedded culturally in the Chinese society, with the family as the basic unit of society. However, social networks were also considered as key in her decisions to launch TFTA’s

internationalisation. This social network was cited by Anne as business and industry connections.

Among these connections, international-based connections were considered as the starting point of TFTA's creation and its early internationalisation. For example, Anne said:

"I took the advantages of my previous privileged position and discussed with a couple of my existing customers (with STFT). I informed them about my intention of starting my own business venture but will remain in the industry and doing exactly the same business. This was how I generated my first international client." (TFTA01)

As such, STFT lost its *guanxi* as the result of the entrepreneur's resignation, and the *guanxi* built by the entrepreneur stayed with the entrepreneur.

Guanxi and TFTA's early internationalisation

In terms of the relationships between *guanxi* and TFTA's early internationalisation, it was revealed that the *guanxi* networks and relationships, which had been built for years in working in the industries, have also enabled Anne to be able to 'know who', 'know how' and 'know what' when considering starting TFTA. This was evident in organising initial financial resources and the founding team. Anne explains:

"I relied on my Renmai heavily when I set up TFTA. At the start-up stage (2006), I only had 5 members of staff. (Out of these 5 members), 3 were my family members: Robin (TFTA02), Li Yin (TFTA03) and Ying (TFTA14); the other 2 (TFTA07 and TFTA18) were my friends (Anne's ex-colleagues whom Anne labelled as 'friends')". (TFTA01)

Table 8.1 illustrates the founding team, their relationships with Anne and positions in TFTA. This was jotted down by the researcher in her early visit, she found out the relationships between Anne and those founding members. All names were not the real names of the participants to ensure their anonymity. Anne explained:

"Neither my husband or I had time to be physically there to start with or run TFTA (in 2006)... I had to plan this carefully. My sister retired and she had good

Renmai on the official side of setting up TFTA. I also needed the venture to be functional straight away so that we could export immediately without wasting time. From the functional perspective, these numbers of staff were sufficient (at the time) as we started off being very small. More importantly, each of them has their Renmai.” (TFTA01)

Li (the official registered company director) was given the title of the director of administration overseeing the administrative tasks as well as the financial/accounting side of the business. Ying was responsible for bookkeeping and other administrative tasks. Anne and Robin were still working at the SOE but working in TFTA in the evenings and weekends, as well as remotely from time to time.

Codes	Name	Relationship with the founder	Position at the time
TFTA01	Anne	N/A	Owner and General Manager
TFTA02	Robin	Husband & ex-colleague	Merchandiser
TFTA03	Li Yin	Owner’s Elder Sister	Director of Administration and Finance/Registered as the MD
TFTA14	Ying	Owner’s niece	Book keeper/administrator
TFTA07	Scott	Owner’s ex-colleague	Merchandiser
TFTA18	Bian	Owner’s ex-colleague	Assistant Merchandiser/Logistic
TFTA05	Jojo	Owner’s ex-colleague	Merchandiser

Anne explained:

“TFTA03 retired so she had time...Although she retired but had good connections with those officials in local government. Moreover, I needed to keep myself in the shadow before my official resignation and therefore my sister was registered as TFTA’s managing director. She was also overseeing some administrative tasks for me, e.g., business cards, telephone on guard, etc.” (TFTA01)

“I needed merchandisers to manage my international accounts and they had to follow up the orders which I had already secured for TFTA.” (TFTA01)

According to Anne, their sub-networks at the time were very important in securing resources as well as to make sure TFTA operated as smoothly as possible. Figure 8.2

below illustrates their sub-networks and their respective sub-networks provided TFTA with initial financial resources and business alliances. For example, Li cited how this sub-network facto has helped in supporting her getting TFTA officially started on paper:

“Having worked in an SOE (only) before, I did not know how to set up a private business venture at the beginning...everything was done for you in the past...I had to contact all my guanxi and to learn from them. For example, knowledge of how to register with the Regional Administration for Industry and Commerce (RAIC)¹ and approaches to declare corporation tax, etc. was unknown to me. This is a mystery to me as I could not expect any straight answers from those officials..., I meant the way (answers) I wanted...As a small business, I could not afford to make mistakes by trying.” (TFTA03)

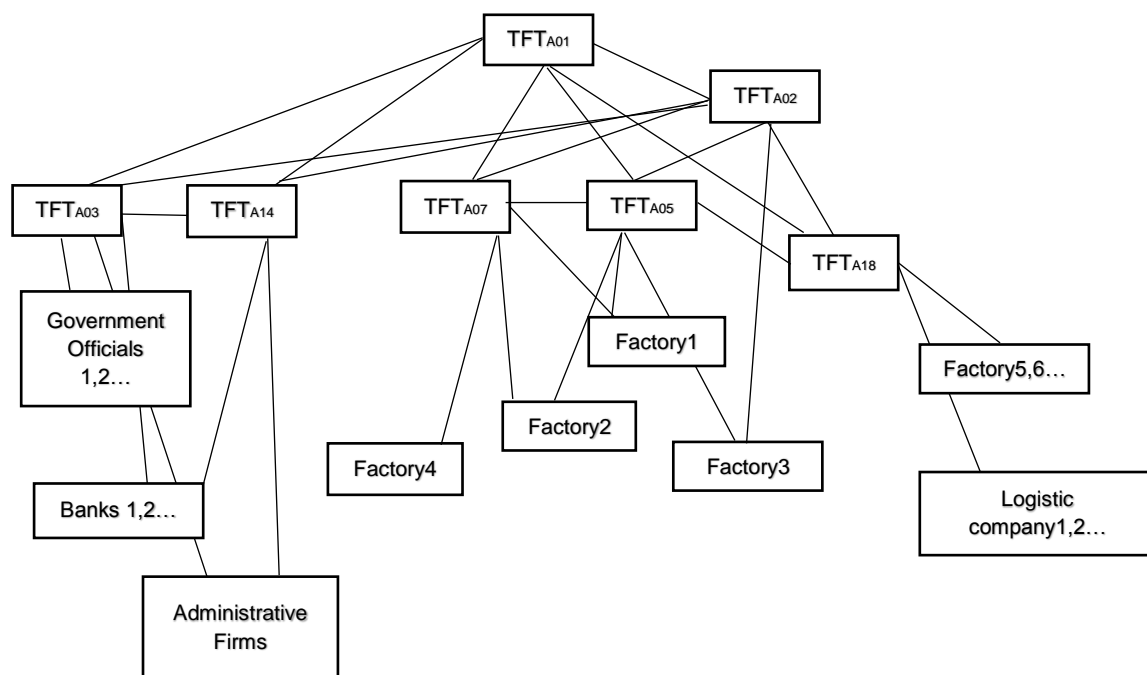


Figure 8.2 Founding teams’ sub-networks (from research memo)

The analysis from the transcripts and field notes suggested that this individual founding team’s respective *renmai* (networks/connections/relationships) played a critical role in the creation of TFTA, and provided industrial as well as financial resources for TFTA’s early internationalisation. This seems to suggest that *guanxi*

¹ This is an organisation that all Chinese limited businesses need to register with, and equals to the Company House in the UK.

networks were used in the entrepreneur's organisational structure at its inception stage. Specifically, Anne's selection of founding teams was based on the level of trust depending on the closeness of the ties with these founding members.

8.1.2 Social capital is trust

Trust and early internationalisation

As Figure 8.2 illustrated, Anne trusted her *jiaren* the most which was embedded in her *guanxi* networks. This was evident in the fact at TFTA's founding stage, she let her sister register as the company director on paper. The same level of trust was also demonstrated in the factor that Li (TFTA03) agreed though it might have risks in doing so from a legal perspective. At the time, Anne considered that the ties with her families were the strongest ones. Anne said:

“My sister is my direct family and she looked after me in the past and brought me up like my mum (being 16 years older). My niece is not direct family but she is a relative and my mum was close to her mum.” (TFTA01)

This seems to suggest Anne considered that the financial side of TFTA at that stage was very important and she had to use people she trusted the most. Therefore, from the organisational structure of TFTA as illustrated in Figure 8.1, it could be observed that the three members, who were part of the family kinship, were the key personnel at the early internationalisation stage of TFTA. This structural arrangement could be interpreted that the level of trust is perceived as higher among close family members and of those direct kinships more so than other relationships.

Although the other three members (TFTA07, TFTA18 and TFTA05) who were part of the founding team were not from Anne's family, Anne expressed that they are people who could be trusted. She said:

“Scott is a person to be trusted...When I planned the start-up of TFTA, I needed an administrative account assistant who could follow up the administrative side of customer orders. He fitted the bill, specifically; yet not bright enough to be forceful on his own but very dutiful.” (TFTA01)

TFTA₁₈ was the husband of an ex-colleague whom Anne managed directly while she was working in STFT. Anne explained the trust she had in him:

“Bian is an experienced member of staff who had worked for STFT for more than 30 years and has particular knowledge and networks with local and regional logistic agencies. I trust him especially given that he took an earlier retirement package, so should be devoted and committed.” (TFTA_{A01})

This level of trust appears to be mutual. Anne mentioned:

“Three of my ex-colleagues left the large SOEs with a good perk and higher level of job security. They joined me in starting TFTA together. They told me that they trust my abilities and they can benefit better in the longer term, better than they could by staying behind. It is their support at the starting point that gave me confidence and more importantly, to get the business running efficiently.” (TFTA_{A01})

Anne added:

“Without this level of trust I would not have been able to have such a quick start-up and early exports. Recruiting takes time and this would have slowed down the speed of (TFTA’s) international entry.” (TFTA_{A01})

It was interesting to see that although from the excerpts of Anne, it seems to suggest that she trusts these founding members. However, it seems that the level of trust varies between that with her families and that with her ex-colleagues. It is trust, but together with their individual characteristics and the resources that they could bring to TFTA at the time that Anne considered and balanced her choice of the founding team. From Figure 8.1 we can observe that while trust might be one of the important factors cited by the entrepreneur, the founding members’ complementary skills and their respective business knowledge and capabilities were also key selection criteria at TFTA’s early exports internationalisation.

The analysis of data also suggest that another dimension of trust comes from TFTA’s international customers who placed initial orders which was the catalyst for TFTA’s

venture creation. For example, David (TFT_{A16}) was the first Spanish client who placed the order with TFTA, having known Anne from the previous working relationships. He said:

“I have had business relationships with Anne’s previous firm for more than 4 years. Anne is a trust-worthy person and to me the business relationship is all about with whom you are working with not merely the firm...In China, although I am dealing with the firm but I only know Anne. It is the personal friendship that I am happy about, hence the business.” (TFT_{A19})

This level of trust was evident during the researcher’s observation when she accompanied Anne on a trip to Spain. Judging from observing of their interaction and body language, the researcher would consider there is a higher level of trust (though it was not clear how long they have known each other). According to Anne, the trust with her first TFTA’s international customer secured her the early internationalisation position. However, without the trust from her upstream suppliers, she would have encountered resource constraints and would not have been able to be successful from the very beginning. Anne explained:

“We are a supplier (to our B2B customers) without a manufacturing function hence trust is critical, particularly at our start-up stage. There were only a few manufacturers in the region with certain capacity when I started TFTA. I had to have manufacturers that I could rely on at this crucial point, for example, product quality, ability to deliver on time and a good communication level. In a word, I needed to trust them enough to place my initial orders with them. Well, the beginning is half done, you know, if I had made any errors at the beginning, I could have lost my customers forever.” (TFT_{A01})

This level of trust was also evident from the upstream suppliers of TFTA. For example, Zhao (TFT_{A28}), one of the clothes manufacturers said:

“I have known Anne for more than 10 years due to business relationships in the past. We are friends and we trust each other...in this industry, our interests are

mutual...As a supplier, I support those who are capable and are reliable...Anne is a personal friend, and I trusted that she can bring business to us too.” (TFTA28)

This suggests that trust between the entrepreneur, founding team members, the upstream suppliers and the downstream customers, together form the ‘firm triangle’ for TFTA’s initial international market entry that especially contributed to the speed of entry. According to Anne, this trust was developed from her *guanxi* networks and relationships built previously. Anne however, considers that trust is more important than *guanxi* network itself, but was derived from *renmai*.

8.1.3 Social capital is resource

Resource and early internationalisation

The knowledge accumulations, specifically, market knowledge in terms of knowing ‘who to reach’, ‘where to reach’ and ‘how to reach’, in generating customers, as well as identifying and processing resources, to deliver and satisfy customers’ needs, all have played a significant role in Anne’s decision to start TFTA and its early internationalisation.

As illustrated in Figure 8.1, Anne considered that each founding member has their respective sub-networks which in turn, provided intangible resources. This indeed has counter-balanced the lack of other tangible resources of TFTA at the early international entry stage in general, and financial resources, in particular. Specifically, this was built upon trust, derived from the entrepreneur’s individual *guanxi* networks and connections with her respective family ties and kinships and familiar people. This familial collectivism is embedded in her personal and professional life. Anne said:

“At the start-up stage, when the uncertainty level was high and I did not know whether it was all going to be ok, I had to rely on my direct (close) families as they are the people I trust the most.” (TFTA01)

Likewise, Anne’s families commented:

“I did not think differently...Anne is always the one who has the final words in this house. I admit she is a woman with strong power and I am not that kind of person...ambitious... at all. As a husband, I support her in whatever her decision is.” (TFT_{A02})

“Anne contacted me when she decided to start her own business venture. She asked me to be the company director (on paper) for registration purpose, to which I agreed. Yes, I know there are risks in doing so...but that is only in theory. In practice, I would never consider that this is a risk to me, it is a family thing and we do not calculate in that way...I trust my own sister.” (TFT_{A03})

The excerpts illustrated the higher level of trust that is derived from family ties, which could also be regarded as strong ties in *guanxi* networks in China. It also suggests that trust could also be developed from a low level to a relatively higher level, over a longer term. In particular, this was being developed from connections in the entrepreneur's professional network relationships within the industry.

“There were so many social contacts but a few were like gold dust. They knew how suppliers tick and how government officials work, they were able to provide me with real useful contacts and that was the greatest help.” (TFT_{A01})

Once trust is being developed to a certain level among these connections, they could be used as resources. In particular, Anne perceives this trust established could be used to compliment the lack of initial economical and financial capital at TFTA's initial international entry stage. Anne commented:

“The family's standing and financial position is a key factor in one's success and in my case these two factors just converged.” (TFT_{A01})

According to Anne, in order to manufacture the first order, she had to make a purchase of raw material which would have required her to spend at least 3 million RMB (about GBP 300k). Trust played a key role in complimenting her lack of cash flow. Anne explained:

“I knew him (the director) and had worked with him for about 7 years. We trusted each other and more importantly, we have supported each other when needed in the past. The director offered me a deal and he would pay for the purchase of the raw material and produce the order for me first. I could credit him and pay him afterwards as soon as I receive payment from my overseas customer. This was how I managed my first order...without investing a penny. The process became easier after this as the cash flow is getting better.” (TFTA01)

Networks, trust, resources and the growth of internationalisation

When discussing the role of *renmai* in the business growth in international markets, Anne and other informants interviewed stated that *guanxi* is a ‘norm’ here in doing business in China. Some of the informants mentioned that to keep this level of relationships, they often give gifts to these stakeholders. However, it was highlighted that gifts alone do not make TFTA stand out among other suppliers, they are merely a card that provides the entrepreneur with the opportunities in meeting buyers in the first instance, and to maintain this level of ‘friendliness’. Anne further explained:

“We tend to give more gifts to staff members who are working in (their) Chinese offices as they are Chinese...and like them and practices”. (TFTA01)

As such, it could be considered that this *guanxi* network and relationship development with those of the customers’ subsidiaries located in China could be used as a resource in generating more information and further opportunities, by offering some favours. This specifically gives the entrepreneur’s information asymmetric advantages, that is, the entrepreneur could access useful information at the right time. This ‘right’ information was then being developed as knowledge and enhanced the entrepreneur’s ability to explore and exploit customers’ identification and opportunities.

Although maintaining a good relationship with buyers is important in getting orders, the entrepreneur argued that it is the firm’s professionalism, experience and knowledge in the industry that has won the buyers’ trust in the first place and has sustained this ongoing relationship subsequently. For example, Thomas said:

“Performance is the ultimate measurement and enabler to sustain the relationship with the customers as there is no ‘forever-loyalty’.” (TFTA09)

Moreover, it was observed that since the upstream suppliers are predominantly domestic hence relationship building and maintaining is a much more complicated and complex process compared with that with the international customers. This is mainly due to the way of doing business in China and also the changing structure of the industry as cited by the informants. Therefore, maintaining a good level of trust with various stakeholders built from networks and relationships in business and industrial networks is considered as key to securing business and compliment the lack of resources overall in TFTA’s international expansion stage and overall performance.

As outlined above, these three properties presented above represent an inclusive hierarchy from ‘*guanxi* networks/relationships’ to ‘trust’ and to ‘resources’. Based on the themes of expanding awareness it is obvious that the second property is a higher dimension than the first one, and the third property is a higher dimension than the second one.

Guanxi networks, connections and relationships are being perceived as having played an important role in the entrepreneur’s’ motivation and decision to expand internationally. Particularly, *guanxi* networks provided the entrepreneur with information, knowledge and resource at the TFTA’s start-up and the initial international entry stage. Trust derived from the *guanxi* networks was identified as one of the key success factors in the entire internationalisation process. Moreover, trust can be perceived as an important intangible resource for TFTA’s creation, international growth and performance.

8.2 Discussions

The data coding seems to suggest that social capital is being understood differently by the entrepreneur and other informants; hence the perceived roles of each property in TFTA’s internationalisation were dissimilar. Generally, three properties were being identified: (1) *guanxi* networks/relationships; (2) trust and (3) resources. These were in line with those of Lin’s (2001) and others (for example, Bourdieu, 1986) in defining

social capital as a resource available in one's network of relationships. It also overlaps with the four core aspects being identified by Pretty and Ward (2001) generally, and includes (1) relations of trust; (2) reciprocities and exchanges; (3) Common rules and norms; and (4) connectedness in networks and groups.

The analysis of the data seems to suggest that these *guanxi* networks and connections can be developed from the entrepreneurs' direct families (*jiaren & qinren*), indirect families and friends (*shuren*), as well as among strangers. Evidence suggested these family connections and kinship relationships played an important role in the entrepreneur's personal and social emergence which inevitably contributed to her career path at a later stage. Moreover, the *guanxi* networks within families and their extended networks (sub-networks) were one of the key initial motivators for the entrepreneur to start TFTA and early internationalisation.

The entrepreneur highlighted the importance of the presence of her individual *guanxi* networks, and knowing 'who to reach' and 'how to reach' if those *guanxi* networks were absent. It has also been highlighted many times in the interviews that *guanxi* is a norm in doing business in China, which mirrors that of Coleman's (1990) and Putnam's (1995) definitions in stating that the relational dimension of social capital is focusing on norms. This *guanxi* social norm is a culturally distinct form of social capital, which has been variously defined as 'special relationships' (Anderson and Lee, 2008); 'personal connections between two or more people' (Chen and Chen, 2008) and 'social-cultural capital' (Hussain *et al.*, 2010) and was cited as '*Renmai*' by Chinese and used interchangeably with *guanxi*.

Specifically, internationally, knowing the right and reliable customers are being highlighted as fundamental to the early stage and the sustainability of the international expansions. Domestically, to sustain the competitive position in the industry, it was highlighted that it is important to attain and sustain good relationships with the suppliers as they are the backbone of the business. Although they are not part of the business organisation, but their successes are inter-woven in the entrepreneur's business venture's success. This mirrors the structural dimension of social capital identified by Nahapiet and Ghoshal (1998), which deals with the presence or absence

and kind of networks involved, with the issues of who you reach and how you reach them (Burt, 1992).

While the importance of familial collectivism in Chinese society has been well documented (Chua *et al.*, 2009; Bond and Hwang, 1986; Yang, 1988; Redding and Wong, 1986) it has recently been argued that *guanxi* mirrors this phenomenon in social and, especially, business relationships. In effect, *guanxi* is “an extension of family norms to business settings” (Chua *et al.*, 2009, p. 502). This is evident in TFTA and the entrepreneur used these *guanxi* connections extensively in her venture’s establishment which was also its international entry stage.

Specifically, the types of *guanxi* used in TFTA were predominantly family ties (kinship) (*qinren*) and familiar persons (*shuren*) at the early internationalisation stage. Although *guanxi* with strangers was used, this was only considered after them becoming familiar persons over a longer periods of collaborations. This strong emphasis placed on networking and heavy reliance on family and kin has led to TFTA demonstrating its preference for the family firms, and relatively small in size (Chan, 2010). Likewise, this networking preference with heavy reliance on family and kin has extended into the international domain. The norms of reciprocity by bonding partners to the relationship through the reciprocal exchange of favours and mutual obligations were evident (Ordóñez de Pablos, 2009; Alston, 1989; Luo, 1997).

However, findings from the data collected also challenges the prevailing view that firms' rely on networks in international market selection, mode choice and entry speed. Instead, it suggests that trust plays a slightly more important role at the early internationalisation stage. More importantly, this trust is built upon personal relationships derived from business ones and the individual entrepreneur is the catalyst of these entire business relationships.

8.3 Summary

This chapter explored the conception of social capital in TFTA and its role in firms’ internationalisation. The next chapter explores the issue of innovation.

CHAPTER NINE - ROLE OF INNOVATION IN SMALL FIRM'S INTERNATIONALISATION

9.0 Introduction to the chapter

As Figure 9.1 presents, this chapter is the last of four in which the researcher presents and discusses the findings from the analysis of the interviews and the field notes which were conducted for the longitudinal study.

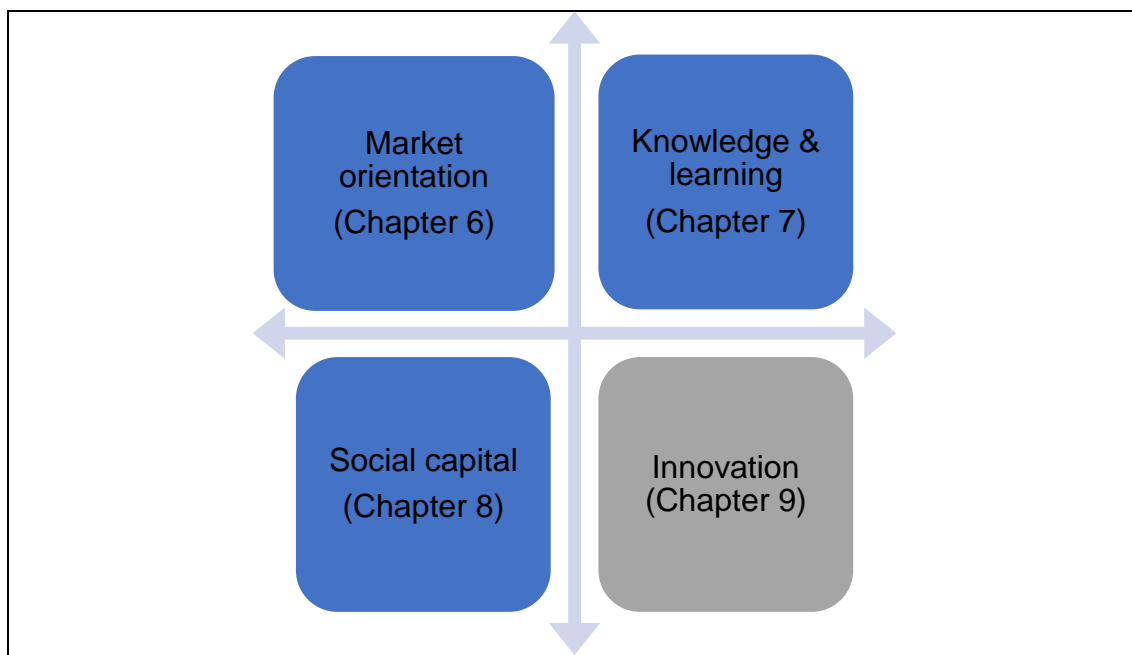


Figure 9.1 – Data presentation structuring device

Specifically, this chapter presents the findings for this study in order to achieve the following research objective: to identify the types of innovation and their relationship with small firm's internationalisation process. The process of analysis was the same as that described in Chapter 4.

9.1 Variations in the of innovation in the process of internationalisation

The analysis of the transcripts established a set of properties that describe the variations in the entrepreneur's and other participants' understanding towards innovation, as well as how their understanding towards the relationship between

innovation and internationalisation is seen. Particularly, as illustrated in Table 9.1 four properties emerged and they are: (1) sources; (2) approaches; (3) ability to innovate and (4) behaviour. It could be observed that all these three properties are internally related which indicates the ‘collective views’ of the entrepreneur and the participants interviewed within their respective value chain system in the process of internationalisation.

Innovation	Sources	Suppliers/Customers/Competitors
	Approaches	Technical/Administrative
	Ability to innovate	Products/Production/Process New organisational structure/Distribution
	Behaviour	Adaptation/Adjustment/Effectuation thinking/Alliance

The details of each property and its various dimensions are described below using the empirical data within the interview transcripts and observation notes’ analysis. The meaning and the logical and empirical structure of the properties were constituted using coding. Themes of expanding awareness that were present in the data were located in order to distinguish the elements of critical variation and underscore the structural relationship of the properties. Moreover, it is observed that the three distinct properties which describe the variations in the entrepreneur’s and interview participants’ understanding of the relationship between innovation and internationalisation are related in an inclusive hierarchy, and this increases the completeness of the categories of description.

9.1.1 Innovation sources and internationalisation

This property identified two main sources for innovation: upstream suppliers and downstream international customers. In addition, competitors could also be identified as a source but this was embedded in the two main sources.

The entrepreneur and other informants claimed that quite often they work together with their upstream suppliers in researching and developing the required new material for their clients. Anne specified that TFTA did not have financial resources to conduct

research and development (R&D), and neither did they consider it was necessary to do so considering that the nature of their business operation is small. Anne said:

“We do not do R&D, simply because we do not have time and more importantly, we cannot afford it...at all.” (TFTA01)

In 2012 during the second round of formal interviews, when asked whether TFTA would consider to invest on some in-house R&D, again, this was not considered as part of TFTA's objectives. Anne said:

“No, I do not intend to...it is too complicated!” (TFTA01)

An example was given by Anne with regards to how they could take advantage of innovation using TFTA's upstream suppliers:

“When Zara (downstream B2B customer) visited us during the normal annual seasonal orders placing season, I was requested (by Zara) to source a kind of wool material for Zara's ‘demine range’ with a water-washed effect, which often requires the use of new technology in the dying process.” (TFTA01)

Anne was convinced that if she could source this type of raw material within a reasonable price, she could get the business orders. Specifically, this type of material would provide a better quality of wool fabric but with similar wool compositions as those found in the thicker ones, though of a lighter weight. Ge (TFTA12) added:

“The latest trend in the marketplace in Europe had emerged that this kind of material is becoming trendy and more and more consumers would prefer this type of material due to its lighter weight yet maintaining the quality standard.” (TFTA12)

This seems to suggest that when restricted by resources in innovation, particularly regarding R&D, open ‘networks’ were used by the entrepreneur. For example, when citing TFTA's limited capacity or ability in this regards, Anne said:

“We had to work together with our networks (upstream suppliers), especially those who had resources in investing in such research.” (TFTA01)

Anne explained further:

“This collaboration was necessary, you know...we are not in a position to invest in such R&D due to our financial and human resource constraints.” (TFTA01)

Therefore, it should be noted that the ‘networks’ that was mentioned by the entrepreneur were not those of her personal social *guanxi* networks as referred to at the early international entry (discussed in Chapter 8). Instead, it is the entrepreneur’s industrial and professional networks used within the entire business operation value chain system that Anne was referring to. Typically, these networks that were used were mainly to supplement the limitation of R&D for the innovation.

In 2012, when the researcher conducted her last round of interviews, the understanding of the innovation concept was better developed both by Anne and the firm. This was also due to the government initiatives that indigenous innovation had been placed on China’s key strategic agenda for the next few years. Anne said:

“Yes, we do innovate...now...well, this is important to attain our competitive advantages, and to sustain our customers. Obviously, my understanding of innovation has different levels now and although our products are not technology ones but...yes, new technologies are somewhat embedded in the production process...and the competition is intensified.” (TFTA01)

The benefit of communications and collaborations to produce innovation between TFTA and the upstream suppliers was evident from interviewing the participants of TFTA’s upstream suppliers too. For example, Chen explained:

“We produce and manufacture textiles, many new technologies have been developed in this area, to enable a better quality but also to follow the international trends, which changes often. Innovation is the essence of our business and we have

to keep on top of the market and conduct market intelligence research as part of our business.” (TFT_{A29})

Moreover, it could be observed from the narrative accounts that the innovation idea normally came from and was introduced initially by TFT_A's downstream B2B customers, and the entrepreneur basically reacted to such new 'ideas' or 'methods' by producing 'new' products often with elements and adaptation as needed. For example, Nike said:

“As buyers, we bring the new ‘things’ (products, design, etc.) to our suppliers and asked them to supply us with. We always look for similar products with better quality but cheaper.” (TFT_{A23})

This was also evident from the interview with Nicolas:

“In the global value chain system, we are at the downstream end of the value chain, hence are closer to the consumers, compared with our upstream suppliers. As such, communication in a timely fashion is important to achieve a win-win in the marketplace.” (TFT_{A25})

This excerpt seems to suggest the need to keep the communications on the go so the suppliers (TFT_A) know what is happening at the front end and is perceived as one of the key success factors for all stakeholders in this international value chain systems.

9.1.2 Innovation approaches and internationalisation

The analysis of findings suggested that although the general understanding of the term innovation demonstrated mixed results, a number of 'new' things have taken place in TFT_A's internationalisation and one of them being the new approaches. The entrepreneur and participants interviewed emphasised the importance in adaptation and doing things differently from what they used to, especially in the context of internationalisation. These new approaches of doing things were evident and cover the entire process of TFT_A's international business operations, from the identification

of and attaining overseas customers, to the manufacturing processes, both technical and administrative.

Technical approach

This was mainly evident in the adaptation and adjustments being made to their products, which suggest that new technology aspects were identified and needed. However, this technical approach within TFTA was not obvious but was evident in TFTA's high end upper stream suppliers who produce raw materials. For example, Chen said:

“We produce yarns and supply them to manufacturers who produce textile. We need to keep an eye on the new development in the technologies in this industry, both domestically and internationally.” (TFT_{A29})

Likewise, Jue mentioned:

“The dyeing industry is closely linked to new products and technologies. We produce textiles requiring us to improve our technology and update our machines on a regular basis.” (TFT_{A30})

Administrative approach

All participants interviewed believed that they are identifying and have to deal with something new on a daily basis. Specifically, when asked about their business operations during the second round of formal interviews in 2012, it was interesting to note that the entrepreneur and other participants started to use the term 'innovation' repeatedly.

The ability to do something different was highlighted by the entrepreneur as key to attaining and sustaining TFTA's competitive advantages in competing in the intensified industry post China's accession to the WTO. Anne cited this administrative approach in her interview:

“Due to TFTA’s small size, a flexible operation approach in overcoming various limitations has to be adopted.” (TFTA01)

“At the (TFTA’s) start-up stage, we did not have people who could claim the customs (it requires people that hold the national certificate which requires passing the customs’ exam). This was the first step in arranging the logistics for exporting. Moreover, it would have taken some time in recruiting an appropriate person to do so. As such, instead of going through the normal approach in identifying, selecting and recruiting the person to do the job, an alternative method was used in solving this limitation.” (TFTA01)

Again, *guanxi* networks developed from the entrepreneur’s previous encounters were used to fulfil the tasks required for this initial exporting internationalisation of TFTA. Anne explained:

“We used an SOE as an agent to claim the Custom and negotiated a win-win deal with the SOE: the turnover volumes could be used by the SOE (annual turnovers was still one of the key criteria for measuring their business’ performance by their supervising institutions) and the SOE would operate the export administrative process, and charge us a small percentage of commission fee for acting as an agent.” (TFTA01)

This was considered as win-win solution as it was the profit of TFTA that Anne is concerned about (as a private venture), not the annual turnover (at the time) on paper to be submitted to the government. The gaps in the systems (in the policy area) contributed to the adoption of such a flexible approach, of which the entrepreneur identified and took advantages. There was no formal policy which states that this is forbidden, which resulted in the approach being adopted that satisfied both parties.

This innovative approach was also demonstrated in the adoption of new payment methods, during the international expansion stage. In the past (80-90s) when Anne worked for STFT, a Letter of Credit (L/C) as an international standard payment tool was always used by the international customers and accepted by all suppliers in China. L/C as a payment tool was to ensure the payment is guaranteed by the 3rd party bank, providing all the documents provided were consistent with those stated on the

L/C. However, things are changing rapidly in this regards. In 2012 during the second round of formal interviews, Anne said:

“In recent years, the RMB has appreciated against the US dollars (USD), this is added to by many overseas customers wanting to use their cash more flexibly to keep the financial liquidity, and chose not to issue L/C anymore and instead used T/T. This imposed more risks on us with little payment guarantee. However, we had to accept the adoption of this new way of payment or otherwise they will lose the customers and business.” (TFTA01)

Moreover, it could be observed from these findings that new ways of business operations are also evident in following the customers’ standards and practice. This was new to TFTA and its upstream suppliers as well. In the context of internationalisation, it was the importance of being ‘flexible’ in her business operations and willingness to adopt new approaches in their normal business practice that were being perceived by the entrepreneur as critical. To compete merely on cheaper labour is not the case in sustaining competitive advantages any more. Billy said:

“We competed on our cheap labour by paying them (manufacturers) less and let them working longer hours in the past. However, this is not the case anymore. Some of our B2B customers have to inspect our manufacturers before they can sign the agreement with us as a supplier.” (TFTA06)

Billy added:

“For instance, H&M even requested our manufacturers (upstream suppliers) to install the timer to record the break times of their workers in between their working hours. This was to ensure the workers’ essential human rights to be protected.” (TFTA06)

In the context of China where human rights was not highly emphasised as those in many developed countries, this aspect of business operations was not even thought about before. Zhao said:

“Letting workers work longer hours could reduce the overall production costs and we always did so ...but in order to follow the business practice internationally, we have to follow this procedure and practice, otherwise, we do not get orders.” (TFTA28)

9.1.3 Ability to innovate and internationalisation

Once the concept of innovation was discussed with the entrepreneur, it could be observed that Anne, as well as other participants in TFTA consider that innovation and the ability to innovate has sustained their competitive advantages. This was not evident at the early internationalisation stage, but was evident in their international expansion stage.

Regarding this property, data analysis suggested that a number of aspects could be categorised as the ability to innovate. This includes the general reference made to the ability to have better and novel products and overall production; ability to adjust the firm’s operational process and structure to adapt to the changes in the process of internationalisation. In addition, this ability was also evident in TFTA’s ability to adapt and adjust their international distribution whilst facing the challenges that the market environment turbulence had brought.

Ability to innovate products and production

During the field work, innovation emerged as one of the key issues in TFTA’s overall internationalisation process. However, when the entrepreneur was asked whether innovation played a role in TFTA’s internationalisation, it could be observed that the entrepreneur’s initial understanding of innovation is about new technical products only, often associated with the use of high technology. Anne said:

“We do not have innovation as we do not belong to technology-intensive industrial sector and we compete on cheaper labour only.” (TFTA01)

Anne added:

“This labour-intensive industrial section business nature indicates that we are at the lower end of the international value chain, compared with those businesses that are knowledge-intensive and often belong to the high-tech industrial sector.” (TFTA01)

This seems to suggest that the term ‘innovation’ is not well understood in this context. However, as the discussions evolved and Anne considered that some ‘newness’ has emerged and been developed, such as ‘new methods’ being used in processing and manufacturing of raw materials, which has had certain impact on some of the aspects of their products.

“Oh...yes, when our clients require new materials to be used for their finished garment orders, we had to work hard and make every effort in sourcing the required ‘new’ material.” (TFTA01)

Therefore, it could be considered that the understanding of the innovation concept was not clear from the entrepreneur at the beginning (in 2008). However, when further considered, she described and demonstrated that improvements in technology were made on their products and overall production in order to meet their international customers’ requirements. Although at the initial stage of product export internationalisation, the competitive advantages of TFTA was mainly based on their price advantages due to their relatively cheaper production costs, innovation however, played a key role in sustaining their competitive advantages in internationalisation. This ability to innovate developed as was evident in TFTA’s adaptation of its organisational structure and operational processes, both within the firm and internationally.

Ability to adapt and adjust structure and distribution

It was also observed that Anne was proactively changing her team structures in order to support and facilitate staff’s development capability and to be encouraging with their novel ideas. For example, Jing said:

“I joined TFTA in 2009, a year after Anne. I was promoted from an administrator to the director and managing the general as well as financial side of TFTA.” (TFTA15)

This was in 2011 and Li (Anne's sister and original director) was working on a part-time basis then. Anne said:

"She is my sister but she is no longer suitable for the job." (TFTA_{A01})

This was interesting and in 2012 while the researcher was shadowing Anne and conducted her observations for 4 weeks, it could be observed that while Li was still around she did not seem to doing much in the firm, apart from providing some pastoral care to staff. This decision made by Anne, along with other behaviour which emerged as novel is discussed in the next emergent property of innovation: behaviour.

9.1.4 Innovation behaviour and internationalisation

Particularly, the analysis of findings also indicates that although TFTA was not able to conduct much R&D in house, but was able to utilise their upstream suppliers' R&D resource and competence in improving their final finished products. This innovative behaviour was observed in the process of TFTA's international contracts negotiations.

Problem recognition stage - It could be suggested that the market information and knowledge was to a large extent, introduced by TFTA's downstream B2B customers. This market information and knowledge was then being transferred by TFTA to its upstream suppliers. Hence, this 'open innovation' system provided all players in the entire international value chain system with benefits.

Developing new ideas - During this market information and knowledge sharing process, the upstream suppliers generated new information and knowledge from TFTA and they then researched and developed the required new products which were supplied to the international markets. In the meantime, they also developed and adapted the new products and sold them in the domestic markets where appropriate. Hence, the knowledge was shared within the value chain system via the open platform, and this 'open network' has enhanced products and technology innovation.

Moreover, the analysis of findings seems to suggest that these new ideas in facilitating product innovation was not just one way. This market knowledge sharing and transferring sometimes can come from TFTA's upstream suppliers, which support TFTA's product innovation and gave added value to its internationalisation. For example, Anne gave an example on this:

“Once I showed buyers from Zara during my visit to Spain (Headquarters of Zara) the lining materials that one of my upstream suppliers used for a trench coat order placed by a South Korean customer. The buyers fell in love with the printed (pattern) lining fabric straight away. After discussing with their designers, the pattern of the lining fabric was accepted and included in the design of Zara's new season's orders immediately.” (TFTA01)

Thus, the narratives suggest that quite often TFTA's upstream suppliers (fabric manufacturers) would provide them with samples of the new innovated products: some of these were developed by their technicians, others were developed with the 'borrowed concepts' from the market information and intelligence generated from other customers for whom they are in production for.

Within this property, the analysis of the findings also suggested that the entrepreneur believed that entering a new market itself is a kind of innovation. TFTA started with only two (B2B) customers and both were in the Spanish market. Out of the two, the smaller B2B customer was an agent but also has its own retail stores in several of large cities in Spain. The other larger B2B customer is Zara but TFTA is only one of many suppliers to Zara given TFTA's smaller size, as well as the global scale of Zara. Anne said:

“After TFTA had been operating (formerly) for a year (in 2009), I felt that we needed to expand the overseas markets in order to achieve scales of economy. This meant that we needed to identify different customers in other countries where we could implement our international exporting strategy. We had to do something new to grow our business, to enter new markets.” (TFTA01)

In the process of expanding to new international markets, it was pointed out that *guanxi* networks were used, specifically with those international customers who are sourcing suppliers through their own subsidiaries in China. For example, when trying to expand to new international market segments, Anne wanted to supply to H&M, a well-known global scale brand who is selling their products in many international marketplaces. She explained:

“The starting point of this new market expansion is to seek the opportunity to supply to H&M. Within the industry in the region, I was aware of the fact that H&M are managing the sourcing of suppliers in China with their own subsidiaries located in Shanghai and Beijing, with each being responsible for certain regions. The guanxi networks that had been built over many years in the industry helped me in identifying ‘who to reach’ in the process.” (TFTA01)

Specifically, the employees in these offshore offices are often local Chinese, who also consider ‘*guanxi*’ as a social norm in their normal social and business practices. Anne said:

“I used my guanxi networks and made contact with the H&M Chinese Office, persuaded them to give me an opportunity to meet up...H&M is one of our main customers now.” (TFTA01)

Although this ‘*guanxi*’ network has contributed towards Anne’s international markets’ expansion, it was being perceived that product improvements and innovative methods of their products and services have played a key role in their subsequent internationalisation and performance. Anne commented:

“Guanxi can only get me in touch with the right people at the beginning. I think quality products are key in expanding to new markets.” (TFTA01)

This was also cited in Jojo’s interview:

“Innovation is also required to enter to the new markets. Each market is different; hence the tastes, needs and the customers’ requirements were dissimilar.

For example, the product ranges we provided to Zara and to H&M are very different, in terms of colour, design and even the fabric quality.” (TFTA05)

Hence, it could be suggested from the findings that when TFTA enters a new market, it was important that they are able to share knowledge among suppliers and customers, in order to learn to adapt to the dissimilar customers’ needs and tastes, which could be perceived as a type of innovation.

Another aspect of the entrepreneur’s novel behaviour was evident in her effectuation logic and always seeking for strategic alliance. One example of this was in her decisions of recruitments. Anne said:

“As TFTA expand rapidly....honestly beyond my initial thoughts. I have to plan ahead based on past experiences and predict this uncertain future. I need more merchandisers who can listen to me, as well as be bold enough to develop new customers; I need technicians who work hard but also report to me any market intelligence from all sources that they could identify. I always seek partnerships...whether internally or externally...but (this alliance) needs to be beneficial to me, and what I can afford to lose.” (TFTA01)

9.2 Discussions

The analysis of findings supports Bhaskaran’s (2006) understanding of innovation in stating that innovation has a multi-dimensional character: product innovation, process innovation, strategy innovation and market innovation, and all of which are very significant for business success. Specifically, the understanding of innovation could be as technological innovation, which is about “the adoption of a new idea that directly influences the basic output processes”. Evidence also suggests that the understanding of innovation could fall into the administrative innovations category, which include changes that affect the policies, allocation of resources, and other factors associated with the social structure of the organisation” (Daft 1978 cited in Cooper, 1998, p. 497). Therefore, this mixed understanding of the concept of innovation reflects the need to define innovation broadly, incorporating all forms of innovation (Dewar and Dutton,

1986; Damanpour, 1991; Porter, 1990; Hyvarinen, 1990), which supports Schumpeter's (1934) broader conceptualisation of innovations.

Moreover, the analysis of findings suggested that innovation in a nutshell provided the firm with competitive advantages. This mirrors Porter's (1990) earlier study which has placed innovation high up the list of hierarchy of sources of competitive advantages. Specifically, evidence reflected Porter's (1990) argument regarding the fact that innovation is more likely to lead to advantages which are sustainable rather than those sources based simply on price. From the entrepreneurship perspective, the evidence from the findings also demonstrated a commitment to innovate has been considered to be important to the success of entrepreneurial ventures and small firms (Fiol, 1996).

The analysis also suggested that TFTA as presented in this study is increasingly making use of knowledge generated outside the organisation in the innovation processes, this is in line with the concept of 'open innovation'. That is, innovation occurring through relationships that are negotiated in an on-going communication process, and relies on networking internally and externally, which is often being defined as 'network innovation'. TFTA was able to use available invention and innovation services from their upstream suppliers and knowledge provided by their downstream customers to develop and market add-valued products and services to their international customers (Phillips *et al.*, 2000; Radjou, 2005; Swan and Scarbrough, 2005; Valkokari and Helander, 2007).

Specifically, the literature on the rapid, non-incremental and early internationalisation of born-global firms (Bell, 1995; McDougall and Oviatt, 2000) suggests that highly entrepreneurial SMEs challenge the conventional wisdom by directly entering global markets with innovative products. However, there was no evidence to suggest that this is the case in this study. In contrast, the entrepreneur and TFTA did not enter into international markets with innovative products; instead, TFTA competed on cheaper prices, especially at the early international entry stage.

Nevertheless, there is a growing consensus that the marketing/entrepreneurship interface within an SME context is "change-focused, opportunistic in nature and innovative in management approach" (Collinson and Shaw, 2001, p. 761). This was

evident in the findings from this research where innovation in management and business operation approaches in international markets were being perceived as essential in surviving and sustaining success at post entry stage. This finding is consistent with those perspectives in the field of entrepreneurial marketing literature which suggests that SME innovation should not be confined to product innovation (Carson and Gilmore, 2000). Findings from this study indicate that TFTA undertakes both technological and non-technological innovations (Porter, 1990; Hyvarinen, 1990) and both types of innovations enable TFTA to gain entry into competitive international markets (Australian Manufacturing Council, 1995; Hyvarinen, 1990).

This seems to suggest that market knowledge also contributed towards the product innovation, which supports the earlier statement of Drucker's (1954) in stressing the importance of both customers and innovation in business management. According to Drucker (1954), "There is only one valid definition of business purpose: to create a *customer*...it is the customer who determines what the business is....because it is its purpose to create a customer, any business enterprise has two – and only these two – basic functions: *marketing* and *innovation*" (p.37). Therefore, from the analysis of the remarks and quotations made by the entrepreneur as well as other participants, what customers want determines what the business needs to do or to adapt to in order to improve their products. This seems also to imply that the TFTA was being market oriented, the entrepreneur uses her effectuation logic and thinking, and carrying out 'new', different actions in order to respond to market conditions (Jaworski and Kohli, 1993).

9.3 Summary

This chapter explores the entrepreneur's understanding of the innovation concept and the perceptions of its relationship with internationalisation. The next chapter discusses the coupling relationships of the four issues which emerged as core categories, their interplays and roles in the process of internationalisation.

CHAPTER TEN - DISCUSSIONS OF FOUR KEY ISSUES IN SMALL FIRM'S INTERNATIONALISATION

10.0 Introduction to the chapter

As illustrated in Chapter 6, 7, 8 and 9, each significant group of concepts with regards to TFTA's process of internationalisation was identified, coded and presented from the interview transcripts and field notes. All concepts from the coding were grouped as a core category which representing a phenomenon. This was in line with the pre-existing framework of thoughts that was identified from the literature review and initial pilot study which sets the boundary of and provides a general direction for this study. Detecting core categories reveals the possibility of theory building by forming conceptual groups of interconnected codes (Solhi, 2016). This also enables the development of a conceptual framework, which was the ultimate objective for this study, using the grounded theory approach where a comparison could be made with the initial pre-existing framework of thoughts in relation to the local Chinese context.

At the start of this study, although from reviewing the IE literature and pilot study, these four issues were identified as influencing small firm's internationalisation. However, the researcher did not know what aspects of these four key issues were exactly playing a role in the small firm's internationalisation. For example, which issue and what dimension plays a more important role, if possible, in TFTA's early internationalisation stage, and growth stage? Are they playing an equal important role at each stage? As the researcher started to analyse the data collected, patterns started to emerge. This chapter therefore, will provide an explanatory account of the changes of the various aspects of these issues identified and their roles, either individual or coupling, during TFTA's internationalisation process.

Chapters 6, 7, 8 & 9 each presented and discussed the findings from the four identified key issues and their respective role in TFTA's internationalisation process. This 'structuring device' was to allow simplicity and ease of data presentation. Moreover, the analysis of the findings also demonstrated that there is a close coupling relationships between these key issues and they jointly amalgamate and play key roles in TFTA's internationalisation. Therefore, this chapter is to develop a conceptual

framework, comparing it with the pre-existing framework of thoughts and proposes cause-and-effect relationships where available. Specifically, these core categories and their relationships with TFTA's internationalisation are mapped using an influence diagram (Coyle, 2001) to show where different core categories and their various properties and dimensions may be acting in TFTA's different stages of internationalisation.

10.1 Mapping MO, Knowledge, Social capital, Innovation and Early Internationalisation

This section maps out the coupling relationships between these four core categories and TFTA's internationalisation as patterns emerged from the data analysis. Specifically, it provides an explanatory account of the roles of these emerged core issues in TFTA's introductory and early internationalisation which took place between 2006 and 2008.

Figure 10.1 illustrates the relationships between the key core categories: (1) MO; (2) knowledge and learning; (3) Social capital and TFTA's introductory and early internationalisation stage. Innovation as the fourth core category was perceived as having little role and influence by the entrepreneur at this stage hence was not discussed here. The key themes that emerged at TFTA's early internationalisation stage were (a) the entrepreneur's background and (b) the entrepreneur's market oriented behaviour.

Particularly, it emerged that the primary motivating forces for TFTA's rapid internationalisation pace were opportunities for accessing international markets, domestic industrial re-structuring and perception of risks, hence both 'push' and 'pull' factors were demonstrated in motivating the creation of TFTA and its export internationalisation. This supports most studies in IE literature which suggests that it is the combination of external factors, internal factors and factors related to the entrepreneur that pushes companies to go global (Zahra and George, 2002). For TFTA, the external factors are mainly associated with the market characteristics, the sectoral export culture and international market demand characteristics.

Linking of data and analysis on research issues: Market Orientation, knowledge, Social capital and TFTA's introductory and early international entry stage (2006 – 2008)

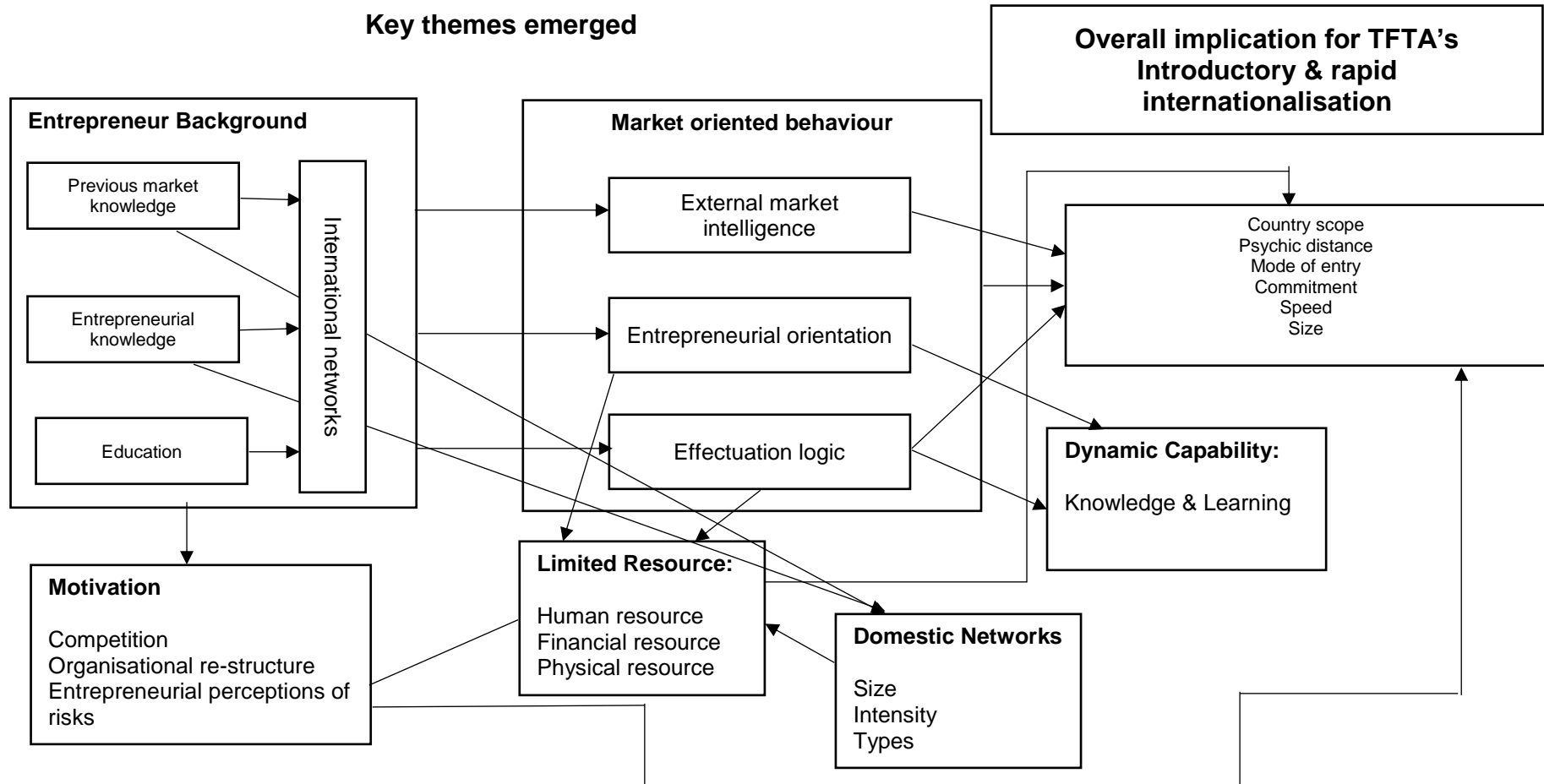


Figure 10.1 An influence diagram between MO, knowledge and internationalisation

However, it should be noted that although TFTA could be labelled as an INV (Coviello 2015; McDougall *et al.*, 1994), for the entrepreneur, her international market entry behaviour should not be considered as an early internationalisation, but an international 'Re-entry' (Nummela *et al.*, 2016). In the IE literature, entrepreneur-related factors are found to be fundamental in the internationalisation of a firm. Evidence from TFTA suggests that there are a number of entrepreneur-related factors as illustrated in figure 10.1 and they are: entrepreneurial orientation (EO), ability to generate international market intelligence and ways of thinking and making decisions. These findings support those of Andersson and Victor's (2003) in suggesting that an entrepreneur's capabilities and aspirations prior to start a business is key in entrepreneurship literature. Likewise, it also mirrors some of the IE literature in suggesting that effectuation logic (Sarasvathy *et al.*, 2014) has a positive association with small firms' internationalisation.

Particularly, as outlined in Chapter 5, when the case firm's background information was demonstrated in the category of motivation and decision to internationalise were presented, it could be observed that the entrepreneur's experiential and market knowledge which she acquired from her previous job has played a key role in her decision to create the business venture and its rapid internationalisation. This finding is in line with the existing understanding in IE. For example, Zahra (2005) and Zahra *et al.* (2000) contemplates that knowledge allows a clearer understanding of the process of identifying and exploiting opportunities abroad. This also suggests that internationalisation is itself a learning process and knowledge is a key dimension in advancing the entrepreneur's understanding of the internationalisation phenomenon (Casillas *et al.*, 2009), given that the entrepreneur accumulated such knowledge via learning incrementally.

Moreover, Cvetkovich and Eale (1992) argue that "perceived risks" predict problematic issues and allow decision-making by individuals based on uncertain information. Specifically, Leonidou (1995) claims that the export environment is more complex and dynamic than that of the domestic market. In TFTA's case. The entrepreneur had little knowledge in operating in the domestic market as her only experience and knowledge is to export the finished apparel to international markets, in this case, to Europe. Therefore, by operating in the same market with existing customers whom she knew

provided a relatively lower level of risks from the entrepreneur's point of view. The dynamic environment influences a firm's strategy directions, which rely on the specific source of the firm's marketing capabilities. Menon and Varadarajan (1992) propose that when perceived risks are high, management will collect more market information. In the case of TFTA, the entrepreneur used her accumulated international market knowledge over a period of over a decade working in a large SOE, and identified international market opportunities in Europe, a market that she had operated in for many years, hence the psychic distance is relatively low.

Moreover, RBV was perceived as a critical driver of export performance (Eisenhardt and Martin, 2000), as it helps to explain how knowledge and capabilities are developed and leveraged within an enterprise. RBV and its extended view defines firm-level resources, including assets, capabilities, management's attributes, information and knowledge that are controlled by the firm (Barney, 1991). Hence, export MO and learning orientation are part of these internal firm-level capabilities. This was evident in the entrepreneur's characteristics as identified and presented in Chapter 5.

In addition, the RBV also posits that sustained competitive advantage is attained only when resources are valuable, rare, and inimitable, and the firm's organisation enables exploitation (VRIO) of the resources' potential (Barney and Hesterly, 2012). Although TFTA at its introductory stage did not demonstrate this VRIO nature of resource, it could be argued that the entrepreneur's individual international market and industry experiential knowledge could be considered as valuable, though it could be inimitable over time. In particular, existing literature in IB, entrepreneurship and IE claims that knowledge plays a central role (Autio *et al.*, 2000) in internationalisation. Nonaka (1994) concluded that knowledge is essential to a firm's ability to create value and develop a competitive advantage, and the ability to effectively transfer knowledge can provide a firm's competitiveness. In this case, it is the entrepreneur's international market knowledge and industry experience that are the key factors motivated her to start TFTA and its radical internationalisation (Knight and Cavusgil, 2015).

Another emerged key theme is the entrepreneur's market oriented behaviour. Akyol and Akehurst (2003) consider export firms that are market oriented would perform in a dynamic environment better than their competitors. At this stage, the entrepreneur's

market oriented behaviour can be summarised as: being externally focused in generating market intelligence, being able to have effectual thinking and being entrepreneurial oriented as illustrated in figure 10.1.

Most of the empirical work in MO has been carried out in Europe and America, using the measure scale such as Narver and Slater's (1990) and on large firms (Keskin, 2006). Accordingly, the measure scale used is not entirely true in TFTA's case. At this stage, it emerged that only international market intelligence was more important in TFTA's early entry to international markets. As discussed in Chapter 6, this mainly consists of experiential and international market information, again based on the background of the entrepreneur. One of the fundamental propositions of marketing theories is that the effective implementation of MO results in a superior competitive advantage (Jaworski and Kohli, 1993). Specifically, in a meta-analysis of MO, Kirca *et al.* (2005) suggest that one critical mediating variable among MO and business performance (including innovation performance) is innovation orientation. However, this innovation orientation was not explicitly demonstrated in the findings of the TFTA study. Overall, the findings suggest that the entrepreneur's market oriented behaviour at this stage is mainly export market oriented (Rose and Shoam, 2002).

Another aspect of the market oriented behaviour to emerge is that of being entrepreneurial oriented. EO represents the specific style and method about strategic guidance, and is preparing for risks and to accurately discover new opportunities before their competitors (Lan and Wu, 2010). However, in TFTA's case, although the entrepreneur was ready for risks she was not willing or ready to go to new international markets with perceived higher level of risks. According to Knight (2000), although SMEs have seen numbers of opportunities with the coming of globalisation, they are operating under hostile, risky, and uncertain business environments. A firm with entrepreneurial orientation would perform better and adopt more powerful tactics in global competition (Lan and Wu, 2010). In this case, it was the entrepreneur's EO that enabled the speed and pace of TFTA's early internationalisation, but not the firm level. This was particularly evident in the entrepreneur's effectual thinking and decision actions.

Havnes (2003) found that many firms now enter multiple countries at once. Little evidence in the data suggested that this was the case for TFTA's speed in internationalisation. It was suggested that although in the past the entrepreneur had business dealings with several European countries, at the start of its internationalisation, TFTA only dealt with two international customers located in one country (Spain). This decision was made by the entrepreneur proactively as well as passively as the excerpts suggested in Chapter 5. Sharma and Blomstermo (2003) state that the selection of foreign market entry for BG firms is based on their existing knowledge and on the knowledge supplied by their network ties. The findings from TFTA suggest that the entrepreneur has established strong ties with her international networks prior to starting the internationalisation processes despite substantial cultural distance to the target market.

Based on the literature reviewed, the empirical findings for internationalisation measures are explored in terms of psychic distance; commitment to foreign markets; initial entry to market; and country scope (Johanson and Vahlne, 1977, 1990). Research findings confirmed that commitment to foreign markets was significant for TFTA from the start (Rasmussen and Madsen, 2002). It also supports research by Johanson and Vahlne (2009) in suggesting that the commitment for SME into a foreign market is made in small incremental steps and increases according to improved network relationships and associated learning and knowledge opportunities. The findings also support the theory developed by Ibrahim (2004) in suggesting that as part of the entrepreneurial process, most entrepreneurs perceive international opportunities from the first day they start their business and occurred organically prior to achieving stability in their domestic market whereas TFTA did not operate in domestic market at all.

This finding is dissimilar from those in the staged and innovation approach in the IB literature in suggesting that firms normally acquire knowledge via an incremental process, typically by operating in a domestic market prior to their entering into international markets (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne 1977, 1990). Although most research in IE literature from an entrepreneurship perspective, in suggesting that 'Born Globals' is a phenomenon that describes how small firms enter into international markets at their inception stage, but most of those

findings were based on high-tech or knowledge-intensive industries, as well as to a large extent in the developed economies. Little research in manufacturing sector suggested that this is the case.

TFTA's 'born global' phenomenon however, was largely due to its institutional context as discussed in Chapter 1 and 5, where the Chinese government used internationalisation strategy as one of the key economic reforms in the 80s and 90s by providing export incentives. In association with these incentives, the sectoral market characteristics also contributed to TFTA's international commitments, given that China is the largest apparel exports industry in the world. The entrepreneur carried out her ongoing international activities from the start of her professional career in the early 90s during China's planned economy system, and the only difference here is the change of the ownership of the business venture. Again, this was due to the changes of the institutional environment in China particularly post its accession in WTO, and POE was officially promoted by the central state.

As discussed above, although it was the entrepreneur's international networks with strong ties that played a major force in TFTA's radical internationalisation, it was her domestic network relationships that have comprised her resource limitations at the founding stage. There are several dimensions to these guanxi networks: (1) networks; (2) trust and (3) leverage of resources. As Chapter 8 presented, at TFTA's introductory stage (prior to 2008), the entrepreneur's personal and professional networks with strong ties and high level of trust that had enabled her to organise human resource, manage cash flow and the operation of TFTA without being physically there. The selection of the founding team was associated with the entrepreneur's effectual logical thinking as well. For example, the entrepreneur selected a limited number of team members whom of each had sub-networks (illustrated in Chapter 8). This has replaced the internal resources and capabilities of large firms (Havnes, 2003) such as at the previous SOE where the entrepreneur used to work. Hence, the entrepreneur was able to cope with the risks and challenges associated with internationalisation (Johanson and Vahlne, 2003).

Moreover, it was suggested that some key aspects of such networks could also impact on the speed of internationalisation, for example, the strength of network ties, the size

and the density (Oviatt and McDougall, 2005). Evidence from TFTA suggest that the family network (*Jianren* and *Qinren*) has provided the most important human resource via its stronger ties where the trust level was high (Aldrich, 1999). This supports Chrisman *et al.*'s (2002) theory is suggesting that family represents a critical and often used resource for start-ups. Although other founding members of TFTA were ex-colleagues of the founding entrepreneur, 'friends' and 'family' were also used in the entrepreneur's interview when citing their relationships. This seems to mirror the theory of Parsad *et al.* (2013) stating that family and friends are important to entrepreneurs as they offer not only capital and labour but emotional support as well.

A study by Birley (1985) suggests that business contacts are more helpful than family and friends in gaining access to raw materials or supplies. TFTA initially approached her previous business contacts when many of the initial resources were assembled and the elements of the business were set in the entrepreneur's mind. At this stage, TFTA was facing a competitive disadvantage (Schoonhoven *et al.*, 1990) with inadequate financial reserves. Using her domestic industry networks, the entrepreneur formed alliances with her upper stream suppliers who shared compatible goals, would enjoy the mutual benefit and also acknowledge the mutual dependence (Mohr and Spekman 1994) of the production gains. This enabled TFTA to reach outside and in so doing, gain access to complementary resources and capabilities (Teece, 1986), share costs and risks and also develop markets (Hagedoorn, 1993).

10.2 Mapping MO, Knowledge, Social capital, Innovation and Internationalisation Growth (2008 - 2012)

During TFTA's international growth and expansion stage (since the entrepreneur formally joined TFTA), all four core categories emerged having played a role. Figure 10.2 illustrates the key themes that emerged from the data analysis: (1) Knowledge and learning; (2) firm-level market oriented behaviour; (3) social capital and (4) innovation. However these differed from those that emerged at TFTA's introductory and early international entry stage, the dimensions of these core categories also appeared to be different. Although knowledge was presented, it was the learning and learning capabilities dimension which played a more important role at this stage. Moreover, although innovation emerged as a core category, it was mainly the

approach and behaviour aspects that the entrepreneur and the firm adopted that contributed to their production and products, as well as the adjustments to the venture's operations internationally that were necessary due to the changing market environment.

Among these core categories, firm-level market orientation emerged as the key theme, which is associated with knowledge generation and learning, innovation, and resource identifications and utilisations. This was mainly driven by the entrepreneur's effectuation logic thinking and behaviour in predicting and making decisions under uncertainty (Andersson, 2011; Harms and Schiele, 2012), by using all available resources and means. The analysis of the findings also indicated that innovative approaches were adopted by TFTA at this growth stage as discussed in details in Chapter 9. This innovative approach could be perceived as being market oriented both domestically and internationally, which has proven that there is a close relationship between innovation competence, MO and international performance. Specifically, the findings suggested TFTA was flexible and adopted innovative approaches in its domestic business operations to overcome the limitations of its resources, for example, lack of financial resource in conducting in-house R&D related product innovation. 'Open' innovation and 'network' innovation therefore was used to collaborate with other key stakeholders within TFTA's international business value chain system, and developed 'new' elements to the finished products that they were exporting to a number of international markets.

Linking of data and analysis on research issues: Market Orientation, Knowledge, Social capital, Innovation and TFTA's international expansion (2008 – 2012)

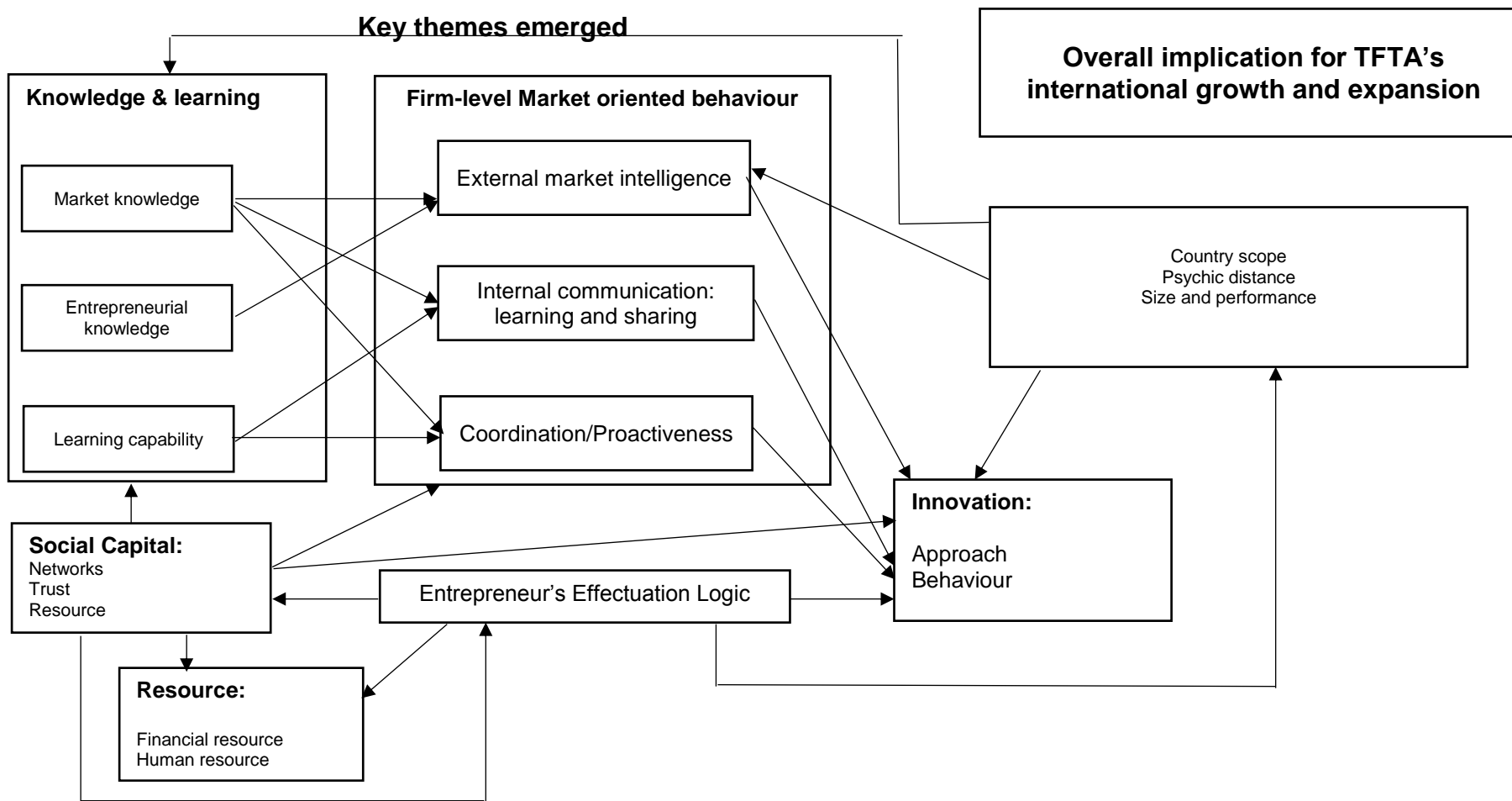


Figure 10.2 An influence diagram between MO, Knowledge, Social Capital, Innovation and TFTA's Internationalisation

This finding also supports the concluding remarks made by Lukas and Ferrell (2000), claiming that both marketing and innovation are considered, more than ever before, as stimuli for competitive advantage. Therefore, findings from this study support those recent studies (Lado and Maydeu-Olivares 2001; Agarwaal *et al.*, 2003; Verhees and Meulenbergh, 2004) in suggesting that MO behaviour has an impact on innovations (Chapter 6 & 10) and has a specific emphasis on the customer's perspective (Drucker, 1954). In association with MO, it is important to point out one particular dimension of innovation – innovation speed, which is associated with a firm's capability to accelerate the activities that occur through the new product development process (Chen *et al.*, 2005; Kessler and Bierly, 2002). Research findings specifically focusing on the MO issue (Chapter 6) have indicated there is a relationship between TFTA's innovation speed and the responsiveness towards market intelligence and customers' needs.

Overall, the research findings demonstrated that at this stage, MO increases the firm's ability to create and implement new ideas, products or processes (Hult and Ketchen, 2001; Im and Workman, 2004), and has a positive impact on new product performance (Baker and Sinkula, 2005; Kirca *et al.*, 2005). At the expansion stage, TFTA needing to survive, and made adjustments to its strategies to accommodate the changing environment which support the theory in suggesting that MO has a positive impact on the innovation process (Atuahene-Gima, 1995, 1996; Xuereb, 1997, Han, 1998, Hurley and Hult, 1998) and a firm can carry out different actions in order to respond to market conditions (Jaworski and Kohli, 1993). In this case, it is more difficult to scan the changing international market environment with limited knowledge and resources, especially when the impacts of changing customers' buying behaviours are influenced by the changing social cultural context (Lado and Maydeu-Olivares, 2001).

In association with the internal competence, the analysis of the transcripts also suggested that the entrepreneur's view of MO has a role in facilitating knowledge acquisition, as well as learning, both at individual and organisational levels (Chapter 6). This finding reflects those of Hunt and Lambe's (2000) in arguing that MO can be considered as a resource because it is an intangible property of a firm, which allows it to supervise market information and to deliver added value to its customers. Moreover, it could be observed that the internal competence is also associated with the external focused dimension of MO, that is, information and intelligence generation and the

responsiveness to customers. From the data analysis, the sources of knowledge generation and learning were three-fold: downstream customers, upstream suppliers and competitors (Chapter 7). Specifically, according to the entrepreneur, by supplying and being responsive to customers in different international markets, new knowledge can be learnt in its internationalisation processes. Therefore, it could be suggested that MO only enhances performance when it is combined with a learning-orientation (e.g. Slater and Narver, 1995; Baker and Sinkula, 1999; Farrell, 2000), and this was particularly important to small firms (Chaston *et al.*, 1999).

Moreover, scholars have also proposed the notion that internationalisation constitutes a form of innovation (Bilkey and Tesar, 1977; Simmonds and Smith, 1968), in which knowledge is a vital source (Penrose, 1959). The findings of the knowledge issue (Chapter 7) mirrors the existing understanding of the relationship between knowledge, innovation and firms' internationalisation. From a learning perspective, a firm's innovativeness refers to a firm's culture that promotes and supports novel ideas, experimentation, and openness to new ideas (Calantone *et al.*, 2002). Research findings exploring the knowledge and learning issue (Chapter 7) show that the reason behind the entrepreneur's international expansion and growth is her learning capacity and ability to learn on an ongoing basis that has contributed to this outcome. This learning capacity could be observed at both individual and organisational level, and took the forms of learning from all stakeholders in the entire value chain.

Although this relationship between learning and product innovation was not specified, it was recognised that learning enabled the entrepreneur and TFTA to be able to add 'innovative' elements to their products to meet their international customers' needs. Therefore, the findings of this research support the general views in general management and marketing literature, suggesting there are interrelated relationships among MO, learning-orientation and firm innovativeness, and together these issues will have a combined impact on firms' overall performance (Calantone *et al.*, 2002; Hurley and Hult, 1998).

Specifically, a prevalent view in theoretical discussions proposes that an MO alone is insufficient for the development of radical innovations (e.g. Hamel and Prahalad, 1991; Berthon *et al.*, 2004). Hence, an MO without an entrepreneurial drive (e.g. Slater and

Narver, 1995) or a strong learning orientation (e.g. Baker and Sinkula, 2002) will at best lead to adaptive learning which is necessary for incremental innovations, but insufficient for radical innovations (Slater and Narver, 1999). The findings at this stage has established a positive link between MO and innovativeness (Grinstein, 2008; Kirca *et al.*, 2005; Lukas and Ferrell, 2000; Verhees and Meulenbergh, 2004; Pelham and Wilson, 2004), however, no evidence suggests that MO leads to radical innovation.

Similarly, in defining the innovation process, Schumpeter (2006) identifies knowledge as a central variable in the process of creative destruction and implementation of new combinations of production factors. Therefore, knowledge can be considered as a critical foundation for sustainable development innovation (De Sousa, 2006; Laszlo and Laszlo, 2002). As such, organisations are increasingly paying attention to the notion of 'open innovation', that is, making use of knowledge generated outside the organisation in innovation processes and *vice versa*. This is particularly important for small firms when they are suffering 'resource poverty'. The data analysis illustrated that TFTA used their business and industrial networks, to develop innovation and the 'network innovation' contributed to their ability to overcome the 'resource poverty' and limitations. This mirrors the view in defining 'network innovation' as innovation occurring through relationships that are negotiated in an on-going communication process, and relies on networking internally and externally - available invention and innovation services in order to develop and provide market added-value products and services to customers (Phillips *et al.*, 2000; Radjou, 2005; Swan and Scarbrough, 2005; Valkokari and Helander, 2007).

Although social capital emerged as one of the key themes at this growth stage, it was pointed out that it was the trust dimension that was embedded in the entrepreneur's *guanxi* networks and family relationships. This perception supports Nahapiet and Ghoshal's (1998) definition of social capital, in stating that social capital is "...the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (p.243). In particular, although trust from these personal and family relations were being perceived as important resources at the early entry stage, this trust was more evident in the entrepreneur's external industrial relationships at the international growth stage, and was identified as one of the key success factors in the entire internationalisation

process. It was considered that performance is the ultimate measurement and enabler to sustain the relationship with the customers as there is no 'forever-loyalty'.

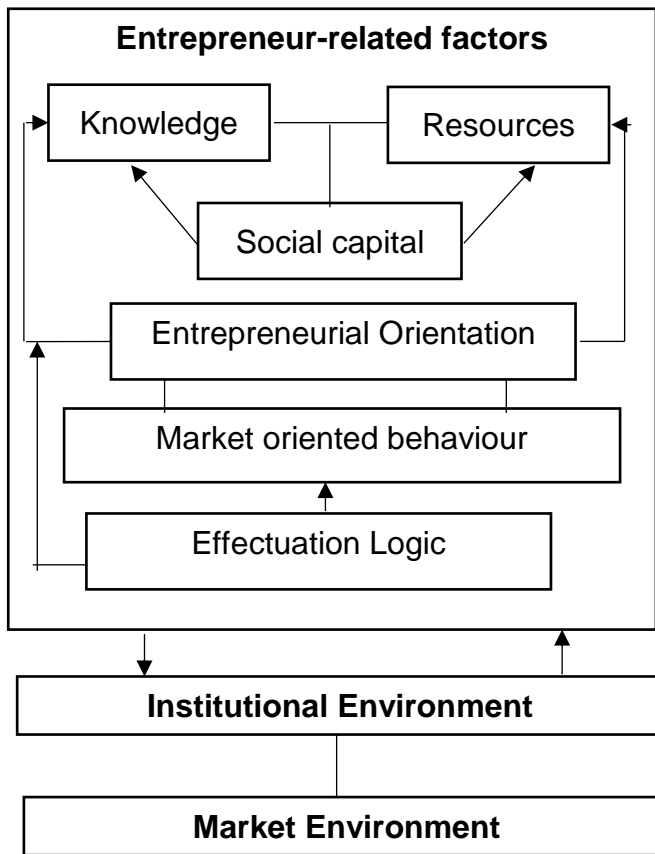
10.3 An Integrated Conceptual Framework Development

The above analysis leads to the development of an integrated conceptual framework on the entrepreneurial-related factors of rapid internationalisation of born global firms to demonstrate the longitudinal process in the Chinese context. Figure 10.3 presents the conceptual framework proposed for future research, with discussions in the conclusion chapter.

10.4 Summary

This chapter presents and discusses the coupling relationships of MO, knowledge and learning, social capital and innovation, and how their overlaps impact on small firms' internationalisation. The analysis of research findings suggested that the impact on these four key issues were not linear. Instead, these four key issues are inter-related and interact mutually, often concurrently playing a role in small firms' internationalisation process. The next chapter presents the conclusion of the study

Drivers for Early Internationalisation



Drivers for International Growth

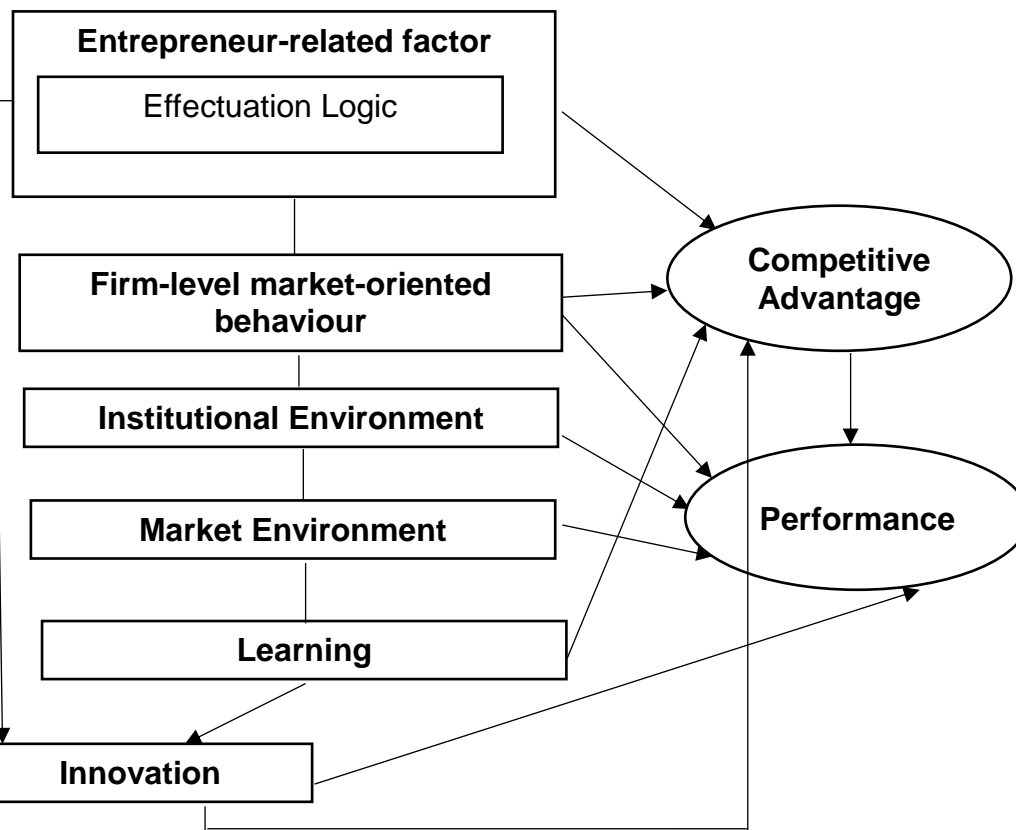


Figure 10.3 An integrated conceptual framework for small firms' internationalisation

CHAPTER EVEVEN - CONCLUSION

11.0 Introduction to the chapter

The purpose of this final chapter is to provide an overview of the research and to summarise the contribution of the study to the understanding of the field of IE in general, and small firms' internationalisation and in the context of China, in particular. The potential practical applications of the study are outlined with comments made on the implications of this research for future research direction and practice.

Building upon the understanding of the received studies in IE and small firms' internationalisation, this research proposed an integrated process conceptual framework within which four key issues, respectively, were examined in the context of small Chinese manufacturing firms' internationalisation, using an interdisciplinary approach:

- Market orientation conditions and its management;
- The role of knowledge and entrepreneurial learning;
- The perceived role of social capital;
- The types and roles of innovation

First and most importantly, through the work described in the previous chapters, the research has achieved the following primary objectives introduced in Chapter 1 (Table 1.1):

- (1) To critically review the existing literature in the IE knowledge field and to identify the key issues which impact small firms' internationalisation process.
- (2) To explore the role of knowledge and how entrepreneurial learning capacity was developed while engaging in the internationalisation process.

- (3) To evaluate the perceived dynamic role of social capital in small firms' international strategy and performance.
- (4) To examine market orientation conditions, its management, and its effects on firms' internationalisation.
- (5) To identify the types of innovation and their relationship with firms' internationalisation.

In Chapter 1, the introductory chapter presents a brief overview of the thesis. Specifically, the aims and objectives for the research are outlined. It also provides a rationale for the research with an introduction to its contextual background.

In Chapter 2, the main streams of the received theories of IE were reviewed using an interdisciplinary approach which provided theoretical foundations for this research. This partly contributed to and fulfilled research objective 1.

In Chapter 3, building upon the received theories of IE and small firms' internationalisation, as well as responding to the criticisms in the existing literature, a framework of thoughts was proposed, acting as the theoretical foundation and setting the boundary for this research. It was developed based on the review and synthesis of the existing literature, with the gaps identified, as well as issues which emerged from the pilot study. Hence, Chapter 2 & 3 together contributed to and fulfilled research objective 1.

Chapter 4 introduced the methodologies used in the present research together with discussions on the justification of the choice. Appropriate research design and data analytic techniques were identified. The methodological framework presents a longitudinal and interpretive study which was used with a single case in the manufacturing sector in Dalian in China using grounded theory approach.

Chapter 5 presents the case profile which includes the profile of the entrepreneur and those of the business venture's internationalisation. Categories of description were established focusing on the variations of the entrepreneur's motivations and

decisions in internationalisation, and the associated risks and uncertainty perceived.

Chapter 6 to Chapter 9, reported in detail on the empirical data analysis and findings with regard to the four key research issues of (1) MO, (2) knowledge and entrepreneurial learning, (3) social capital and (4) innovation, respectively, in small Chinese manufacturing firms' internationalisation process. Specifically, each chapter presented the data findings of each of these four issues, with the variations in the categories of descriptions outlined. These findings were then discussed with the existing literature. Each chapter partly contributed to the completion and fulfilment of the research objectives: 2, 3, 4 & 5. Chapter 10 reported and discussed the interactions of these four issues and their impact on small firms' internationalisation. Consequently, Chapter 6 to Chapter 10 together fulfilled research objectives: 2, 3, 4 & 5 which were identified for this study in Chapter 1 (Table 1.1) and revisited in Section 11.1 of this chapter.

In the following sections, some conclusions are drawn in the light of main contributions of the research study to the knowledge. Research limitations and directions for future research are outlined.

11.1 Main contributions of the study: A summary

As mentioned in Chapter 1, the purpose of this research is to gain an in-depth understanding of small firms' internationalisation process in the context of China, with a key focus on examining the roles of the four key issues identified in this process. From the empirical data gathered in the field work, a list of five key findings associated with these four issues and an integrated framework are developed in the context of the small Chinese manufacturing firms' internationalisation. Figure 11.1 illustrates the overview of this research which has been developed from existing theories and methods. As Figure 11.1 shows, the areas with dotted lines are the key research areas for the study.

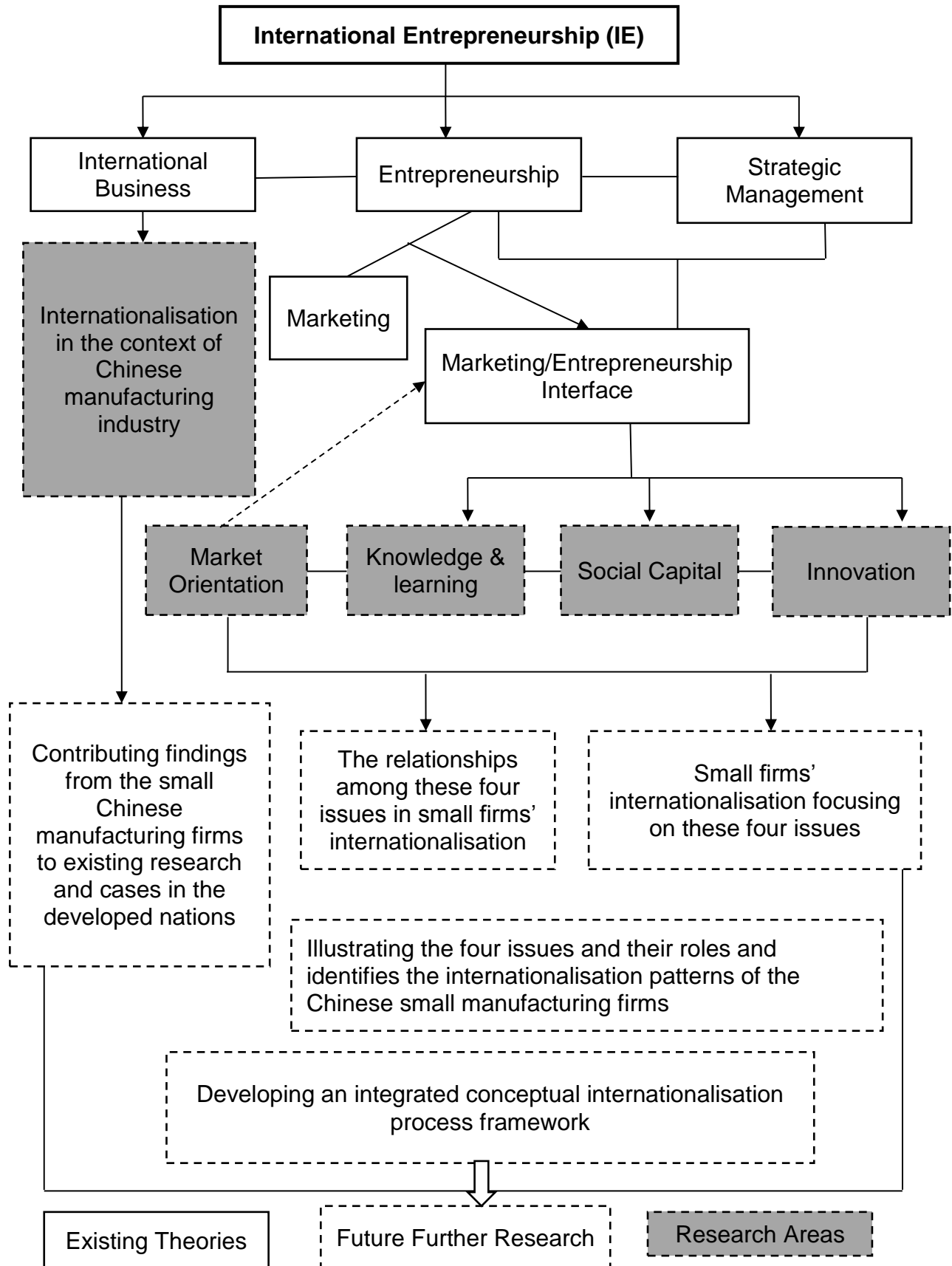


Figure 11.1 Research Overview

Contribution 1: The notion of entrepreneurship and small firms in China

The present study has conceptualised and contextualised IE and small firms' internationalisation in the context of China. Therefore, the first and substantive contribution to knowledge in IE is concerned with the conceptualisation of IE and SMEs in China. Entrepreneurship in China was defined as the proactive risk-taking behaviour of creating, recognising and acting on opportunities, with an intention to create value, often via performing some form of innovation. This definition builds on the updated definition which is found in Andersson (2000) and McDougall and Oviatt (2000, 2005). By illustrating the evolution of the private sector and the development of conceptualisation of SMEs in China from the perspectives of history and institutional context, it demonstrates that the definitions of entrepreneurship and SMEs in China are significantly different from those customary definitions in the western context. These conceptual differences in entrepreneurship could have been attributed to cultural and institutional factors (Bruton *et al.*, 2008). Through this definition a small yet significant contribution is being made to the IE and SME's literature, along with many others in emerging and developed economies.

Contribution 2: Key issues influencing small firms' internationalisation – Conceptualisation

The second key contribution to knowledge lies where the present study has synthesised the arguments in the IE literature. Chapter 2 provided a detailed, though inevitably selective, critical review of the theoretical literature of IE. It surveyed the field of IB, entrepreneurship and strategic management, using an interdisciplinary approach. This approach gives some support to the findings suggesting that no single theory is able to explain the IE phenomenon, as it has been proposed on several occasions (see for example, Crick and Spence, 2005; Havnes *et al.*, 1998; Oviatt and McDougall, 2000, 2005). It also found particular resonance in the contributions of Oviatt and McDougall (2005), Jones and Coviello (2005), Krugman (2007) and Keupp and Gassmann (2009) in which the importance of a holistic and contextual approach to the IE phenomenon can be found.

Contribution 3: Holistic approach

The third contribution lies in responding to the call for a holistic approach for IE research. Chapter 2 identified some common themes of literature in the multi-disciplinary fields. Key issues that have so far been associated with the understanding of IE were selected in the initial research framework of thoughts: knowledge and entrepreneurial learning at both individual and firm level, social capital and innovation as recurrent themes overlap in existing field of IB, entrepreneurship and strategic management. In particular, the MO concept was 'borrowed' from marketing literature, mirroring Easterby-Smith *et al.*'s (2002) argument suggesting that when doing research in one discipline, researchers should also consider using knowledge from other disciplines.

Likewise, the selection of issues of social capital and innovation is intended to contribute to the contextual understanding of IE, given that (1) internationalisation was proposed as an innovative behaviour (Anderson, 1993; Casson, 2000); (2) Innovation and the ability to innovate was recognised by Chinese policy-makers as the core element of the nation's productivity and competitiveness in the era of a knowledge economy; and (3) Social capital, in general, *guanxi*, in particular, was considered as a key concept in understanding the practice of business (Luo, 1997), and in networked entrepreneurship (Li and Matlay, 2006) in China. Hence, this selection of key issues is again a small yet significant contribution to the understanding of the holistic and contextual nature of IE. Hence, these four key issues were identified by reviewing and synthesising existing knowledge, by borrowing knowledge from the knowledge field of Marketing and Organisational Studies, all included in the conceptual framework for this study.

Contribution 4: Longitudinal methodology

The fourth contribution lies in its naturalistic and longitudinal research design using qualitative approaches (Patton, 2002; Wolcott, 1994). Given the aims and objectives outlined for this research, Chapter 4 established the epistemological grounding of the study in pragmatism (Dewey, 1938), interpretation and social constructionism (Guba and Lincoln, 1989; Knorr-Cetina, 1983; Shotter, 1995; Gergen, 1999) in which the

subject of IE is explored through qualitative narrative and discourse. The application of the life story approach, its analysis and the use of a case study in the context of the manufacturing industry in China were discussed. Specifically, the conceptual framing of thoughts with the four major issues arising from the literature and from a reflection on the pilot study was proposed; additionally the research design which enabled the analysis of the life stories was set out.

It is also suggested that the longitudinal research design used contributed to a more in-depth understanding of the contextual factors at play in exploring the relationship between network development and entrepreneurship, as proposed by Hoang and Antocic (2003). The deep rich data gathered, expanded from a significantly long timeframe which developed a fuller understanding, and illustration of how this area of inquiry developed and how it was processed. This enabled the complex social phenomenon to be observed in natural settings with 'fresh eyes' (Bundick, 2009).

Contribution 5: Development of an integrated framework

The fifth contribution is the integrated conceptual internationalisation process framework being developed which, is considered, as the prime original contribution that this study makes to knowledge in the field of IE in general. Chapter six to nine introduced four distinctive issues and examined their dimensions and respective roles in the case's internationalisation process, respectively. The case uses the initial framework of thoughts as an interpretive structure, and both give meaning to these through the use of the informants' experiential narrative, as well as providing an original illuminating story of the development of an individual and the venture's in internationalisation within their social context. This enabled the development of an integrated conceptual framework which is more comprehensive.

11.2 Key findings

Chapter Six to Nine each presented the key findings for each issue explored. Chapter ten analysed and discussed the findings, suggesting the four key issues explored are overlapping and interacting, playing a role in small firms' internationalisation.

The key findings are:

1. Confirmed that the effective management and implementation of MO results a competitive advantage, gives support to the contributions of Jaworski and Kohil (1993), Menguc and Auh (2006) and Armario (2008). The findings have revealed that it is one of the most significant factors for the 'Born Globals' case in sustaining its competitive advantages. However, the EMO of the entrepreneur was the main driving force for the case's internationalisation at its inception stage, while the firm level EMO enabled its growth. These findings have provided evidence in support of new efforts to investigate the related issues such as managing and implementing MO in IE in future research, in exploring the role of EMO or MO in the process of internationalisation.
2. The analysis of knowledge and entrepreneurial learning has revealed important empirical evidence in regards to the relationship between the type of knowledge an individual embraced and the speed of their internationalisation. The individual's experiential and market knowledge plays a vital role in decisions made to expand internationally, it is however, the competence to learn and absorb capacity at the firm level overall that played a significant role in the growth stage and in sustaining the overall competitive advantages and performances.
3. The examination of the role of social capital provided empirical evidence in suggesting that the network dimension might be perceived as the key at the pre-start and starting point of a firm's internationalisation with regards to opportunity recognition and resource utilisation, especially for smaller 'Born Globals'. It is however, the trust dimension at the firm level in the entire business value-added chain, from the upstream suppliers to downstream customers in a B2B context that plays a significant role in the internationalisation process. This has provided a valuable pointer for the business entrepreneurs to understand approaches to manage the overall process in their internationalisation activities.
4. The findings provided empirical evidence suggesting that the traditional manufacturing sector in China is lacking in innovation in their products and

technologies. The case firm is profit oriented, largely relying on intensive cheap labour and the surplus production of the sector in the domestic market. In particular, this finding advances current understanding on 'Born Globals', primarily in technology-enhanced industrial sectors. The exploratory analysis of the innovation issue also uncovered a critically important area in innovation management in China, in general and in small firms, in particular. Furthermore, the innovation issue in this study failed to provide a holistic explanation for the IE phenomenon.

In general, the case studies show that the internationalisation of small firms in the manufacturing industry in China is still profit oriented, relying heavily on a cheap labour force. This approach was inherited by the traditional economic growth method adopted by the central government more than 30 years ago, intended to achieve trade surpluses to improve the national buying power by accumulating foreign currencies. It is however, China's economic power that has risen and the approach adopted before does not now seem to be appropriate. Hence further study is needed in identifying other related key issues in small firms' internationalisation; particularly a direction is needed to be pointed out to small Chinese manufacturing firms if they wish to play an international role.

Overall, these findings within the present study have contributed to the body of knowledge in the key issues explored in the area of IE and marketing studies. The findings and their implications have provided valuable information for advancing theories in IE and improving Chinese entrepreneurs' knowledge about internationalisation and the related key issues in this process. The development of practice-based theories by the researcher through an integrated and holistic framework for interpreting the narratives of the informants and making connections between practice and conceptual working was proposed. This framework has significant potential application in future theory-building and test.

11.3 Implications for practice

Internationalisation and globalisation and their consequences for IE are among the most prevalent issues on the agendas of politicians, business leaders, and academics.

The researcher hopes this study stimulates future research on this complex, yet important topic in IE and management studies. This research explores and develops a better understanding of the small privately-owned firm's internationalisation process, with a focus on the explorations of relationships among various key factors: MO, knowledge transfer, social capital and innovation, and their respective roles in the internationalisation phases. Hence, the importance of this research lies in its relevance to current SME's international operations in China.

The findings of this study have important implications for relevant parties. Firstly, the results are interesting both for government organisations in China in charge of the promotion of international trade and for entrepreneurs. Secondly, it has implications to researchers too. Although this study is based on fieldwork conducted in a specific cultural context (China) with a single case, it provides a conceptual and theoretical framework to address the socially embedded, interactive, complex and ongoing relationships building and maintaining in small firms' internationalisation process. Given the in-depth qualitative nature of this study, the insights provided presented a broader picture of the internationalisation process of a small firm: a combination of a somewhat family business and a somewhat modern new business model under the knowledge economy, particularly in the B2B sector. Moreover, the longitudinal interpretive methodological framework was able to support a social construction philosophical view point which emphasises the importance of social embeddedness and the complexity of the internationalisation process.

In particular, several practical implications can be drawn from the research findings, which can be beneficial for family business owners, managers, and advisers in sustaining the international entrepreneurship processes of their businesses. Firstly, to business practitioners, the findings of this study suggest that under specific social and cultural contexts, personal relationships are equally important, if not more important, than business relationships among suppliers, the firm and overseas customers. Specifically, the findings of this study suggest that personal relationships and business relationships, domestically and internationally, are intertwined to such an extent, that to achieve international success, one cannot ignore one aspect in favour of the other both domestically and internationally.

Secondly, it also has implications for a wider cultural context. For example, Burkart *et al.* (2003) summarise that the vast majority of the largest businesses in Latin America and Asia are family controlled or managed. The cultural differences of these societies may have important implications for these firms' internationalisation. The unique family attributes in Chinese small family managed businesses, such as trust, reciprocal altruism, and a tendency to build long-term relationships may reduce stagnation effects and allow them to promote international entrepreneurship (Anderson *et al.*, 2005), and build sustainable competitive advantages (Eddleston *et al.*, 2008).

For practitioners, this study implies that successful internationalisation can be carried out with a strategy based on a rapid, but resource-lean entry strategy. Specifically, evidence suggests that this strategy can be successful if an entrepreneur's knowledge, links to international marketplaces and develops sustainable good networks with partners. In particular, this rapid internationalisation entry strategy could be recommended in contexts where there are few stable structures available that determine the business logic, such as China.

11.4 Critical reflections on methodology and method

Having outlined what has been accomplished through the study, it is appropriate to reflect critically on how this has been achieved and, in particular, on the methodology and methods upon which everything else depends. The researcher's own international business background, skills and knowledge, and her identity are evidently central to these aspects of the study and are therefore pertinent to the reflection.

First, the researcher considers that the research aim and objectives were appropriate, realistic and have been addressed. Although the original aim and objectives were amended along the way during the conduct of this research, having explored both the theoretical literature in depth and completing the study. It is considered that these objectives remain valid and the proposed research questions have been addressed. They were explored in sufficient depth and rigour within this study.

Second, there is evidence that entrepreneurship research is widening its epistemological grounding. As such, alternative conceptions and interpretations of IE

fit with the current call for new theory such as narrative and discursive approaches in entrepreneurship generally, where rich description, reflection and interpretation become part of the entrepreneurship story itself (Steyaert and Hjorth, 2003; Hjorth and Steyaert, 2004). In light of this, a naturalistic inquiry design has been developed in this research by relying mainly on qualitative approaches provided by Patton (2002) and Wolcott (1994) in collecting, analysing, interpreting and reporting data. In particular, the principle of this naturalistic inquiry which involves context sensitivity, case orientation and personal engagement fits well with the context, concept and issues proposed for exploration and examination of this study.

Third, this study was conducted using longitudinal (Coombs *et al.*, 2009), interpretive and qualitative fieldwork, to discover various constructs and key concepts in small firms' internationalisation process. The key issues, the interpretation and conceptual framework development in this study are primarily dependent on narratives produced from engagement with a small number of individual informants, as well as other material from the case organisations. During the different phases of the fieldwork, key issues began to emerge, which enabled the researcher simultaneously and iteratively to continue the development of the research framework. Moreover, collecting information in a longitudinal study can develop a better understanding with regards to the development of the relationships over time and to reflect on a lengthy social interaction process (Blois, 2003). In the context of China, this enabled the researcher to look at the environment and structures over time and to begin to establish or show evidence for causality (Zhu and Nakata, 2007). This is certainly true of social capital which by definition is embedded in social relations which develops over time.

Fourth, when considering the option between breadth and depth, the researcher selected a single case to report which could be analysed in depth, set against the alternatives of using more cases (breadth). Specifically, case study is the method of choice when the phenomenon under study is not readily distinguishable from its context (Yin, 1993). Equally, it allows for an in-depth investigation of an event, activity, process or individual bounded by time and activity hence helping to explore the dynamic and evolutionary perspective of the process (Creswell, 2003).

Fifth, narratives are a useful tool for analysing and explaining the intentions, actions, and situations (especially in the start-up phase) behind the many different responses and strategies of small businesses (Gartner, 2010). The stories of the business founder whom the researcher interviewed clearly illustrate this variety, describing dissimilar settings in their internationalisation process. A life story interview of the entrepreneur was used in this study purposely to co-construct the narrative and meaning by the researcher and interviewee, thus rendering events and experiences from the life story meaningful to both (Mishler, 1986; Czarniawska, 2004; Riessman, 2008; Essers, 2009; Larty and Hamilton, 2011).

Finally, a first-hand summary of the findings was discussed with the owner and/or managers who were interviewed in order to identify any misunderstanding, to maintain the validity of the interpretation. This was to maintain the consistence of the interpretations made based upon the transcripts and interview notes when the recording machine was rejected.

11.5 Limitations of the study

The research is not free from limitations. There are several limitations in this study which the researcher would highlight here. This would also provide indications and considerations that future research should address as outlined in Section 11.6.

One major limitation of this study is the size of the samples. The findings for this study were based on a single case. This is acceptable for the rather explorative character of the study but it is rather small in a wider context. However, the probability of finding a statistically significant variable is relatively low, which is required to be tested as the basis of a larger sample. Moreover, this small number might preclude more sophisticated industry effects. As such, an extension of the sample is therefore required in order to be able to generalise the obtained results and the validity of the findings from this study. Furthermore, the findings were based on a sample limited to one specific region within China. Thus the findings should not be generalised without further replication in a different context. New and established ventures in other regions of China and in other countries should be investigated in order to find out any similarities and differences in their internationalisation processes.

Second, data were collected exclusively in China, introducing a potential bias regarding the effects of family ownership on IE and thereby limiting the possibility to generalise the findings to other countries. Moreover, variations in terms of social conditions and economic developments might affect the decisions of international expansions and the performance accordingly as suggested by McDougall and Oviatt (1997), for example. Future studies might choose to investigate different host-country characteristics and its impact on the choices of entry strategies and entrepreneurial activities.

Third, there are limitations in conceptualisations. In order to keep the study within a reasonable scope of volume, the discussions of both theoretical and managerial implications were constrained within their own domain of theoretical and practical significance with rather limited references made to other related theories. Due to the space limit of the study, the researcher measured IE only with the scale of internationalisation, ignoring its scope (i.e., numbers of countries), and without differentiating between modes of internationalisation (i.e., direct and indirect) and value-chain activities involved with the process (i.e., backward and forward internationalisation).

Fourth, indeed, as is the case for most exploratory research, the contributions of this study are somewhat disparate. They have yet to be integrated into a broad picture of IE.

Fifth, the interviews were largely conducted in Mandarin in China and then being translated to English. Some evidence may not necessarily appear in the entrepreneurs' narrative accounts as explicit or substantial quotations due to the high context nature of the conversations. Whilst this was reflected and interpreted by the researcher who also speaks Mandarin, with first-hand summary being sent to the participants to avoid any misunderstandings, sometimes the narrative accounts could appear as having less substance unless interpretation was made.

Finally, the longitudinal study illustrated many of the strengths and problems associated with undertaking such studies. One of the weaknesses was missing historical records and access difficulties are common challenges with most of the data

coming from human memory. Another one is it could consume too much time and efforts which the researcher experienced for this study. Despite these limitations, the present findings in this exploratory study provide a foundation for more rigorous research on IE in future.

11.6 Future research directions

As discussed in the previous section, there are many areas that further research can be carried out for more detailed investigations and to provide additional understanding of the internationalisation process of small firms and the associated issues in different contexts.

The findings of this study provide a basis for further research at the IE/Marketing interface - to examine in greater detail the holistic way in which internationalisation strategies are undertaken in management teams in various sectors and in particular countries. In particular, future empirical and conceptual contributions will be effective if they are anchored around the axis, linking firm characteristics, strategy and performance together in the field of IE.

Moreover, future research trying to capture the process of internationalisation, should include the pre-start phase when researching 'Born Globals' or INVs, which is important to understand the further development of these 'Born Global' firms (Chandra *et al.*, 2009). In future research it would be interesting to explore how a firm deals with the challenges that arise when the firm grows (Andersson, 2004). Another potentially fruitful area of research is in the examination of how quickly firms internationalise. If they are not 'Born Globals', what drives young firms to internationalise and what are the outcomes of this internationalisation?

In particular, how global entrepreneurs access and benefit from the existing pool of knowledge is also an important question that needs to be answered. From a global perspective, future research can concentrate on the knowledge spill-over aspect of IE. A comparison between the behaviour of decision-makers in different stages of the processes ought to give useful implications both for theory and practitioners.

Therefore, an integrated model with arguments taken from combined theories should be developed and explored in future research and studies.

Furthermore, both qualitative and quantitative longitudinal approaches are recommended to take the process view. For example, qualitative observational studies should be especially useful to find out what decision-makers actually do in the different phases of internationalisation (Andersson and Floren, 2008; Mintzberg, 1973). This study is focused on a small number of case organisations only. For the future, a multiple case study is needed to provide a comparative view. Furthermore, this could be further explored cross-sectors.

In addition, some of the findings might be limited to the specific cultural context and therefore the applicability across other cultural contexts would be helpful in further exploring and developing understandings. Notwithstanding, one should not forget that the perceived risk is highly influenced by the kind of market that is targeted and therefore the researcher considers its inclusion as a necessary future line of research.

Lastly, the distinction between small firms and entrepreneurial firms is often a matter of emphasis. Future research should focus on definitional rigour which will permit useful comparisons between studies. The relationship between the two variables: age and size in association with internationalisation needs to be explored in future research.

11.7 Conclusion

This chapter provides an overview of the thesis with key findings highlighted and contributions outlined. The methodology and method used were critically reflected with limitations identified. This serves as the foundation for pointing out future lines of research. The implications of the research, in general, and for practice, in particular are discussed.

The research concludes by presenting the case findings and an integrated conceptual framework which contribute to the understanding of IE and small firms' internationalisation, in the context of the Chinese traditional textile manufacturing

industry. As identified in the literature review, there lacks a unified conception and unique framework in understanding the IE phenomenon in general, and in the context of the emerging economies, in particular. This study has critically reviewed, analysed and synthesised the existing literature in the Western developed nations and China, and the patterns of the past and current situation of firms' internationalisation in the Chinese textile industry. These could be the foundation in assisting further development and improvement in the future. Indeed, this research aims to contribute a better understanding of issues in IE and small firms' internationalisation in the context of developing nations – using China as an example.

By mapping the existing literature and developing an integrated conceptual framework from the theoretical and empirical studies throughout this research, the research questions, aims and objectives of the study have been accomplished. The researcher considers that findings from this study contribute to existing knowledge in IE, as well as in the disciplines of IB, strategic management, innovation management, organisational studies and marketing, to an extent. It is believed that the findings and the framework developed can also provide a platform for further research to be carried out in order to investigate issues in small firms' internationalisation and further advance understandings of IE, in the context of China or other countries.

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Appendix 1 – A summary of research objectives and associated questions

Research objectives		Research questions
1	To critically review the existing literature in the knowledge fields associated with IE and to identify key issues which have impact on small firms' internationalisation process	What are the key issues being identified and examined that contribute towards small firms' internationalisation in the existing knowledge understanding? What key issues that can be considered and used as a framework for this research?
2	To explore the role of knowledge and how individual entrepreneurs develop entrepreneurial learning capacity while engaging in internationalisation process	What knowledge plays which types of roles in small firms' decisions, attitudes and perceptions in their internationalisation? How learning is being developed at individual and organisational level during this process? How is this being transferred and managed at inter and intra-organisational level in this process?
3	To evaluate the perceived dynamic role of social capital in small firms' international strategy and performance.	What construct of social capital plays which role in the internationalisation process? Are they remaining the same in this process? How does social capital influence small firms' internationalisation decision, attitudes, risk perceptions and the subsequent expansion strategy and performance?
4	To examine market orientation conditions, management, and its effects on firms' innovation and internationalisation	What behaviour was adopted at organisational level in terms of being market oriented? How is this being managed and coordinated? What impact does the market orientation behaviour has on firms' innovationness and consequently internationalisation?
5	To identify the types of innovation and their relationship with firms' internationalisation.	Is innovation important to Chinese small firms' internationalisation? If so, what types of innovation was adopted?

Appendix 2 - List of Interviewees (Overall with all participants)

Codes	Name*	Position	Education	Relationship with the founding entrepreneur	Interview Date	Interview Duration (Hours)	Interview Location
TFTA01	Anne	Owner & General Manager	MBA (PT)	Owner & Founder	18.09.2006	3	Dalian
					23.05.2007	2	Dalian
					22.09.2008	3	Dalian
					01.05.2010	2	Dalian
					08.05.2010	2	Dalian
					05.07.2011	3	Dalian
					08.11.2011	2	Amsterdam
					03.03.2012	3	Madrid
TFTA02	Robin	Merchandiser	Bachelor Degree	Owner's Husband (Ex-colleague)	04.03.2012	4	La Coruña
					23.09.2008	2	Dalian
					09.05.2010	3	Dalian
TFTA03	Li Yin	Director of Administration/Finance	Diploma	Owner's Elder sister	06.07.2011	2	Dalian
					24.05.2007	1	Dalian
					23.09.2008	1	Dalian
TFTA04	Maria	Group Leader / Merchandiser	Bachelor Degree	Non-kin employee (University classmate)	07.05.2011	1	Dalian
					05.07.2011	2	Dalian
TFTA05	Jojo	Group Leader/ Merchandiser	Diploma	Non-kin employee (Ex-colleague)	04.03.2012	2	La Coruña
					10.05.2010	2	Dalian
TFTA06	Billy	Group Leader/ Merchandiser	Diploma	Non-kin employee (Ex-colleague)	07.07.2011	3	Shanghai
					10.05.2010	2	Dalian
TFTA07	Scott	Merchandiser	Diploma	Non-kin employee (knew from previous working relationship)	22.09.2008	1.5	Dalian
					11.05.2010	1.5	Dalian
TFTA08	Ying Y	Merchandiser	Diploma	Non-kin employee (Ex-colleague)	06.07.2011	1	Dalian
TFTA09	Thomas	Merchandiser	Diploma	Non-kin employee (introduced by Billy)	08.07.2011	1	Dalian

TFT _{A10}	Wang	Assistant Merchandiser	Diploma	Non-kin employee (new recruitment)	08.07.2011	1	Dalian
TFT _{A11}	Du	In-house technician	Diploma	Non-kin employee (new recruitment)	08.07.2011	1	Dalian
TFT _{A12}	Ge	In-house Technician	Diploma	Non-kin employee (Ex-colleague)	11.05.2010	1	Dalian
TFT _{A13}	Liu	In-house Technician	Diploma	Non-kin employee (Ex-colleague)	11.05.2010	1	Dalian
TFT _{A14}	Ying W	Book Keeper/administrator	Diploma	Owner's niece	24.09.2008	1	Dalian
TFT _{A15}	Jing	Book Keeper/administrator	Diploma	Non-kin employee (Ex-colleague)	12.05.2010	1	Dalian
TFT _{A16}	Zong	Driver/in-house chef	Primary School	Non-kin employee (Ex-colleague)	08.07.2011	0.5	Dalian
TFT _{A17}	Zhang	Residential Technician	Diploma	Non-kin employee (New recruitment)	08.07.2011	1	Dalian
TFT _{A18}	Bian	Assistant Merchandiser	Diploma	Non-kin employee (New recruitment)	09.07.2011	1	Dalian
TFT _{A19}	David	Buyer	N/A	Customer in Spain	04.03.2012	2	Madrid
TFT _{A20}	Anne	Buyer from WE	N/A	Customer in The Netherlands	09.11.2011	2	Utrecht
TFT _{A21}	Macro	Buyer from WE	N/A	Customer in The Netherlands	09.11.2011	1.5	Utrecht
TFT _{A22}	Stephen	Director of Retail from WE	N/A	Customer in The Netherlands	09.11.2011	1	Utrecht
TFT _{A23}	Nike	Director of Production (Boss of Anne and Macro) from WE	N/A	Customer in The Netherlands	10.11.2011	1	Utrecht
TFT _{A24}	Mariam	Assistant (of Macro)	N/A	Customer in The Netherlands	09.11.2011	0.5	Utrecht
TFT _{A25}	Nicolas	Buyer from Falabella	N/A	Customer in South American	07.07.2011	1	Shanghai
TFT _{A26}	Juan	Buyer from Zara	N/A	Customer in Spain	07.03.2012	1.5 (Joint interview)	La Coruña

TFT _{A27}	Elena	Buyer from Zara	N/A	Customer in Spain	07.03.2012	1.5 (joint interview)	La Coruña
TFT _{A28}	Zhao	Director of Clothes Manufacturer	N/A	Supplier	24.09.2008	2	Dalian
TFT _{A29}	Chen	Director of Textile yarn Manufacturer	N/A	Supplier	07.05.2010	2	Dalian
TFT _{A030}	Jue	Director of Textile Trade Agent	N/A	Supplier	08.07.2011	1.5	Dalian

Appendix 3 - Interview Protocol

The aim of this question pool is to provide guidance on questions to gain knowledge on the research subject area. Based on the situation, question best suited would be selected. The researcher asks the question and she lets the respondent flows with her or his answers. Most of the time, the researcher tries to keep quiet and only intervenes when the flow of interview is misleading.

Questions for the pilot study

The entrepreneur's childhood, education and background

Could you tell me a little about your childhood, education and background and likewise?

What do you think is most significant about your childhood? Have they affected your life and career?

Family and employees

What can you tell me about your family? Are they affecting your current life and career significantly?

What can you tell me about your employees? What relationship do you have with your employees?

Environment

What environmental incident was very important for you and your business venture (industrial and national)?

Business venture

What motivated you to your current role and situation? How did you get here? Any obstacles?

Internationalisation

Why do you internationalise? How? How did you get here? What are important factors to internationalise? Any obstacles?

Interview questions for the in-depth case study

At the beginning of the study (2006-2008), the researcher asks the following questions and based on the situation, she selects questions best suited the situation.

Basic information of the founder and the firm (including founding teams)

What does your firm do? How did the firm start and why? What is the history of the firm? Which obstacles did you face? How did you overcome them? How does starting and doing business privately differ compared to working for the previous company?

How does your firm operate in the industry? How has the local political/economic environment affected your local or foreign activities? How have you overcome the obstacles?

Who is involved in your work and how do you work together?

What are the changes and developments during these years, in the industry, yourself and in your firm, respectively?

What are your firm's competitive advantages? What are your firm's competitive advantages in China? What are your firms' competitive advantages internationally?

How would you define your firm's market position domestically and/or internationally?

How do you see your firm in 3-5 years' time?

Could you tell me about yourself? What foreign languages do you speak? Have you worked or studied outside of China? What motivated you to do what you are doing now?

What is your current role in the firm? Has this changed since the beginning? If so, any particular reason for this change?

Operation level (Manager, customer and suppliers)

Which role do you play in your firm? Could you please describe your work?

What do you think about your work (or firm) and its capacity for improvement, in general and in international activities, in particular?

Have there been any changes since you first started, e.g., your role? The business operational models? If so, what are they and how have these changes happened? Why do you think these changes happened as they did?

If you have worked somewhere else, how would you compare those with the current one?

How do you see yourself in the firm, and in 5 years' time?

How would you describe your relationship with the business, with the business entrepreneur?

Internationalisation

Why do you internationalise? How?

How did you get here? What are important factors to internationalise? When, how and why did your firm enter its first, second, third... foreign market? Which obstacles have you faced? How have you overcome them?

How would you characterise the business environment in the industry in China and internationally?

What is your understanding of knowledge? What type of knowledge is needed for the business internationalisation? Where and how does this knowledge get generated? Is there any difference of the knowledge required between operating in China and internationally? If yes, what are the differences? Any examples?

What is your understanding of guanxi networks? What type of guanxi is needed for your business' creation and internationalisation? Where and how are the guanxi and networks being generated? Is there any difference of guanxi and networks needed between operating in China and internationally?

What is your understanding of trust? How do you perceive the relationship between guanxi and trust? Is there any difference of trust within your organisation and outside your organisation? How would you perceive the role of trust in your business' creation and internationalisation?

What is your understanding of innovation? Do you have any innovation in your firm? Do you have innovation in operating in China? Do you have any innovation in operating internationally?

Questions post 2008 (2010-2012) have changed slightly with the emerged concepts from data analysis. Further questions were added:

How do you see the importance of knowledge at the various stages of your business' internationalisation?

How do you see the importance of *guanxi* and networks at the various stage of your business internationalisation?

How would you describe the importance of trust at the various stages of your internationalisation?

How would you perceive the importance of innovation at the various stages of your internationalisation?

What is your understanding of market orientation (for example, customer oriented, competitor oriented)?

How would you describe the importance of being market oriented at the various stages of your internationalisation?

How would you describe the relationships of knowledge, *guanxi*, networks, innovation and being market oriented in the process of your firms' internationalisation?

What were/currently are your main strengths and weaknesses compared to your other domestic competitors?

Have you exited or re-entered any markets temporarily or permanently? Why?

How satisfied are you with your firm's internationalisation so far? Why?

How do you plan to develop in the future (in terms of internationalisation (including exits and re-entries), production, brand, organizational management...)? Why?

Is there anything else not addressed in the interview that you think is important?

Appendix 4 – A list of documents

Company Reports

Exports Customers Accounts

Memos and field notes

Interview transcripts

Business negotiation photos

Business negotiation memos

Appendix 5 - Data Coding Process

Data Analysis Method and Process				
Steps	Coding	Purpose	Activities	Process
Step 1	Open Coding	Conceptualise and label data by identifying segments of texts. Compare them with the preconceived concepts/themes from reviewing the literature in the IE knowledge field, and identifying saturated theory concepts, any repeated concepts or any new concepts can be used for guiding for further data collection.	Recognise key words/phrases which connect the participant's description to the experience under study, line by line and paragraphs by paragraphs. This was labelled both descriptive and analytic. This was mainly used for the pilot study when the key preconceived concepts were tested with the theoretic framework of thoughts.	<p>Constant comparison – retrieve data.</p> <p>No new data or variation comes up. Categories developed with dimensions and property.</p> <p>Group concepts that same to relate to the same phenomena into categories.</p>
Step 2	Adapted Axial coding	To explore the relationships between the categories.	Try to identify any causal conditions that influence the core categories in line with the four key themes set as the research objectives. Cluster separately categorised concepts around a related theme (the 4 issues identified in the conceptual framework of thoughts) to structure abstract categories.	Developing coding diagram – theoretical model that can visually demonstrating the inter-relationships of the coding, for example, the causal factors/concepts, the interactions and the consequences.

Step 3	Adapted Selective coding	Theoretical codes being identified that the researcher is satisfied.	Identify single category that could be considered as central phenomenon – reduce codes to small number of themes that story lines can be built around.	Theories emerge and compare with the initial theoretical framework of thoughts with theoretical diagram demonstrating the relationships between key selective codes/categories.
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Appendix 6 - List of Codes

Categories	Property	Dimensions	Text labels/Codes
Motivations & decisions	Personal factors	Personal /social emergency/ creation of INV	Knowledge (experiential and market), education, language (English), industry knowledge and experience; situation of life (early life situation), characteristics, e.g., self-confidence, self-actualisation, desire, take responsibility, ambitious, be success, proactiveness; satisfaction/dissatisfaction, limitation, networks (domestic and international), <i>guanxi</i> , power, job superiority
	Context factors	Macro/meso/micro	Supply exceeded demand domestically; knowledge of exports; foreign trade agent monopolies disappearing; Quota being lifted; Fiscal taxation policy; liberalisation of trade for textiles and garments; organisational restructuring; privatisation of SOE; policy encouraging export processing trade; Tax refund; OEM; Buyer-driven; networks, <i>guanxi</i> .
	Perception of resource	Location/finance/ customers/suppliers / employees/ <i>guanxi</i>	Human, ex-employees, ex-colleagues, semi-retired colleagues and friends; husband, sister, nephew, old friends, business friends; financial, credits, physical, building rental; existing customer ongoing orders; suppliers, manufacturers, networks, <i>guanxi</i> .
Perception of risks	Opportunity and risks	High/Low/ Perception of resource	Cautious, plan, operate smoothly, ability and competence, networks, resources and resource leveraging, OEM, proactiveness, experience, knowledge, information, competitors, reliable suppliers, buyer-driven, Middlemen of foreign clothing import; export destination country, physic distance; small in size, Initial less commitment; trust, <i>guanxi</i> .
Nature of business venture	SOE and POE	Personal/social emergency; context factors	Private; family members; registered company director; government policy relaxation; friends start their own businesses;
Nature of internationalisation	Staged and 'born global'	Personal/social emergency; context factors	Stepwise, cautious, planned, resources availability, customers, suppliers, manufacturers, direct export; ongoing export industry.
Market orientation	External	Suppliers/customers /competitors/ environment/	Proactiveness in responding to customers/markets; speed to enter; understanding of markets; experiential knowledge; intelligence generation; learning; consumers' changing demands; sustaining;

		government agency/market intelligence	responsiveness; proactiveness in sourcing materials that customers required; Look out for the new trends; attend exhibitions; window shopping when abroad; adaptation; identifying opportunities for potential business; learning from suppliers; learning from customers; learning from competitors; ongoing fiscal policy; exchange rate fluctuation; take calculated risks; learning capacity; better products quality; cheaper; Suppliers are more than demand in China; Monopoly position disappeared; Deregulation; Lower market entry barrier; intensive domestic competition; value-added customer services; changing Chinese political environment, reduced incentives; encouraging indigenous innovation; reduce OEM; host country's policy impact on textile products.
	Internal	Communications/education/learning/sharing/capabilities/novel	Knowledge of markets; absorbing information; responsive; efficiency organisational structure; accountability; focused markets management and responsibility; learning of new trends; accounts management and close communications; sharing; inform; discussion; capacity to learn; bottom line; create and maintain relationships; acquire market information from suppliers, customers and other stakeholders; timely fashion/speed; team sharing and team work; coordination; competence building; observe and learn.
	Coordination	External & internal decision actions proactiveness/evaluation/innovation	Efficiency; innovative process; developing and doing new things; internal structure; responsibility and accountability; team work; disseminate; working co-ordinately; support; limited resources; take actions without a formal plan, decision-making; partnership; networks; <i>guanxi</i> , proactiveness.
Knowledge & learning	Market knowledge	Know-how/opportunity/personal knowledge/extent of market knowledge	Customer identifications; manufacturing capacity; global value chain; lower end of the value chain; knowledge accumulation; industry knowledge; opportunity identification; international travel regularly; relationships building; personal knowledge; proactiveness.
	Experiential knowledge	Education/Trade fairs/exhibitions/prior knowledge	Domestic industry knowledge and experience; prior SOE knowledge in industry and administration; experience in working in foreign country; International travel; customer visits; management knowledge

			(organisation skills; management capacity); networks; language; education enabled English language
	Learning capability	Firm level knowledge intensity/Entrepreneur's commitment/attitude/behaviour/employees' commitment/Financial/human/physical resources/competitiveness/product quality	willingness to learn; ongoing learning; personal learning; collective learning; responsiveness to the changing markets; open-minded; passive-learning due to level of competition; improved product quality; changing pattern of foreign clients' operation in China; ownership; new employee recruitments; training; skills; selection and appraisal
Social Capital	Guanxi	Relationships/networks/Ties/Connections/Exchanges/Reciprocities/Obligations	<i>Renmai</i> (人脉); <i>jiaren</i> (家人); <i>shuren</i> (熟人); friends; exchange of benefits; kinship; connections; favour; social networks; better opportunities; sub-networks;
	Trust	Personal ties/Industrial ties Strong Weak breadth	<i>Jiaren</i> (家人); close family members, extended family members; <i>Renmai</i> (人脉); <i>shuren</i> (熟人); friends; exchange of benefits; kinship; connections; favour; social networks; better opportunities; sub-networks; colleagues; networks with more sub-networks; networks with useful and relevant sub-networks. Strong ties with International customers (B2B); strong ties with suppliers;
	Resources	Human/financial/Industry/ Alliance/ knowledge	Open innovation; network alliance; information generated from networks; knowledge generated from networks; employees' recruitment from networks; financial resources from upstream suppliers; trust-based resources generation; family support as resources; <i>guanxi</i> .
Innovation	Source	Suppliers/Customers/Competitors	Upstream suppliers; downstream B2B customers; market intelligence from competitors; small size with little resources; 'open' networks; collaborations; communication and sharing.

	Approaches	Technical/ Administrative	Process; technologies for new products; operational and administrative;
	Ability to innovate	Products/Production / Process New organisational structure/Distributio n	Better and novel products; operation process adjustment; structure adjustment; adaptation; learning something new.
	Behaviour	Adaptation/Adjustm ent/Effectuation thinking/Alliance	What is known; from who; using networks to eliminate resource limitations; new market entry; adaptation to markets; adaptation to clients; adaptation to products; using networks to identify new opportunities;